THE REPORT

Sharjah 2018

ECONOMY
INDUSTRY
TRANSPORT
HEALTH
TOURISM
CONSTRUCTION
REAL ESTATE
EDUCATION
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invest in Sharjah

GOVERNMENT OF SHARJAH

Uniquely positioned

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With Dubai to the south and Ajman and Umm Al Quwain to the north, Sharjah forms a vibrant conurbation with its neighbours and is the only emirate in the UAE to border all six other territories. Home to a number of principal commercial, educational and cultural institutions, Sharjah is unique as an emirate, in that it is adjacent to both the Gulf and the Gulf of Oman. Of the estimated 1.41m population, 88% are expatriates and 91% live in Sharjah City.

SNAPSHOT

PROFILE

ECONOMY

EDUCATION

ISBN 978-1-912518-11-1

Diversified growth

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Sharjah has had particular success in developing its industrial and manufacturing sector through a network of free zones and industrial zones that continues to grow, and it is one of the main industrial bases of the UAE. While hydrocarbons represent only a small proportion of emirate GDP, the partial recovery in international oil prices since mid-2017 is likely to boost economic growth, given its impact on the federal budget and demand from other emirates and countries in the region.

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Renewed growth

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The tourism sector benefits from a range of attractions, including year-round warm weather, beaches, museums, proximity to Dubai's shopping facilities and status as a regional cultural hub. The industry faced something of a downturn in 2015, but has been showing signs of resurgent growth. The emirate is also attracting substantial investment from a range of internationally branded hotel groups.

TOURISM & CULTURE

FINANCIAL SERVICES

INDUSTRY & ENERGY

INFRASTRUCTURE & TRANSPORT

CONSTRUCTION & REAL ESTATE

Holding steady

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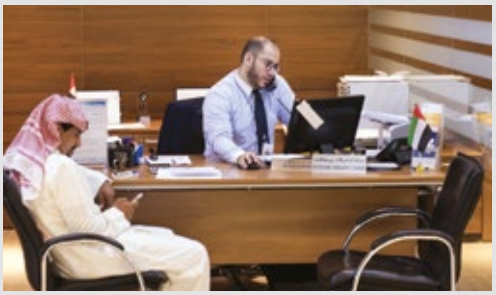
Sharjah is home to four local banks and two insurance companies, with a banking market that is characterised by significant minority government ownership stakes in several key players. The sector continues to be integrated with the rest of the UAE and the broader GCC region, carving out a niche as a conservative banking system, a rapidly expanding insurance market and an issuer of sovereign and corporate sharia-compliant debt instruments.



Zoned in

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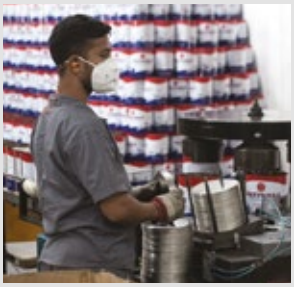
Industry and manufacturing in Sharjah benefit from a low cost base, developed infrastructure and connectivity, and proximity to facilities in Dubai. As a result, Sharjah is one of the most important industrial and manufacturing centres of the UAE and the wider GCC. For power needs, the emirate is expanding and modernising its electricity generation and water desalination capacities.



On the move

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The only emirate to have ports on both the Gulf and the Gulf of Oman, Sharjah is uniquely placed to capitalise on the region's geographical position at the centre of global logistics routes. The emirate is a key aviation link between Europe, MENA and Asia, with the first airport in Sharjah opening in 1932. There is also a string of key highways passing through the territory.

Opening the door

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With a multitude of real estate, major transport and infrastructure projects either being developed or in the pipeline, the construction sector is going through a busy time. Much of the new work is addressing previous shortages in areas such as gated and lifestyle communities, higher-end office space and retail premises, and more modern industrial estates.

Growing strong

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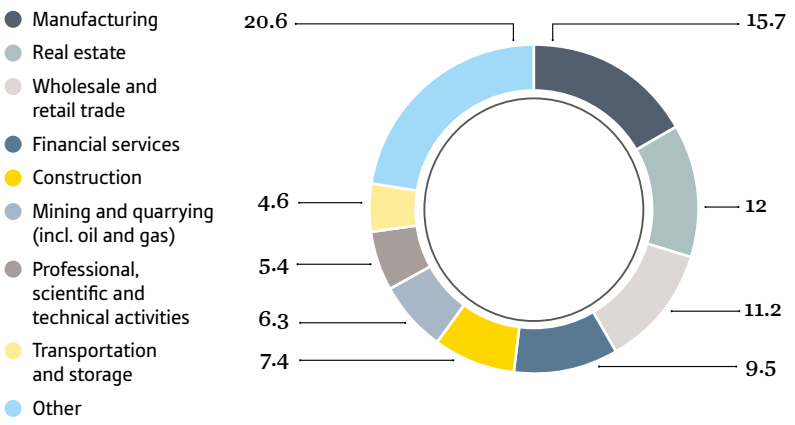
Rapid expansion is under way in Sharjah's health care sector, as the emirate seeks to meet the needs of a growing population and heightened demand for top-of-the-range medical services. This is highlighted by the opening of hospitals, clinics and pharmacies, as well as the development of the new Sharjah Healthcare City. The sector's value is set to reach $2.4bn by 2019.

Sharjah in brief

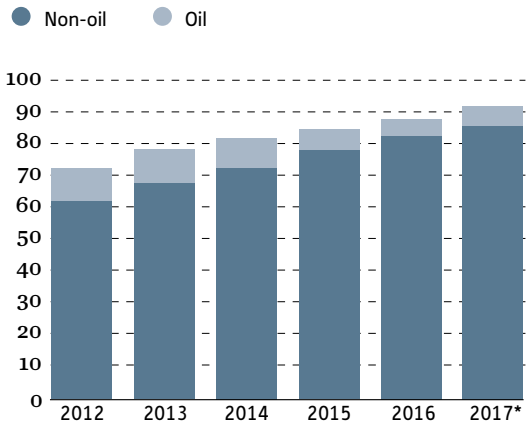
Accounting for just over 3% of the territory of the UAE, Sharjah is the federation's third-largest emirate and has long played an important cultural and economic role in the region. Home to a growing network of free zones, the emirate punches above its weight in terms of commerce and is highly diversified by regional standards, with oil and gas contributing less than 6% to GDP and no individual sector accounting for more than 20%. The authorities have also been undertaking a range of measures to boost foreign investment flows in recent years, supported by competitive advantages such as strong connectivity and low operating costs by regional standards.

GDP of top-eight sectors by value, 2017* (Dh bn)



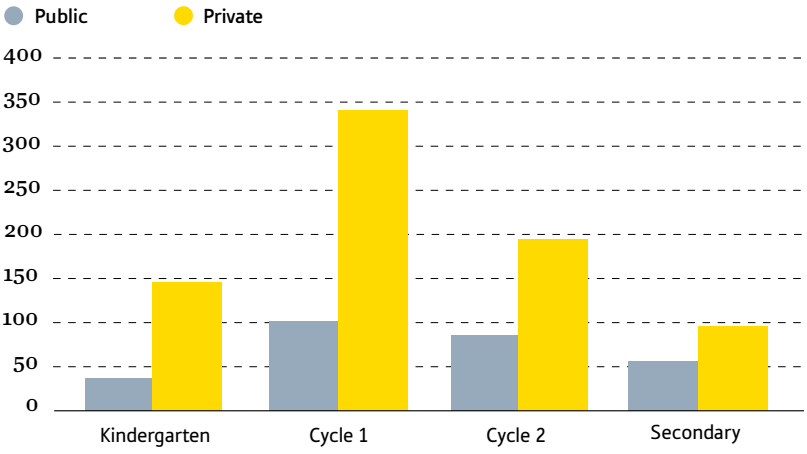
Source: FCSA *estimate

GDP at current prices, 2012-17 (Dh bn)



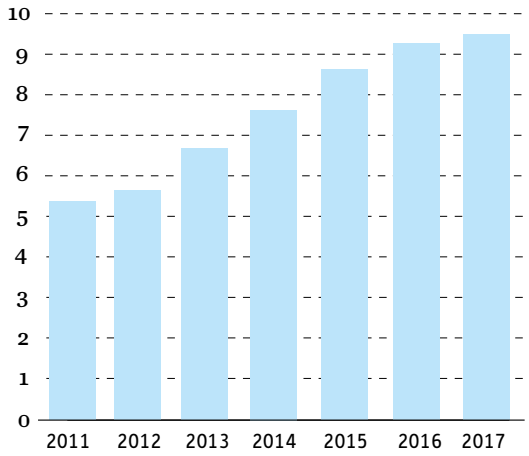
Source: FCSA *estimate

Distribution of students by school type, 2016/17 (000)



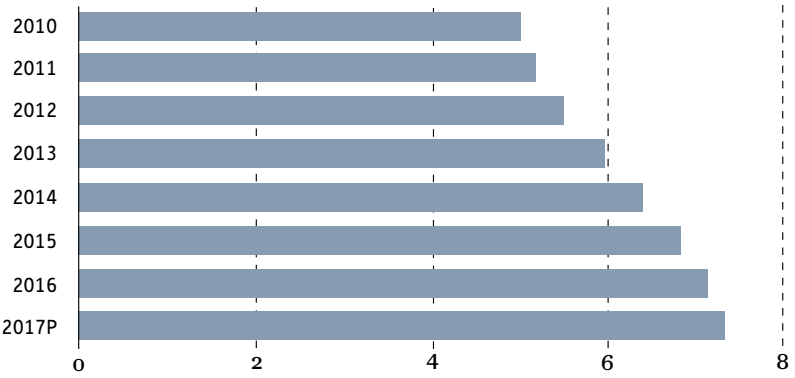
Source: MoE

Financial and insurance sector GDP at current prices, 2011-17 (Dh bn)



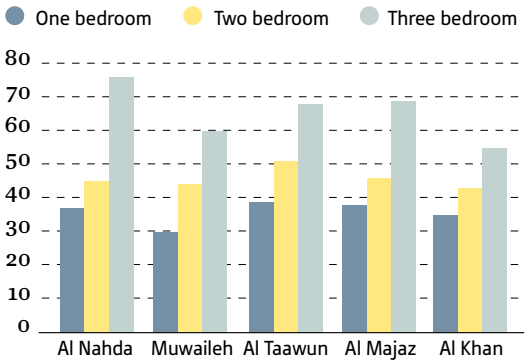
Source: FCSA *estimate

Construction sector GDP at current prices, 2010-17 (Dh bn)



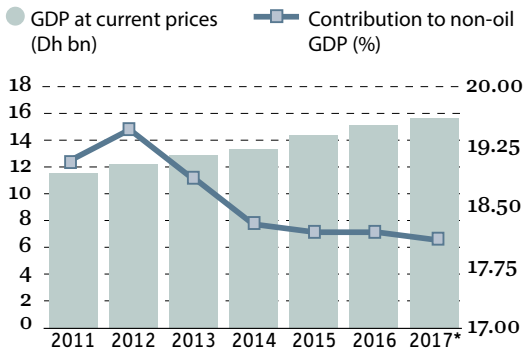
Source: FCSA

Average annual apartment rents in select Sharjah neighbourhoods, 2017 (Dh 000)



Source: Bayut.com

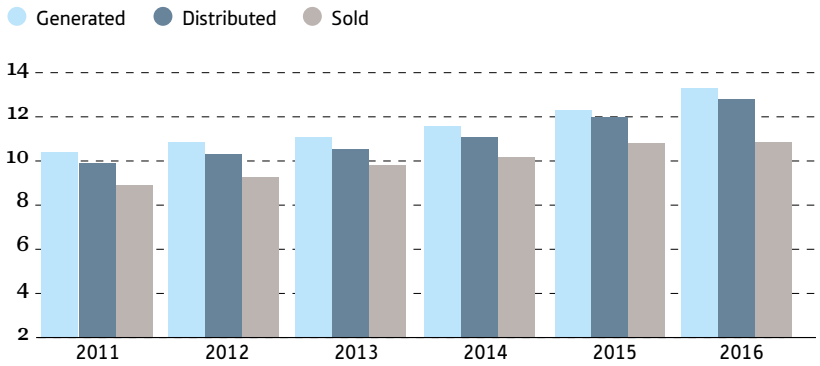
Manufacturing statistics, 2011-17



Source: FCSA

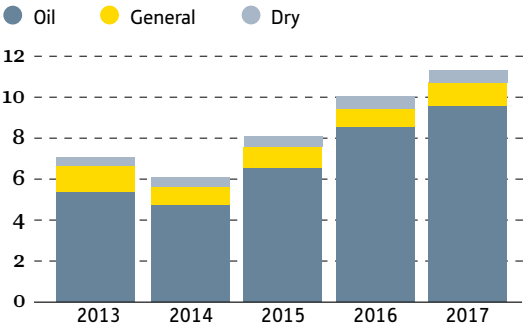
*estimate

Electricity statistics, 2011-16 (GWh 000)



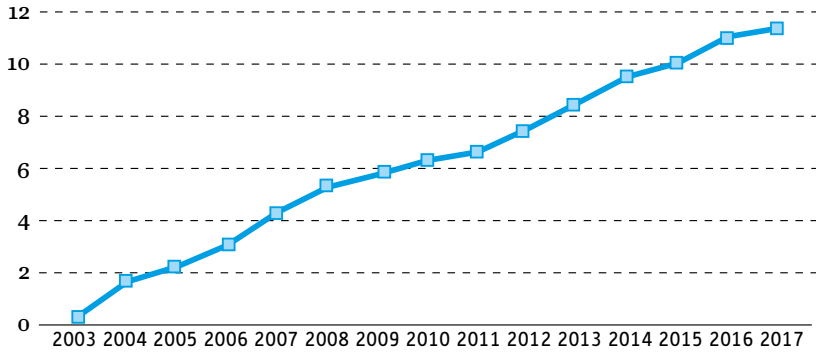
Source: DSCD

Cargo performance at Sharjah ports, 2013-17 (m tonnes)



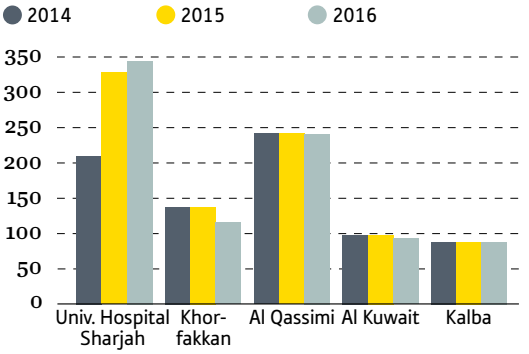
Source: Sharjah Ports Authority & Department of Seaports and Customs

Sharjah International Airport passengers handled, 2003-17 (m)



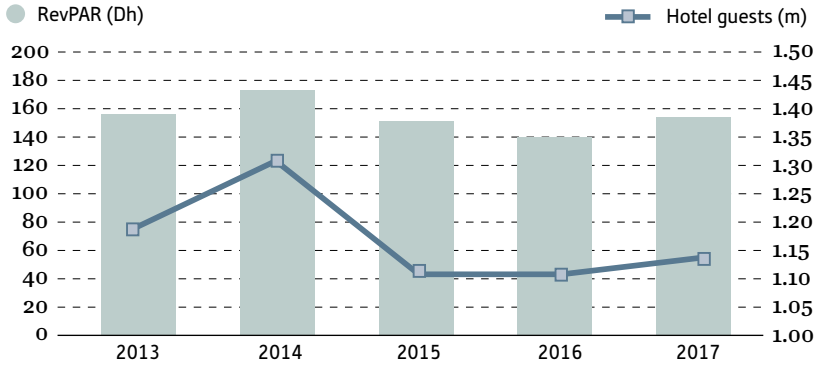
Source: Sharjah International Airport

Number of beds at select Sharjah hospitals, 2014-16



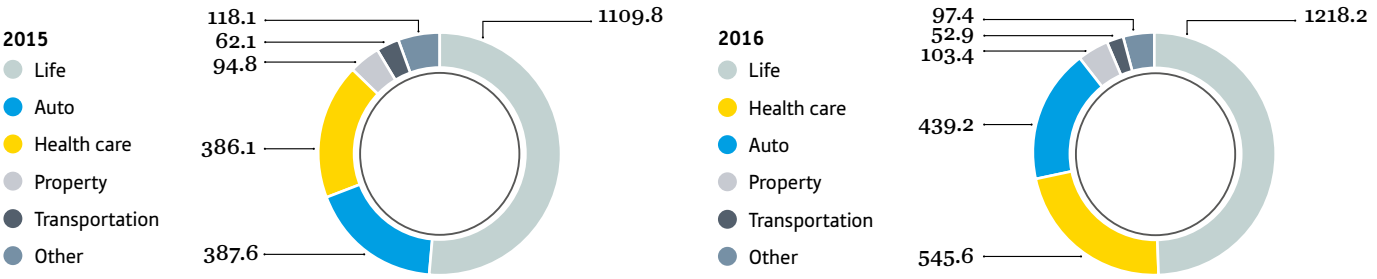
Source: MoHP

Hotel statistics, 2013-17



Source: SCTDA

Insurance premium by segment, 2015-16 (Dh m)



Source: DSCD

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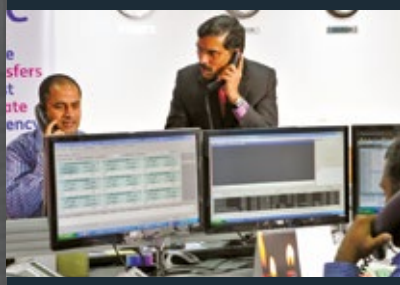
Profile

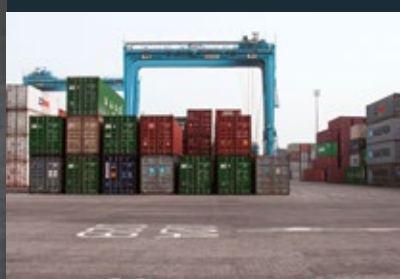
Population exceeds 1.4m and continues to grow rapidly

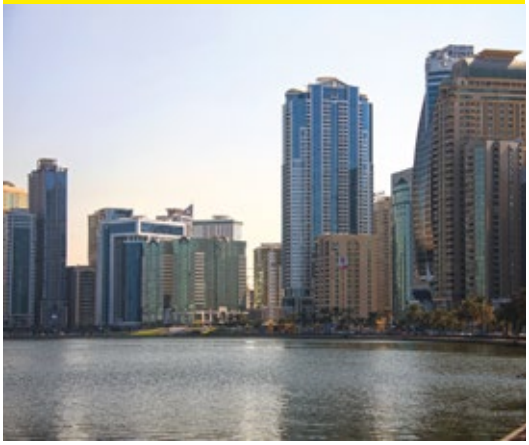
Increased investment in cultural events and attractions

Sharjah Publishing City inaugurated in October 2017

GCC countries working to diversify their economies







Sharjah is the only emirate adjacent to the Gulf and the Gulf of Oman

Uniquely positioned

The emirate continues to leverage its geographical advantages, services and cultural attractions to spur development

Sharjah is the only emirate in the UAE that shares borders with all six of the others. Covering 2590 sq km, it is the third largest in the federation.

Accounting for just over 3% of the territory of the UAE, Sharjah is the federation's third-largest emirate, and has long played an important cultural and economic role in the region. Home to seven existing or developing free zones, around 30 museums and various annual festivals that attract visitors from around the world, the emirate continues to punch above its weight in terms of commerce and culture.

GEOGRAPHY: Situated in the north-eastern part of the UAE, the emirate of Sharjah covers 2590 sq km, making it the third largest in the federation. Its main population centre, the city of Sharjah, is located some 170 km from the UAE capital, Abu Dhabi. Bordering Dubai to the south and Ajman and Umm Al Quwain to the north, this fast-growing urban centre forms a vibrant conurbation with its two neighbours and is the only emirate in the UAE to border all six other emirates.

Home to a number of principal commercial, educational and cultural institutions, Sharjah is unique as an emirate in that it is adjacent to both the Gulf and the Gulf of Oman, on which it owns three exclaves: Kalba, Dibba Al Hisn and Khorfakkan. The latter is surrounded by the emirate Fujairah and possesses a major east coast port in the form of the Khorfakkan Container Terminal – the only natural deepwater port in the region and one of the UAE's major container ports. The interior of the emirate is dominated by the oasis town of Al Dhaid, where water channelled from the nearby Hajar mountains irrigates extensive date palm plantations. Other territories owned by the emirate include the second-order exclave of Nahwa – a village located inside the Omani exclave of Madha – and the Gulf island of Sir Abu Nuayr.

CLIMATE: Like the rest of the UAE, Sharjah's coastal areas tend to be hot and humid between May and October, with temperatures up to 46°C and humidity of up to 100%, while winters are usually mild, with temperatures between 14°C and 23°C. The interior regions experience a desert climate, with hot, dry summers and cool winters.

HISTORY: Archaeological findings of early stone tools have shown that human activity has existed in Sharjah for around 130,000 years. The emirate's modern history, however, began in 1727 when the Al Qasimi tribe gained control of the area and declared Sharjah independent. The first interactions of this polity with European powers were fractious, marked especially by maritime skirmishes with the British Navy. However, a peaceful accord was reached through an 1820 treaty that saw the emirate become a protectorate of Great Britain in a bid to avoid interference from the Ottoman Empire.

By 1853 Sharjah had become a member of the Trucial States, the collective name given to the emirates at that time, and during the late 19th and early 20th centuries it enjoyed a settled existence as a significant pearl fishing port. Between 1823 and 1954 Sharjah was the base for Britain's only political representative on the Trucial Coast, demonstrating its importance to the colonial power.

The emirate also emerged as an important transport hub during this period. The airport, constructed in 1932 to act as a staging post for Imperial Airways flights between England and India, was the first in the emirates, and its runway is still in use as a main road today. This link to the outside world helped offset the decline of the pearl trade in the 1930s, as well as the later contraction of the maritime trade, which was a result of the silting up of Sharjah Creek.

The 1970s were key to the development of the emirate, with Sharjah joining the UAE as a founding member in 1971 and discovering oil in the Mubarek field in 1972.

By the 1970s the emirate was entering a new phase of development, having joined the UAE as a founding member in 1971 and gained a new leader in 1972 with the succession of Sheikh Sultan bin Muhammad Al Qasimi. In that same year Sharjah struck oil in the Mubarek field, located 80 km offshore, and within two years the emirate was producing 35,000 barrels per day. Under the stewardship

of Sheikh Sultan, the emirate has since grown in population and prosperity while at the same time maintaining strong links to its cultural heritage.

DEMOGRAPHICS: The latest official census figures show that Sharjah is home to a population that is young, urban, employed or studying, and predominantly expatriate. Based on a census carried out in 2015, figures released by the Department of Statistics and Community Development in January 2017 show that over 1.4m people live in the emirate, of which 88% are expatriates and 91% live in Sharjah City. Unofficial estimates released in January 2018 that account for the growth since the 2015 census put the 2018 total at 1.53m. The emirate has recorded steep population growth in the past 20 years, with an increase of 77% in a single decade, from 793,573 in 2005 to 1.41m in 2015.

The expatriate population is more than two-thirds male, outnumbering the female expatriate population by more than 400,000. The gender ratio is much more balanced among the Emirati population, where females outnumber males on a ratio of 51:49. The age profile is also very young, with 1.1m residents under the age of 40. A substantial 76% of all residents over the age of 15 are in full-time employment, while 5% are full-time students and 6% are "unemployed, retired, unable to work, self-supporting or carry out domestic work only". While exact figures for Sharjah are not known, South-Asian countries account for a large proportion of the expatriate population, with India, Pakistan and Bangladesh among the most-common countries of origin.

Large numbers of Sharjah residents commute to neighbouring Dubai to work. This is largely due to cheaper real estate and costs of living in Sharjah, as well as good road connections between the two emirates. However, while Sharjah's real estate segment has benefitted from this demographic, the phenomenon also causes substantial traffic congestion during peak times, namely on Al Ittihad Road, which connects the two emirates. A series of initiatives should ease congestion on Sharjah-Dubai highways. For instance, the Al Budaiya Bridge – a seven-lane, 4-km bridge and motorway that has the capacity to handle an estimated 17,700 cars per hour – is set to open in August 2018. Other plans include opening a dedicated truck lane on the E611 highway, limiting truck traffic to certain times and consideration of a fourth inter-emirate highway.

LANGUAGE & RELIGION: In line with the rest of the country, the official language of Sharjah is Arabic, though English is spoken widely and is a common feature of business communication and public life. The emirate's large South-Asian population also means that Hindi and Urdu are widely spoken among a sizeable portion of the expatriate demographic.

While Islam is the official religion of the UAE, religious freedom is enshrined in the constitution, and this is reflected in the diversity of religions practised by the large expatriate population. Christians, Buddhists, Hindus, Sikhs and members of other religious communities are all present. Due to the importance given to its Islamic heritage, the emirate takes a conservative stance on certain social issues. Norms of dress are marginally more conservative in Sharjah than in neighbouring Dubai, for example, and it is the only emirate to have banned the sale, possession and consumption of alcohol.

The large population living in Sharjah and working in Dubai causes significant traffic delays during peak hours

ECONOMY: The discovery of oil resulted in an economic boom, but even at its early stages, the emirate's leadership understood the importance of establishing a non-oil economy. The Sharjah Chamber of Commerce and Industry was created in 1970 to broaden the range of economic activities taking place in the emirate. Over subsequent decades it oversaw the development of a diversified industrial base including petrochemicals, textiles and leather, basic non-metals, foodstuffs and wood industries.

Thus, despite the challenges of the subdued oil prices, economic growth remains robust, with Standard & Poor's forecasting average GDP growth in real terms of 2.4% over the 2017-20 period, a level of confidence reflected by the enthusiastic response to the emirate's issuance of its largest dollar-denominated Islamic bond in March 2018.

The four largest sectors are manufacturing, accounting for approximately 16.9% of GDP; real estate with 13%; wholesale and retail trade with 12.1%; and financial services with 10.3%. Over the past decade the emirate has implemented a number of initiatives aimed at developing the domestic economy and encouraging inward investment, including start-up schemes for small and medium-sized enterprises as well as the establishment in 2009 of the Sharjah Investment and Development Authority – an independent body that oversees Sharjah's social, cultural, environmental and economic development in line with its Islamic identity.

Furthermore, in January 2016 the government established Sharjah Media City, a tax-free zone with

In January 2018 the population was estimated at

1.53m

Traffic congestion between Dubai and Sharjah is expected to ease significantly in August 2018 with the opening of Al Budaiya Bridge, a seven-lane, 4-km motorway with the capacity to handle 17,700 cars per hour.

The Sharjah Chamber of Commerce and Industry was created in 1970 to help diversify the emirate's economy

An aim for the tourism sector is to attract

10m

visitors by 2021

modern infrastructure and services. This was the third free zone in the emirate, after Hamriyah Free Zone and Sharjah Airport International Free Zone, which were both established in 1995. The zones are collectively home to around 13,500 companies from 157 countries, engaged in a range of economic activities, from petroleum and plastics to food processing. In October 2017 the authorities inaugurated a fourth free zone, Sharjah Publishing City, providing 40,000 sq metres of space for publishers and related firms (see Economy chapter).

Tourism is another key element of the diversification programme, with the Sharjah Commerce and Tourism Development Authority's Vision 2021 initiative aiming to attract 10m visitors by 2021. The strategy, launched in 2015, seeks to build the emirate into a top regional destination for family tourism by investing in a range of ecotourism and cultural attractions. The initiative has contributed to a rise in both public and private investment in the sector, with more than $400m in new hotel investments announced in 2017 and a $408m expansion to Sharjah International Airport expected to bring annual capacity from 8m to over 20m passengers.

CULTURE: As well as its economic development, Sharjah's leadership has also fostered a strong cultural identity in the emirate, an achievement that was recognised in 1998, when UNESCO named it Cultural Capital of the Arab World. In 2014 it held the title of Islamic Culture Capital from the Islamic Educational, Scientific and Cultural Organisation.

The Sharjah Museums Authority oversees the operation of 16 museums, including the Sharjah Museum of Islamic Civilisation, the Sharjah Archaeology Museum and the Sharjah Heritage Museum. Many of these are built into Sharjah City's Heritage Area, a district in the centre of the city characterised by buildings that have been preserved or restored to reflect the region's traditional architecture.

In October 2017 the authorities inaugurated a media-focused free zone, Sharjah Publishing City, providing 40,000 sq metres of space for publishers and related businesses.

This emphasis on heritage is complemented by the emirate's long-established role as a centre for arts and culture. Since 2009 the Sharjah Art Foundation has brought a broad range of contemporary art and cultural programmes to the communities of Sharjah, the UAE and the wider Gulf region.

The emirate is also home to the Sharjah Biennial, a contemporary art event inaugurated in 1993 that has grown to become a fixture of the Middle East's cultural calendar and one of the most respected contemporary art events in the region, drawing more than 90,000 attendees in 2013. The 14th edition of the event will take place under the thematic title "Leaving the Echo Chamber" from March 2019.

As part of the longer history of promoting culture and the arts, the Expo Centre Sharjah was established in 1977 as the first trade fair in the country, and it was moved to its current location in 2002. The 128,000-sq-metre exhibition hall is home to an annual book fair that typically attracts hundreds of local and international publishers, thousands of titles and leading authors. Another annual attraction is the Sharjah Light Festival, a nightly art exhibit that takes place in February and sees a number of local and international artists making use of the latest graphics and lighting techniques. The 2018 festival, run under the theme "Culture in Sharjah", took place across 18 locations, including some of the emirate's most-prominent buildings, such as Al Noor Mosque, University City Hall and Khalid Lagoon.

Sharjah is one of the most pedestrian-friendly emirates in the UAE. Public spaces, such as Al Qasba, Flag Island and Noor Island, are popular among residents, while traditional Gulf architecture can be found at the Heart of Sharjah in Sharjah City, thanks to a restoration and preservation project that was funded by the Sharjah Art Foundation.

GOVERNMENT: Sharjah is a constitutional monarchy and one of the seven members of the UAE, a federation of hereditary monarchies. As such, the highest level of government is the Federal Supreme Council, which is made up of the rulers of Abu Dhabi, Ajman, Fujairah, Sharjah, Dubai, Ras Al Khaimah and Umm Al Quwain. Although the president and prime minister of the UAE are electable by the Federal Supreme Council, custom dictates that the ruler of Abu Dhabi holds the presidency, while Dubai's ruler fills the post of prime minister. Since 2006 a half-elected Federal National Council made up of 40 members drawn from all seven emirates has played a consultative role in government.

At the local level, Sharjah municipality is responsible for providing civic services. First established in 1927, the municipality was granted its modern mandate in 1971. Many of its functions have recently moved online with the opening of the Sharjah eGovernment Portal. With this development, local citizens and residents are able to access popular services, such as passport issuance, booking of car parking, home care services for seniors, and requests for assistance with marriage and familial disputes.

Sheikh Sultan bin Muhammad Al Qasimi, Ruler of Sharjah and Member of the UAE's Supreme Council

Towards inclusive growth

Sheikh Sultan bin Muhammad Al Qasimi, Ruler of Sharjah and Member of the UAE's Supreme Council, on the importance of comprehensive and equitable development

From time to time we have to stop and contemplate the questions raised by what we experience and try to find answers which, in their essence, encompass our work's culture, philosophy, goals, direction and destination. In so doing, we can determine how this work can be best sustained and advanced.

The most prominent question in the context of economic activity is what the goal of the activity is. We can also ask, do these activities only achieve personal victories over challenges, or are they wide-ranging enough to enhance our culture, philosophy, community stability and the prosperity of our nations? Are their results limited to a certain geographical area? Or are they all-encompassing in a time when all limits have been removed and things are interlinked, sharing both positive and negative effects?

Does economic activity aim to generate wealth? What constitutes the real wealth of nations and how can it be measured? A large number of questions emerge and more or less revolve around one point. That being said, however, people remain the source, makers and even the target of development. If business or any other activity goes against this truth, its foundations are weakened, and its results will be discriminatory. It may be temporarily helpful for some people, but it is inevitably unsustainable and unfair to all.

This equation can best be demonstrated by the current state of the world economy, which reached its peak during the aftermath of the recent global financial crisis. Overnight the economy turned into a monster, destroying itself and millions of people proved to simply be a means via which others could accumulate wealth. Thus, this crisis left many people without the income, the resources or even the ability to purchase the products manufactured by them. Comprehensive and equitable development, which focuses on human beings above all else, is the only way to eliminate the disintegration and extremist disputes from which many communities are suffering, regionally and globally. When individuals feel that they have been excluded from their country's economic policies, they feel that their connections with that country have been broken and they begin looking for alternative affiliations. This, in turn, pushes them further towards a hostility directed at other people around them and may even push them towards extremism.

For this reason, we consider equitable development as the most successful way to root out disintegration and extremism. The economic model we wish to have is one in which results are measured in terms of the positive effect they have on social reality, including strong ties and a sustainable income; an economy that contributes to developing individuals and their culture in the context of belonging to a group; and the balance between personal roots of identification and its green branches and ability to renew.

We desire an economy that can support the pillars of civilisation, one that nurtures the arts, and instils good values and ethics in its citizens. Are these things not the true wealth of nations? Are they not inherently important to the real obligations of an economy throughout history? Therefore, our view of investment and foreign investors in Sharjah goes well beyond just material implications. Investment is a bridge to a balanced and mutual cultural exchange, and a bridge to the sciences, knowledge and experience.

Foreign investment is not only a method of achieving personal economic goals, but it is also a partner in creating sustainable economic and social development, developing knowledge, fostering the economy and expanding beyond self-reliance. It is a key resource for enhancing economic diversity and national income. We offer our partners a safe investment environment, world-class infrastructure, and a legislative system that protects investors and their investments. This is merely an expression of what we feel is our duty as hosts to ensure this partnership successfully achieves its economic, social, and cultural goals and targets.

Sheikha Bodour bint Sultan Al Qasimi, Chairperson, Sharjah Investment and Development Authority (Shurooq)

Entrepreneurial support

Sheikha Bodour bint Sultan Al Qasimi, Chairperson, Sharjah Investment and Development Authority (Shurooq), on developing the business environment through innovation

How is Sharjah looking to increase the competitiveness of its business environment?

SHEIKHA BODOUR: The emirate's successful economic diversification strategy is the result of both strong vision and economic discipline. Going forward, we will focus on more fast-growing areas such as boosting the small and medium-sized enterprise (SME) and start-up segments. We have recognised the importance of operating dedicated and specialised free zones. These allow established companies, SMEs and new start-ups the opportunity to develop their businesses within a community committed to their growth and expansion, both within the UAE and other parts of the MENA region. Sharjah is currently home to more than 55,000 SMEs. The emirate's two largest free zones – Hamriyah Free Zone Authority and Sharjah International Airport Free Zone – host more than 13,000 companies and SMEs from more than 150 countries across multiple industrial sectors, with expansion projects under way in both zones.

We recognise the importance of innovation as the bedrock to business growth, and this is why we encourage such a culture by creating and advancing organisations dedicated to promoting entrepreneurship. These include Sharjah Entrepreneurship Centre, Sharjah Business Women Council, NAMA Women Advancement Establishment and Ruwad Establishment.

To what extent will the growth of SMEs and start-ups in the emirate contribute to the development of emerging industries?

SHEIKHA BODOUR: Sharjah is looking to become the SME and start-up capital of the region. The SME segment contributes 60% of the nation's federal non-oil GDP – a figure that the UAE Ministry of Economy is aiming to raise to 70% by 2021 at a time when the country's economy is moving away from being primarily oil-based and rapidly diversifying into new and innovative sectors. Ever-advancing technology and the advent of the fourth industrial revolution will play an increasing role in small businesses' contribution to the economy. As with any sector in any market, competition inevitably leads to innovation and Sharjah is striving towards a cutting-edge economy, where all of our businesses are encouraged to review, research and develop their operational practices and products.

As part of those incentives for small and medium-sized tech companies, the government of Sharjah recently announced it will award 10% of all digital transformation projects to start-ups and SMEs. The Sharjah Research, Technology and Innovation (RTI) Park free zone at the American University of Sharjah, for example, is providing a platform for innovative start-ups as well as established companies to either enter or expand into the region, bringing not just innovation, but also the creation of new job opportunities.

In which ways can the emirate promote local innovation and entrepreneurship?

SHEIKHA BODOUR: Innovation is the new currency, and it is fuelling growth across many economies globally, including Sharjah. The environment, tourism, health care and logistics are among the strongest advantages and attractive sectors for entrepreneurs. We seek to accelerate the building of an innovation-based society through achieving excellence in digital transformation in the government sector.

The emirate is working to digitally integrate all of its services, communications and offerings to ensure maximum outreach to investors across the world, and streamlining its processes to ensure optimum service delivery. In this context we want to empower our citizens by transforming Sharjah into a fully smart city by implementing a comprehensive internet of things transformation. The emirate's commitment to the digitalisation of its economic, social and cultural affairs constitutes part of its comprehensive strategy to ensure ongoing sustainable development in the UAE.

The UAE is the gateway for roughly 60% of China's exports to the GCC

Reaching out

GCC member states pursue economic diversification by expanding and strengthening global trade ties

For the nations of the GCC, the drop in oil prices highlighted something many already knew: there is a pressing need for economic diversification and to further engage with global partners across different markets. To this end, countries in the region have made efforts to expand their international role and reach in recent years, with trade deals and investment being pursued in the US, China and India. Going forward, relationship building is likely to receive even greater focus, as GCC member states seek opportunities and forge partnerships with new economies.

LOOKING WEST: One of the most closely watched international developments in 2016 was the US presidential election. Despite Donald Trump's "America first" rhetoric, his first year in office had a largely positive impact on US-GCC relations, which had frayed somewhat under Barack Obama, who led the US from 2008 to 2016. Trump's first foreign trip as president in May 2017 began in Saudi Arabia. There, he met with 50 Arab and Muslim leaders, including those from the six GCC nations. It was announced shortly before the visit that the US had signed deals worth more than $350bn with Saudi Arabia, including $110bn related to weapons and arms contracts. The following month the US Department of State approved an initial sale of military training programmes and equipment worth over $1.4bn to the kingdom, with the contract including a radar system and education for the Royal Saudi Air Force. Trade relations beyond defence have been enhanced as well, with Saudi Arabia's sovereign wealth fund, the Public Investment Fund, announcing plans to contribute $20bn to private investment firm Blackstone Group, with the funds to be used as financing for infrastructure projects in the US.

It is the UAE, however, that has historically been the US' largest export market in the Middle East, with sales worth more than $22bn in 2016. According to Sultan bin Saeed Al Mansoori, the minister of economy of the UAE, non-oil trade between the US and the UAE rose from $27.8bn in 2015 to $30.3bn in 2016. Alongside the military deals with Saudi Arabia, the US authorised the sale of $2bn worth of missiles to the UAE.

TO THE EAST: China's engagement with the Middle East has also grown significantly in recent years, aided by China's Belt and Road Initiative (BRI), which was unveiled in 2013. The aim of the scheme is for the country to significantly extend its global reach, and it has found a receptive audience in the GCC. Saudi Arabia and China signed 15 memoranda of understanding (MoUs) during the G20 summit in September 2016, spanning areas such as science and technology, oil storage, water and cultural cooperation. These MoUs are part of a five-year programme of mutual investments, with a timeframe of one year set aside to finalise the deals.

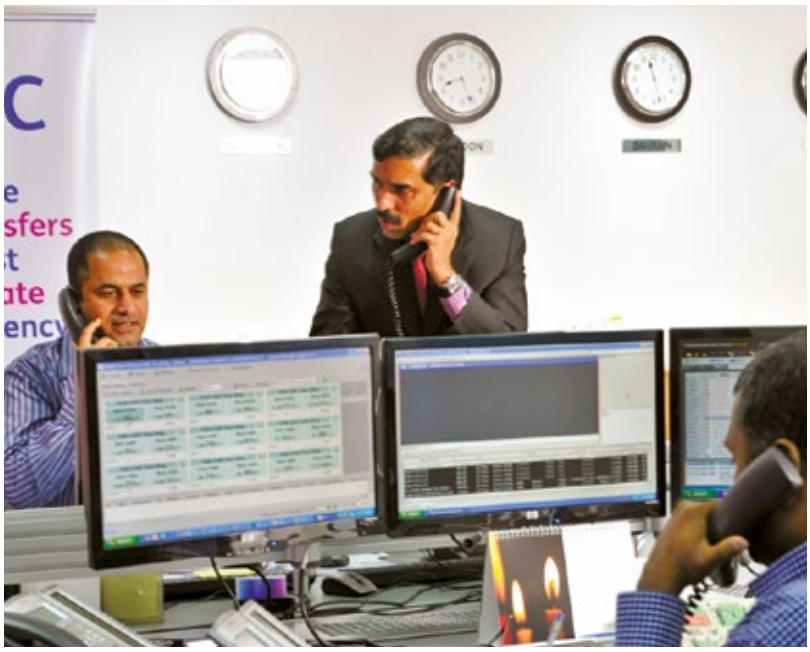
At a global exhibition in the UAE in February 2017, another MoU – related to China's defence sector – was executed between the two countries. The agreement plans to establish a production line in Saudi Arabia for China's new-generation Rainbow 4 aerial drone, among other projects. One month later, during a tour of Asia to increase economic cooperation with the region, King Salman bin Abdulaziz Al Saud of Saudi Arabia oversaw the signing of additional deals worth upwards of $65bn with the Chinese government. The agreements included an MoU between oil giant Saudi Aramco and China North Industries Group to explore the establishment of refining and chemicals plants in China, and a deal between Saudi Basic Industries Corporation (SABIC) and China's Sinopec to develop petrochemicals projects in both countries. Sinopec and SABIC already run a joint chemicals complex in Tianjin, China.

China is currently Saudi Arabia's largest trading partner, with bilateral exchanges amounting to $42.4bn in 2016. During a visit to the kingdom in August 2017 Zhang Gaoli, then-vice-premier of China, said his country "supports Saudi Arabia in making its 2030 vision a reality, and would like to be a partner as the country diversifies its economy". Some 60 agreements and MoUs, worth nearly $70bn, were signed during his visit.

China's engagement with the Middle East has grown significantly in recent years, with a number of strategic agreements and projects put in place under the Belt and Road Initiative, unveiled in 2013.

In 2016 non-oil trade between the US and the UAE rose by 9% to

$30.3bn



Emerging markets in South Asia are seen as key to outward growth, with India the GCC's largest trade partner

In order to develop the BRI, China is keen to attract more foreign bond issuers in its interbank bond market. Sharjah became the first Middle Eastern government to do so, issuing an RMB2bn ($297.8m) instrument – a so-called Panda bond – in February 2018.

REGIONAL PARTNERS: Gaoli also visited Kuwait during his time in the region, becoming the highest-level Chinese official to visit the nation in almost a decade, as the countries look to deepen trade relations. Kuwait was the first Gulf state to establish full diplomatic ties with China in 1971 and also was one of the initial Arab countries to sign a cooperation agreement with it under the BRI. Bilateral trade between China and Kuwait reached $9.37bn in 2016 and rose 28.6% year-on-year (y-o-y) to $5.47bn in the first half of 2017.

The UAE is also expected to play a key role in BRI due to its importance as a global trade hub. The country is the gateway for roughly 60% of China's exports to the region, worth about $70bn annually, according Abu Dhabi Ports. He Song, economic and commercial counsellor at the Chinese embassy in Abu Dhabi, stated that Chinese non-financial foreign direct investment in the UAE rose 352% y-o-y in the first nine months of 2016 to reach $390m. That year China's COSCO Shipping Ports won a 35-year concession to build and operate a new container terminal at Khalifa Port in Abu Dhabi, with plans to invest over $700m in the facility.

Earlier, in December 2015, Abu Dhabi-based Mubadala Investment Company launched a joint investment fund with China Development Bank Capital and China's State Administration of Foreign Exchange, with each government investing $5bn to be used for projects in both countries. Since 2011, four of China's state-owned banks have set up operations in the UAE.

INDIA & PAKISTAN: Emerging markets in South Asia are seen as key to outward growth. India is the GCC's largest trade partner, and with the OECD expecting its economic growth to remain above 6.7% through to 2019, there are likely to be further opportunities. Trade between India and the GCC totalled $137.7bn in 2014-15, up from $6.2bn in 2001-02, according to the International Trade Centre. Ali Ebrahim, deputy director-general of Dubai's Department of Economic Development, said in August 2017 that GCC exports to India had risen by 49% each year over the previous decade – the highest growth rate among the region's major trading partners – with imports from India rising by 39%. According to India's Ministry of External Affairs, the GCC also currently supplies 60% of India's total energy imports. Furthermore, with millions of Indians working in Gulf states, remittances from the region are worth more than $35bn per year, representing roughly half of India's annual total income from this source.

While relations between Pakistan and the GCC are not as well established as those with India, a third round of negotiations over a free trade agreement (FTA) between the GCC and the South Asian country is expected by the end of the first quarter of 2018. The hope is that an FTA will help to further develop multilateral trade, with Pakistan's agricultural potential and energy needs seen as areas of opportunity.

RUSSIA: With Russia a major hydrocarbons producer in its own right, trade between the GCC region and the northern giant has never been as critical as with the US, China and India. Still, there have been strong efforts to boost bilateral trade and cooperation. The Russian Direct Investment Fund (RDIF) and Mumtalakat, Bahrain's sovereign wealth fund, signed a mutual investment agreement in 2014, and in February 2016 it was reported that Mumtalakat had made a $250m investment in the RDIF. In June 2017 Mahmood Hashim Al Kooheji, CEO of Mumtalakat, told Reuters that they had an "impressive" pipeline of investment deals in Russia, with $135m worth of projects approved. Bahrain's moves followed the announcement in November 2015 that Kuwait's sovereign wealth fund, the Kuwait Investment Authority, had agreed to allocate an additional $500m to investment projects in Russia. These funds furthered an initial $500m joint investment mechanism that was launched in 2012. According to Kirill Dmitriev, CEO of the RDIF, Gulf sovereign wealth funds had earmarked more than $20bn for investment in Russia as of May 2017. In June 2017 Rosneft – Russia's largest oil producer – and Saudi Aramco announced they were looking into joint investments in Saudi Arabia. At the same time, the kingdom said it would be evaluating joining Russia's Arctic liquefied natural gas project. In Oman, Sultan Qaboos bin Said Al Said welcomed a Russian special envoy in February 2017 to review bilateral relations, reinforce a climate of supportive cooperation and activate existing joint agreements. Trade between Oman and Russia has risen sharply since 2010.

If oil prices continue to recover at their current pace, thereby generating additional revenue for the region's sovereign wealth funds, it is likely GCC member states will enter into additional agreements with countries around the world. These deals, whether related to developments in the Gulf or investments elsewhere, will become increasingly important for the economic growth and revenue generation across the region.

The GCC currently supplies roughly

60%

of India's total energy imports

Pinarayi Vijayan, Chief Minister of Kerala, India

Fostering exchange

Pinarayi Vijayan, Chief Minister of Kerala, India, on growing economic and political partnership

As bilateral trade continues to grow, what are the key focus areas for future investment?

VIJAYAN: India's commercial ties with the Arab world began with Kerala, and India has enjoyed commercial and cultural exchanges with the UAE for several centuries. Around 25% of the 2.5m Indian nationals currently living and working in the UAE are from Kerala.

The UAE is India's third-largest trading partner, with current annual trade volumes valued at around $53bn and this is expected to increase to around $100bn by 2020, according to the Confederation of Indian Industry. Bilateral relations between the UAE and India are being strengthened through exchanges and investments in sectors such as education, health care, tourism and IT.

In addition, the UAE is the 10th-largest foreign direct investment (FDI) source market for India, with cumulative FDI reaching $4.8bn between April 2000 and March 2017. Recent investments from the UAE include a $459m investment in a leisure complex in India, as well as a $2bn investment by the Abu Dhabi Investment Authority and NRI-Emirati Investors Group into India's National Infrastructure Investment Fund (NIIF). NIIF is targeting joint investments of $75bn to support new infrastructure projects including roads, railways, airports and industrial corridors.

Kerala's government is also focused on developing infrastructure networks, such as the Vizhinjam International Seaport and SmartCity Kochi. The bilateral currency swap agreement signed in February 2018 will encourage trade by expediting transactions and reducing conversion costs.

How can Indian companies promote further economic diversification in the UAE?

VIJAYAN: Indian businesses have played a major role in the economic growth of the UAE, and as a result, a number of prominent Keralite business leaders are embedded in the local economy. Due to this large community, Indians constitute a significant proportion of inward-bound tourist numbers, with arrivals from India having increased by 20% in 2017. Kerala is also known for its tourist attractions. Its tourism sector represented more than 12% of the state's GDP and annual foreign tourist arrivals reached 10m in 2017. Continued growth in bilateral tourism moving forward will also serve to strengthen cultural exchanges and understanding between the two countries.

India has an abundance of skilled talent, particularly in IT and health care. This has led UAE-based companies to be active investors in Kerala's health care, infrastructure and IT sectors. SmartCity Kochi, for example, is one of the largest upcoming IT special economic zones in the country and is a joint venture between the government of Kerala and Dubai Holding. As the UAE continues to promote investment in these sectors, while also positioning itself as a hub for research and development, both countries can promote the further diversification of the economy.

What plans are under way to strengthen existing trade and cultural ties between Kerala and Sharjah?

VIJAYAN: Sharjah has supported Kerala by assisting in infrastructure development projects and specialised missions regarding natural resource depletion, education and health care services.

All of these have been discussed during bilateral visits, including the recent visit by Sheikh Sultan bin Mohammed Al Qasimi. Our government is also planning a number of projects to benefit Keralites residing in the UAE. These include the establishment of the Kerala Cultural Centre in Sharjah to promote cultural exchange, and the launch of Sharjah Family City to provide affordable accommodation for Keralites.

Another potential project is an educational complex to provide secondary and professional education – with a public school as well as engineering and medical colleges – to allow non-resident Indian students to pursue or continue their higher education while living abroad.

Kairat Abdrakhmanov, Minister of Foreign Affairs of the Republic of Kazakhstan

Encouraging developments

Kairat Abdrakhmanov, Minister of Foreign Affairs of the Republic of Kazakhstan, on the burgeoning relationship between Kazakhstan and countries in the Middle East

How have Kazakhstan and the Gulf states further strengthened their political and economic ties?

ABDRAKHMANOV: Kazakhstan's relations with countries in the MENA region continue to develop. Nursultan Nazarbayev, president of Kazakhstan, conducted an official visit to Saudi Arabia in October 2016 and the UAE in January 2017, and took part in the 2017 Riyadh summit in May.

The events have reaffirmed the intentions of both sides to further strengthen and expand bilateral relations in the political, trade, economic, investment and cultural spheres. There has also been an increase in the volume of bilateral trade between Kazakhstan and MENA countries over recent years.

At the end of 2016 the total aggregate volume of trade with countries in the region was $987.2m, and in the first nine months of 2017 this figure exceeded $800m. The top-three countries in terms of trade volume in 2017 were the UAE ($419.6m), Algeria ($56.2m) and Egypt ($44.3m).

The Astana International Financial Centre has also started operating on the premises of the former Expo 2017. The Dubai International Financial Centre's experience and model was used as a basis for this new institution, which we believe will become another platform showcasing our fruitful cooperation.

In which economic areas is there potential for further cooperation between Kazakhstan and countries in the MENA region?

ABDRAKHMANOV: Kazakhstan has much in common with MENA countries in terms of culture, and there are significant opportunities to further develop and expand cooperation in the tourism sector.

A visa-free regime between Kazakhstan and the UAE has recently come into effect and is expected to increase tourist flows. Kazakhstan has a lot to offer foreign tourists, including citizens from the Gulf. There is a varied selection of natural landscapes, as well as historical and cultural monuments for tourists to enjoy. The international IT start-up hub in Astana and the International Green Technologies Centre will be established in early 2018, and will invite cooperation in innovation, IT and alternative energy sources. Countries in the MENA region are most welcome to engage in projects within these initiatives.

What role do you expect Kazakhstan to play in the development of existing and new industries in the Middle East in the future?

ABDRAKHMANOV: Kazakhstan's prospects for cooperation with economies in the Middle East are significant and cover many areas in industry and society. Our ongoing efforts include close bilateral and multilateral political interaction, and economic, cultural, scientific and tourism cooperation.

There are also positive outlooks for petrochemicals, energy, defence, agriculture and pharmaceuticals. Work is already under way on the implementation of a project with the UAE to build a petrochemical complex in the Atyrau region.

Together with our Middle Eastern partners, including the UAE, Saudi Arabia and Jordan, we are searching for the most economically efficient method for delivering Kazakh agricultural products to the region. The aerospace industry is a new area of bilateral cooperation. In late 2017 a Kazakh delegation visited the UAE and established a cooperative working group for the development of joint space projects.

It is worth mentioning that in 2017 our government approved the National Investment Strategy for 2018-22, which highlighted attractive investment sectors and economic opportunities in 36 potential countries. Among these are 11 top-priority countries, including the UAE. Kazakhstan will work closely with its counterparts in the UAE to determine the best approach to attract more foreign investors, and create opportunities and conditions for investment.

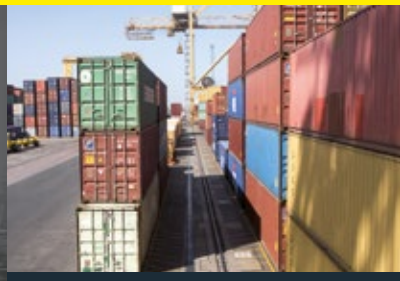
Economy

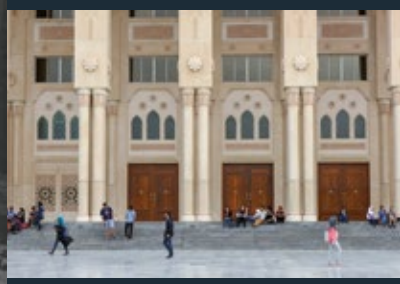
Third and largest Islamic bond to date issued in 2018

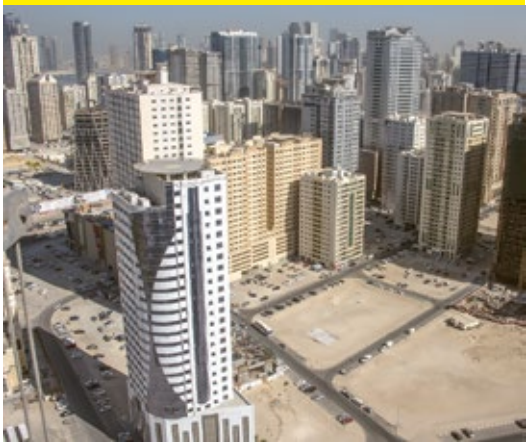
Efforts made to facilitate entrepreneurs and start-ups

Value-added tax to generate $3.3bn for the UAE in 2018

New focus on arts, publishing and intellectual output







Sharjah offers advantages of strong connectivity and low business costs

Diversified growth

Public revenue set to benefit from a new value-added tax and weaker dollar as fiscal deficit narrows

GDP stood at an estimated

$25.2bn

in 2017

The economy of Sharjah is highly diversified by regional standards, with oil and gas contributing less than 6% to GDP, and no individual sector accounting for more than 20%. The emirate has had particular success in developing its industrial and manufacturing sector through a network of free zones and industrial zones that continues to develop and expand, and it is one of the main industrial bases of the UAE. The authorities have also been taking a range of measures to boost foreign investment flows, supported by an attractive national business environment and competitive advantages, such as Sharjah's comparatively low operating costs. "The cities of the UAE complement each other in terms of economic structures and investment opportunities, and Sharjah benefits from being one of the most diversified markets in the region and a stable investment environment," Abdulla Al Dhawi, chairman of Al Dhawi Investments, told OBG.

