



ARAB
BUSINESS
INTELLIGENCE
REPORT

Healthcare

First Arab Business
Intelligence Report, 2006

Introduction

Moutamarat and PricewaterhouseCoopers (PwC) conducted an extensive program of industry research across the Arab world in the second half of 2005. At the core of the survey are the opinions and predictions from 140 of the most prominent business leaders of the Arab world, and in-depth consultations with industry practitioners. We wish to express our gratitude to all the senior executives who contributed to the first Arab Business Intelligence Report (ABIR) and a very special thanks to the seven senior executives and two ministers who shared their time and insights with us through in-depth interviews.

List of senior executives and ministers interviewed in ABIR ¹

Mr. Akbar Al Baker, Chief Executive Officer, Qatar Airways, Qatar

Mr. Mazen Darwazah, Chairman, Hikma Pharmaceuticals, Jordan

H.E. Adil Douiri, Minister of Tourism, Morocco

Mrs. Maha K. Al-Ghunaim, Vice-Chairman and Managing Director, Global Investment House, Kuwait

H.E. Nada Haffadh, Minister of Health, Bahrain

Mr. Khalid Al Janahi, Chief Executive Officer, Dar Al Maal Al Islami, Bahrain

Dr. Ivo Janecka, Chief Executive Officer, Center for Planning & Quality, Dubai Healthcare City, UAE

Dr. Omar Bin Sulaiman, Director General, Dubai International Financial Center, UAE

Dr. Mohamed Taymour, Chief Executive Officer and Vice-Chairman, EFG Hermes, Egypt

Moutamarat and PwC's networks of industry experts have examined and analyzed the research findings and their implications across the Arab world to give practical advice to the readers of this report. The detailed findings of the research will be debated with industry leaders in CEO forum meetings organized in partnership with Asharq Alawsat.

Over a period of six months, this unique research program looked at the state of three essential non-oil industries — Financial Services, Healthcare, and Travel and Tourism, all of which are bound to play a vital role in the diversification of Arab economies. This section is dedicated to Travel and Tourism. Moutamarat's significant involvement along with PwC's operational presence guarantees a solid base of expertise in each area. Moutamarat and PricewaterhouseCoopers also made the most of their extensive networks of corporate leaders, essential to the success of the program.

This study focuses on the following 14 Arab countries:

Algeria	Oman
Bahrain	Qatar
Egypt	Saudi Arabia
Jordan	Syria
Kuwait	Tunisia
Lebanon	United Arab Emirates (UAE)
Morocco	Yemen

Research is already being conducted for the second ABIR, which has increased its scope to include 18 countries and nine sectors. From the Gulf, we have Bahrain, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, the UAE and Yemen. The Levant has representatives from Jordan, Lebanon, Syria and the West Bank and Gaza. Taking part from North Africa are Algeria, Egypt, Libya, Morocco, the Sudan and Tunisia.

In addition to the Financial Services, Healthcare and Travel and Tourism industries covered in the first ABIR, the second survey also includes:

- Energy and Mining
- Engineering, Construction and Real Estate
- Entertainment and Media
- Information and Communication Technologies
- Retail and Consumer Goods
- Transport, Logistics and Storage

This expansion into new sectors over a wider geographical distribution will give an even greater insight into the industry trends and offer opinions and predictions of the respective industries from some of the most respected senior executives in the Arab business world.

Methodology

The survey used both quantitative and qualitative techniques. Between September 21st and November 29th, 2005, the quantitative method centered around a telephone survey in order to measure and quantify market opinions on future developments in Travel and Tourism. The qualitative insights were gained from a range of in-depth, face-to-face interviews, adding even more depth to the quantitative survey results. On top of this, there was a wide consultation across PwC's internal expert network to get the views of some key stakeholders from government and academic circles.

To produce a true sampling frame for the telephone survey, Moutamarat and PwC carried out extensive research on companies operating in Travel and Tourism across the Arab world. A regional list was made of the most prominent business figures in each sector — typically the Chairman, CEO or President. This produced an initial sample of 900 senior executives, which was later refined and edited to 668 names. These executives were then sent a personal invitation to take part in the survey, resulting in 140 telephone interviews — an overall response rate of 21%.

Using industry knowledge from across their networks, Moutamarat and PricewaterhouseCoopers designed a 20-minute telephone questionnaire, structured around the following headings:

- Economic outlook
- Sector growth and development
- Threats and barriers to growth
- Sector-specific issues
- Respondent profiling

The questionnaire, which was available in English, French and Arabic, mostly contained closed questions in a variety of answer formats. The respondents were also given the chance to provide more personal feedback on their sectors in an open-ended question at the end of the fourth section.

