



مؤسسة محمد بن راشد آل مكتوم
MOHAMMED BIN RASHID
AL MAKTOUM FOUNDATION



ARAB BUSINESS INTELLIGENCE REVIEW

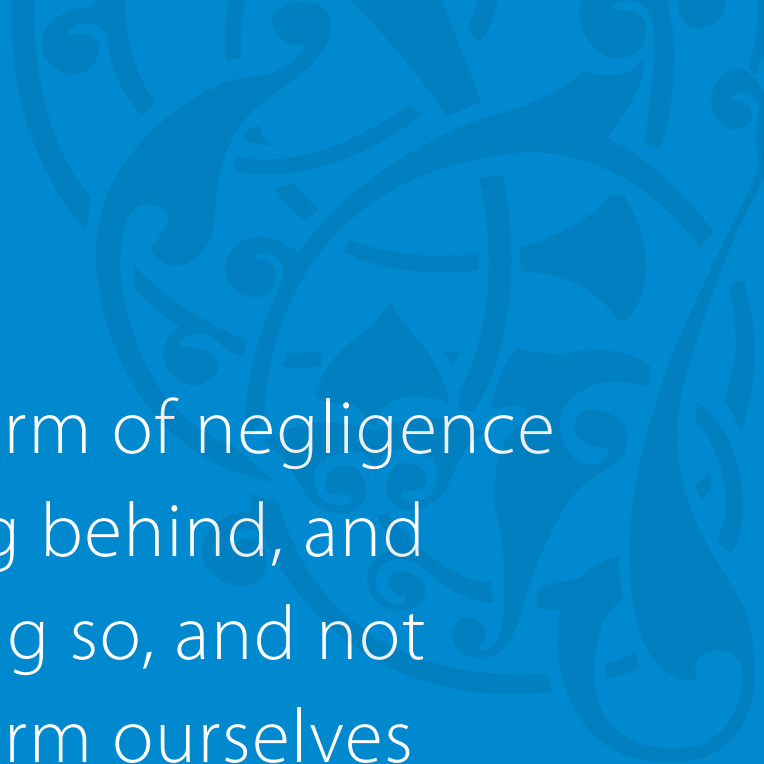
The way forward to sustainable development

2007/2008



IN COOPERATION WITH

PRICEWATERHOUSECOOPERS 
INTELLIGENCE & RESEARCH UNIT



“It is the ultimate form of negligence to know why we lag behind, and the dangers of doing so, and not to act. We have to arm ourselves with courage and work quickly and seriously to tackle the reasons that put our region behind the rest of the world and our era. I call upon governments, businessmen, civil society, authors, professors and the wealthy, to shoulder their responsibilities.”

HH Sheikh Mohammed bin Rashid Al Maktoum,
Dead Sea Forum, May 2007

FOREWORD

The Arab Business Intelligence Review represents a response by the most prominent business leaders in the region to these very words.

One year ago, a \$10 billion fund aimed at enhancing knowledge and education throughout the region coincided with the establishment of the Mohammed bin Rashid Foundation (MBRF). HH Sheikh Mohammed bin Rashid Al Maktoum's call to action saw the MBRF intensely engaged thereafter with Arab business leaders in collecting countless, often provocative, insights on how to best make improvements.

Whilst economic confidence in the region is at an all time high, key challenges to sustainable growth have very clearly emerged and without concrete changes today, regional development could be severely hindered.

It appears that human capital, and the mismatch between supply and demand, both in terms of the quality and quantity of labor available, is the most pressing challenge to Arab businesses going forward.

Business leaders from 18 countries across the region discussed and debated their views in this regard and came to some important conclusions. Enhancing the quality of education and improving teacher training are considered top priorities for closing the skills gap. Public and private sector cooperation is yet another key component to progress, especially in education.

The review is a blueprint for reform and a record of thoughts and recommendations from Arab business leaders for the region as a whole. The MBRF has absorbed their views, acted upon them and aims to develop new programs. It is also committed to monitoring their progress.

We would like to thank PricewaterhouseCoopers for helping us to develop a rigorous methodology for the study and for assuring high standards of objectivity, integrity and independence towards the undertaking of such an exercise. As a result of their support, both the fieldwork required and the interviews conducted were run in a comprehensive and professional manner.

We would also like to thank all those individuals involved, who made the study possible.

Nabil Ali Alyousuf

Director General, The Executive Office, Dubai Government

INTRODUCTION & METHODOLOGY

In May 2007, at the World Economic Forum at the Middle East Sharm el Sheikh, HH Sheikh Mohammed bin Rashid Al Maktoum announced the establishment of the Mohammed bin Rashid Foundation (MBRF).

One of the MBRF's key mandates is to focus on improving education and subsequently enhance the levels of human capital throughout the region.

With courage, the Arab Business Intelligence Review represents the voice of the Arab business leaders, a voice that raises and tackles the issues that hold the region behind.



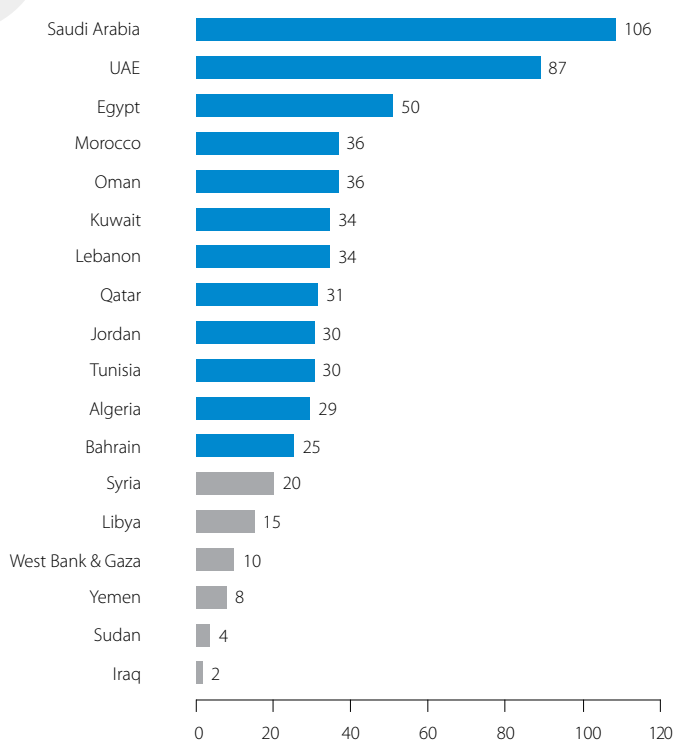
The Arab Business Intelligence Review identifies factors that threaten to affect sustainable growth and development in the Arab World. In particular, it identifies issues pertaining to human capital and education deficiencies, and puts forth recommendations for improving education in one of the fastest developing regions in the world.

The report is a comprehensive and independent assessment of the Arab World's corporate agenda, addressing the issues faced by leaders of the region's private sector. Leading executives have offered their insight into:

- Drivers of business confidence
- Drivers of business growth
- Barriers to business growth



RESPONDENTS BY COUNTRY



INDUSTRY / SECTORS

Financial Services
 Entertainment and Media
 Healthcare
 Travel (of people) and Tourism
 Information and Communication Technologies (ICTs)
 Retail and Consumer Goods
 Transport (of cargo), Logistics & Storage
 Energy
 Utilities
 Mining
 Real Estate
 Engineering and Construction

Please note that when industry specific quantitative analysis is considered the report combines 'Utilities and Mining', and 'Engineering, Construction and Real Estate' sectors as individually the number of respondents were too low.

Please note that when country specific quantitative analysis is considered the report excludes countries with less than 20 respondents; namely Syria, Libya, West Bank & Gaza, Yemen, Sudan and Iraq.

The Arab Business Intelligence Review based its analysis on 587 survey results which were completed in Arabic, English and French across 12 industry sectors and 18 Arab countries, during the third quarter of 2007. In addition to the quantitative survey, the study was complimented by in-depth interviews with more than 40 prominent senior Arab executives, leaders in their respective industries or markets. These CEOs agreed to comment on many of the results and provide their insight.

INTRODUCTION & METHODOLOGY/ Continued

Furthermore, the research was shared with senior representatives of International Organizations who provided secondary research to help place the survey results in a socio-economic context. Finally, numerous CEOs and public sector representatives throughout the region shared their own successful experiences and best practices. The report utilizes the collective views of these executives to identify issues, provide new ideas, solutions and recommendations.

The Arab Business Intelligence Review database is representative of the GDPs of participating countries. Equally, the respondent base illustrates a statistically valid account of the region as a whole. Great care was also taken to ensure that enough responses were acquired in each of the 12 sectors to provide for sound comparisons.

Using survey data the Arab Business Intelligence Review constructs three indices that are used to highlight key findings:

- The Economic Confidence Index
 - The Education Capability Index
 - The Education Involvement Index
-



Talent crunch: The Arab CEOs' biggest fear

KEY MESSAGES

1. BUOYANT ECONOMIC CONFIDENCE

The survey revealed that economic confidence, in the Arab World as a whole, continues to rise to new record heights, up 2.4 points from 75.6 points in 2006 to 78 points in 2007. These results are 34 points higher than in the United States.¹ Furthermore, 86% of Arab CEOs claim to have achieved their revenue targets last year and are confident of achieving them again in 2008. Moreover 77% of Arab business leaders were optimistic about future growth prospects and improved conditions over the next few years.

2. LOW EDUCATION CAPABILITY

The Education Capability Index, which represents CEO satisfaction levels related to the education system, is based on the current quality, the adequate skills acquired by students upon graduating and the ability of the education system to meet future market requirements. Overall it is particularly low in the Arab region at a mere 42.6 points.

3. TALENT CRUNCH - A SKILLS GAP

The lack of available talent and trained resources was the greatest threat identified by Arab CEOs for sustainable development. Only half of the CEOs surveyed believe that there are sufficient numbers of qualified students coming out of the education system, with 54% citing that new graduates carry the right skills set. Equally, only 48% believe that these skilled students are provided in sufficient quantities. Gulf leaders are amongst the least satisfied with the supply of skilled students, with only 37% citing their satisfaction.

4. IMPROVING EDUCATION

With regards to education, Arab CEOs believe that improvements must be made, first and foremost, to curriculum delivery and content. Across all three sub regions, improving teacher training is considered the most important issue to address at both high school and university levels. This was followed by the enhanced delivery of curricula, study of second language and improved facilities. The issue of better facilities was deemed particularly important to respondents in the Levant.

¹ The ABIR score was benchmarked to the US Conference Board score of Q3 of 2007, the time the ABIR fieldwork took place.

5. PUBLIC AND PRIVATE COOPERATION FOR EDUCATION DEVELOPMENT

CEOs emphasize the need for governments to take an active role in regulating and monitoring the education system throughout the region. The importance of private and public sector cooperation also emerged as fundamental to improving service delivery and quality. According to survey findings, only 35% of Arab CEOs believe that the private sector in their countries has successfully communicated its expectations to the education system. That said, based on the Education Involvement Index score of 66 points, it is evident that Arab CEOs are willing to participate and be involved in making the necessary improvements to education. This positive attitude is more or less consistent across the region. The fact that most Arab business leaders expressed a willingness to participate in improving education is a foundation upon which to build further public-private cooperation.

6. HUMAN CAPITAL CHALLENGE

Exceptional economic growth in the Arab region has not coincided with equally buoyant labor and human resource development, raising obvious concerns for sustainable and balanced growth. Survey results reveal that only 38% of Arab CEOs believe that there is an ample supply of qualified national labor, which therefore translates to a heavy reliance on the recruitment of expatriates. The Gulf suffers the most from this insufficiency of skilled labor and therefore has the highest reliance on expatriates at 91%. Moreover, another key challenge as highlighted by Gulf CEOs is that the quality and productivity of expatriates is far superior than the national workforce at all management levels.

7. EMPLOYMENT TRENDS NOT WOMEN AND YOUTH FRIENDLY

Employment creation for young people is a major challenge in the Arab region. The region faces a demographic 'youth bulge'; whereby 30% of the population falls between 15-24 years. However, the employment to population ratio of this age cohort remains extremely low: 32.2% in the Middle East and 27.4% in North Africa. Clearly the region is failing to capitalize on its future 'Youth human capital' value. Furthermore according to Arab CEOs, increasing the labor force participation and integration of women into their workforce is a major challenge. They state that failure to make improvements could result in both a social and economic cost to the region in terms of a loss of human capital utilization and returns from education.