GDP: The emirate's GDP stood at Dh88.5bn ($24.1bn) in 2016 at current prices and an estimated Dh92.7bn ($25.2bn) in 2017, according to the Federal Competitiveness and Statistics Authority (FCSA). This meant that Sharjah accounted for around 7% of the UAE's GDP in 2016 and had the third-largest economy of the federation. The largest component of Sharjah's GDP according to the 2017 data was manufacturing, worth Dh15.7bn ($4.3bn), or 16.9% of the total. This was followed by real estate at Dh12.1bn ($3.3bn), or 13% of emirate-level GDP. Wholesale and retail trade, and repair of motor vehicles were next with an output of Dh11.8bn ($3bn), or 12.1% of the total.

Real GDP expanded by 3.1% in 2016, according to estimates from international ratings agency Moody's, up from flat growth the previous year, when expansion was constrained by a fall in global oil prices. This was in line with federal GDP growth of 3%, according to IMF figures. In December 2017 Moody's estimated Sharjah's annual growth was 2.5%, and forecast it would rise to 2.7% in 2018 and 2019, with expansion to be driven primarily by increases in trade and tourism. The IMF estimated that national GDP growth was 0.5% in 2017, but had a more optimistic growth outlook of 2% in 2018 and 3% in 2019.

Based on the emirate's estimated 1.41m inhabitants, as per Department of Statistics and Community Development (DSCD) figures, GDP per capita stood at Dh60,675 ($16,500) in 2015. This compared to a national average of Dh140,500 ($38,200), boosted by Abu Dhabi's substantial oil and gas wealth. Sharjah's 2016 GDP per capita was $32,684 in purchasing power parity terms, compared to $113,688 for Abu Dhabi and $81,420 for Dubai, according to Moody's.

HYDROCARBONS: The hydrocarbons sector – which is dominated by oil and gas production – contributed Dh5.1bn ($1.4bn), or 5.8%, to the emirate's GDP in 2016. The figure was down substantially on previous years due to the fall in the value of the global oil prices that began in mid-2014. Hydrocarbons GDP hit a peak in absolute value terms of Dh10.4bn ($2.8bn) in 2013, equivalent to 13.2% of GDP. According to estimates for 2017, the industry's contribution was 6.8% of total GDP, or Dh6.3bn ($1.7bn).

COMPETITIVE ADVANTAGES: Sharjah benefits from a number of competitive advantages over other emirates and other countries in the region. It is adjacent to Dubai but offers a lower cost of living and of doing business, which is helping to attract residents, tourists and industries that want to take advantage of Dubai's facilities and infrastructure – such as Dubai International Airport and Jebel Ali port, the largest air and sea facilities, respectively, in the region – without the expense of operating in Dubai. Sharjah also benefits from strong connectivity and infrastructure of its own, being the only member of the UAE to border all other emirates. In addition, it hosts its own airport and is home to several ports, including Khorfakkan, which is located on the Gulf of Oman and

The largest contributor to GDP according to preliminary 2017 data was manufacturing, with 16.9% of the total, followed by real estate with 13%. Wholesale and retail trade, and repair of motor vehicles accounted for a further 12.1%.

therefore has the advantage of being located outside the Straits of Hormuz, passage through which adds time and insurance costs for shipping.

FOREIGN EXCHANGE: As with all GCC currencies – with the partial exception of the Kuwaiti dinar, which is pegged to a dollar-dominated basket of currencies – the UAE's national currency, the Emirati dirham, is pegged to the US dollar. The dirham rate is set at $1:Dh3.6725. There was some speculation that central banks in the GCC would come under pressure to adjust currency pegs in the wake of the oil price slide, but such notions were explicitly rebuffed by authorities at the time and have now receded.

The strength of the dollar against other currencies in 2015 and 2016 put export-oriented industries in dollar-pegged countries under threat, and may have played a role in the decline in tourism activity in Sharjah in 2015. However, an economic slowdown in hydrocarbons-dependent tourism source markets and the sharp fall in the value of the Russian rouble also played a major role (see Tourism chapter). Meanwhile, the dollar has lost ground against other major international currencies such as the euro and UK pound since early 2017, which is likely to support non-oil exports and tourism in various territories and nations operating with such pegs.

INTERNATIONAL TRADE: The most-recent trade data available from the DSCD was published in 2013. Total exports for that year were worth Dh42.2bn ($11.5bn), including Dh37.8bn ($10.3bn) of re-exports and Dh4.4bn ($1.2bn) of original exports. The largest category of re-exports was pearls, stones and precious metals, worth Dh16.4bn ($4.5bn), while the largest category of exports by value was electrical machinery and equipment parts, worth Dh1.41bn ($383.8m). Asia was the main destination for re-exports and exports, worth Dh29.3bn ($8bn) and Dh1.95bn ($530.8m), respectively.

More recent figures are available from the FCSA for the UAE as a whole. The value of non-oil foreign trade for the country stood at Dh1.08trn ($294bn) in 2016, up from Dh1.06trn ($288.5bn) in the previous year. Non-oil exports rose 4.6% that year to Dh169bn ($46bn), while re-exports fell from Dh221bn ($60.2bn) to Dh215bn ($58.5bn). In the first half of 2017 total non-oil trade was worth Dh536bn ($145.9bn) in the UAE, down from Dh553bn ($150.5bn) during the same period a year earlier, a drop of 3.2% year-on-year. Imports, non-oil exports, and re-exports had all eased over the first half of 2017, led by non-oil exports with a decline of 11.1%.

INVESTMENT: The emirate attracted Dh912m ($248.2m) worth of foreign direct investment (FDI) in 2016 – a record amount, according to its investment promotion agency the Sharjah FDI Office, also known as Invest in Sharjah. In April 2018, however, Invest in Sharjah announced that the emirate had registered Dh5.97bn ($1.63bn) of FDI in 2017, representing a significant increase on the previous year.

The UAE attracted $8.99bn worth of FDI in 2016, according to figures from the UN Conference on

The value of non-oil foreign trade for the UAE stood at $294bn in 2016, up from $288.5bn a year earlier

Trade and Investment, the most of any GCC country. This was an increase from $8.8bn in 2015, though it was less than FDI inflows in the years preceding the oil crisis. Investment flows are supported by the improving business environment: the UAE placed 21st out of 190 countries in the World Bank's "Doing Business 2018" report, up from 26th in 2017, and it was the highest-ranked in the MENA region.

The emirate is working to attract more foreign investment, including through the launch of Invest in Sharjah in September 2016. Investment promotion was previously carried out by the Sharjah Investment and Development Authority (Shurooq), of which Invest in Sharjah is a semi-autonomous arm. Shurooq is also an active investor, developer and operator of businesses in its own right – particularly in the tourism and real estate segments – which led to the establishment of Invest in Sharjah.

The body promotes FDI inflows through investment roadshows and other activities abroad, with a particular focus on India, Russia, China, GCC countries, the US and several European nations, including Italy and France. The body also had promotional events in late 2017 and early 2018 in Malaysia, Singapore, the Netherlands and Japan. Mohammed Juma Al Musharrakh, CEO of Invest in Sharjah, told OBG that investors from different countries tend to participate in specialised sectors in the emirate. "Chinese investment, for example, is mainly focused on manufacturing, while German investors are especially active in areas including renewable energy," he told OBG. "The most promising source market for tourism investment is the GCC, as they benefit from fewer restrictions on ownership of hotels."

Invest in Sharjah also holds an annual event to promote FDI, the Sharjah FDI Forum, which hosts discussions on trends within the investment sector. Al Musharrakh told OBG that in 2018 the office is emphasising developing Sharjah as a centre for

The UAE placed 21st out of 190 countries in the World Bank's "Doing Business 2018" report, making it the highest ranked country in the MENA region.

Construction of a research, technology and innovation park adjacent to University City is in progress

The emirate's industry-focused free zones, Hamriyah Free Zone and Sharjah Airport International Free Zone, both allow for 100% foreign ownership and offer a variety of other incentives.

entrepreneurship and start-ups. Observers say that the emirate's business environment benefits from various advantages in this respect. "Sharjah offers a low cost base by regional standards, proximity to Dubai and access to talent and research and development (R&D) through some of the top universities in the region," Samer Choucair, vice-president of CE-Ventures – a proprietary start-up unit of Sharjah-based conglomerate Crescent Enterprises – told OBG. Choucair outlined some of its advantages as a base for entrepreneurship, but added that the emirate's operating environment was somewhat expensive for start-ups compared to some mature markets. Furthermore, operations are subject to regulatory constraints, such as strict and relatively costly employment visa requirements (see analysis).

FOREIGN INVESTMENT: A development that is set to boost foreign investment and project activity further is work by the government to encourage companies to invest in foreign export finance insurance. In early 2017 export credit agency UK Export Finance agreed to support a contract through its direct lending programme to construct the new headquarters of Sharjah's environment and waste management firm Bee'ah. Tom Koczwara, director of the Debt Management Office at Sharjah's Department of Finance, told OBG that this was the first major export finance deal for the emirate. A major new power station being built in Sharjah under an independent power project model is also likely to benefit from the support of a foreign export credit agency. "It helps a lot to already have one or two export finance deals under your belt when seeking to persuade other agencies to start working in a country or territory, so export finance activity is likely to increase and to support economic growth Sharjah in the coming years," Koczwara told OBG.

Another development that could bolster investment, in particular outside of the free zones, is a planned revision of the UAE's federal investment regime. Currently, foreign firms are limited to owning a maximum of a 49% stake in onshore companies, with some exceptions. However, Sultan bin Saeed Al Mansoori, the federal minister of economy said in April 2018 that changes to the Commercial Companies Law relaxing the requirement in some unspecified sectors were close to being finalised and would be implemented by the final quarter of that year.

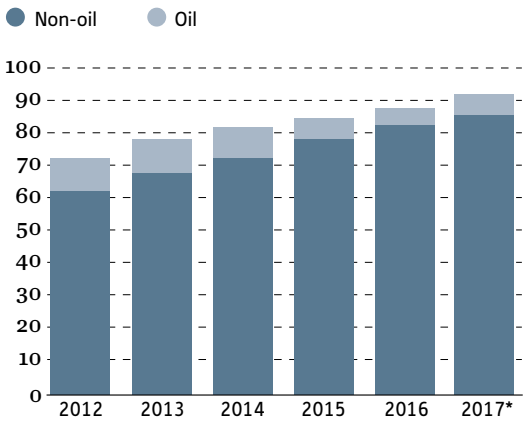
SPECIAL ZONES: A key component of Sharjah's economy is its network of free zones and industrial zones. Two major free zones – which offer advantages such as 100% foreign ownership – are the Hamriyah Free Zone (HFZ), adjacent to Hamriyah Port, and the Sharjah Airport International Free Zone (SAIF Zone), next to the airport. The main focus in both zones is industry, with more of a concentration of medium-to-heavy industry in the HFZ. The emirate is also home to a network of 19 onshore industrial zones that do not benefit from free zone advantages (see Industry and Energy chapters).

Sharjah is also developing new free zones with non-industrial focuses to further support the growth and diversification of its economy. October 2017 saw the opening of Sharjah Publishing City, a 40,000-sq-metre, publishing business-focused zone for which 150 firms had signed up prior to its opening. A large printing facility is due to open in 2018, to be followed by a second phase the following year. Sharjah is already an important destination for the publishing industry, given its hosting of the annual Sharjah International Book Fair, the 36th edition of which took place in 2017. UNESCO has also designated the emirate as the 2019 World Book Capital.

In January 2017 the authorities launched development plans for another free zone, Sharjah Media City, which will focus on the media and creative industries, as well as innovation more generally. Construction work on the zone's first and second phases is due to begin in early and mid-2018, respectively.

Sharjah Healthcare City, which was announced in 2010, will also operate as a free zone, allowing

GDP at current prices, 2012-17 (Dh bn)



Source: FCSA

*estimate

100% foreign ownership. The government approved a master plan for the 2.4m-sq-metre zone in January 2017. The city will host not only hospitals, clinics and wellness centres, but also health care-related warehousing, equipment, light assembly plants, and retail and accommodation facilities.

In November 2016 the authorities also announced plans to establish another free zone, the Sharjah Research, Technology and Innovation Park, which will be developed by AUS Enterprises and adjacent to the emirate's University City. The zone will seek to leverage research activities at nearby universities, hosting a range of R&D-oriented start-ups and businesses. The first elements of the first phase, including the central building, are due for completion by early 2019 (see analysis). The development of such new zones is part of a wider approach to build more specialised free zones. "We have two general free zones, and we are now looking to create ecosystems for specific sectors," Al Musharrakh told OBG.

PUBLIC FINANCES: The value of Sharjah's government debt was equivalent to 16.7% of GDP in 2016, according to Moody's, up from 13% in 2015 and 1.6% in 2008. While debt levels are rising, they remain low in relative terms – the median figure for the MENA region is 61.9% – with plenty of room to grow before approaching a sustainability threshold. Moody's forecast the figure to rise slightly in 2018 and hit 20.9% by 2019. Debt-to-government revenue is higher compared to peers, but in line with the median figure for MENA countries, with Moody's reporting this to be 199.3% in 2016. However, this was a reduction on 2015, when this rate was 263.4%.

The fiscal deficit also appears to be on a downward trend, which should help to slow debt growth in the coming years. The figure rose in the early years of the 2010s, peaking at 4.2% in 2015, but eased to 2.8% in 2016. In December 2017 Moody's expected it to fall further to 2.3% for the year as a whole, and to decline moderately in subsequent years.

2018 BUDGET: In December 2017 the authorities approved a general budget for 2018, comprising Dh22.1bn ($6bn) of public expenditure, an increase of 6% over the previous year's outlays. Approximately 44% of expenditure will be devoted to economic development, up from 41% the previous year; 23% will go to social development, up from 20% in 2017; 24% is allocated to investment in infrastructure, down from 31%; and 9% is set aside for government administration, security and safety, up from 8%.

REVENUE: Under the 2017 budget, 74% of public revenue was operating revenue from central government departments, 17.5% was from capital income, 7% from Customs duties and 1% from hydrocarbons. Central government revenue comes primarily from local service fees, such as business licensing fees, and from sales of government land. Revenue has been growing in recent years: Moody's forecast that

Sharjah's fiscal deficit fell 1.4 percentage points to

2.8%

of GDP in 2016

Revenue receipts from value-added tax are set to generate $5.4bn per year in the UAE from 2019 onwards

Value-added tax is set to contribute

$3.3bn

to the UAE government's revenue in 2018

government income would stand equivalent to 9.2% of GDP in 2018, up from 9% in 2017 and 8.4% in 2016.

Rising land sales have helped to bolster revenues in recent times: Koczwara told OBG that the value of land sales in 2017 hit its highest level since the 2008-09 international financial crisis.

This has been further bolstered by a number of major real estate projects, such as the Aljada project, which is a Dh24bn ($6.5bn) mixed-use development by UAE-based real estate developer ARADA that will eventually house approximately 70,000 people. Thaddeus Best, an analyst at Moody's, told OBG that a potential risk to this source of government revenue was the recent fall in rental prices across the country, which, if sustained or worsened, could result in a cooling of real estate activities and hence reduced land sales for Sharjah's government.

VAT: Government income is set to be bolstered by a significant new revenue stream, a 5% value-added tax (VAT) on consumer items, which has been in place in the UAE since January 1, 2018. The move was part of a wider plan to introduce consumer tax across the GCC from 2018 onwards; however, of the other member states only Saudi Arabia also launched the tax at the beginning of the year, with the remaining countries planning to follow suit later in the year or in 2019.

Essential items – including basic foodstuffs, medicine, residential rent, and school and health care fees – are exempt, and companies with sales of taxable goods or services worth less than Dh375,000 ($102,000) will not be obliged to register with the VAT authorities. The tax is also not applicable in free zones, such as the SAIF Zone or the HFZ.

The impact of the tax on Sharjah's revenue appears set to exceed earlier expectations: in February 2018 Best told OBG that it appeared that emirate-level governments would receive 70% of VAT receipts raised in the country, up from previous expectations of a 50:50 split between the federal government and emirate-level authorities, though it remained unclear what formula would be used to decide how this would be divided between each of the individual emirates.

Koczwara told OBG that there was significant upside potential to the Sharjah government's forecasts for the impact of VAT on its finances, as it has not budgeted any VAT revenue receipts for 2018. The Ministry of Finance has estimated that income from VAT across the UAE would be Dh12bn ($3.3bn) in 2018, rising to Dh20bn ($5.4bn) from 2019 onwards.

The implementation of VAT has led to some speculation that the UAE could introduce other taxes, particularly on corporate profits. "The fact that the government managed to introduce VAT on time indicates that it has the technical capacity to introduce new taxes," Best told OBG. "However, the authorities are likely wary of putting too much pressure on the country's competitive advantages, and we haven't incorporated any expectations of new taxes beyond VAT into our ratings or outlook for Sharjah."

GOVERNMENT BORROWING: In order to finance expansionary budget policies and the concomitant fiscal deficit – which has been steadily falling since 2015 – Sharjah's government has stepped up borrowing in recent years, and has committed to a number of measures to facilitate this decision and reduce debt-servicing costs.

Prominent among these was a move in 2014 to obtain ratings from sovereign debt credit rating agencies Moody's and Standard & Poor's. "Obtaining the ratings had a revolutionary impact on Sharjah's ability to raise funding," Koczwara told OBG. The government spent the following two years restructuring the debt of public and government-related entities to reduce interest payment costs, a process that led to both renegotiation of terms with existing lenders and the issuing of *sukuk* (Islamic bonds) to repay some outstanding debt, much of which was more expensive bank debt. The process finished in 2016, bringing down debt-servicing costs by about 50%.

The emirate has issued three sukuk to date: a $750m instrument in September 2014, a $500m bond in January 2016 and a $1bn sukuk in March 2018. The most recent issue, which was by far the largest, was oversubscribed 2.35 times, indicating strong investor confidence and increasing momentum in Sharjah's investment environment.

In February 2018 the authorities issued an RMB2bn ($297.8m) instrument into the Chinese market – a so-called Panda bond – making Sharjah the first Middle Eastern government to tap into this market. "The Chinese market represents a liquidity pool that is not correlated with the global US dollar market, and the pricing has been comparable to other options, so it is a valuable addition to our portfolio of options for raising debt," Koczwara told OBG, adding that the move would help build and strengthen existing relationships with Chinese financial institutions.

Koczwara told OBG that the emirate has potential to become a regular issuer of debt in the coming years, having established a public sukuk programme

In February 2018 the authorities issued a $297.8m so-called Panda bond, making Sharjah the first Middle Eastern government to tap the Chinese debt market.

of unlimited size. "The government has always been comfortable with borrowing to fund net capital investment, while debt remains at low levels compared to international norms," he told OBG. "Increased economic pressures since 2015 have led to lower revenue and higher spending to support the economy, leading to some deterioration in the debt profile. However, we are returning to the previous balance in indicators such as the fiscal deficit, which will allow us to issue more debt."

RATINGS: As noted previously, Sharjah's public debt has been rated by Moody's and Standard & Poor's since 2014. In January 2017 Standard & Poor's downgraded its rating for the emirate, from "A/A-1" to "BBB+/A-2" with a stable outlook, where it remained at the time of publishing. This is one of a number of downgrades applied by Standard & Poor's to GCC sovereigns in the past 3 years.

Despite the downgrade, the rating remains firmly within investment-grade territory. The agency reported that this decision was primarily a result of worse-than-expected fiscal performance and rising debt levels, which was mainly due to increased government capital spending on the construction of housing and infrastructure such as roads and government buildings. Moody's has held the emirate's debt rating as "A3" – also comfortably inside investment-grade parameters – since 2014. The agency reaffirmed the rating in December 2017 and maintained its outlook for Sharjah as stable.

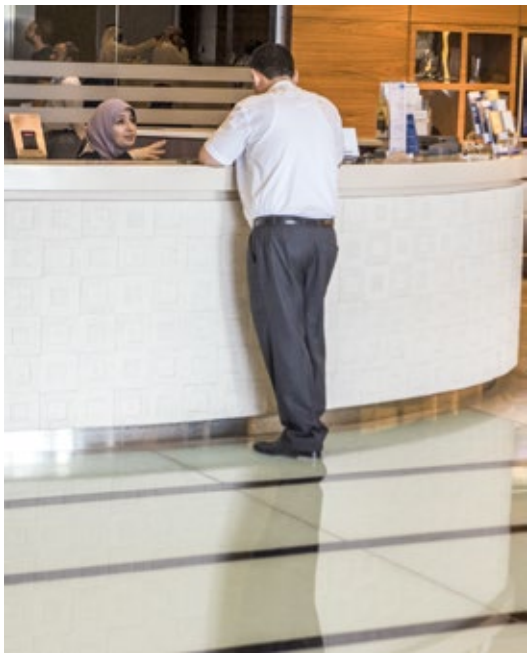
Best told OBG that the agency's decision to maintain its previous rating despite rising debt levels was based on expectations that the introduction of revenue-raising measures at both the federal and emirate level – and in particular the aforementioned arrival of a 5% VAT in the country – will stabilise debt levels. "Sharjah's economy also weathered the oil price shock well, underscoring its resilience," he told OBG. He also noted an improvement in finances at the Sharjah Electricity and Water Authority (SEWA), which is one of the few public sector entities for which the government has provided explicit guarantees for some of its debts.

One factor behind this includes the fall in oil prices since 2014, which have risen again since mid-2017 but remain well below 2013 highs.

A deal to source more electricity from the national grid and secure long-term gas supplies has also helped to bolster SEWA's finances, as have efforts to step up revenue collection. Koczwara told OBG that the authority is now a net contributor to government finances, rather than running at a loss. The authorities have plans to further reduce costs at SEWA by investing in improving efficiency in the authority's power generation infrastructure, which has been recorded as low at some key power stations. "Gas purchase is the largest component of SEWA's cost base, so investing to increase efficiency makes strong financial sense," Koczwara told OBG.

OUTLOOK: While hydrocarbons production represents only a small proportion of Sharjah's GDP, the partial recovery in international oil prices since mid-2017 is likely to boost economic growth in the emirate, given its impact on not only the federal budget, but also demand from other emirates and countries in the region, as well as leading tourism source markets such as Russia.

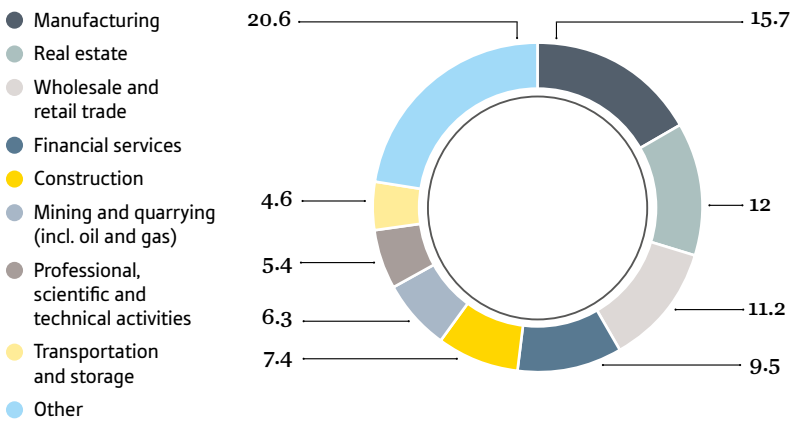
The decline in the value of the dollar, to which the dirham is pegged, against other major currencies should also strengthen tourism and the emirate's export-oriented industries. Recent moves to strengthen public finances through the federal introduction of VAT and reforms at SEWA will also serve to further stabilise the economy, while the development of both new and existing free zones, and efforts to engage foreign export finance providers, are expected to further boost the environment for foreign investment, all indications suggesting a promising long-term outlook for Sharjah's economy.



Debt levels have been rising but remain lower than the MENA average

A deal to source more electricity from the national grid and secure long-term gas supplies has helped to bolster the Sharjah Electricity and Water Authority's finances.

GDP of top-eight sectors by value, 2017* (Dh bn)



Source: FCSA

*estimate

Marwan bin Jassim Al Sarkal, Executive Chairman, Sharjah Investment and Development Authority (Shurooq)

Smart growth

Marwan bin Jassim Al Sarkal, Executive Chairman, Sharjah Investment and Development Authority (Shurooq), on developing key growth sectors and promoting local entrepreneurship

What measures is Sharjah implementing to develop a knowledge-based economy?

AL SARKAL: Sharjah has recognised the importance of attracting diverse regional and international businesses through the development of specialised free zones catering to specific sectors with the infrastructure and resources to meet their needs. The Sharjah Research, Technology and Innovation Park Free Zone launched by AUS Enterprises provides a venue for developing technology in key growth sectors including renewable energies, environmental technologies and new digital products. Sharjah Media City and Sharjah Publishing City will promote creativity and innovation in new media and the creative industries. There are also growing investment opportunities for health care investors through Sharjah Healthcare City. Furthermore, the zones are major catalysts for indirect investment in services such as health care, education and retail, which will be needed to cater to those employed in the zones.

Which sectors offer the strongest opportunities for increased private sector investment?

AL SARKAL: Sharjah continues to push for economic diversification by targeting key growth sectors including education, health care, tourism and real estate. Sharjah attracted Dh5.97bn ($1.6bn) in foreign direct investment in 2017, focused on areas such as architectural metal manufacturing, agricultural and construction machinery, and real estate. Sharjah is a major regional destination for higher education, and the government has launched infrastructure projects in Sharjah University City and provided support to advance education standards through external accreditation systems. With the health care sector estimated to be worth Dh3.9bn ($1.1bn) as of 2016 and projected to reach Dh8.8bn ($2.4bn) by 2019, the private sector is also playing an increasingly important role in health care investment.

Tourism is also an attractive investment destination, with growing segments focused on heritage, culture, adventure and ecotourism. Hospitality developments, including the addition of branded international hotel chains and smaller, boutique-style options, will help attract different segments. Having a diversified portfolio – including luxury environmental facilities, small-scale projects for adventure tourism and customised experiences – is important for any destination.

The number of upcoming real estate projects illustrates both the pace and scale of change which has given the emirate global visibility, and has attracted regional and international investors. Projects such as Tilal City, Aljada, Kalba Waterfront and Maryam Island will further raise the profile of the local real estate market. New developments, particularly community retail centres, will meet growing demand across Sharjah for leisure options. This will support the establishment and expansion of infrastructure around Sharjah, benefitting local communities and further integrating areas including Mleiha, Kalba and Khorfakkan – particularly through the new highway linking Sharjah City to the eastern coast – into the local economy.

How can Sharjah further promote local innovation?

AL SARKAL: The UAE was ranked 21st out of 190 countries in the World Bank's "Doing Business 2018" report, and we are working to develop Sharjah's position as a flexible and business-friendly destination in the region. Sharjah's commercial roots are focused on enterprise and innovation, and one of the emirate's priorities is to increase support for small and medium-sized enterprises (SMEs); this strategy will include both the public and private sectors. Sharjah has pursued a policy of promoting smart, integrated government departments that utilise new technology, as well as encouraging increased efficiency and effectiveness in local free zones. This includes offering a single digital portal for those companies looking to establish their presence in a zone. This approach will allow businesses, particularly SMEs and start-ups, to minimise their set-up operations.

Steps are being taken to foster a culture of entrepreneurship in Sharjah

Global players

The Sharjah Entrepreneurship Centre, universities and private firms are working to support start-up development

Sharjah's neighbour and sister emirate, Dubai, is the centre of the Middle Eastern start-up economy, but Sharjah is also developing a culture of entrepreneurship, bolstered by support from the authorities, its well-developed education sector and its lower cost base.

SHERAA: The authorities are working to bolster start-ups and entrepreneurship. January 2016 saw the Sharjah Investment and Development Authority and the American University of Sharjah (AUS) establish the Sharjah Entrepreneurship Centre, known as Sheraa. It offers early-stage start-ups a 12-week accelerator programme, providing equity-free funding of up to $10,000 and rent-free office space. The first took place in early 2017, involving 10 start-ups, including Yallapickup, a service that connects users to pick-up truck drivers, which has Dh1m ($272,000) in development funding. Sheraa also hosts a three-week "ideathon" to help new firms test ideas, learn skills and attend workshops before applying for the accelerator. In November 2017 Sheraa also held the first Sharjah Entrepreneurship Festival, at which the government announced plans to award 10% of digital transformation projects to start-ups and small and medium-sized enterprises (SMEs).

FINANCING SUPPORT: Financing is a perennial challenge for start-ups. To address this, the office is working to create a pool of local start-up investors, mainly wealthy Emirati families, though Najla Al Midfa, general manager of Sheraa, said that it would take time to develop local understanding of how this works. "The UAE has seen an improvement in the availability of financing as people gradually become more interested in investing locally, but there is a need to promote early-stage investment, as there is a general expectation of quick and substantial returns," she told OBG. Access to finance is a particular problem for non-Emirati start-ups, as government initiatives to make funding more available, such as the federal Khalifa Fund for Enterprise Development and Sharjah's Ruwad Establishment for SMEs, target UAE nationals only. However, Al Midfa said that Sheraa could help develop ties between start-ups and sources of finance, such as venture capital firms, bolstering the availability of finance for start-ups.

PRIVATE PLAYER: Crescent Enterprises, a private firm, is also active in the segment. In addition to a partnership with Sheraa that has seen the launch of a mentoring programme for local entrepreneurs, the firm operates a venture capital arm, CE Ventures, which invests in start-ups directly and start-up funds. Another arm of the company, CE Creates, was launched in 2014 and incubates and develops its own proprietary start-ups. "Crescent has always been entrepreneurial, but over time, its business naturally shifted towards established companies, and we wanted to return to our roots of building new businesses from the ground up," Samer Choucair, vice-president of CE-Ventures, told OBG. "Large corporates will always be disrupted; it's just a matter of time. To prepare for this, companies will need to look at new innovations within the sectors in which they operate and build UAE-based brands."

EDUCATION & R&D: Sharjah's status as a regional educational centre is also of benefit to entrepreneurs. "The start-up ecosystem in Sharjah is very young, but human capital is a real strength, given the number and quality of universities here," Al Midfa told OBG. "Most graduates look for employment in the public sector but we are working to try to change this by offering classes on topics such as entrepreneurship."

The emergence of research and development (R&D) activities at universities is also helping to bolster the sector. The Sharjah Research, Technology and Innovation Park – a new free zone being established – and the government announced plans in May 2017 to invest Dh1.8bn ($490m) to make the AUS the leading Arab research university within five years. "There are a lot of projects in the R&D stage at AUS that could be commercialised, in particular in medicine and electronics, and we will see more and more R&D-based start-ups emerging in the coming years," Choucair told OBG.

The Sharjah Entrepreneurship Centre (Sheraa) offers a 12-week accelerator programme to early-stage start-ups, the first of which took place in early 2017.

To improve access to finance for start-ups, Sheraa is working to create a pool of local investors and to develop ties between smaller businesses and sources of finance.

Najla Al Midfa, General Manager, Sharjah Entrepreneurship Center (Sheraa)

Integrate together

Najla Al Midfa, General Manager, Sharjah Entrepreneurship Center (Sheraa), on developing a support ecosystem for entrepreneurs, and small and medium-sized enterprises

What is the current state of start-up development?

AL MIDFA: The investment community increasingly recognises the potential of new enterprises and the role start-ups can play in job creation. Physical spaces for new businesses are growing, and Sharjah has launched three free zones, including Sharjah Publishing City and the Research, Technology and Innovation Park, since 2016. This offers a friendlier licensing environment for start-ups, as there is more flexibility and variety. The entrepreneurship community is also growing, and events, such as the first Sharjah Entrepreneurship Festival, organised by Sheraa in November 2017, are bringing investors and innovators together. Start-ups have difficulty securing early-stage financing from banks and investors, who need more education on this asset class. Government agencies – including the Khalifa Fund for Enterprise Development and the Ruwad Establishment – are helping to pair start-ups with venture capital.

This business ecosystem is in its early stages: microfinance, angel investment and crowdfunding are only just starting to enter the UAE. Start-up incubators can help build closer relations with the investment community to develop sources of early-stage funding. Sheraa, for example, provides access to investors through networking events, direct introductions, and showcase days which allow accelerator cohorts to pitch their start-ups to potential investors.

How is the government supporting the development of a knowledge-based economy?

AL MIDFA: UAE Vision 2021 identified entrepreneurship as a key element of its transition to a knowledge-based economy, particularly in high-growth segments such as e-commerce, health technology and financial technology. Continued collaboration between academia, government, civil society and the private sector is vital to fostering an environment in which start-ups can grow and develop. The Ministry of Education has partnered with Stanford University to integrate entrepreneurship and innovation into higher-education curricula. Meanwhile, the private sector can provide financing and human capital development. Corporate partnerships, particularly with larger companies, provide financial support at both an incubation and accelerator stage, while universities can engage local businesses to help develop the practical skills and expertise to prepare students for the job market.

Working with local industry also helps incubators understand private sector needs and industry-specific challenges. For instance, Sheraa has worked with local carrier Air Arabia to create solutions to challenges in aviation and tourism. This will help develop high-growth ventures, which can drive economic diversification and job creation by targeting fast-developing segments. Our first accelerator cohort included start-ups working in sustainable technology, education, artificial intelligence and Arabic-language digital content.

What is the role of accelerators and incubators?

AL MIDFA: Most local graduates look for employment in the public sector; we need to change this mentality and encourage young people to see entrepreneurship as a viable career path. Incubators can help aspiring entrepreneurs develop the practical skills and know-how to transform their ideas into scalable businesses.

Our programmes are designed to support new enterprises at every stage of development. Our Ideathon programme allows entrepreneurs to validate their ideas, prepare business models and collect feedback. The incubator programme then allows these businesses to refine their concepts in our co-working space with financial support and mentorship, turning ideas into scalable businesses with strong growth potential. Incubators and business support programmes provide not only physical and operational support – including business licences, grants, workspace and legal advice – but also access to a wider business community, which can help entrepreneurs to develop essential soft skills.

In Collaboration with:

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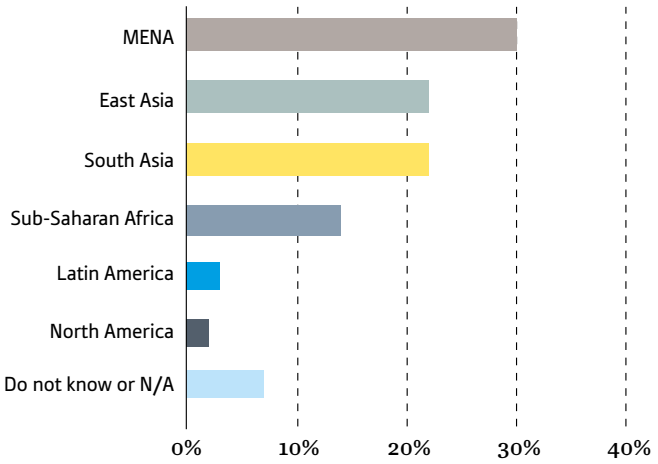
OXFORD BUSINESS GROUP

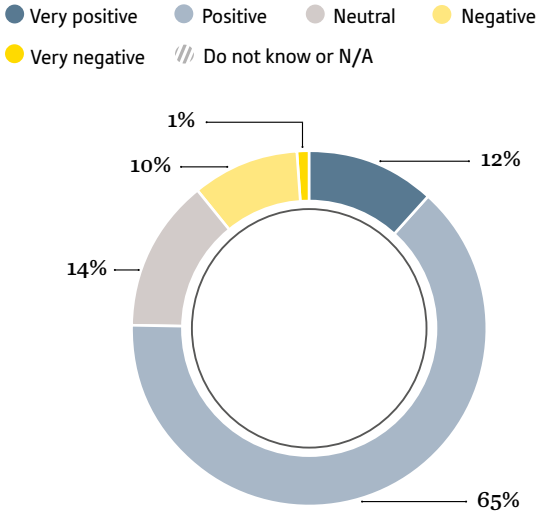
Business Barometer: UAE CEO Survey

The introduction of a flat 5% value-added tax on January 1, 2018 is part of ongoing efforts to boost government revenue and increase the overall transparency of the market. Although still in its early days, the move comes against a backdrop of positive sentiment among business leaders, as shown in the second iteration of Oxford Business Group's Business Barometer: UAE CEO Survey. Of the nearly 150 executives surveyed, more than three-quarters had positive or very positive expectations of local business conditions, while 90% said the level of transparency for conducting business was high or very high relative to the broader region.

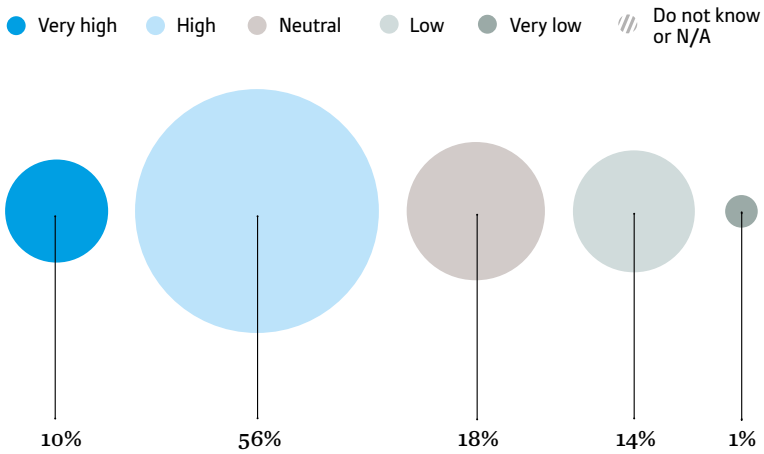
In which market do you see the greatest potential for increased trade and investment flows in the UAE?



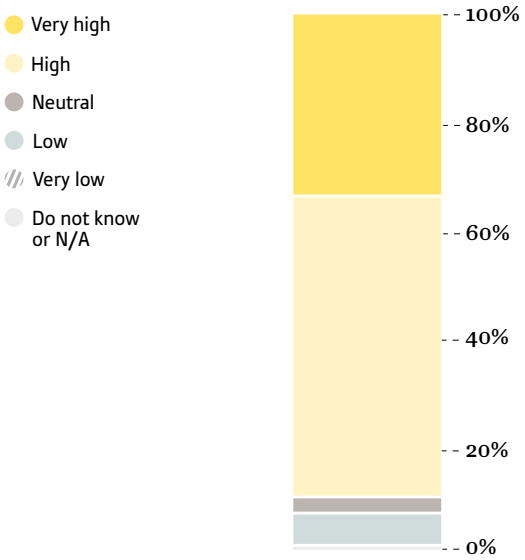
What are your expectations of local business conditions in the coming 12 months?

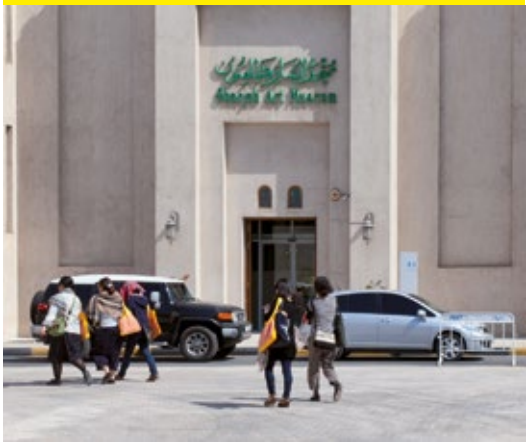


What is your level of satisfaction with the quality of local suppliers and service providers?



What is the level of transparency for conducting business in the UAE relative to the region?





The emirate has been promoting Arab art and culture for decades

A new page

The inauguration of Sharjah Publishing City and other arts and culture initiatives set to promote intellectual output

The authorities have been working to update laws on online copyright infringement, accelerate the circulation licensing process and align the UAE with international agreements.

When it comes to sharing and promoting Arab art and culture, Sharjah has been reaching out to the rest of world for decades. In 1998 the emirate founded the UNESCO-Sharjah Prize for Arab Culture, and in 2006 Sheikh Sultan bin Muhammad Al Qasimi, ruler of Sharjah, established the Sharjah Museums Project. This has since grown into a complex of 16 museums with collections illustrating Islamic civilisation, science, art and archaeology. Indeed, one-quarter of the UAE's museums are located in Sharjah. The emirate also hosts the Sharjah International Book Fair and seeks to become a regional and global centre for publishing. This dovetails with a push to enhance the UAE's literary culture, while positioning Sharjah as a leading advocate of the written word. Central to this is Sharjah Publishing City (SPC).

FOUNDATIONS: In November 2016 UAE President Sheikh Khalifa Bin Zayed Al Nahyan issued a law to promote reading across the country. The law obliges early intervention in literacy, with the state required to provide new mothers with a "knowledge briefcase" of helpful books. The law also guarantees employees' rights to read specialised books during working hours, and exempts books and other reading materials from value-added tax. "This progressive step attests to the deep understanding of the importance of books," Sheikha Bodour bint Sultan Al Qasimi, chairperson of the Sharjah Investment and Development Authority (Shurooq), wrote in a November 2016 article for the International Publishers Association. "It cements publishing's place at the heart of the UAE's national development strategies for years to come." In addition, government initiative Knowledge without Borders has provided 20,000 home libraries to families in Sharjah.

The authorities have ramped up the regulatory environment surrounding publishing. There have been updates to laws on online copyright infringement and an increased capacity to prosecute copyright violators. The new regulations also accelerate the circulation licensing process and align the UAE with international agreements governing copyright and intellectual property rights, such as the Berne Convention and the World Trade Organisation's Agreement on Trade-Related Aspects of Intellectual Property Rights. With its strong background in culture and the arts, Sharjah has embraced these moves and is building on them to become an international centre for book publishing.

PUBLISHING CITY: Working towards this goal, in 2014 Sheikh Sultan bin Muhammad Al Qasimi launched the Sharjah Book Authority (SBA) and established SPC – a free zone to service global and local enterprises – in October 2017. Billed as the world's first publishing free zone, SPC has objectives such as supporting the book industry by enabling the production and distribution of publications in the Arab world and beyond, cultivating a culture of reading and helping with literary creation.

SPC is set to service and supply the Arab book market, which it estimated to be worth $1bn per year. Indeed, the UAE alone, the market is valued at $233m, and SPC projects this to triple by 2030. Benefits for tenants of the city include 100% foreign ownership and no limit on the repatriation of funds, currency restrictions, corporate or personal income tax, or Customs tax. In addition, SPC offers immigration and residency assistance. At the inauguration, the SBA signed agreements with the Arab Writers Union to become an SPC tenant and the Emirates Writers Union (EWU) to provide English, French and Brazilian Portuguese translations of the works of 40 EWU authors. Since then, an additional 150 organisations have applied to operate in SPC.

The SBA has overseen the creation of a publishing ecosystem in the city, including creative space, printing facilities, paper procurement assistance, access to the region's distribution companies, export promotion and logistics infrastructure. This is supported by opportunities for skills development provided by the Sharjah International Book Fair Professional Programme. There is also cultural infrastructure, with a digitised public library system, book fairs and reading festivals, awards

The value of the UAE's book market is estimated at

$233m

per year

and grants, and the presence of publishing industry bodies, such as the Emirates Publishers Association.

With the capacity to house up to 550 companies, SPC includes 300 furnished offices and 6000 sq metres of unfurnished space. There are also more than 20 conference rooms, shopping and service facilities, and a data centre, spread over 40,000 sq metres. SBA expects to add a print-on-demand press, able to print up to 1m books per day. At a site near both Sharjah International Airport and the Sheikh Mohammad Bin Zayed Road – which connects Sharjah, Dubai and Abu Dhabi with the northern emirates – the city has convenient travel, shipping and logistics. Indeed, Sharjah's land, air, and sea transport infrastructure make it an ideal distribution centre (see Transport chapter).To support SPC tenants and expedite the processes to establish and operate businesses, the city will have an office issuing business licences in one day and a public administration branch of the General Directorate of Residency and Foreigners' Affairs. In addition, the city will be open 24/7.

BOOK CAPITAL: SPC's inauguration coincided with the annual Sharjah International Book Fair, one of the largest in the world. More than 2.31m people attended in 2017, with 1681 publishing houses from 60 countries displaying as many as 1.5m titles, making an estimated $48.2m worth of book sales. In 2019 SPC's momentum is expected to grow, when Sharjah will be UNESCO's 19th World Book Capital, following Athens in 2018 and Conakry in 2017. The emirate was selected due to its community-focused programme that engages the large and diverse migrant population. Sharjah becomes the World Book Capital on April 23, 2019, on World Book and Copyright Day. The event will focus on inclusivity, heritage, outreach and children. Planned events include a conference on freedom of speech, a youth poetry contest, and Braille and tactile book workshops.

GOING DIGITAL : As in other countries, Sharjah's publishers find themselves in a fast-changing world in which traditional book formats are rapidly being replaced by other media. Half of the MENA region's population of around 470m is younger than 24 years old. The literacy rate among 15-24 year olds was 90.8% in 2016, while the internet penetration rate for this age group was 64.2%, according to the World Bank and the UN's International Telecommunications Union, respectively. These figures do, however, vary between MENA nationals and expatriate workers. This well-read and digitally connected population increasingly consumes books and other media electronically, with Sharjah being no exception.

A Digital Public Library initiative will be implemented in several phases

In addition to initiatives such as SPC, Sharjah Public Library (SPL) is launching its online digital version. The Digital Public Library initiative will be implemented in several phases, and access to it will be free. In addition, in December 2017 the SPL launched the Digital Library Collection, which provides 38,000 libraries and schools access to 1200 e-books and audiobooks.

With Sharjah so focused on publishing – and its efforts to promote creativity and intellectual output – initiatives under way are likely to further its standing as a cultural capital of the Arab and Islamic world.

More than 2.31m people attended the Sharjah International Book Fair in 2017, with as many as 1.5m titles on display and an estimated $48.2m worth of book sales made.

Global village

Medium-term prospects suggest globalisation is set to continue for the foreseeable future

Merchandise trade growth appears to be picking up again and was projected to reach 3.6% in 2017 – 1.3 times that of global GDP growth – before moderating slightly to a 3.2% expansion in 2018.

Decades of growth in trade and foreign investment have seen the economies of the world become more interconnected and interdependent than ever before. The production of goods and, increasingly, the provision of services has become fractured across borders as corporations create and integrate into regional and global value chains – a process reinforced by international trade and investment regimes. However, recent years have seen a new scepticism towards globalisation emerge, alongside more protectionist policies that could threaten this global economic landscape.

POLITICAL FALLOUT: Globalisation has always faced criticism, but the global financial crisis of 2007-08 and the widespread political backlash that followed, particularly in advanced economies, has called its principles into question. Many regard the election of Donald J Trump as president of the US and the success of his protectionist rhetoric, along with the UK's Brexit vote in 2016 and the drive for independence in Catalonia, as proof of economic discontent among the population. This gradual deglobalisation phenomenon is not just confined to the most advanced economies. In emerging economies, this phenomenon is generally characterised by greater trade tariffs and investment restrictions than in their advanced economy counterparts. As a result, a slowdown or a reversal in liberalisation may be even more of an issue for some emerging markets, with negative implications for their further integration into global value chains.

CAUSE FOR OPTIMISM: Despite all this, there have actually been some important positive developments. Although President Trump upon entering office announced the US would no longer participate in efforts to finalise the Trans-Pacific Partnership (TPP) with 11 other countries in the Pacific basin, during the Asia-Pacific Economic Cooperation leaders' summit in Danang, Vietnam in November 2017, the other 11 parties resurrected and renamed the pact as the Comprehensive Progressive Agreement for TPP, signalling their intention to proceed without the US. In addition, on September 21, 2017, after many years of negotiation and a long chain of discussions, the Comprehensive Economic and Trade Agreement between Canada and the EU entered into force provisionally, pending final ratification by national and regional legislatures. The EU has signalled that it could be a potential model for the EU-UK relationship following Brexit.

INTEGRATION & GROWTH: While political and economic integration within Europe may be at something of a crossroads, other regions have continued their own integration efforts. In Africa, regional integration has a long pedigree, with a large number of regional economic communities – with varying degrees of integration – recognised by the African Union. In 2017 the Economic Community of West African States gave a green light in principle for Morocco to join the regional grouping, which would see the country sign up to free trade with the other 15 member countries. While trade growth has been disappointing for most of the decade since the global financial crisis, the latest projections from the World Trade Organisation suggest that merchandise trade growth is picking up again and was likely to reach 3.6% for 2017 – 1.3 times that of global GDP growth – before moderating slightly to a 3.2% expansion in 2018.

At the same time, the UN Conference on Trade and Development projects modest year-on-year increases, with FDI flows to reach an estimated $1.85trn in 2018, although this is still below the record levels that were seen in 2007. Even if progress is slower than in recent decades, positive trade agreement developments, combined with trade growth and improved FDI flows, suggest the march towards globalisation is unlikely to end soon.

Global foreign direct investment flows are expected to reach an

$1.85trn

in 2018

Education

Standardisation of UAE-wide curriculum under way

New teacher licensing requirements being rolled out

Parent councils to increase engagement in schooling

Research focus at the tertiary level sees business links

Four tiers of schooling take students from five to 18 years of age

Top of the class

An emphasis on quality is leading to innovations across the board and a focus on research at the tertiary level

The UAE Constitution states that education is both free and compulsory for all citizens, and makes it the government's responsibility to provide equal opportunities for every child.

As it works to build a knowledge-based economy, education has become an increasing priority for the UAE. The emirate of Sharjah is placing particular emphasis on innovation and quality as it positions itself as a centre for education within the federation and the wider region. This recognition of the centrality of education is not news, however, with Sharjah having a long-standing history as a leader in this arena. Indeed, Sharjah was the site of the first modern school in the region, founded in 1930, as well as the first school for girls, established in 1955. It is now home to two of the Middle East's highest-ranking universities, alongside a range of research, vocational and training institutes.

As the sector continues to expand, it faces new challenges. Standardisation of curricula and outcomes, human resources development and keeping pace with rapid technological changes are just some of the areas of focus for the emirate's policymakers and sector professionals as they look to build upon the strong educational foundations. In the tertiary segment, funding for research and creating business tie-ups are among the top concerns for higher education establishments as they seek to attract students and staff to their faculties.

REGULATION: As one of the UAE's seven constituent emirates, Sharjah's education system comes under the umbrella of the federal Ministry of Education (MoE). Alongside its management of the public education sector, the MoE also plays a role in the regulation and inspection in the private sector.

The sector is overseen at the federal level by the Ministry of Education, with the locally based Sharjah Education Council acting as its partner and operating programmes out of an emirate-level budget.

The current minister in charge of the MoE is Hussain bin Ibrahim Al Hammadi, who has held the post since 2014. Demonstrating the centrality of the sector to the federal government's long-term development plans, there are two other Cabinet ministers with education portfolios – Jameela bint Salem Mesbeh Al Muhairi, minister of state for public education since 2016, and Ahmad bin Abdullah Humaid Belhoul Al Falasi, minister of state for higher education and advanced skills, who was also appointed in 2016.

Two key laws govern the sector's practice – Article 17 of the UAE's Constitution and Article 1 of Federal Law No. 11 from 1972 – which state that education is both free and compulsory for all citizens of the UAE. A further law gives every child the right to education and makes the state responsible for working to achieve equal opportunities for every child.

The MoE thus plays a central role throughout the emirate-level education system. At the same time, Sheikh Sultan bin Muhammad Al Qasimi, member of the Supreme Council and ruler of Sharjah, is himself an educationalist with a strong interest in developing the sector. To that end, he established the Sharjah Education Council (SEC) as the right hand of the MoE locally. A strategic partner of the ministry, the SEC is a local government institution with its own budget from the Royal Court of Sharjah, funding its own programmes.

DEMOGRAPHICS: Across the UAE, education is compulsory from age five, for both nationals and expatriates alike. In common with other emirates, Sharjah's population, recorded at around 1.4m in the most recent census from 2015, consists largely of non-nationals. The census broke the numbers down into 175,000 Emiratis and 1.2m expatriates. Reflecting the fact that most of the expatriate population are workers, often in manual, male-dominated jobs, the gender balance among foreigners is strongly skewed towards men, who make up 68% of the expatriate demographic. The Emirati population, on the other hand, had a slight female majority at 50.8% of the total. Overall, nearly a third (31%) of the population is under 19 years old, representing a school-age demographic nearing 434,000.

STRUCTURE: Up to age 18, there are four tiers of education in the UAE: nursery, kindergarten, primary and secondary. The first of these takes children from

18 months to two years old, with nurseries representing a key area of focus for the SEC. Some 30 nurseries are currently operated under its auspices, with the emirate planning to more than double this number to 66 by the early 2020s.

"We want to empower the working woman," Ziad Shatat, a research and training specialist at the SEC, told OBG, explaining the rationale behind this expansion. "We already have 30 government nurseries, and our goal is to have 66 nurseries to cover and serve all of Sharjah. These are available to all Sharjah Emiratis for a nominal fee."

This project goes in tandem with initiatives such as the Sharjah Baby-friendly Emirate Campaign (SBFC), which seeks to encourage mother-friendly workplaces, breastfeeding-friendly nurseries, and maternal and baby health. In 2015 Sharjah also became the first city to receive the World Health Organisation/UNICEF baby-friendly city award.

K-12 CYCLES: Kindergarten, meanwhile, accepts children at four to five years of age. As with nurseries, private kindergartens tend to cater to expatriate populations while publicly funded facilities serve Emiratis. In the 2016/17 academic year a total of 22 public sector kindergartens were registered in the emirate with the MoE, enrolling 5021 children.

After two years of voluntary kindergarten, primary education, also known as Cycle 1, takes children up to age 11, and comprises grades 1-5. This is followed by Cycle 2, which is an intermediate-level school, seeing students complete Grades 6-9 between the ages of 12 and 14. Secondary school, also referred to as Cycle 3, comprises the final two years of compulsory education – grades 10 through 12 – with completion leading to the award of the High School Certificate. A parallel system of technical secondary schools also exists, awarding graduates a technical secondary diploma. At age 17-18 students leave the system, having completed 12 years of schooling, unless they are continuing into higher education.

PROVISION: According to data from the MoE, there were 124 public schools across all levels operating in the emirate during the 2016/17 academic year. The MoE divides the UAE into nine educational zones – one for each emirate except Abu Dhabi, which is divided into three zones. This figure gives Sharjah the highest number of public schools in any one zone, although it is two less than in 2015/16, following some mergers at the Cycle-2 level.

The 2016/17 total included 41 Cycle-1 schools, 24 Cycle-2 institutions and 37 secondary schools. Most of these were single sex, with the emirate's total breaking down into 51 boys' schools, 43 girls' schools and 30 mixed. In addition, there were some 110 private schools operating in Sharjah that year. In terms of student numbers, there were some 41,063 public school pupils and 178,267 enrolled in private schools. This once again reflects the expatriate majority, as expatriate children go to private schools, where they may be taught in their own language and culture, or according to an international curriculum.