The telephone interviews were undertaken by PwC's International Survey Unit, an 80-seat multi-lingual outbound contact center based in Belfast, Northern Ireland. All in-house interviewers operate within the guidelines of the Market Research Society Code of Conduct. They are also accredited under the Interviewer Quality Control Scheme (IQCS), which is the industry quality standard for fieldwork.

The one-to-one personal interviews ran parallel to the telephone survey. They were planned by Moutamarat and PwC, and interviewees were selected according to their influence, breadth of insight and geographic distribution. The topics were along the same themes as the telephone questionnaire, but were all open-ended questions and were flexible in terms of content and structure.

A team of trained researchers and industry experts from PwC conducted a total of 31 qualitative interviews in the Travel and Tourism sector. They were carried out either at PwC offices or at the respondents' own premises, lasted between 60 and 90 minutes, and were tape-recorded with the permission of the interviewees.

¹ The titles reflect the positions held at the time of the interviews.

Executive summary

The survey results indicated a high level of economic confidence within the Healthcare industry across the Arab world in early 2006, with an Arab Economic Confidence Index* score of 70.35 out of 100. We are seeing dramatic changes in the roles of public and private sector Healthcare and the demand for services is growing across the Arab world partly due to larger, younger populations.

Pressures for reform

Public awareness of the increasing sophistication and standards of Healthcare throughout the region is much higher now than in previous years, and expectations have risen accordingly.

One of the major challenges currently facing the industry is 'funding national health insurance'. The senior executives in our survey cited it as a key factor, with 68% listing it as crucial and 16% ranking it as the most important factor in the future of Healthcare. Arab business leaders generally agree that the main issues surrounding health insurance reform will be:

- Selecting which groups will pay for services.
- Deciding minimum requirement levels.
- Choosing the most appropriate implementation methods.

Public-Private Partnerships

Our survey results suggest that new and more effective ways of operating Public-Private Partnerships will have to be found to solve these funding and provision challenges. Governments need to share responsibility and control with the private sector, creating a genuine two-way partnership. However, by contracting out too many key service elements, governments can jeopardize the traditional 'safety net' of state Healthcare, although some outsourcing is being used to support growth. For their part, private Healthcare providers need to define a clear strategy to supply high profit margin services to customers able to afford their care, and lower margin services, which can be state funded, to the wider population. For these alliances to operate successfully, many senior executives (76%) believe that the public sector needs to improve its bureaucratic structure to enable more effective decision-making and implementation.

Improved data to support planning

Our research shows that, in many markets, the partnerships between public and private sector Healthcare providers have been largely opportunistic, compromising the quality of care. For this to be addressed, governments need clear strategies based on reliable sector data. The level of private sector involvement could then be calculated by weighing public requirements against government resources. The private sector could play a significant role in this data-driven approach through its expertise in information gathering, analysis and strategy. These results could then help determine how to use private resources, such as technology reforms and specialist provision.

Implementing best practice

Some Arab countries have launched public health campaigns aimed at the prevention of serious medical conditions, such as diabetes, heart disease and cancer. These campaigns are similar to those used in Europe and North America, typically viewed as international benchmarks for this sector. Far-reaching and ongoing public education initiatives on a healthier lifestyle, a proven factor in preventing these conditions, is vital both to the health of Arab populations and to the viability and affordability of long-term public Healthcare in the region.

The Saudi Arabia Healthcare market, the first in the Arab world to modernize, contains several state of the art medical institutions that have set the standard for the rest of the region. Digital hospital models from the US, among others, have been replicated in some GCC countries and the Joint Commission International (JCI) Hospital Accreditation Program is being implemented in Qatar and the UAE.

*The Moutamarat/PwC Economic Confidence Index for the Arab World is derived from opinion data taken from the Arab Industry Survey questionnaire. It is based on senior executives' perceptions of current and future economic conditions, combined with their confidence in meeting company revenue targets. The Economic Confidence Index follows comparable methodology to that used in The Conference Board Measure of CEO Confidence in the USA.

Growth opportunities

Public Healthcare provision and insurance are not the only areas that offer opportunities for the private Healthcare sector. Senior executives in our survey identified Healthcare tourism (84%), as well as pharmaceuticals (68%) and biotechnology (68%), as having high investment potential.

Overall, Saudi Arabia (40%), Libya (20%) and the UAE (16%) are cited by survey respondents as the most important growth markets in Arab Healthcare. Saudi Arabia is considered the most attractive Arab Healthcare market because of the increase in demand generated by its rapidly growing population and its enormous economic resources.

