

Trends in government in the GCC countries



Government services in the Gulf countries

In recent years, governments in the Gulf Cooperation Council (Saudi Arabia, United Arab Emirates, Qatar, Bahrain, Oman and Kuwait) embarked on a large number of initiatives to enhance government services to citizens, residents and businesses both at the national level and at the GCC level. One key trend is the participation of the private sector in enhancing government services through the formation of Public Private Partnerships (PPPs).



Trends at the national level

At the national level, GCC governments have consistently increased their budget spending on key service sectors including Education and National Employment, Healthcare, Infrastructure and e-Government. In fact these service sectors were among the top budget items consistently across the GCC in recent years.

Education and national employment services

To enhance national talent and increase national employment, GCC countries increased budget spending on education including school education, higher education and vocational training. GCC governments are building schools, universities and vocational institutions. Furthermore, there are many initiatives to enhance curricula, teaching skills and tools. GCC governments are also spending more on scholarships for students studying at universities abroad both at the undergraduate and the graduate level.

GCC governments are embarking on to improve education services and national employment, there are still many challenges. Talent and skill gaps are still wide and not meeting the market requirements. Furthermore, national employment in the private sector in the GCC remains very low, in some cases less than 5% of the private sector workforce.

Healthcare services

To enhance national healthcare services and reduce the cost of sending patients abroad, GCC countries have increased spending on this sector, including building hospitals and clinics, enhancing skills and services and encouraging private sector participation. Although the number of private hospitals and clinics is growing in the GCC, governments still own most of the healthcare institutions. For example, in Saudi Arabia, the largest GCC economy, the private healthcare sector provides less than 25% of overall healthcare services in the kingdom according to published material by the Ministry of Health.

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Examples of these initiatives are:

- Saudi Arabia is establishing many new schools and universities across the country.
- Education Management System initiative in Saudi Arabia to introduce e-Learning and teaching tools.
- The United Arab Emirates (UAE) is establishing new universities and attracting leading international ones.
- Qatar Foundation attracted leading international universities.

The GCC governments are also engaging the private sector in the education sector by forming Public Private Partnerships. The Abu Dhabi Education Counsel (ADEC) has engaged the private sector for its education development program.

Another item on the agenda is the promotion of national employment in the private sector. These initiatives focus on identifying and executing public policy initiatives to promote national employment in the private sector as well as encouraging private sector-related initiatives. A good example of these initiatives is the Abu Dhabi Tawteen Council.

But despite the increase in spending and the initiatives

GCC governments are also exploring Public Private Partnerships in the healthcare sector. For example, Ithmar, a private equity company announced recently a strategic equity partnership with Al Noor Medical Company, the leading private integrated healthcare operator in Abu Dhabi. The Ithmar-Al Noor partnership will be a springboard for Al Noor's future expansion via PPP.

Recently, GCC governments also embarked on the e-Health initiatives focusing on implementing state-of-the-art Hospital Information Systems (HIS), Electronic Health Records and Health Information Exchanges. These initiatives will enhance hospital services and allow hospitals and clinics across the country to exchange and share patient information.

Examples of these initiatives include:

- Dubai Healthcare city providing healthcare and an integrated centre of excellence for clinical and wellness services, medical education and research.
- Sidra Medical and Research Center founded by Qatar Foundation.
- Wareed & HIS (e-Health) initiative in the UAE Ministry of Health.
- The e-Health initiative at the Saudi Ministry of Health.

Still, healthcare services in the GCC countries do not meet the demand and the quality required by citizens, therefore, GCC governments still bear the cost of sending patients abroad for treatment services they cannot provide in their own countries. The above initiatives are still in infancy and must be carried through and executed successfully to bear fruit and make a positive impact on the quality of healthcare in the GCC.

Infrastructure services

GCC governments increased spending on national infrastructure projects including water, electricity, housing, railway and telecommunications. They have built the largest water desalination facilities in the world to meet water demand.