ECONOMIC CONFIDENCE BAROMETER

AIMING FOR THE SKY

The Gulf, Levant and North Africa have experienced exceptional rates of development over the last few years. The region's record growth remains strong at 5.8%² in 2007, and continues to outpace global growth.

In the oil exporting countries of the Gulf, high oil prices have fueled a significant increase in both public spending and infrastructure development. There has been a wave of policy reforms to improve investment and the overall business climate, though the region still has room for improvement. Fiscal reforms, the move to adopt a Value Added Tax system, as well as the gradual reduction of government subsidies have all served to promote development throughout the region.

Record high levels of liquidity in the Gulf have encouraged public spending, re-investment and foreign direct investment (FDI) outflow to many Arab countries such as Egypt, Jordan and Tunisia. This FDI outflow has gone into numerous sectors that have since prospered, such as tourism, real estate, construction and financial services. These sectors have become the main vehicles for growth and have generated employment for people throughout the region at all levels.

The region's growing economy has thus created a heightened need for skilled and qualified labor. Increased pressures on the demand for a skilled national workforce have only further revealed the scarcity of its supply. This gap between supply and demand is further exacerbated by the fact that a large proportion of the population is under the age of 30 and weaknesses have been identified in the region's education systems ability to supply relevant skills and provide available training.

² IMF: Regional Economic Outlook, Middle East and Central Asia, statistical appendix table 1, 2007



77%

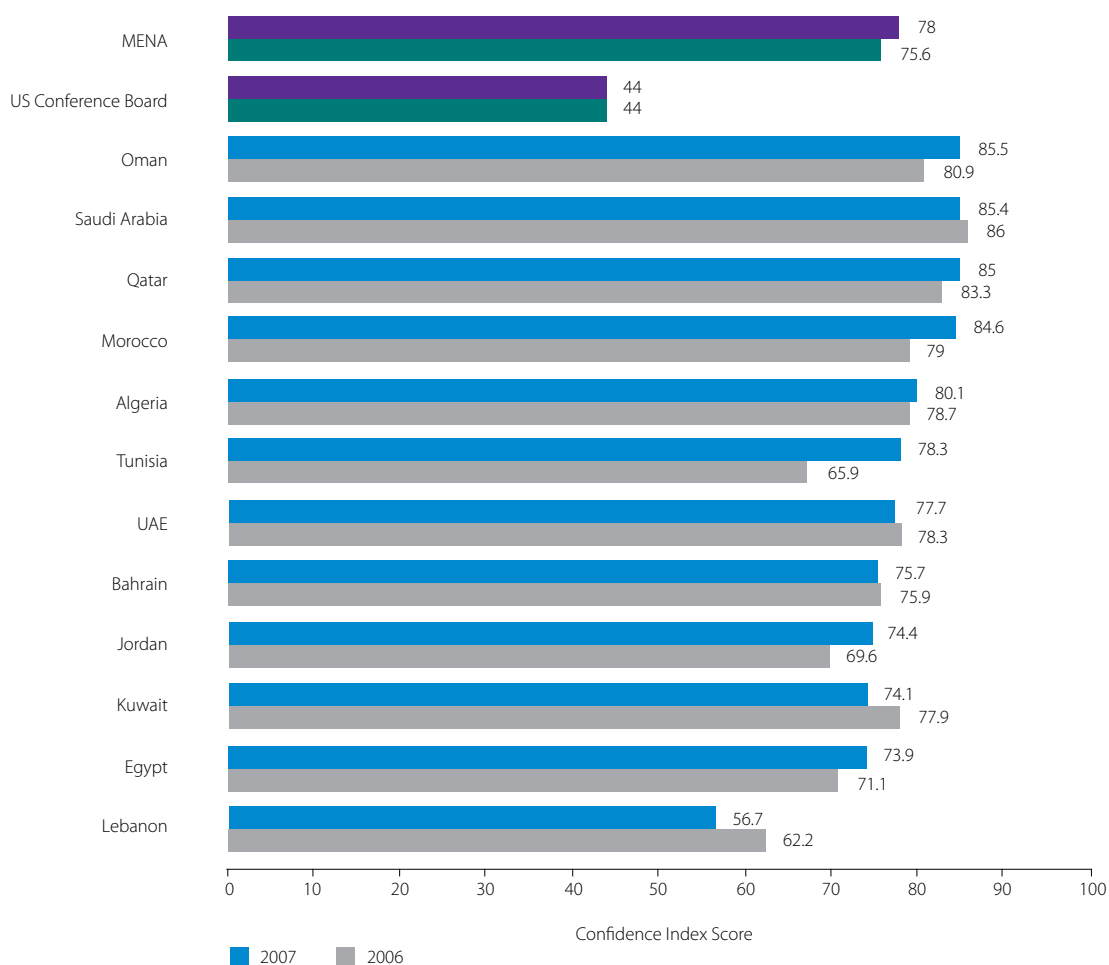
of Arab CEOs believe conditions will
further improve over the next year

ECONOMIC CONFIDENCE BAROMETER/ Continued

BUOYANT ECONOMIC CONFIDENCE

The survey revealed that economic confidence, based on the Gulf, Levant and North Africa region as a whole, continues to rise to new record heights, up 2.4 points from 75.6 in 2006 to 78 points in 2007. These results are 34 points higher than in the United States³. Furthermore, 86% of Arab CEOs achieved their revenue targets last year and are confident of achieving their targets for 2008.

ECONOMIC CONFIDENCE INDEX⁴



³The ABIR score was benchmarked to the US Conference Board score of Q3 of 2007 at the time the ABIR fieldwork took place.

⁴The index is produced by averaging the proportion of positive responses to three questions: whether economic conditions have improved over the last 12 months, whether they will improve over the next 12 months and whether the respondent's company will meet their expected revenue target.

High confidence levels reflect the region's strong economic performance, with 77% of Arab business leaders optimistic about further economic improvement over the next year.

"The market is buoyant in the Middle East and all signs are that this region will experience one of the fastest growth rate over the next 10 to 15 years."

Mr. Akbar Al Baker,

Chief Executive Officer, Qatar Airways, Qatar.

ECONOMIC CONFIDENCE INDEX AND GDP GROWTH

Country	Economic Confidence Index 2007	%GDP growth 2007	Economic Confidence Index 2006	%GDP growth 2006	Economic Confidence Index 2005	%GDP growth 2005
Oman	85.5	6.4	80.9	6.8	83.3	6.0
Saudi Arabia	85.4	4.1	86.0	4.3	87.9	6.1
Qatar	85.0	14.2	83.3	10.3	88.3	9.2
Morocco	84.6	2.2	79.0	8.0	60.6	2.4
Algeria	80.1	4.6	78.7	2.0	81.7	5.1
Tunisia	78.3	6.3	65.9	5.5	57.1	4.0
UAE	77.7	7.4	78.3	9.4	87.0	8.2
Bahrain	75.7	6.6	75.9	6.5	90.5	7.9
Jordan	74.4	5.7	69.6	6.3	78.0	7.1
Kuwait	74.1	4.6	77.9	6.3	77.8	11.4
Egypt	73.9	7.1	71.1	6.8	71.2	4.5
Lebanon	56.7	4.0	62.2	0.0	63.7	1.1

Estimations

Note: 1) GDP annual percentage change at constant prices (National Currency)

Source: GDP-IMF World Economic Data base 2008. Economic confidence index based on PwC calculations.

This would appear to suggest that the North American and European sub-prime crisis as well as the general unrest in global markets have not had a significant direct impact on the region's economic performance, an opinion held by the vast majority of Arab CEOs interviewed.

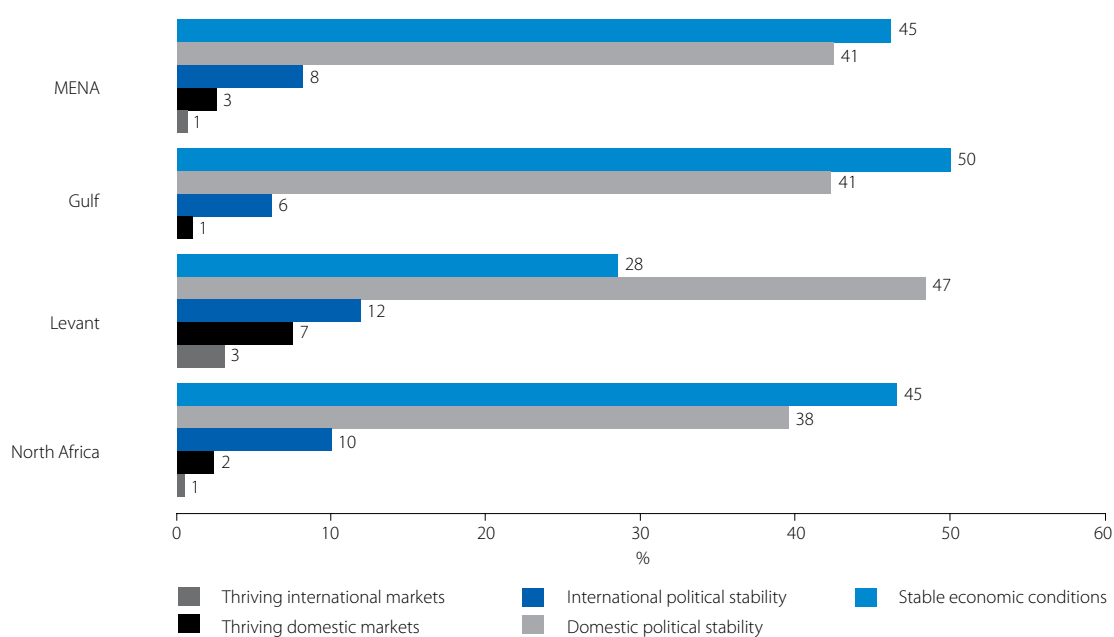
ECONOMIC CONFIDENCE BAROMETER/ Continued

ECONOMIC CONFIDENCE INDEX AND GDP GROWTH RATE

The movements in CEO confidence levels are consistent with, and in some instances closely mirrored to the variation in GDP growth rates from 2006 to 2007. This is the case in most countries with the exception of Lebanon and Morocco.

This anomaly can in part be explained by the political unrest that exists in Lebanon that has affected confidence levels despite the fact that, GDP growth rates doubled during the designated time period. In Morocco, on the other hand, a severe drought led to a substantial drop in agricultural yield and fall in GDP growth. It did not affect confidence levels as such risks towards economic performance are not considered recurrent.

DRIVERS OF ECONOMIC CONFIDENCE





“There is a boom here with every month several new European or Arab companies setting up factories and investing money in many areas.”

Mr. Moncef Mzabi,

Chairman & Chief Executive Officer, Mzabi Group, Tunisia

ECONOMIC CONFIDENCE BAROMETER/ Continued

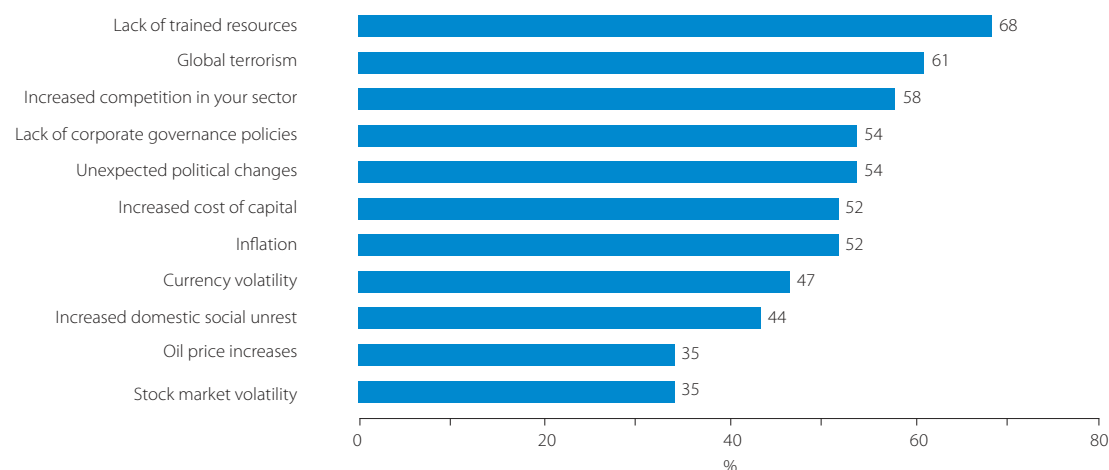
Stable economic conditions and domestic political stability are identified by senior executives as the most important drivers of economic confidence in the region. However, the relative importance of both economics and politics differs on a sub-regional basis. While the two factors are of similar importance in the Gulf and North Africa, domestic political conditions are considered to be the most important factor affecting the level of economic confidence in the Levant. This is a reflection of the often destabilizing geopolitical dynamics prevalent there.