As well as having the highest potential for foreign investors, Saudi Arabia also represents one of the most difficult Healthcare markets to break into, due to its strict ownership laws and restrictions on foreign investment. For overseas investors, the keys to success are a solid understanding of the Saudi Arabian market, the ability to adapt culturally, and the capacity to build long-term relationships with key government stakeholders.

Skills shortage

Many of the respondents in our survey agree that there is a shortage of skills in the Arab world Healthcare sector. The low number of opportunities in postgraduate education has limited the supply of doctors, particularly specialists, but there is also a lack of quality non-medical staff. Hospital management, technical support, IT services, and research support positions are all in high demand.

Healthcare industry leaders are typically turning towards 'import strategies'. Our research shows they regard 'attracting skilled foreign workers' as one of the key challenges facing the industry with 32% rating it as 'crucial' and 16% as the most important. The difficulty in attracting foreign doctors centers mainly around providing competitive financial packages, and training and research opportunities.

Our research suggests that the Arab Healthcare industry in general must continue to rely on

expatriate professionals until the development of domestic talent is at a level to support long-term Healthcare provision on its own.

The role of women

The continuing expansion of the role of women in the workforce is cited as important by 84% of Healthcare senior executives. In many Arab countries, the local supply of skilled labor, both women and men, to the nursing sector is not sufficient to meet demand. This is often related to both the relative attractiveness of the industry compared to other employment options, and to long-standing cultural factors relating to the work, training and travel opportunities afforded to local women.

Once again, the dependence on an expatriate workforce could leave some Arab nations vulnerable to even further falls in supply. The appeal of a local market to nurses may fall due to internal political instability or because of increased competition from rival labor markets. Some industry experts believe that for this challenge to be overcome, the Healthcare industry needs to improve relevant education and training opportunities, and increase the allure of the profession to prospective recruits.

Investing in IT

Industry leaders see a number of opportunities for IT to add value to Healthcare provision, particularly for records and supply chain management.

To maximize investments, Healthcare providers must make sure that they fully assess the issues before implementing the technology. To prepare for the modernization of records management systems, there must first be a clear strategy to collect the information. Only then can the transition to database applications take place.

Many large-scale IT projects in the industry have also been hampered by inadequate telecommunications infrastructures – particularly planned digital solutions. The industry needs to put heavy emphasis on developing support networks staffed by skilled IT professionals.

Challenges

Healthcare industry leaders cited 'increased competition' (80%) and 'low-cost competition' (64%) as the most significant threats to business growth. Outside of the Arab world, India is considered one of the main potential threats — it has both lower operating costs and a broader range of specialist providers than many nearby GCC private Healthcare markets. Other key competitors are China, France, Italy and the USA (each at 12%). 'Global terrorism' is listed as the most widely feared threat to business (84%).

The pharmaceuticals sector remains relatively undeveloped in most Arab countries, mainly due to a lack of research and development, and intellectual property protection. In the Gulf, the vast majority of pharmaceutical products are imported and those countries that are active in the sector feel a significant threat from foreign competition.

Arab business leaders listed 'reducing bureaucracy' (76%), 'improving education' (64%), 'increasing consistency in economic policy' (60%) and 'increasing technology funding' (56%) as the most important initiatives for improving the business environment.

Economic confidence among Healthcare leaders

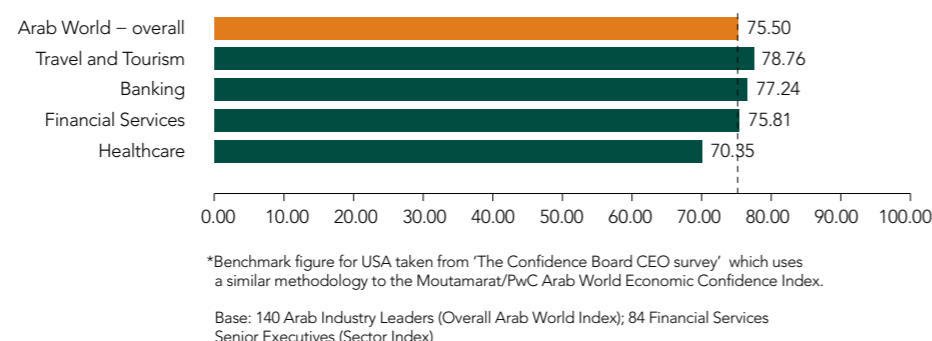
Key challenges facing Healthcare

As the Arab Economic Confidence Index* shows, the mood in the latter half of 2005 was buoyant in the Healthcare industry. Although it scores below the pan-Arab average and confidence is lower than in Travel and Tourism (78.76) and Financial Services (75.81), the Healthcare sector's score of 70.35 out of 100 is still healthy.