New power generation facilities are also being built to meet demand. Recent initiatives were launched to utilize nuclear energy to generate electricity in the UAE and Saudi Arabia.

Railway projects have also been launched. Dubai completed most of the first phase of its Metro project to reduce traffic congestion. The UAE government is also planning a railway project to interconnect all the emirates. Saudi Arabia started large railway projects across the country. Qatar is also planning a railway project.

Furthermore, GCC governments built telecommunication and broadband digital infrastructure enhancing advanced Mobile, Internet, Telephone and Multimedia services. This infrastructure also allowed these governments to introduce their e-Services.

In recent years, GCC governments are encouraging prudent private investments in infrastructure projects. GCC Governments formed Public Private Partnerships to fund, build and operate power, water and urban Infrastructure projects. For example, the Saudi government is embarking on the establishment of Economic and Industrial Cities engaging the private sector and forming PPPs.

Affordable housing projects were launched by many GCC governments, including the UAE and Saudi Arabia. Mortgage regulations are being developed and issued to enable more of their citizens to afford owning homes.

However, about 70% of Saudi citizens still do not own their own homes and cannot afford buying houses even under the initial mortgage regulations which are going through amendment to allow more citizens to buy houses. Furthermore, the latest floods in Jeddah revealed significant issues in infrastructure quality despite huge investments by the Saudi government. Therefore, infrastructure initiatives must focus not only on capacity but also on quality.

E-Government services

GCC governments initiated programs to streamline government services, launch e-Services and Integrated Government Services.

The United Nations (UN) in its 2008 and 2010 e-Government Surveys showed GCC states improving their e-Government Readiness:

- Bahrain moved up from 53rd place in 2005 to 42nd in 2008, leaping to 13th place in 2010 and 3rd in Asia just short of Singapore (11th globally and 2nd in Asia);
- UAE moved from 42nd place in 2005 to 32nd in 2008, to 49th in 2010, and 9th in Asia,
- Kuwait moved up from 75th place in 2005 to 57th in 2008, 50th in 2010, and 10th in Asia,
- Saudi Arabia moved up from 80th in 2005, to 70th in 2008, to 58th in 2010,
- Qatar moved from 62nd in 2005, to 53rd in 2008, to 62nd in 2010,
- Oman moved up from 112th in 2005, to 84th in 2008, to 82nd in 2010.

The strong performance by the GCC countries has been attributed to heavy investments in deploying broadband digital infrastructure, coupled with increased implementation of e-Government applications for their citizens.

GCC governments have also initiated Service Improvement Programs similar to "Service Canada". These programs will focus on developing Citizen-Centric Services where citizens' feedback is solicited on ways to improve government services. These programs will then focus on streamlining government services utilizing Integrated Service Centers (ISCs) or One Stop Shop service centers where citizens, residents, businesses and even visitors can complete their government transactions in one location, in simple, convenient and rapid fashion. Dubai government offers such ISCs in free zones and the Saudi Arabian General Investment Authority (SAGIA) established a one stop shop for foreign companies and investors to rapidly establish commercial registration in the Kingdom.

Despite the above accomplishments, GCC countries still ranked quite low in the 2009 Transparency Index released by Transparency International. Although some improved their rankings, others did not.

It is essential to carry out serious initiatives in this regard in order to improve government services, attract foreign investments and above all protect national wealth.

GCC governments still face challenges in soliciting feedback from citizens and in increasing the usage of e-Government services by citizens. GCC governments can significantly develop their e-Government and Service Improvement Programs by both opening their data to citizens and utilizing the developing Social Media to get continuous feedback from citizens on government services and ways to improve these services.¹⁰

Trends at the GCC level

At the GCC level, member states have started major initiatives to build closer economic cooperation including the establishment of a Common Market, Single Currency, GCC Railway and GCC Electricity Grid. These initiatives would strengthen GCC cooperation and enhance GCC government services to citizens, residents and businesses.

GCC Single currency & common market

Currently, GCC cross-border business requires paying salaries and consolidating accounts in six different currencies, which makes cross-border business complex and distracts from core business issues.