The prevalence of technology as a teaching tool is expanding across all levels of the school system

Some Emirati parents also opt to send their children to private schools, aiming to take advantage of UK-, US- or Australian-based qualifications or the International Baccalaureate offered by these institutions.

Sharjah has a wide range of private schools, with some of the more highly rated including the Al Muwahib British Private School, the ASPAM Indian International School, the Victoria International School Sharjah (VISS) and the Delta English School. There is, however, no official ranking system for private schools in the emirate, and quality varies given the lack of benchmark standards (see analysis).

Some international schools are regulated externally by authorities from their exam bodies – such as the International Baccalaureate Organisation (IBO) – or by the national regulators of their home curriculum. VISS, for example, is regulated by both the IBO and the Australian government to ensure it meets their global and national standards.

The private school sector is highly competitive, not just within Sharjah but also with Dubai, given the close proximity between the two emirates. As is true in the housing market, price is a key comparative advantage for Sharjah's private schools (see Real Estate chapter). Improvements in transportation between neighbouring emirates has helped to make Sharjah more accessible for school runs, potentially attracting students from next door.

STAFFING: According to MoE data, in the 2016/17 academic year, 3423 teachers staffed Sharjah's public sector schools, while private facilities employed 3257 teachers in the same period. This indicates much higher pupil/teacher ratios in the private sector than in the public, with the former enrolling some 81% of all students and employing 49% of teachers. The MoE offers a breakdown of the workforce by level, with 36% of teachers working in Cycle-1 institutions. The second-biggest workforce was in secondary schools, which employed 29% of teachers, while 26% taught in

Efforts to support working women will see the number of nurseries double from 30 to

66

by the early 2020s

There are 110 private schools and 124 public schools in the emirate, with the former enrolling 81% of pupils, reflecting the large expatriate population.

All tertiary institutions are located in the 6.5-sq-km University City

In 2018 elections were held for the first time for seats on a network of Student-Parent Councils. The five district-level bodies will be overseen by a central council that reports directly to the emirate's ruler.

Cycle-2 and 9% at kindergartens. Student-teacher ratios are enviable across the K-12 system, never topping the 15:1 level seen in Cycle-2 classes. The lowest student-to-teacher ratio is at the secondary level, where there is roughly one instructor for every eight pupils, while in Cycle-1 institutions it stands at 12:1.

Standards for teachers across both the public and private sectors are due to align – and rise – with the introduction of a new licensing system that will apply to all educators working in the UAE by 2021 (see analysis). Teacher training is currently provided in the emirate by the Department of Education at the University of Sharjah (UOS), which runs a professional teaching diploma course.

ENGAGING PARENTS & PUPILS: Another focus for the SEC is the development of a system of Student-Parent Councils, launched in 2017. Elections were held in February 2018 for seats on the five councils – one for each of the emirate's districts. The bodies comprise 13 members, of which nine were elected and four appointed by the SEC. The leader from each council will participate in a central, Sharjah-wide body that oversees the network of councils and will report directly to the ruler.

The establishment of largely elected councils thus demonstrates the importance Sharjah attaches to relations between schools and parents. The commitment to increasing parental engagement runs both ways, with the elections – the first of their kind – attracting a great deal of support, even though the council members will be unpaid volunteers.

Close cooperation between parents, teachers, students and the educational authorities is seen as particularly important at a time when the system is undergoing many changes. A major overhaul of curricula is taking place across the UAE to standardise provision as well as quality metrics (see analysis).

Sharjah is also home to a variety of other bodies representing and engaging children and young people. One is the Sharjah Youth Council, which was set up to bolster the contribution of youth to the emirate's development process. The council worked with the International Government Communication Forum to host the first Sharjah Youth Forum in March 2018. The two-day event brought 100 young people together with the emirate's decision-makers to discuss ideas on eight key areas – media, innovation, entrepreneurship, health and sports, sustainability, education and jobs, arts and culture, and values – which can now play a role in the emirate's development plans.

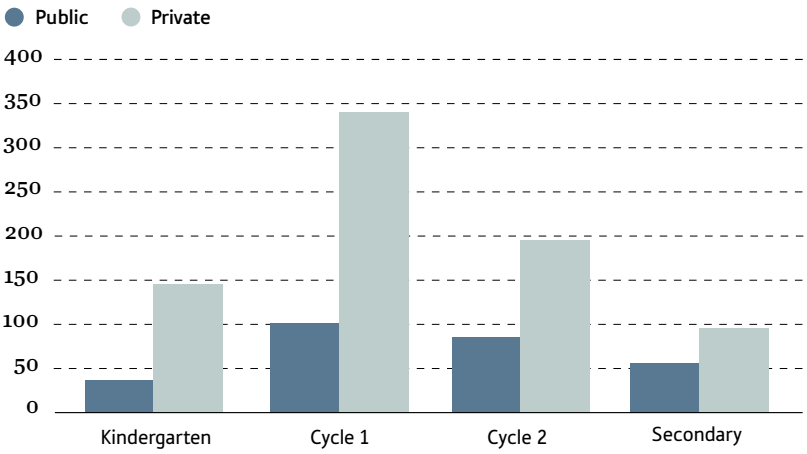
Another such initiative is the Sharjah Children Shura Council (SCSC), organised by the Sharjah Children's Centres. The SCSC introduces young children to the world of politics by giving them the chance to model the workings of the governing council. The 72 children elected to SCSC come together to debate key themes and experience government.

AWARDING EXCELLENCE: The emirate's ambitions to develop an international-standard education system are also behind the SEC-administered Sharjah Award for Excellence scheme. Launched in 1995, the initiative aims to reward educators who have achieved outstanding results in their field. The scheme has since expanded and now issues awards in 12 different categories and has an annual budget of Dh4m ($1.1m) in prizes.

The categories include outstanding teacher awards, prizes for outstanding students, as well as awards for associated professional roles, such as the top school social worker, or community members, such as outstanding educational families. The awards attract between 400 and 500 applications each year, according to the SEC.

E-LEARNING: Sharjah has been at the forefront of introducing IT into the classroom, from the nursery level onwards. In 2016 the emirate re-launched its *Lughati* ("my language") programme, a Dh15m ($4.1m) six-phase scheme that aims to modernise Arabic-language learning through the development

Distribution of students by school type, 2016/17 (000)



Source: MoE

of software that encourages children to read in Arabic and the provision of devices on which to use it. Once complete the programme will have provided tablets to 25,000 students and 1000 teachers. The devices will come installed with language-learning software designed by Horouf Educational Publishing, part of the Sharjah-based Kalimat Group.

February 2018 saw the completion of phase three of the programme, with some 11,000 children already issued with the devices. In tandem with this, charging devices and storage lockers for the tablets are being installed in the emirate's schools, while teachers are being given extra training on how to use the devices. This addresses a key challenge in developing e-learning – the technology gap that may exist between educators and pupils.

E-learning has also made inroads into the higher and further education segments, although these are still early days. The privately run Skyline University now delivers around 20% of teaching via online platforms, for example. Blended delivery – which involves both classroom and online learning – is also an increasingly preferred model for courses at the American University of Sharjah and UOS, where digitisation of course materials is also ongoing, with more and more courses now paper-free.

Face-to-face tuition is, however, still widely favoured, with university authorities and students maintaining a preference for the classroom environment, which is seen as an important part of the undergraduate experience, in particular.

The next few years may see some development in the use of online learning methods in the fields of continuing education and postgraduate study. In terms of distance learning, the federal Abu Dhabi-based Ministry of Higher Education and Scientific Research issues a list of foreign universities that are accredited to offer these courses by their own education authorities, advising would-be students to stick to these 105 anglophone institutions.

GETTING TECHNICAL: At the Cycle-2 level, Emirati students have the option of undertaking technical and vocational education by attending a secondary technical school (STS). There are two such institutions in Sharjah with a student body totalling 286 pupils in the 2016/17 academic year.

One of these is the Sharjah Boys STS, which is part of the Institute of Applied Technology, a UAE-wide body that operates similar institutions across all seven emirates. The school accepts pupils at age 13-15 as grade-9 students and at 14-16-years-old for grade 10. Prospective students must pass an entry exam to enrol. Subjects taught include an academic core, along with career-based scientific, engineering and technical, hands-on classes, taught in English.

Technical and vocational education and training (TVET) is seen as a vital driver of future diversification and growth throughout the UAE's economy. TVET institutions are also present at the tertiary level, offering a wide range of programmes. These include facilities working in high-tech sectors – such as the Sharjah Centre for Astronomy and Space Sciences (SCASS) – and sector-specific institutions such as the Sharjah Police Science Academy.

Technical and vocational education and training is increasingly seen as a vital driver of diversification

The former includes the largest planetarium in the Middle East and the biggest observatory in the UAE. The centre sees its role as providing support for the development of local space industries, with communications and component manufacture for small satellites – known as CubeSats – highlighted (see Industry chapter). The SCASS is part of UOS, one of the region's top higher education institutions.

The Police Science Academy not only trains local law enforcers, but also works with Interpol on around a dozen joint courses. It currently has around 200 students on bachelor's degree courses and 150 students undertaking master's degree programmes. The student body comes from police stations in Sharjah as well as other parts of the UAE and from across the wider GCC. Attracting students from the other emirates and abroad is an increasing focus for Sharjah's tertiary sector (see analysis).

Higher education institutions, as well as their related research institutes, are all located in the emirate's 6.5-sq-km University City, a physical testimony to Sharjah's commitment to higher education.

OUTLOOK: Across the emirate's educational spectrum, the period ahead is set to be one of qualitative increases, more than quantitative ones. The current strategic focus encompasses an improved core curriculum in schools and high-tech ventures in science and technology parks. Funding is also going to be increasingly in the spotlight, as higher education institutions in particular seek to maximise their own revenue-generating capabilities while also maintaining high academic rigour and standards. Face-to-face education will also likely continue to dominate, as education authorities wait to see how e-learning courses overcome the challenge of ensuring the same high quality as traditional classes.

E-learning has made inroads into the higher and further education segments, while blended delivery, which involves both classroom and online learning, is becoming an increasingly preferred model for some university courses.

Ongoing reforms in the sector will focus on the quality of provision, from the core curricula of compulsory levels to staying on the cutting edge of high-tech research at the tertiary level.

Targets are in place to achieve 95% enrolment in pre-schools by 2021

Ringing the changes

Efforts to standardise provision and outcomes across the federation are under way

Across the UAE – including in Sharjah – the education system has developed from almost nothing to a system of universal schooling in a relatively short space of time. This achievement has also been made during a period of rapid technological advances, with students and teachers now required to constantly adapt to the changing needs of society and the workplace.

Education planners have thus been looking at how to ensure the system keeps pace with changes – and with the UAE's long-term development programme, Vision 2021. The result is the Ministry of Education's (MoE) Strategic Plan 2017-21, which aims to take the country's education system to the next level, focusing on innovation and creativity in order to provide the bedrock for a future, knowledge-based society. It also aims to create an Emirates School Model in which schools across all emirates follow a standard system and are subject to uniform levels of quality and qualifications.

BENCHMARKING: Work is currently rolling out several areas. First, there is a major drive towards performance benchmarking on a UAE-wide basis. A national-level Emirates Standardised Test has been introduced to measure understanding in the core subjects of Arabic, English, maths and science, and should address the lack of comparability across the UAE's schools.

Second, a major overhaul of school curricula is now ongoing, with the aim to create new programmes that stimulate creativity and innovation, while also maintaining ideas of citizenship and responsibility, and Islamic values. Additionally, a two-track system is being introduced to replace a previous science and literature division. Planners believe this new structure will enable graduating high school students to move directly into higher education studies without a foundation year. This should also make application to tertiary institutions abroad and in the UAE more straightforward.

The strategy also sets down a number of key performance indicators (KPIs) for 2021. For student outcomes these include: a 98% graduation rate from secondary schools; a 95% enrolment rate in pre-schools; 90% of students scoring highly in national Arabic tests; and bringing the UAE into the world's top-20 countries when it comes to Programme for International Student Assessment scores. A knock-on effect of these changes will be the phasing out of foundation courses, with a KPI of 0% enrolment in tertiary level foundation years, while expenditure on research and development as a percentage of GDP will reach 1.5%, up from 0.86% in 2015. These targets are being pursued in Sharjah in particular, where the ruler, Sheikh Sultan bin Muhammad Al Qasimi, is very keen to establish the emirate as a centre of educational excellence.

TEACHER TRAINING: A further plank of the Strategic Plan is reform of the teaching system. A professional licensing system for educators is being brought in, rolling out across the plan period, to establish standardised qualifications for both Emirati and expatriate teachers in both the public and private school systems. To be licensed, teachers must pass a national exam developed by the National Qualifications Authority, the MoE, and several Abu Dhabi-based government educational institutions. This new licensing procedure should help meet the KPI of 100% of schools having high-quality teachers and highly effective school leadership.

HIGHER EDUCATION EFFORTS: Meanwhile, efforts at standardising outcomes across the UAE are also being applied in the higher education segment. Currently, some universities are recognised and accredited by the federal authorities, while others have just emirate-level accreditation. Students may therefore experience difficulty in transferring from one university to another, especially if it involves crossing an emirate boundary. This problem is increased when the institution is located in a free zone, which may not be subject to the same regulatory regime as the rest of the emirate.

As plans move forward, the year ahead may therefore also see a push for more standardisation – and enhanced outcomes – across all educational levels.

Under the Ministry of Education's Strategic Plan 2017-21 a new licensing system for teachers has been introduced as part of its efforts to improve student outcomes.

Aligning the accreditation system for universities across the UAE is expected to ease student transfers, which have previously been hampered by varying systems of emirate-level recognition.

Two local universities are ranked in the top 15 regional institutions

Aiming higher

Tertiary institutions focus on research and business links

The largest regional university is based in the emirate, with

14,500

students enrolled on 96 courses in 2017/18

In keeping with the educationalist philosophy of Sharjah's ruler, Sheikh Sultan bin Muhammad Al Qasimi, the emirate is home to two of the Gulf's leading universities, as well as a cluster of research institutes and technical colleges.

The largest and one of the oldest of these is the University of Sharjah (UOS), founded in 1997 by Sheikh Sultan himself. UOS has risen up the international rankings, with 2018 seeing it make the Times Higher Education Arab World University charts for the first time. It joined the table at 14th out of the 31 top institutions examined. UOS is also now the largest university in the region, both in terms of student numbers, with around 14,500 currently registered, and in terms of the number of programmes, with 96 now available. These span the academic spectrum, including business administration, fine arts, sciences, medicine, dentistry, engineering, law and Islamic studies. As well as its main campus at the emirate's University City, UOS also has branch campuses at Al Dhaid, Khorfakkan and Kalba.

RESEARCH AGENDA: In recent years UOS has been working towards enhancing the quality of its provision, with a particular focus on deepening the research end of its activities. A number of research institutes have been founded under the auspices of UOS to further this objective. These bodies work across a range of priority fields and include: the Sharjah Centre for Astronomy and Space Sciences (SCASS); the Sharjah Institute for Medical Research; the Diabetes, Endocrinology and Nano Medicine Centre; the Public Health Research Centre; the Research Institute of Sciences and Engineering; the Sharjah International Foundation for the History of Arab and Muslim Sciences; and the Sharjah Islamic Centre for Economy and Finance Studies.

A number of research institutes have been established under the auspices of the emirate's main public university, with a focus on health, finance and other key economic industrial sectors.

The focus on research has also led to an increase in tie-ups with international laboratories and institutes, and boosted the university's presence in academic journals. The institution's growing reputation and expanding opportunities for research have also supported the development of its faculty, which, according to the university's vice-chancellor, Maamar Bettayeb, is increasingly international.

REFINED PRIORITIES: Refining the focus to a smaller number of centres of excellence is the next objective, with UOS now working to prioritise and streamline its research activities to ensure that funding is channelled to the most promising projects. The question of funding is also partly driving a push to increase commercialisation of academic research. The university intends to establish a technology-transfer office to develop patents and licences and spin-off research breakthroughs to start-ups. Intellectual property (IP) rights are also being registered in the US and Europe, while IP laws in the UAE continue to be rolled out.

Collaboration with local firms is an area where further improvement is needed, as few firms dedicate significant percentages of their budgets to research and development. There are exceptions, however, and the university has pursued partnerships with those entities. Private sector partners include local conglomerates Easa Saleh Al Gurg Group and Al Batha Group, which provide scholarships for students at UOS. All told, the research department at UOS has 18 local partners and 27 agreements with international bodies. Complementing this, UOS provides services to the community, including technical and scientific consultations, and training.

PRIVATE PLAYER: Commercial tie-up is also an issue for the emirate's other major higher education institution, the private American University of Sharjah (AUS). Set up in 1997 with US accreditation, AUS has some 5500 students from 93 nationalities, with 366 full-time faculty members. AUS comprises four colleges and schools: art, architecture and design; arts and sciences; engineering; and business

administration. As well as undergraduate courses, the university offers 14 master's degrees, with its first PhD programme launching in 2018 and others to follow. In 2018 the Times Higher Education Arab World University ranked AUS 12th out of 31 institutions. As with UOS, AUS is in the process of shifting its focus to research these days, with business link-ups and commercialisation particularly significant for such a self-funded institution.

"In terms of commercialisation, faculty are encouraged to patent ideas and the university currently has patents pending," Kevin Mitchell, acting provost and chief academic officer at AUS, told OBG.

Ensuring employability is also a priority for fee-paying students, leading to a practical bias to the courses on offer. All students undertake an internship programme as part of their studies, with these now being extended from around 5-6 weeks to 12 weeks across the board – matching the duration of time the school's business students have to already spend on such schemes.

LINKED INCUBATORS: The emirate's main start-up facility, the Sharjah Entrepreneurship Centre (Sheraa) also has its main offices at AUS. This provides students and faculty with a close link to the business world, with the centre providing an incubator and accelerator, while conducting the Ideathon programme – a consolidated training and business advice course for prospective entrepreneurs.

Another separate, yet closely connected outfit is AUS Enterprises, which has its own board and CEO, and has been tasked with developing the financial future of AUS. One of its projects is the Sharjah Research Technology and Innovation Park (SRTIP) free zone, located next to the campus. The park will provide a platform for research onto water technologies, renewable energy, environmental technology, digitisation, production design and architecture, and transport and logistics. SRTIP has signed a number of memoranda of understanding with international bodies, such as Oxford Sciences Innovation, the VTT Technical Research Centre of Finland, Oulu University of Applied Sciences and the China-Arab States Technology Transfer Centre. The 4645-sq-metre park will see three interlinked buildings in its first phase, with delivery expected in early 2019.

UNIVERSITY CITY: Both AUS and UOS are located in the emirate's University City. This 6.5-sq-km zone is home to most of the emirate's educational institutions, such as SCASS, the Sharjah Research Academy, Sharjah Higher College of Technology for Men, Sharjah Higher College of Technology for Women and Sharjah Institute for Heritage.

Sharjah Police Academy, Teaching Hospital, Library and University City Hall are also on the site, along with Skyline University College (SUC) and Al Qasimia University (AQU). The Dr Sultan Al Qasimi Centre of Gulf Studies is also present, along with the Regional Centre for Educational Planning and Training, the Institute of Training and Judicial Studies, University Hospital Sharjah and Sharjah Institute of Technology.

The emirate's universities attract a large number of international students from the GCC and further afield

Some 20,000 students attend institutions in University City, which was opened by Sheikh Sultan in 1997.

AQU is the latest addition to Sharjah's tertiary sector, launching its first academic year in 2014. AQU is a specialist Islamic institution, offering courses in four colleges – sharia and Islamic studies, arts, economics and communications. Like UOS, AQU was also founded by Sharjah's ruler.

SUC, meanwhile, was one of the first private universities to start up in the UAE, launching in 1990. The university specialises in business-related courses, with a focus on industries such as aviation, hospitality, travel and tourism, marketing, business management, IT and finance. From their second year of study, approximately 60% of students undertake an internship programme to help prepare them for the job market. SUC also runs a business incubator and works closely with Sheraa.

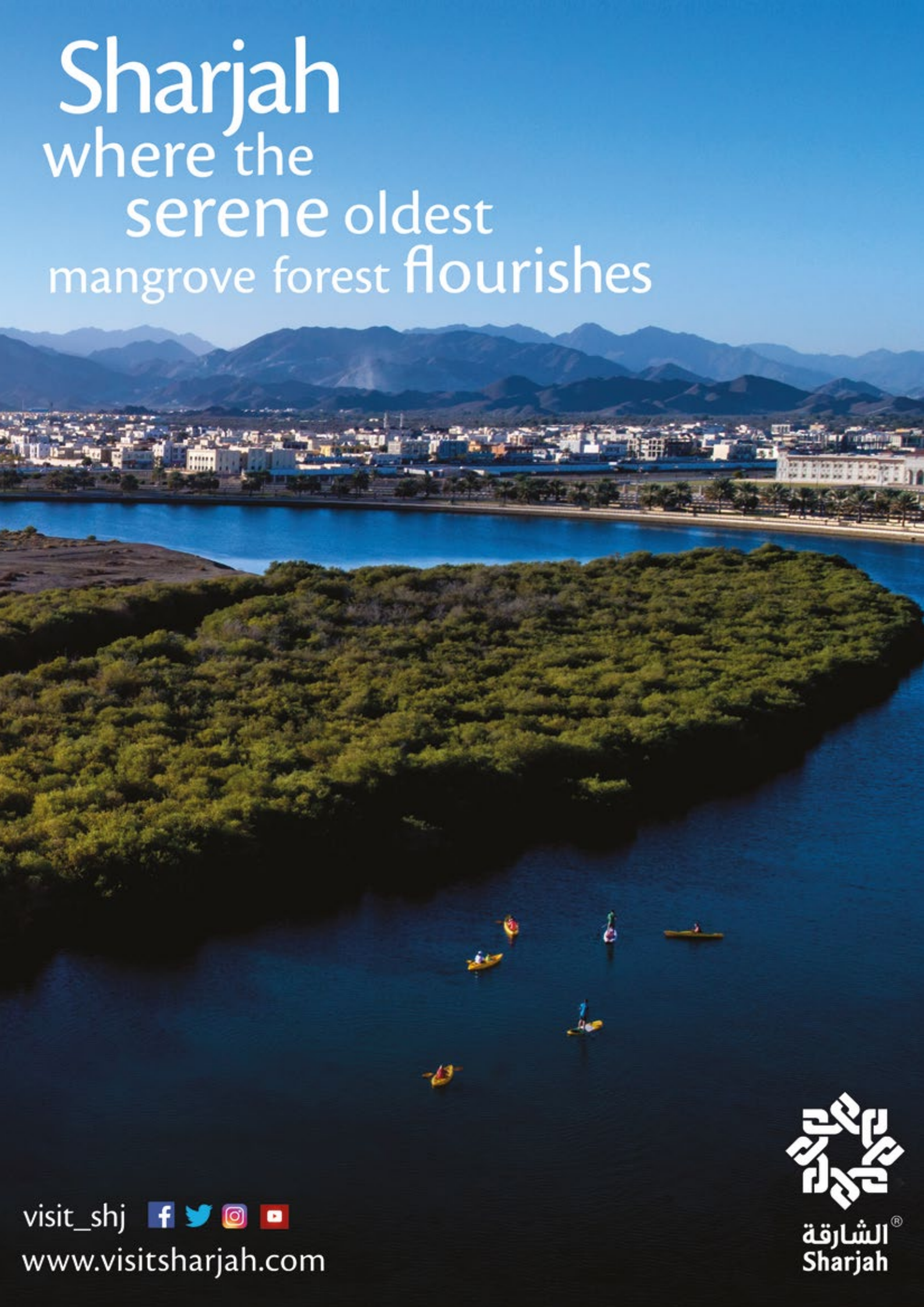
INTERNATIONAL REACH: SUC also has a significant number of international students, with some 40% of undergraduates and 65-70% of postgraduate students coming from abroad.

Indeed, international enrolment is a key feature of Sharjah's higher education sector. For 2015/16, UOS recorded some 5227 UAE nationals in its student body, studying alongside 1459 students from other GCC states and 5788 from other Arab countries. A further 1337 students came from outside the Arab world. At AUS, the autumn 2017 enrolment broke down into 19.3% UAE nationals and 80.7% non-nationals, with Egypt sending 13.5% of the total, followed by Jordan with 10.1% and India at 9.7%.

This multinational environment is seen by university chiefs as a major advantage and attraction to study in Sharjah, bringing a wide variety of cultural backgrounds into the learning environment. For SUC, this internationalism is now also being reflected outwards, with the university currently completing a campus in Nigeria, home to many of its students.

Internships increasingly form an integral part of higher education study as student and educators alike focus on job prospects after graduation.

International students make up the majority of admissions at the emirate's universities, with the multinational environment seen by university chiefs as a major advantage and attraction to study in Sharjah.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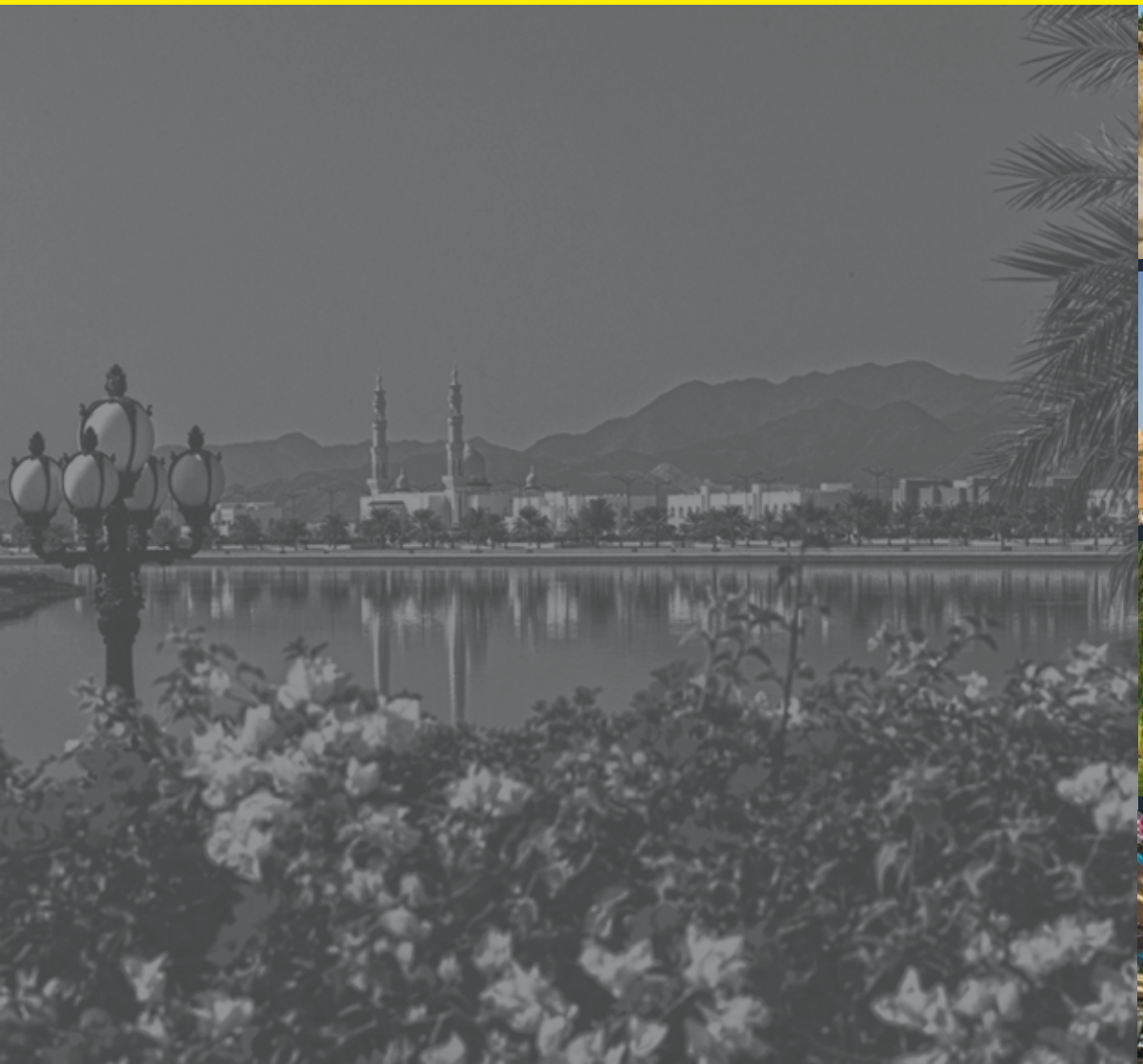
Tourism & Culture

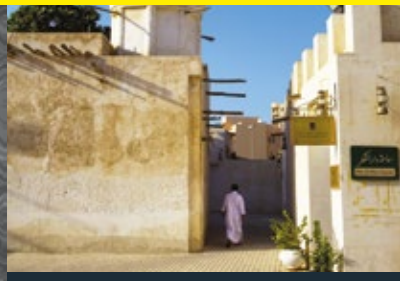
Hotel revenues and guest numbers increase in 2017

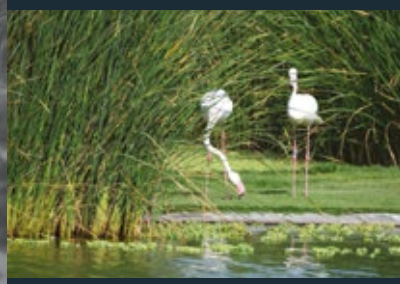
Development and expansion of infrastructure under way

Status as a regional arts and culture hub cemented

Ecotourism established as important emerging segment







A key focus of the sector is promoting cultural and heritage tourism

Renewed growth

Performance indicators rebound as source markets new and old continue to strengthen

By 2021 the government hopes to attract

10m

visitors annually

Sharjah's tourism sector benefits from a range of attractions, including its year-round warm weather, beaches, museums, proximity to Dubai's shopping facilities and status as a regional cultural hub. The sector faced something of an oil price-related downturn in 2015, but has been showing signs of resurgent growth and is attracting substantial investment in the form of a range of internationally branded hotel projects in the pipeline.

The sector's development is being guided by the Sharjah Tourism Vision 2021, launched in 2015, which aims to attract 10m visitors annually by 2021. The vision is based around four pillars, namely promoting Sharjah as a family destination, improving the tourist experience through innovation, providing high-quality tourism facilities and capabilities via partnerships and collaborative action, and promoting cultural and heritage tourism.

TRAVEL INFRASTRUCTURE: The emirate is well served by air transport infrastructure, including its own airport, Sharjah International Airport (SIA). The facility, one of the main hubs of budget airline Air Arabia and partly owned by the Sharjah government, is becoming increasingly busy: it saw 11.37m passenger movements in 2017, up from 11.05m in 2016. Prior to this, passenger traffic was at 10.04m in 2015 and 9.52m the previous year, according to figures from the SIA. In April 2017 Sharjah Airport Authority announced a Dh1.5bn ($408.3m) expansion programme at SIA in order to raise the facility's capacity to 25m passengers a year by 2025.

Sharjah City is also just a 15-minute drive from Dubai International Airport, the third-busiest airport in the world in 2016. In addition, the sector benefits from a cruise terminal at Khorfakkan port on the emirate's eastern coast, which registered over 72,000 visitors during the 2015/16 cruise season.

ECONOMIC CONTRIBUTION: The overall tourism sector accounts for more than 9% of the emirate's GDP, according to the 2016 annual report of the Sharjah Commerce and Tourism Development Authority (SCTDA), which is responsible for promoting the sector. Detailed historical information about overall sector GDP is not available; however, accommodation and food services GDP stood at Dh3.2bn ($859.3m) in 2017, according to figures from the Department of Statistics and Community Development (DSCD). The sector's value added in current prices has increased every year since at least 2010, while the segment's economic contribution has hovered at between 3.4% and 3.6% of GDP.

PERFORMANCE: Tourist arrivals to Sharjah are difficult to calculate given the lack of borders between it and other emirates in the UAE. Furthermore, arrivals at Sharjah ports of entry, such as SIA, may be headed straight to other emirates, and vice-versa. However, figures for tourism accommodation are available and provide a useful proxy.

Guest numbers rose in the years prior to 2014, according to DSCD figures, when they peaked at 2.06m, but fell sharply in 2015 to 1.79m, in large part as a consequence of the decline in international oil prices and the knock-on effect on major oil-dependent source markets, such as the GCC and Russia.

According to the 2017 annual report of the SCTDA, the number of visitors grew by 3% on 2016 figures to reach 1.78m in 2017, of which 1.14m stayed at hotels while 630,000 were hotel apartment guests. Sector activity by other metrics was up on previous years. The average length of stay was 2.36 days, up 4% from 2.23 days in 2016. This generated revenues of Dh694m ($188.9m) for 2017, an increase of 3.8% compared to the previous year.

The overall occupancy rate was 70%, compared to 62% in 2016, with the rate for hotel apartments, which stood at 74%, higher than that for hotels, which was 68%. "As of mid-April 2018 things are looking quite positive – more so than this time last

The emirate's main international airport saw 11.37m passenger movements in 2017, up from 11.05m the previous year and 10.04m in 2015.

year," Ian Phillips, CEO of Sharjah National Hotels, told OBG, adding that the broader market was seeing a small improvement in occupancy rates.

Despite this, Phillips said that the sector continued to witness falling room rates, in particular bookings from within the UAE through online travel agencies. "Disposable revenues are down, although the economy is doing well overall," he added.

MAJOR SOURCE MARKETS: UAE nationals accounted for 10% of tourism accommodation guests in 2017, or around 177,000. Russian tourists made up the majority of the market, with a 15% share, followed by Omanis at 11%, Emiratis at 10%, and Indians and Saudi Arabians at 8% apiece. By region, the emirate's largest foreign source market was Europe, which grew by 36% from 2016 to account for a 26% share in 2017, according to SCTDA figures. This was followed by Asia in second place, up 8% to claim a share of 24%, and the GCC in third, with a 22% share having decreased by 12% from 2016.

RUSSIAN ARRIVALS: One of the principle reasons for the drop in guest nights in 2015 was a fall in the number of arrivals from Russia, previously one of Sharjah's major source markets, following the depreciation of the rouble against the backdrop of the 2014-15 oil price slide. Russian hotel guest numbers fell from 400,000 in 2014 to 54,000 the following year. However, 2016 saw something of a recovery in visits from the country, up 12% on the previous year, and this gathered pace in the first half of 2017, which saw a near doubling – an increase of 94% year-on-year – in the number of Russian guests staying in tourism accommodation in the emirate, Michael Kasch, general manager of the Centro Sharjah Hotel, told OBG that there had been an even greater recovery in the Russian market in the final quarter of the year. By the end of 2017, Sharjah welcomed around 266,000 tourists from Russia, according to the SCTDA.

CHINESE GROWTH: A newly important and still rapidly growing source market for the industry is China. Visitor numbers from the Asian nation have been boosted by recent promotional efforts as well as a decision by the UAE federal government in September 2016 to grant Chinese tourists visas on arrival. In February 2015 Air Arabia also launched direct flights to Urumqi, the largest city in Western China.

This all helped to bring about a 63% rise in the number of Chinese guests staying in tourist accommodation in the emirate in 2016, making China the sixth-largest tourist source market. "Chinese tourists tend to visit Sharjah for a mixture of heritage, shopping and using the emirate as a base for travelling to Dubai," Kasch told OBG. In 2017 approximately 120,000 Chinese tourists visited the emirate.

ISLAMIC TOURISM: The main focus of current promotional efforts by the SCTDA are the traditional leading source markets of the GCC, China, India and Russia; however, the authority is also stepping up efforts to promote Sharjah as a destination in South-east Asia, particularly Indonesia and Malaysia, with a focus on persuading pilgrims already travelling to the GCC for Hajj or Umrah to holiday in Sharjah during their trip.

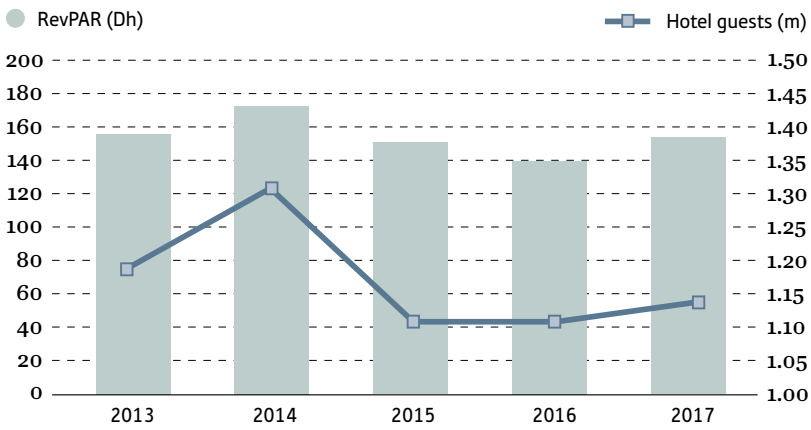
Sharjah was home to 54 hotels and 51 apartment hotels as of 2016

This focus on Islamic South-east Asia underscores the emirate's popularity as a family destination for religious Muslim travellers due to factors such as the local ban on serving alcohol. "Non-Muslims often want to stay across the border in Dubai, but many Muslim travellers from areas such as the GCC and Asia prefer to stay in Sharjah," said Kasch, explaining that while the dry nature of the emirate used to be widely seen as having a negative impact on tourism, this was no longer the case.

ACCOMMODATION: Sharjah was home to 99 hotels and hotel apartments in 2017, according to the SCTDA, compared to 106 the previous year. The vast majority of properties, some 94%, are located in Sharjah City, with the rest in Khorfakkan and Kalba on the east coast. The market is dominated by mid- to high-end properties. At the end of 2017

The first half of 2017 saw a 94% year-on-year increase in Russian guests staying in tourism accommodation, marking a significant recovery from a major source market.

Hotel statistics, 2013-17



Source: SCTDA

As of 2016 the emirate's hotels contained 6558 rooms, with the four-star category by far the largest segment

In January 2018 the government's investment arm announced three new real estate, leisure and tourism developments worth a combined $739.4m.

the emirate's hotels contained a combined 6290 rooms, with the four-star category by far the largest segment, on 2483 rooms; followed by three-star properties, with 1566 rooms; five-star hotels, with 1166 rooms; two-star hotels, with 716 rooms; and one-star hotels, with 359 rooms. The balance is tilted in the opposite direction for hotel apartments: of its 2966 rooms, 1398 belonged to basic properties, compared to 752 deluxe rooms and 816 standard.

OPENINGS & INVESTMENT: Many new hotel developments are also in the pipeline, with several new openings in 2017, including the 180-room Royal Tulip the Act Hotel in the Al Majaz area, operated by the Louvre Hotels Group, and the 110-room Sharjah International Airport Transit Hotel, managed by Dubai-based Flora Hospitality.

In total, around 500 new rooms in four- and five-star properties were due to come on-stream during the year, according to estimates from the Sharjah Investment and Development Authority (known as Shurooq). Facilities set to open in 2018 include a 220-room Four Points by Sheraton, due to launch in September. The luxury, 54-room Al Bait hotel, built at a cost of Dh100m ($27.2m) in the newly developed heritage area, Heart of Sharjah, is also due to open later in the year, and will be managed by Singapore's GHM Group.

Other properties in the development pipeline include a 200-room Novotel built at a cost of Dh127m ($34.6m) and a 270-room Aloft, both being built near the Expo Centre Sharjah; a 188-room Pullman hotel; the 233-room Anantara Sharjah Resort, to open in 2020; and a 254-suite and serviced apartment DoubleTree by Hilton to open in Al Majaz in 2020, at a development cost of Dh158m ($43m). As of February 2018 local hotel group Sharjah National Hotels was also planning to break ground on a new 500-room, mixed-use residential and hotel facility on the east coast by August, Phillips told OBG.

In 2017 the emirate's international book fair attracted

2.38m

visitors

The government is acting as one of the major investors in the sector, through its investment arm Shurooq, often in conjunction with partners from the tourism and real estate sectors. For example, in January 2018 Shurooq and real estate developer Eagle Hills announced three new real estate, leisure and tourism developments in the emirate, worth a combined Dh2.7bn ($734.9m).

By far the largest of these is the 460,000-sq-metre mixed-use Maryam Island project, located in downtown Sharjah City, which will provide both residential and tourist accommodation, and which is due for completion in late 2019.

The two entities will also build an 87-room hotel, the Palace Al Khan, at a cost of Dh120m ($32.7m), to be managed by Address Hotels + Resorts, a unit of Dubai-based Emaar Hospitality. Work on the project started in the first quarter of 2018 and is due to be completed by mid-2020. The third of the projects is a Dh160m ($43.6m) mall, the Kalba Waterfront, to be built within the Kalba Eco-Tourism Project.

Growing competition as a result of new openings is seen by some as positive for the sector's development. "There are high-quality new properties entering the market, which can only lift Sharjah's reputation and raise awareness of the emirate," Phillips told OBG. However, Kasch said that some players could struggle. "It is primarily non-branded hotels that are likely to suffer, as seasoned travellers and tourists increasingly like to know what they are getting when they make a reservation."

GOVERNMENT SUPPORT: In addition to Shurooq's investment projects, the authorities are working to support the industry's development in a number of ways, including improvements to infrastructure and the development of the emirate's events calendar. "Each year there is a gradual increase in the number of events, with new ones added and consolidated before another is brought in," Phillips added. Plans for infrastructure improvements include the development of a new managed public beach with facilities including showers, and a running track in close proximity to the Sheraton hotel.

DEVELOPING NICHES: Promising tourism niches in the emirate include the meetings, incentives, conferences and events (MICE) segment.

The SCTDA has developed a MICE strategy and is currently working on a plan to implement it, with a particular focus on developing domestic and GCC-derived MICE business, as well as building up a MICE ecosystem around some of the major events that take place in the emirate. One such well-established international event is the Sharjah Book Fair, which attracted 2.38m visitors in 2017, up from 2.31m in 2016 and 1.2m the previous year.

"There are big opportunities for MICE in Sharjah," Phillips told OBG. "The segment faces some challenges, such as road congestion between here and Dubai, and competition from properties in other emirates. However, the potential is high given the availability of high-quality hotels and the close

proximity to Dubai airport, for example." Kasch said that the shortage of large meeting venues posed something of a challenge for the segment, but that the arrival of new internationally branded hotels in the emirate would likely help to address this.

Tourism based around local events, and sport meets in particular, is also growing rapidly. "Sharjah has always hosted sporting events, but in the past these were mainly aimed at domestic audiences," Kasch told OBG. "However, nowadays there is a focus on larger events aimed at international attendees as well as improving the quality of existing events."

HERITAGE & CULTURE: Heritage and culture are also important draws for tourists coming to the emirate. "Dubai has the glitz and glamour, but people interested in heritage come to Sharjah," said Kasch. Key attractions in the heritage domain include the Mleiha Archaeological and Eco-Tourism Project, developed by Shurooq and launched in January 2016. The Heart of Sharjah project, an initiative to renovate parts of the city, will also boost the emirate's appeal to heritage tourists.

In addition, Sharjah is home to 16 museums managed by the Sharjah Museums Authority, not including two under renovation, including a museum of Islamic civilisation. These attracted 774,106 visitors in 2016, up from 737,950 in 2015. "Sharjah's cultural initiatives, including events and continued investment in improving and developing new attractions, are helping provide a lot of international publicity for the emirate and consequently interest in its heritage," Abdulaziz Al Musallam, chairman of the Sharjah Institute for Heritage, told OBG.

Among the cultural events and festivals that take place throughout the year are the Sharjah Light Festival, Sharjah Heritage Days, Sharjah Islamic Arts Festival and the Sharjah Ramadan Festival.

ART SCENE: The arts represent another important attraction and are also highly valued in their own right by the local authorities. A key event in not only the local, but also the national and regional arts calendars is the Sharjah Biennial art exhibition. The event first took place in 1993 and now lasts for three months. The exhibit's most recent iteration – the 13th Biennial – took place in spring 2017, when it was run by Lebanese art curator and organiser Christine Tohmé, and attracted around 120,000 visitors, according to the Sharjah Art Foundation (SAF). The next edition will take place in March 2019 and will have three curators, namely artists Omar Kholeif, Zoe Butt and Claire Tancons.

Since 2009 the event has been managed by the SAF, which was created that year for that purpose, as well as to organise an annual arts discussion, the March Meeting. The SAF puts on around 12 shows a year and operates a range of exhibition spaces, with its headquarters located in the Heart of Sharjah. In 2017 the site received 185,000 visitors, and is continually seeking out new spaces throughout the emirate, primarily in the form of disused iconic buildings, according to Sheikha Nawar Al Qassimi, development manager at the SAF. Recent additions to its roster of spaces include the Kalba Ice Factory, a former fish feed mill that was subsequently used by local fisherman to store ice.

An initiative to renovate parts of Sharjah City is expected to boost the emirate's appeal to heritage tourists

A major new project undertaken by the foundation was the collaboration with London-based art collective Random International to install one of their famous Rain Rooms – installations in which rain pours from the ceiling but never where visitors are standing – at Al Majarrah Park near the Sharjah Museum of Islamic Civilisation. The exhibition opened on April 29, 2018. "The Rain Room will be a driver of tourism in Sharjah as it is the only installation of its kind in the region and the first permanent Rain Room in the world," Sheikha Nawar told OBG.

Efforts by other emirates to develop their arts and culture offering could also provide a significant boost for Sharjah. "The various arts across the country are complementary to each other rather than in competition, as no emirate is doing exactly the same thing, and there is lots of coordination between them," Sheikha Nawar said. "For example, the Biennial helps to boost sales at commercial galleries in Dubai, and the opening of the Louvre in Abu Dhabi will bring more people interested in the arts to the UAE generally," she added, describing the opening as having "completed the circle" in terms of the development of the arts scene in the country's three largest emirates.

OUTLOOK: After something of a downturn, the tourism sector is showing strong signs of recovery, with both traditional source markets improving performance, and new markets such as China opening up. Together with the development and expansion of key tourist infrastructure, such as new hotel investment and the expansion of SIA, the sector appears set to continue performing strongly in the coming years, bolstered by Sharjah's ongoing status as one of the region's pre-eminent arts and culture centres.

The Sharjah Biennial art exhibition, which was founded in 1993 and now last for three months, attracted 120,000 visitors in spring 2017.

The 16 museums under the Sharjah Museums Authority attracted 774,106 visitors in total in 2016, representing a 5% increase on the previous year's figure of 737,950.

Khalid Jasim Al Midfa, Chariman, Sharjah Commerce and Tourism Development Authority

Unique offering

Khalid Jasim Al Midfa, Chairman, Sharjah Commerce and Tourism Development Authority, on leveraging comparative advantages and encouraging niche tourism investment

How can Sharjah leverage its comparative advantages to open new markets for inbound tourism?

AL MIDFA: Although challenging economic conditions are affecting tourist movements globally, tourism continues to play an important role in the emirate, contributing approximately 9% of GDP. The UAE is unique in that the seven emirates provide different destinations with complimentary products. Sharjah provides a combination of cultural heritage and recreational facilities which appeal to different target markets. Our objective is to welcome 10m tourists annually by 2021, and the emirate can build on its existing air connectivity and airport expansion programme to launch additional routes to key growth markets including Russia and China. Although the GCC remains our primary source market, destinations must now employ innovative strategies to expand in new and existing markets.

How will developments in tourist infrastructure strengthen the emirate's hospitality sector?

AL MIDFA: In order to improve visitor numbers and meet the increasing expectations of travellers, it will be necessary to invest in the upgrade of attractions, infrastructure and accommodation. In 2017 we recorded approximately 1.78m hotel guests with a total stay of 4.2m nights. Furthermore, the average length of a stay increased from 2.1 nights in 2016 to 2.3 in 2017. Attracting major international hotel chains to Sharjah has been part of our long-term strategy, as they contribute to market reputation, brand recognition, bookings processes and improved standards. By 2021 we expect 5000 hotel rooms to be added to the emirate's portfolio, representing a 50% increase from our current inventory, with contributions from international chains such as the Accor Group and Hilton.

Destinations must improve visitor experiences through enhanced customer care, including more amenities, personalised services and guaranteed standards. For example, we have launched a number of training programmes for the hospitality sector to improve services and standards within the industry. We have also started a programme to ensure that local hotels welcoming a high number of visitors provide the language services, tour guides and amenities that guests expect. In terms of physical infrastructure, the airport expansion programme will boost passenger capacity and allow us to increase connectivity, while new road and tunnel networks will link the east coast to Sharjah's central regions and improve accessibility to areas including Kalba and Khorfakkan.

What potential does Sharjah offer for investment in niche tourism segments?

AL MIDFA: Sharjah has a strong advantage in that its portfolio includes a range of established historical and environmental sites. Nevertheless, we are also investing in the development of new attractions. Inbound historical and educational tourism will be further strengthened by the registration of the Heart of Sharjah heritage area as a UNESCO World Heritage site. As four- and five-star hotel accommodation represented 70% of total hotel revenues in 2016, Sharjah is investing in a new heritage hospitality brand, "The Collection", in locations including the Al Bait hotel, the Kalba Kingfisher Lodge and the Fossil Rock Lodge.

We are also working with the Environment and Protected Areas Authority to develop the Kalba Eco-Tourism Project to provide accommodation and attractions in conservation areas. Furthermore, we have recently opened a new tourism office and information centre in Khorfakkan as part of our development strategy to promote the cruise tourism segment.

In addition, the Middle East is an increasingly popular location for events, with the number of international association meetings in the region tripling since 2007. The emirate can leverage its existing infrastructure in the meetings, incentives, conferences and exhibitions segment in order to increase inbound visitor numbers.

The emirate is continuing to expand its flora and fauna learning centres

In bloom

Public and private efforts promote ecotourism expansion

Ecotourism is emerging as an important segment of Sharjah's tourism industry, with a wide range of natural attractions and protected areas in place, as well as two major ecotourism projects currently under construction in the emirate.

GOVERNMENT BACKING: The development of the segment is being driven by initiatives and investment from government-backed bodies, with private sector firms being brought in as partners for the operation of amenities and accommodation facilities. The main body responsible for the development of the segment is the Environment and Protected Areas Authority (EPAA), which is working together with the state's investment arm, the Sharjah Investment and Development Authority (known as Shurooq), to develop several major ecotourism projects.

The Sharjah Commerce and Tourism Development Authority is also encouraging the expansion of the segment, as well as sustainable development within the tourism industry as a whole – something the EPAA is also seeking to ensure within its own projects. The authority will use eco-friendly building designs for all its tourist centres in order to promote sustainable development and reduce the negative impacts of construction on the environment. For instance, the authority is planning to use locally produced cement that lasts around 30 years longer than conventional commercial varieties and is planning to launch a partnership with a factory producing the commodity by 2020, Hana Saif Al Suwaidi, chairperson of the EPAA, told OBG.

PROTECTED AREAS: The ecotourism segment benefits from a wide range of natural attractions. The emirate has designated nine protected areas, together accounting for a combined 4.6% of its territory. Prominent areas among these include the Mleiha protected area, which is located inland about halfway between Sharjah City and the city of Kalba, and the Al Qurm and Al Hefaiyah nature reserves near Kalba on the east coast, both of which have major ecotourism developments under way.

LEARNING CENTRES: Since the 1990s the EPAA has gradually expanded its range of flora and fauna learning centres across Sharjah. These date back to the launch of the emirate's Desert Park in the Seih Al Masmout protected area in 1995. The park now hosts two botanical gardens, a children's farm, a natural history and botanical museum, a breeding centre for endangered local wildlife and Arabia's Wildlife Centre, which receives between 500 and 700 student visitors a day from schools in Dubai and Sharjah. The Sharjah Cat and Dog Shelter, launched in 2009, is also home to a learning centre. The launch of such centres picked up in the middle of the current decade, with the Kalba Bird of Prey Centre – which the EPAA describes as the first of its kind in the region – opening in 2014. The project already includes several attractions, organising shows featuring various species of endangered birds including falcons and vultures. In terms of amenities there is a small lodge with air-conditioned rooms, and further developments are in the pipeline.

The following year saw the inauguration of the Wasit Wetland Centre in the Wasit Nature Reserve, the site of a former rubbish dump that has been rehabilitated as a bird sanctuary, located between Sharjah City and Ajman. The reserve hosts more than 60 species of local and migratory birds. This was followed by the Al Hefaiyah Mountain Conservation Centre, which opened in March 2016. Situated at the foot of the Al Hajjar mountain range near Kalba, this wildlife reserve hosts around 30 species of animals.

EAST COAST: Two major ecotourism projects are under development in the emirate: the Kalba Eco-Tourism Project and the Mleiha Archaeological and Eco-Tourism Project. The Kalba initiative, which is being developed by Shurooq, is the largest ecotourism project in the UAE. The Al Ghail, Al Hefaiyah

The emirate's nine protected nature reserves account for

4.6%

of its territory

Sharjah's main tourism authorities are using eco-friendly designs to build their tourist centres in order to reduce their impact on the environment and promote sustainable development.

The Wasit Nature Reserve, the site of a new wetland centre, houses 60 species of local and migratory birds

The Mleiha Archaeological and Eco-Tourism Project is expected to attract $68.1m of investment and will include a 450-sq-km national park, campsite, accommodation, and food and beverage amenities.

and Al Qurm areas in Kalba were declared to be protected by an Emirati decree in 2012, and the EPAA and Shurooq began work to rehabilitate the zone in 2013. The protected area covers mangroves, mountainous areas and *wadis* (valleys), meaning the project will showcase a variety of local habitats.

The project zone had suffered from overfishing and overhunting, and as a consequence it took the authority almost five years to completely restore the environment, Al Suwaidi told OBG.

In March 2017 Shurooq announced plans to build the five-star Kalba Kingfisher Lodge at the site. The facility will consist of 20 luxury tents, each with their own private swimming pool, and will also be home to a yoga and wellness centre. Boutique hotel and eco-tourism operator Mantis will manage the lodge as part of a wider deal signed with Shurooq in November 2017 for the management of the authority's four Sharjah Collection properties. Once complete, the ecotourism project will have a visitors centre, an education facility, various organised outdoor activities, including mountain biking and mangrove kayaking, and a rehabilitation centre for green, loggerhead and hawksbill turtles. The plans outline a variety of tourist amenities aside from the luxury lodging, such as traditional and modern markets.

In January 2018 Shurooq and real estate firm Eagle Hills announced plans to build a Dh160m ($43.6m) shopping mall within the project. "We need to provide amenities and infrastructure, such as food and beverages, accommodation and retail facilities, to ensure that tourists stay in Sharjah," Al Suwaidi told OBG, noting that visitors to the site often stay in the neighbouring emirate of Fujairah.

ARCHAEOLOGY: The second major project under way in the segment is the Mleiha Archaeological and Eco-Tourism Project, which is also backed by Shurooq, with involvement from the Sharjah Archaeology Authority (SAA). Mleiha is a protected area, with plans for the reintroduction of several native wildlife species, including the Arabian Oryx and local varieties of gazelle and ostrich. In addition, the development hosts several significant archaeological sites. The first phase of the project, based around an archaeological centre with a cafe and gift shop, was inaugurated in January 2016.