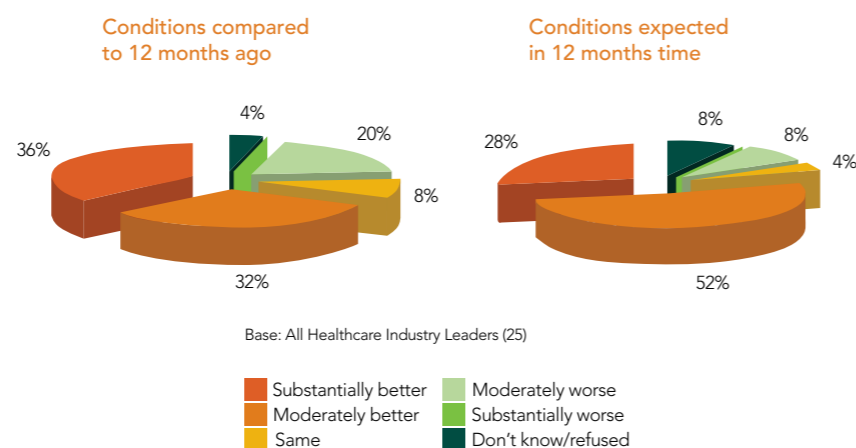
Over two thirds (68%) of senior executives in Healthcare believed that economic conditions during the survey period were better compared to those in November 2004, and 80% believed that conditions would improve even more in the following 12 months. Just under half (48%) said they would match their revenue targets in the same period and 44% agreed they would exceed those targets.

Overall, industry leaders within Healthcare were positive about growth prospects for the whole sector, with 40% being 'very' confident and a further 52% 'somewhat' confident. As part of Moutamarat's and PricewaterhouseCoopers' commitment to the Arab Business Intelligence Report, our second survey will investigate how justified that confidence was and monitor the level of confidence going forward.

Arab World Economic Confidence Index 2006



Q. Thinking about the current economic conditions in your country, would you say they better or worse compared to 12 months ago? Looking ahead do you expect the economic conditions in your country to be better or worse in 12 months' time?



Senior executives ranked the funding of national health insurance as the key challenge to the future of the Healthcare industry. It was listed as an important factor by 68% and the most important by 16%. Many Arab countries believe the growth of the private sector will help governments meet this challenge and nearly two thirds (60%) of the survey respondents agreed that this growth would not have a negative effect on the quality of public Healthcare.

Human capital is also perceived as crucial. 'Attracting skilled foreign workers' was listed by 48% of Healthcare business leaders with 16% agreeing it was the most important. The same percentage cited 'retention of skilled labor' as a priority.

"The key areas of medicine to resource for are diabetes, heart disease and cancer. It is important not only to look at the key doctors for recruitment but also to consider their supporting infrastructure — their entire clinical set-up — because a clinic is a microcosm of the full system."

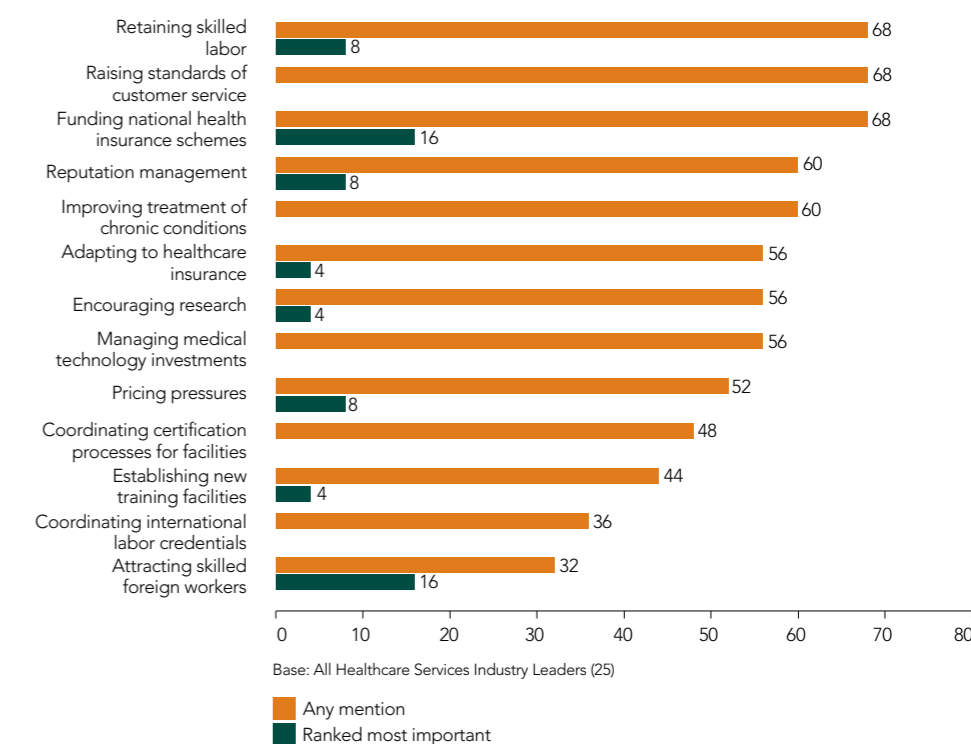
Dr. Ivo Janecka
Chief Executive Officer
Center for Planning & Quality
Dubai Healthcare City, UAE