A GCC common currency will make cross-border business simpler, encouraging mergers and acquisitions and creating large regional players that can compete with the multinationals aggressively entering the GCC market. A GCC common currency is a key enabler of the formation of cross-border companies with economies of

scale that will be more competitive and deliver extra value to shareholders.

Citizens, residents and visitors can travel across the GCC without having to carry different currencies and worry about exchange rates.

A single currency would be stronger and more stable compared with the current national currencies in the GCC. It could allow the GCC to price Oil, Gas and Petrochemicals using a common currency rather than staying dependent on the U.S. Dollar. It would also allow pegging to a basket of currencies rather than the declining U.S. Dollar. Once well-established, it can be floated like other hard currencies.

Furthermore, the establishment of the Common Market will allow easier and cost-effective movement of citizens and goods in the GCC. This would allow the GCC to economically compete on the global level.

However, two of the GCC governments (Oman and UAE) opted to stay out of the currency union, which would weaken it. The rest of the GCC states should persistently march forward with the currency union and the other two would follow once the benefits materialize.

Unlike the Euro Zone which includes 27 desperately different economies (the economies of Germany and Greece are poles apart), the six member states of the GCC have very similar economies with rich hydrocarbon resources, currencies pegged to the U.S. Dollar, one official language and similar traditions and cultures. They even share common issues in diversifying their economies to reduce dependency on hydrocarbon resources, increasing national employment, improving education and healthcare services. Therefore, if the political will is there, the common market and currency stand a better chance of succeeding.

GCC railway

GCC governments decided to build railway networks interconnecting all six member states with an estimated cost of over USD 60 billion. The GCC railway project will result in faster and lower-cost movement of passengers and goods across the GCC and help boost cross-border trade.

Railways are a cleaner, safer and more economical mode of transportation. Strong logistics networks encourage trade and provide industry with a competitive advantage.

At the GCC level, member states have started major initiatives to build closer economic cooperation including the establishment of a Common Market, Single Currency, GCC Railway and GCC Electricity Grid.

Therefore, the establishment of the GCC railway will have significant benefits to GCC nationals, residents, visitors, businesses and economies.

Construction of the GCC railway network is expected to start in 2010 or 2011. The cost will be shared among the six Gulf States.

GCC electricity grid

Power consumption in some of the GCC countries such as Kuwait is approaching maximum generation capacity. Other GCC countries are increasing their power generation capacity where they could trade excess capacity to others. Therefore, GCC governments have also established a power grid authority called the GCC Interconnection Authority (GIA) to develop the GCC Power Grid.

The power grid will reduce high long-term investment costs in constructing generation plants by reducing the level of reserves needed in each country as well as providing wheeling services and enabling energy trading.

The GIA will launch energy trading between the GCC countries as well as with other power grids such as the Pan-Arab, European and Mediterranean grids. GIA would enable the GCC region to become a major exporter of power, thus enhancing the economies of the GCC countries.

Ultimately, the GCC power Grid would enhance electricity services to GCC nationals, residents and businesses resolving shortages and reducing the cost of electricity.

However, GCC governments should also target efficient power consumption by reducing power wastage using "green" or power-efficient appliances (i.e. air-conditioning), data centers and factory machines, etc.

Conclusion

GCC governments have made good progress in enhancing services to citizens, residents and businesses both at the national and the regional level. They increased spending on vital services including education, national employment, healthcare, infrastructure and e-Government.

Engaging the private sector in this process through Public Private Partnerships will further enhance services and build up the private sector, strengthening the GCC economies.

However, GCC governments still face significant challenges in all the above service sectors. Therefore, these governments must remain focused on diligent joint planning, successful execution and carry through service enhancement initiatives to address these challenges and achieve their goals.

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(i) Deloitte is helping some of the GCC governments in developing and implementing strategies for the next generation e-Government services as well as strategies for government service improvements following advanced models such as Service Canada. Deloitte is also helping a GCC government in developing and implementing strategies for education and national employment programs.