CHALLENGES TOWARDS SUSTAINABLE BUSINESS GROWTH AND ECONOMIC CONFIDENCE

Even though the Arab World's business leaders expressed optimism with regard to both the current and future prospects of their respective economies, with 77% claiming that economic conditions would improve next year, CEOs also expressed a series of concerns and fears.

Arab CEOs identified the lack of available and trained resources as the most important threat to long-term business growth at 68%. Global terrorism was considered the second greatest threat to long-term business growth at 61%, followed by increased competition within sectors at 58%.

THREATS TO LONG-TERM BUSINESS GROWTH



It is also worth noting that over the past two years, the perception of inflation as a threat to long-term business growth has increased from 47% in 2005, to 52% in 2007.

“I believe that inflation is the result of both the impact of the dollar peg and the supply and demand aspect of various goods in Bahrain. The main fear now is that inflation would have a social impact, which will lead to the erosion of the middle class.”

Mr. Abdulkarim Al-Sayed,

Chief Executive Officer, Bahrain Petroleum Company, Bahrain

Whilst Arab CEOs in the Travel and Tourism sector considered global terrorism to be the greatest threat to business growth, 73% of CEOs operating in Engineering, Construction, and Real Estate, as well as in the ICT and Financial Services sectors identified the lack of available and trained resources as the greatest threat.

HUMAN CAPITAL CHALLENGE

BUSINESS CONFIDENCE FACES TALENT THREAT

The region's exceptional economic growth over the last decade has not coincided with equally buoyant labor and human resource development. This has raised obvious concerns for sustainable and balanced growth throughout the Arab world.

North Africa, for example has the lowest employment-to-population ratio in the world, whereby not even five out of every ten people of the working-age population (15-64 years) are classified as employed. This low share is associated, in part, with the minimal number of women and youth in the workforce. Moreover, the region has faced high labor growth rates averaging around 4.9% in the Middle East and 3.3 % in North Africa annually over the last decade (1997-2007)⁵, associated with a share of youth to the working age population of over 30%⁶.

EMPLOYMENT TRENDS ARE NOT WOMEN AND YOUTH FRIENDLY

It is evident therefore that employment creation is a major challenge in the region, especially for young people as they move towards entry to the labor market. Unfortunately, regional economic growth has not been 'youth employment friendly' per se. In other words, these economies have been ineffective in creating jobs for the youth age cohort, evident from the low employment-to-population ratios⁷ of 32.2% in the Middle East and 27.4%⁸ for North Africa.

"Almost 50% of the GCC's population is under the age of 25. On the employment front, this could be a boom! If such manpower is employed suitably it would accelerate growth significantly. Thus over years to come, creating job opportunities to such a young and rapidly growing population is a major challenge."

Mrs. Maha Al-Ghunaim,

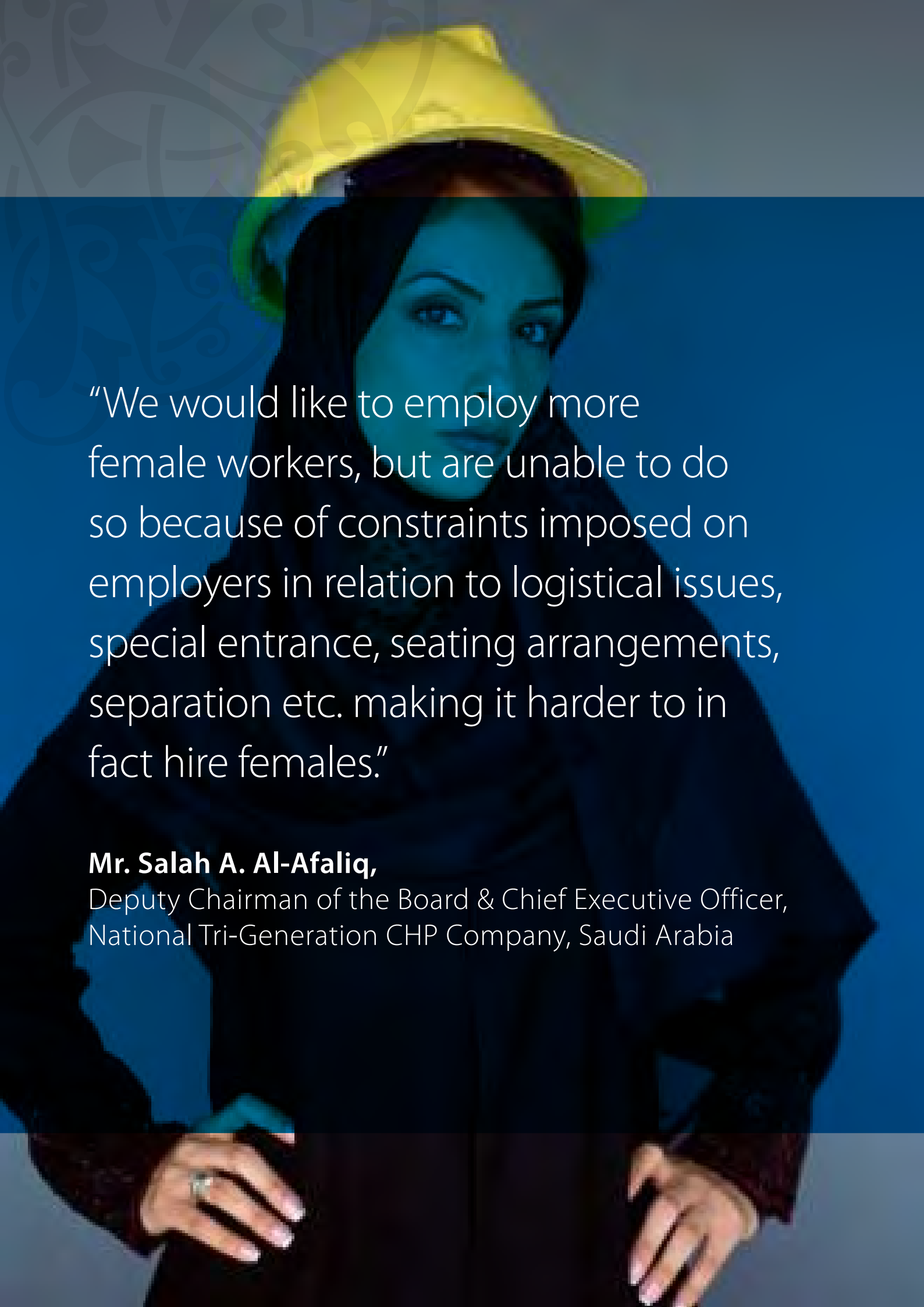
Chairman, Global Investment House, Kuwait

⁵ ILO, Global Employment Trends Model November 2007; IMF, World Economic Outlook, October 2007

⁶ ILO, Employment Trends Model November 2007, Appendix 2

⁷ The employment-to-population ratio is defined as the proportion of an economy's working-age population that is employed. As an indicator, the employment-to population ratio provides information on the ability of an economy to create jobs


⁸ ILO, Employment Trends Model November 2007, Appendix 2



“We would like to employ more female workers, but are unable to do so because of constraints imposed on employers in relation to logistical issues, special entrance, seating arrangements, separation etc. making it harder to in fact hire females.”

Mr. Salah A. Al-Afaliq,

Deputy Chairman of the Board & Chief Executive Officer,
National Tri-Generation CHP Company, Saudi Arabia



“I would say that we have a matching problem that relates to the quality and competencies of the supply of labor and our demand, rather than being a quantity issue of labor supply.”

Mr. Helmy Abouleish,
Managing Director, Sekem Group, Egypt

Increasing labor force participation and the integration of women into the workforce are major challenges faced by Arab business leaders. The failure to make improvements could result in both a social and economic cost to the region in terms of the loss in potential human capital utilization and returns from education. This concern has been highlighted by several Arab business leaders.

In addition, more than 90% of Arab CEOs believe that increasing female education will have a positive effect on the Arab world by enhancing the human capital value of women in the region. An overwhelming majority of business leaders believe in increasing female education, even in countries with very low levels of female workforce participation, such as Saudi Arabia.

To add to this dilemma, the Arab world also has one of the lowest labor productivity growth rates. This is a serious concern for many in the business community, especially as the region moves towards greater participation in the global economy.

“Women are very important, they account for 50% of the population. In some countries, when you realize that 50% of the population is paralyzed because they are women, it is a big deficiency for the economies.”

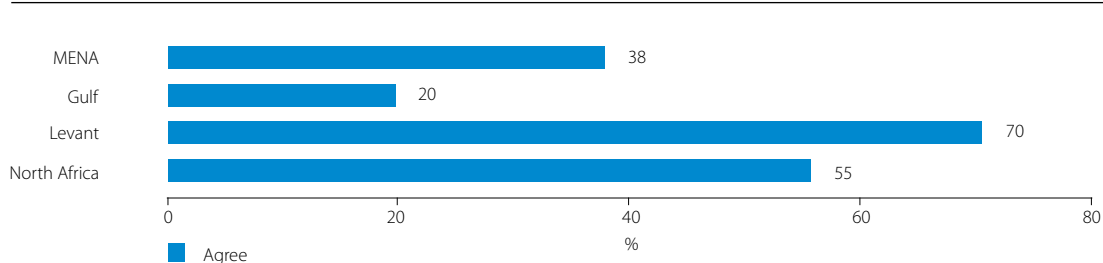
Mr. Moncef Mzabi,

Chairman & Chief Executive Officer, Mzabi Group, Tunisia


SOME SAY IT’S AN ISSUE OF QUALITY AND SOME SAY IT’S AN ISSUE OF QUANTITY. UNFORTUNATELY IT’S BOTH

Arab CEOs also identified the issues of quantity and quality in discussions pertaining to the region’s human capital challenges. For example, most Arab business leaders claim that there is an insufficient supply or quantity of qualified national labor. Accordingly, only 38% of CEOs surveyed felt that there was a sufficient supply of qualified national workers. This perception varies however amongst the different sub-regions, with 70% of CEOs from the Levant perceiving the supply of qualified national labor , as being sufficient.

IS THERE A SUFFICIENT SUPPLY OF QUALIFIED NATIONAL LABOR?



These results are complimented by the high incidence of expatriates as a percentage of the workforce. Here, 91% of Gulf CEOs claim to depend on the recruitment of expatriates to fill key positions.



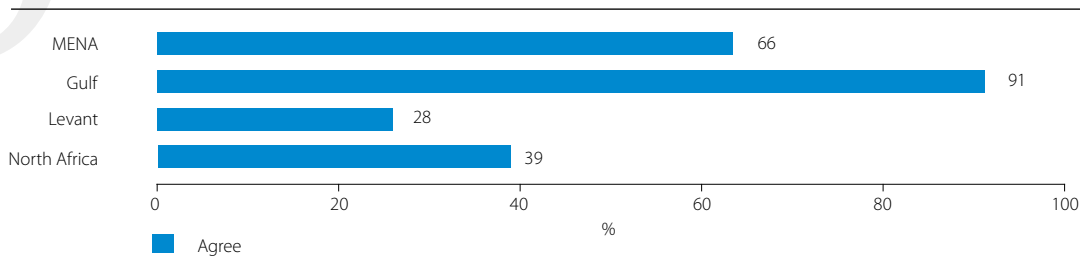
“The supply of qualified labor is not meeting the demand for qualified labor in the Arab world in general terms and in KSA as well.”