Over two thirds of our respondents (68%) saw the raising of customer service standards as another crucial challenge for the Healthcare industry and more agreed (48%) than disagreed (32%) with the statement that it will not be possible to simultaneously raise standards and cope with population increases'. Eight out of ten industry leaders saw the further expansion of the role of women in the workforce as important, which may help to bridge the gap.

"Women are the most wanted of the Bahrain labor force...we think they are not less than one third of the labor force. If you take the outcome of university or school, girls are getting much higher grades but lesser employment — this is very sad."

H.E. Nada Haffadh
Minister of Health, Bahrain

Q. Which, if any, of the following challenges do you consider are crucial to the future of the Healthcare industry in your country?



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Improving the business environment in Healthcare

Industry experts agree that future Healthcare provision across the Arab world must be based on long-term strategic planning leading to radical changes to Healthcare systems.

“The treatment of terminal diseases, as well as other significant influences on the mortality rate, is a key issue to address over the next three years. We don’t necessarily see mortality trends changing over this period; however, it is a priority in the short term as well as over the long term. We have already started some measures to address this area but ultimately, as part of a long-term strategy, we must consider reform of the whole health service system.”

H.E. Nada Haffadh
Minister of Health, Bahrain

Arab nations are in a strong position to introduce proven best practice methods based on the experience of the West. Advanced planning models can give the industry the opportunity to achieve high returns from its investments in people, infrastructure and technology.

The vast majority (84%) of senior executives agreed that more reliable industry information is vital to the future of the Healthcare sector and that current planning is poorly supported by the available market data.

“Unless we have true statistics, we won’t be able to make all the decisions that are necessary. If I had a magic wand, I would take all the people involved with statistics here and send them to, for example, the cancer centers around the world and have them learn how the reporting is done and then put them in the health centers here and make them very accountable — have them audited.”

Dr. Ivo Janecka
Chief Executive Officer
Center for Planning & Quality,
Dubai Healthcare City, UAE

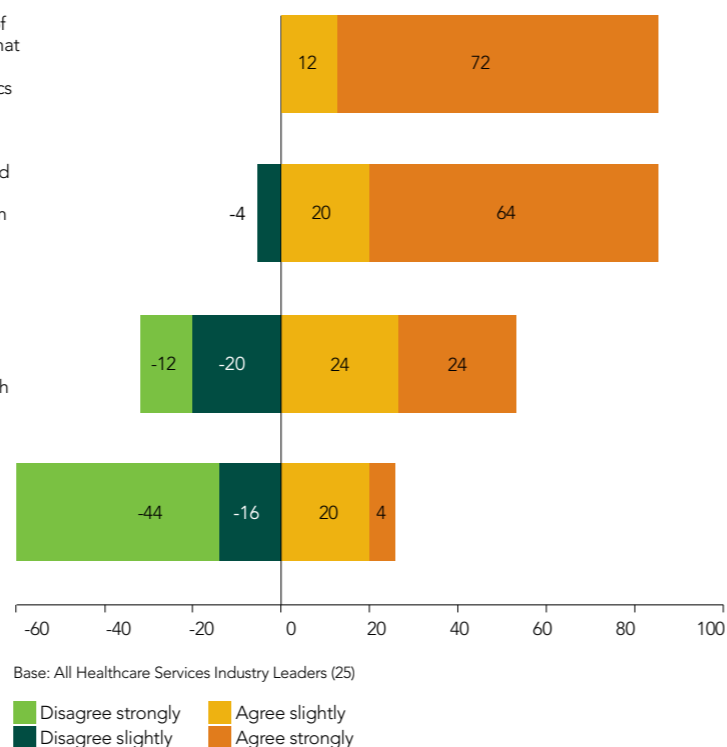
Q. How strongly do you agree with the following statements about the Healthcare industry?

