

Abu Dhabi: Better rules for the private sector soon

Abu Dhabi is shortly coming out with its own regulations to make it easier for the private sector to own and operate companies in the emirate. The importance of the private sector's contribution to the GDP of the emirate will rise manifolds in the coming years, writes **Ritwika Chaudhuri**.

Abu Dhabi is making significant efforts to create a business-friendly environment for the private sector as part of the emirate's plans and ambition to associate with the top 20 economies in the world. Based on a recently published report by the World Bank on the comprehensive assessment of the business environment in the emirate, the government has taken several initiatives to improve the current business environment. Licensing is a key element.

Speaking to **MONEYworks**, Mohamed Omar Abdulla, undersecretary of the Abu Dhabi department of economic development, said: "We are continuing to adopt best practices in regulating trade licences. We are giving utmost attention to the importance of speeding up the licensing process and reducing the cost (time and money) associated with it. This is a vital part of our efforts to achieve an efficient, transparent and investor-friendly business environment in the emirate."

Focusing on strategic growth sectors, encouraging increased participation of the private sector, reducing dependence on oil and creating a competitive business environment to attract increased flow of international capital are some of the key

elements identified to help achieve the Abu Dhabi Economic Vision 2030.

Abu Dhabi's current and short- to medium-term investment plans have been announced accordingly by the relevant 'national champions', which are leading the focus sectors identified in the economic vision.

Technology, civil aerospace, basic industries, ICT, media, renewable energy, transportation and logistics and petrochemical, along with other emerging and traditional sectors, have been identified as highly promising sectors.

Abdulla said that there are significant investment initiatives being undertaken currently, while others are in the pipeline. He added that the focus on a number of sectors will help to diversify the emirate's economy.

"The diversification will contribute to the broader transformation and aspirations of the emirate's policy agenda and vision by attracting strategic foreign direct investments, increasing export and enhancing the knowledge-based orientation of the economy," he explained.

Abdulla also said there have been no major changes in the original Abu Dhabi Economic Vision 2030 plan, nor has the

government scaled down its economic agenda despite the global economic downturn.

"The economic development agenda for 2030 is a long-term road map. Therefore, it has not been impacted by the short-lived global financial crisis. The government is keen on maintaining the original plan," he said.

"A number of changes are being made in liberalising investment norms, licensing procedures and company-related laws in Abu Dhabi. These should be announced in a few months." Mohamed Omar Abdulla

However, as part of the emirate's medium-term planning efforts, more specifically during the just-concluded five-year economic strategy exercise, the department of economic development worked very closely with the leaders of different sectors to ensure that the emirate's regional and global macroeconomic assumptions for the period of 2008-2012 took into consideration the new conditions arising from the economic crisis.

"We believe that all investment plans [in the emirate] have been properly updated in light of the new economic circumstances and given the potential uncertainties and shifts posed by a dynamic world economy," added Abdulla.

Strong GDP growth

The undersecretary said that the Abu Dhabi government is confident of a sustainable growth of 6.7 to seven per cent per annum in the next few years. He added that the government has realised that in

Key economic variables - Abu Dhabi

Economic variables	2007*	2008*	2009**	2008-2009 %
Population (000)	2145.00	2307.00	2460.00	6.60
Workers (000)	1116.00	1205.00	1306.00	8.80
Gross domestic product (at constant 2005 prices)	337.20	361.70	388.60	7.40
Gross domestic product (exc oil sector)	148.60	160.40	175.00	9.10
Gross fixed capital formation	59.70	68.90	85.80	24.50
Total commodity exports	276.90	318.30	400.00	25.70
Total commodity imports	63.30	75.00	89.30	19.00
Compensation of employees	58.40	66.40	73.00	9.90
General consumer price index number (2005=100)%	125.90	139.30	154.00	10.60
Per capita GDP (constant prices) (thou AED)	165.70	165.50	158.00	-0.40

Source: Information and decision support centre, ADCCI *Adjusted **Estimated

order to maintain sustainable economic growth of that scale, the private sector has to play a major role and at least needs to grow at the same rate of six to eight per cent a year. The Abu Dhabi government has now taken into account that the non-oil sector is a major enabler and needs to contribute not less than 60 per cent towards GDP by 2030, Abdulla noted.