Dr. Mazen Ibrahim S. Hassounah,

Chief Executive Officer and Managing Director,
Rana Investment Company, Saudi Arabia



DEPENDANCE ON THE RECRUITMENT OF EXPATRIATES TO FILL KEY POSITIONS

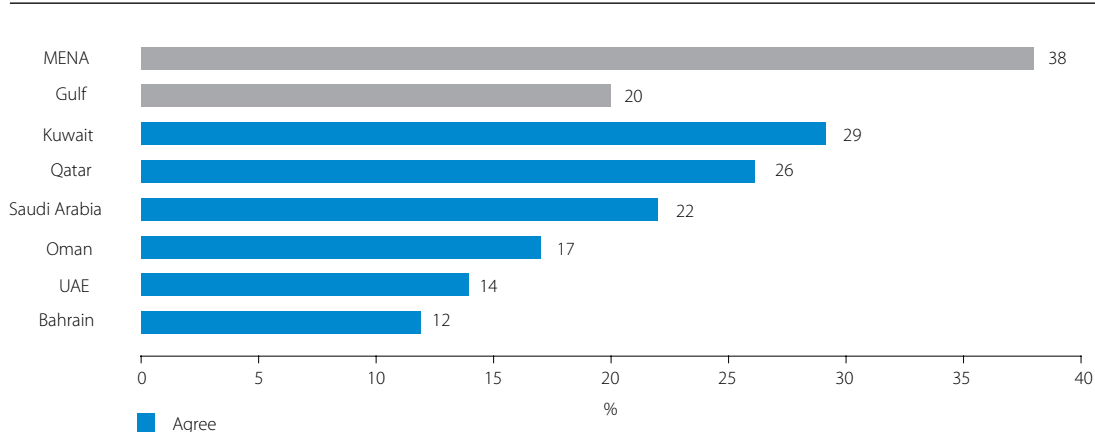


The Arab world faces a dual dilemma with regards to its human capital development. On the one hand, there exist supply-side pressures from a growing labor force with a significant youth incidence. On the other hand, there appears to be a 'structural' employability issue, whereby the skills available are not those that are required. In other words, there is a mismatch between the 'supply of' and 'demand for' local human resources. Arab CEOs blame this on the weak links between education, training, skills development and the labor market.

WORKFORCE COMPOSITION: COUNTRY AND REGIONAL PERSPECTIVES

In the Gulf region, supply-side distortions associated with the skilled national workforce combined with the rapid diversification of the region's economy, have compelled most Gulf business leaders to hire expatriates to meet their development needs.

IS THERE A SUFFICIENT SUPPLY OF QUALIFIED NATIONAL LABOR?



HUMAN CAPITAL CHALLENGE/ Continued

A mere 14% of CEOs from the UAE and 12% of CEOs from Bahrain expressed satisfaction in the sufficient supply of skilled nationals. Whilst Kuwaiti CEOs ranked highest at a mere 29% in terms of their satisfaction in the supply of skilled nationals, results for the Gulf region as a whole demonstrated low confidence levels.

Further, survey results reveal that 97% of Qatari CEOs, 94% of UAE CEOs and 85% of Kuwaiti CEOs interviewed claim to be dependent on the recruitment of expatriates. These findings would explain the high population growth rates throughout the Gulf, a phenomenon largely attributed to the vast influx of foreign workers.

NATIONAL VS. EXPATRIATE WORKFORCE

Arab CEOs were also asked to assess the quality of their expatriate and national workforces with a close examination of productivity and efficiency at different levels. Survey results show that 90% of Gulf CEOs value their expatriate senior management whereas only 68% shared similar views towards their national senior management.

“In the Arab world, we often hire expats for higher management with global experience - as there tends to be a shortage of nationals at this level”

HE Samer Majali,

President & Chief Executive Officer, Royal Jordanian, Jordan

Equally, only 55% of Gulf CEOs expressed satisfaction in the quality of their national middle managers. 92%, on the other hand, felt that the quality of their expatriate middle management workforce was of a high standard.

Using management levels as a proxy for experience or tenure in a firm or industry, and assuming that the average age for senior managers is higher than that of middle level management, these results are alarming.

The high proportion of CEOs expressing such low levels of satisfaction with the output of their national middle management seems to imply that the quality of work delivered by the younger, less-experienced nationals in the workforce is poor. This in turn reflects a low quality of future 'in-house' potential national senior resources.

ARABIZATION AND REDUCING RELIANCE ON EXPATRIATES

The rising unemployment rates amongst nationals and the need to increase the human capital contribution of the national workforce has encouraged many Arab governments to embark on Arabization policies. These policies were designed to increase the labor force participation of nationals, increase the proportion of national workers across different sectors, enhance their productivity and ultimately replace expatriate workers with national workers.

"We have a social obligation towards our nationals."

Mr. Abdulkarim Al-Sayed,

Chief Executive Officer, Bahrain Petroleum Company, Bahrain

Survey results confirm that Arabization policy outcomes have not lived up to their initial expectations. In fact, Gulf business leaders have been reluctant to replace expatriate workers with nationals. As earlier analysis suggests, Gulf CEOs tend to regard the quality, productivity and efficiency, of expatriate workers to be of superior value to their national resources. These same CEOs would rather avoid replacing an already efficient expatriate human resource base with potentially less productive national resources.

Of greater concern, however, is whether such perceptions will ultimately change over time as a large proportion of CEOs perceive the gap in both skills and education to be a serious threat to growth going forward. Moreover, most CEOs felt that these issues were not being

HUMAN CAPITAL CHALLENGE/ Continued

adequately addressed as the existing education system was not producing suitably skilled graduates.

“The notion of labor quotas and the Nationalization policy is effecting negatively, for the simple reason that the supply of expertise does not match what the industry requires.”

Mr. Hussam Abu Issa,

Vice Chairman & Chief Operations Officer, Salam International Investments Ltd, Qatar

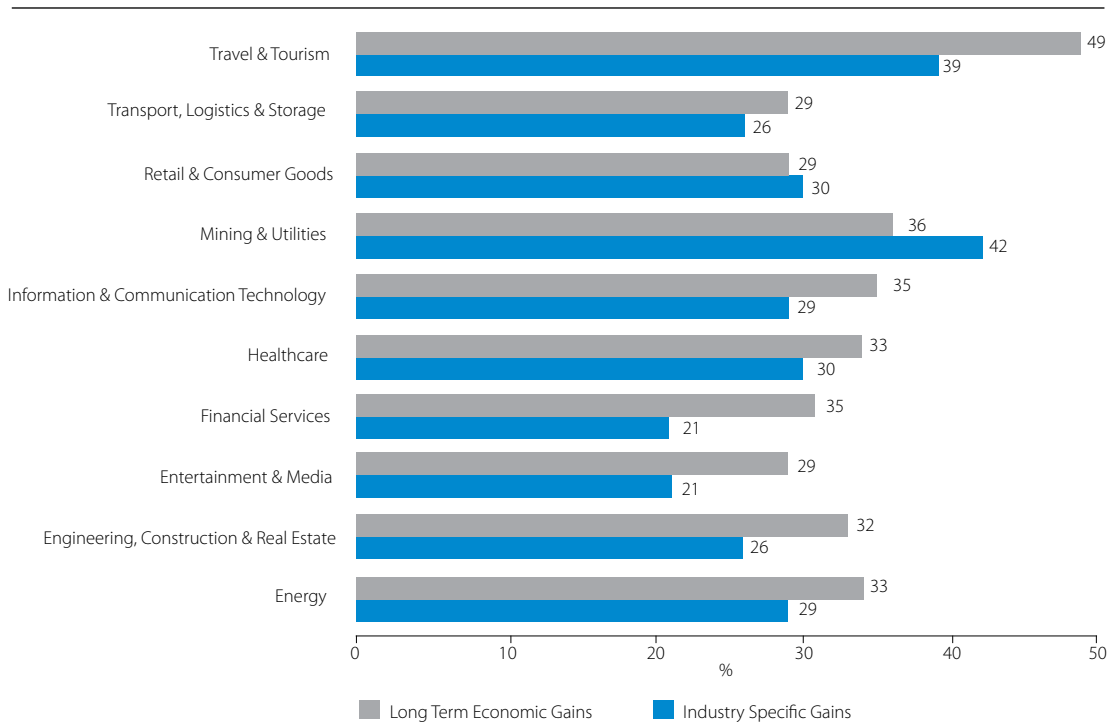
Overall therefore, CEOs do not perceive compulsory Arabization quotas to be particularly beneficial. Only 29% of Gulf CEOs believe that imposing compulsory Arabization quotas will ultimately enhance their company's current performance. Likewise, 41% of Gulf CEOs believe that compulsory Arabization quotas will benefit the economy. It is important to note that the issue of Arabization was not a concern for CEOs in the Levant and North Africa given their minimal reliance on foreign labor.

There also exist variations by sector. For example, 42% of CEOs in Mining and Utilities perceive nationalization quotas to have added value to their organizations, compared to only 21% in Financial Services and 21% in Entertainment & Media. It is worth noting here that this variation may have been influenced by the fact that the Utilities sector is often state owned and therefore compelled for reasons of strategic importance to be managed by nationals. On the other hand, due to both domestic and international competition, sectors like Financial Services, Entertainment & Media, cannot afford to compromise on labor efficiency.

When asked to identify whether there was an adequate transfer of 'know-how' from expatriates to national staff, 74% of Arab CEOs believed that this was the case. That said, the proportion of CEOs in the UAE and Qatar who shared this view was lower than the Gulf

average of 70%. Conversely, confidence was much higher amongst CEOs in the Levant at 88% and North Africa at 85%, results that can be attributed to the higher national productivity and educational levels prevalent in those sub-regions.

COMPULSORY ARABIZATION QUOTAS WILL IMPROVE INDUSTRY-SPECIFIC AND LONG-TERM ECONOMIC GAINS - BY SECTOR



“Nobody would want to bring in an expatriate, if they can find an equivalent National. That’s a fact”.