Michael Kasch, general manager of the Centro Sharjah Hotel, told OBG that interest in Mleiha was beginning to take off as the project develops. "There are a number of activities available at the site already, including adventure activities, as well as those focusing on heritage and archaeology," he said. The second phase includes the development of a 450-sq-km national park and a campsite.

When complete, the project, which the authorities anticipate will attract Dh250m ($68.1m) of investment, will have a number of accommodation options, as well as a range of food and beverage amenities. There are two accommodation facilities currently under development. An existing facility within the project area is to be redeveloped as the Fossil Rock Lodge, which will include five rooms, a restaurant and cafe, and a spa with a swimming pool. As with the Kingfisher Lodge, the development is part of Shurooq's Sharjah Collection. A number of other locations in Mleiha are being reserved for additional tourist resorts and accommodation, which will be offered to private sector investors.

In April 2017 the EPAA also signed a memorandum of understanding with Al Wanis, a Qatari tourism operator, for the development of a Dh60m ($16.3m), five-star desert resort within the project. Construction of the resort – which will offer 45 rooms, several restaurants and cafes, a health club, and swimming pool – is set for completion by the end of 2019.

WORLD HERITAGE SITE: In addition to Mleiha's protected status and the government's plans to reintroduce indigenous wildlife to the area, the site's archaeological treasures represent an important attraction for tourists. Sabah Abboud Jassim, director-general of the SAA, told OBG that Mleiha, which has been under excavation since 1986, appears to be the most important archaeological site in Sharjah, and the emirate is currently working to have it registered as a UNESCO World Heritage site. However, to do so it will first of all have to remove more than 40 privately owned farms from the area to satisfy UNESCO criteria, which is at present delaying the initiative's progress, Jassim added.

The site has monumental tombs dating from between the 3rd century BCE and the 1st century CE, among other discoveries, and contains artefacts from a variety of cultures Mesopotamian, Egyptian, Indian, Greek and Roman. Other significant archaeological discoveries in and around Mleiha in recent years include stone tools that date back 125,000 years, the finding of which provided evidence for the "southern road" migration route for early man, and a tomb from the Umm Al Nar culture which is thought to originate from approximately 2500 BCE.

The Mleiha nature reserve is a key archaeological area, and the government is working to have it registered as a UNESCO World Heritage site.

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Sharjah Institute for Heritage works through a set of practices, programmes and activities to preserve, spread and promote the UAE's intangible cultural heritage. As one of a network of government bodies overseeing culture in the Emirate of Sharjah, we work to organise and manage projects in areas such as conservation, documentation, publishing and consultations to achieve our objectives. Through partnerships at the local, national and regional levels, and enhancing international cooperation with individuals, institutions and cultural organisations, we work to preserve the rich heritage of the Emirate of Sharjah for future generations.

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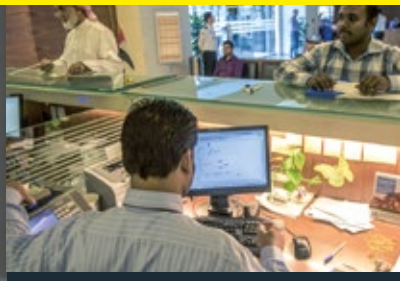
Financial Services

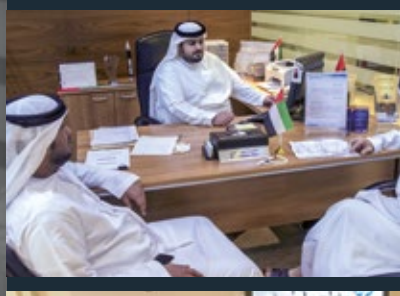
Plans under way to issue and restructure sukuk

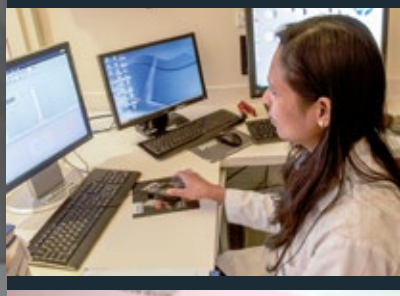
An active, growing player in the Islamic bond market

Changing bank regulations encourage consolidation

Life and health insurance lines drive premium growth







The banking sector grew at an annual rate of 12.7% from 2012 to 2017

Holding steady

Recent and planned regulatory changes set to strengthen the industry

The financial and insurance sector's contribution to the emirate's GDP was estimated at $2.6bn in 2017, equivalent to 10.3% of the total and 11% of non-oil GDP.

Sharjah is home to four local banks and two insurance companies, with a banking market that is characterised by significant minority government ownership stakes in several key players, as well as a tendency for local banks to eschew the retail and small and medium-sized enterprise (SME) markets in favour of larger corporate and government-owned business.

The emirate does not host a capital market of its own, but the government and several local entities are already – or are on the road to becoming – regular issuers of debt and *sukuk* (Islamic bonds). Thus far, the emirate has issued three sukuk, showing the emirate's interest in the sukuk as an instrument for the diversification of funding services.

SECTOR CONTRIBUTION: The financial and insurance sector's contribution to the emirate's GDP was Dh9.5bn ($2.6bn) in 2017, equivalent to 10.3% of the total and 11% of non-oil GDP, according to preliminary data from the Federal Competitiveness and Statistics Authority. This figure was up from Dh8.66bn ($2.4bn) in 2016 at current prices, or 10.1% of GDP and 11% of non-oil GDP.

Recent years have seen the sector steadily growing in size, not only in absolute but also in relative terms, having expanded from 7.9% of GDP and 8.8% of non-oil GDP in 2010. According to credit ratings agency Moody's, the banking sector grew at an annual rate of 12.7% from 2012 to 2017.

ACTIVE BANKS: As of 2016 there were 32 banks operating 125 branches throughout the emirate, with the majority of these located in Sharjah City and Hamriyah (102), followed by 15 in the eastern region and eight in the central region. Domestic banks' total assets are worth 204.1% of GDP, according to Moody's December 2017 credit analysis of the emirate. The local banking sector is led by Islamic banks. The institution with the largest number of branches in the emirate was Sharjah Islamic Bank (SIB) with 21, followed by Dubai Islamic Bank with 18 branches. Emirates Islamic Bank and First Abu Dhabi Bank round out the top-four banks by branch size with 10 each, with First Abu Dhabi Bank being the only non-Islamic bank in the top-four spots. United Arab Bank and InvestBank, both headquartered in Sharjah, operated six branches each within the emirate, while Bank of Sharjah, which is not heavily active in the retail market, operated just one.

As of 2016 there were 32 banks operating 125 branches throughout the emirate, with 102 located in Sharjah City and Hamriyah, followed by 15 in the eastern region and eight in the central region.

Of the 45 commercial banks listed by the UAE Central Bank as active in the country, four are headquartered in Sharjah. Shares in all four banks trade on the Abu Dhabi Securities Exchange (ADX).

LARGEST PLAYER: The largest of the four, both in terms of assets and branch network size, is SIB. Founded as National Bank of Sharjah in 1975, the institution adopted its current name when it gained sharia-compliant status in 2002 – the first time anywhere in the world that a conventional bank had been converted into an Islamic institution.

It continues to grow rapidly: in 2017 the bank's assets were worth Dh38.3bn ($10.4bn), up from Dh33.5bn ($9.1bn) the previous year and Dh29.9bn ($6.2bn) in 2015. SIB is particularly active in the corporate and government segments, from which 64% of its 2017 income was derived, followed by retail at 21%, and investment and Treasury at 13%. Profits grew by 3.2% in 2017, to Dh477.7m ($130m), following growth of 12.9% the previous year.

The largest shareholder in the institution is the government of Sharjah, primarily through its investment arm Sharjah Asset Management, which holds a 28.5% stake in the bank, according to the ADX. January 2018 saw the bank increase its capital by issuing Dh266.8bn ($72.6bn) of sukuk, convertible into ordinary equity, to the Sharjah Social Security Fund. Following the sukuk-based transaction the latter had a 9.1% share in the bank.

The other major shareholder in SIB is Kuwait Finance House, which possesses a 18.2% stake. SIB

operates three non-banking subsidiaries, namely real estate developer ASAS Real Estate; trading, investment and wealth management firm Sharjah Islamic Financial Services; and Sharjah National Hotels, which operates three hotels throughout the emirate.

OLDEST BANK: The oldest bank headquartered in the emirate is Bank of Sharjah, which has been active since 1973. As with SIB, the Sharjah government is the largest shareholder in the institution, again through Sharjah Asset Management, for a stake of 17.2%. Other major shareholders include UAE conglomerate Al Saqr United Group, holding 12.75%, and local businessman and founding director of the bank, Ahmed Abdalla Al Noman, with 5.8%.

Bank of Sharjah, primarily active in the corporate and enterprise sphere with little retail activity, registered assets of Dh30.5bn ($8.3bn) at the end of 2017, up 13% on the previous year. Net profits were down 34% to Dh265m ($72.1m), due in part to an 11% fall in net interest income as a result of its net interest margin narrowing from 2.2% to 1.8%. This brought its return on assets down from 1.5% to 0.9% and its return on equity from 8.7% to 6.5%.

The bank operates six subsidiaries: Lebanese financial institution Emirates Lebanon Bank; four UAE-based investment, trading and real estate firms; and a Cayman Islands-based financial institution. The latter five are wholly owned by the bank.

> Against a wider backdrop of recent consolidation in the national and regional banking sectors, in November 2017 international media reported that InvestBank and Bank of Sharjah were negotiating a potential merger

PRIVATE BANKS: The government does not hold a major stake in either United Arab Bank or InvestBank, the other two banks headquartered in emirate. Commercial Bank of Qatar is the major shareholder in United Arab Bank, the emirate's third-largest financial institution, with a holding of 40%, while the institution's founder, Sheikh Faisal bin Sultan Salem Al Qassimi, holds a 10.3% stake. United Arab Bank held assets of Dh20.6bn ($5.6bn) at the end of September 2017. Having a loss in 2016 of Dh523m ($142.3m) – following on from another year in the red in 2015 – the bank returned to profitability in 2017, on a return of Dh17m ($4.6m). United Arab Bank credited this to a strategy launched in 2015 that saw it work to move away from high-risk, non-core activities such as lending to the SME segment, which saw a spike in delinquencies across the UAE following the 2014-15 oil price slide. InvestBank held assets of Dh16.95bn ($4.6bn) at the end of 2017, up from Dh16.13bn ($4.4bn) a year earlier, and net profits for 2017 were up 7.7% to Dh594.7m ($161.9m) from Dh552.1m ($150.3m) the year before. Its major

Total advances to Sharjah residents were worth $22.4bn in 2016, including $11.2bn to the private sector

shareholders are UAE-based investment group International Private Group and Dubai-headquartered Emirates Investment Bank, with shares of 15.5% and 14.6%, respectively. Like Bank of Sharjah, the focus is on corporate and government lending, and although it includes some retail products for corporate clients, it is not active in the mass retail segment.

MERGER REPORT: Against a wider backdrop of recent consolidation in the national and regional banking sectors, in November 2017 the international media reported that InvestBank and Bank of Sharjah were negotiating a potential merger.

Based on recent figures, such a move would create an institution with assets in the region of Dh47.5bn ($12.9bn), which is substantially more than the Dh38.3bn ($10.4bn) overseen by SIB at the end of 2017, thereby making the new entity the largest bank headquartered in the emirate (see analysis).

LENDING & DEPOSITS: According to Moody's December 2017 credit analysis for Sharjah, the loan-to-deposit ratio of the emirate's banks stood at 100.8%. Total advances to Sharjah residents – from all banks, including those headquartered outside of the emirate itself – were worth Dh82.35bn ($22.4bn) in 2016, based on the latest available DCSD data, including Dh41.0bn ($11.2bn) of loans to the private sector, Dh22.98bn ($6.3bn) of credit to individuals, and Dh11.84bn ($3.2bn) of lending to the government and public sector. Resident bank deposits stood at Dh69.25bn ($18.8bn), Dh61.71bn ($16.8bn) of which came from the private sector and retail clients, Dh4.04bn ($1.1bn) came from the government and Dh2.05bn ($558m) from government-related enterprises – defined as companies in which the government holds a stake of 50% or more.

REGULATORY CHANGES: Early 2018 saw the implementation of the International Accounting Standards Board's ninth International Financial Reporting Standard (IFRS 9). The new rules have implications

The loan-to-deposit ratio for the emirate's banks stood at

100.8%

in December 2017

The insurance industry has grown, with the value of paid premiums up from $588m in 2015 to $670m in 2016

In October 2017 Moody's credit rating agency forecast that the banking sector's return on assets would average between 1.5% and 1.7% over the following 12 to 18 months.

for the banking world because they require firms to put more weight on anticipated losses from financial assets, such as loans in their accounts, and to adopt stricter provisions against potential bad debt.

"IFRS 9 is a game-changer," Varouj Nerguizian, general manager of Bank of Sharjah, told OBG. "It will be challenging at the beginning, but it could contribute to the long-term profitability and bottom line of banks here," he said. The UAE Central Bank also aims for the sector to be compliant with remaining Basel III banking sector standards by the end of 2018, having first introduced the framework's capital adequacy ratios in March 2017. Already, the sector is comfortably in line with these requirements as SIB registered a capital adequacy ratio of 21.1% at the end of 2017, compared to the Basel III requirement of 12%, and further increased its capital in early 2018. Bank of Sharjah's ratio stood at 20.4% as of the end of the third quarter in 2017, and InvestBank had a ratio of 18.5%. Although UAB was lower, at 13.2%, the bank continued to recover from 2015-16 losses, and remained ahead of the minimum requirements.

STABLE SYSTEM: In October 2017 Moody's maintained its stable outlook for the UAE's national banking system, which it said reflected economic resilience, strong capitalisation, and stable funding and liquidity conditions. It forecast that the sector's return on assets would average between 1.5% and 1.7% over the following 12 to 18 months, predicting that reduced operating expenses and a slowing of growth in provisioning would compensate for increased pressure on margins.

INSURANCE: There are two insurance companies headquartered in the emirate, and both – as with the emirate's four banks – have shares listed on the ADX. The older of these is Sharjah Insurance Company, founded in 1970 as the first insurance firm in the UAE. The company reported revenues of Dh63.27m ($17.2m) for 2017, down 7.6% from 2016. The other Sharjah-based insurance operator is Al Buhaira National Insurance Company (ABNIC), founded in 1978, which posted revenues of Dh537.4m ($146.3m), down 21.5% for the same period. While turnover at both of the firms was down for the year, profits were up, from Dh19.3m ($5.3m) to Dh22.4m ($6.1m) for Sharjah Insurance, and from Dh42.7m ($11.6m) to Dh57.7m ($15.7m) for ABNIC.

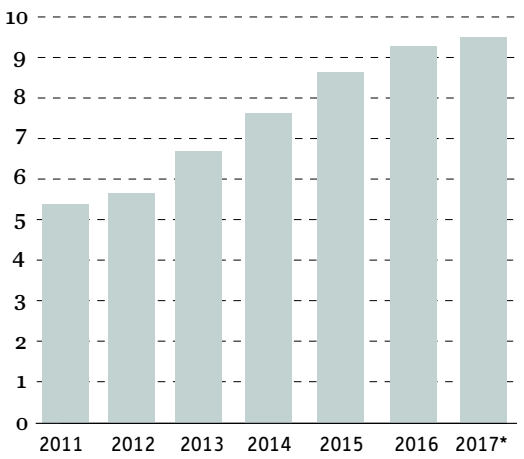
Despite this, 2017 saw Sharjah Insurance Company outperforming the wider UAE insurance market by undertaking a range of reforms that helped to improve their performance, including a tightening of their underwriting policies – which now, for example, no longer cover standalone warehouses. In addition, they put a new technical team in place and worked toward further developing and their sales teams.

This year appears to be shaping up to be another solid year, with a bottom line bolstered by strong government business. As of January 1, 2017 Sharjah Insurance has been providing group life insurance coverage for the employees of the UAE Central Bank, and has recently won contracts to cover the government of Sharjah's motor fleet.

While revenues at the two locally headquartered firms was down in 2017, the industry has been expanding at a rapid pace in recent years. The value of paid premiums, including from within Sharjah to firms headquartered in other parts of the country, stood at Dh2.46bn ($670m) in 2016, up 13.9% from Dh2.16bn ($588m) in 2015. Sector activity expanded at an even faster rate than the previous year, rising by 39.4%, according to the Department of Statistics and Community Development (DSCD). However, paid claims have been increasing at a slower rate than premiums, from Dh739.3m ($201.2m) in 2014 to Dh804.6m ($219m) in 2015 and Dh933.3m ($254m) in 2016, which is supporting margins in the industry.

Premium growth has been driven largely by two product lines, namely life and health insurance. Between 2014 and 2016 life insurance premium doubled from Dh609.9m ($166m) to Dh1.22bn ($332m),

Financial and insurance sector GDP at current prices, 2011-17 (Dh bn)



Source: FCSA

*estimate

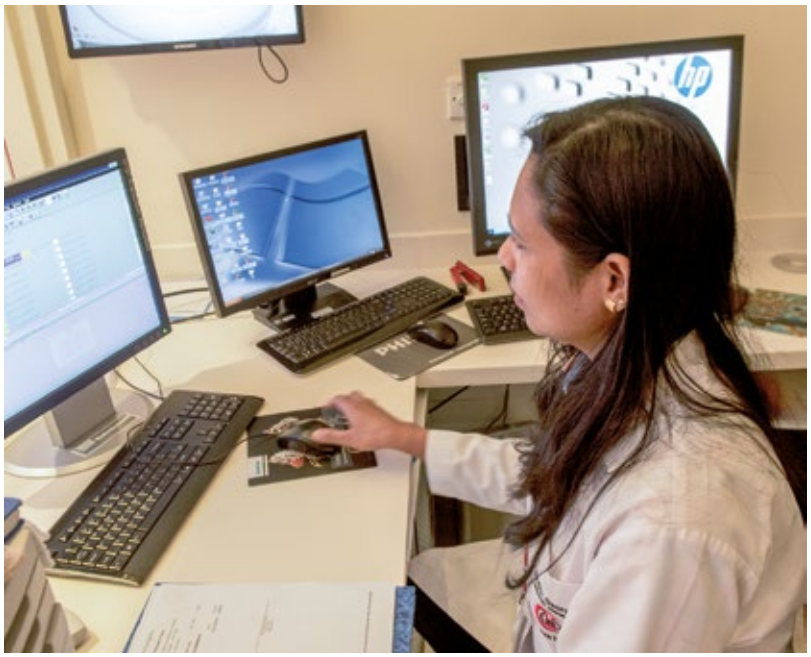
while health premium grew by 84.8% over the same period, from Dh295.2m ($80.4m) to Dh545.6m ($148.5m). The two are now the largest insurance lines in the emirate, with life accounting for 49.6% of premium in 2016 and health 22.2%.

The medical insurance market has been bolstered by the 2017 implementation of a legal requirement in neighbouring Dubai mandating that private sector employers provide health insurance for their employees and those employees' dependants; a similar policy already existed in Abu Dhabi. In addition to boosting the national market for health insurance, the move has prompted speculation that other emirates could introduce similar requirements. The third-largest insurance line in 2016 was automobile insurance, with premiums of Dh439.2m ($120m), up 13.3% on 2015, or equivalent to 17.9% of total premium in the emirate. As in many jurisdictions, strong competition in the automobile segment has pushed down margins and has served as a deterrent for those insurance companies who might have otherwise considered expanding their activity in the retail motor sector.

A move with the potential to improve margins was undertaken in January 2017, when the national car insurance market introduce new unified motor insurance rules, including a minimum premium of Dh1300 ($354). Even though the new minimum premiums have, in some cases, boosted profitability, there remain categories that generate losses, in particular at the lower end of the market, according to stakeholders. Other promising business lines, in addition to health and life insurance, include real estate developments and the SME insurance market.

DISTRIBUTION NETWORK: The industry's distribution network has been growing rapidly in recent years, which accounts for some of premium growth. According to figures from the DSCD, the number of insurance company branches in the emirate stood at 36 in 2016 – 25 branches of Emirati insurance firms and 11 branches of foreign firms – up from 32 in 2015 and double the figure of 18 in 2014.

The life insurance sector activity expanded, rising by 39.4% in 2017



Premiums growth has been driven by life and health insurance products, which are the largest in the emirate

The expansion has largely been driven by Emirati operators, the branch network of which more than doubled from 10 in 2014. One such example is Sharjah Insurance, which, having opened a new branch in the Al Rolla district of Sharjah City in 2017, plans to open more branches in Dubai, expanding as the UAE insurance market grows. The market's expansion can be attributed, in part, to the maturing of the medical insurance market as customers become increasingly educated about health insurance in particular.

DEBT MARKET: In recent years, Sharjah has become a substantial issuer of both sovereign and corporate debt, and in particular sukuk. As part of a programme to restructure its outstanding debt and reduce costs – by replacing bank credit with rated bonds that carry lower interest rates – and against a wider regional backdrop of stepped-up debt issues as oil prices began to fall, the government of Sharjah became an issuer of sovereign debt. The government's first sukuk, launched in September 2014, was a dollar-denominated, 10-year issue worth $750m, with a coupon of 3.76%. This was followed in early 2016 by a $500m, five-year sukuk issued at a rate of 3.84%. In February 2018 the government issued a RMB2bn ($299.8m) so-called panda bonds – the yuan-denominated instrument issued on the Chinese debt market – making it the first Middle Eastern government to do so. The following month the government sold $1bn worth of sukuk, its largest issue to date, on the international market. The instrument, which was 2.4 times oversubscribed, has a 10-year tenor and was priced at 135 basis points above the 10-year mid-swap rate. Based on prevailing trends, the emirate is expected to become a more regular issuer of debt in the coming years (see Economy chapter). SIB is also a regular issuer of sukuk. The bank currently has three outstanding instruments listed on the Nasdaq Dubai

Between 2014 and 2016, life insurance premiums doubled from $166m to $322m, while health premiums grew by 84.8% over the same period, from $80.4m to $148.5m.

In February 2018, the government issued a $299.8m so-called Panda bond, making it the first Middle Eastern government to do so.

The emirate is a substantial issuer of both sovereign and corporate debt

Both the government and local corporations appear set to continue to make regular returns to international debt markets – in particular for sukuk – in the coming years.

and the Irish Stock Exchange, issued between April 2013 and September 2016. Each is worth $500m and has a tenor of five years. The bank has stated it is planning further issues.

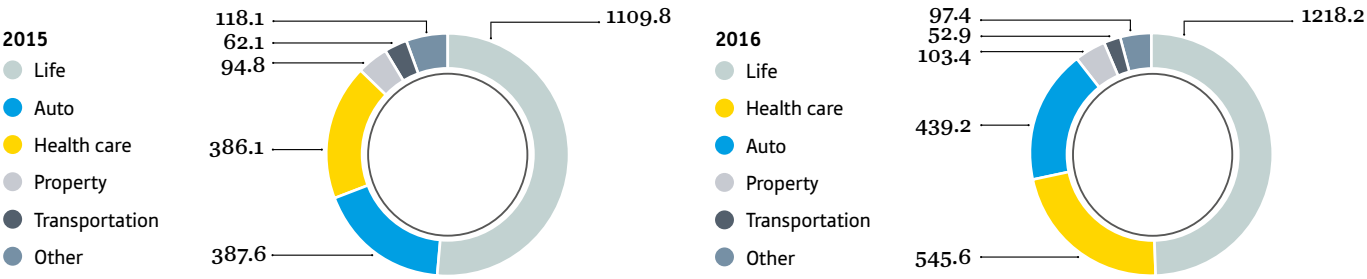
REACHING COMPLIANCE: Another local issuer of sukuk is Sharjah-headquartered energy company Dana Gas, in which the largest individual shareholder is Sharjah-based energy firm Crescent Petroleum, with a 19% stake. Dana Gas entered the debt market in 2007, when it issued a five-year, $1bn sukuk, which was then followed in 2013 by a dual-tranche issue worth $850m listed on the Irish Stock Exchange – though $150m of this debt has since been converted or bought back. The instrument was due to mature in October 2017, however, amid reported difficulties in 2017, the firm began negotiations with its creditors to restructure the instrument, and in June 2017 the company announced that changes in industry practice meant that the sukuk was no longer sharia-compliant or lawful, meaning that it could not be redeemed in its current form. Various company proposals and counterproposals to restructure the instrument were rejected by both Dana Gas and a group of global investors holding the sukuk. The dispute has moved to UAE and UK courts, where it was under negotiation as of early 2018 and has sparked discussions about the international sukuk market, with concerns that a victory by Dana Gas could set a precedent allowing issuers to restructure their debts on similar grounds.

OUTLOOK: While it remains a small market, Sharjah's financial services sector continues to be integrated with the rest of the UAE and the broader GCC region, carving out a niche as a conservative banking system, a rapidly expanding insurance market and an issuer of sovereign and corporate sharia-compliant debt instruments. "Factors such as Expo 2020, the recovery in oil prices and the implementation of VAT, should encourage government spending on infrastructure that will positively affect a range of sectors, allowing banks to further diversify their lending offers so as to continue to achieve growth in profitability," Ahmed Saad, deputy CEO at SIB, told OBG. In addition, the emirate's banking sector may be about to witness a merger that could boost its ability to compete with larger banks headquartered in other parts of the country, with regulatory changes set to further establish the stability of the national banking industry as a whole.

In the insurance sector, moves to strengthen the national automobile insurance market, in tandem with the regional trend towards mandatory health coverage for employees and their dependents, should support significant industry growth, as well as develop awareness of the different types and uses of insurance available, despite industry concerns about the segment's profitability.

On the capital markets front, both the government and local corporations appear set to continue to make regular returns to international debt markets – in particular for sukuk – in the coming years, although the outlook for sukuk may depend on the outcome of the ongoing dispute between Dana Gas and a group of global investors, on whether or not the Dana Gas sukuk continues to be sharia-compliant. A legal victory for the firm would likely reduce the confidence on the part of investors in regards to future enforceability of the terms of such debt. That said, the outlook for the emirate's banking sector appears positive both in the short and medium term.

Insurance premium by segment, 2015-16 (Dh m)



Source: DSCD

The Emirati financial services market is often described as overbanked

Making space

An overbanked market hints at consolidation

With 45 commercial banks operating in the UAE, according to the country's central bank, and a national population of 9.27m, according to World Bank figures for 2016, the Emirati financial services market is often described as overbanked and in need of consolidation. Pressure for such consolidation is increasing as intensifying regulatory requirements – driven by the move towards Basel III and the planned implementation of the International Accounting Standards Board's ninth International Financial Reporting Standard (IFRS 9) in 2018 – push up costs. This is largely affecting smaller banks, including the four banks headquartered in Sharjah, as larger institutions are able to leverage their economies of scale. "Costs arising from the growing requirements for investments in technology, cybersecurity and the transition to artificial intelligence all encourage banking sector consolidation," Sami Rashed Farhat, CEO and general manager at InvestBank, told OBG.

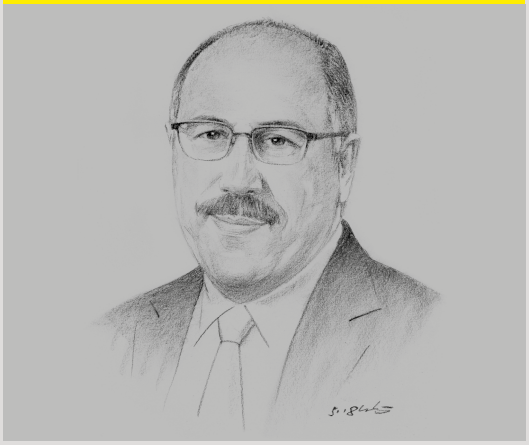
Others agree that consolidation could support the sector, and smaller institutions in particular. "Local banks are still profitable and growing," Varouj Nerguizian, general manager at Bank of Sharjah, told OBG. "Mergers improve the capabilities of banks in terms of exposure and the ability to raise capital and bonds, and consolidation can give banks the size and depth to better serve their customer base," he added.

CONSOLIDATION & COMPETITION: Such a trend already appears to be under way in the country, although so far it only seems to be affecting larger institutions. In 2016 two of the country's largest banks, National Bank of Abu Dhabi (NBAD) and First Gulf Bank (FGB), agreed to merge, forming a new institution called First Abu Dhabi Bank (FAB). The operation was completed in April 2017, with the new entity holding assets of around $181bn. This made it the largest bank in the country by a significant measure – ahead of Emirates NBD Bank, which had held the position prior to the merger, with assets of $122bn – and the second-largest bank in the GCC.

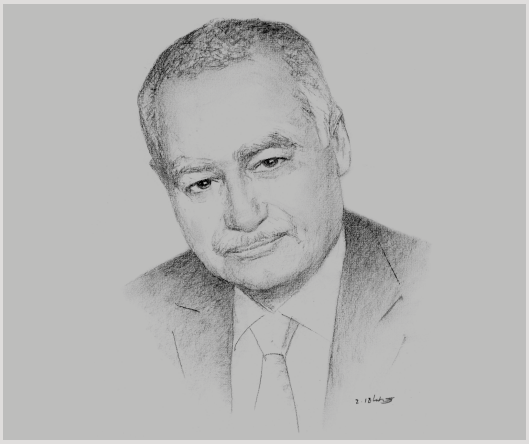
The trend towards consolidation may now have reached Sharjah. In November 2017 international media, citing unidentified sources, issued a report that Bank of Sharjah and InvestBank were engaged in merger talks. If such a deal were to proceed, the resulting bank would be the largest in the emirate, with assets of around Dh47.5bn ($12.9bn) – based on end of 2017 figures for Bank of Sharjah and InvestBank – ahead of market leader Sharjah Islamic Bank (SIB), which held Dh38.3bn ($10.4bn) in total assets at the end of 2017. Such a move could bolster the ability of the local banking sector to compete with larger institutions from other emirates.

MERGERS: Reports of this possible merger arrive against a wider backdrop of consolidation in the GCC. In October 2017 regional media, citing Omani investment firm U Capital, reported that at least five banking mergers or acquisitions talks were under way, including three deals involving Islamic banks. These included merger negotiations between Ahli United Bank, the largest bank in Bahrain, and Kuwait Finance House, Kuwait's biggest Islamic bank, which is one of the major shareholders in SIB. The country's financial services sector has witnessed false starts as regards consolidation before. The 2007 merger that created Emirates NBD – which took place between Emirates Bank and National Bank of Dubai – raised expectations of a wave of mergers, but this did not ultimately materialise: the next notable merger was in 2013, when Dubai Bank merged with Emirates Islamic Bank, after which there was little activity until the merger in 2016 between NBAD and FGB. Industry observers argue that while consolidation is desirable given the large number of banks in the country, it remains unlikely to happen on a large scale, considering factors such as the identification of banks with the emirates in which they are headquartered, in addition to the frequent part-ownership of banks by the governments of individual emirates, which often rely on local institutions to provide them with financing.

Pressure to consolidate is increasing as intensifying regulatory requirements – driven by the move towards Basel III and the planned implementation of the ninth International Financial Reporting Standard – push up costs.



Varouj Nerguizian, General Manager, Bank of Sharjah



Sami Rashed Farhat, CEO, InvestBank

Growing with the times

Varouj Nerguizian, General Manager, Bank of Sharjah; Sami Rashed Farhat, CEO, InvestBank; Ahmed Saad, Deputy CEO,

How will strategic investments, total customer deposits and financing of new infrastructure projects affect the UAE banking sector?

AL NUAIMI: Total customer deposits have a significant impact on the banking sector. These deposits enable the industry to weather stress scenarios and financial imbalances that may result from any crisis situation. Well-diversified customer deposits will also enable banks to mitigate concentration risk and protect the banking sector's net interest margin. Deposit mobilisation will further allow banks to comply with international standards prescribed by Basel III regulations. In terms of new infrastructure projects, the real estate and construction sectors contribute around 30% to the UAE's GDP; participation in infrastructure funding is therefore a vital component of the banking sector's business objectives. Strategic investments, particularly in terms of mergers and acquisitions, will also enable the banking sector to grow organically.

FARHAT: The UAE experienced stronger economic growth in the beginning months of 2018, and this is expected to continue for the rest of the year through further economic diversification and non-oil growth, as well as the continued recovery and stabilisation of global oil prices. In 2017 the UAE experienced its strongest third-quarter non-oil sector growth in three years.

Dubai's Expo 2020 convention will contribute to growth in the local banking sector through investments in real estate, construction, public infrastructure and transportation, while the vision and economic strategy of the UAE as a whole will continue to support economic growth in all emirates. Government spending, the launch of additional infrastructure projects and timely payments will encourage further trade and service growth in the UAE economy, and strengthen the banking sector through increased cash circulation. Customer deposits are expected to remain stable, particularly due to the surge in interest rates in December 2017.

NERGUIZIAN: There is a general misconception that the UAE market is overbanked, but growth in profitability shows that the banking sector is benefitting from broader economic expansion. Many key banking indicators, including liquidity and total deposits, have strengthened across the UAE. Liquidity in the global banking sector is closely tied to oil prices, and governments tend to inject more money into the banking system during periods of higher, or more stable, prices. We are currently in this period, but liquidity is an issue that all banks must address. The Central Bank of the UAE (CBUAE) has implemented a liquidity management requirement that ensures no bank will fail because of a lack of liquidity.

SAAD: The UAE economy is one of the most diverse in the region, and this creates opportunities for banks to expand their business and target markets by entering new sectors. The outlook is very positive, with growth in profitability expected in the short to medium term. A number of factors are helping strengthen the local banking sector. We now see opportunities in supporting both government infrastructure projects and the expected growth in corporate and retail banking. The improvement and stabilisation of global oil prices within an acceptable price range, and the strong project pipeline in terms of local infrastructure – particularly for Expo 2020 – will encourage further public investment that will improve other sectors of the economy.

In what ways could digital innovations in the banking sector support business growth?

FARHAT: Emerging and financial technology (fintech) will have a major impact on the payment business model of banks, particularly money transfers and foreign currency exchanges. Many UAE banks, for example, are now strengthening their internet

Ahmed Saad, Deputy CEO, Sharjah Islamic Bank

Sheikh Mohamed bin Abdulla Al Nuaimi, Acting CEO, United Arab Bank

Sharjah Islamic Bank; and Sheikh Mohamed bin Abdulla Al Nuaimi, Acting CEO, United Arab Bank, on banking trends

banking services and entering the mobile wallets market. The retail lending segment will also need to adapt accordingly, as the UAE has already seen an increase in the number of registered peer-to-peer lending firms. Digital innovations will not disrupt corporate banking strategies, however, as corporate lending remains predominantly relationship based.

Although the landscape for these new fintech products and services is certainly dynamic, it will take some time for the full scope of these changes to be implemented and adopted by banks. Due to the high level of innovation in these product offerings, the market will need time to mature in order to ensure full legal clarity and implement a comprehensive regulatory framework to address the shift.

SAAD: The growth focus for banks is supporting new government-led infrastructure projects, but this is closely followed by the introduction of new technologies and digital innovations into product and service offerings. This innovation is no longer a choice, but rather a necessity for businesses that must respond to a fast-moving and demanding environment. Banks are adapting in order to maintain their existing customer base – whose expectations are increasingly digital – and to stay ahead of the competition they need to use technologies like business process management, robotic process automation and artificial intelligence.

For example, we have invested in improving our delivery channels by integrating our services to streamline offerings and improve turnaround times. We have made changes to our internet banking platform and invested in mobile banking, call centres, robotic process management and business process management solutions. These digital platforms will help banks achieve operational efficiencies, as smart technology solutions will reduce costs, streamline communication channels with customers and allow for better analysis of customer demographics to address their evolving needs. It will help banks assess risk more effectively and efficiently.

AL NUAIMI: Retail banking is being transformed by three key global trends: disruptive technologies, increasing customer expectations and new business models. Financial organisations will need to adopt more challenging notions of what traditional banking is supposed to be, as banks' target markets are now defined by the technology used and related regulatory boundaries. Customer segments, particularly students, that were once largely ignored by banks can now be serviced through a simple mobile banking app thanks to high mobile penetration rates and improved digital solutions. Growing acceptance of proximity payments has created a conducive environment for growth in mobile wallets as well.

By adopting big data measures, personal financial management can now be extended to other business segments through tools such as predictive analytics, user tracking and machine learning. Although these are just a few examples of the current paradigm shift in target segments, we expect digital innovations to become more effective, especially around user interactions, production configuration and transaction processing. This will lead to further growth opportunities for the sector.

NERGUIZIAN: Although there are real economic units in any economy – for example, the industrial and trading sectors – virtual units are the new business frontier of the banking sector. To address this, banks must incorporate and develop new human resources who are more knowledgeable about the demands of the target markets.

The entire operational model for banks is being transformed by digital innovations; in the future, we can envision customers visiting a kiosk rather than a traditional physical branch to open an account. Services are now accessed digitally, through computers and smartphones, for example, rather than

by visiting a branch. This is particularly important for younger customers who no longer utilise the traditional branch network of their bank and instead expect these digital services. These changes will oblige the banking sector to evolve and address new markets with innovative and more specialised services. This evolution will see banks move away from being a centre for payment operations to focus instead on playing an advisory role, such as through investment consulting services. In this way, private banking and corporate debt issuance will become major revenue sources for the local banking sector.

What measures are banks implementing to improve their product offerings for start-ups and small and medium-sized enterprises (SMEs)?

SAAD: Banks must fully understand the challenges and opportunities involved in this segment, as these start-ups and SMEs cannot be compared to larger corporates, as their level of capital, structure and expertise are different. Despite the risks involved, the SME arena offers banks the potential to diversify their revenues due to higher returns and the number of opportunities available. SMEs are the backbone of any economy and represent approximately 90% of the total number of companies in the UAE. A healthy SME sector is important for any economy to enjoy stable growth, diversify, and promote business entrepreneurship and job creation. Financing and supporting new businesses offers advantages for banks, but cooperation between the government and financial institutions is crucial to support this sector, particularly in early-stage funding. We are working with the government's Ruwad Establishment, an entity designed to support local Emirati start-ups by helping to provide funding.

NERGUIZIAN: It is important for banks to differentiate between SMEs and start-ups, as each have different financial and service requirements. Start-ups are seen as the future, and every government is looking to promote their success to strengthen local job creation and encourage young graduates to come up with solutions for themselves.

Servicing this part of the market, however, must involve measures by the government and the CBUAE. For example, the CBUAE could offer banks relaxed enforcement of regulations for a certain period in order to afford banks the flexibility needed to offer services to new start-up and SME customers.

FARHAT: Banks must ensure that the retail products and services they offer are varied and meet the changing demands of corporate clients. SMEs are a main driver of the local economy and banks must focus on meeting their needs and financing requirements in partnership with government programmes. Although digital financial solutions are important for smaller businesses, many continue to prefer a more traditional customer experience through face-to-face interactions and personalised service. It is necessary for banks to offer ethical service that combines the traditional product range with the technological sophistication and innovation required by modern customers.

AL NUAIMI: SMEs have transformed into a segment that can generate considerable returns for banks. To strengthen and empower these smaller businesses, banks can take additional measures such as improving the digital services they offer, increasing transparency, trust and disclosure in business lending, and encouraging investment in infrastructure and business services. Banks can also engage in microfinance by expanding their product offering to SMEs, and ensure that customers have the means to escalate and resolve their disputes.

Balancing asset quality, growth and liquidity are critical in retail banking services. To improve this segment more generally, banks will need to implement CBUAE measures, including caps on mortgages,

new lending restrictions that comply with government regulations, lower management costs, higher interest rates and improved asset quality.

To what extent do you expect the regulatory environment to change for banks?

NERGUIZIAN: Most banks in the UAE are prepared for any new regulations from the CBUAE, including the implementation of the Basel III framework and International Financial Reporting Standard (IFRS) 9. IFRS 9 is a game changer, so banks must be more careful concerning their financial instruments and business operations, and this may lead to the sector becoming more risk averse in the future. The IFRS 9 regulations will be challenging for banks, but it will serve as a reminder to continuously calculate the possibility of losses. At the same time, most of the UAE banking system is highly capitalised, so the requirements under Basel III will be easily met, although they may constrain future growth.

These measures will be a major contributor to the profitability and bottom lines of local banks once fully adopted. Although the CBUAE will ensure the effective implementation of these new regulations, it is aware of the challenges and recognises that the implementation of IFRS 9 may take time. The adoption will require constant communication between the CBUAE and the financial services sector in the UAE, and this will ensure that the implementation is gradually fine-tuned over time.

AL NUAIMI: Expectations continue for enhanced regulatory standards and tightened supervision. Banks are expected to maintain higher capitalisation and liquidity levels in order to comply with the new Basel III regulatory framework. Banks in the UAE, however, have already demonstrated their ability to plan regulatory responses and adjust their business models accordingly. There is much to be optimistic about regarding the medium-term prospects for the UAE banking sector in general, and Sharjah more specifically. For example, in 2017 Moody's maintained its view of a stable outlook for the country's banking system, reflecting economic resilience and strong capitalisation, with profitability expected to remain strong through to 2019.

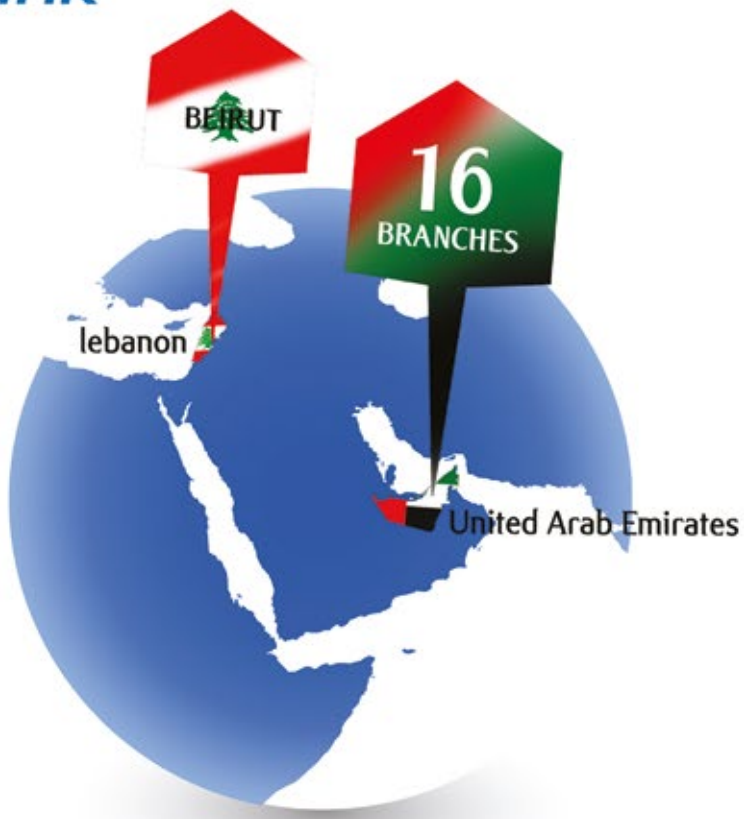
SAAD: Since 2008 the CBUAE has revised the regulatory environment by introducing new regulations and making changes to the previous framework. Implementation of the Basel III regulations will allow banks to better assess the position of the financial sector as a whole, while monitoring the capability and adequacy of their capital, and their risk exposure. These new regulations – including the implementation of IFRS 9 on the classification and measurement of financial instruments – will strengthen the outlook of the UAE banking sector.

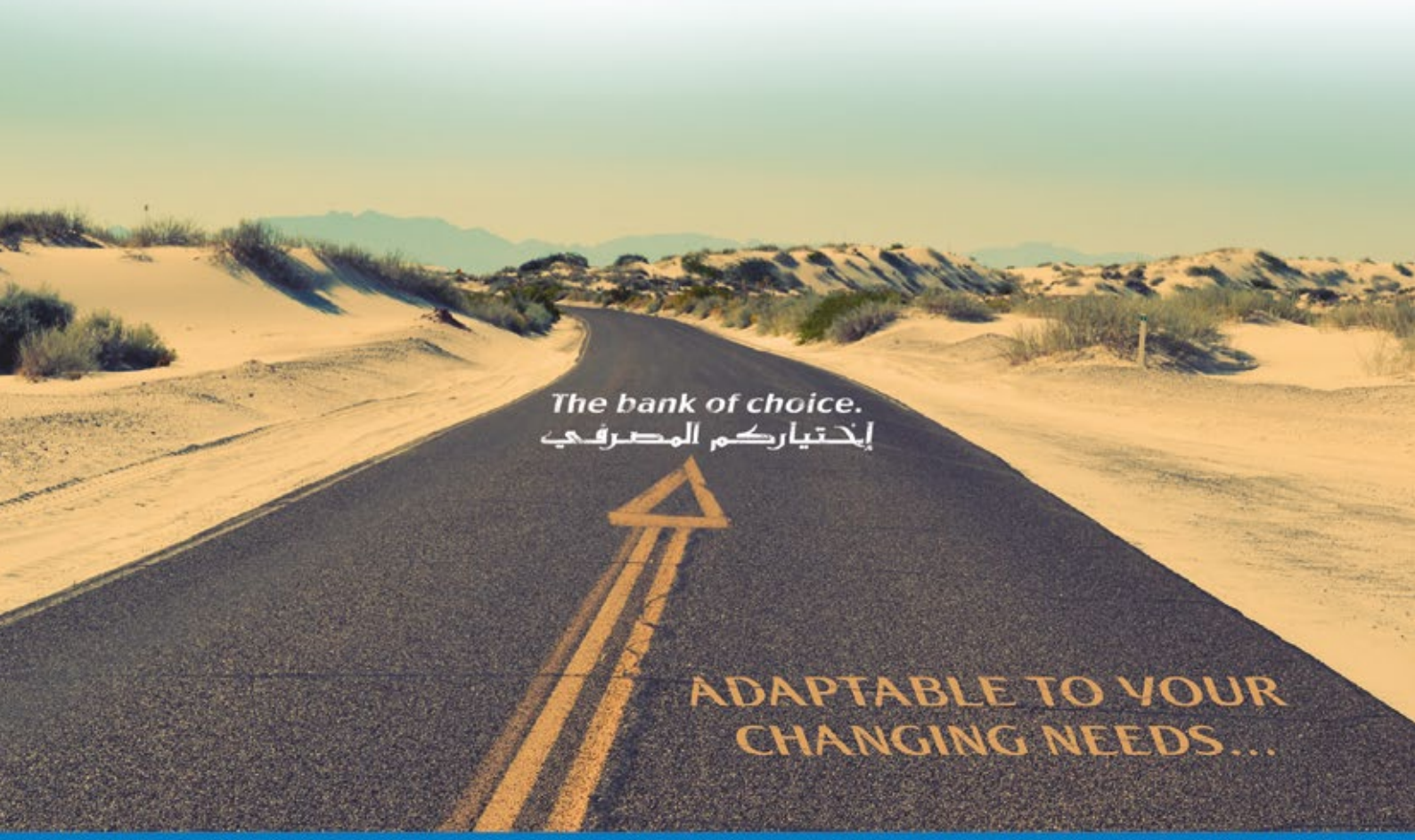
Given the opportunities available for UAE banks in new segments of the market, the CBUAE and other regulators will need to ensure adequate support for the banking sector, and be proactive in developing the required regulations and policies.

FARHAT: Although most banks in the UAE remain well capitalised, local banks face a number of challenges. The trend towards increasing interest rates due to rate hikes by the US Federal Reserve and the introduction of the GCC-wide value-added tax may affect the liquidity of financial institutions.

The implementation of new regulations, particularly Basel III over the course of 2018 and IFRS 9, will have a major impact on banks, and smaller financial institutions will need both time and greater investment in order to comply with these changing requirements. This may also affect the profitability of the sector. The CBUAE has been proactive in recent years and has responded to the more challenging business conditions for banks. Stress tests and inspections of UAE banks have resulted in the sector becoming more dynamic and responsive.

بنك الإستثمار
Invest bank





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Global Perspective

Fintech revolution

Tech solutions are driving the evolution of the sector landscape

Once reserved for ambitious start-ups and industry-leading tech operators, financial technology (fintech) has more recently caught the attention of major private sector firms and government planners alike, becoming a regular feature in budget speeches and strategic development plans. As fintech progressively plays a larger part in the lives of consumers, investors have quickly come to recognise its potential as a growth industry. The tech-focused Janus Henderson Global Technology Fund, for example, has expanded by more than 160% since February 2013, and grew by some 30% over the course of 2017.

Fintech is rapidly advancing across an array of global markets. While the concept was pioneered in developed countries, the fluidity of international capital and the border-less nature of technology adoption means emerging markets are catching up quickly. As competition mounts between regulatory jurisdictions, the coming years are likely to see fintech innovations across a widening geographic front.

However, the rise of fintech will inevitably be attended by unprecedented challenges. As large tech groups move into the banking arena, traditional lenders will face more difficulty maintaining market share. Regulators, meanwhile, are being compelled to adopt a flexible stance with regard to fintech activity to attract investment, but must also maintain their prudential standards, or risk reputational damage. With high levels of investment and a rapidly evolving landscape, fintech offers real possibilities for growth.

CONVERGENCE: One of the most interesting facets of today's fintech industry is the convergence of a large number of actors that both cooperate and compete to drive growth. While the early days of the fintech revolution were characterised by start-ups taking on and beating incumbents, in 2018 there is a significantly greater element of cooperation in the market. Fintech start-ups can benefit from the large customer bases of established financial institutions, while existing institutions are constantly seeking innovative ways to boost productivity and gain a competitive edge in the market, at times through partnerships with nascent fintech counterparts.

COOPERATIVE TREND: The enthusiasm of banks and other financial institutions to work with fintech companies varies widely from country to country, but a recent PwC survey found that at the global level, 45% of respondents had formed such partnerships in 2017, up from 32% the previous year. In Germany the level was as high as 70%. Even in less established financial markets, this cooperative trend is gaining momentum. For example, in South Africa and Indonesia the rate was 64% and 55%, respectively. Crucially, in all 32 markets surveyed in the report, a majority of respondents expected to see an increase in this type of partnership over the next three to five years.

The strengthening of ties between fintech start-ups and established financial institutions does not mean the era of usefully disruptive competition is over. New fintech players are entering the complex financial services ecosystem, and some are adopting a more confrontational stance when it comes to client acquisition. These players include ICT firms, large tech companies, social media platforms, e-retailers and financial infrastructure companies.

The growing diversity of fintech actors bodes well for innovation and product development; however, traditional financial institutions are understandably concerned about the risk these tech-savvy newcomers pose to their business models. Some 80% of the respondents in PwC's survey fear losing business to innovators, particularly in the areas of payments, funds transfers and personal finance.

TECHNOLOGY TREE: As well as competing with a widening field of fintech participants, banks and other financial institutions face the challenge of keeping pace with the expanding selection of fintech products and services in the market. For banks,

While the early days of financial technology advances were characterised by start-ups competing with traditional banks, more partnerships are taking place in 2018.

The range of fintech players continues to diversify, with ICT firms, social media platforms, e-retailers and financial infrastructure firms entering the market.

Financial institutions are spending

3x

more than non-financial firms on cybersecurity

lending- and payment-related products have been the entry point to the fintech arena, with this category of business serving as the main growth driver of the segment. The Fintech100 list for 2017 – a collaboration between H2 Ventures and KPMG to analyse and assess the international fintech landscape – found that 32 of the top-100 fintech companies were lending operations, while 21 were based on new payments technology. Together, these two areas made up the single-biggest category of fintech services – a status they are likely to retain given the lucrative returns available if they continue to disrupt the global lending market.

In terms of underlying technology, effective data use forms the basis of business models for the majority of fintech firms, and manipulating and analysing large datasets is likely to continue to form the foundation of fintech development for the time being. In the 2017 PwC survey, some 74% of the large financial firms interviewed stated that data analytics would be the "most relevant" technology they planned to invest in over the following 12 months.

MOBILE SERVICES: Mobile fintech is another priority area for banks. The cost advantages of creating mobile apps that allow customers to manage their finances without walking into a brick-and-mortar branch are obvious, and most of the world's largest financial institutions have developed retail-focused mobile platforms. Over recent years the field of mobile fintech has expanded from the basic functionality of the earliest portals to include mobile wallets, peer-to-peer payments and digital-only banks. The popularity of such developments among consumers has compelled traditional financial institutions to offer their customers the same services, with banks sometimes forming partnerships to do so.

As more financial services go remote, digital security is receiving greater levels of investment. With high-profile data breaches having the potential to not only damage reputations but also incur monetary losses, financial institutions are now spending three times more than non-financial organisations on cybersecurity measures, according to a recent report by Kaspersky Lab, a multinational cybersecurity and anti-virus firm headquartered in Moscow.

FRIEND OR FOE: The increasing diversity of fintech has implications for banking sectors globally. Technologies have developed so rapidly that banks have often found it hard to decide whether they are a threat or a potential means to greater profits. In some markets, however, the challenge to banking incumbents is unambiguous, with fintech companies obtaining their own banking licences and competing head-to-head with established lenders. After a decade where few new banking licences were issued in the US, for example, 2017 saw a number of fintech companies announce their intention to transform themselves into fully fledged lending institutions.

Varo Money, founded in 2015 with $27m in capital from US-based private equity firm Warburg Pincus, applied for a national bank charter in July 2017, having already developed its banking offer through a partnership with the Bancorp Bank. Its business model is similar to that of traditional institutions, in that it is based on checking accounts, direct deposits, online bill payments and debit cards. Unlike traditional players in the US market, however, it aims to attract customers by waving overdraft fees, minimum balance fees and ATM charges.

Later in 2017 US payments processor Square signalled its intention to form an industrial loan company, which is a type of lending institution that enjoys the same privileges as traditional banks, but is also granted permission to form part of a corporation that undertakes other business activities outside of the conventional banking realm.

Traditional banks have been quick to react to this growing trend. One response has been to provide the financial infrastructure that supports the operations of new digital banks, thereby retaining a stake in this rapidly evolving area of the market. In the UAE, for example, Bank Clearly was set up in early 2017 as a digital operator offering standard retail banking services in partnership with a traditional lender.

WIDENING ACCESS: Whether digital financial services are implemented via partnerships or within banks' existing infrastructure, the potential for fintech firms and services to engage unbanked populations places the segment's development high on the agenda of emerging countries.

"The greatest innovation for the banking sector can also come with enhancing inclusion," Abubakar Jimoh, CEO of Nigeria's Coronation Merchant Bank, told OBG. "The current number of people participating in the formal financial sector is still grossly inadequate, and that is where fintech services can play their part in the sector's development"

REGULATION: Financial authorities, too, are being compelled to react quickly to the dynamic impacts of new technologies. In most respects, the burgeoning fintech industry is viewed by regulators as a positive development. In 2015 the global fintech segment attracted over $22bn in investment, according to the Central Bank of Bahrain, a figure which is expected to grow exponentially over the coming years.

Governments across the globe have taken note of this new magnet for domestic and foreign investment, and central banks are increasingly adopting an accommodative approach to tech firms operating within their financial sectors. The disruptive power of tech-based products and services has increased levels of competition and compelled traditional institutions to improve their offerings across their business lines, ranging from retail to corporate. These moves have been widely welcomed by regulators, as they are enhancing the consumer experience and driving financial sector growth.

Regulators are also mindful of the prestige attached to the fintech concept, and the fact that financial jurisdictions that lack a thriving ecosystem for young tech companies and start-ups run the risk of appearing as second-tier destinations for capital.