As business environment and related policy measures are foremost in all the changes planned and happening in Abu Dhabi, the emirate's government is working on new methods of doing business and bringing in necessary reforms in rules and policies to meet the challenges that lie ahead, he said.

A number of changes are being made in liberalising investment norms, licensing procedures and company-related laws. These should be announced in a few months, Abdulla disclosed.

"It is very important that we enhance our financial tools and mechanisms to improve the business environment. Also, at the same time, our educational system needs to be well equipped to complement the changing business environment. In this respect, we have done a good job as of now, but we need to do more," he added.

To enable smooth business operations, the government is working on creating a specialised business centre under the Abu Dhabi department of economic development, which will eliminate the number of steps for setting up businesses. The changes in the majority of rules related to establishing, operating and closing down companies have already been finalised and are likely to be announced by the first quarter of 2010, the undersecretary disclosed.

Venture and project capital

Special attention is also being given to the development of venture capital, debt finance and project financing.

"We expect that significant project finance will be required in the coming three years, as the anticipated capital expenditure for the focus sectors in Abu Dhabi is in the range of US\$100-120 billion. Almost half of this is likely to come in the form debt, 60 per cent of which will need to be sourced internationally," Abdulla said.

While the anticipated growth strategies will ensure significant business opportunities for the domestic and regional project financiers with varying specialisations and interests, the development of the local debt market will also help in the overall expansion of the entire financial sector in the emirate, according to Abdulla. However, there are challenges in mobilising international finance.

Abdulla said: "The main challenge will be in how best Abu Dhabi is able to source the necessary financing in the aftermath of the global financial crisis and come up with an optimal financing strategy. This is a very important issue and all relevant entities are working collaboratively to address it in a satisfactory manner."

The other important area to get the attention of the Abu Dhabi government is the SME segment. The development of the SME sector and increased private sector participation are considered to be key priorities within the overall development agenda of the Abu Dhabi government. Significant initiatives have been taken by various government entities like the Khalifa Fund, the Abu Dhabi department of economic development and the Abu Dhabi council of economic development to promote SMEs and the private sector.

"There are more initiatives planned for the sector, especially within the focus economic areas of the emirate. These will primarily aim at supporting SME growth, entrepreneurship, arranging loans and training facilities," said Abdulla.

The government is also planning a comprehensive strategy for the SME sector, he added.

Challenges

The Abu Dhabi government is confident in pursuing its Abu Dhabi Economic Vision 2030. One of the primary challenges for the emirate, according to Abdulla, is how it is able to manage its social and environmental development goals. Human development is also an important area.

"We need to maintain our identity, bring up our small population, reduce the imbalance between men and women within the national workforce and encourage more participation by women," he said. "Of course, the rapid pace of change and accomplishing a huge developmental



Mohamed Omar Abdulla

goal in a short period of time is a bigger challenge."

Is competition with other emirates of the federation a challenge, as all of them are vying for international capital to boost growth? Abdulla thinks otherwise. He said that Abu Dhabi and the other emirates in the UAE complement each other's efforts and together drive the vision of the UAE government. All the emirates work under the same federal government, while each has its own development agenda that supports the broader ambition of the country.

On Abu Dhabi, Abdulla reiterated that the government is focused on strategic foreign direct investment, as it would add significantly to the competitiveness of the emirate's industries on the global stage. Therefore, the leaders of the focus sectors will always consider in their projects a strategic alliance with foreign partners. The government entities that are responsible for shaping the business environment are giving a great deal of attention to make Abu Dhabi a perfect destination for foreign investors, he added.

Abdulla said that improving the enforcement of contracts and increasing investors' protection are the two key priorities along with other agenda to further improve the way of 'doing business' in Abu Dhabi. The Abu Dhabi department of economic development is also intensifying its promotional efforts in order to better educate the international community about the investment opportunities in the emirate, he added.