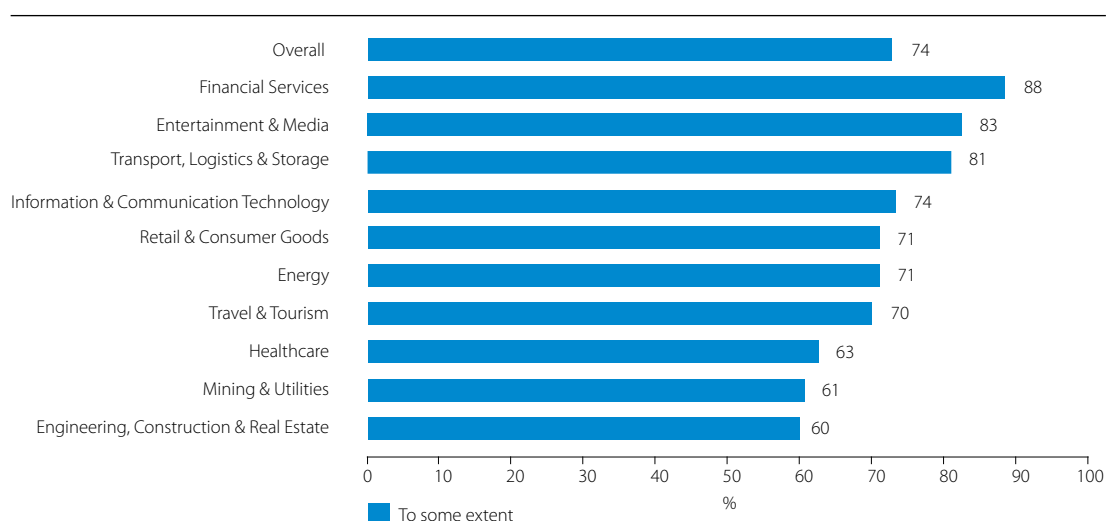
Mr. Tariq Al-Saffar,

Managing Director, Fortune Promoseven, Bahrain

HUMAN CAPITAL CHALLENGE/ Continued

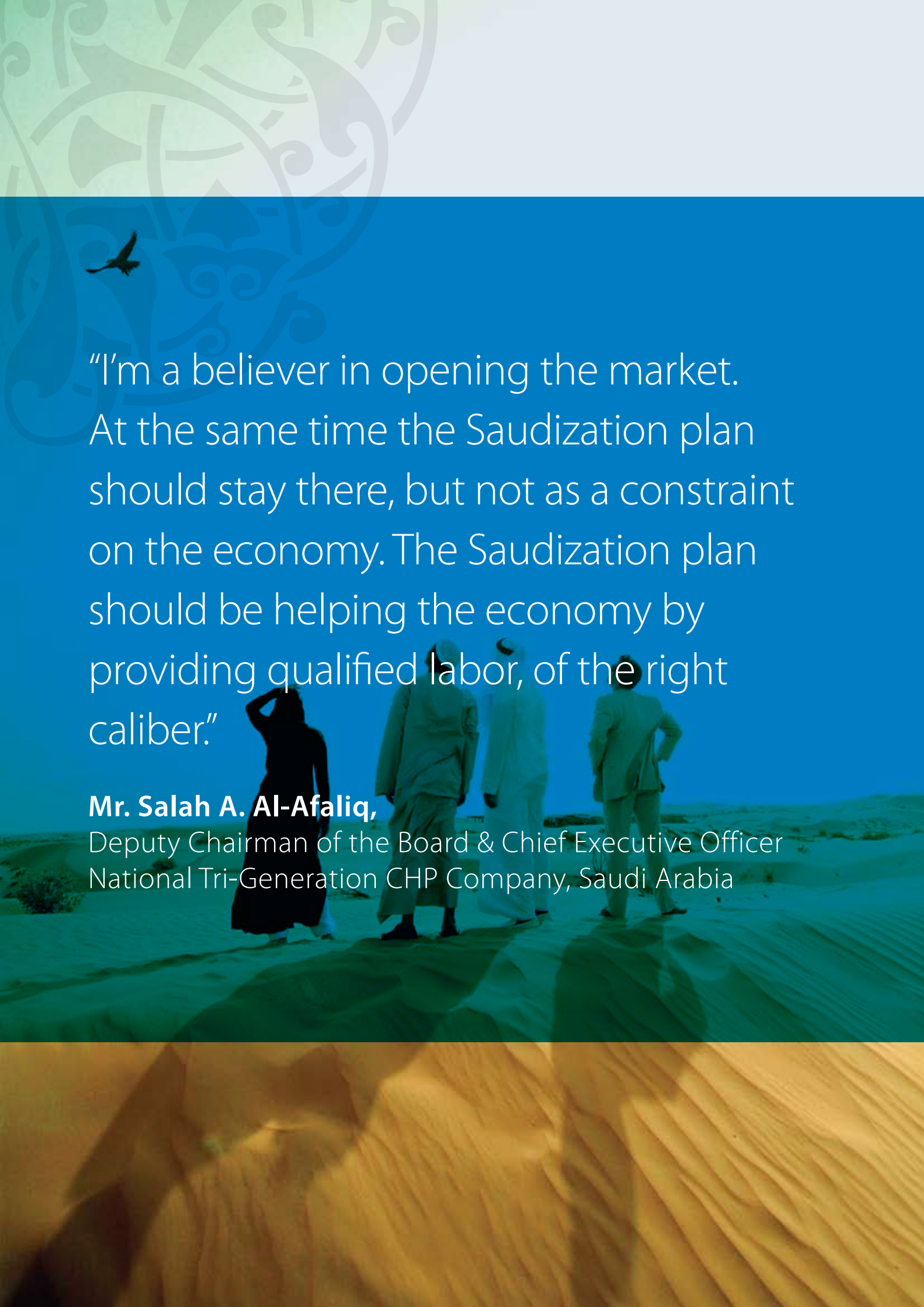
Exploring these views by sector, 88% of CEOs in Financial Services, 83% in Media and Entertainment and 81% in Transport, Logistics and Storage (TLS) felt that there was an adequate transfer of 'know-how', a significantly higher proportion than the overall average of 74%. These views are promising, given that the above outlined sectors are principal 'drivers' of economic growth.

THERE IS AN ADEQUATE TRANSFER OF 'KNOW-HOW' AND KNOWLEDGE FROM EXPATRIATE TO NATIONAL STAFF - BY SECTOR



To sum up findings it appears that past Arabization initiatives have been supply-driven, with quotas on hiring nationals historically enforced irrespective of industry demand. This trend however failed to address a core private sector concern that the national workforce was not equipped with adequate skills, in turn leading to the continued preference of hiring expatriates.

Equally, on a more positive note, a high proportion of CEOs believe that there is an adequate transfer of 'know-how' from their expatriate staff to national staff. Assuming that CEOs hire nationals on the basis of selection not enforcement, Arabization policies still require a stronger skills development and training component which might enhance the applicability of national skills to industry needs. This in turn would encourage companies to hire nationals whose competencies are considered useful.



"I'm a believer in opening the market. At the same time the Saudization plan should stay there, but not as a constraint on the economy. The Saudization plan should be helping the economy by providing qualified labor, of the right caliber."

Mr. Salah A. Al-Afaliq,

Deputy Chairman of the Board & Chief Executive Officer
National Tri-Generation CHP Company, Saudi Arabia

HUMAN CAPITAL CHALLENGE/ Continued

RISING LABOR COSTS

When asked whether they expect labor costs to increase in the coming years, 84% of Arab CEOs believe that they will, particularly those based in the Gulf region. Results demonstrate that Arab CEOs consider the high demand for labor (92%) to be the primary drive behind the rising costs of skilled labor, followed by a shortage in skilled domestic labor (78%) and inflation (66%). These results are fairly consistent across the three sub-regions.

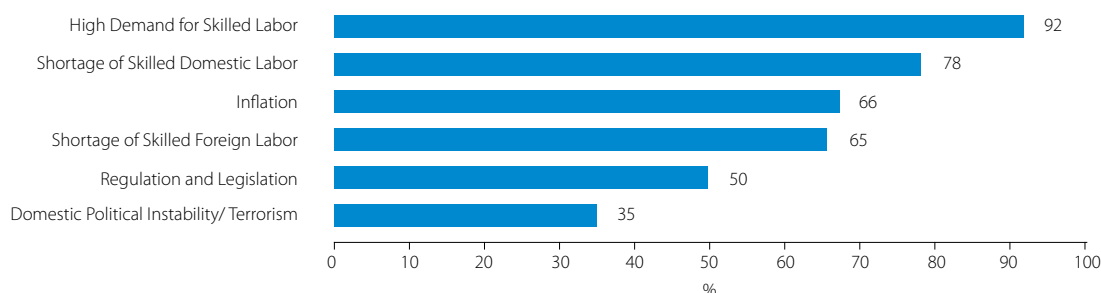
Rising wages can in part be attributed to the continued growth and subsequent demand for skills which have outstripped supply, most of which are imported. The recruitment of professionals from foreign countries has thus encouraged the introduction of higher remunerative packages so as to attract workers. Moreover, soaring house prices and the rising cost of living have compelled companies to raise staff wages in order to retain staff. This scenario sets the stage for a wage price spiral, which is likely to see wages continuing to rise in order to remain in line with inflation.

“The labor market is becoming increasingly tight and the salaries are getting higher. It’s becoming hard to cope with the growth and the competition.”

Mr. Talal Shair,

Chairman, Dar Al Handasah, Lebanon

REASONS FOR EXPECTED INCREASE IN COST OF SKILLED LABOR



STRUGGLING TO ATTRACT AND TO RECRUIT

When Arab CEOs were asked to identify the major challenges associated with recruiting both national and expatriate staff, 67% claimed that *finding* high caliber candidates was the major challenge, likewise 57% believed that *attracting* high caliber candidates was another key challenge.

“There is a shortage of skills in the country and retaining and attracting is a very hard job.”

Mr. Nader Kalai,

Chief Executive Officer, Syriatel, Syria

Going one step further, the survey also identifies challenges faced by CEOs in recruiting staff at different levels. Results demonstrate that CEOs in the Arab World find it most challenging to recruit senior management (62%), followed by the recruitment of middle management (51%), operational/technical staff (44%) and administrative staff (22%).

The difficulty associated with recruiting national senior management over middle management is largely a result of the limited availability of experienced and older national professionals. This is the case, in part because historically the older generation in the Gulf region has had lower labor force participation rates. Lower levels of education as well as the fact that the older age cohort is less accustomed to working in a modern day competitive environment have also presented an issue. These factors combined have resulted in a limited supply of experienced nationals in the workforce.

“It is better to hire more from the Arab expatriates’ pool of neighboring countries than hiring other non-Arab expatriates, who may come cheaper, but are unable to adjust to the Arab culture, or influence it.”

Mr. Jamal Al Mutarreb,

Chief Executive Officer, Al Mutarreb Enterprises Group, Yemen

EDUCATION AND SKILLS DEVELOPMENT

CEO'S DISSATISFACTION OVER THE QUANTITY AND QUALITY OF THEIR EDUCATION SYSTEM AND ITS SERVICE DELIVERY

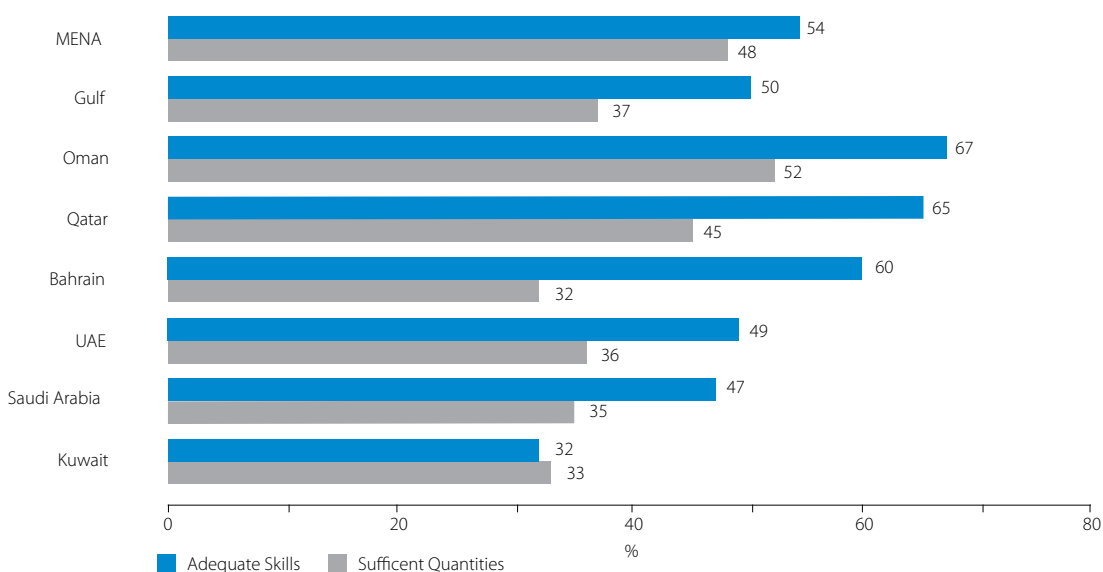
Only 54% of Arab CEOs expressed satisfaction with their education systems to produce students with adequate skills. Equally, only 48% believe that these skilled students are provided in sufficient quantities. Gulf leaders are amongst the least satisfied with the supply of skilled students, with only 37% citing their satisfaction.

"There certainly exists a skills gap between what sort of skills are available and what we need."

Mrs. Raja Al Gurg,

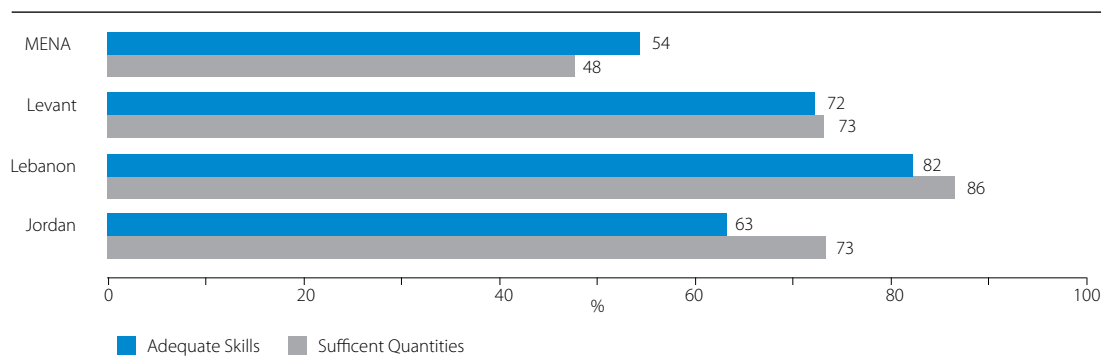
Managing Director, Easa Saleh Al Gurg Group, UAE

DOES THE EDUCATION SYSTEM PROVIDE PEOPLE WITH ADEQUATE SKILLS AND IN SUFFICIENT QUANTITIES TO THE ECONOMY? GULF



One particular obstacle faced by the fast-growing economies of the Gulf is that the educational sector is unable to keep up with the pace of development and demand for skills. In other words, there is a shortage of educational institutions – schools, technical and vocational centers – that are able to provide a sufficient supply of human capital to meet market demand.

DOES THE EDUCATION SYSTEM PROVIDE PEOPLE WITH ADEQUATE SKILLS AND IN SUFFICIENT QUANTITIES TO THE ECONOMY? - LEVANT



On the other hand 73% of Levant leaders expressed satisfaction with regard to the sufficient supply of skilled students and 72% in the education system's ability to produce the right skills. This can be explained by a whole series of historical factors pertinent to the Levant including strong schools, enrollment rates and specially focused education policies.

In North Africa views differ from country to country with Tunisia best placed to face the development challenges going forward both in terms of quantity (77%) and quality (70%) of talent. By contrast, only 34% of Egyptian Leaders cite satisfaction in their education systems to produce sufficiently-skilled students.