It is vital for the future of the Healthcare sector that more reliable industry information and statistics are made available

It is important to expand and develop the role played by women within the Healthcare workforce

It will be possible for state health institutions to simultaneously raise standards and cope with population increases

Growth of the private healthcare system will have a negative effect on the quality of public healthcare



A large number of initiatives aimed at improving the business environment gain broad support from Arab senior executives. They felt most strongly about ‘reducing bureaucracy’ with 76% regarding the necessary reforms as ‘very’ important.

“There is a leadership mechanism that’s evolving. We are going to need to be more competitive globally and the only way to do it is to have more leeway for the new generation of leaders that is coming through in the Arab world.”

Mr. Mazen Darwazah
Chairman
Hikma Pharmaceuticals, Jordan

Healthcare leaders also feel strongly about the need to ‘increase consistency in economic policy’ (60% ‘very important’) and the need to ‘raise education levels within the workforce’ (64% ‘very important’).

“There is a huge project in Bahrain targeting the reform of the labor market. The main objective is to give the actual Bahrainis more chances with the skills needed in the labor force, so that they can gradually replace the non-Bahrainis.”

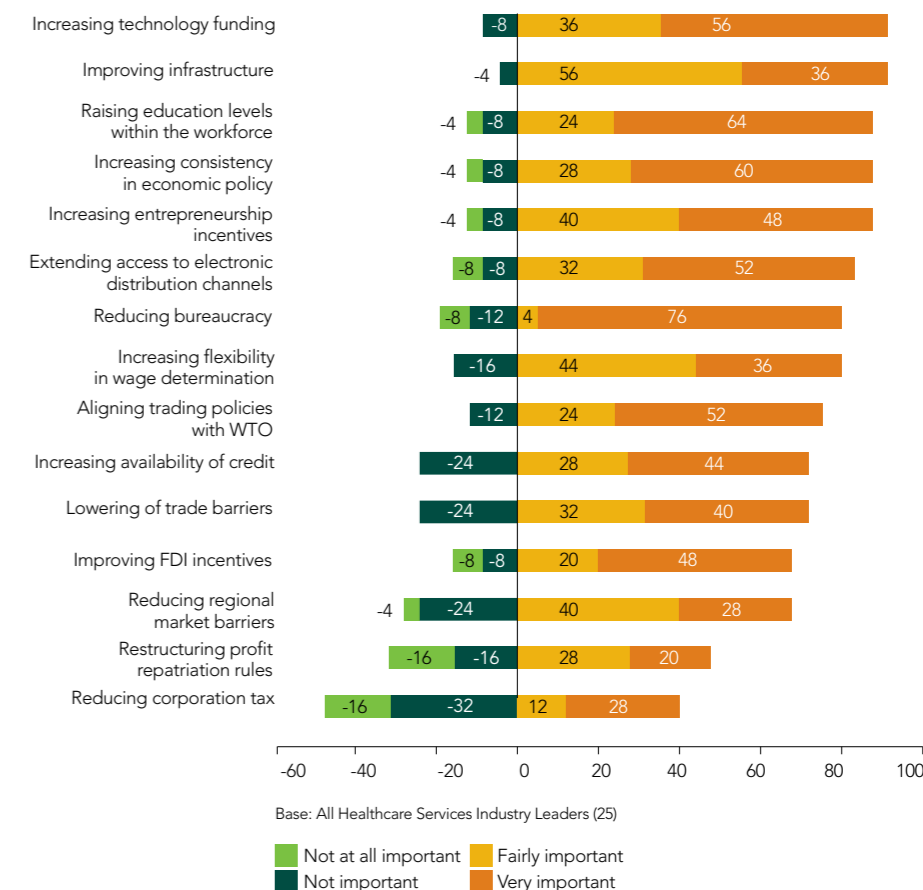
H.E. Nada Haffadh
Minister of Health, Bahrain

While ‘reducing corporate tax’ was rated as the least important initiative in the development of the sector (at least ‘fairly important’ by 40%), the most widely supported initiatives were ‘increasing technology funding’ and ‘improving infrastructure’ (both rated at least ‘fairly important’ by 92%). Infrastructure deficiencies are often most apparent in relation to emergency services.