Nevertheless, the growth of the global fintech industry and the absorption of its products by banks from New York to New Delhi have raised a number of concerns on the part of regulators, especially regarding consumer protection and market stability. Determining regulations for high-risk start-ups and advanced technologies is a complex undertaking, and the prudential mandate of regulators means protecting the general public and the wider financial system from technological misadventures is a primary responsibility. At the same time, an overly rigid regulatory framework makes financial innovation all but impossible, and could deny markets the possible advantages of new technology.

SANDBOX: Many regulators have therefore employed a cautiously creative approach to the fintech industry. For an increasing number of them, the answer to the regulatory balancing act of encouraging growth while also ensuring stability lies in creating a regulatory sandbox. The concept is straightforward: a separate regulatory entity, endorsed or operated by the regulator, allows for limited-scale testing of new products for a fixed period, during which time the normal regulatory requirements are relaxed or lifted entirely. For example, a fintech company may be granted permission to test out a mobile payment platform on 2000 customers for three months, after which time the regulator will judge the product's performance against a set of previously agreed upon metrics. The regulator is then able to make a risk-based decision regarding the merits of the innovation, and rule accordingly.

The regulatory sandbox was pioneered by the UK's Financial Conduct Authority in 2015, with the first fintech firms beginning to utilise the platform for trials as recently as 2016. Sandbox tests have so far included cross-border and domestic payments solutions based on blockchain technology, consumer-oriented mobile applications, securities management platforms and new lending products.

By the beginning of 2017 there were sandboxes at various stages of development in the US, Singapore, Hong Kong, Malaysia, Thailand, Switzerland and the UAE, and several more have since been established. The European Banking Federation, for its part, has suggested that a fintech sandbox be created for the whole of Europe, which would allow companies to trial their products on a cross-border basis.

While traditional centres for fintech innovation – notably the US and the UK – continue to dominate the industry, the regulatory sandbox concept empowers developing financial industries to establish themselves on equal regulatory terms. As a result, emerging markets are becoming more prominent in the global arena, a trend that is likely to become more pronounced in the years ahead.

MENA: The MENA region has been an early adopter of this new regulatory model. Abu Dhabi was the first in the region to launch a regulatory sandbox, accepting the first five start-ups to its Reg Lab in 2017. Projects that emerge successfully from the new platform are then allowed to establish a commercial presence within the Abu Dhabi Global Market, the emirate's offshore financial centre.

In June 2017 Bahrain's regulator unveiled its first onshore sandbox, which, like its counterpart in Abu Dhabi, is available to both foreign and domestic players. Jordan, meanwhile, has taken a private sector-led approach, with the AhliSandbox developed as a proprietary facility of the country's Ahli Bank.

While emerging regulatory sandboxes are expected to fuel further experimentation and innovation in MENA, the region has already made considerable progress in the financial start-up sphere. Along with the UAE and Jordan, Lebanon and Egypt – neither of which have established sandboxes – account for around 75% of start-ups in the region.

Egypt's extensive consumer base, which is quickly approaching 100m, makes it and attractive destination compared to the high-net-worth but relatively small markets of the Gulf, and recent years have seen a steady stream of fintech accelerators established in the country. The most recent of these – Fekretak Sherketak, which translates to "Your Idea is Your Company" – was launched in late 2017 by Egypt's Ministry of Investment and International Cooperation, the UN Development Programme and the Egyptian investment bank EFG Hermes.

BLOCKCHAIN: As global fintech investment develops further, the variety of technologies with useful applications for the banking sector continues to broaden. Biometrics, identity management and public cloud infrastructure are likely to join data analytics, mobile fintech and cybersecurity as mainstays of the industry. In the shorter term, blockchain technology is a top concern for banks and brokerages, thanks to the ability of distributed ledger technology to curb the incidence of financial fraud, and reduce the cost and burden of due diligence compliance.

While only 20% of the financial institutions that responded to the PwC survey in 2017 identified blockchain as an area in which they planned to make significant investments over the coming year, around 50% of larger fintech companies expressed their intention to do so. According to the World Economic Forum, by 2025 the equivalent of 10% of the world's GDP will be stored in blockchains or blockchain-related technology, making it a strong growth area.

"Mobile banking and cryptocurrencies – especially blockchain technologies – will certainly be a disruptive force in the market," Karen Darbasie, group CEO of First Citizens Trinidad and Tobago, told OBG. "However, exactly how that disruption will actually occur is still largely unknown."

Whatever the outcome, emerging markets are well positioned to compete with more developed ones in this new technological sphere, assuming regulators are willing to adopt a progressive attitude. For banks and other financial institutions, usefully disrupting their own operations and processes will become increasingly necessary if they are to benefit from the opportunities these technological changes offer.

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Exploration

LNG

As the UAE's energy demand continues to grow Sharjah National Oil Corporation (SNOC) continues to look for innovative ways to secure new supply for Sharjah & the Northern Emirates. In order to meet the challenge SNOC is investing in Exploration, LNG import and Gas Storage, with a focus on our vision to be the gas supplier of choice in the Northern Emirates.

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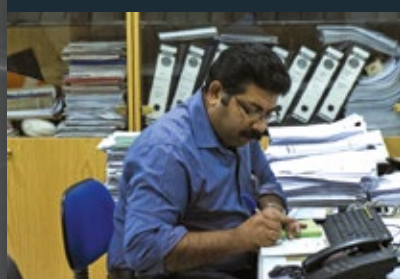
Industry & Energy

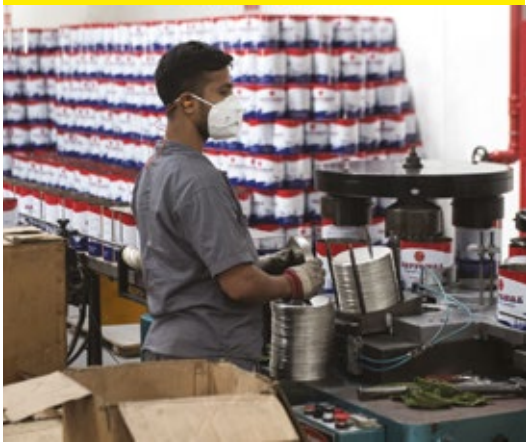
The emirate builds its status as a manufacturing centre

Free zone expansions improve offerings for investors

Hydrocarbons production slows as economy diversifies

Gas deals to make electricity generation more reliable





Sharjah's industrial sector benefits from well-developed infrastructure

Zoned in

The emirate is building on its reputation, establishing a positive environment for further growth

Manufacturing accounted for

16.9%

of the emirate's GDP in 2017

Concentrated in two free zones and 19 industrial zones, Sharjah's industry and manufacturing sector benefits from the emirate's low cost base, developed infrastructure and connectivity, and proximity to facilities in Dubai. As a result, Sharjah is one of the most important industrial and manufacturing centres of the UAE and the wider GCC region.

The contribution of the oil and gas sector to Sharjah's diversified economy is relatively small compared to the rest of the UAE, and is gradually declining in the lower oil price environment. In terms of meeting its own needs, the emirate is working to secure more reliable energy supplies, while expanding and modernising its electricity generation and water desalination capacities.

MAJOR CONTRIBUTOR: Manufacturing is the largest sector of the economy, contributing Dh15.7bn ($4.3bn) to GDP in 2017, according to Sharjah's Department of Statistics and Community Development (DSCD). This equalled 16.9% of the emirate's total GDP that year and 18.1% of non-oil GDP. Manufacturing may become even more important in the years ahead, with the government estimating that it will account for around 25% of GDP by 2025.

The contribution of the manufacturing sector to total UAE GDP has been fairly constant in recent years, remaining at around 11-12%. In 2016 the sector accounted for 9.2% of GDP and 11.1% of non-oil GDP, according to the latest available figures from the UAE's Federal Competitiveness and Statistics Authority (FCSA). In real terms, however, sectoral GDP increased by roughly 6% in 2016, which was well ahead of the overall GDP growth rate of 3% and non-oil GDP expansion of 2.7%. Based on DSCD and FCSA figures for 2016, Sharjah manufacturing accounted for 12.8% of the UAE's entire Dh118.4bn ($32.2bn) manufacturing sector.

The largest industrial segment in Sharjah based on the number of active licensed factories as of 2016 is metal products, which had 309 out of the total 1657 industrial licences. This was followed by "other manufacturing" operations, which had 187 licences; non-metallic mineral products with 183; and plastic products with 118 licences. Metal products also led the way in terms of investment volume, attracting around Dh1.3bn ($353.9m), followed by non-metallic mineral products with Dh1.1bn ($299.4m) and wood products with Dh590m ($160.6m).

INVESTMENT: The federal government is increasingly prioritising the development of industry as part of broader efforts to lessen the country's economic dependence on hydrocarbons. In March 2017 Sultan bin Saeed Al Mansoori, the minister of economy of the UAE, announced that the federation was seeking to attract $75bn of investment into industrial manufacturing by 2025. To help bolster such investment inflows, the Ministry of Economy has announced plans to amend the Commercial Companies Law so that foreign companies are allowed to wholly own onshore companies in the UAE. Under the existing legislation, there is a 49% cap on foreign ownership of local companies. Mansoori said that work on drafting such changes to the law were nearly complete and would come into effect in 2018.

Despite these remaining constraints, foreign investment in the sector has continued to rise for over a decade. According to the FCSA, manufacturing received some Dh45.6bn ($12.4bn) worth of foreign investment in 2016, equivalent to 4.4% of total foreign investment for the year. This was a moderate increase over the Dh44.7bn ($12.2bn) invested in 2015 and the Dh41.7bn ($11.4bn) of 2014. However, these figures are significantly higher than the investment levels of 2007, which amounted to Dh17.3bn ($4.7bn), representing 3.3% of total foreign investment at that time. The steady increase of foreign investment signifies growing international interest in the UAE as a manufacturing destination.

The Ministry of Economy of the UAE has targeted attracting $75bn of investment into industrial manufacturing by 2025, by which time it is expected that the sector will account for 25% of Sharjah's GDP.

Total investment in Sharjah's manufacturing activities – from both domestic and foreign investors – totalled Dh6.4bn ($1.7bn) in 2016, according to the DSCD. The majority of this came from UAE investors with Dh4.9bn ($1.3bn), while Dh652.3m ($177.6m) was sourced from other GCC nations and Dh810.5m ($220.6m) originated outside of the region.

FREE ZONES: Sharjah is home to two industry-focused free zones: the Hamriyah Free Zone (HFZ) and the Sharjah Airport International Free Zone (SAIF Zone). The two are under the same state-backed management and together account for a large proportion of industrial activity in the emirate.

Such zones have a number of unique advantages, including the allowance of 100% foreign ownership; full repatriation of profits; and exemptions from taxes, such as the newly introduced value-added tax (VAT), on the condition that commercial activity is primarily export-oriented.

The Sharjah authorities are in the process of developing other non-industrial free zones, with plans to have areas that will specialise in publishing, media, health, and research and development. "The building of new and more specialised free zones will add value and positively effect exports," Abdelaziz Mohamed Shattaf, director at the Sharjah Exports Development Centre – part of Sharjah Chamber of Commerce and Industry – told OBG. "It will give us the opportunity to develop new products and increase the percentage of exports, which is currently around 40% of Sharjah's total manufacturing output."

HAMRIYAH FREE ZONE: HFZ is the largest industrial free zone by area in the emirate and one of the largest in the UAE. It was launched in 1998 and built in two phases. The first phase, which has since been completely filled, covered some 15 sq km. The second phase spanned 8 sq km and was approximately 60% occupied as of early 2018. HFZ's main infrastructure facilities include a port with a draught of 14 metres, a 7-metre inner harbour and an 80-MW power station.

Activity in HFZ is dominated by industrial and manufacturing businesses, though some other sectors are present as well. Oil and gas, and steel-related businesses are the industries that are most heavily represented within the zone. There are companies of all sizes working in HFZ, ranging from small operations to large manufacturing and heavy industrial facilities, with a fairly even split between the two.

Although the first two phases have concluded, there are new expansions under way at HFZ. For example, a third phase that aims to add 7 sq km of space is in the pipeline. According to Rakesh Ranjan, chief development officer of the Hamriyah Free Zone Authority, there are hopes that this expansion will be fully approved by the end of 2018. "The area for the third phase has been identified and we are currently in the process of building the infrastructure and obtaining the necessary approvals," Ranjan told OBG.

Also of note, HFZ launched the Sharjah Food Park in March 2017, a 1-sq-km zone specialising in food production, processing and packing. The park is separate from other parts of HFZ to prevent food contamination. The park will consist of 136 warehouses, 68 of which were already complete by early 2018, with the remainder scheduled to be ready for tenants by the end of April 2018. More than 100 companies had already commenced operations in the park as of February 2018.

Investment in Sharjah's manufacturing activities from both domestic and foreign investors was $1.7bn in 2016

The zone's authorities have embarked upon other initiatives to improve HFZ's offerings. For instance, a new department was created to provide a range of services for firms in the zone, including coordination with the municipality on issues such as product and layout approaches, laboratory and testing services, and halal certification on behalf of businesses. Expanding the capacity of Hamriyah Logistics Village – the logistics and distribution centre for companies in HFZ – is another priority for the authorities. As of early 2018, the logistics hub was around 80% full.

The construction of new worker accommodation facilities within HFZ in 2017 increased its housing capacity by 6000 labourers, and in the third quarter of the year a new road connecting the zone to the Sheikh Mohamed bin Zayed Road – the main link between Sharjah and Dubai – was also completed. The zone's authorities have further plans to develop a shopping mall inside HFZ.

AIRPORT ZONE: The SAIF Zone, located adjacent to Sharjah International Airport, hosts industrial activity, though the sector represents a minority of operations in the zone. Most companies based in the SAIF Zone are active in the spheres of trade or services, and what manufacturing does take place there is generally on the lighter side – with a focus on fast-moving consumer goods – in contrast to the presence of heavy industries, such as petroleum- and steel-related manufacturing, in HFZ.

The zone was founded in 1995 and now hosts more than 6500 companies, up from just over 5000 in 2010. Its facilities include an industrial park that

The Hamriyah Free Zone and Sharjah Airport International Free Zone, offer a range of advantages, including the allowance of 100% foreign ownership.

Industrial companies are increasingly moving their operations out of Sharjah City and into designated zones

has a minimum plot size of 2500 sq metres, pre-built warehouses ranging between 103 sq metres and 450 sq metres in size, and an accommodation complex that can house more than 14,500 workers.

ONSHORE ZONES: In addition to the offshore free zones, Sharjah hosts 19 onshore industrial zones. A major example is Emirates Industrial City, a 7.7-sq-km zone for light and medium industry launched in 2005. Some 75% of this zone had been leased by November 2017, according to local media, with authorities aiming for full occupancy by mid-2018.

The 1.3-sq-km Al Sajaa Industrial Oasis, another such zone, is located on Emirates Road, one of the two main highways connecting Sharjah with the rest of the country. This zone is still under development, led by state-backed investment body Sharjah Asset Management. Upon completion of its four construction phases, it will contain 353 plots for light and medium industry, as well as other activities. The first phase will comprise 34 plots for light industry, seven for medium industry, and 14 for retail activities and offices. In accordance with its onshore status, Emirati and GCC investors will be able to secure freehold plots in the zone, while other investors will have usufruct rights for 100 years.

RELOCATION PROCESS: Industrial operations are increasingly moving out of Sharjah City, as central industrial zones are progressively being redeveloped into commercial and residential areas. As a result of this trend, industrial businesses are relocating to zones outside the urban area and closer to new inter-emirate highways. This widespread shift is being encouraged by the government's objective of rezoning and redeveloping the city centre to improve commercial and residential areas.

However, some stakeholders have said this trend has had negative consequences for businesses. "The development of infrastructure and utilities in new industrial areas has led to higher prices for this type of space, with companies paying slightly more than they did in the city centre," Giri Dharmarajan, managing director at Multi-Tech Engineering Industries, told OBG. Furthermore, Dharmarajan found that such locations were generally less convenient for company staff and workers. "There are few public transport connections from a number of industrial zones to the city centre, meaning that workers have to take taxis or firms must provide them with some form of transportation."

Additionally, the relocation process itself can be problematic, as not all industrial free zones have the required infrastructure in place for moving companies. "The relocation of a capital-intensive manufacturing facility can be challenging in the UAE, as each industrial free zone is unique in its advantages, and not all have the necessary infrastructure for a business. A firm may require lots of power, large warehouses, manpower accommodation or port access, which not all free zones have. Thus, entrepreneurs must select and negotiate for services with the free zone," Suneel Aggarwal, CEO of local manufacturer GRP Industries, told OBG. "Additionally, the high capital expenditure in starting a new factory means that entrepreneurs want security of tenure with long-term options and transparent fixed costs. The SAIF Zone, for example, is offering revised rental leases every 10 years. This uncertainty adds another element of investor risk."

GROWING DEMAND: Despite these challenges, a range of dynamics taking place in the local economy and beyond appear set to boost demand for local industrial products over the medium and long term. In particular, large-scale construction and real estate projects will require a substantial amount of manufactured materials for years to come.

"Sharjah benefits from strong existing industrial infrastructure, including access to logistics and a strong and diverse labour pool," Lalu Samuel, chairman at Kingston Holdings, a manufacturer of electrical goods based in the SAIF Zone, told OBG. "This connectivity and access to quality infrastructure will help local industries benefit from upcoming projects in Sharjah, including new real estate developments, which have the potential to strengthen business for support services and products."

Ongoing local real estate developments, such as the 2.2-sq-km Aljada urban housing initiative, as well as the expansion of logistics capabilities, are bolstering the manufacturing sector by increasing the demand for a variety of quality construction materials, including electricity cables. "The local market for cables continues to rely primarily on residential and commercial construction projects, with both medium-sized developments and major infrastructure and utilities programmes driving demand," Salim Duybassi, general manager for sales and marketing at National Cables Industry, told OBG.

Similar dynamics are leading to more work across an array of other segments as well. "The market for industrial manufacturers remains highly competitive

Large-scale construction and real estate projects are driving up demand for locally manufactured materials, boosting a range of industrial segments.

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Industrial activity benefits from an attractive business environment

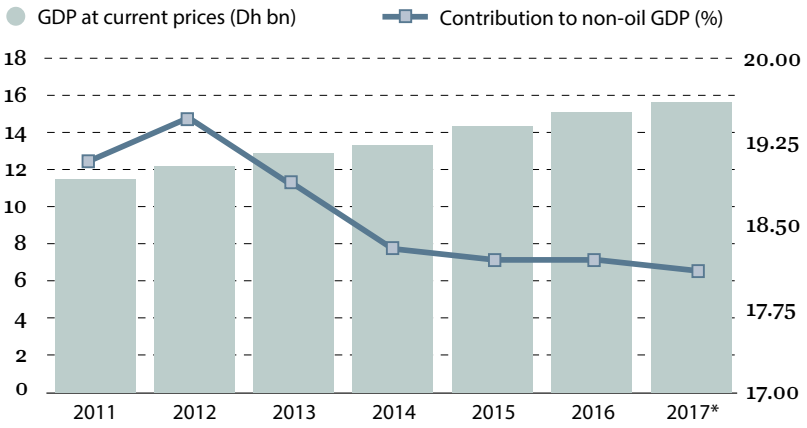
The relative ease of establishing operations in Sharjah's free zones, combined with the lower costs that the emirate offers, continues to draw in businesses.

and fairly price-sensitive, but many larger-scale works – including transportation and infrastructure projects, hotels and mixed-use developments – are increasingly looking for higher-quality products, providing opportunities for a number of new local industries," Marwan Orabi, general manager at Metallic Equipment, told OBG.

INVESTMENT ENVIRONMENT: Industrial activity in the emirate benefits from an attractive business environment, including relatively low operational costs. "Costs in Sharjah are around 25% to 30% lower than in Dubai, and it is only 20 minutes away," Ranjan told OBG. "Although the UAE has faced some economic challenges, these could actually improve investment flows into Sharjah as firms seek to lower their costs by relocating here."

EXPENSES: Costs are sometimes lower in more northerly emirates, but these areas tend to not be in competition with Sharjah's free zones, mainly because they do not offer proximity to Dubai.

Manufacturing statistics, 2011-17



Source: FCSA

*estimate

Ultimately, the relative ease of establishing operations in Sharjah's free zones, combined with the lower costs that the emirate offers – including considerably cheaper housing costs for employees than what is available in Dubai – continues to draw in businesses. "All the free zones offer similar advantages, so competition is based mainly around the cost of doing business," Thaddeus Best, analyst at sovereign ratings agency Moody's, told OBG.

As housing is one of the emirate's main advantages, the development of more affordable housing in the Dubai real estate market could challenge Sharjah's success in attracting industrial investment. This is likely to accelerate as Dubai seeks to step up its industrial and manufacturing activity. In June 2016 the Jebel Ali Free Zone Authority and Dubai Industrial Park of the Dubai government launched the 2030 Dubai Industrial Strategy. Among other goals, this aims to transform Dubai into an international manufacturing centre, resulting in more intense competition for Sharjah.

ROOM FOR IMPROVEMENT: While noting such cost and location advantages, there are areas that could be improved. For example, even though Dubai's port facilities are relatively near, transport between the Dubai and Sharjah free zones still involve large amounts of paperwork and high deposit requirements, and aside from the red tape, traffic congestion on these routes can be an issue. In addition, some firms have found that obtaining approvals for expansions takes time, a concern that could be minimised by the authorities streamlining their administrative processes.

Sharjah hosts ports of its own – such as Port Khalid, the main facility on the west coast, and Khorfakkan Port outside of the Strait of Hormuz on the east coast – which shorten journey times and allow for lower insurance costs. However, operators at these ports generally offer fewer international shipping routes compared to ports at neighbouring emirates.

Securing sufficient supplies of electricity could be another setback for heavy industrial operations in Sharjah, including within free zones and industrial areas, though some have said that the issues relating to electricity connections are improving. "The situation has improved since the Sharjah Electricity and Water Authority (SEWA) put in place a structured connection fee two years ago, and also as a result of Sharjah obtaining more electricity from Abu Dhabi," George Berbari, CEO of DC Pro Engineering, told OBG.

In October 2017 Sharjah Asset Management and SEWA signed an agreement for SEWA to provide electricity, water and gas to companies operating in free zones, which has improved the provision of utilities there. Moves to expand the emirate's power generation capacity and the availability of gas, which is the main feedstock for local power plants, should further improve access to power (see analysis).

More incentives could also foster the development of local industry and manufacturing. "Although Sharjah continues to have a strong manufacturing

and industrial base, further improvements could be implemented by the government to facilitate visa processing, import procedures and support offered to local businesses," Samer Saleem Sayegh, managing director and partner at National Paints, told OBG. "This would enable companies to expand and would help keep the local business environment competitive as other industrial zones are launched across the Northern Emirates."

The government of Ras Al Khaimah, for example, offers sponsorship and multiple forms of support for foreign businesses looking to establish operations there. Ahmed Ali Nalwala, managing director at Anchor Allied Factory, told OBG, "At the moment Sharjah mostly competes on cost, and without such incentives the emirate will be forced to lower costs even further in order to remain competitive."

While regulatory changes have threatened to push up costs, reforms have largely been transparent thus far, which has helped reduce their impact on firms. "Regulations for local businesses are changing, particularly in terms of environmental efficiency, fire safety standards and securing a trade licence. Regulations are easily accessible online as the majority of government departments offer digital services, which allows firms to understand the impacts of changes and speeds up processes," Orabi said.

Another recent development affecting the local business environment is the introduction of the 5% VAT, effective as of January 1, 2018, on the sale of goods in the emirate. Although the tax does not apply in free zones, companies importing goods from the onshore economy into free zones are required to pay VAT. Nevertheless, it is unlikely that the VAT will have much of a direct effect on sector activity. The largest impact will most likely be in terms of living costs for employees, thus wages may have to increase slightly, but for most businesses this would be a minor issue.

HYDROCARBONS PRODUCTION: The contribution of hydrocarbons – which includes the local mining and quarrying industry, the production of crude oil and national gas, and supporting economic activities – to GDP stood at Dh6.3bn ($1.7bn) in 2017, according to the DSCD, which represented 6.8% of the emirate's total GDP for the year.

Hydrocarbons production rose from Dh6.5bn ($1.8bn) in 2010 to a peak of Dh10.4bn ($2.8bn) in 2013, which was equivalent to 13.2% of GDP that year. However, it has fallen steadily in the years since then, both in absolute terms and as a percentage of GDP. The recent downwards trend in the economic contribution of hydrocarbons is mainly due to the declining international oil prices as well as shrinking production volumes in the emirate. Sharjah produced approximately 6m barrels of oil equivalent worth of energy in 2016, a significant decrease from the 17.2m barrels of oil equivalent produced in 2008, according to figures from ratings agency Moody's.

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The Sharjah National Oil Company was founded in 2010, when all of the government's existing oil and gas operations were merged into a single entity. It operates the Sajaa, Kahaif and Moveyeid gas condensate fields.

The international oil price fell from an average of $111.60 per barrel of Brent crude in 2012 to $52.40 per barrel in 2015 and $43.55 in 2016, pushing down hydrocarbons revenues in the emirate. Oil prices recovered somewhat in 2017, picking up to reach $54.30 per barrel, which raised the sector's contribution to GDP for the year. In March 2018 the price of oil stood higher still, at around $65 per barrel.

The outlook for the sector has notably improved as oil prices have begun to bounce back. "Companies in the oil and gas sector worldwide overreacted to the fall in global oil prices by excessively cutting costs, which led to the loss of talented staff," Surendranath Dhanekula, managing director at Trans Asia Pipeline, told OBG. "However, the outlook for the industry now looks very positive, with new projects being launched across the region. The UAE remains one of the safest options for external investment, partly thanks to its high degree of political stability and transparent business environment."

ENERGY OPERATORS: The Sharjah National Oil Corporation (SNOC), the emirate's only state-owned oil and gas company, was founded in 2010 when all of the government's existing oil and gas operations were merged into a single entity. In terms of production, SNOC operates the Sajaa, Kahaif and Moveyeid gas condensate fields. Sajaa is the largest of these, producing around 50,000 barrels of condensates per day. BP and Petrofac previously held substantial interests in the Sajaa field, but SNOC acquired these stakes in 2013 from BP and in 2015 from Petrobras.

All three fields are located onshore, about 30 km inland from the emirate's coast. Regarding support infrastructure, SNOC also operates a gas-processing facility named after the Sajaa field, as well as export terminals for condensate and liquid petroleum gas.

The other major players in the local hydrocarbons sector are the privately owned Sharjah-headquartered firms Crescent Petroleum and Dana Gas, with Crescent being the largest individual shareholder in the latter of these, having a stake of 19.1%.

Crescent describes itself as the largest and also the oldest private upstream hydrocarbons company in the region, having been founded in 1971. The history of the emirate's hydrocarbons sector effectively dates back to the company's discovery of the offshore Mubarek Field in 1972. At the moment, Crescent is exploring the offshore Sir Abu Nu'Ayr concession and, under a farm-out agreement made with Russian oil company Rosneft in 2010, the onshore Sharjah concession. The company is part of the family-owned conglomerate Crescent Group, which also oversees a non-oil and gas subsidiary, Crescent Enterprises. In addition to its operations in Sharjah, Crescent Petroleum is active in the Kurdistan region of Iraq and has interests in Egypt.

Dana Gas, meanwhile, was established in 2005, at which point it became the first oil and gas company

in the region to trade publicly on a stock exchange, listing on the Abu Dhabi Securities Exchange. The firm operates the Zora gas field, which is part of the Sharjah Western Offshore Concession. The field straddles the coastal waters of both Sharjah and Ajman, approximately 35 km off the emirate's coast.

Production at Zora gas field, which is the most recent hydrocarbons discovery in the emirate, began in February 2016. At that time Dana Gas predicted it would achieve a flow rate of 6650 barrels of oil equivalent per day. Output from the Zora field has fallen below these expectations, however, dropping from 1650 barrels of oil equivalent a day in the second quarter of 2017 to 1550 barrels the following quarter. In November 2017 local media reported that the firm was considering the feasibility of a field development plan and intervention programme it had devised to address the drop in output.

Dana Gas also encountered a financial hurdle the month prior in October 2017, when the company announced that it could not redeem its $700m *sukuk* (Islamic bonds) under the original terms because of legal advice it had received stating that the instrument was no longer sharia-compliant, and thus unlawful (see Financial Services chapter).

UTILITIES: The GDP of the emirate's utility sector – which comprises electricity, gas, water and waste management – totalled around Dh2.9bn ($789.4m) in 2017, equivalent to 3.1% of the emirate's total GDP for the year and up from Dh2.8bn ($762.2m) in 2016, according to data from the DSCD.

State-owned SEWA is responsible for the production, distribution and sale of electricity and water in the emirate. In the past the authorities were obliged to provide substantial financial support to SEWA, but this is no longer the case. SEWA has been profitable since 2015, largely thanks to the gas and electricity provisioning deals that have reduced SEWA's need to burn expensive fuel oil to generate electricity (see analysis), as well as the post-2014 decline in the price of oil and gas. The authority aims to further improve energy efficiency and sustainability as part of its Vision 2020 plan, launched in 2016.

Indeed, efficiency is increasingly important, yet there are persisting challenges. "Although demand for energy-efficient products, appliances and equipment is growing in the UAE, the market remains mostly price focused, and there needs to be more awareness of the advantages these products offer to consumers," Abdul Karim Al Saleh, CEO of SKM Air Conditioning, told OBG.

In addition to prioritising energy efficiency, SEWA has considerably stepped up its revenue collection efforts and is now a net contributor to state revenues. Planned investments to bolster efficiency at SEWA's generation facilities, including a major expansion at one of its power stations, should further increase its financial profitability in the coming years.

ELECTRICITY: As of the end of 2016, SEWA had an installed electricity generation capacity of 2838 MW, of which 2124 MW was available at the time, according to the DSCD. Approximately 2372 MW of the installed capacity is provided by gas turbines, 432 MW by steam turbines and 33 MW by diesel units. The utility operates power stations at six locations, the largest being the Al Wasit power station with a capacity of 1182 MW, or around 45.8% of total installed capacity. The Al Layyah power station is second largest with a capacity of 867 MW, followed by the Hamriyah power station with 527 MW. All three are powered by gas-turbine units.

SEWA produced 13.3bn KWh of electricity in 2016, up from 12.3bn KWh the previous year and 11.6bn KWh in 2014, according to the DSCD. In 2016 approximately 12.8bn KWh of the total generated was marked for distribution, while 10.9bn KWh was sold to customers – up from 10.8bn KWh in 2015 and 9.2bn KWh in 2012. SEWA's installed power generation capacity is not sufficient to meet the emirate's rising consumption needs, and as a result the authority buys additional supply from other emirates,

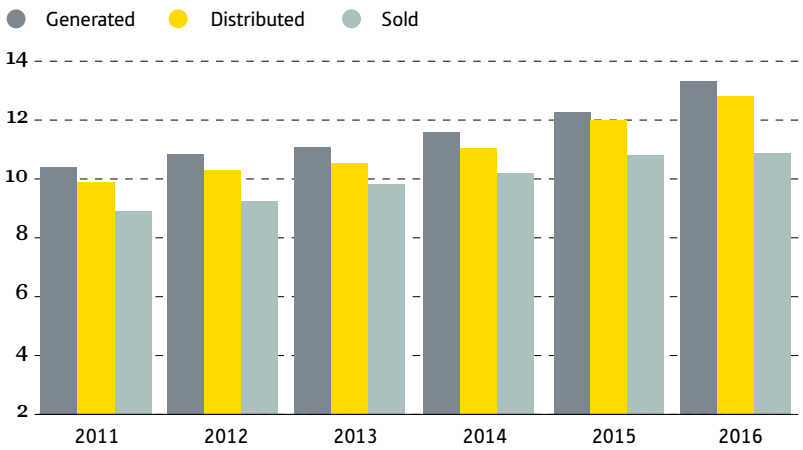
The emirate produced some 6m barrels of oil equivalent in 2016

The GDP of the utilities sector totalled

$789.4m

in 2017

Electricity statistics, 2011-16 (GWh 000)



Source: DSCD

The Sharjah Electricity and Water Authority has an installed electricity generation capacity of 2838 MW

The UAE Energy Strategy 2050 aims to have 44% of the country's total energy come from renewable sources by 2050. This target is to be supported by $163bn worth of investments.

with the bulk coming from Abu Dhabi. The Abu Dhabi Water and Electricity Authority (ADWEA) supplied 6719 GWh of electricity to Sharjah in 2016, slightly down from 6852 GWh in 2015.

However, SEWA's generation capacity is set to rise, with the provider aiming to reach energy self-sufficiency by 2021. This will be achieved through a three-phase expansion of the Hamriyah power plant that envisions adding two new turbines to eventually raise capacity to 1500 MW and boost the plant's desalinated water production capacity to 140m gallons per day. The first phase, which is due to be completed in 2019, will convert the plant from an open cycle to a combined cycle with gas and steam turbines to boost capacity by 750 MW. The second and third phases are scheduled to come on-stream in 2020 and 2021, respectively.

In December 2017 local media reported that SEWA was considering executing the Hamriyah power plant expansion as an independent power project under a build-operate-transfer contract, and was in negotiations with a consortium including GE and Japan's Sumitomo about the potential deal. The state-owned entity is reported to be considering other public-private partnerships as well, as the use of such models for new power and water plants are becoming increasingly common across the wider region.

In May 2017 SEWA secured further gas supplies to support its capacity expansions, signing a deal with SNOC and its partner Uniper, a liquefied natural gas (LNG) provider, for the provision of gas to three of SEWA's power stations from 2019 onwards. This follows SNOC signing an agreement with Uniper in 2016 to deliver up to 4m tonnes of LNG per year, transported via a floating storage regasification unit that is planned to be installed at Hamriyah in 2019.

RENEWABLES: The local authorities have so far appeared ambivalent about the development of renewable energy in Sharjah. For example, Rashid Alleem, chairman of SEWA, told local media in December 2017 that the combination of sand and humidity in the emirate made it a problematic location for solar panels and that further research was needed to overcome the issues. Alleem noted that many providers of concentrated solar power went bankrupt, and suggested that the best way to utilise renewable energy would be for consumers to launch their own solar mini-grids.

Others, however, say that Sharjah has promising resources and characteristics for developing renewable energy. "There are large areas of the emirate that could house photovoltaic power stations and there is also room on the east coast for the possible development of wind farms," Berbari told OBG.

Although there is only a limited amount of activity in the renewables segment at the moment, this is likely to pick up in the medium term given the revised national renewables targets that were outlined in the UAE Energy Strategy 2050. Unveiled in January 2017, the programme aims to have 44% of the UAE's total energy come from renewable sources by 2050. This target is to be supported by $163bn worth of investments in renewable projects.

There has also been progress in the emirate with the use of district cooling, where pipes chill water, steam or hot water from a central power plant to a building for use in air conditioning or heating. The process has already been implemented in some real estate projects under development.

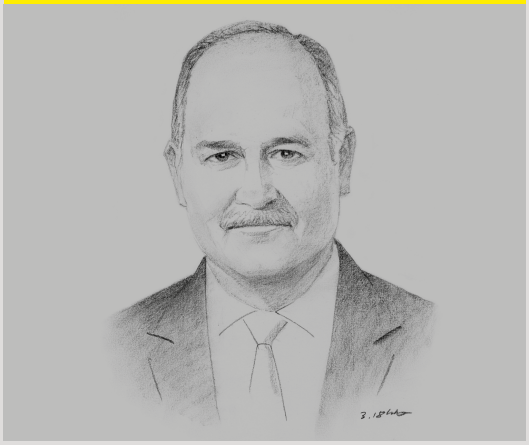
WATER: SEWA produced 37.7bn gallons of desalinated water in 2016, up from 36.3bn in 2015. Approximately 32.9bn gallons of the 2016 total were distributed. As with electricity, Sharjah imports water from other emirates, sourcing 4.9bn gallons from ADWEA in 2016, a sizeable increase from the 3.4bn gallons that was imported in 2015. However, Sharjah's utilities provider is working to expand its capacity here too. In July 2017 SEWA awarded a build-operate-transfer contract to Emirati company Alpha Utilities for a new reverse-osmosis desalination plant to be built in Kalba on the eastern coast. This new plant will eventually have the capacity to produce 2.2m gallons per day.

Additionally, SEWA has plans to upgrade its Hamriyah reverse-osmosis plant, which will raise its capacity from 17m gallons per day to 20m gallons per day. In an attempt to reduce unnecessary loss of water, SEWA aims to replace its pipe network, which spans more than 3000 km. The provider expects these upgrades to take three to five years to complete.

There are multiple projects under way to expand water production capacity in the emirate, such as a desalination plant in Kalba that will be able to produce 2.2m gallons per day.

OUTLOOK: Industry is set to remain the backbone of Sharjah's economy, and recent oil price rises and their knock-on effects on the national and regional economy are likely to boost demand for manufactured goods, while plans to relax ownership restrictions should open the sector to further investment.

Meanwhile, moves to secure gas supplies, both via new pipeline deals and in the form of LNG, will help to support SEWA's financial position and improve the availability of electricity and gas for industry.



Hatem Al Mosa, CEO, Sharjah National Oil Corporation

Stabilising influences

Hatem Al Mosa, CEO, Sharjah National Oil Corporation (SNOC), on the impact of new supplies in the oil and gas sector

How will the emirate maintain its energy security and reduce the gap between supply and demand?

AL MOSA: As Sharjah is an energy importer, lower prices globally have been beneficial for the emirate. Local demand for natural gas is expected to increase at around 4-6% annually for the next 10 years as the shortage of gas in recent years has constrained industrial growth. This is especially true of the energy-intensive industries, which have instead reduced consumption or switched to coal or diesel to generate power. Almost all local cement plants, for example, have converted to coal power due to the limited availability of natural gas.

Providing a stable supply of gas will guarantee Sharjah's energy security by closing the current supply-demand gap and allowing it to manage local demand and reduce its vulnerability to external influences. Sharjah has historically been a natural gas hub, and we can utilise existing pipeline infrastructure converging at our Sajaa gas complex to regain a role as a major supplier locally. Our upcoming liquefied natural gas project will address demand for natural gas in both Sharjah and the Northern Emirates for the next 10 years, as long-term supply contracts will allow us to offer secure prices and supply guarantees for customers.

Although the economic feasibility of our project has been based on locked-in agreements with major consumers, including Sharjah Electricity and Water Authority, we are also targeting consumers in the industrial sector as Sharjah is the only emirate with a full gas network covering both industrial and domestic areas. Sharjah already has the largest non-oil industrial sector in the UAE, so more reliable supplies of natural gas will promote industrial growth.

How will external fluctuations affect local capital investment in the upstream and downstream sectors?

AL MOSA: Although the global decline in oil prices severely affected the energy sector and resulted in a slowdown in investment, the industry must eventually maintain a certain rate of investment to sustain established production levels. We have been in the first phase of recovery since the beginning of 2017, reviving investment in oil and gas, especially companies in the engineering, procurement and construction segment.

New exploration activities will take a minimum of two years to positively activate other sectors through construction and production, so we expect other service companies to see a recovery by 2019. This recovery is logical because an indefinite slump will reduce production levels and therefore lead to an increase in prices. Although the sustainability and duration of this recovery is difficult to predict, local producers are optimistic about a healthy level of investment going forward.

Near-term output cuts by global producers have been relatively successful and are likely to continue, and have been relatively successful in improving prices and encouraging investment. However, expectations of investment in oil and gas is also being affected by investment in other competing energy sources, particularly renewables, which are becoming cheaper, more abundant and more technologically advanced.

What measures are being taken to develop further reserves and improve production efficiency?

AL MOSA: We have been in expansion mode and are actively targeting increasing production through our onshore exploration project in Sharjah's central region. The 3D seismic survey phase has been completed and we are now processing the data, with drilling expected in 2018. However, in terms of improvements in production efficiency, energy companies must always look to improve operational efficiencies to maximise production, regardless of pricing levels. As such, we have introduced some measures as key performance indicators. Our plant, for example, is still achieving high levels of propane recovery, and we are also addressing waste reduction through minimising flaring. We also monitor, measure and report our greenhouse gas emissions.

Khaled Al Huraimel, Group CEO, Bee'ah

Full circle

Khaled Al Huraimel, Group CEO, Bee'ah, on sustainable energy and waste-management initiatives

How is Sharjah promoting alternative energy?

AL HURAIMEL: Investment in alternative energy is a strategic objective for both Sharjah and the UAE, as the government has a target of achieving 44% of power generation from clean energies by 2050. The diversification of the energy mix will help meet the projected growth in demand, and a stable power supply is crucial to maintain the industrial and commercial base, and meet the needs of a growing population. Although Abu Dhabi and Dubai have promoted investment in solar power, renewable energies are increasingly cost effective and attractive to producers due to lower installation and generation costs. Sharjah is promoting renewable energy sources and increasing consumption efficiencies to address supply-demand gaps. Our waste-to-energy (WtE) plant will be the first in the region and will provide 30 MW of capacity from late 2020, which will later be expanded. Sharjah Electricity and Water Authority and the government are exploring other initiatives, introducing LEED-certified outdoor lighting, and education and outreach programmes to promote more sustainable consumption.

What initiatives are being implemented to develop new waste-management facilities?

AL HURAIMEL: As restrictions on exported waste change, particularly in China, long-term investment in local recycling and waste-management facilities will become a requirement across the Middle East. Sharjah has the highest waste diversion rate – approximately 76% – in the region, and the Ministry of Climate Change and Environment aims to achieve a national diversion rate of 75% by 2025. Facilities in Sharjah, including one to segregate household waste and the upcoming WtE plant, will help us achieve our long-term target of 100% diversion by 2020. We are looking to recover and recycle as much material as possible, with the remaining materials processed in the WtE facility. Investment in new facilities and technologies to address other categories, including electronic and medical waste, will help develop the local circular economy. The UAE produces around 17 tonnes of electronic waste (e-waste) annually, and there is demand for facilities to recycle this. Other potential growth segments include wood waste processing and recycling, industrial liquid and oil waste processing and treatment, plastic film and PET plastic recycling, and paper and cardboard recycling.

What opportunities do sustainability initiatives offer for new business models?

AL HURAIMEL: Sustainability and waste management are increasingly profitable, as both the public and private sectors recognise the value of promoting the circular economy. Recovering and recycling materials offers strong revenue streams for businesses that previously focused on waste collection rather than processing. Sharjah has always been open to public-private partnerships (PPPs), and a public sector stakeholder is crucial for many businesses in the environmental and energy sectors. PPPs also allow companies to bring in technology and expertise, and invest in local research and education. For example, we have partnered with the American University of Sharjah to promote environmental research through the Gulf Ecosystems Research Centre and to install air quality-monitoring stations across Sharjah. The upcoming e-waste project is a joint venture between Sharjah-based government entities and specialised private sector firms, and highlights the opportunities for collaboration and technological exchange. Given the expertise of local companies in sustainability, there are opportunities for regional expansion through further PPPs. The GCC region is very similar in terms of consumption rates and waste characterisation, despite operational differences. As the private sector recognises the benefits of cost-effective initiatives to promote sustainability, environmental companies can share their expertise with businesses, including energy-saving measures and waste reduction.

Local electricity production has been hampered by gas shortages

Staying power

The public utility is forming new deals to guarantee gas supply

A persistent shortage of gas has been a key challenge to electricity production in recent years, as the emirate's installed power generation capacity is dominated by gas-powered facilities. State-owned hydrocarbons company Sharjah National Oil Corporation (SNOC) provides locally produced gas to the emirate's electricity producer, the Sharjah Electricity and Water Authority (SEWA), from its fields via the Sajaa gas processing facility, but such local production only meets approximately 10% of SEWA's feedstock requirements. As a result, SEWA is forced to source fuel from outside of the emirate. There have been occasions where the producer has not been able to secure enough gas, meaning it has resorted to fuel oil as an alternative, which is more expensive, less environmentally friendly and degrades generation facilities.

EXTRA CAPACITY: A shortage of gas supply has also constrained the expansion of power generation capacity, which has led to difficulties in supplying electricity to industrial operations. To remedy this, the emirate has taken a number of steps to secure additional gas supplies. One example came in 2016 when SNOC formed a 60:40 joint venture with liquefied natural gas (LNG) provider Uniper to import LNG into Sharjah. The agreement was finalised in May 2017, with plans to begin importing the commodity via an onshore facility at Hamriyah Port and SNOC's Sajaa gas field complex from early 2019 onwards.

In November 2017 the two firms completed a feasibility study for the project, which envisages the construction of a floating storage regasification unit (FSRU) offshore Hamriyah Port with a storage capacity of 180,000 cu metres and send-out capacity of 28.3m cu metres per day. The decision to make an offshore FSRU where there are no limitations on the size of both the unit itself and LNG-carrying vessels using the facility will help avoid the additional port congestion that an onshore facility would have generated. The envisioned launch date has since been pushed back, and is now scheduled for late 2019. The two firms plan to award an engineering, procurement and construction contract for the project in the second quarter of 2018.

It is likely that more developments of this kind will follow. "In light of current diplomatic challenges in the region, there is a need for additional floating terminals and LNG terminals more generally," George Berbari, CEO of DC Pro Engineering, told OBG.

IRANIAN SUPPLIES: Iran has been sought out as another potential source of gas. In 2001 Iran signed a 25-year agreement with local private firm Crescent Petroleum to export 600m cu feet of gas per day to the emirate, with a price linked to oil. This was followed by the construction of pipeline and processing facilities for the project.

However, stalled exports and a request by the National Iranian Oil Company (NIOC) to revise the agreed price upwards meant that no gas was ever exported outside of a test phase. It was reported that Crescent Petroleum offered to pay more to acquire the gas, but eventually took the case to international arbitration at The Hague in 2009, which ruled in its favour in 2014. As of early 2018 the company was still awaiting a decision from the tribunal regarding the size of damages it would receive.

Some hope remains that the project could still go ahead. In March 2017 Bijan Zangeneh, Iran's minister of petroleum, told national media that Crescent Petroleum had been informed that NIOC was willing to consider resurrecting the project. In November 2017 Dana Gas said it was ready to import gas from Iran via the pipeline, provided that it could be assured that the supply was reliable "in terms of volume and duration". Some have speculated that Iran could provide the company with gas via the pipeline as payment in kind for the damages that it is ordered to pay by the arbitration tribunal.

A floating storage regasification unit to be installed offshore Hamriyah Port is expected to have a storage capacity of 180,000 cu metres and send-out capacity of 28.3m cu metres per day. Its launch is scheduled for early 2019.

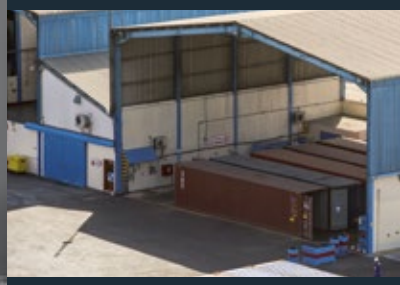
Infrastructure & Transport

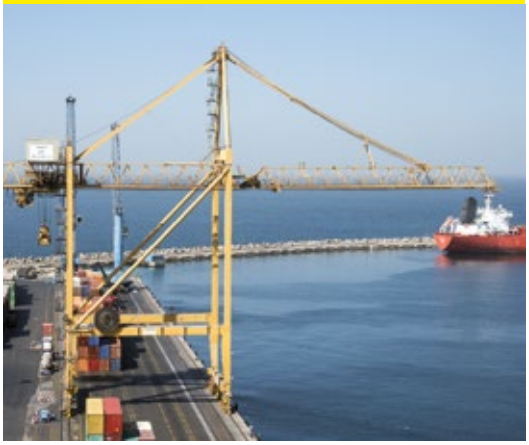
Improved and integrated Customs streamline trade

New chilled and frozen foods park a regional first

Road infrastructure investment to ease congestion

Sharjah International Airport undergoes expansion





Sharjah contains three deepwater ports, each with its own advantage

On the move

A strong regional position and major investment support port development, while road expansions are set to ease congestion

Three deepwater ports have emerged as central players in Sharjah's maritime industry, namely Port Khalid, Hamriyah Port and Khorfakkan Port, each of which specialises in a certain segment of the maritime transport and shipping industry.

As the only UAE emirate to have ports on both the Gulf and the Indian Ocean, Sharjah is uniquely placed to take advantage of the region's geographical position at the centre of international logistics lines. The emirate has long been a key aviation link for traffic between Europe, MENA and Asia, with the first airport in Sharjah opening in 1932. At the same time, Sharjah is also the land crossroads between the southern, northern, eastern and western emirates, with a string of key highways passing through its territory.

These comparative advantages are now being leveraged further as the emirate seeks to carve out a unique profile in a region well served by giant airports, ports and roadways. Moving forward, the provision of both quality services and high transit speeds are likely to be key elements in this; with Sharjah's transport centres able to offer rapid throughput, good interconnectivity and a growing local market in the years to come.

PORT OF PEARL: Sharjah builds upon a long-standing maritime tradition, with archaeologists unearthing finds including 6000-year-old pottery from Mesopotamia and 4000-year-old beads from the Indus valley on a coastline well-known over the centuries for its merchants, sailors and fisheries. Sharjah Creek established itself early on as an important international harbour, with Al Khan – which is at the mouth of the bay that separates Sharjah from Dubai – a centre for boat building as well as pearl diving.

In the modern era, three deepwater ports emerged as central players in Sharjah's maritime industry, namely Port Khalid, Hamriyah Port and Khorfakkan Port, with the latter located on the eastern coast of the emirate and outside the Straits of Hormuz. All three ports are managed by the Department of Seaports and Customs and the Sharjah Seaports Authority (SSA). Each of the ports specialises in a certain segment of the maritime transport and shipping industry: Khorfakkan Port is a major container terminal for trans-shipment; Hamriyah Port handles general cargo, industrial goods and hydrocarbons and petrochemicals in tandem with the Hamriyah Free Zone (HFZ); while Port Khalid, in Sharjah City, transports general goods and passengers, as well as handling some container traffic.

STRATEGIC POSITION: The location of Khorfakkan Port on the Indian Ocean makes it ideal for shipping companies transporting goods to other destinations in the UAE and the broader region. This is because it is one of the few dedicated container terminals in the UAE that is located outside of the Straits of Hormuz, along with the Port of Fujairah's container terminal, which is also located on the eastern coast.

The Khorfakkan Container Terminal (KCT) has experienced significant growth in recent years. The KCT is operated by Gulftainer, which also operates facilities in Brazil, Iraq, Lebanon, Saudi Arabia and the US. With six berths and a 2000-metre quay served by 20 gantry cranes, the KCT has 5m twenty-foot equivalent units (TEUs) of annual capacity over a 70 ha area.

Gulftainer also manages the Sharjah Container Terminal (SCT) located at Port Khalid. The SCT has four berths and a 740-metre quay, served by five cranes and an annual capacity of 750,000 TEUs.

Significantly, a number of new developments have been taking place at Port Khalid. For instance, a 436-metre quay was completed in March 2018, adding to the number of berths at the port and expanding its cargo handling capacities. A tender was awarded in January 2018 for the reconstruction of the North Wharf, which will build a modern quay of some 1030 metres. This project is scheduled to be completed by September 2019. In addition, there is a new tender process under way for the construction of a dhow harbour to cater to traditional trade flows, and is expected to be awarded in mid-May 2018. This will involve the construction of a breakwater and a 1-km quay outside the current breakwater of Port Khalid.

Port Khalid is, however, somewhat restricted in terms of space, because it is located in the centre of Sharjah

Khorfakkan Container Terminal has an annual capacity of

5m

TEUs

City, which limits its ability to expand. At the same time, certain roads are closed to heavy goods traffic at certain times, leading to tailbacks. These factors have resulted in a greater emphasis being placed on Khorfakkan Port in recent years and to a third Gulftainer-run facility, the Sharjah Inland Container Depot (SICD), growing in importance as a storage and distribution point away from the city centre.

Located on the edge of Sharjah City near the border with Dubai, the SICD has been in operation since 2004. The site offers a range of offices and warehouses, with an annual capacity of 300,000 TEUs and an entirely scalable reefer capacity. Built on an area of 180,000 sq metres, it is also linked by road to the KCT, with all the containers unloaded there with destinations in Sharjah or the Northern Emirates going to the SICD for onward distribution. The inland port also provides the headquarters for Momentum Logistics, Gulftainer's third-party logistics provider.

"KCT and the SICD are the way into the other emirates," Iain Rawlinson, group commercial director of Gulftainer Group, told OBG. "We can provide a land bridge of four containers on a truck, which increases speed while also reducing the carbon footprint and the overall cost." Hamriyah Port, meanwhile, has a close connection with the oil and gas trade, along with the petrochemicals industry based in the HFZ. The port is also home to a shipbuilding and repair industry, with Damen Shipyards Sharjah (DSS) operating there since 2014. DSS is run by Albwardy Marine Engineering, a company which is 49% owned by the Dutch shipping, defence and engineering conglomerate Damen. The site specialises in the construction of tugs and other vessels of up to 120 metres in length, while also undertaking a variety of repairs and refits in conjunction with other facilities located in Dubai and Fujairah.

Hamriyah Port has four general cargo berths with a total quay length of 1137 metres. These berths serve the needs of project cargo shippers, steel traders and other industries that are situated in and around Hamriyah and neighbouring emirates. Several oil traders who are based within the HFZ also have pipeline connections from the general cargo berths to their own storage facilities in the free zone. Within the main harbour are three dedicated oil terminals.

Sharjah Oil Refinery, which is located within the HFZ, is set to increase its power capacity with plans under way to upgrade and expand Hamriyah power station and water desalination plant, with work set to be completed in three stages staggered over the 2019-21 period. The project plans to convert the power plant from an open-cycle to a combined-cycle facility that utilises both gas and steam turbines, which is expected to increase efficiency by 50%. The future capacity of the facility is set to be 2500 MW of electricity and 530m litres of water per day, heralding future growth for both the free zone and the port.

SUSTAINED GROWTH: Sharjah's ports have seen steady growth in recent years in terms of throughput. According to figures from the SSA, 2017 saw 1.15m tonnes of general cargo go through its facilities, up from 871,175 tonnes in 2016. Dry cargo also increased slightly, from 618,048 tonnes to 618,137 tonnes over the same period, while oil cargo rose from 8.54m tonnes to 9.57m tonnes. However, there was a slight decrease in the number of vehicles, from 28,094 in 2016 to 27,754 in 2017, and a larger drop in the number of containers, from 3.42m TEUs to 2.32m TEUs, over the same period. This downturn was generally reflective of overall global patterns in container traffic, as Khorfakkan Port is very much a global trans-shipment centre. This shift can, therefore, be explained by the slowdown in international trade in 2017.

Sharjah benefits from GCC membership – goods cleared on entering one port are cleared for the whole GCC

This slowing of global trade was also reflected in marine passenger transport, with the total number of passengers embarking and disembarking at the three ports falling from 31,087 in 2016 to 27,206 in 2017. This was the first year in which passenger traffic had fallen below 30,000 since 2012.

Nevertheless, these figures are likely to rebound, due not only to the uptick in world trade in 2018 but also to the improved facilities for passengers arriving and departing from Sharjah. In February 2018 the developers of Sharjah Waterfront City – Sharjah Oasis Real Estate Development – announced its plans to commence ferry services between the project and Dubai Marina. This would cut transit times significantly as the services would bypass traffic congestion on the main roads between Sharjah and Dubai.