"We hire traditionally, based on technical skills, because graduates are not well rounded, and then we train them."

HE Samer Majali,

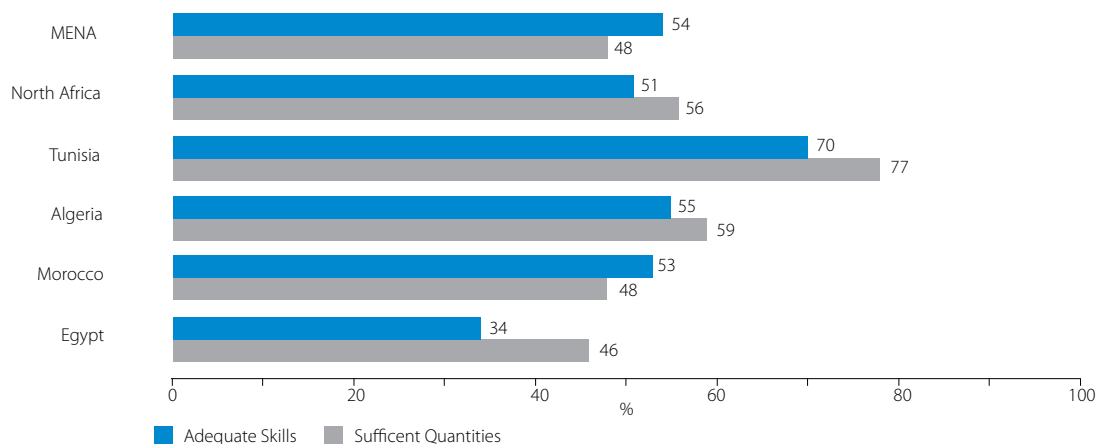
President & Chief Executive Officer, Royal Jordanian, Jordan

“The utmost weakness of the education system is the poor situation of teachers. They should receive better packages, more social respect and prestige.”

Mrs. Raja Al Gurg,

Managing Director, Easa Saleh Al Gurg Group, UAE

DOES THE EDUCATION SYSTEM PROVIDE PEOPLE WITH ADEQUATE SKILLS AND IN SUFFICIENT QUANTITIES TO THE ECONOMY? NORTH AFRICA



“The most important challenge facing education reform is the teachers’ method of teaching.”

Mr. Abdullah Al Saleh,

General Manager, Ministry of Foreign Trade, UAE

Arab CEOs also held strong reservations regarding the general quality of teachers that exist in the education system. With many of the opinion that the teaching capacity and caliber of teachers was poor and varied considerably between different institutions, leading to inconsistencies in teaching service delivery

CEOs further highlighted the importance to introduce better screening and selection criteria for teachers so as to ensure a uniform standard that is nationally accredited.

“There needs to be a stronger screening process for hiring teachers, and for the existing ones, there needs to be a re-training program.”

Mr. Simon Karam,

General Manager, Travo LLC, Oman

INDUSTRY PERSPECTIVE

From an industry point of view, 57% of Entertainment and Media leaders are concerned with the education system’s ability to provide sufficient numbers of qualified people, followed by Energy leaders at 52%. On the other hand, 50% of Retail & Consumer goods leaders are the most concerned with the education system’s ability to provide the economy with adequate skills. This is followed by Travel & Tourism (48%) and Entertainment & Media leaders (48%). Overall, there was little variation regarding the extent to which different sectors faced these human capital challenges.

EDUCATION AND SKILLS DEVELOPMENT/ Continued

“We need to move away from the theoretical education that we have in our universities now, towards more practical curricula, that are linked to the needs of the private sector.”

Dr. Abdul Malik Al Jaber,

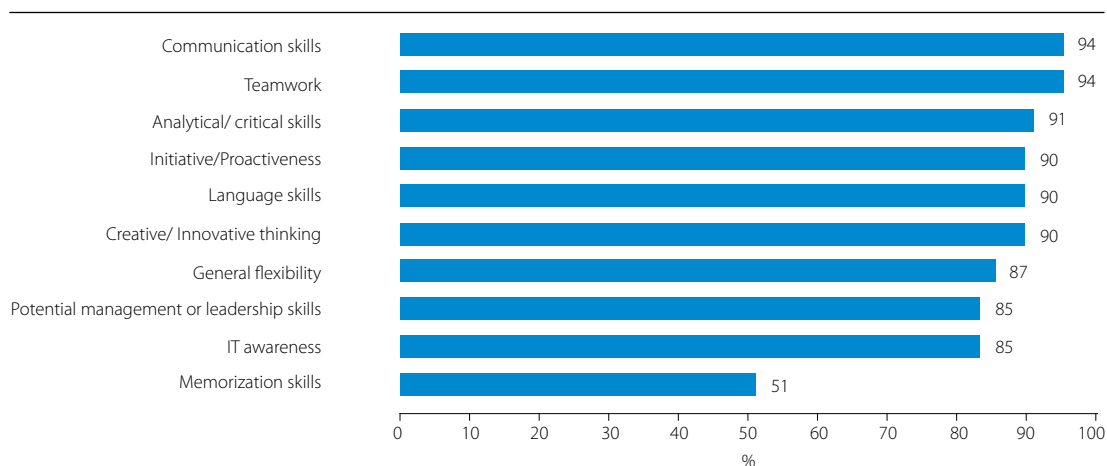
Vice Chairman & Chief Executive Officer, Palestine
Telecommunications Company, Palestine


NEED TO BRIDGE THE SKILLS GAP

Having expressed a general dissatisfaction with the quality of skills delivered to the market, Arab business leaders were asked what their fundamental expectations were from the education system.

Overall, soft skills like communication, teamwork, analytical skills and innovative thinking were found to be most important to Arab business leaders who rated them at 90% or above. Memorization skills on the other hand, were at the bottom of the list in terms of their perceived importance.

TYPE OF SKILLS CONSIDERED IMPORTANT WHEN RECRUITING GRADUATES



A woman wearing a black hijab is shown from the chest up, smiling and gesturing with her hands. She is positioned on the right side of the frame. The background is a solid dark green color. On the left side, there is a vertical strip with a gold-colored pattern. The text is overlaid on the green background.

“There might be a need to emphasize the development of soft skills even at the expense of reducing the technical content of courses.”

Dr. Khalil Hindi,

Associate Dean, Olayan School of Business /
American University Beirut, Lebanon

“English and IT are the biggest weaknesses in the education system. This is a result of poor teaching and curricula.”

Mr. Jamal Al Mutarreb,

Chief Executive Officer, Al Mutarreb Enterprises Group, Yemen

EMPHASIS ON SOFT SKILLS

It is clear that Arab CEOs favor soft skills such as problem-solving and communication skills over the ability to perform routine tasks. The International Labor Organization corroborates these finding when suggesting that employability is closely linked to the capacity of an individual to adapt to change and the ability to combine different types of knowledge and build on them by managing self-learning throughout his/her working life.⁹

When analyzing the views of business leaders by industry, CEOs in Engineering, Construction and Real Estate rated communication skills and teamwork highest at 66% and 65% respectively. Teamwork and communication skills were also regarded as vital by CEOs in the Retail and Consumer Goods, Travel and Tourism, Healthcare, Mining and Utilities sector. While those from the Energy, Financial Services and ICT sectors, regarded analytical and critical thinking skills as most important.

ARAB CURRICULA ARE BASED ON THEORETICAL KNOWLEDGE RATHER THAN PRACTICALITY

Almost three quarters of Arab business leaders believe that the emphasis of the region's educational curricula is based on theoretical knowledge rather than practicality.

The development of such skills requires an educational system which prioritizes skills acquisition as opposed to memorization. Recent international trends in education for example, have aimed to do this through the promotion of what is referred to as inquiry-based learning. Many countries worldwide have adopted inquiry-based learning methods,

⁹ ILO (1998) "Strategic training partnerships between the State and enterprises", Employment and Training Papers (19)

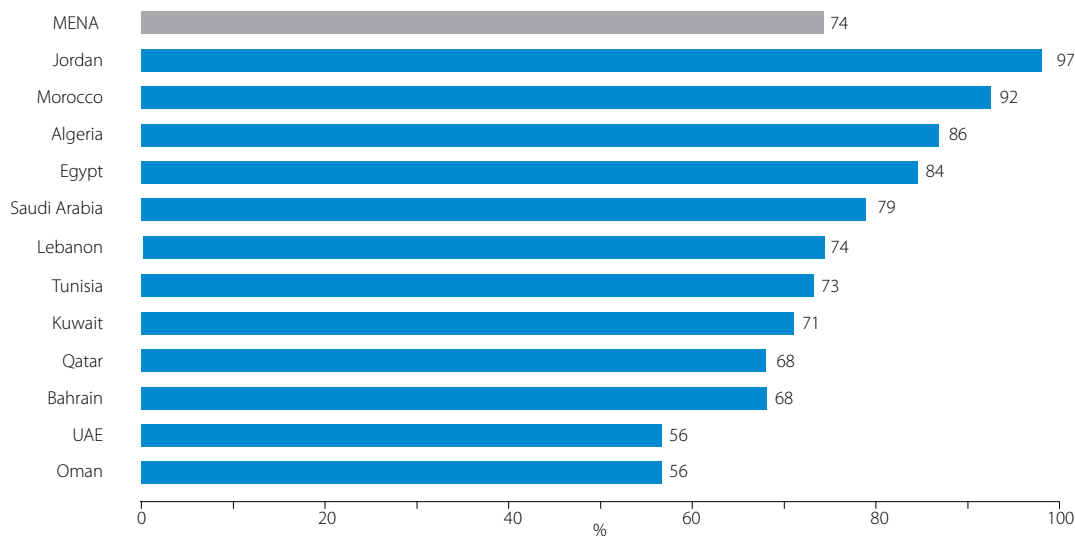
a form of active learning where progress is assessed by how well students develop their experimental and analytical skills. Most Arab countries, on the other hand, concentrate on traditional learning methods like copying from the blackboard, and minimal interaction between teachers and students.¹⁰

“My main issues with the education system are with the language skills produced, and the emphasis on theoretical curricula rather than practice and internships.”

Mr. Jamil Ali Sultan,

Director , W. J. Towell & Co. LLC, Oman

ARAB CURRICULA ARE BASED ON THEORETICAL KNOWLEDGE RATHER THAN PRACTICALITY?



¹⁰ World Bank (2007) The Road Not Traveled: Education Reform in the Middle East and North Africa

EDUCATION AND SKILLS DEVELOPMENT/ Continued

"I remember, when I studied, it was about memorizing as opposed to thinking. The whole system needs to be overhauled. It's about thinking, adding, questioning. You're not allowed to question a teacher. How can that be?"

Mr. Tariq Al-Saffar,

Managing Director, Fortune Promoseven, Bahrain

TRAINING AND DEVELOPMENT

It is important to recognize that bridging the skills gap requires more than just reforming the education system represented in schools, high schools, and universities. It is also about reforming vocational education and training and introducing the notion of career development. 92% of Arab CEOs are aware of the importance of training for development, while 87% of CEOs view training and development as a tool to retain staff.