“You need to look at the infrastructure of trauma care – the speed of transfer of victims correlates to the number of lives you save. This is one area where the entire region has quite a bit of catching up to do to reach the standards of other areas. This is a key issue of concern for professionals when they come here to help this region.”

Dr. Ivo Janecka
Chief Executive Officer
Center for Planning & Quality
Dubai Healthcare City, UAE

Q. Thinking about the business environment in your country, please rate the importance of the following initiatives in relation to business development in your industry



Critical success factors for Healthcare organizations

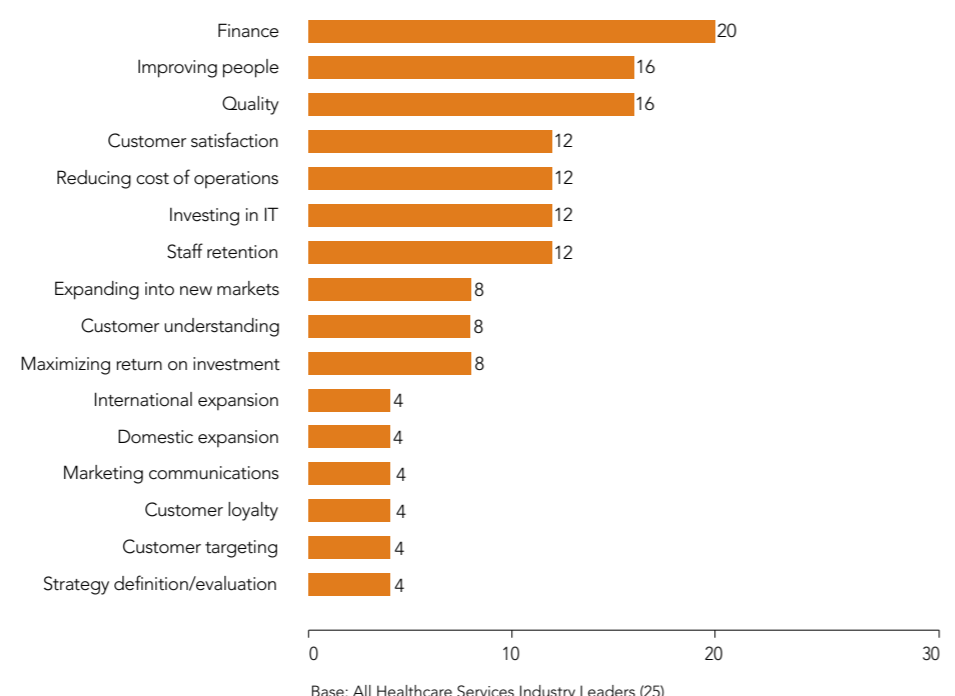
Healthcare technology

Investment and growth are clear priorities for Healthcare organizations in the Arab world. One fifth of sector leaders rank 'finance' as the most important factor in improving competitive performance. 'Improving people' and concerns for 'quality' are joint second with 16% each. 'Reducing cost of operations,' 'staff retention' and 'customer satisfaction' (each 12%) also rank in the top half of the table.

"People are no longer just consumers — they are becoming sophisticated consumers. In many cases, where the companies are not interacting with their consumers, they are punished."

Mr. Mazen Darwazah
 Chairman
 Hikma Pharmaceuticals, Jordan

Q. What do you consider to be the highest priorities for your business in order to improve competitive performance over the next 12 months?