BOOSTING LOGISTICS: Sharjah's logistics sector is also looking at future growth. In March 2017 the HFZ Authority announced that it was developing a food park, with this being the first such dedicated facility in the region. Set to be constructed on a 11m-sq-foot site, the park will include offices and warehouses for food and beverage companies.

Those investing in the site will be able to benefit from a range of free zone incentives, such as 100% profit repatriation and foreign ownership. Investors will also likely benefit from warehouse facilities for

In 2017

1.15m tonnes

of general cargo passed through Sharjah's ports

The emirate has unveiled a range of new bridge and road projects to address the Sharjah-Dubai bottleneck

chilled and frozen products, with this giving Sharjah's logistics sector a considerable boost by improving the local chilled goods supply chain.

Such improvements are widely welcomed by the emirate's haulage and distribution companies, which already benefit from an advanced network within the UAE overall. Customs clearances and other administrative hurdles have also been greatly simplified in recent times, thanks to the introduction of more electronic systems, enabling advanced clearing of goods. Sharjah Customs now operates around 10 physical centres for the clearing of imported and exported goods, a feature of the emirate that has garnered praise from more traditional transporters. "Sharjah is a very human place," Rawlinson told OBG. "The e-systems are there, but they keep this human side for those who want it."

Furthermore, Sharjah benefits from the UAE's membership of the GCC, since goods that are cleared on entering one port within the GCC are cleared for the whole GCC area. The emirate also benefits from an increasingly integrated security apparatus with the rest of the UAE, with Emirati information databases in the process of being linked together. The introduction of value-added tax by the federal authorities on January 1, 2018 has also required tighter supervision of goods, to prevent increased smuggling.

IMPROVED INFRASTRUCTURE: Road haulage companies that are based in Sharjah are able to benefit from the major network of highways that connect the emirate with other parts of the UAE, as well as Oman and other GCC countries. This road network is subject to constant infrastructural improvements. In December 2017 Sheikh Sultan bin Muhammad Al Qasimi, ruler of Sharjah, approved a Dh22.1bn ($6bn) budget for the emirate – up from 6% on the previous year – with the increased spending earmarked for the expansion of infrastructural investment.

A key body in the implementation of this budgetary directive is the Sharjah Roads and Transport Authority (SRTA). This authority has wide responsibilities, ranging from roadworks to taxis, with public transport also coming under its remit. As Sharjah has grown in recent years, the SRTA has taken on an increasingly central role in the development of the emirate. According figures from the SRTA, 2017 saw some 59.2m people use public transport – including taxis – in the emirate. This represents an increase of 33% on 2016, with 45m of these users recorded by Sharjah's franchise taxi companies. This figure was itself up 12% on 2016, while the emirate's intercity buses, with 7m users, saw usage increase by 11%. Meanwhile, the intracity bus services, with 6m users, grew by 10% over the same period.

The emirate's taxi franchises, which include Sharjah Taxis, City Taxis, Union Taxi and Emirates Taxi, have therefore seen an increase in business and have laid the groundwork for further expansion with the introduction of innovative new services. These include an automatic callback service, which was launched in January 2018. The new service enables those looking for a cab to call in and have the nearest vehicle sent to them within seven minutes.

ENVIRONMENTAL FOCUS: Meanwhile, the authorities are placing an increased emphasis on the development of environmentally friendly modes of public transport. This forms part of a broader set of policies aimed at establishing Sharjah as a centre of environmentalism in the MENA region. The SRTA has, therefore, been building up its bus fleet, with 37 new vehicles added in 2017, bringing the total number to 175. Of these, 111 are owned directly by the SRTA and the rest are operated by partners. The construction of 28 solar-powered bus shelters has also been announced, in a project set for completion by October 2018. The main terminal for the initiative will be the Al Jubail bus station, with some 16 routes covered from there.

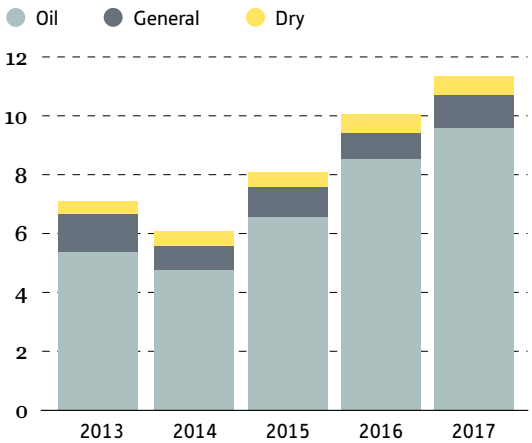
Furthermore, in January 2018 the SRTA announced that 10 smart buses were to be added to the fleet. These 48-seat Dh1m ($272,200) vehicles feature emergency alarm and braking systems, combined with adaptive cruise control. These features combine increased

Public transport usage increased

33%

in 2017

Cargo performance at Sharjah ports, 2013-17
(m tonnes)



Source: Sharjah Ports Authority & Department of Seaports and Customs

energy efficiency with increased safety and are set to improve connectivity with other emirates.

Environmental concerns are also behind the recent announcement by Sharjah's waste collection and environmental management company, Bee'ah, that it is set to purchase the first and largest fleet of Tesla electric trucks in the Middle East. Some 50 of these are due to start arriving the emirate in 2020, reducing the carbon footprint of the company's 1000-vehicle fleet. Bee'ah is also partnering with several US companies to transform diesel-powered vehicles into electric ones.

Meanwhile, discussions are currently under way on the best ways to improve one of the main transport routes in the UAE, which connects Sharjah to neighbouring Dubai. This route enables commuters to work in Dubai while also taking advantage of Sharjah's relatively lower rents and living costs, facilitating approximately 900,000 trips each day, according to a recent report from the engineering consultancy firm Aurecon, which works closely with the SRTA.

These routes have a combined capacity of some 33,200 vehicles per hour, yet around 40,000 vehicles attempt to use the roads at peak times. The resulting congestion leads to delays that are responsible for a loss of approximately $1.18bn in fuel and lost working hours, according to the report. One proposed solution would be an extension of the Dubai Metro Green Line to Sharjah, which Aurecon has concluded would reduce road traffic by around 30% and would cost an estimated $881m. Nevertheless, there are some concerns regarding such a solution. One is that it would place too much extra load on the existing Dubai metro, as the number of additional commuters from Sharjah is expected to be significant – perhaps as many as 22,000 passengers per hour in each direction.

RAIL LINKS: In March 2018, following a two-year hiatus, Abdullah Belhaif Al Nuaimi, the minister of infrastructure development, announced that tenders for the design and construction of the second phase of the 1200-km $25bn Etihad Rail scheme would open within a few months. This would mark the largest of the three-phase roll out of the ambitious infrastructure project, which envisages the construction of a railway network through Sharjah to other emirates in the UAE and potentially the broader GCC. The second phase of the project would see the construction of 650 km of rail links between Khalifa Port in Abu Dhabi with Jebel Ali Port in Dubai, and with the Saudi and Omani borders. Meanwhile, the final proposed stage would connect Khorfakkan Port with Fujairah, running across Sharjah, before moving south to link up with the link between Dubai and Abu Dhabi, with a 279 km extension.

BUILDING BRIDGES: In order to address the problem of the bottleneck between Sharjah and Dubai, the emirate has unveiled or completed new road and bridge projects since the end of 2016. In December 2017 the Federal Transport Authority (FTA) – which has responsibility for highways across the UAE

The Sharjah-Dubai transport route supports

900,000

daily trips

Customs now operates 10 centres to clear imports and exports

To ease congestion between Dubai and Sharjah, $54.4m is being invested in a motorway intersection connecting Dubai's Emirates Road with Sharjah's Mleiha Road.

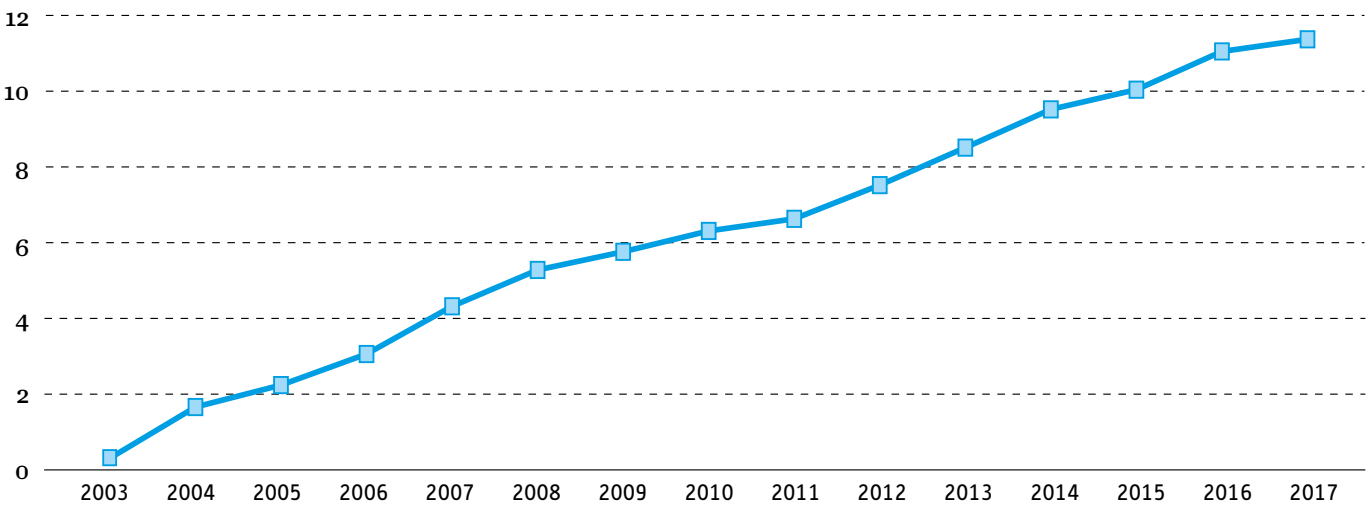
– announced that one of the goals of its new master plan was to improve highways in Sharjah and Dubai. Among the main projects designed to ease congestion between the capitals of the two emirates is the Mleiha motorway intersection, which is set to connect Dubai's Emirates Road with Sharjah's Mleiha Road. The Dh200m ($54.4m) project comprises a nine-lane approach road leading to a seven-lane bridge and is expected to open in August 2018. Work is also under way on two new truck lanes and a series of truck laybys along the heavily used Emirates Road in order to ease congestion and do away with current restrictions on the use of major roads by heavy goods vehicles – a source of frustration for some haulage companies.

Furthermore, a 41-km extension of Sheikh Khalifa Road was opened to traffic in February 2018; with further extensions earmarked for completion in mid-2018. A major extension of Academic City Road, which runs from Sharjah to Jebel Ali, was opened in March 2018. The eight-lane road – which was renamed Sheikh Zayed Bin Hamdan Al Nahyan Street in February 2018 – passes through the site of Dubai Expo 2020, and is expected to help ease rising traffic flows prior to and during the international event. Another notable new road development is under way around Sharjah International Airport, which is undergoing expansion. Some $408.8m has been earmarked for the project, with improvements to the associated road network taking a significant share of the cost. Work was nearing completion on a new bridge linking the airport to the E88 highway at the time of publication and it was expected to be completed by mid-2018 (see analysis).

At the same time, infrastructure improvements are also helping to improve road safety across the emirate. In November 2017 the Sharjah Police General Directorate announced that the maximum speed limit on highways would be increased from 100 km per hour to 120 km per hour, due to improvements in road conditions. In order to ensure compliance and facilitate traffic flow the police have also installed a number of fixed speed detectors and mobile units.

OUTLOOK: With the global uptick of the shipping industry and strong local fundamentals in place, Sharjah's ports are set to experience continued positive development. The emirate's transport and logistics sector is in the middle of a highly competitive region, with port capacity often outstripping demand in recent times. This makes the provision of services all the more important, with Sharjah well placed to offer an attractive package, given that it is home to ports on both sides of the Straits of Hormuz. Khorfakkan Port could act as the gateway to the northern emirates as well as Sharjah, with a reputation for speedy throughput already established. In the air, too, the emirate has a key advantage over nearby competitors, having a much quicker transit between arrival and departure.

Sharjah International Airport passengers handled, 2003-17 (m)



Source: Sharjah International Airport

Ali Salim Al Midfa, Chairman, Sharjah Airport Authority

Riding high

Ali Salim Al Midfa, Chairman, Sharjah Airport Authority, on the next phase of growth for the aviation segment

What initiatives are being taken to improve facilities and the overall passenger experience?

AL MIDFA: Passenger expectations continue to change, and airports worldwide have to balance offering new facilities and amenities with convenience, flexibility and a seamless travel experience. Passenger traffic at Sharjah International Airport (SIA) has continued to grow. Total passenger numbers increased to 11.4m in 2017, and this is expected to reach 12m in 2018. Meeting this growth will require improvements to facilities and infrastructure. To this end, we have launched a Dh1.5bn ($408.3m) five-year redevelopment strategy to increase capacity to 20m passengers annually by 2027. Construction of a new dedicated arrivals terminal, which will separate arrivals and departures areas, as well as work on the airport road network will begin in late 2018. This redevelopment will also enhance commercial space available in the terminal buildings, particularly retail options and dining outlets, as well as new office units and an expansion of holding lounges.

In addition, we are working to improve the management of passenger flows at the airport, especially during peak hours, by addressing bottlenecks and installing smart gates to reduce visa- and security-processing times for both arrivals and departures. Updates to flight information display systems will see layout changes and more information will be available in multiple languages. These measures will help streamline the passenger experience at the airport and further reduce average processing times, which are currently around 17 minutes from arrival to exit. Enhancing slot management will also ease passenger flows, and SIA now offers incentives such as reduced landing fees to encourage airlines to use off-peak slots.

To what extent can the growth of Sharjah's air connectivity promote inbound tourism?

AL MIDFA: The UAE's airports will play a crucial role in increasing visitor numbers to the country, but this is only part of the broader collaboration between the emirates to improve their tourism promotion strategy. SIA benefits from a strong regional network of destinations, with Sharjah already linked to 17 cities in India, and there are long-term plans to serve 13 destinations in the Russian Federation. Sharjah's flag carrier, Air Arabia, has focused on developing a short- to medium-haul market with a maximum range of around 5.5 hours' travel time. The region has a lot of potential for growth in the low-cost segment due to the launch of new carriers in countries such as Saudi Arabia and Oman, offering even more connections from Sharjah.

The number of destinations currently offered from the emirate means that the airport can act as a gateway for visitors to both the UAE and the region, but there are also opportunities for long-haul routes linking Sharjah to high-growth source markets, including East Asia and Russia. Air Arabia, for example, recently signed a lease agreement for new long-range *Airbus A321neo* aircraft for delivery in 2019, which will enable the carrier to add additional routes and continue to build on its position as a feeder airline.

How will the recent introduction of the UAE's new airspace structure affect aviation growth?

AL MIDFA: UAE airspace is one of the busiest in the world, and the federal-level UAE General Civil Aviation Authority worked for several years to design the UAE Airspace Restructuring Project that was launched in December 2017. This new structure has increased the number of gateways, or waypoints, for individual airports, giving SIA its own pathways and holding points for traffic. It is the first airspace structuring system using performance-based navigation.

We expect this airspace management system to reduce congestion and average delay times, and further streamline aircraft traffic. This new system has been designed to increase airspace capacity and meet long-term growth forecasts for air travel in the region.

Sharjah International Airport aims for 20m passenger per year by 2027

Growing wings

Significant site expansion to meet growing demand both in the low cost and business class segments

Overall passenger numbers at Sharjah International Airport reached

11.4m

in 2017

Historically Sharjah has been one of the region's most significant air transport centres, providing both good quality services and rapid access between countries, as well as to neighbouring emirates. Building on this proud history as a regional aviation pioneer, the emirate is now seeking to re-establish its global status, leveraging the growing importance of Sharjah International Airport (SIA).

RISING DEMAND: The airport first opened in 1977, adding a freight centre in 1979. The airport's importance in the region was greatly enhanced in 2003 when Air Arabia made the airport its home base. The airline was the first established low-cost carrier in the MENA region and has since grown to serve more than 130 destinations worldwide. The airline carried some 8.5m passengers in 2017, with airline management telling international media in March 2018 that they expected this figure to grow by 7% over 2018. As such the company is undergoing major expansion; while its fleet currently consists of 50 *Airbus A320,* it holds an existing order for a further 44 such aircraft, with plans to upgrade to the *A321neo*. Furthermore, plans are also being considered to add *Boeing 737 Max* or *Bombardier C Series* aeroplanes to the fleet.

The growth of Air Arabia, which is responsible for most traffic at SIA, dovetails with the broader performance of the airport. Overall passenger numbers reached 11.4m in 2017, a 2.9% increase on the previous year and nearly double the number of passengers in 2012. Furthermore, this growth appears set to continue into 2018, with 1.9m passengers in the first two months of 2018, up 6% year-on-year.

AIRPORT EXPANSION: With such significant growth under way, the airport is set for major capacity expansion, with the airport forming a key part in the emirate's plan to boost international tourism revenue. The site was previously enlarged in 2008 and a new 4060-metre runway was inaugurated in 2014, yet passenger numbers have continued to grow.

To meet rising demand, in March 2017 the Sharjah Airport Authority (SAA) appointed Parsons, an international engineering services firm, to manage a Dh1.5bn ($408.3m) expansion project. The multi-phase scheme has the eventual goal of expanding the existing terminal and supporting infrastructure to support a capacity of 20m passengers per year by 2027. The first phase, already visible to passengers and other users of the nearby E88 highway, involves the development of the associated road network, while expansion of the terminal itself is scheduled to take place over a four year period.

The expansion programme also includes major technical upgrades. In December 2017 the UAE Airspace Restructuring Project was implemented, under which separate entry gates, holding points and flight paths for each of the country's airports have been established. The SIA's air traffic control tower is also being renovated, along with ground radar, lighting and navigation systems.

At the same time, Sharjah is working to boost its business aviation segment. In July 2017 the SSA signed an agreement with global business aviation services firm Gama Aviation to build a new Dh110m ($29.9m) integrated business aviation complex at SIA. The project is set to cover a 40,000-sq-metre site and provide hangers for a range of business aeroplane models combined with modern services.

ATTRACTIVE OFFERING: The expansion of the airport is part of a broader strategy to diversify SIA's offering. The year ahead will see efforts to attract more airlines to SIA, though management does not intend to out-compete regional players on passenger numbers. "Our strategy will focus on improving and widening the services we provide," Faisal bin Saoud Al Qassimi, SIA director, told OBG. "We will add more routes and facilities in the terminal and capitalise on our good connectivity and the fact that we can now process a passenger in less than 20 minutes."

In July 2017 an agreement was signed to build a new $29.9m integrated business aviation complex at Sharjah International Airport offering modern services.

Construction & Real Estate

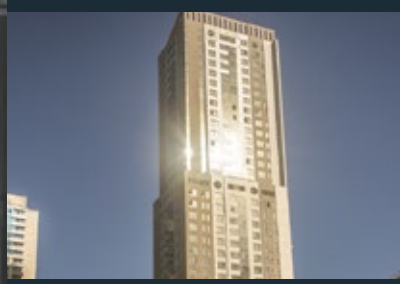
Major new builds help bolster market confidence

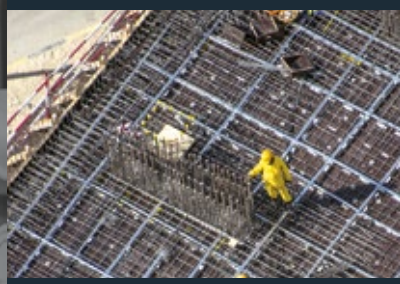
Value-added tax has implications for materials prices

Tourism spurring retail and hospitality development

Local government approves funds for housing support

Creating community living spaces for the future





Equipment costs rose by 20% year-on-year in January 2018

Opening the door

Diverse investments providing new spaces for business to thrive

24%

of Sharjah's $6bn, 2018 budget is allocated to infrastructure development

With a host of real estate, major transport and infrastructure projects either being developed or in the pipeline, Sharjah's construction sector is going through a busy time. Much of the new work is addressing previous shortages in areas such as gated and lifestyle communities, higher-end offices and retail premises, and more modern industrial estates. This presents contractors, architects and developers with a much wider range of opportunities than in previous years, when Sharjah was largely perceived as a low-cost alternative to its neighbour Dubai. The ongoing construction work will likely lead to a change in this view, with the emirate also focusing on high-quality civil infrastructure and incentivised economic zones for local and international businesses.

Challenges do remain, however. The introduction of a 5% value-added tax (VAT) in January 2018 may impact costs, while the overall economic slowdown that has hit the region in recent years, following the oil-price downturn that started in mid-2014, will also have an effect on pricing and demand. Master-planning and coordinating construction with utility and administrative frameworks can also still be a concern. Nonetheless, the sector remains upbeat about prospects following significant investment, with the year ahead likely to see stronger growth and fuller order books to add to its already busy schedule.

SECTOR DRIVERS: A look at the construction sector headlines for Sharjah between late 2017 and early 2018 quickly reveals the breadth of activity currently under way there. This ranges from the $6.5bn Aljada development by ARADA to a new hotel for Expo Centre Sharjah, as well as a $31m police general administration block in Al Dhaid to the east of Sharjah City with an October 2018 completion date, a 60,000-sq-feet fire station located at Al Saja'a industrial park on the outskirts of the city, and the Sharjah Multi-fuel Waste-to-Energy plant also located in Al Saja'a. Much of the activity is driven by government and semi-government entities, with public expenditure on the rise once more. In December 2017 Sharjah's ruler, Sheikh Sultan bin Muhammad Al Qasimi, approved a 6% budget hike for 2018 to some Dh22.1bn ($6bn). Of this, some 24% has been allocated for infrastructure development – a 3% rise on the 2017 total.

Behind this increase in spending is a general uplift in the regional economy, as oil and gas prices have begun to rise again alongside an expected recovery in economic growth by the World Bank to 2.1% in 2018 compared to 0.5% in 2017. In March 2018 the Central Bank of the UAE estimated real GDP growth of approximately 1.5% in 2017, with this expected to rise to 2.5% for 2018. Sharjah, meanwhile, is expected to do slightly better, with ratings agency Moody's predicting 2.7% real GDP growth in the emirate for 2018.

IMPROVING SENTIMENT: Estimates of stronger growth are being underscored by rising business confidence across the GCC, with a survey conducted by international law firm Pinsent Mason in early 2018, showing sentiment in the construction sector improving by seven percentage points in the two years to 2018, from 32% to 29%. The UAE was most expected to deliver growth, with 38% of survey respondents seeing the country as providing the most opportunity in the GCC in 2018, compared to 35% in 2016.

In their January 2018 rating review for the region, financial services agency S&P expected a gradual recovery in Sharjah's economy during the 2018-21 period, with the real estate and construction sectors set to flourish in 2018 due to spill-over from projects in Dubai connected to the upcoming Expo 2020, as well as tourism and manufacturing investment.

Spurring this optimism is the rollout of new free zones in Sharjah, including Sharjah Publishing City (SPC), Sharjah Media City, Sharjah Healthcare City (SHCC), and the Sharjah Research Technology and Innovation Park, all of which have major implications in the coming years for the construction sector.

A regional survey conducted in 2018 showed that 38% of respondents see the industry in the UAE as providing the most opportunity in the GCC in 2018, compared to 35% two years earlier.

PUBLIC BODIES: Key authorities for the construction industry include the Sharjah Investment and Development Authority (Shurooq), which not only promotes the emirate as a destination for foreign direct investment (FDI), but also runs major projects of its own, including hospitality and occasionally real estate . The Sharjah Directorate of Housing (SDH) develops strategic initiatives and housing policies, as well as providing assistance to nationals in meeting their housing needs. The Sharjah Directorate of Public Works is responsible for implementing civil construction and infrastructure projects in the emirate, while the Directorate of Town Planning and Survey develops the various masterplans for the emirate and its municipalities. It also issues certificates of granted lands and can re-zone residential, industrial and commercial usage – a mandate that will see it have a significant impact as Sharjah's built land expands and neighbourhoods change their profile.

The responsibility of issuing permissions and registering projects lies with the Sharjah Real Estate Registration Directorate, the Environment and Protected Areas Authority and, outside Sharjah City, the Suburbs and Villages Affairs Department. In the capital, Sharjah Municipality is the local authority with regard to providing public utilities and services to citizens. In addition, members from many of these entities sit on the Sharjah Urban Planning Council, which aims to develop a comprehensive strategy for urban development.

Meanwhile, there are a number of professional bodies that serve to strengthen the construction industry, including the UAE Contractors' Association, which has branches throughout the UAE and in Sharjah itself. The Sharjah Chamber of Commerce and Industry is also a key player in representing the interests of all manner of businesses operating in the emirate.

CONSTRUCTION COSTS: On January 1, 2018 the UAE introduced VAT for the first time. The rate is 5%, although many goods and services remain VAT-exempt. In real estate, the sale and rent of residential units is one such 0% category, although sale or rent of commercial buildings, hotels, motels and serviced accommodation is subject to the 5% tax. For the construction sector, the main effect is therefore on the cost of building materials and utilities.

The first three months of 2018 saw little impact on real estate prices from the imposition of the new levy; however, with contractors reported to be passing on the extra costs to developers, most of the latter were absorbing this, rather than end-consumers. At the same time, projects that are already ongoing and have fixed prices in the contract are not subject to VAT, except on outstanding balances, thereby delaying the likely impact. With the tariff's introduction well signalled, contractors were also able to place bulk orders ahead of time, boosting stocks of materials to offset the increase and better manage costs.

At the same time, the approach of Expo 2020 in neighbouring Dubai has driven up demand for building materials throughout the UAE, in addition to the general economic uptick. Contractors in Sharjah tend to import from countries like China when the 5% importation charge can be offset by lower international prices. However, global trends in 2017, such as a reduction in Chinese steel output, affected prices, with the market witnessing a steady increase in the cost of materials over the course of the year.

A $54.4m intersection to ease congestion between Sharjah and Dubai is due to be completed by August 2018

While Sharjah does not produce a construction materials price index of its own, the most recent data from Statistics Centre Abu Dhabi for January 2018 showed the average price of steel had risen 18.9% year-on-year (y-o-y), while PVC pipes had gone up 9.2%, month-on-month. Some materials costs had fallen, however: concrete was 0.2% down y-o-y, natural stone had fallen 9.4% and glass dropped 2.5%. Equipment costs also underwent a significant price increase, with transport equipment up an average of 20% y-o-y. The Dubai Chamber of Commerce also publishes a construction materials price index, with this showing a 22.5% rise in steel prices, year-on-year, for the fourth quarter of 2017.

INDUSTRIAL PRODUCTION: In addition to importing various resources necessary for development, Sharjah maintains its own building materials industry to produce consumables for the construction sector. Sharjah Cement and Industrial Development Company (SCIDC) runs Sharjah Cement Factory, producing several varieties of Portland cement, along with ground-granulated blast-furnace slag and cement, and oil-well cement. The factory has a total grinding capacity of 1.1m tonnes per annum (mtpa).

The SCIDC is also responsible for the Paper Sacks Factory, producing multi-wall, glued/pasted valve-type empty paper sacks, and the Gulf Rope and Plastic Products Company, whose output comprises a wide variety of synthetic ropes, along with baler twine, under the trade name "Falcon". Results for the company showed pre-tax profits fell from Dh69.3m ($18.9m) in 2016 to Dh57.1m ($15.5m) in 2017, despite a rise in revenue from Dh612m ($167m) to Dh649m ($177m). Recent times have been tough for cement manufacturers, in

A 5% value-added tax introduced across the UAE on January 1, 2018 is expected to impact the cost of building materials and utilities, with contractors stockpiling resources to offset any increases.

Steel prices rose by

18.9%

year-on-year

in January 2018

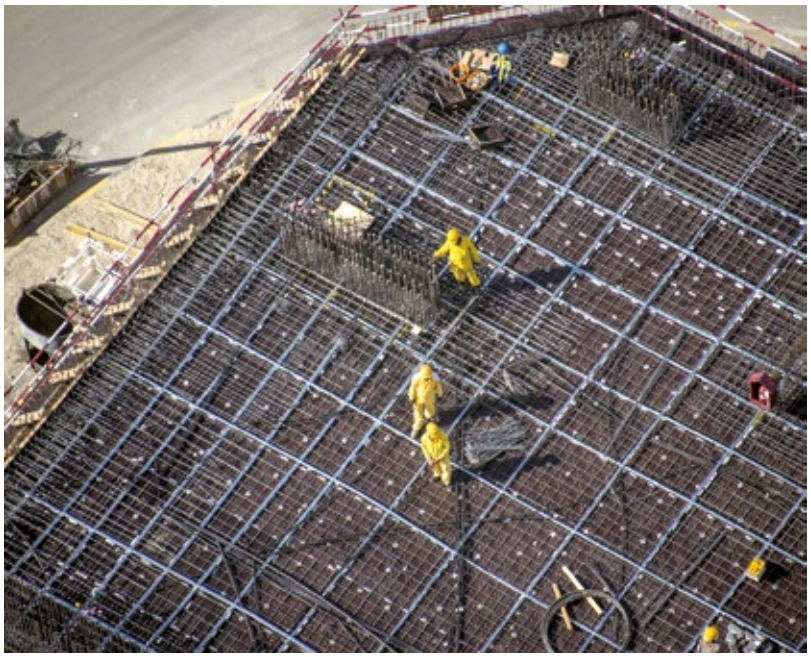
particular in the UAE and the wider region, with excess capacity forcing down prices. SCIDC's performance remains a positive example in the context.

Other materials manufacturers in the emirate include the Sharjah Steel Pipe Manufacturing Company, which owns a spiral pipe mill with a 40,000 mtpa capacity, producing both line pipes and pile pipes. In steel fabrication, Ginco Steel is based in the emirate, with contracts throughout the Gulf region. Sharjah was the 2018 venue for the largest steel fabrication trade show in the Middle East, SteelFab.

With good highways connecting the emirate to the rest of the UAE, steel and aluminium are easily accessed from local sector giants, such as Emirates Global Aluminium (the world's third largest producer of primary aluminium outside China) and RAK Ceramics, which is based in the Ras Al Khaimah emirate and was valued at nearly $1bn in early 2018 according to local media. The emirate also benefits from having ports on both the Indian Ocean and the Gulf, connected by fast highways, while its international airport has 32,000 sq metres of cargo facilities equipped to handle 16 types of aircraft and is being expanded to increase passenger capacity. Recent efforts to streamline customs and processing times at all these facilities have gone hand-in-hand with development of better access roads which have bottlenecks (see Transport chapter).

MAJOR PROJECTS: Real estate remains a key driver for the Sharjah construction sector, with analysts predicting continued growth in 2018 (see Real Estate overview). Some of the largest projects are the Aljada complex covering some 2.2 sq km, the 5.6-sq-km Sharjah Waterfront City, the 2.3-sq-km Tilal City, the 0.5-sq-km Maryam Island and the 1.5m-sq-km Al Zahia mixed-use development, one of the emirate's first and largest real estate projects. In addition, a range of medium and small-scale projects are also under way, including $400m of hotel projects announced in 2017 alone, plus around 4m sq feet of shopping malls currently in development. All of these also require infrastructure, with connecting roads, bridges, artificial islands and utility connections likely to provide big contracts for the sector. This major expansion of the emirate's real estate portfolio is also driving a move into new geographical areas by developers.

The re-zoning of old industrial areas, and the relocation of firms based there to new industrial estates such as Al Saja'a Industrial Oasis (ASIO) and Emirates Industrial City (EIC), have created new spaces for residential and commercial development. At the same time, the emirate's central region, around the town of Mleiha, is taking some of the overspill from Sharjah City, while developing its own tourism profile. Indeed, in December 2016 Shurooq announced a total investment of Dh5bn ($1.4bn) to develop the tourism sector in Sharjah City, its eastern coast and island resorts by the end of 2018. On the Indian Ocean side in particular, tourism is now providing a major investment, with Khorfakkan, Kalba and Dibba Al Hisn all seeing new developments, including the Khor Fakkan Corniche, the Kalba Eco-Tourism project and Al Hisn Island in Dibba.



To reduce the emirate's carbon footprint, sustainable building techniques and materials are becoming a focus

Private developers are behind many of these projects, either on their own, or in partnership with the emirate's government or government-linked agencies, such as Shurooq and Sharjah Asset Management Holding. Competition for contracts is reportedly fierce, with companies from throughout the UAE and abroad taking part. The Sharjah Finance Department (SFD) is the key body for tendering in the emirate, with vendors and contractors required to register with the SFD to bid for projects that originate in Sharjah. Federal contracts go through the Ministry of Finance.

CIVIL SEGMENT: When it comes to publicly supported housing, the SDH has also been active with civil projects. In late 2017 the emirate's government approved a Dh286m ($77.9m) budget for housing support, aimed at 502 local families who might need assistance in completing, extending or beginning new construction. The start of 2018 also saw the government's Permanent Committee on Land Allocation grant 548 plots of land to UAE citizens living in the emirate. Such grants are typical across the UAE, where the authorities take responsibility for ensuring all Emiratis have suitable places to build houses for personal use.

The transport sector is also becoming a major source of construction activity. One of the emirate's three ports, Hamriyah, announced an associated free zone in March 2017, adding a 1-sq-km food park – the first such dedicated facility in the region – comprising offices, processing facilities and warehousing for food and beverage companies. Additionally, Sharjah International Airport is rolling out a four-year, Dh1.5bn ($408m) expansion project managed by international infrastructure firm Parsons. This multi-phase scheme will grow the existing terminal to a 20m passengers per year capacity by 2027. The first phase involves the development of the associated road network, with a new bridge providing a link from the airport to the nearby E88 highway, which was reported as 85% complete as of the end of 2017 (see Transport analysis).

In late 2017, $77.9m was approved by the Sharjah government to support 502 local families in completing, extending or starting housing construction.

New highways are required to support a growing tourism sector

The first waste-to-energy project in the UAE is due for completion in 2020 in Sharjah and will initially process 300,000 tonnes of waste to produce up to 30 MW of power.

Additional road works include improvements to the linkages between Sharjah and Dubai, where many Sharjah residents work. One development project undertaken to relieve the congestion between the emirates is the Mleiha intersection, a Dh200m ($54.4m) development that was around 60% finished at the start of the 2018, and expected to be complete in August the same year.

Once finished, the intersection will feature a nine-lane approach road leading to a seven-lane bridge and will increase capacity from 9000 cars per hour to 17,700. The project has also added three extra lanes from the intersection to service the central town of Mleiha which subsequently feeds to Kalba situated on the coast of the Gulf of Oman.

Additionally, the first stage of the Khalifa bin Zayed road extension from Kalba to the Omani border is scheduled for completion by the end of 2018.

Another sector seeing major construction work is public services. Health is an area of major interest to Sheikh Sultan, with the SHCC established as the lead project. This free zone is to be 4.8m sq metres in size, with room for hospitals, clinics and laboratories, rehabilitation and wellness centres, hotels and apartments, complementary and alternative medicine centres, offices, retail facilities, and logistics and light industrial units, all located close to the airport and a network of major roads. One hospital project has already signed up for SHCC: the Zulekha Healthcare Group is building a 150-bed hospital, adding to the emirate's growing stock of private health facilities.

The SPC is one of the major free zones under construction. The 40,000-sq-metre site can house up to 550 companies, while also providing shopping and service facilities, a data centre, and a printing press with a print-on-demand capacity of up to 1m books per day. Additionally, Sharjah Media City is scheduled to begin construction this year, with the management building opening mid-2018. The facility will provide incentives to both local and international media companies and freelancers, such as 100% repatriation of profits and 0% tax on business conducted within the zone.

GREEN BUILDING: Sharjah has been moving forward in adopting more sustainable building techniques and materials. Leading the way is the emirate's environmental and waste management company, Bee'ah. Its new headquarters, currently under construction and employing 270 workers, is being built using recycled materials and is slated for Leadership in Energy and Efficient Design (LEED) platinum status, issued by the United States Green Building Council. The idea is that the building's high energy efficiency, low carbon footprint and low water usage can be used as blueprints for many more buildings in the emirate.

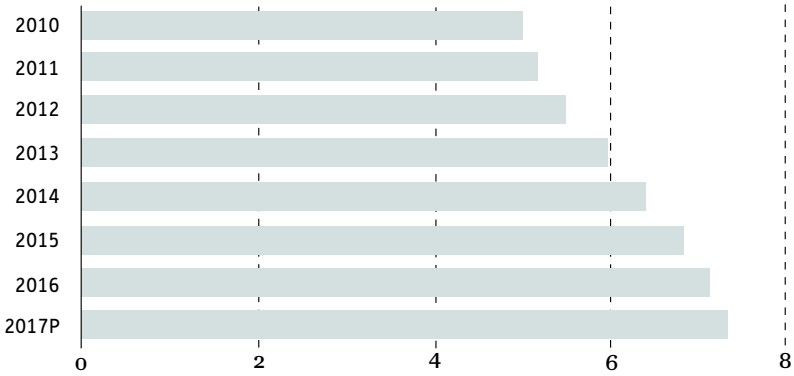
There is additional scope to launch similar energy-efficient designs in residential developments in the local property market. "There is a market for more sustainable building design in new developments, including solar water heaters, solar-powered lights and new electric car charging points," Ahmed Al Khoshaibi, CEO of development firm ARADA, told OBG.

Core Savills notes the UAE ranks among the top 10 countries in the world to hold LEED certificates, but states that despite the positive steps taken toward a green strategy there is a paradox, with the residential market lagging behind the commercial market. "Developers need to be more effective in communicating the benefits, cost savings and value of these measures to both investors and end-users," Al Khoshaibi said.

Bee'ah is also working with Abu Dhabi's state-owned renewables company, Masdar, on the Sharjah Multi-fuel Waste-to-Energy project. The first of its kind in the UAE, it is due for completion in 2020 and will process some 300,000 tonnes of waste in its first phase, generating up to 30 MW of power.

OUTLOOK: Diverse opportunities for Sharjah's construction contractors, developers and suppliers lie in the near term. The pipeline should remain fairly secure for the next two to three years; however, cost pressures will likely continue due to increased demand and the newly implemented VAT, although firms have been largely able to absorb the effects of these so far.

Construction sector GDP at current prices, 2010-17 (Dh bn)



Source: FCSA

Sheikh Sultan bin Ahmed Al Qasimi, Chairman, Basma Group

Investment destination

Sheikh Sultan bin Ahmed Al Qasimi, Chairman, Basma Group; and Chairman, ARADA, on mixed-use development trends

What factors are driving demand for mixed-use developments in Sharjah's property market?

SHEIKH SULTAN: Sharjah has long provided a cultural and family-oriented environment, and has more affordable local real estate and living costs than many other emirates, but we believe there is pent-up demand in the local market for well-designed, contemporary communities that have integrated amenities at an accessible price. Given the significant disparity between the number of residential transactions annually in Dubai and Sharjah, there is strong growth potential, and the level of recent sales from local developers shows that the issue for the Sharjah market has been supply rather than demand.

Sharjah's property market has not suffered from oversupply, as the local residential offering continues to attract strong demand from GCC and Arab nationals. Overall, economic trends in Sharjah look positive, with growth expected to be consistent at approximately 4% annually until 2020. In addition, the population has increased by more than 15% since 2014, supplemented by a tourism sector that saw visitor numbers rise by 17% in 2016.

The residential segment was also given a significant boost in 2014 following the government's decision to allow non-GCC nationals the opportunity to purchase property in designated developments. This opened the market to long-term residents, who are now able to secure their roots within Sharjah.

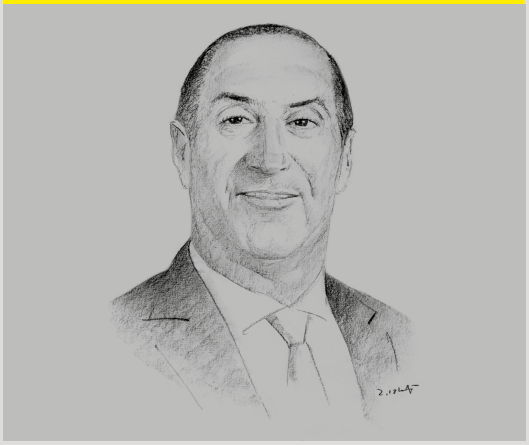
How would you characterise the current payment models in terms of facilitating investment?

SHEIKH SULTAN: Local developers in Sharjah have had very few challenges with existing payment systems due to high liquidity from local investors and end users. Most customers remain focused on value proposition rather than post-payment financing options and although the market remains buoyant with strong demand, developers are starting to target buyers who are looking towards the longer term. As such, many projects within Sharjah and the UAE now provide flexible payment structures. For example, our projects include plans that offer upfront payment options in 30:70 and 40:60 ratios and developers also cooperate with local banks to facilitate financing options for buyers.

Most buyers at the early stages of a project are investors, since end users generally prefer to purchase after construction has been launched, but as Sharjah has one of the highest yields for rental property in the region, investor interest remains strong. A large number of GCC and non-GCC Arab residents are investing in local property while other markets, such as long-term residents from India and Pakistan, are purchasing leaseholds.

To what extent can new real estate developments promote Sharjah's international visibility?

SHEIKH SULTAN: Targeted investments in real estate will raise Sharjah's international profile and help diversify its future economic growth away from established sectors. Although Sharjah's real estate market is already one of the top three property investment destinations in the region, many of the new developments have the potential to reshape the vision of the emirate. This is because they offer modern facilities and infrastructure, while still remaining close to Sharjah's heritage and culture in their design. This trend is influencing local projects, with many now including parks, more open spaces and leisure facilities, which is quite unique within the GCC market. Having a combination of residential, retail and commercial components in its upcoming projects will help position Sharjah as a regional hub. In addition, new developments will benefit from the emirate's attractive, central location, which has access to well-connected road infrastructure as well as the international airports of Sharjah and Dubai.



Raymond Khouzami, CEO, Al Thuriah Group

Higher expectations

Raymond Khouzami, CEO, Al Thuriah Group, on increasing demand for residential property in Sharjah

How will the demand for mid-market properties drive growth in Sharjah's real estate sector?

KHOUZAMI: Traditionally, Sharjah's real estate market has been driven by customers attracted to a strong sense of community and its family-friendly environment. A price-driven market, the majority of buyers prefer larger, affordable accommodation as the comparatively generous size of local properties continue to be a key selling point. Rates of return remain strong at 8% to 10% annually – an attractive rate within the regional market – despite growth in the property sector being influenced by changing demand patterns in neighbouring emirates.

Generally, demand has been affected by regional political instability and a robust project pipeline, but sales have been stable as units continue to be competitively priced. There are clear preferences in property purchases as the majority of pre-sold units are bought by investors looking for higher rates of return, while larger units are typically sold to end-users when the property is nearing completion. Home financing from banks is most easily obtained when the property is complete, with most banks offering financing once a deed is provided by developers.

What are the comparative advantages of Sharjah's real estate market, and what factors are influencing consumer choice?

KHOUZAMI: Sharjah benefits from three key advantages for consumers: affordability, location and space. Sharjah's rental market remains attractive to investors as it produces a high return on investment and is more affordable than other emirates due to lower service fees and utility costs.

Customers are interested in location and accessibility, and many new large-scale projects have been launched near highway infrastructure, which is opening new areas of the city for development. We have seen a trend in the market towards the addition of amenities in property developments as end-users now expect facilities such as shared gardens, multi-purpose halls and sports facilities. As the local market is competitive, developers are increasingly aware that providing a higher standard in terms of facilities and product quality is essential. The provision of these services is attractive to customers, particularly individual property investors who want streamlined, simplified services which include rent collection, cleaning and general property management. The overall market for property investment is becoming more challenging as both investors and end-users are generally cautious and unwilling to rush into purchases. Although Sharjah remains popular with regional buyers, many investors are local and purchase multiple apartments to lease.

How is the business and operational environment for developers changing?

KHOUZAMI: We continue to see strong demand from Arab residents – particularly after the regulatory changes in 2014 which allowed freehold purchases for Arab nationals with residency.

Developers are benefitting from a stronger regulatory environment with frequent coordination among government departments. For example, the introduction of e-services is improving collaboration and discussion between developers and the relevant government authorities, with new e-portals meaning that most documentation required for developments may be submitted online.

Developers are also positive about the long-term outlook for the sector as new infrastructure projects, demographic growth and economic stability create demand for property. Sharjah nevertheless has to adapt to the evolving real estate market, as new developments in Dubai are starting to offer similarly competitively priced properties, which may compete with Sharjah's target segment in the future.

Villa rentals grew 1.7% in the last quarter of 2017 and 0.4% over the year

Finding its niche

Transaction volumes rise against a backdrop of diverse real estate project development

Located in the heart of one of the Middle East's most vibrant real estate markets, Sharjah has begun to carve out its own distinct profile on the global property map. The emirate has committed to higher-end developments, while widening ownership structures. It has also grown both economically and demographically, now offering its own much larger internal market no longer so closely tied to developments elsewhere.

Recent months indicate that the market has overcome the economic lull that followed the budget tightening measures implemented across the region in the wake of the oil price drop. Transaction volumes have risen, with new builds reporting healthy interest and occupancy rates. A full project pipeline has observers watching how the market absorbs this extra capacity. However, an overactive schedule in the office and commercial real estate segments has caused some declines in occupancy, along with softening rents. Plans for an ambitious expansion of tourism in Sharjah are drawing focus to hospitality and retail, with the emirate to see major growth in the supply of both in the years ahead.

MARKET EVOLUTION: While Sharjah's population stood at just 79,000 in 1975, this had mushroomed to 1.4m at the time of the last full census in 2015. Some of this growth is down to the emirate's strategic location. This makes it a natural transport corridor, providing a valuable east-west logistical link, while also linking the northern emirates with Dubai and Abu Dhabi.

Sharjah City, the emirate's capital district, had a population of 1.27m in 2015, or 90.6% of the emirate's total inhabitants. Sharjah contains eight other districts, with other major population centres including the Indian Ocean-side district of Khor Fakkan, which had a population of 39,100 back in 2015 (2.8% of the total), Kalba, with 37,500 (2.7%), and the district of Al Dhaid, which includes the city of Dibba Al Hisn, at 20,100 (1.4%). Recent years have seen strong population growth in the emirate, with the annual population change between 2010 and 2014 standing at 6.6%. The Sharjah Health Authority estimates that by 2025 the population will stand at around 2.7m. Other forecasts are more conservative, however, with real estate outfit Cluttons estimating annual population growth at 2.5%.

At the same time, Sharjah City is part of an extensive urban area that now stretches without much interruption from southern Dubai to Ras Al Kaimah, via Ajman and Umm Al Quwain. This places the emirate's capital district within a conurbation of some 4m people, with good road connectivity between the north and south. Sharjah has thus long been the home for many who work in neighbouring emirates, particularly Dubai.

RESIDENT PROFILES: As in Dubai and Abu Dhabi, the overwhelming majority of Sharjah's residents are expatriates on short-term contracts, who may renew or as is often the case, leave the emirate after a few years. The 2015 census found that some 88% of Sharjah's population were from abroad. The fact that many of these are employed in traditionally male-dominated jobs, such as construction and manufacturing, gave a gender breakdown of 63% male and 37% female.

As the majority of residents tend to be temporary expatriates, many of whom work in low-income jobs and repatriate any of their surplus earnings, this has major implications for real estate. The residential market is traditionally divided between the local Emirati population, most of which live in villas in suburban districts, who also sometimes own accommodation for investment purposes that is then rented to expatriates. A third, smaller group are the higher-income expatriates, who, thanks to recent changes in the law, now have more opportunities to buy, rather than rent, their accommodation. Finally, there are investment buyers, both local and foreign, with these too now seeing a growing number of opportunities in the emirate, however, non-GCC buyers must have a valid UAE residency visa in order to purchase property.

TRANSACTIONS ON THE RISE: The most recent statistics from the Sharjah Real Estate Registration

The population is expected to almost double to

2.7m

people by 2025

At 88% of the population, expatriates occupy the majority of the real estate market. While many of them work in low-income jobs, recent changes in the law allow higher-income expatriates more opportunity to buy.

Apartment prices dropped as much as 15.8% in 2017, with more low-cost options becoming available in Dubai

Department (SRERD) show that the total value of real estate transactions in the emirate grew by 20.3% in 2017 to Dh29.8bn ($8.11bn) as compared to 2016 when the value stood at Dh24.7bn ($6.72bn). This coincided with the launch of a number of new projects in the emirate, such as the multi-purpose Aljada development in Sharjah City, complete with sports venues and residential spaces, and the commercial, residential and civil-infrastructure zoned Tilal City on the city's outskirts (see analysis).

Though both emirates have seen a decrease in the cost of apartments, prices across the broader market have been relatively steady in recent years. "The general property market in Dubai and Sharjah has remained fairly stable since 2014 but there is a huge gap between the two emirates in terms of total transactions," Al Khoshaibi told OBG. "The level of recent sales from local developers, and the significant disparity between Dubai and Sharjah, shows that there is huge growth potential, and that the issue for the Sharjah market was supply rather than demand."

A key change to foreign ownership laws in 2014 removed a limit on the ownership of property rights in the emirate to UAE, GCC and Arab nationals, and companies fully owned by such persons. The rule states that other foreign nationals and their companies in the UAE are eligible to obtain usufruct licenses of up to 100 years for real estate in certain pre-approved areas of Sharjah. The system is managed by the SRERD and has been widely welcomed by investors and developers alike, although there is no right of resale under the scheme. However, given the large expatriate population, the rental market remains a key influence on the fortunes of the emirate's real estate sector, with Sharjah City accounting for the vast majority of transactions.

RESIDENTIAL RENTS: In 2017 residential rents in the city presented a mixed picture. Fourth-quarter villa rentals rose 1.7%, according to Cluttons, with the year overall registering 0.4% growth. However, in the same period apartment rentals fell by 13.6%, resulting in a 10.6% decline for the year overall. Similar decreases were noted elsewhere in the UAE and widely ascribed to economic slowdown and reductions in oil output.

Some of the popular areas of Sharjah City for rentals are Al Nahda, Muwaileh, Al Taawun, Al Majaz and Al Khan, with the last two of these seeing the most consistent declines in rental rates during 2017. There were also some stand outs bucking the trend, such as two-bedroom apartments in the Muwaileh and Al Taawuun districts, which saw 1.2% and 2% increases in average yearly rents, respectively, according to Bayut.com. Others saw rents hold largely steady, with one-bedroom flats in Al Nahda staying around Dh37,000 ($10,000) per year, while similar apartments in Muwaileh hovered at Dh30,000 ($8,170) per year.

Some developers, however, are optimistic regarding local real estate pricing. "Rental pricing for apartment accommodation in Sharjah is relatively stable, as regulations state that rental rates cannot be increased for three years after a contract is signed. This provides more stability and security for tenants," Georges Khouzami, COO of Al Thuriah Group, told OBG.

COMMUNITY DEVELOPMENT: Community living is increasing in popularity in Sharjah within the current market. "We have seen a shift in demand as end-users are increasingly looking for well-designed community spaces that integrate different amenities such as parks, shopping areas and sports facilities within easy reach," Ahmed Al Khoshaibi, CEO of development firm ARADA, told OBG. "Developers will need to spend more time on design to meet these changing expectations."

Lifestyle is a concept tied to other real estate developments, such as malls, with projects like Al Zahia, on University City Road, achieving success, with five-bedroom villas, townhouses and garden apartments clustered in a series of neighbourhoods within the community. "The emirate is experiencing a transition with new concepts – particularly villa developments – being introduced to the market," Nashat Sahawneh, chairman of Al Hamad Group of Companies, told OBG. The last of these units launched in early 2018 by Sharjah Holding, a partnership between Sharjah Asset Management Holding and Majid Al-Futtaim.

SALES PRICES: In terms of residential purchases, apartment prices fell on average in 2017. According to Bayut.com, a two-bedroom apartment in Al Nadha averaged Dh580,000 ($158,000) during the year, down 6.4% on 2016, with more expensive areas, such as Al Majaz and Al Mamzar, seeing major slides in price – 12.6% and 15.8%, respectively.

The Muwaileh district, however, saw prices for two-bedroom flats rise by 7.6% to Dh954,000 ($260,000). With upper-end apartments increasing in popularity, potential buyers are able to demand more in a tighter market where supply is outstripping demand. In some areas, tenants have also been able to renegotiate their rental agreements downwards, according to local media. Another factor is the increasing availability of lower-rent apartments in neighbouring Dubai, which while traditionally more expensive than Sharjah, has

The total value of real estate transactions was

$8.1bn

in 2017

itself seen a decline in rents in recent times due to oversupply and economic slowdown.

Meanwhile, Dubai's authorities signalled in late 2017 that they would enact legislation encouraging the planning and building of affordable housing in key areas of the city. In addition, some developers in Dubai have begun targeting lower-income tenants. This has had a knock-on effect in Sharjah and Ajman, particularly for individuals working in Dubai and commuting. However, Sharjah's occupancy rates and prices are relatively stable, and as prices there decline, people have tended to move from Ajman to Sharjah.

Rental markets in Dubai and Sharjah may continue to see downward pressure due to two new factors. The first is the January 1, 2018 introduction of a 5% value-added tax (VAT) across the UAE. While many transactions are exempt from this, citizens are concerned about not being able to afford a higher cost of living, according to local media reports, especially with water and electricity bills now subject to the levy. Second, a January 2018 announcement by the Ministry of Energy and Industry outlined future plans to remove gas and electricity subsidies. These factors will put pressure on landlords from tenants for rent freezes or even reductions, with many watching to see how this will unfold in 2018. One visible effect is that prospective tenants now are favouring buildings owned by Emirati nationals, who are entitled to cheaper utility consumption charges than non-Emirati owners – meaning that in a highly price-conscious market, prospective tenants may be less inclined to seek buildings owned by non-citizens.

MAJOR EXPANSION: Meanwhile, a range of new projects are coming on stream in Sharjah, with some of these being mixed-use developments (see analysis). Benefitting from this in particular is the retail, hotel and entertainment real estate segment. The Sharjah Commerce and Tourism Development Authority has plans to expand the tourism sector dramatically, and aims to attract 10m visitors by 2021. As a consequence of this increase, demand for malls, hotels, restaurants, cafes and entertainment facilities is expected to surge, too.

To help meet this demand, the Sharjah Investment and Development Authority has launched its own hotel brand known as Sharjah Collection, with a growing number of hotels in the pipeline – the 53-key Al Bait Sharjah, managed by international hotelier GHM, and two tented establishments: Kingfisher Lodge in Kalba, and the Al Bayder Oasis. Some 1000 four- and five-star hotel rooms are due to be added by the end of 2020, including the 60,000-sq-metre, Dh60m ($16.3m) Mleiha Desert Resort, the 66,300 sq-metre, Dh121m ($32.9m) Al Khan Village Resort, and the Bait Khalid bin Ibrahim – two converted traditional Emirati houses offering 11 rooms in the Heart of Sharjah project.