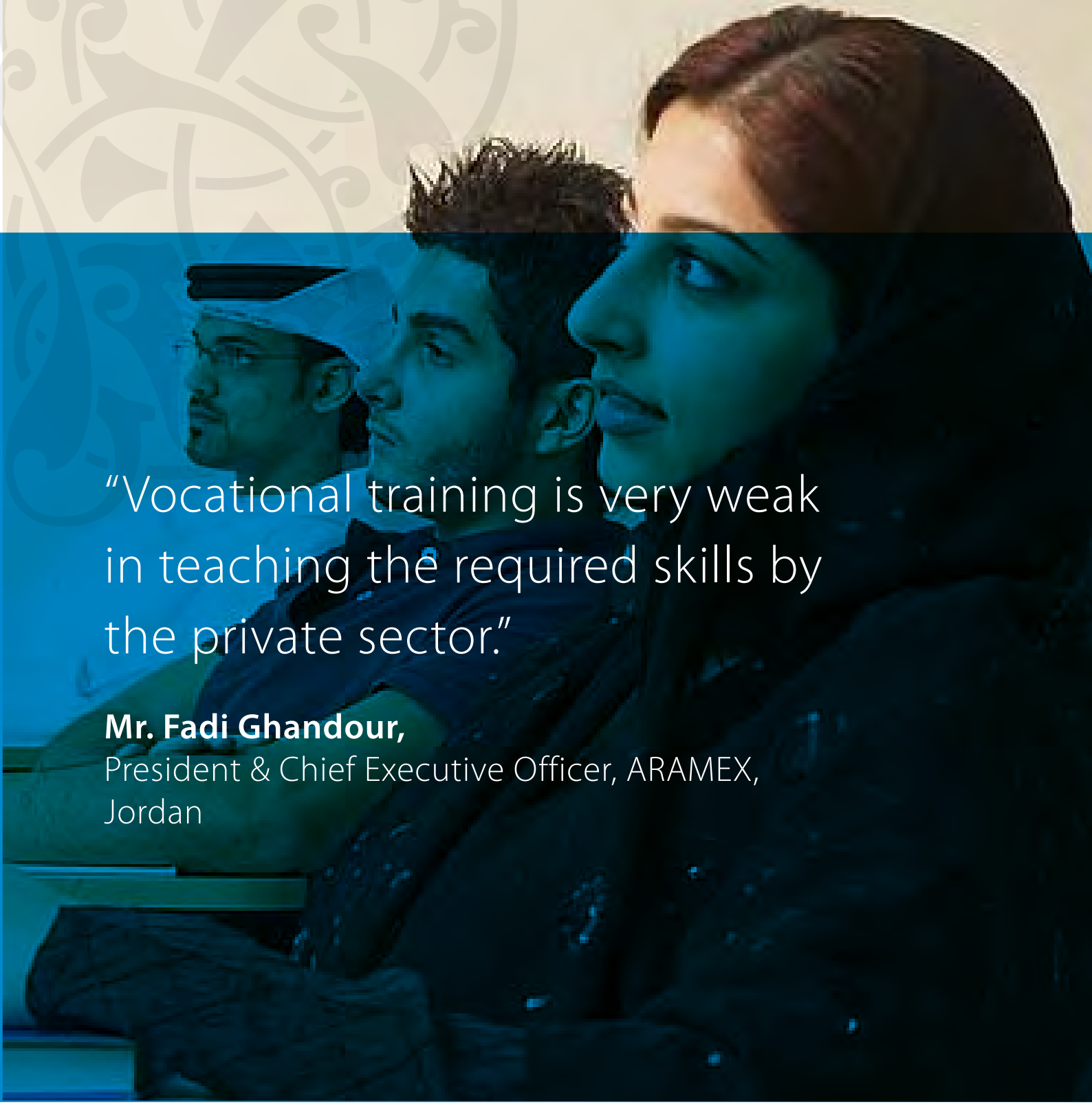
"The poor education system could be compensated by virtue of good and effective training, but having deficiencies in both the education system and training reflects negatively on the quality and skills of graduates."

Mr. Hesham Tawfik,

Chairman , Arabeya Online Brokerage, Egypt

This has historically been a major problem faced by government-provided training worldwide. The international trend towards market-oriented training systems gives an increasingly prominent role to the private sector.¹¹ Globally, partnerships and strategic alliances between government, business and organized labor are important in improving the relevance and effectiveness of training programs.

¹¹ ILO (1998) "Strategic training partnerships between the State and enterprises", Employment and Training Papers (19)

A photograph of three young people, two men and one woman, looking off to the side. The image is overlaid with a dark blue gradient. In the background, there is a faint, stylized pattern of Arabic calligraphy.

“Vocational training is very weak in teaching the required skills by the private sector.”

Mr. Fadi Ghandour,

President & Chief Executive Officer, ARAMEX,
Jordan

A review of various international public-private training partnerships found that strong and genuine commitment to the process by the private sector is one of the major keys to the success of these partnerships.¹²

Furthermore, many CEOs claim that there exists negative perceptions associated with certain technical and vocational professions deemed socially inferior and unacceptable. This has resulted in many nationals tending to refrain from participating in related vocational and technical education and training. Instead, they choose to study disciplines which do not necessarily hold direct relevance or add value to the ‘growth sectors’ of the economy.

¹² Ibid

EDUCATION AND SKILLS DEVELOPMENT/ Continued

“Vocational training, in general, is in need of radical reform, and attention, this is attributed to the increasing lack in the labor market for such skilled vocationally-trained laborers.”

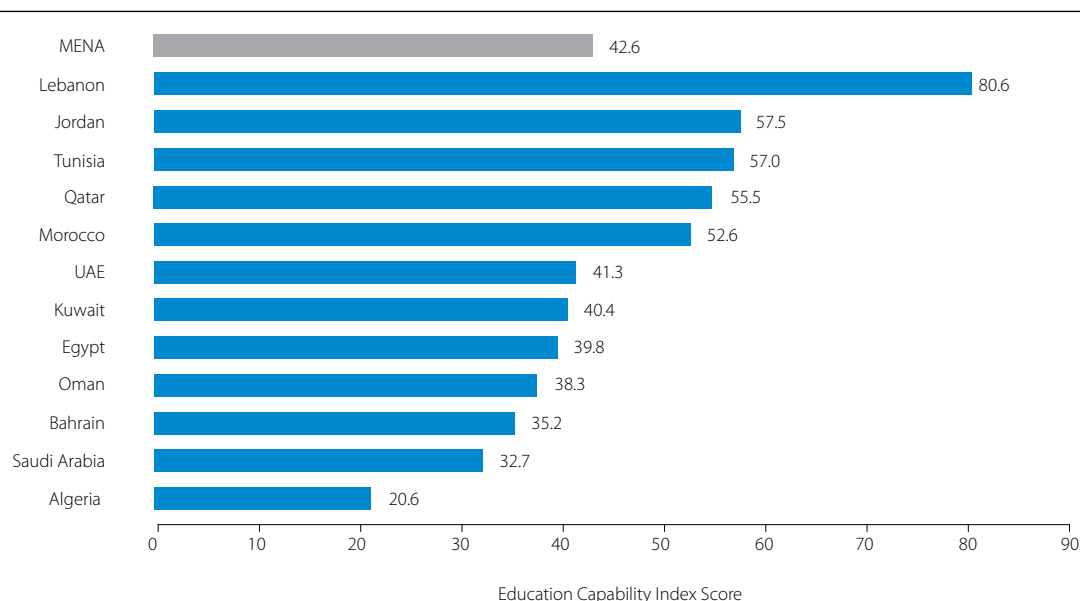
Mrs. Laila Maghraby,

Executive Director, Engineering Export Council, Egypt


EDUCATION CAPABILITY INDEX

The Education Capability Index¹³ represents CEO satisfaction levels regarding the education system, based on current quality, the adequate skills acquired by students upon graduating, and the ability of the education system to meet future market requirements, particularly over the next decade. The index takes into account schools and universities at every level, both local and foreign.

EDUCATION CAPABILITY INDEX



¹³ The Education Capability Index is calculated based on responses to three questions: the CEOs rating on the existing quality of local and foreign education institutions in their country, to what extent they feel that the education system in their country provides people with adequate skills to enhance the country's economy and their level of confidence towards the education system reaching standards required by the business sector in the next 10 years.

A close-up photograph of a woman wearing a blue hijab, focused on crafting a beaded necklace. Her hands are visible, holding a string of beads. The necklace features a variety of colors including white, blue, green, and yellow. The background is softly blurred, showing hints of a workshop or market setting with other people and goods.

“Governments and the private sector should discuss and decide on a set of incentives that will encourage the private sector to increase their training functions.”

Mr. Fadi Ghandour,

President & Chief Executive Officer, ARAMEX, Jordan



The regional average for CEO satisfaction in the quality of education system, its graduates and its future prospects stands at 42.6 points. These results are significantly lower to the CEO confidence in the economy at 78 points. Only a few countries lie above this regional average and they include Lebanon, Jordan, Tunisia, Qatar, and Morocco, all discussed shortly in further detail.

Two principal themes can be derived from this index. Firstly, there exists a serious need for improvements in education given that most countries lie below the education capability average. Secondly, the lack of skilled labor, due primarily to the quality of education, is of major concern to business leaders and a threat to sustainable economic growth going forward.

Lebanon is perceived to have the most trusted and highly valued education system in the region. On par with international standards and perhaps as a result of its strong historical ties with Europe, a culture of learning, knowledge accumulation and application has become deeply entrenched into the Lebanese social fabric.

Jordan is also perceived by business leaders to be strengthening its education system. The government introduced educational reforms a few years ago with a special focus on core subject areas like Arabic, Math, Science and English. New subject streams, such as Information Management, were introduced to help prepare students for positions in e-commerce and other computer-based professions. The new curricula are based on the transferable skills necessary for success in the private sector including communication, team work, analysis, synthesis of information and self-directed learning.¹⁴

Tunisia, on the other hand, is one of the region's leading educational reformers. Educational reforms there attempt to shift from the information-based curriculum to a new curriculum focused on three competencies: knowledge, skills, and attitudes. Measures have also been taken to monitor and evaluate the implementation of reforms, as well as increase the number of teaching inspectors.¹⁵

Qatar's attempts to establish a knowledge-based economy have been reflected in the high levels of education confidence amongst business leaders. The country has attracted several top universities and created an education zone, referred to as Education City. Major reforms have also been implemented in public sector schools and universities, many of which have become independent and are now run by private companies.¹⁶

In Morocco, education and training are at the top of the political agenda whereby the country's national charter for education and training was implemented in 1999. The charter is responsible for major improvements especially in increasing female enrollment ratios both in urban and rural areas.¹⁷

CONFIDENCE IN THE FUTURE OF EDUCATION

The education system plays a crucial role with young people's 'employability' levels. Its role is to enhance and enrich young people with relevant skills and expertise, facilitating them in their job-search process and future career trajectories. If the educational system is capable of addressing the demand of the market with relevant supply of new youth human capital, the economy as a whole gains from a 'youth human capital dividend.'

¹⁴ World Bank (2007) The Road Not Traveled: Education Reform in the Middle East and North Africa

¹⁵ World Bank (2007) The Road Not Traveled: Education Reform in the Middle East and North Africa

¹⁶ Gulf States Newsletter 25-Nov-07

¹⁷ European Training foundation (2008), Country Plan for ETF Action in Morocco

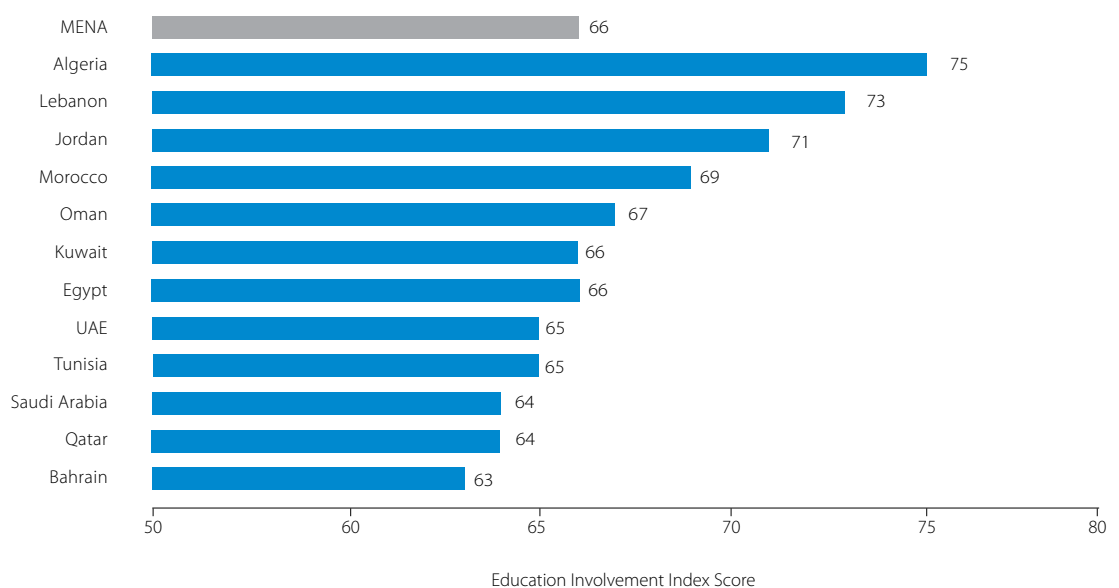
EDUCATION AND SKILLS DEVELOPMENT/ Continued

Contrary to this, a failure to address the needs of the market, can result in the education system producing a pool of youth whose human capital ends up becoming a liability for the economy.

In the Arab World 62% of Arab business leaders are confident that education levels in their respective country will reach the required standards within the next 10 years. Respondents from the Gulf tend to be the least optimistic in this regard, while those from the Levant are not surprisingly more optimistic.

80% of business leaders from Tunisia, 75% from Morocco and 74% from Lebanon confirmed that they are optimistic about the future of education in their countries. In the Gulf, it is interesting to note that 71% of CEOs in Qatar and 69% in Oman were confident that their education system will ultimately respond to business requirements. Comparatively, CEOs from Jordan are optimistic with 67% expressing confidence in current government reforms. Kuwaiti CEOs are amongst the most pessimistic with only 38% expressing the confidence that education standards will improve in the next 10 years.

EDUCATION INVOLVEMENT INDEX



Differences exist however from industry to industry. The most confident sectors are Financial Services (72%), TLS (68%) and Travel & Tourism (66%). In more technical sectors, industry leaders were less confident for instance Energy leaders were amongst the least optimistic at 54%. This may be explained by the lack of available schools and programs in this specific sector. This is followed by Engineering, Construction & Real Estate at 56%, Retail & Consumer Goods at 57%, ICT at 59%, and Entertainment & Media at 64%.

EDUCATION INVOLVEMENT INDEX

The Education Involvement Index¹⁸ demonstrates a great willingness from the private sector to be involved in working with and improving the education system in the Arab region should the opportunity arise.

The sharing of knowledge through 'guest speakers at universities and educational institutions' was highlighted as a key area of involvement by 68% of business leaders, followed by 'offering courses to students' and 'mentoring', both at 66%. Becoming members of universities and investing in schools were the areas of least enthusiasm.

"In order to strengthen the skills, the universities should approach private sectors and invite managers to speak in their schools to educate people more practically."

Mr. M. B. Hamad,

General Manager, Adceco Group, UAE

In-depth interviews that followed the survey revealed that many Arab CEOs on the whole were willing to get involved in education and more specifically training.

¹⁸ The Education Involvement Index is calculated on the basis of answers to the following questions: 1) How likely would your organization be to communicate your requirements to the educational system by Investing in / sponsoring schools, Having membership on university / school boards of directors, Participating in forums and educational conferences, Guest speaking at universities / educational institutions, Participating in career fairs, Mentoring students, Offering courses / graduate programs / internships? 2) Would you be willing to become personally involved in raising education levels in your country should the opportunity arise?

EDUCATION AND SKILLS DEVELOPMENT/ Continued

INVOLVEMENT BY BUSINESS LEADERS IN THE EDUCATION SYSTEM

According to survey findings, only 35% of Arab CEOs believe that the private sector in their country has successfully communicated its expectations of the education system. This is lowest in the Gulf at 31% and highest in the Levant at 48%. That said, approximately two thirds of Arab CEOs are willing to participate in making the necessary improvements to education based on the Education Involvement Index designed for this survey. This is more or less consistent across the region although CEOs in Algeria and Lebanon are more willing to become involved than the regional average.

The fact that most Arab business leaders expressed a willingness to participate in improving education is a foundation upon which to further build public-private cooperation. Experiences from various countries suggest that a genuine commitment from the private sector is a key element to developing successful public-private cooperation in education and training.

“As part of our ongoing reform in education, we have engaged in a long-term partnership with the private and public sector to rebuild curricula and diplomas. Year on year, we solicit the private sector and ask the business leaders to contribute, and together work at improving the curricula. We even have an agreement with the Tunisian Association for Trade and Commerce and other professional federations.”

Mr. Redha Methnani,

Chief of Cabinet of the Minister of Higher Education, Tunisia

A young woman wearing a blue hijab and a grey jacket is holding a large sheet of paper. The image has a blue overlay with decorative patterns. The text is written in white on the blue background.

“Universities are aware that they need to pay attention to the needs of businesses; however there still exists a lack of communication.”

Mr. Hassan Oulmas,
Director, Algeria Telecom, Algeria

CEOs' COLLECTIVE VIEWS AND RECOMMENDATIONS

"Maybe a better way to tackle Nationalization quotas is to create a fund that is financed via a percentage of the private sector revenues and be directed towards Human Capital Development."

Mr. Abdullah Al Saleh,

General Manager, Ministry of Foreign Trade, UAE

ON ARABIZATION

Many Gulf CEOs believe that there exists a lack of national talent as well as a lack of willingness amongst nationals to work in certain vocational professions. In addition, some CEOs feel that the costs associated with hiring expatriates could be eliminated and applied in more beneficial ways. The saved capital could instead be allocated to a comprehensive and effective training fund for the local population.

Gulf CEOs believe that the authorities must first involve the private sector, and assess its workforce requirements, in terms of quality, fields of expertise, and quantity. With the information collected, a training program could then be designed. Whilst such training programs must focus on professional and skills training on the one hand, they must also help to correct the negative cultural perceptions associated with certain vocational professions. This would help to produce not just a qualified national workforce but one that is willing to work at all levels and across all industries.

Reforms have already started in the Gulf, especially in Bahrain and Oman, where CEOs expect visible improvements in the next few years. Increasing the skills set of nationals through adequate education and training is considered the first and most important means through which to reduce the region's dependency on expatriate workers.

HUMAN CAPITAL, SKILLS AND EDUCATIONAL SOLUTIONS

Arab CEOs identified technical, vocational, education and training to be essential to any reform process, whilst English, IT, mathematics and sciences were perceived as a great weakness in the education system. This would appear to reflect the current emphasis on theory and the culture of memorization in the Arab world.

Currently, new graduates lack the appropriate skills required by the labor market which has in part been blamed on the low quality of teachers in the education system. The introduction of an accreditation system could help establish a quality control mechanism. This mechanism, built in line with international standards, could ensure the quality of curricula, their relevance to the labor market, their frequent updating, as well as the quality of teachers and teaching methodologies.

“There needs to be a Public Private Partnership that looks at the major issues facing the education sector to evaluate, monitor, accredit and set a system of accountability.”

Mr. Simon Karam,

General Manager, Travo LLC, Oman

There exist a series of negative cultural perceptions associated with the practice of certain technical and vocational professionals, hence the refusal of most nationals to participate in such training and education in the first place. In general, young nationals stay away from technical and vocational training and instead choose to study disciplines which have no relevance to growth sectors in the economy.

Arab CEOs agree that there is a need therefore to establish career advising departments in schools and universities, designed to counsel students on which disciplines might be relevant to them on the one hand, but also increase their job prospects on the other. Career advising departments must be closely linked and up-to-date with the market.

A nighttime photograph of a city skyline, likely Casablanca, Morocco. Several tall buildings are under construction, with their skeletal frames visible against the dark sky. Multiple construction cranes are positioned around the buildings. The city lights are visible at the base of the structures. A large, faint, circular watermark is overlaid on the right side of the image.

“We must put an end to the existing barrier of mistrust between the public and private sectors, which prevents us from having an open dialogue.”

Mr. Mohamed Kabbaj,

Wali of Grand Casablanca, Former Minister of Finance,
Chairman, Lafarge Maroc, Morocco

Likewise, business associations and chambers could help to bridge the communication gap between the private sector, government and different educational institutions.

“The only competitive advantage for any corporation is its Human Capital, thus investing there is a must, otherwise we will lose out to other competitors.”

Mr. Helmy Abouleish,

Managing Director, Sekem Group, Egypt

The introduction of modern education concepts like internship programs and student exchange programs for example must be introduced into the system and made prerequisites for graduating. These programs will help to guide future graduates and provide them with insight into the real world. In addition, both the public and private sectors must allocate more funds to research and development (R&D), especially in specific growth sectors.

Some CEOs believe that it is also important to encourage the construction of location-specific educational institutions. For example, medical schools must be built near hospitals and IT colleges near relevant industries. This would help to facilitate cooperation between educational institutions and industries.

Overall, reforms must be closely monitored to measure the impact of certain initiatives and their success in meeting the targeted objectives.

PUBLIC AND PRIVATE SECTOR COOPERATION

Arab business leaders indicate a clear mismatch between the skills set of new graduates and the requirements of prospective employers in the market.

A large majority of Arab CEOs believe that the public sector should play the leading role in shaping the education system in their country. This is less pronounced in Egypt where

CEOs' COLLECTIVE VIEWS AND RECOMMENDATIONS/ Continued

a significant proportion of business leaders did not believe that the public sector should play the leading role in shaping their education system.

Notwithstanding these results, one of the key messages that emerged was the critical need for enhancing communication channels between the public and private sectors.

“What is required is a symbiotic relationship between universities and the private sector.”

Mr. Fadi Ghandour,

President & Chief Executive Officer, ARAMEX, Jordan

Establishing committees comprised of government, educational and private sector representatives, is considered a key step towards improving private-public sector dialogue. This committee would be designed to support on improving institutions on the one hand and setting minimum standards for the specific skills required in the market on the other.

Private sector representatives could participate in university committees and advise on curricula and more integrated teaching concepts. Such integrated teaching is particularly relevant in high tech industries. Private sector representatives could also become more involved in lecturing directly to students, whilst helping to develop internship programs designed to prepare students for the workforce.

Many CEOs agreed that intermediary mechanisms which stimulate enterprise training and act as training brokers could also prove highly successful. One example of this is the partnership between government and private training providers. Here, the government delegates training to private providers and confines its role primarily to the provision of financing. The government could also play a regulatory role by providing incentives and ensuring that training achieves certain objectives.

In order for education to meet its minimum requirements, therefore, public and private sector cooperation is essential throughout the Arab world.

CLOSING WORDS

The Arab Business Intelligence Review demonstrates the strength of the region's economy on the one hand, and the challenges to sustainable growth on the other. Solid and durable region-wide development will only persist, therefore, if concrete measures are swiftly introduced.


Key workplace skills such as communication, teamwork, analytical skills and innovative thinking are lacking, especially in the Gulf. The survey also reveals that finding sufficient quantities of skilled labor continues to be the greatest strategic challenge to Arab businesses. This challenge is most pronounced in the Gulf and must be carefully managed.

Enhancing the quality of education is perceived to be an important strategy for closing the skills gap with improved teacher training considered a top priority in this regard. Given the urgency of the situation, Arab business leaders expressed a strong willingness to participate in the enhancement of education at all levels and a strong desire to build public-private cooperation.

In-depth interviews with the region's most influential business leaders revealed several areas of particular interest. The most recurrent theme was the need for government to provide the private sector with incentives to invest in human capital, especially in terms of training. A large proportion of business leaders also stressed the need to strengthen ties between universities and the private sector through the introduction of programs designed to cater to specific market needs. The government could in turn establish a mechanism for monitoring targeted results in these areas.

Labor challenges aside, it is also important to note that domestic political stability and global terrorism are perceived to be viable threats to Arab business, particularly in the volatile Levant region. Developing infrastructure is also considered to be a top priority in the resource-poor countries of the Levant and North Africa.

Overall, the research clearly and very boldly demonstrates that without concrete changes today, regional growth and development could be severely hindered.



Our appreciation goes to the 587 CEOs who participated in the survey for their time and contribution. In addition we would like to thank the following CEOs and senior representatives for their views and insights



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Mr. Abdullah Al Saleh,	General Manager, Ministry of Foreign Trade, UAE
Mr. Akbar Al Baker,	Chief Executive Officer, Qatar Airways, Qatar
Mr. Cherif Rida ,	Director General, Aventis Pharma Tunisie, Tunisia
Mr. Elhamy ElZayat,	Chairman and Chief Executive Officer, Emeco Travel, Egypt
Mr. Emile Cubeisy,	Vice-President, Group Business Development, Accelerator Technology Holdings, Jordan
Mr. Ennis Rimawi,	Managing Partner, Catalyst Private Equity, Jordan
Mr. Fadi Ghandour,	President & Chief Executive Officer, Aramex Jordan
Dr. Farid Hegazy,	Programme Manager, Delegation of the European Commission in Egypt, Egypt
Mr. Fawaz Zoabi,	Founder & Chief Executive Officer, Accelerator Technology Holdings, Jordan
Mr. Hassan Oulmas,	Director , Algeria Telecom, Algeria
Mr. Helmy Abouleish,	Managing Director, Sekem Group, Egypt
Mr. Hesham Tawfik,	Chairman , Arabeya On Line Brokerage, Egypt
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The Foundation is dedicated to building a core base of talented and highly educated future leaders in government, private sector and civil society. It intends to meet these objectives by elevating the Arab world's research base, by promoting knowledge creation and to raise the infrastructure of higher education within the region to international standards. Furthermore, the Foundation is committed to ensuring that the skills set of young people can be utilized in productive employment opportunities, promote a vibrant entrepreneurial spirit and culture amongst youth, and equip them with the necessary tools to succeed in these endeavors.

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