In addition to a large number of holidaymakers, there are also many visitors arriving in Sharjah for business purposes. "Occupancy rates are very high in the emirate," Suzanne Eveleigh, head of property consultant firm Cluttons Sharjah, told OBG. "There are a lot of unbranded hotels and hotel apartments out there that are also doing well. Sharjah attracts a lot of business travellers too, with the meetings, incentives, conferences and exhibitions industry a hot topic, and this is all despite the emirate's prohibition on alcohol."

Rental rates cannot be raised for three years after a contract is signed

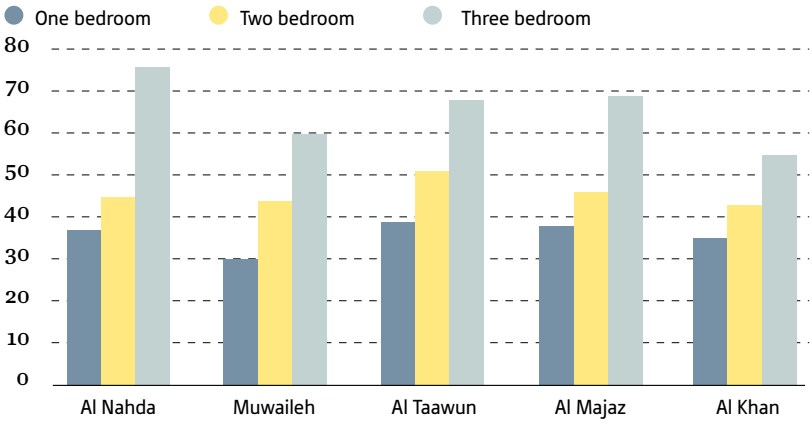
Value-added tax of 5% introduced in January 2018 has been added to water and electricity costs, which could add downward pressure to rental prices.

Sharjah's gross leasable area (GLA) for retail is set to double by 2020. Much of this involves the expansion of existing facilities, such as the Sahara and City Centre Sharjah malls. Additionally, the Avenues Mall is set to add 43,000 sq metres of GLA in 2018 and will be adjacent to the City Centre Al Zahia, which will add some 130,000 sq metres when it opens in 2020.

For all the increased activity, recent years have not been kind to Sharjah's retail sector. Affected by the recent economic slowdown, "VAT imposition will also have an impact", Shane Breen, director of commercial valuation and consultancy at Cluttons Sharjah, told OBG. These factors have led to generally flat rental rates in the existing malls and some high street venues have seen similar price decreases to residential apartments, with some retailers negotiating rent decreases.

COMMERCIAL ZONING: The emirate's office market – which is also dominated by Sharjah City – was generally

Average annual apartment rents in select Sharjah neighbourhoods, 2017 (Dh 000)



Source: Bayut.com

Mid-range offices continue to form the bulk of the local market, with these usually being the preserve of more cost-conscious enterprises. However, this may be affected by the introduction of VAT, raising total commercial occupier liabilities to some 14% of their annual rent

stable in 2017, with little change in average rents over the 12 months. The three main areas monitored by Cluttons – Al Soor, Al Majaz prime and Al Majaz fringe – all showed price stability, at around Dh60-70 ($16.3-19) per sq foot, with Al Soor at the lower end and Al Majaz prime at the higher, averaging Dh68 ($18.5) per sq foot.

General economic slowdown in the regional market has seen company downsizing, yet the prominence of mid-range offices not usually reserved by large international companies may have sheltered Sharjah against some of the impact. Mid-range offices continue to form the bulk of the local market, with these usually being the preserve of more cost-conscious enterprises. However, this may be affected by the introduction of VAT, raising total commercial occupier liabilities to some 14% of their annual rent, as the 5% charge is added to 5% commission fees and a 4% in municipality tax.

INDUSTRIAL ZONING: As the backbone of the emirate's private sector, industrial areas have seen substantial re-zoning of their peripheral areas over the last few years. Several old industrial zones are being re-categorised to allow residential, commercial or retail use, while new projects, such as the more out-of-town Al Saja'a Industrial Oasis (ASIO) and Emirates Industrial City (EIC), have been offered to enterprises as alternatives.

By November 2017, 75% of EIC's 7.7m sq metres had been leased, with around 1000 companies in residence. The 14m-sq-feet ASIO was continuing to be developed in late 2017, with Sharjah Asset Management Holding, the emirate's investment arm and the zone's owners, signing a memorandum of understanding with Sharjah Electricity and Water Authority in October 2017 for utilities provision to tenants. Overall, however, "the industrial sector is down for the first time in a long time, with an rise in supply and a shortfall in demand," Breen told OBG. "At prices of Dh110-120 ($29.9-32.7) per sq foot in ASIO and Dh105-110 ($28.5-29.9) per sq foot elsewhere for industrial land, investors are looking for higher returns than the segment can currently provide." Average prices elsewhere include Dh105-110 ($28.5-29.9) per sq foot in EIC, Dh80-100 ($21.8-27.2) per sq foot in the wider Al Saja'a area and Dh120-160 ($29.9-43.55) per sq foot for land elsewhere in the city.

OUTLOOK: With a string of major projects delivering more residential, retail, commercial and hospitality space to the market over the next few years, large price growth is not expected in the immediate future. There are signs of economic recovery overall, with residential rates likely to see modest growth.

The popularity of mixed-use projects leveraging lifestyle and community concepts looks set to continue alongside higher-end one- and two-bedroom apartments to accommodate smaller expatriate families and individuals. Developments being rolled out in the short and medium term will also serve to boost the supply of entertainment, leisure, vacation and retail options – all essential to building a profile that will contribute to bring the emirate much greater long-term rewards.

High property demand has led to record-setting apartment pre-sales

Transforming the landscape

An array of major projects are set to revitalise the emirate's retail and residential offerings

The next few years are scheduled to see a range of major mixed-use real estate projects come on-line in the emirate, with these likely to transform its built landscape and global appeal for investors and visitors alike.

One of the largest is the Dh25bn ($6.8bn), 60m-sq-feet Sharjah Waterfront City, which includes eight artificial islands, a series of canals, a brace of interconnecting bridges and a Dh220m ($59.9m) electricity substation that will supply 700 MW of power to the city's residents. With construction started on 326 villas in February 2018, project developer Sharjah Oasis Real Estate announced that 30% of these had already been sold for between Dh2.5m ($680,000) and Dh8m ($2.2m).

Phase one of the project includes the development of plots on nearby Sun Island, as well as a 24-tower central business district, with 4.5m sq feet under construction at a cost of Dh9.5bn ($2.6bn). Ultimately, there will be 1500 villas and 65 mid-rise buildings, with these set to be rolled out over a total of six phases.

CENTRAL DEVELOPMENT: The Dh24bn ($6.5bn), 2.2-sq-km Aljada development is taking shape in the heart of Sharjah City. In January 2018 developer ARADA awarded Jacobs Engineering the design contract for the Dh1.2bn ($327m) infrastructure project and Zaha Hadid Architects the design contract for its 1.9m-sq-feet Central Hub. This includes three hotels under Emaar Hospitality Group's Address Hotels + Resorts, Vida Hotels and Resorts and Rove Hotel Brands following collaboration between Emaar Hospitality and ARADA.

Set to break ground in May 2018, phase one of Aljada is due to be complete by the end of the same year, phase two in the fourth quarter of 2019 and the final phase is estimated to be finished in 2025. The first homeowners are to move in by the end of 2019, with the number of residents eventually expected to reach 70,000. Demand for property is already high, according to ARADA, which sold all 115 units of the project's Areej 5 apartment block in a single day in November 2017, setting a sales record for the emirate. At that point, around 600 units had been sold since the development was unveiled in September 2017, with 102 sales made on the first day.

NEW RESIDENCES: In early 2018 the final cluster of homes was released in the Al Zahia planned community. Located on the outskirts of Sharjah City, the multi-phase development welcomed 250 families to its first neighbourhood, Al Jouri. Al Zahia is set to house 12,000 people on final completion in 2020. The Alef Group launched its Dh3bn ($817m) Al Mamsha project in Sharjah City in September 2017, with 33 mixed use buildings in its Zone 1, with apartments, retail and hospitality outlets and offices accessible on foot. In January 2018, the developer announced that 750 residential units in its first and second phases had been sold.

Another project under way is the 25m-sq-feet, Dh2bn ($544m), five-zone Tilal City, consisting of residential, retail and office space, parks, schools and community centres. A joint venture between Sharjah Asset Management Holding and Eskan Real Estate Development, it was announced in March 2018 that two more of its zones were open for sales.

RETAIL PROJECTS: Meanwhile, Maryam Island, Kalba Waterfront, and Palace Al Khan are under joint development by the privately owned Abu Dhabi-based Eagle Hills real estate company and the state-owned Sharjah Investment and Development Authority (Shurooq), with a combined worth of Dh2.7bn ($735m).

Maryam Island, valued at Dh2.4bn ($653m), will spread across 460,000 sq metres of waterfront between Sharjah City's Downtown and the Al Khan Lagoon, with 1890 low-rise luxury apartments and villas joined by 600 four- and five-star hotel rooms and a 100-unit retail and entertainment facility.

The Kalba Waterfront mall will have a gross floor area of 17,000 sq metres, capacity for 86 outlets and is located within the Kalba Eco-Tourism project on the Indian Ocean coast. Palace Al Khan is a Dh120m ($32.7m), 87-room, five-star hotel. All three projects are expected to be complete by the second quarter of 2020.

Construction of the first round of villas in the $6.8bn Sharjah Waterfront City began in February 2018, with 30% of these already sold for up to $2.2m each.

Global Perspective

Sustainable urbanisation

As urban populations undergo rapid growth around the globe, planners are striving to create efficient spaces

The UN has estimated that by 2030

60%

of the population will live in urban areas

In 2008, for the first time in history, more than half of humanity was living in urban areas. Perhaps the most remarkable observation about this trend is the speed at which it has happened: as recently as 1900 urban areas accounted for 13% of the global population. Towns and cities are seen as the crucibles of opportunity for many rural dwellers.

The UN estimates that by 2030 urban areas will host 60% of the world's population – up from 54.5% in 2016 – with the pace of urban growth especially rapid across Africa and parts of Asia. Urban areas are home to more than 470m people in Africa, accounting for 40% of the continent's population, up from 14% in the middle of the 20th century.

GROWING PAINS: In 2016 there were 512 cities around the world with at least 1m inhabitants, more than 100 of which were in China. By 2030 this number is set to increase to 660, with around 40 being categorised as mega-cities home to more than 10m inhabitants, including Bogotá, Bangkok, Dar es Salaam and Ho Chi Minh City.

All cities, even those in prosperous and stable countries, face challenges, from providing adequate housing, sanitation, transport and energy, to combating pollution and inequality. Not surprisingly, however, these issues are magnified in developing and emerging countries, where limited resources and weak institutions can struggle to cope with eventualities such as waves of migrants or the effects of climate change. Nonetheless, opportunities abound for municipal authorities and the construction industry to create urban areas that are sustainable, dynamic, healthy and safe.

BUILDING INNOVATIONS: The construction sector is not generally considered a frontrunner in embracing innovation. The basic techniques of constructing brick and timber buildings date back centuries and – often for sound economic or aesthetic reasons – they have tended not to evolve dramatically. However, this tendency is changing, spearheaded by the advent of lighter, stronger and more flexible materials, along with innovative techniques such as modular construction and 3D printing.

While large projects are increasingly complex, industry players can use tools like building information modelling (BIM), robotics and the internet of things to ease their undertaking. These can improve efficiency and bring down costs, while also enhancing quality and sustainability, which will be important considerations as many urban areas need to be resilient against earthquakes and extreme weather, such as tropical storms, flash floods and heatwaves.

TECHNOLOGY & PROJECT MANAGEMENT: The process by which buildings are constructed and woven into wider infrastructure is of the utmost importance, with projects becoming increasingly complex and challenging to deliver.

The IHS Herold Global Projects Database estimates that some productivity has declined since the early 2000s; large infrastructure projects, for example, cost on average 80% more than the original budget and run more than 20 months late. Many are also delivered with defects, which suggests project management teams have failed to cope with rising complexity and external risks.

Technology can play a role in developing more streamlined construction and infrastructure schemes, and in recent years BIM has been at the forefront. It combines 3D-modelling software with layers of data on every detail along a project's timeline, providing architects and engineers with a relatively simple way of rigorously testing and analysing designs. BIM has been widely adopted across Europe, the US, South Korea, Singapore and the Gulf. In the UK the government requires all centrally procured contracts to achieve BIM Level 2.

Take-up has unsurprisingly been slower in emerging markets, but in 2017 Dubai became the first

The number of cities with at least 1m inhabitants is set to increase from 512 in 2016 to 660 by 2030, with around 40 being categorised as mega-cities home to more than 10m inhabitants.

public authority to mandate the use of BIM for most of its large-scale building projects. The neighbouring emirate of Abu Dhabi also uses BIM, which has notably been employed on the $3bn Midfield Terminal Building by Abu Dhabi Airports Company.

SMART CITIES: The miniaturisation of sensors and the evolution of the internet means that information on almost all aspects of urban life – from air and water quality, to the movement of people and objects, weather, road and rail traffic, and energy generation and consumption – can be measured in real time. By linking houses, public buildings, factories, vehicles, power stations, traffic signals and street lighting, cities can be smart and responsive to residents needs. Developments in smart metering, solar photovoltaic technology and battery storage are leading to more local energy generation, which should facilitate the shift to electric vehicles.

In the face of a rapidly urbanising population, the concept of smart cities is being developed in numerous African nations, including Kenya's Konza Technological City, 60 km outside of Nairobi and extending over 2020 ha of land. Dubbed "Silicon Savannah", the project is part of Vision 2030, the country's national development strategy, and is slated to see a combined $15.5bn in investment. Due for completion after 2030, the project is expected to create 100,000 jobs and generate $1bn annually, according to the Konza Development Authority.

The New Administrative Capital, Egypt's new capital unveiled in 2016, is also working to integrate smart networks. Expected to be delivered by 2022, the city is located 50 km from Cairo and will extend over 700 sq km. It aims to help alleviate congestion, provide homes to 5m people and host some of the country's main public institutions.

CHALLENGED URBANISATION: Smart cities are now firmly on the radar across the world, but older metropolises are also embracing digital technology to improve service delivery and quality of life. Buenos Aires, for example, has recently surveyed its infrastructure and developed an application – the SAP HANA platform – to speed up administrative processes. The city of 16m inhabitants has 372,625 trees, 91,000 street lights, 50,700 pavements, 30,000 storm drains and 27,000 roads.

For other cities in emerging markets, however, talk of big data for urban planning and smart infrastructure may seem far removed from the reality of urban sprawl, traffic congestion, air pollution, flooding and sanitation problems.

Yangon, Myanmar's largest city, illustrates these challenges. Following six decades of military rule and international isolation, the city lacks an effective public transport system and suffers from chronic congestion. "During the last decades the expansion of the city was not followed by the modernisation of its infrastructure, and this is now putting pressure on both city management and public services," U Phyo Min Thein, chief minister of the Regional Government of Yangon, told OBG.

MISALIGNED DRIVER: Housing construction has been a key growth driver in Yangon since reforms began in 2011, but developers have focused on the upper-tier segments, due to the paucity of accommodation and Myanmar's position as a frontier market in a dynamic region. In 2013 rents in central areas soared above those in Bangkok and even parts of Manhattan. However, this resulted in an oversupply of high-end units and not enough affordable housing for average families.

Similarly, rapid urbanisation and the adoption of smart networks has been challenging across Africa. At 4.5%, the continent has the world's highest urban growth rate, and by 2050 more than half of the population is set to be living in cities, representing an important demographic shift.

While there has been progress in developing some of the main urban centres, infrastructure works often lag behind, on the back of slow structural transformation, a historical dependence on natural resources and weak levels of industrialisation.

Africa has the highest urban growth rate in the world at

4.5%

New principles of urban planning will be necessary to avoid sprawl, combat traffic congestion, and ensure an ideal and sustainable population density in cities.

Inadequate urban planning and underinvestment in infrastructure has seen informal settlements proliferate, as is the case in Lagos, Africa's most populous city. With over 21m people and growing at 3.2% per year, Lagos has experienced unprecedented urbanisation, leading to the development of slums. However, as the government aims to turn the city into the "Dubai of Africa", settlements are gradually being cleared, as was the case for Ilubirin and Otodo-Gbame, bordering the waterfront, in 2016. Despite challenges brought by population growth and the lack of accommodating infrastructure, the city acts as an economic engine, accounting for over 35% of GDP and 62.3% of non-oil GDP in 2010, per the UN Economic Commission for Africa.

GROWTH POTENTIAL: This is a testament to the potential cities have as drivers of transformation and economic growth. In addition to developing infrastructure, promoting economic efficiency, improving urban density and ensuring social inclusion, the success of Africa's urban centres will depend on their ability to create employment for the continent's ever-growing youth population. With more than half of Africans under the age of 18.5, and 19% between 15 and 24 years old, this represents a both significant challenge and a potential opportunity should it be tapped effectively.

A report produced by the African Development Bank, the OECD and the UN Development Programme in 2016 calls for policy reforms to make the most of the "urbanisation dividend", and for African countries to spend the equivalent of 5-7% of GDP per year on infrastructure. According to the report, two-thirds of the investment needed in urban infrastructure through to 2050 has yet to be made, suggesting substantial opportunities lie ahead. The future of Africa certainly hinges on the ability to efficiently manage and develop city landscapes, and the capacity to turn major centres into engines for sustainable growth.

MASTER PLANS: Experiences show that creating a sustainable city requires more than a dynamic construction sector. In Myanmar's case, the municipal authorities are developing a master plan drawing on lessons from other regional cities, but progress could be constrained by a lack of skills, weak institutions, legal uncertainty and limited financing.

Plans are also afoot for the Yangon New City Project, a 12,140-ha development to alleviate congestion and reduce informal settlements. The project is supported by multilateral organisations and is expected to make extensive use of public-private partnerships. However, sustained work is required to strengthen the tax system, alongside attempts to replicate international best practices in harnessing private finance to improve public services.

CURBING SPRAWL: Sprawl is a fairly recent and undesirable phenomenon that refers not only to low-density suburbs, but also to development of sterile apartment blocks, which have sprouted in large numbers. Writer and activist Jane Jacobs argued that the dramatic growth of car traffic has facilitated sprawl. Private cars have brought traffic congestion and a resultant loss in productivity and increase in stress, mental illness and non-communicable diseases. Jan Gehl, an urban architect, wrote about the importance of safe places to walk, cycle and enjoy outdoor spaces. Others refer to the "Goldilocks density", where buildings are densely populated enough for vibrant main streets with retail and services, but are not so tall that people are removed from the streetscape.

Some of the principles for solving sprawl and building sustainable cities that are likely to be taken up as city authorities work to manage their expanding populations include the preservation of natural ecologies, historical sites and architecture as a way to imbue urban communities with a sense of identity. The benefits of creating opportunities for mixed-use infrastructure as well as mixed-income communities to prevent monolithic neighbourhoods divided by wealth is also likely to shape urban planning.

In terms of urban transport, investment in high-quality and affordable mass transit systems, and a focus on matching city density with transport capacity, is key to keeping cities moving. The increasing take-up of smart infrastructure will aid this, while the convergence of streets to allow for multiple modes of transport on a single path may likewise become popular if it enhances the potential for mass transit systems to gain traction in previously car-dominated areas. In addition, an emphasis on walkability and bicycle access to reduce road congestion is being seen as important for the health of the environment and urban dwellers alike.

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The model of urban planning that extended from modernism and its vision of the city as a machine has proved extremely popular throughout the past half century – and it endures. But there is now a growing realisation that if urban areas are to be lively, safe, healthy and truly sustainable, they will need to develop a different form and complexion.

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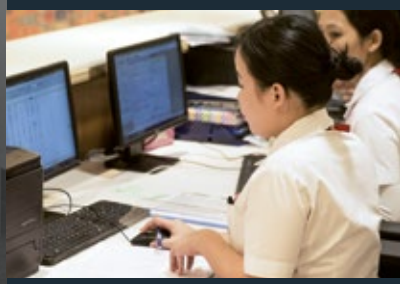
Health

Compulsory insurance coverage likely to be introduced

Strong state support helping to fuel sector's expansion

Preventative campaigns an area of government focus

Medical free zone attracting specialist care facilities



Doctors working in the emirate must be licensed by the UAE regulator

Growing strong

Legal changes, continuing expansion of provision and cutting-edge research define sector development

The sector's value is expected to rise from $2bn in 2016 to

$2.4bn

by 2019

These are times of rapid expansion in Sharjah's health care sector, as the emirate seeks to meet the needs of both an expanding population and heightened demand for top-of-the-range medical services, changes that are highlighted by the opening of hospitals, clinics and pharmacies, as well as the development of the new Sharjah Healthcare City (SHCC).

The sector's value will rise from some $2bn in 2016 to reach $2.4bn by 2019, according to the Sharjah Investment and Development Authority. Meanwhile, in March 2017 Abdulla Ali Al Mahyan, chairman of Sharjah Health Authority (SHA) and the SHCC, told local media predictions average annual sector growth across the UAE was expected to be 12.7% leading up to 2020, with the overall market reaching a value of Dh71.6bn ($19.5bn) in that year.

DEVELOPING LANDSCAPE: Campaigns to improve public health are ongoing. At the same time, the emirate is bracing for change in its administrative and financing structures, as the years ahead are likely to see the adoption of the same local health authority system as in neighbouring Dubai and Abu Dhabi, moving local services out from under the federal remit. Mandatory health insurance for both private and public sector employees is also on the way, with implications for demand and supply in the sector.

At the same time, investment and support for medical research and development is increasing with the local university medical schools accumulating a growing number of patents (see Education chapter). Furthermore, medical tourism is also becoming an area of focus, as the emirate tries to gain a share of this lucrative international market. In all of these ventures, the private sector has a key role, with the emirate keen to see local and global companies boost their presence in the years ahead.

STRUCTURE & SERVICES: As one of the UAE's seven emirates, Sharjah's health care sector is largely under the remit of the federal-level Ministry of Health and Prevention (MoHP), headquartered in Abu Dhabi. The current minister of health and prevention for the UAE is Abdul Rahman bin Mohammed Al Owais, who has been in the post since 2013. The MoHP regulates both public and private providers in the sector, with state primary care and hospital services under its control. However, facilities in Abu Dhabi and Dubai, which now have their own health authorities, are exceptions. In the former, the Department of Health (HAAD) regulates the sector, while in the latter the Dubai Health Authority (DHA) is the lead agency.

The federal ministry maintains executive offices in the other five emirates, with the Sharjah Medical District (SMD) acting as the representative in Sharjah. The body oversees all public and private services, with a partial exception of University Hospital Sharjah (UHS), an area of special interest of Sharjah's ruler, Sheikh Sultan bin Muhammad Al Qasimi, which functions as a semi-governmental institution, with its operations overseen by a specially appointed board of trustees. Though the SMD issues the licence for UHS and oversees the staff, the SHA is in charge overall. The SHA was established in 2010, with the aim of eventually undertaking a role similar to the HAAD and DHA, as the emirate's own, independent sector authority. Currently, SHA looks at health care strategy and development for the emirate, which includes planning and managing SHCC.

With the independence of the HAAD and DHA, the emirate has become the largest area within the MoHP's jurisdiction. Sharjah is also unique in that it has coverage on both the Gulf and Indian Ocean, with a range of towns and villages in between. This geography, which includes rugged mountain areas and the exclave of Nahwa, poses logistical challenges for health care providers, although these difficulties have been easing as the road network improves.

DEMOGRAPHICS: The emirate has a population of just over 1.4m, with approximately 85% of the

The emirate is geographically unique, with coastlines on both the Gulf and Gulf of Oman, rugged mountains and the exclave of Nahwa – factors that have posed logistical challenges for providers.

population living in Sharjah City, according to the last census conducted in 2015. The bulk of the total, 1.2m, was made up of expatriates, while some 770,000, or 55%, were between 20 to 39 years of age. This is largely an effect of the expatriate employment profile, with most of this demographic being young, semi-skilled and skilled manual and service sector workers. Among foreigners the population is significantly more male than female, with men making up 68% of this group and women accounting for 32%. Among nationals, the gender split is much more even, with females having a slight majority at 50.1%.

Since 2015 the population has undoubtedly grown further. The average annual growth rate between 2010 and 2014 stood at 6.59% with SHA estimates placing the population around 2.7m by 2025.

PREVALENT CONCERNS: The emirate has many of the medical issues familiar elsewhere in the UAE and indeed across the Gulf countries. Increasing wealth and the prevalence of sedentary work and lifestyles among nationals has led to the rise of a number of non-communicable diseases (NCDs) including diabetes, cancer, obesity, smoking-related diseases and cardiovascular diseases (CVDs).

The UAE has made NCDs a focus in its national agenda, Vision 2021, with half of the 10 specific goals listed for the health care sector aimed at combating them. This includes targets of lowering the number of CVD deaths per 100,000 people, decreasing the number of smokers, reducing the prevalence of diabetes and child obesity, and cutting the number of deaths from cancer per 100,000 people. The MoHP has also developed an NCD multi-sector action plan, running from 2017 to 2021, and has set up a national Committee for NCD Prevention.

REGIONAL LEADER: Sharjah has often been at the forefront in the UAE in combating these common issues. In 2003 the emirate was the pioneer in launching a clearly defined, the MoHP strategy for home and primary health care for the elderly, which was extended elsewhere in the UAE in 2008.

In 2012 Sharjah City joined the World Health Organisation's (WHO's) Healthy Cities Programme, which stresses the importance of inter-sectoral partnerships in improving the overall health environment of an urban area, bringing a wide number of stakeholders, such as local communities, businesses, health bodies, and waste management facilities, into the planning and development of sustainable local programmes. After three years of running the scheme, it became the first city in the MENA region to be awarded Healthy City status by the WHO and is now a regional training centre for policymakers from other municipalities wishing to reach the same level. Maintaining the standards associated with the designation is one of the SHA's responsibilities.

One of the main aspects of the programme is its emphasis on health education. The SMD and the MoHP run frequent campaigns on issues such as diabetes and CVDs, encouraging sports and regular exercise, as well as other healthy practices. A recent example was the "Let's Walk" campaign, run in conjunction with the Sharjah Commerce and Tourism Development Authority and aimed at encouraging exercise during the hot summer months. A range of local groups also participated, showing another key aspect of the emirate's health care sector: the active non-governmental wing. Friends for Diabetes, Friends of Kidney Patients and the Friends of Cancer Patients took part in the campaign, along with the emirate's health education department. In 2015 Sharjah was also awarded the title of "Baby-Friendly City", after a three-year campaign based on the WHO and UNICEF International Baby-Friendly Hospital Initiative, which has the aim of encouraging mothers to breastfeed for the first two years, with a range of regulations supporting them in the workplace and at home. Sharjah was the first city in the region to achieve this.

Ongoing public health campaigns aim to reduce common medical issues such as diabetes, cancer and obesity

As of early 2018 the emirate was home to 17 private hospitals and 1600 additional medical facilities, while Sharjah City alone hosted 850 pharmacies.

HOSPITALS & CLINICS: As of early 2018 Sharjah was home to 17 private hospitals, along with more than 1600 additional medical facilities, such as clinics and health centres, according to the SMD.

In Sharjah City alone there were around 850 pharmacies, a number which has increased in number recently, after a regulation stating that pharmacies must be at least 200 metres apart was lifted. There are also two major public hospitals, Al Qasimi and Al Kuwaiti. The former includes a specialist gynaecology, obstetrics and paediatrics facility on its campus, which was the first in the region to offer keyhole surgery for children when it opened in 2014.

In addition to its targets for NCDs, Vision 2021 aims to improve health care provision across the emirates. This includes plans to increase the percentage of accredited health facilities, while raising the UAE as a whole in comparative measures, such as the Legatum Prosperity Indicator and indices drawn up by the WHO. This latter point requires an improvement in basic health outcomes, health infrastructure and preventive care, and "physical and mental health satisfaction".

The regulator is working with stakeholders to facilitate the process of elevating standards across the industry

The average number of physicians and nurses per 1000 people is also to be boosted.

Accreditation in Sharjah is the responsibility of the MoHP and the SMD, which has the additional goal of ensuring all local health facilities have such certification by 2021. In 2016 the figure for the entire UAE was just under 68%. Standards are thus being continuously elevated, a factor which is sometimes a challenge for private institutions in particular, as this can impact bottom lines. However, the SMD is aware of this issue and is currently working with institutions to help them achieve their targets.

"At the SMD office we run random medical and pharmaceutical facility inspections in the emirate to check the compliance of the MoHP laws and regulations," Dr Dalia Abdul Moety Murad, head of the SMD's Inspection and Control Department, told OBG. "We ensure the quality and safety of the services provided to the public, while implementing the 'friendly inspection' initiative, which was started by Dr Amin Al Amiri, assistant undersecretary for Public Policies and Licensing Sector. This is a strategic partnership with all private owners and investors and the MoHP to ensure medical facilities can easily and properly follow the practices provided."

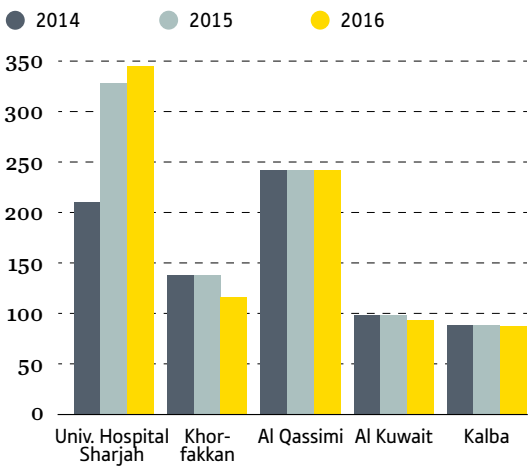
STAFFING: In terms of its workforce, Sharjah does face challenges with nursing staff, although had no shortage of doctors in early 2018, according to the SMD. Cultural reasons are often cited as a cause for the shortfall in nurses, the profession is not traditionally one taken up by Emiratis and globally nursing staff are highly sought after in a wide range of markets, creating strong competition for staff.

The emirate has been working to ease recruitment by making use of IT solutions. Prospective medical staff can register their details online with the MoHP and apply from abroad for a range of positions. Doctors, meanwhile, are facing stricter controls on licensing, as the emirate moves to strengthen its professional medical workforce. Previously, regulations had been more relaxed, particularly in the free zones, but now any doctor operating in Sharjah must be licensed by the MoHP. Facilities failing to comply can face fines or even closure.

HEALTHCARE CITY: The SHCC, initiated in 2012 by the ruler of Sharjah, is perhaps the largest, recent development in the sector. The project offers a dedicated free zone for all companies involved in health care provision, with numerous benefits: including 100% ownership rights, zero taxes and duties, the possibility to repatriate 100% of profits, easy licensing and consolidation of administrative matters, as well as internationally competitive IT, utilities and transport infrastructure. The site is also located conveniently close to Sharjah International Airport and a number of major highways, which will help in meeting the objectives of establishing itself as a regional centre, as well as a destination for medical tourism. Upon completion the SHCC is planned to cover approximately 4.8m sq metres, with room for hospitals, clinics, biotech research centres, laboratories, rehabilitation facilities, wellness centres, hotels and apartments, complementary and alternative medicine centres, offices, retail facilities, and logistics and light industrial units.

The first private health group to sign up for the city was the UAE's own Ahalia, which announced in March 2017 plans for a 100-bed general hospital at the site. The firm, accredited by the US non-profit Joint Commission International, will be joined soon by the Dh12.5m ($3.4m) Sheikh Khalifa Accident and Trauma Hospital. While not part of the SHCC the facility will be based in the free zone and forms part of a larger programme to establish specialist clinics and centres across the country, with other hospitals bearing the Sheikh's name now completed in Ajman, Umm Al Quwain and Ras Al Khaimah. The facility in Sharjah will have 175 beds and inpatient facilities that include a 30-bed intensive care unit (ICU). Eight operating theatres will also be on site, along with a range of state-of-the-art accident and emergency

Number of beds at select Sharjah hospitals, 2014-16



Source: MoHP

The emirate's 4.8m-sq-metre health care free zone offers investors benefits such as 100% repatriation of profits and simplified bureaucratic processes.

departments. The new unit will help ease the load at Al Qasimi and Ajman's Sheikh Khalifa hospital, which currently take the majority of accident cases in the two emirates. In August 2017 the SHA continued its promotion of the SHCC overseas, with the signing of a memorandum of understanding with the Arab-German Chamber of Commerce and Industry in Berlin. The agreement is part of its effort to develop a strong network of knowledge, practice and technologies.

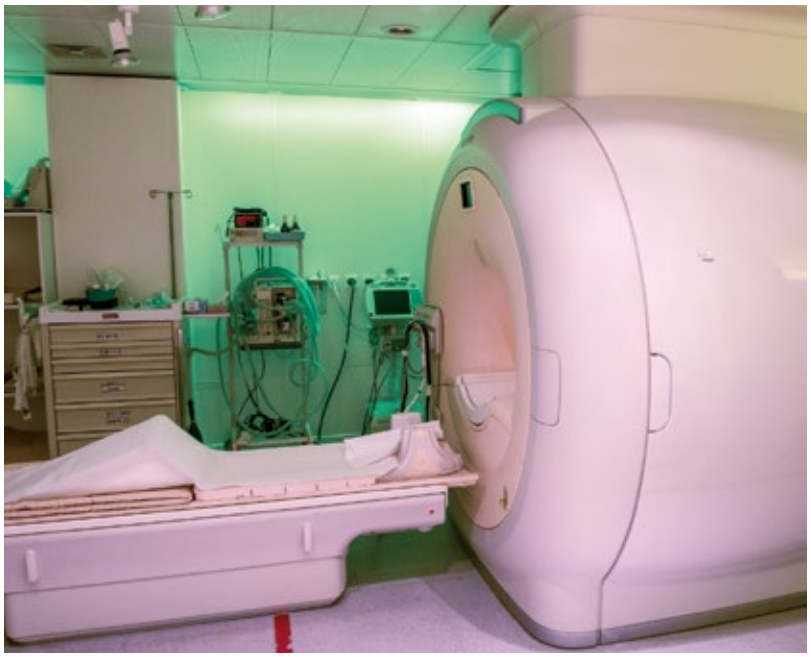
EXPANDING SERVICES: Elsewhere in the emirate, other developments include plans by the locally based Zulekha Healthcare Group to construct a 150-bed facility, that will be modelled on the entity's Alexis Hospital, located in Nagpur, India. According to the January 2018 announcement, the facility will provide both primary and secondary care, along with day care and outpatient departments. Zulekha, which is also expanding its facilities in Dubai, was one of the first private health care operators in Sharjah, with the 30-bed Zulekha Hospital opened in 1992, which has expanded to become a 150-bed facility.

Additionally, in April 2017 the 120-bed MedCare Hospital opened in the emirate. The facility is part of the chain operated by Aster DM Healthcare and brings over 20 specialities together under one roof, including physiotherapy, nephrology and an emergency department. The hospital also offers a unique service in the emirate – online consultations as follow-up appointments. Another 2017 opening was the Thumbay Hospital Day Care Facility in Sharjah's Rolla district, offering a range of day care options, as alternatives to more expensive hospital stays.

The emirate also offers a leading medical teaching and research facility with the UHS. Located on the campus of the University of Sharjah (UoS), this is now a 325-bed facility, with 22 ICU beds, seven operating theatres and 46 outpatient clinics, among other services. As a regional centre of excellence, it is able to leverage its relationship with UoS to ensure junior doctors are kept up to speed with new methods and procedures. Standardisation is important both for insurers and patients covering their own costs.

GETTING BETTER: At UHS, for example, 70-75% of patients are covered with the remainder paying out of pocket for treatment. Systems are being improved to ensure that hospitals in Sharjah, and the UAE in general, have a standard rate for particular procedures and treatments. In recent years, a common, base price has been established in some areas, which is then subjected to a multiplier, calculated according to the quality of hospital services provided and other relevant factors. A diagnosis-based revenue group system is also under way, which will set a price for the total treatment package of a particular condition.

This will help to eliminate cost variance caused by differences in add-on fees, which can occur in areas such as longer inpatient stays or medication. Much work remains to be done, however, with prices for the same treatment still sometimes diverging considerably between facilities. One related area for improvement is in unification of patient databases across the country. Health facilities often lack any record of previous patient treatment and risk, making them difficult to assess medically and in terms of insurance premiums. The tendency has been for insurers and hospitals to charge for a worst-case scenario, driving up prices. Meanwhile, the regulatory framework continues to strengthen. New rules on professional negligence and indemnity have now been implemented, making it mandatory for hospitals and their doctors to be insured against such issues. This has reduced risk greatly, with previous penalties often threatening to close uninsured facilities.



University-based teaching and research facilities offer students access to new procedures and methods

Mandatory health coverage for the private sector has the potential to drive down costs; however, the potential growth in patients will require more facilities.

Going forward, the emirate's health insurance system is also likely to change considerably. The mandatory health coverage currently in place for state employees and their families is likely to be expanded to the private sector in the years ahead, following the lead of neighbouring emirates. This move would bring many uninsured into the system, creating a boost in volume that could potentially drive down costs. However, many details remain to be determined regarding implementation. A rise in the of number of patients will have to be met with an expansion of facilities, particularly of a basic kind, with some grading of hospitals also likely to allow top-end facilities to maintain their level of care. The year ahead will likely see further debate on this issue.

OUTLOOK: The sector is undoubtedly facing major expansion, as a growing population, the potential introduction of mandatory insurance coverage and the support of the sector by the government and its ruler take effect. New hospitals, clinics, facilities for training and ancillary industries are all set to be further boosted by these developments. However, Sharjah is not alone in trying to enhance its health care industry and finding the right combination to distinguish itself from neighbours will continue to exercise minds in the coming years, with specialisation and greater service quality to be likely pathways.

Standard rates for procedures and treatments have been established in some areas, although deviation on prices continues to be an issue.

Taher Shams, Managing Director, Zulekha Healthcare Group

A slice of the pie

Taher Shams, Managing Director, Zulekha Healthcare Group, on improving private health care and expanding health tourism

What opportunities does Sharjah offer for private sector health care providers?

SHAMS: Demand for secondary and specialised care in Sharjah and the Northern Emirates has meant that most recent entrants into the local health care market have been existing operators from Abu Dhabi and Dubai which now see potential for expansion. Private sector providers have seen stronger demand as customers are increasingly looking for quality, accessibility and competitive prices. Furthermore, patients now expect faster delivery of services, and we have seen an increase in insurance coverage with out-of-pocket patients now accounting for less than 20% of the total.

The standardisation of the insurance landscape has also helped private sector operators, although Sharjah has not yet implemented mandatory coverage in the manner undertaken by Abu Dhabi and Dubai. As a result of the high level of digitisation in the UAE, almost all insurance claims are now submitted electronically, which has streamlined the claims system and reduced processing times to an average of 60-90 days.

Looking beyond private-sector health care operators primarily as service providers, there is also high growth potential in areas such as medical manufacturing. Given demand for medical products across the GCC, there are many pull factors for the localisation of production. As the domestic market for pharmaceuticals is expected to reach approximately Dh14bn ($3.8bn) by 2020, there is an opportunity for local producers of generics to target both the domestic and regional markets. Furthermore, the emirate should be able to increasingly position itself as a centre for research and development through collaboration with local universities.

How can the emirate attract health tourism?

SHAMS: We are in a strong position to benefit from health tourism due to our infrastructure, including air connectivity, which provides links to key inbound markets, particularly China. The global market for health tourism is increasingly competitive, and Sharjah must compete with other destinations within the GCC and South-east Asia. For example, Dubai is hoping to attract 500,000 medical tourists annually by 2020.

Local providers will need to improve their product and service offering through further innovation in order to remain competitive and attractive for patients looking for specialised treatment. Affordability is the main consideration for most medical tourists, so providers must offer cost-effective services to retain a competitive advantage and market share.

What challenges need to be addressed to promote growth in the health care sector?

SHAMS: Growth in the sector will depend primarily on the regulatory environment. The local and federal governments must implement policies and incentives that offer an attractive environment for medical industries and health care providers. This includes ensuring that fees and processes are as affordable and streamlined as possible so that any additional costs are not passed on to patients. Many GCC countries have similar strategies under way to develop their health tourism sectors, so we are all competing for a slice of the pie. Any additional costs will further challenge Sharjah's ability to retain a competitive advantage in the market.

Mandatory international accreditation for private sector providers in the UAE by 2021 will help ensure quality and standards across the sector, but the key issue is to retain affordability. Public-private partnerships could help address this challenge as hospitals and service centres are capital intensive. Working directly with the government would increase information about the market and also guarantee support for providers.

Although local providers have not seen any shortage of labour due to low staff turnover, demand for qualified and experienced general medical staff and specialists may also pose a challenge as there is currently considerable competition for a very small pool of talent.

Global Perspective

Promoting pharmaceuticals

As health care provision expands, demand for both local and imported pharmaceutical products is rising

In recent decades, pharmaceuticals production has expanded its geographical reach. This trend appears to be here to stay; in a 2015 survey of major pharmaceutical firms conducted by global consulting firm Strategy&, more than half of respondents anticipated that over 30% of their global sales would originate in emerging markets by 2018.

Even in the most newly opened markets, drug companies have seen growth: predictions in Myanmar, for instance, indicate that pharmaceuticals could quickly grow into a $1bn industry.

As governments and companies continue to take note of this high-potential sector, both are pursuing development in the face of crosscutting challenges, particularly with regard to the resources required for the innovation of new products and accompanying intellectual property protection concerns.

STRONG DEMAND: As economies grow, and health care provision and insurance mechanisms expand, demand for local and imported pharmaceutical products is on the rise. Research from consulting firm McKinsey & Company highlights that as of 2015, emerging markets were already outspending Germany, France, Italy, the UK and Spain (the EU5) on pharmaceuticals, with a total market size of $281bn compared with the EU5's $196bn in 2014.

Estimates from the research also indicate that between 2015 and 2020, emerging market spending is expected to account for $190bn in sales growth. On the African continent alone, the pharmaceutical industry grew in value from $4.7bn in 2003 to $20.8bn in 2013, with projections that the need for medicines and medical equipment will grow by between 6% and 11% by 2020. The Strategy& survey highlighted that between 2015 and 2020, fast-growing markets like Turkey and Mexico were expected to reach 9.3% growth in sales.

Not only is demand on the rise, but the diversity of pharmaceutical needs is growing as emerging markets increasingly deal with non-communicable diseases prevalent in wealthier economies, including diabetes and hypertension, while communicable diseases that afflict many emerging markets – such as AIDS, malaria and tuberculosis – persist.

The incidence of diabetes in particular is expected to accelerate in many emerging markets and drive demand for pharmaceutical products. According to the World Health Organisation (WHO), the global prevalence of diabetes has nearly doubled since 1980 from 4.7% to 8.5%, growing most rapidly in low- and middle-income countries. On top of this, people are living longer, with estimates that the global population over 65 years old will increase by 8% from 559m in 2015 to 604m in 2020.

INTELLECTUAL PROPERTY & RESEARCH: Despite this rising demand for products, local production and innovation in less-developed markets is still limited, due in large part to the human and other resources required to establish and enforce intellectual property rights (IPR).

Innovation does not come cheaply or quickly; McKinsey estimates that large-scale biotech manufacturing facilities require $200m-500m and take four to five years to build, with high annual operating costs. The International Federation of Pharmaceutical Manufacturers and Associations (IFPMA) notes that it takes 10-15 years to develop a new medicine or vaccine, and the cost can exceed $2.6bn. In established markets, governments typically grant IPR as an incentive to incur these costs of developing innovative products that can save lives and generate a return. As noted by the IFPMA, the pharmaceutical industry invests more in research and development (R&D) than any other industrial sector.

In contrast, in many emerging markets the written law and enforcement of it has often left major players wary of entering. If patent protection is not guaranteed, the anticipated returns for undertaking

With governments and companies taking increasing interest in pharmaceuticals, both are pursuing development in the face of challenges, particularly regarding the resources required for the creation of new products.

The cost of developing a new medicine can exceed

$2.6bn

The Agreement on Trade-Related Aspects of Intellectual Property Rights regulates intellectual property issues for member nations of the World Trade Organisation.

an expensive effort may not outweigh the costs. There is also the reality that in many emerging economies there is a need for research into diseases affecting populations that will not be able to pay high prices for products. Known as the "10-90" gap by the Global Forum for Health Research, R&D has historically focused only 10% of resources on diseases making up 90% of the global burden, including dengue fever and cholera, which primarily affect low-income populations in tropical environments.

Overall, the lower financial incentive to innovate has prompted debate over how to ensure these products are developed. Research from organisations like the OECD highlights that IPR reform – addressing patent protection, copyright and trademarks – is the way to drive positive economic results that benefit markets and provide the needed research. Others, including economist Joseph Stiglitz, have argued that there are other solutions that better balance the need to incentivise innovation with allowing for access to life-saving drugs, including increased support for research from centralised mechanisms or tax credits for innovative solutions.

LEGAL FRAMEWORK ADVANCEMENT: In order to help address this challenge, there has been steady progress with regard to the establishment of global mechanisms for IPR frameworks.

Since 1994, the World Trade Organisation (WTO)-administered Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) has regulated intellectual property issues for WTO member nations, ranging from developed to emerging.

In addition, WHO Resolution WHA 61.21 on a Global Strategy and Plan of Action on Public Health, Innovation and Intellectual Property was adopted in 2008, and provides guidelines specifically on how local production in emerging markets can promote innovation while still building local capacity and ensuring access to life-saving drugs.

Some countries have also been making individual strides, at least on paper, adhering to a set of elements articulated by the WHO that make for a comprehensive and effective national pharmaceutical law, including control of marketing and supply (whether imported or domestic), procedures for mediating conflicts between parties, and a legislative framework that is in sync with national policy in the pharmaceutical sector.

Kenya, which joined the TRIPS agreement in 2001 with the establishment of its Industrial Property Act (Patent Act), is one example. The Patent Act grants and regulates patents, utility models, technical innovations and industrial designs. This is complemented by the Pharmacy and Poisons Act, Cap 244, which controls the manufacturing, trade and distribution of pharmaceutical products, as well as the 2008 Anti-Counterfeit Act, which prohibits trade in counterfeit goods, including pharmaceuticals.

Tunisia also maintains long-established pharmaceutical regulations; since 1942 the law has mandated that all pharmaceutical products, whether locally produced or imported, must obtain a certificate of approval from the Ministry of Health before being placed on the market.

IMPLEMENTATION GAP: Even if a country's written rules align with international norms, one of the most important challenges remains the enforcement of these rules on the ground. In many markets, there remains a high incidence of piracy and counterfeits, which are often difficult to track.

According to a November 2017 WHO report, an estimated one in 10 medical products in low- and middle-income countries is either fake or substandard, which results in an estimated 10.5% failure rate of medications. Another issue when it comes to implementing written regulation is unreliable dispute resolution mechanisms; even if counterfeits are properly identified, the resolution process for the companies can be long and unwieldy.

In Nigeria, for example, drug producers still complain of a long and bureaucratic adjudication process, and global consulting firm PwC describes the "lack of meaningful patent legislation or pricing and reimbursement" as one of the key challenges for the country's pharmaceuticals industry.

However, there have been some signs of progress. Jordan, for one, has seen improved enforcement of IPR regulations in recent years, resulting in a level of violations that is among the lowest in the MENA region, according to the World Economic Forum's 2013 Global Information Technology Report. As highlighted by the ITA, Jordan's drug industry generally abides by its TRIPS-consistent Patent Law and shows commitment to even stronger enforcement of IPR, particularly in the pharmaceutical sector.

"Counterfeit products represent a massive issue for firms selling premium or original products in Myanmar," Girish Wadhwa, president of the Myanmar office of Thailand-headquartered Mega Lifesciences, told OBG. "However, in 2015-17 companies saw improvement because of the Ministry of Health's involvement, and the increased strength of the Food and Drug Administration."

Côte d'Ivoire has also been making efforts to more effectively manage its pharmaceutical sector, reducing fraud and illegal sales. With reforms to government office the Public Health Pharmacy (Pharmacie de la Santé Publique, PSP), now known as the N-PSP, the agency manages the purchase and the distribution of all pharmaceutical products, putting in place software that tracks the flow of medications with the help of identification codes. The government is hopeful that this system will enable the authorities to track all pharmaceutical products from purchase to receipt.

Likewise, in Mexico, pharmaceutical firms have also seen increasingly strong enforcement of regulations. Gurulinga Konanur, CEO of Hetero Drugs Mexico, told OBG, "Transparency is continuously gaining importance in Mexico and enforcement has improved in recent years in previously unregulated areas, which is giving companies a higher comfort

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- ٧ كيلومترات من مطار دبي الدولي
- ١٠ دقائق إلى مركز الشارقة للمعارض
- موقع استراتيجي بجوار دبي
- مقابل مركز صحارى – أكبر مركز للتسوق في الشارقة مع مجموعة متنوعة من المطاعم
- إنترنت مجاني عالي السرعة
- ٦ قاعات اجتماعات مجهزة تجهيزا كاملا
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- ٣٤٩ غرفة و جناح بتصميم عربي
- ٣ أجنحة فاخرة بجاكوزي خارجية
- ٦ مطاعم مميزة
- شاطئ خاص، مسابح و مرافق للأطفال
- قاعتان للأعراس و الحفلات و ٩ غرف إجتماعات
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level when it comes to investing in the pharmaceutical sector or pharmaceutical research here."

PUBLIC SUPPORT: In addition to drafting and enforcing strong pharmaceutical-related legislation, governments have taken other policy steps to promote drug production and research.

Cristobal Thompson, executive director of the Mexican Association of Pharmaceutical Research Industries (Asociación Mexicana de Industrias de Investigación Farmacéutica, AMIIF), told OBG about the country's model of building bio-clusters in states that create government-industry alliances and bring jobs to various parts of the country.

"In the state of Querétaro, for example, AMIIF signed an agreement in December 2017 to further increase Mexico's clinical research in the state and support an exchange of information that will help increase local investment there," said Thompson.

On a national level, the Mexican National Council on Science and Technology administers incentive programmes that refund a percentage of company R&D-related expenses, including wages for staff involved in research, new studies, patents or copyrights, and tuition reimbursement for Masters and doctorate degrees relevant to R&D. Filed projects are now evaluated by state and local jurisdictions, and funds are allocated based on the technical value of the project and the local jurisdiction's priorities.

In Saudi Arabia, developing the pharmaceutical industry is part of a series of efforts to diversify the economy, particularly in light of lower oil prices. As such, in February 2017 the minister of health, Tawfiq Al Rabiah, announced the government's intention to support the industry under the National Transformation Programme 2020, and to increase the proportion of local pharmaceutical manufacturing in the domestic market from 18% to 40%.

Ghana has been using tax incentives to support the sector. In 2015 Ghana implemented a Value-Added Tax Amendment Law, Act 590, to increase the number of active pharmaceutical ingredients on the tax exemption list from 66 to more than 510 to facilitate domestic production and consumption, and make trade more competitive.

In 2017 Vietnam announced a liberalisation policy with regard to its pharmaceutical sector in order to increase investment, including in R&D. The policy lifted the previous cap of 49% foreign ownership in companies as a means by which to attract interest from multinationals, which has already resulted in several mergers and acquisitions.

RESOURCES: In addition to establishing and implementing these legal and policy measures that stimulate drug production and research, aspiring research centres need further support from public and private entities that encourage R&D.

According to the WHO, only 4% of all global spending on health research is by low- or middle-income countries, funded primarily by public sectors. Emerging market players have recognised this over the last decade. A 2010 joint paper between the African Union, Council on Health Research for Development and the New Partnership for Africa's Development Agency of the African Union provided implementation approaches that could lead to further R&D, arguing that states should be encouraged to allocate 2% of their national budget for research. Some markets have taken this approach. Kenya, for example, now has one of the highest R&D spending rates as a percentage of GDP for a lower-middle-income country (0.22%, compared to 0.07% for Africa overall and 0.02% for lower-middle-income countries).

In addition to a lack of physical resources to incentivise pharmaceutical innovation and growth, there is often a lack of skilled labour. The WHO estimates that there are 352 times more health researchers in high-income countries than in low-income countries, and neither multinational nor local companies will have success in R&D without a team of highly skilled experts to oversee operations.

Indeed, the Strategy& survey found that sourcing and maintaining strong local talent remains a significant concern for pharmaceutical firms conducting research or looking to break into a market.

This is another area where Mexico has made strides. As Hetero Drugs' Konanur told OBG, "Mexico's public universities are developing courses or diplomas in more specific sub-specialties in biotechnology, pharmaceutical chemistry and bio engineering that were not previously offered in order to meet market needs, and are growing a professional pool of people who can do this work."

CLINICAL TRIALS: Developing markets are also increasingly focusing on clinical trials, which can serve as an entryway into R&D. According to a 2015 Deloitte Access Economics report, an estimated $320m was spent on clinical trials in Thailand in 2015, with more than 111,000 participants and 38% of trials sponsored by pharmaceutical companies.

"Thailand's growth in R&D is mainly in clinical trials, which contribute 0.05% of GDP and allow companies to go further in the upstream with drug discovery know-how and in the downstream from registration to the manufacturing global supply chain," Busakorn Lerswatanasivalee, president of the Pharmaceutical Research and Manufacturers Association in Thailand, told OBG. "Particularly given the health issues of Thailand's ageing population, clinical trials can be the start point in bringing tropical disease clinical research and innovative drugs."

In 2015 the Pharmaceutical Manufacturers Association of Turkey cited local law firm Firat & Izgi's prediction that "clinical trials may increase in Turkey, as investments in R&D are on the rise among both multinationals and local companies alike. Universities are investing heavily in R&D as well, and they will receive support from the Turkish government."

Mexico has also made clinical trials a key component of its pharmaceutical development strategy, with current investment levels of around $250m expected to triple in the next three to five years. "Three years ago, when we worked on the strategic

The Mexican National Council on Science and Technology administers incentive programmes that refund a percentage of company research and development-related expenses, including wages for staff involved in research, new studies, patents or copyrights.

Only

4%

of global spending on health research is by low- or middle-income countries

The potential benefits for companies conducting their clinical research in emerging markets are vast. Operational costs are lower, and the ability to work with previously untested populations on diseases specific to a certain market could provide life-saving results and products that are in high demand.

plan with the government, we highlighted clinical trials as key to capitalising on the global annual $140bn in investment in the health care sector, given that eight out of every 10 dollars spent is on clinical research," Thompson told OBG.

"One of our studies even showed that for every additional dollar spent on research there is $1.64 in added value, and every new job in clinical research adds more than four jobs in the market. So when we saw that there were delays in getting clinical research protocols approved, we started working with authorities to see how we could accelerate this, and have achieved huge progress. We have cut down approval time to 60-70 days, and within one year Mexico hopes to be in line with the top clinical trial hubs in the world," Thompson added.

Konanur also highlighted how efficient the Mexican government has made the process for conducting clinical research, telling OBG, "Mexico has been opened to R&D by the government, which is highly supportive of any pharmaceutical company seeking to invest in research. This includes approval systems that provide the required permissions within an established and relatively short time frame."

Provided the trials are conducted in an ethical and scientifically rigorous way, the potential benefits for companies conducting their clinical research in emerging markets are vast. Not only are operational costs lower, but the ability to work with previously untested populations on diseases specific to a certain market could provide life-saving results and products that are in high demand.

GENERICS: The burgeoning generics industry can provide lower-cost alternatives for desperately needed medications, and production is on the rise. For example, it is estimated that between 2013 and 2020, Africa's generics market will have expanded at a compound annual growth rate of 9%. While generally comprising the same chemical elements as their branded predecessors, generics do not bear the same development costs, ultimately allowing for lower sales prices and greater sales volumes.

In Nigeria, for instance, currency fluctuations in 2017 have made consumers more price sensitive and eager for lower-cost, generic alternatives.

Similarly, in Tunisia, efforts to simultaneously reduce health care expenditures and increase access to medicines have led to a rise in the production of generic drugs, which currently accounts for two-thirds of the local pharmaceutical output.

Some markets also see the long-term opportunities for local pharmaceutical players as cost-effective producers of generics for export as well as local consumption. Several Egyptian pharmaceutical companies, for instance, are looking to export to less-developed markets in sub-Saharan Africa, as well as Yemen, Iraq, Sudan and Libya.

While increased access to medication is clearly positive, this means that even when generic products are produced legally – modelled on drugs for which patents have expired or those that were never patented, for example – this presents a challenge for pharmaceutical companies, which then have less incentive to invest in R&D. Thailand, which implemented its sweeping Universal Coverage Scheme in 2001, has also been pursuing the production of generics. However, although affordable generics are appealing to customers in the short term, this slowdown in the development of innovative products will also be an issue for customers, particularly in countries like Thailand with large, ageing populations.

Ultimately, markets are likely to work towards a balance between supporting the development of generics to ensure short-term access to products while still providing incentives for much-needed medical innovation in the longer term.

There have been some success stories on this front. In Egypt, which has the highest incidence of Hepatitis C infections in the world according to WHO estimates, health officials first reached a deal with US company Gilead in 2014 to purchase its patented treatment at a discounted price. Today, 18 Egyptian companies have a licence from the US innovator to locally produce the drug Sofosbuvir, which allowed for the treatment of more than 1m patients from mid-2015 through to the beginning of 2017.

Similarly, in Kenya, with the aim of improving local access to essential AIDS medications, local companies Cosmos and Universal Corporation were granted voluntary licences under TRIPS provisions to manufacture treatments developed by patent holders GlaxoSmithKline and Boehringer Ingelheim.

Industry experts have also highlighted branded generics as a sound strategy to ensure high quality products are developed, but at a price where they have a local market. These off-patent products, which include the same ingredients as the brand-name version, often fetch higher prices than unbranded generics because consumers will pay to buy the product from a trusted manufacturer, even if they cannot afford the full price of the branded version. For instance, EastPharma, a Turkish pharmaceutical firm, acquired the rights to manufacture eight Roche-branded generics registered in Turkey.

OUTLOOK: As emerging markets and companies both increasingly recognise the rapid growth in demand for pharmaceuticals, and the value that can be gained from conducting pharmaceutical R&D locally, interest in entering these markets is likely to continue rising. According to the Strategy& survey, 60% of the multinational respondents were considering investment in local R&D activities.

At the same time, domestic pharmaceutical companies are becoming interested in competing with these multinational firms, capitalising on immediate knowledge of consumer preferences, the ability to pay in particular population segments, and the availability of health insurance instruments. As the resources and legislation that govern more developed markets are put in place, the opportunities to gain knowledge of previously untested populations at a competitive price will be too great to ignore.

Branded generics ensure high-quality products are developed at a price that gives them a local market. These off-patent products, which include the same ingredients as the original, often fetch higher prices than other generics as consumers will pay extra to buy from a trusted source.

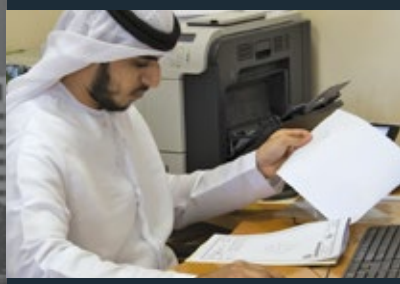
Legal Framework & Tax

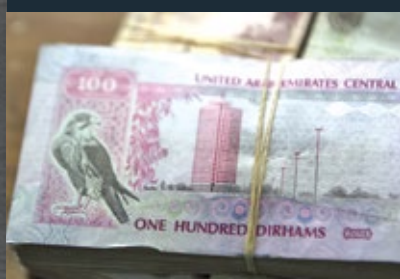
Free zones exempted from caps on foreign ownership

Value-added tax of 5% introduced by federal decree

Labour laws set minimum standards for all employees

Excise taxes to increase the cost of unhealthy goods





Sharjah has the authority to enact its own legislation for local matters

By the book

A detailed outline of legislation concerning investment and business in the emirate and the UAE

The UAE is made up of seven emirates – Abu Dhabi, Dubai, Sharjah, Ajman, Ras Al Khaimah, Fujairah and Umm Al Quwain – and adopts a federal system of government. The federation is governed by a constitution, which regulates the respective powers of the federal government as well as the local government of each emirate member; noting that the constitution is considered as the paramount law of the land, which all laws of each emirate must be based on, confirm or defer to.

According to the constitution of the UAE, each emirate has the power to regulate all local matters that are not subject to or reserved for the federal government's legislation. In view of that, the emirate of Sharjah has the power to enact its own local legislation for any local matters, save those which are reserved to the federation. Sharjah therefore retains the power and authority to regulate and supervise the operation of commercial activities that take place within the emirate.

JUDICIAL SYSTEM: The legal structure in the UAE is essentially made up of two main systems: the federal judiciary at the national level and the local judicial departments at the local government level. Under the constitution, each emirate is entitled to either establish its own distinct and autonomous local judicial systems or merge with the federal court system. Sharjah's judicial system has merged with the UAE federal judicial authority.

Sharjah follows a uniform rule regarding legal procedures. Thus, Sharjah's legal and judicial structure consists of the Court of First Instance, the Court of Appeals and the Court of Cassation.

It is also important to note that the doctrine of precedence is not being applied in the UAE. This simply means that when judges make rulings in cases, they are not bound by past judicial decisions, and as such, they have the full discretion and flexibility in resolving issues on a case-by-case basis.

CORPORATION LAW: Undeniably, the emirate of Sharjah has become one of the most rapidly developing venues for local and international commerce and investment, with it being an active hub of commerce for both local and international investors and companies. A company that wishes to join the lucrative market in Sharjah may choose to establish its operations through the Sharjah Economic Development Department or through Sharjah's distinct free zones.

> "Although Sharjah is one of the most rapidly developing destinations for international investment, there are certain nationalised commercial activities that can only be formed, organised and managed by UAE nationals"

Given that Sharjah is a growing destination for international commerce, the following are the possible means of forming a corporation in Sharjah, in accordance with the New Commercial Companies Law No. 2 of 2015:

- Partnership;
- Limited partnership;
- Limited liability;
- Public joint-stock; and
- Private joint-stock.

With the exception of the partnership and the limited partnership categories of corporation – in which all acting partners must be UAE nationals – any company that is incorporated in the country must have a UAE national partner or partnering parties that hold a minimum of 51% of the capital of the company. Moreover, there are certain "nationalised" commercial activities that can only be formed, organised and managed by UAE nationals. Investors

and businesspeople of the GCC are most welcome to invest, form, organise and operate almost any type of enterprise in the UAE, with the exception of a very short list of prohibited activities that are exclusively reserved for UAE nationals.

PUBLIC SECTOR PROCUREMENT: Law No. 8 of 2017 on Purchases, Tenders, Biddings and Warehouses in Sharjah governs the emirate's public sector procurement. The purpose of the law, among others, is to ensure the simplification of public procurement procedures and transparency, as well as to achieve equality and competition among suppliers.

The law requires that in order for a contractor or supplier to participate in the bidding process, it must have a legally established presence in Sharjah as well as possession of all the documents and/or licences that are needed to operate a business in Sharjah. This law is similar to Financial Order No. 16 of 1975, or Public Tenders Law, which is the federal regulation of conditions of purchases, tenders and contracts. The main difference between the two is that the latter applies to the federal government's projects and requires contractors or suppliers to have some level of UAE national participation. For instance, companies participating in the bidding process must have at least 51% equity share of a UAE national.

FOREIGN INVESTMENT: The federal government has the intention to implement a foreign investment law, which would help to reduce some of the regulatory and administrative requirements to set up a corporation in the UAE. The planned law is aimed at attracting more foreign investments into the country, so that free zones are not the only vehicle for foreign investment.

The scope of the law will include procedure, licensing, tax exemptions and other advantages. However, the introduction date of the foreign investment law has not yet been defined. The current system for foreign investment in the UAE takes the structure of free zones, which in turn promotes an attractive environment for investors and businesspeople. Sharjah has established five free zones:

- Hamriyah Free Zone Authority Sharjah;
- Sharjah Airport Free Zone Authority;
- USA Regional Trade Center Free Zone;
- Sharjah Publishing City Free Zone; and
- Sharjah Media City

These free zones offer common business incentives, namely:

- 100% tax-free environment;
- 100% company ownership;
- 100% exemption from all commercial levies;
- 100% repatriation of capital and profits;
- 0% import and re-export duties; and
- 0% personal income tax.

However, the licence for operation issued by the respective free zone is only valid within the free zone's territory.

COMMERCIAL ARBITRATION SERVICES: Commercial arbitration services are a type of alternative dispute resolution (ADR) that can be used to replace the conventional way of litigating in court. Parties to a commercial transaction may agree to this ADR, which is a faster way of resolving their disputes and has an uncomplicated and flexible procedure. Although Sharjah follows a legal system to resolve legal issues, it also has endeavoured to provide commercial arbitration services. Hence, by virtue of Emiri Decree No. 6 of 2009, Sharjah International Commercial Arbitration Centre (known as Tahkeem) was established in order to accommodate commercial arbitrations.

Sharjah is one of the most rapidly developing venues for local and international commerce and investment

Since its formation and establishment in 2009, the centre had continued to improve, evolve and progress in both the local and international levels of arbitration. In early 2018 Tahkeem received three certificates, namely:

- ISO Quality Management 9001;
- ISO Environment Management 14001; and
- OHSAS 18001 Certification for Occupational Health and Safety Management System.

COMPETITION LAW: Generally, competition laws are intended to make sure that there is fair competition between businesses, in addition to eliminating and preventing monopolies within the commercial sector. To this end, Sharjah adheres to Federal Law No. 4 of 2012 on the Regulation of Competition, which is aimed at protecting and enhancing competition, as well as fighting monopoly practices by providing a motivating environment for establishments to ensure efficiency, competition and that consumers' interests are protected. Additionally, the law seeks to reach a sustainable development for the UAE and maintain a competitive market that is governed by market mechanisms in accordance with the principle of economic freedom.

With this law, Sharjah's commercial sector is secured against any illegal activities resulting in unfair competition and monopolies. The law provides

Outside free zones, nationals must have at least 51% equity share of a company incorporated in the UAE

that this shall apply to all establishments with regard to their economic activities in the UAE, exploitation of the intellectual property rights inside and outside the UAE, as well as economic activities conducted outside the UAE that affect competition there – save those economic activities that are governed by a separate regulation such as banking and financing activities. It is also worth noting that the law prohibits restrictive agreements, taking advantage of a dominant position and economic concentrations. It also regulates the mergers of companies. Violation of the provisions of the law may result in:

- Heavy fines that can range from Dh500,000 ($136,000) to Dh5m ($1.4m);
- Suspension of business operations for a certain period;
- Criminal prosecution; and
- Other penalties.

CONSUMER PROTECTION LAW: Federal Law No. 24 of 2006 on Consumer Protection laid down the basic rights of a consumer and the responsibilities of sellers and producers situated in Sharjah. The law enumerated the rights of consumers. To state it as a whole:

- Right of protection against products, production operations, or services causing harm to health or safety;
- Right to be provided with the facts that assists them in proper purchases and consumption;
- Right to select from among a number of alternative goods and services at competitive prices and with quality control;
- Right to have his opinion heard, his interests represented before official and non-official bodies, and his opinions considered in developing goods and services;
- Right to satisfy his basic needs of basic goods and services, such as food, clothing, shelter, health care and education;
- Right of compensation and fair settlement of his lawful claims, including compensation for inferior or unsatisfactory goods or services, or any practices harming consumers;
- Right to be educated and to acquire the knowledge and skills necessary to carefully select goods or services; to be aware of his basic rights and responsibilities and how to avail of the same through sustainable awareness programmes; and
- Right to live in a proper environment.

Meanwhile, the obligations of sellers and producers, in sum, are to comply with all government regulations being implemented regarding producing and selling, on top of valuing and satisfying the rights of consumers.

BANKRUPTCY LAW: Two of the most fundamental purposes of bankruptcy laws across different jurisdictions are to give a debtor a chance to have a fresh financial start and to treat creditors on an equal footing. Federal Law Decree No. 9 of 2016 on Bankruptcy, known as the Bankruptcy Law, is no different.

The law, which took effect on December 29, 2016, intends to adequately protect the interests of both the creditor and the debtor in the case of bankruptcy. To do so, it provides various means to treat bankruptcy cases, as well as the liquidation of debtors' assets. This law created a new regulatory body, known as the Committee of Financial Restructuring. Among other functions, the entity's main objectives are:

- To supervise all financial restructuring proceedings;
- To approve a list of experts in the field of bankruptcy and financial restructuring; and
- To appoint trustees in financial restructuring proceedings.

The Bankruptcy Law will exclusively apply to the following:

Emirate laws must be based on, confirm or defer to the constitution

- Companies established under the New Commercial Companies Law;
- Companies that are partly or fully owned by the federal or the local government;
- Companies and institutions established in free zones that are not governed by existing bankruptcy laws;
- Individuals who are classified as a "trader"; and
- Civil companies.

It is worth noting that "non-trader" individuals are not covered by the law, and it is unlikely that a personal bankruptcy law will be introduced soon.

BRIBERY & CORRUPTION: The UAE is a signatory of the UN Convention against Corruption, an initiative that was created to prevent and fight corruption, as well as to ensure the integrity and accountability of civil servants. The UAE has no centralised law regulating bribery and corruption, but has taken numerous steps to resolve such issues.

The law that primarily regulates issues involving bribery and corruption in Sharjah is Federal Law No. 3 of 1987, known as the UAE Penal Code. This law is also supported by the UAE's constitution and several pieces of legislation, such as:

- The Companies Law;
- The Commercial Transaction Law;
- The Human Resources Law; and
- The Anti Money Laundering Law.

The UAE Penal Code prohibits and penalises public servants and persons in charge of a public service who have asked or accepted, either for themselves or for others, any grant or privilege of any kind or a promise thereof in return for performing or abstaining from conducting an act in breach of the duties of their office.

Bribery is likewise prohibited in the private sector; however, the provisions of these various laws supporting the UAE Penal Code largely apply to the person accepting the bribe, rather than to the person who is initiating or contributing to the commission of the offence.


Legislation protects the commercial sector against unfair competition


The UAE is a signatory of the UN Convention against Corruption, fighting corruption via the UAE Penal Code

PROPERTY LAW: Sharjah Law No. 5 of 2010, also known as the Registration Law, covers the general rules regarding the ownership of lands. The legislation stipulates that the right to own property in Sharjah shall be restricted to nationals of the UAE and nationals of the GCC, as well as to companies and organisations that are wholly owned by any of the foregoing.

There are two exceptions to the above rule. The law provides that the right to own real estate in Sharjah may be granted as follows:

- Ownership with the consent of the ruler and upon the conditions that have been prescribed by the ruler; and
- By inheritance bequeath under decree of distribution or waiver from the owner to one of his first-degree relatives, according to what is prescribed in the executive regulations of this Law.

Notwithstanding the restriction of ownership, Sharjah enacted Executive Council Resolution No. 26 of 2014 on Usufruct of Real Estate Properties in the Emirate of Sharjah, referred to as the New Resolution. By legal definition, usufruct is the right of one individual to use and enjoy the property of another, provided its substance is neither impaired nor altered. Thus, Sharjah allows the use of a vacant land or a building to other nationalities, without having the right of disposal for a lease period of 100 years.

The above resolution is a major development in Sharjah in terms of attracting foreign investment. The key developments and guidelines that were created under this resolution are:

- Usufruct rights over the land are valid for a period of 100 years, and the usufructuary shall be entitled to all natural, industrial and civil benefits of the property.

The UAE Labour Law applies to all employees working in Sharjah, whether they are nationals or expatriates

- For regulatory purposes, usufruct leases must be registered with the Sharjah Real Estate Registration Department.
- Foreign developers are permitted to sell usufruct rights to investors, subject to the approval of the ruler of Sharjah.

LABOUR LAW: In Sharjah all matters relating to labour are governed by Federal Law No. 8 of 1980, also known as the UAE Labour Law. The law applies to all employees that are working in Sharjah, whether they are nationals or expatriates.

The Labour Law primarily governs the minimum terms and conditions of employment, wages or salaries, monetary and welfare benefits, as well as occupational, safety and health standards, especially in the private sector. Any provisions set forth in the employment contract that counter with the minimum prescribed by law shall be voided.

On the public side, government and public entity employees are not covered by the law. Instead, public sector employees are covered by a different law that specifically regulates public servants.

In addition to this exception, some provisions of the UAE Labour Law or even the law itself are not applicable to certain free zones that have their own respective employment laws, yet the same is paralleled with the UAE Labour Law.

The UAE Labour Law provides preference for hiring UAE nationals for certain positions. In this regard, Emiratisation in the UAE has been well adopted. As a result, the private sector and even government entities in Sharjah are mandated to utilise and employ UAE nationals.

In more recent developments, the Cabinet Resolution No. (1/8#) of 2017 introduced the condition that a "good conduct and behaviour certificate" must be provided in order for an individual to obtain a work visa in the UAE. This requirement came into effect as of February 4, 2018. The resolution mandates that the prospective employee or applicant provides a certificate of good conduct from his/her home country or the country of his/her residency for the last five years. The resolution behind this new requirement is to maintain security across the county. It is worth nothing that a good conduct and behaviour certificate is not required from those coming to visit the UAE for tourism purposes.

ANTI-DISCRIMINATION & HATRED DECREE: Sharjah accommodates multinational companies and professionals. Having that in mind, Sharjah cannot avoid instances of opposing perspectives, viewpoints and beliefs. Accordingly, Federal Decree Law No. 2 of 2015 on Combating Discrimination and Hatred is in force.

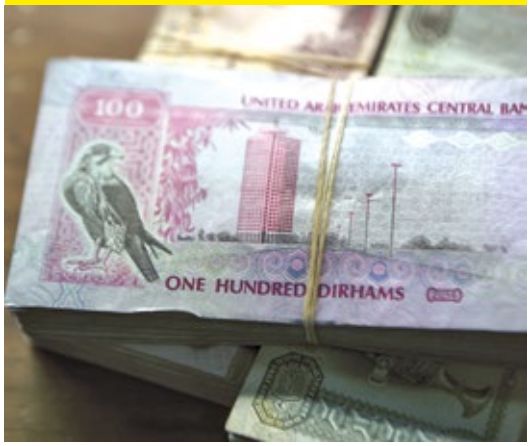
This law prohibits all forms of discrimination on the basis of religion, race or ethnic origin. Under the legislation, any act that creates hatred or is insulting to religion is a criminal offence. Penalties for violation of the various provisions of the law include:

- Imprisonment of not less than six months to more than 10 years; and/or
- Fines that can range from Dh50,000 ($13,600) to Dh2m ($544,000).

VIRTUAL PRIVATE NETWORK: The Federal Law No. 12 of 2016 amended the Federal Law No. 5 of 2012 on Combating Information Technology Crimes. This amendment led to a significant increase in the size of the fine imposed on persons who are found guilty of using a fraudulent IP address, whether this is done by using a false address or a third-party address, or by any other means if it is for the purpose of either committing a crime or preventing the discovery of a crime.

Under the previous laws, the old fine could range from Dh150,000 ($40,800) to Dh500,000 ($136,000). Now, under the new legislation, a fine for this crime may range from Dh500,000 ($136,000) to Dh2m ($544,000).

"Good conduct and behaviour certificates" are needed for work visas



Value-added tax of 5% came into effect in the UAE on January 1, 2018

Encouraging investment

A guide to the emirate's tax rates

The UAE's taxation environment is one of the most lenient in the world, and as such it attracts investors to form and operate business in the country. Under the constitution, the federal government has jurisdiction to legislate in relation to the UAE's taxation system, but no unified tax law has been enacted to date. Alternatively, the seven emirates may enact their own tax decrees.

CORPORATE: Under the Sharjah Tax Decree, taxable corporate entities operating trade or business are: companies engaged in oil and gas production, which pay corporate tax based on the rates specified in their respective concession agreements, with oil firms also paying royalties on production; and branches of foreign banks pay tax at a flat rate of 20% on annual profits, which is calculated on audited financial statements.

Other industries are not liable for corporate taxes. Moreover, industries which are formed, organised and operating within the free zones are exempt from taxes. It is worth noting the following with regard to tax laws in the UAE, and the same applies to Sharjah:

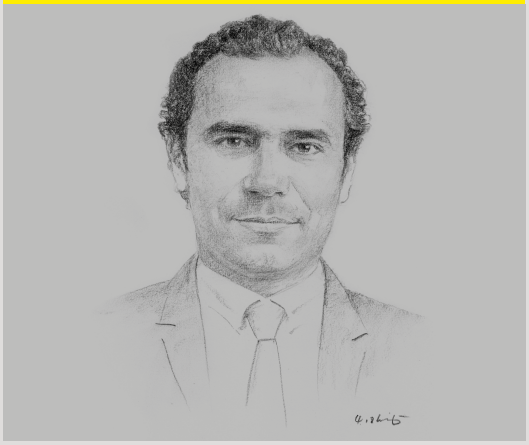
- Income tax: The UAE does not levy income tax on individuals and currently has no plans to do so.
- Withholding tax: The UAE does not levy withholding tax and has no plans to introduce this at present.
- Capital gains tax: In the UAE capital gains are taxed as part of business profits of the taxpaying establishments. Thus, there is no capital gains tax at present.

EXCISE TAX: Federal Decree Law No. 7 of 2017 on Excise Taxes imposed levies on some goods deemed harmful to health or the environment. This included carbonated drinks, at the rate of 50%; energy drinks with ingredients such as caffeine, taurine, ginseng and guarana, at 100%; and tobacco and tobacco products, at 100%. The main aim of imposing excise taxes to these products is to lessen the consumption of such products, while also raising revenues for the government to fund public service projects. Registration under the excise tax system is mandatory for businesses engaged in the import of excise goods into the UAE; the production of excise goods where they are released for consumption in the UAE; the stockpiling of excise goods in the UAE; and lastly, anyone who is responsible for overseeing an excise warehouse or designated zone.

VALUE-ADDED TAX (VAT): Federal Decree Law No. 8 of 2017 on VAT was introduced in the UAE on January 1, 2018 at the rate of 5%. VAT is a consumption tax imposed on the basis of consumption of goods and services. It is also an indirect tax, meaning consumers are ultimately liable for VAT since it is already part of the purchase price. Under the VAT Law, it is mandatory for a business to register for VAT if their taxable supplies and imports exceed the mandatory registration threshold of Dh375,000 ($102,000) per year. Registration is optional if a business' supplies and imports are less than Dh375,000 ($102,000) per year, but exceed the voluntary registration threshold of Dh187,500 ($51,000). VAT will apply to all goods and services, save those expressly excluded by law, including tuition fees, medical fees, medicine fees, surgery costs, salaries and those with exemptions, such as goods and services in free zones.

PROPERTY: Sharjah's real estate sector will be significantly affected by the implementation of VAT. The first supply of a new residential building within the first three years after its completion shall have VAT zero-rated. All subsequent supplies shall be exempt from VAT, even if the transfer is within the first three years. Commercial properties are subject to 5% VAT, while mixed-use buildings will have a special VAT treatment; residential parts of a building shall be treated as zero-rated or exempt based on whether it is a new supply or a subsequent supply; and commercial parts of a building are subject to 5% VAT. Based on report estimates, the implementation of VAT will generate some Dh12bn ($3.3.bn) worth of revenues in 2018 and roughly Dh20bn ($5.4bn) in 2019.

OBG would like to thank *Al Farouk International Intellectual Property Rights Management* for its contribution to THE REPORT Sharjah 2018



Eslam Farouk, Co-founder, Al Farouk International Intellectual Property Rights Management

Nehad Farouk, Co-founder, Al Farouk International Intellectual Property Rights Management

Secure innovation

Eslam Farouk and Nehad Farouk, Co-founders, Al Farouk International Intellectual Property Rights Management, on ensuring the integrity of companies' intellectual assets

As the third-largest emirate in the UAE, Sharjah continues to develop various areas of its economy, particularly in the field of commerce. In this context, safeguarding the intellectual property (IP) of businesses is indispensable as the country moves, through the growth of the non-oil sector, towards a more diversified economy.

IP covers areas including industrial or commercial designs, patents, copyrights and trademarks. Trademarks are any visible mark – including symbols, designs and words – used by a company to identify and distinguish its products, goods and services from that of other companies. UAE regulation covering trademarks is part of a broader shift towards the regulation of IP through international collaboration.

The World Intellectual Property Organisation is a specialised agency of the UN whose objective is to promote the development of an effective international IP system that enables innovation for the benefit of all. As Sharjah continues to develop, the protection of the trademarks of both small and medium-sized enterprises (SMEs) and more established, multinational companies is becoming increasingly vital.

Adequate trademark protection is a means to promote and encourage both creativity and innovation. Trademark law provides the registered owner with the exclusive right to use their logo, brand text or mark along with the right to bar others from using it. This ensures that the trademark of a business will remain a unique part of its corporate identity, distinguishing it from its competitors. Sharjah has no separate decree covering trademarks, rather Federal Law No. 37 of 1992 on Trademarks is applied across the UAE. The law outlines the concept of a trademark as content such as names, signatures, drawings, advertisements and logos, which distinguish goods, products or services to indicate that they belong to the trademark's registered owner. Furthermore, the law lists prohibited trademarks, including geographical names, public emblems, flags and logos, and the use of third-party names or images obtained without approval. It also covers the process of registering a trademark with the Trademark Department of the Ministry of Economy, and, most notably, covers the sanctions incurred in the event of infringement or forgery. These penalties include both prison sentences and fines for forging a registered trademark and misleading the public. Nevertheless, many businesses are unaware of the value of their trademark until substantial damage has been incurred by the company due to infringement.

Since trademarks are one of the key factors that establish and guarantee the reputation of a business, they are fundamentally important assets to economies. The trademarks law encourages businesses to innovate and create through trademark protection in both Sharjah and the UAE as a whole.

This protection is particularly important given that more than 4000 multinational companies are based in the Sharjah Airport International Free Zone. Given the size of the business environment, the confusion of products and unfair competition cannot be avoided. Consumers are consequently easily misled by similar products and services from companies operating in the same sectors of the market. Unfair competition can also occur when one company infringes or forges another company's registered trademark, which causes a substantial loss of profit to the latter firm.

Businesses in Sharjah, whether they are smaller start-ups or more established companies, must not only focus on their business operations – for example, profitability and expansion – but must also consider their intellectual output, such as their unique products, creations and services, as an integral part of their business' assets. Ensuring trademark security provides numerous advantages and allows firms to make considerable profits, ensuring smoother operations without any interruption or hindrance due to trademark infringement. If a trademark is not registered, a business is in a much weaker position to protect and defend its rights.

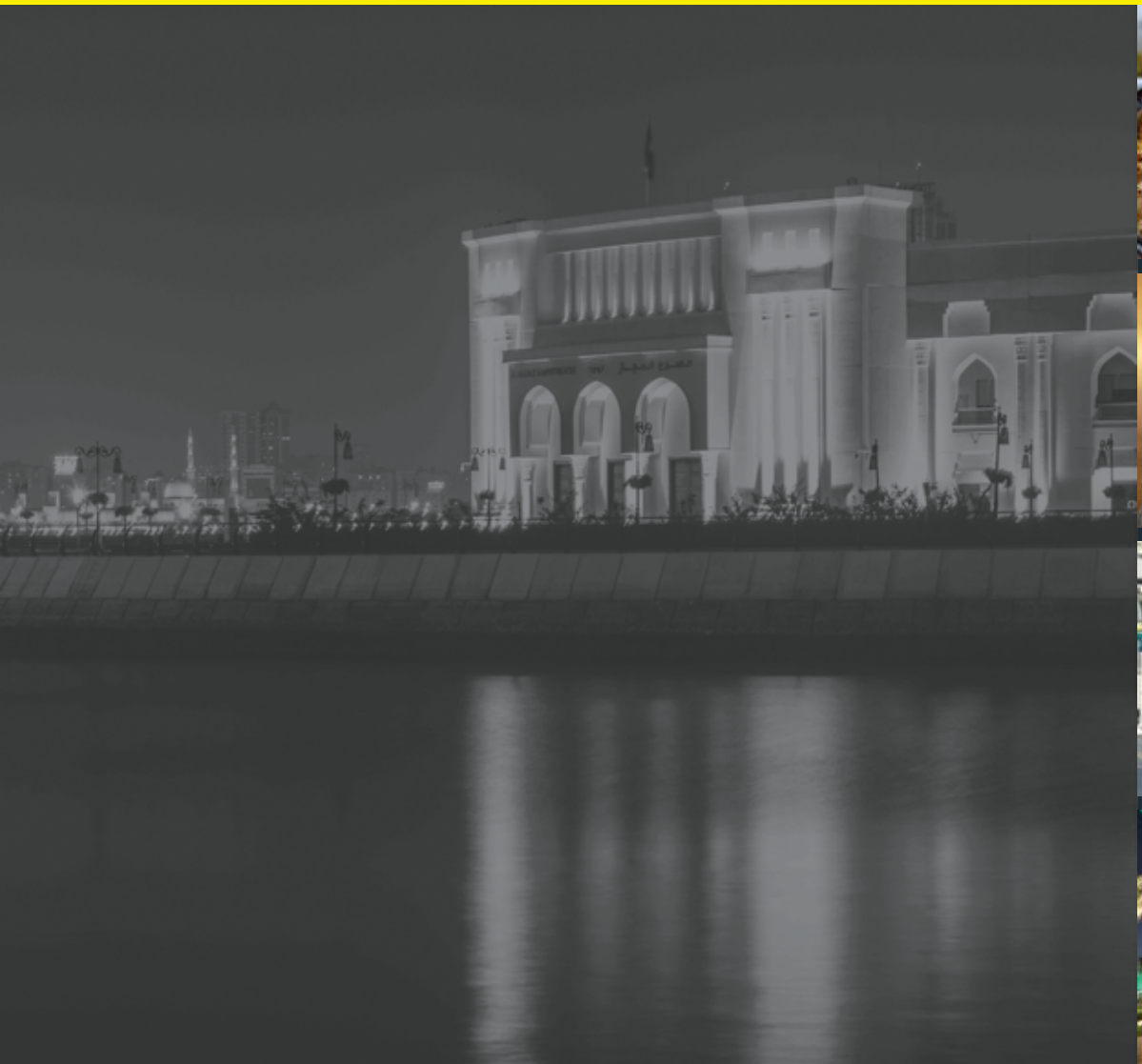
The Guide

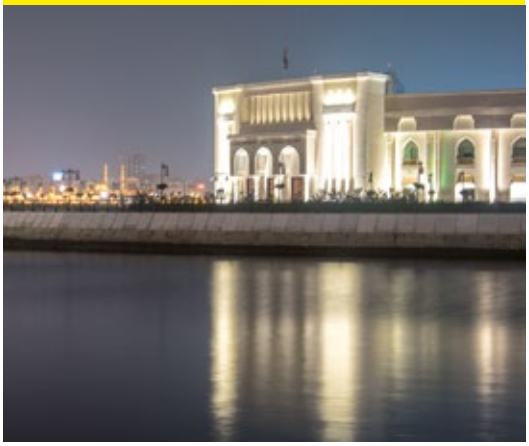
Hotel listings for business and leisure travellers

Useful contact information for government agencies

Phone numbers for business associations and consuls

Helpful tips for new arrivals to the emirate





Sharjah is home to dozens of museums and cultural centres

A wealth of offerings

In addition to a unique location, the emirate possesses a variety of environmental and historical sights to explore

Sharjah is unique in that it shares a border with all six of the other emirates, making it popular with those looking to enjoy a day trip from neighbouring locations.

Sitting on the waters of the Gulf, Sharjah has historically played an important role in the region, having thrived for centuries on fishing, pearl diving and long-distance trade. References to human settlement and commerce in the area can be found across the historical record, with both the ancient Greek geographer Ptolemy and the 15th-century Arab navigator and cartographer Ahmad ibn Majid mentioning bustling trade activity along what is modern-day Sharjah's coastline.

The emirate's role as a centre for international connections was bolstered further in 1932 with the construction of the first airport in the UAE, acting as a base for Imperial Airways flights between the UK and Australia. Today Sharjah is well known for its environmental uniqueness, museums and cultural programmes, including the International Book Fair, Islamic Arts Festival and Lights Festival.

LEVERAGING LOCATION: Sharjah is unique in that it shares a border with all six of the other emirates, making it popular with those looking to enjoy a day trip from neighbouring locations. With territory on both the western and eastern coasts of the country, visitors have the chance to experience a range of landscapes including mountains, desert dunes and mangrove wetlands. This natural diversity is particularly appealing to those interested in adventure and ecotourism, and Sharjah is increasingly investing in developing a range of attractions, experiences and destinations for both local and international visitors. New developments include luxury hotels, coastal resorts and camps, which combined offer a broad range of visitor options and complement ongoing cultural initiatives.

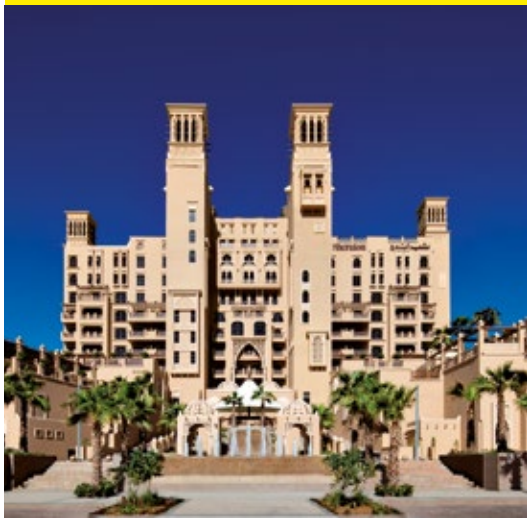
The town of Mleiha is one location that is particularly suited to tourism development. Situated on the edge of the Hajar Mountains, which extend through the Al Batinah region of neighbouring Oman into the eastern areas of the UAE, Mleiha has unique geological features. These include desert sands and some of the UAE's most important archaeological sites, which have been nominated to the UNESCO World Heritage List. The area has a population of less than 5000, is approximately 50 km, or 45 minutes by car, from Sharjah City and is conveniently located near the redeveloped route to the eastern coast and enclaves of Khorfakkan, Kalba and Dibba al Hisn.

UNCOVERING HISTORY: Ongoing archaeological excavations by both local and international teams since the 1970s have revealed a long history of human activity in the emirate. Ongoing digs at Kalba, Dibba al Hisn, Tell Abraq and Jebel Al Buhais, have also exposed layers of cultural heritage, much of which is now displayed to the public in the emirate's museums. In addition, the Central Region has an extensive wealth of history highlighted by the discovery of many domestic artefacts, such as pottery fragments, kitchen tools and coins, as well as monumental tombs and evidence of irrigation and human habitation dating back almost 130,000 years.

Ongoing archaeological excavations by both local and international teams since the 1970s have revealed a long history of human activity in the area.

Mleiha Archaeological Centre, which opened in January 2016, is built around one of the region's largest archaeological sites, with discoveries dating from the Palaeolithic, Iron Age and pre-Islamic periods. Highlights include a monumental tomb from the bronze-age Umm Al Nar culture – which dates back to approximately 2300 BCE – Mleiha Fort, and the remains of a 70m-year-old sea bed. These treasures highlight the diverse influences in the Arabian Peninsula's north-eastern regions and their role in shaping modern-day Sharjah.

The centre, which won Cityscape Global's Best Community, Culture and Tourism Project Award in the Middle East in 2016, also offers visitors a range of activities in the surrounding area, including camping at the base of the Jebel Fayya massif, cycling excursions and buggy rides in the dunes. Visitors are also able to tailor-make more personalised packages.


Sheraton Sharjah Beach Resort & Spa

Rest easy

SHERATON SHARJAH BEACH RESORT & SPA
Al Muntazah Street
T: (+971) 6 563 0000
F: (+971) 6 563 3933
www.sheratonsharjah.com
reservations.sharjah@sheraton.com

Rooms: 349 deluxe and superior rooms and suites, including work area, balcony options, complimentary Wi-Fi and views of the Sharjah skyline and Gulf.
Business & Conference Facilities: 2100-sq-metre in total conference space, including 9 meeting rooms, 2 high-ceiling ballrooms with individual foyers and direct bridal room access, and a dedicated Star Meeting Concierge.
Health & Leisure Facilities: Private beach, 2 outdoor infinity pools, play area with a kids club and pool, dedicated male and female fitness facilities, and the 1100-sq-metre Shine Spa with 15 treatment rooms, including jacuzzi, sauna and steam room.
Guest services: Complimentary daily shuttle to Dubai Mall and free valet parking.
Dining: 6 restaurants and lounges, including Marasea (seafood), Arjwan (Emirati), Gusti (Italian cuisine), Al Qubtan (international and grilled options), Link@Sheraton Café (pool bar) and Al Mahattah Lounge (snack and cigar bar), as well as an in-house pastry chef for tailor-made cakes.

COPTHORNE HOTEL SHARJAH
Al Majaz 3
Buheira Corniche Road
PO Box 39887
T: (+971) 6 593 0555
F: (+971) 6 593 0674
www.milleniumhotels.com
reservation.chsj@milleniumhotels.com

Rooms: 255 stylishly furnished rooms with satellite TV, complimentary Wi-Fi, electronic safe, minibar, bathtub, shower, hairdryer and other amenities.
Business & Conference Facilities: 4 meeting rooms (Emerald, Ruby, Topaz and Pearl), and a business centre with a private office for guests.
Health & Leisure Facilities: Swimming pool, spa, and separate male and female fitness centres.
Guest services: Business centre, internet on request, laundry, valet parking, ladies beauty salon, 24-hour room service and club lounge.
Dining: The Lagoon (all-day dining), La Veranda (snack and juice bar located on the health floor level), and Tim Hortons.


Copthorne Hotel Sharjah

CENTRO SHARJAH BY ROTANA
Al Dhaid Road
PO Box 3677
T: (+971) 6 508 8000
F: (+971) 6 508 8103
www.rotana.com/centrosharjah
res.centrosharjah@rotana.com

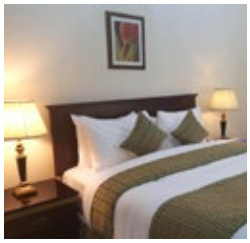
Rooms: 306 soundproof classic rooms, classic studios and 1-bedroom suites. Non-smoking rooms and public areas, VIP room facilities, complimentary Wi-Fi, business facilities in each room.
Business & Conference Facilities: 3 modern fully-equipped meeting rooms with maximum capacities for 90, 70 and 60 people, which can be combined to suit various group and functional requirements, and a business centre in the hotel lobby with fax machine and photocopying facilities.
Health & Leisure Facilities: 24-hour fully-equipped gym, outdoor temperature-controlled swimming pool, outdoor jacuzzi, sauna and table tennis.
Guest services: 24-hour reception, gift shop, babysitting and childcare services available on request, complimentary shuttle to Dubai Mall and beach shuttle service available on request, currency exchange, laundry services and concierge.
Dining: c.taste, all-day dining restaurants offering international cuisine, c.deli, 24-hour 'grab and go' concept, and 24-hour room service.


Centro Sharjah By Rotana


Ramada Hotel & Suites Sharjah

RAMADA HOTEL & SUITES SHARJAH
Al Nahda Street 115
PO Box 60553
T: (+971) 6 530 0003
F: (+971) 6 525 7802
www.ramadasharjah.com
reservations@ramadasharjah.com

Rooms: 343 rooms, 1-bedroom apartments, 1-bedroom club suites, 2-bedroom apartments and deluxe apartments.
Business & Conference Facilities: 6 meeting and event venues accommodating up to 200 guests with access to the business centre and club lounge.
Health & Leisure Facilities: Male and female fitness centres with massage rooms, and indoor swimming pool with outdoor terrace.
Guest services: Complimentary beach shuttle bus, tour desk, club lounge, business centre, complimentary Wi-Fi and express check-in and check-out. Apartments include kitchens with washing machines, refrigerator and cooking facilities.
Dining: Zaafran Restaurant (international), Sunshine Café and 24-hour in-room dining.


Al Hayat Hotel Apartments

AL HAYAT HOTEL APARTMENTS
Zahraa Street
PO Box 73193
T: (+971) 6 575 4666
F: (+971) 6 575 4446
www.alhayat-hotel.com
reception@alhayat-hotel.com

Rooms: 85 furnished apartments, including 32 studio suites, 42 1-bedroom suites and 11 two-bedroom suites. All rooms except studio suites feature combined living and dining areas.
Business & Conference Facilities: Business centre and conference spaces with video, projection and audio equipment.
Health & Leisure Facilities: Fully equipped fitness centre and health club.
Guest services: Laundry and dry-cleaning services, business centre, Wi-Fi internet, valet parking, foreign currency exchange, luggage room and shuttle services to Dubai International Airport.
Dining: Danat (eastern and western cuisine) and Swarain (café).


Al Hayat Hotel Suites

AL HAYAT HOTEL SUITES
Al Nahda Street
PO Box 73193
T: (+971) 6 593 2999
F: (+971) 6 525 1222
www.alhayatsuites.com
alhayat@alhayatsuites.com

Rooms: 84 suites including 28 1-bedroom suites and 28 2-bedrooms suites. All suites feature fully equipped kitchens. Both smoking and non-smoking rooms available.
Business & Conference Facilities: Al Shamia Hall, which includes audio and video equipment and a business centre along with other amenities.
Health & Leisure Facilities: Swimming pool.
Guest services: Laundry and dry-cleaning services, business centre, Wi-Fi internet, valet parking, foreign currency exchange, luggage handling and storage, and shuttle services to Dubai International Airport.
Dining: Al Hayat Restaurant and Coffee Shop and Hala café.


Time Ruby Hotel Apartments

TIME RUBY HOTEL APARTMENTS
Al Khan
PO Box 7041
T: (+971) 6 593 2222
F: (+971) 6 593 2233
www.timehotels.ae
reservations@timehotels.ae

Rooms: 145 1 and 2-bedroom apartments with panoramic views of Sharjah and the Gulf.
Health & Leisure Facilities: Separate male and female health club facilities with jacuzzi, sauna, steam room and spa centre.
Guest services: 24-hour security, laundry and dry cleaning, and special services on request.
Dining: Bites Café.


Radisson Blu Resort Sharjah

RADISSON BLU RESORT SHARJAH
Corniche Road
PO Box 3527
T: (+971) 6 565 7777
F: (+971) 6 565 0090
www.radissonblu.com/resort-sharjah
reservations.sharjah@radissonblu.com

Rooms: 306 units with 5 types of room and suites and 20 pool-side cabanas. All rooms include access to the amenities offered at the Bay Club.
Business & Conference Facilities: Guests can choose from a selection of 8 meeting rooms able to accommodate 14-80 guests. There are also 2 ballrooms with a capacity of 800 guests, and/or palm garden by the beach. Audiovisual equipment and catering, dedicated ballroom parking, Wi-Fi, presentation materials and event coordinators are available.
Health & Leisure Facilities: Fitness facilities include a gym exclusively for women, 2 floodlit tennis courts, 4 temperature-controlled pools, motorised and non-motorised water sports, private white sand beach and lagoon access, separate saunas for men and women, fitness facilities, massage services.
Guest services: 24-hour room service, high-speed Wi-Fi, shuttle services to shopping destinations in Sharjah and Dubai, 3-hour express laundry, and grab and run breakfasts available for early flights.
Dining: Café at the Falls restaurant with a morning breakfast buffet, Calypso Pool restaurant with a juice and non-alcoholic cocktail bar, 24-hour Chill-out Café, The Terrace with outdoor dining and Soya Chang restaurant, offering Cantonese cuisine.

If one is unable to access one of the emirate's many ATMs, currency can be exchanged at most malls. Credit cards are also widely accepted. The official currency is the UAE dirham (Dh), pegged at $1:Dh3.67.

The easiest means of travel in Sharjah is by taxi, with minimum fares ranging from $0.82 during the day to $1.09 in the evening. Chaffeur-driven cars are available as well and can be booked via smartphone apps.

GOVERNMENT DEPARTMENTS

Ruler's Office
06 566 2222
Climate Change & Environment
06 567 2968
Foreign Affairs
800 44444
Culture
06 512 3333
Interior
800 5000
Sharjah Health Authority
06 557 1117
Residence & Naturalisation
06 572 6777
Civil Aviation
06 558 1111
Chamber of Commerce & Industry
06 530 2222
Sharjah Town Planning & Survey
06 528 9999
Department of Seaports & Customs
06 558 8000
Sharjah Electricity & Water Authority
06 528 8888
Sharjah Airport Freezone Authority
06 557 0000
Sharjah City Municipality
06 562 3333
House of Justice
06 502 4333
Sharjah Expo Centre
06 577 0000
Sharjah Roads & Transport Authority
06 503 3333

BUSINESS & TRADE ASSOCIATIONS

Indian Business & Professional Council
06 530 4404
American Business Council
04 379 1414
British Business Group
04 397 0303
Canadian Business Council
04 447 3237
German-Emirati Joint Council for Industry & Commerce
04 447 0100
Iranian Business Council
04 335 9220

BANKS

United Arab Bank
800 474/
06 598 7332
Bank Melli Iran
06 598 1111
Bank of Baroda
06 503 7900
Bank of Sharjah
06 569 4411
Citibank
06 507 2101
HSBC Bank
600 554722
InvestBank
06 569 4440
Sharjah Islamic Bank
06 599 8888/
06 599 9999
Standard Chartered Bank
600 522288
Union National Bank
600 566665
Sharjah Central Bank
06 559 2592

FOREIGN MISSIONS

Australia
04 508 7100
Bangladesh
04 265 1116
Canada
04 404 8444
China
04 394 4733
Denmark
04 348 0877
Egypt
04 397 1122
France
04 408 4900
Germany
04 349 8888
India
04 397 1333
Indonesia
04 398 5666
Iran
04 344 4717
Italy
04 331 4167
Japan
04 331 9191
Jordan
04 397 0500
Kazakhstan
04 339 7151
Kuwait
04 397 8000
Malaysia
04 398 5843
Netherlands
04 440 7600
Pakistan
04 397 3600
Philippines
04 220 7100
Russia
04 328 5347
Saudi Arabia
04 377 8300
Singapore
04 321 9498
Switzerland
04 329 0999
Turkey
04 376 0600
UK
04 309 4444
US
04 309 4000

EMERGENCY SERVICES

Ambulance & Police
998/999/
06 563 1111
Fire
997

NEWSPAPERS & MAGAZINES

Gulf News (English)
06 800 4125
Al Khaleej Times (English)
06 577 7777

MEDIA, MARKETING & NEWS

Sharjah Media Centre
06 512 3456
Sharjah Media Corporation
06 566 1111
Sharjah Media City
800 74267

LAW OFFICES

Al Farouk Legal Group
04 286 5503

CONSULTANCY & ACCOUNTANCY

Deloitte
06 517 9500
Morison Menon
06 575 8899

HEALTH CARE

Al Zahra Hospital
06 561 9999
Kuwait Hospital
06 524 2111
Zulekha Hospital
600 52 4442
New Al Qasimi Hospital
06 538 6444
University Hospital Sharjah
06 505 8555

PHARMACIES

Sharjah Pharmacy
06 562 3850

Facts for visitors

Useful information for new arrivals

COMMUNICATIONS: The country code for the UAE is +971, followed by Sharjah's dialling code 06. There are three local telecoms providers, du, Etisalat and Virgin Mobile. Pay as-you-go SIM cards for du, Etisalat and Virgin Mobile can be obtained at most shopping malls upon presentation of a valid passport.

CURRENCY: The UAE dirham (Dh) is pegged to the US dollar at $1:Dh3.67. ATMs are widely available in the emirate and cash can be exchanged in malls.

DINING & DRINKING: Reflecting its diverse population, Sharjah offers a wide variety of international cuisines, with nonetheless strong Middle Eastern and South Asian influences. Alcohol consumption is strictly prohibited throughout the emirate.

ELECTRICITY: The UAE uses the same square, three pin sockets as the UK, although some outlets are compatible with europlugs. Adapters are widely available. The electricity supply is 220/240 V at 50Hz.

HEALTH: Sharjah's health services are good, and UAE nationals have access to full medical coverage provided by the state. Tourists who do not possess travel health insurance can visit private hospitals, where English-speaking staff can commonly be found and payment is expected upon treatment.

LANGUAGE: Arabic is the official language of the emirate, but English is widely spoken, especially in business settings. Public signs are commonly in both Arabic and English. Other languages in public use include Hindi, Urdu, Tagalog, Farsi and Chinese.

TIME MANAGEMENT: Government offices are open from 8.00am to 2.30pm, while most private businesses operate from 9.00am to 6.00pm, although some are closed between 1.30pm and 4.30pm. Ramadan business hours are 9.00am to 2.00pm.

As in other Arab countries, the weekend falls on Friday and Saturday. The UAE National Day is on December 2, and the time difference is three or four hours ahead of GMT depending on the season, since daylight saving time is not observed in the UAE.

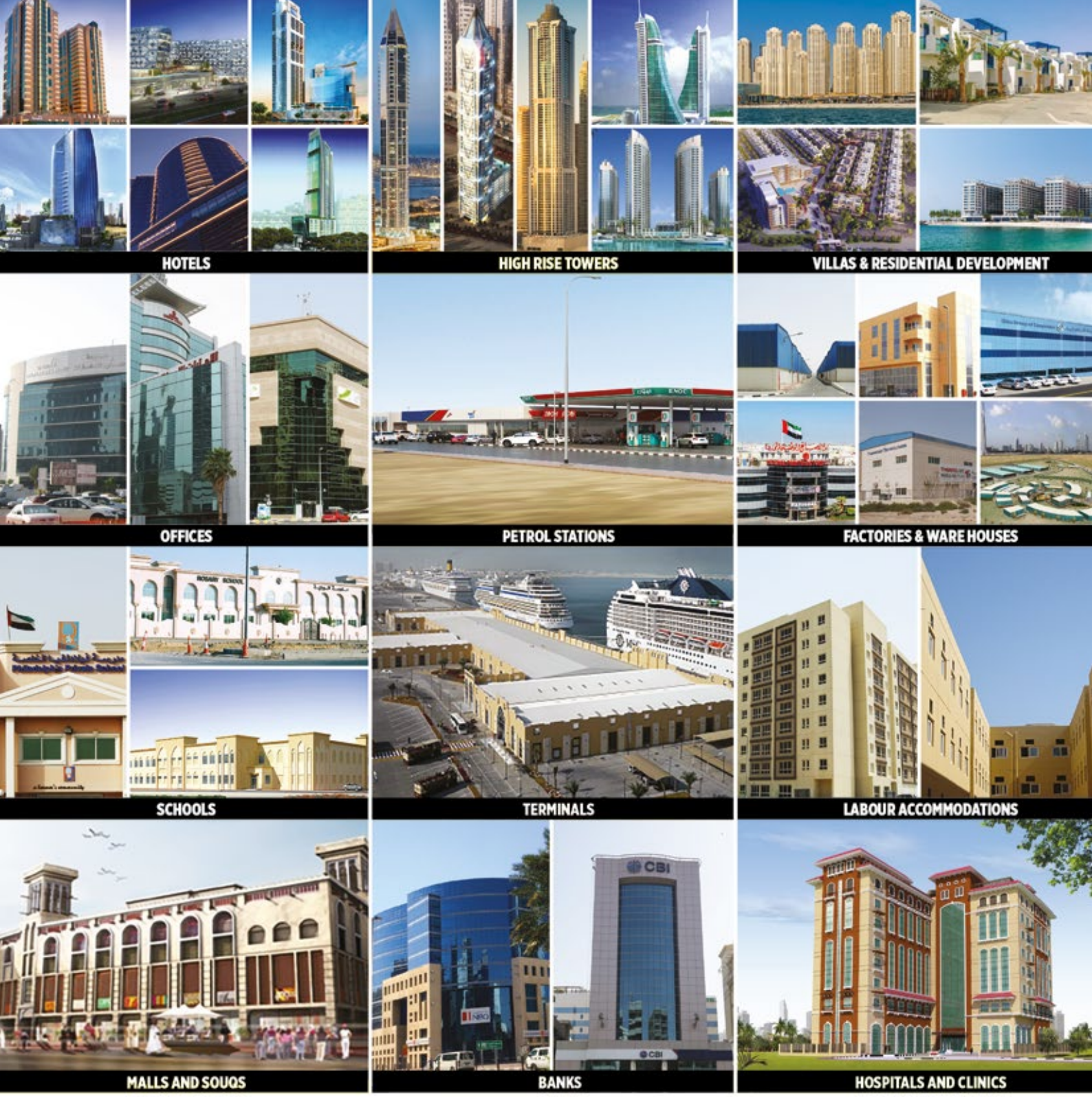
ETIQUETTE & DRESS: Hospitality plays a central role in Emirati culture and longer greetings are an important prelude before proceeding to other matters, be it in business or social interactions. Seeing as how Sharjah is a conservative and family-oriented emirate, modesty in dress is advised.

TIPPING: There are no strict conventions in Sharjah concerning tipping, although restaurants often include a 10% service charge. In the absence of such a charge it would be advisable to tip 10-15% for good service. Taxi drivers do not expect a tip, but it is often easier and more convenient to round up your fare. Hotel staff can be tipped between Dh5 ($1.36) and Dh10 ($2.72). Credit cards are widely accepted throughout hotels and retail outlets.

TRANSPORT: Taxis are generally the most reliable way to get around Sharjah. The minimum fare is Dh3 ($0.82) at daytime (6.00am to 10.59pm) and Dh4 ($1.09) at nighttime (11.00pm to 5.59am). Crossing the border to or from Dubai will add an extra Dh20 ($5.45) charge to the bill. Tourists in possession of a driving licence from any of the 36 government-approved countries can drive without a local licence. Chauffeur-driven car services such as Careem taxis can also be booked via smartphone apps.

VISA REQUIREMENTS: GCC citizens do not require an entry visa to the UAE, but requirements for other nationalities vary. It is recommended to confer with your country's embassy prior to travel. Most Americans and East Asians can obtain a 30-day tourist visa upon arrival in the UAE, which can be extended at an immigration office.

The EU recently signed a short-stay visa waiver agreement allowing its citizens to stay for a period of 90 days (the period is shorter for some countries such as the UK) within any 180-day period. Regulatory changes introduced to promote inbound tourism allow for Chinese and Russian tourists to obtain visa on arrival at any entry point of the UAE.



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E: info@al-hamad.com **W:** www.al-hamad.com

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مجموعة شركات الحمد