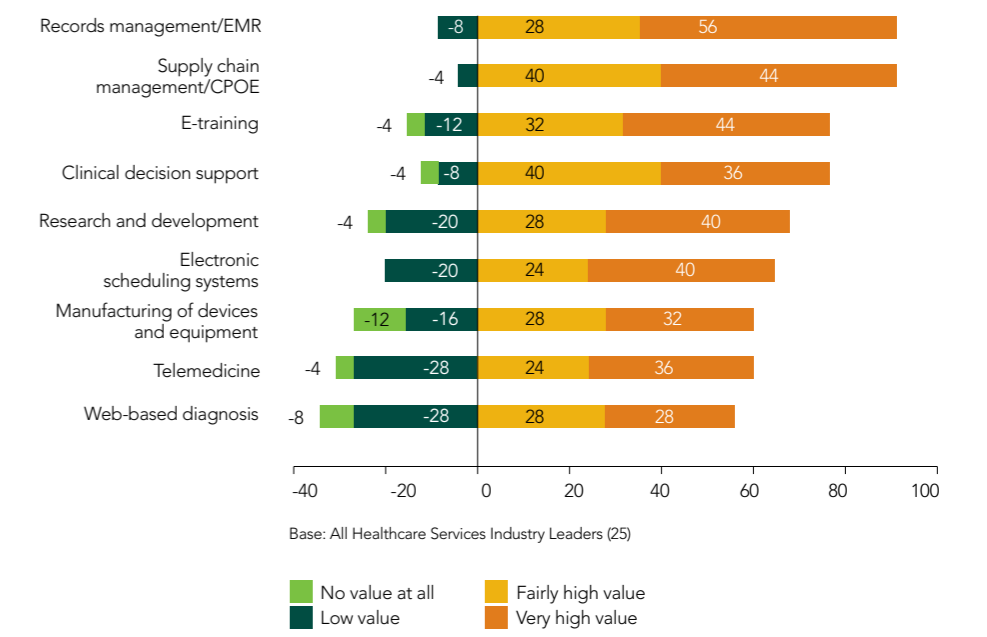


Investing in IT is one of the top three priorities for senior executives in terms of improving competitive performance. The majority (56%) of Healthcare business leaders believe that increasing technology funding is 'very' important to business development.

Our research shows that the most valuable applications of IT in Healthcare are 'records management' and 'supply chain management' (both rated as at least 'fairly high value' by 84%). 'E-training' is rated as the third highest in value (76%). These innovative training solutions may be linked to the issues surrounding quality and service that have also been identified by senior executives as crucial to the future of the industry.

Some of the less obvious technical applications also receive strong backing. The use of IT in 'clinical-decision support' is described as 'valuable' by 76% of industry leaders. 'Tele-medicine' (60%) and 'web-based diagnosis' (56%) are widely supported, having the potential to assist in Healthcare in the more remote and rural regions of the Arab world.

Q. How do you rate the following application of IT in terms of the value it can add to your sector?



Growth strategies in Healthcare

Our Healthcare business leaders predicted that in 2006, Arab Healthcare companies would pursue a number of growth strategies, but the key would be the forming of alliances. More than half (56%) of the senior executives said that their most important form of growth would be through alliances and joint ventures, while only 52% cited 'organic growth'. Around half (48%) listed 'outsourcing' and 32% believed there is scope for further 'mergers and acquisitions'.

"When I started working 20 years ago, there were 70 pharmaceutical companies in the Arab world and around 7,000 around the world. Today, around the world the 7,000 have become something like 700 — they have all merged and bought each other. In the Arab world, there are something like 260 companies, so the Arab world is getting more competitive — I see more mergers and acquisitions."

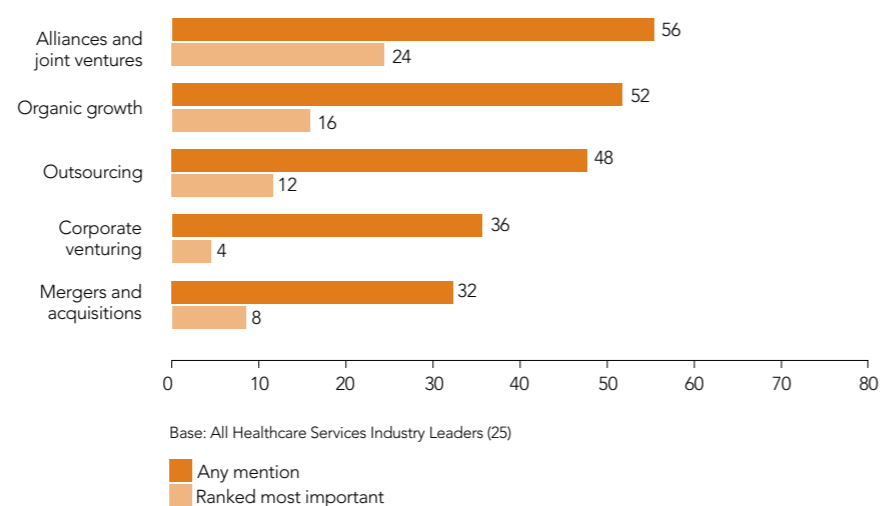
Mr. Mazen Darwazah
Chairman
Hikma Pharmaceuticals, Jordan

The UAE (20%), Saudi Arabia (16%) and Kuwait (8%) are named as having the greatest potential for commercial alliances, although some Arab Healthcare business leaders are also developing links with the West to obtain industry expertise and models of best practice.

"Using Dubai Healthcare City (DHCC) as an example, we have several important alliances. Harvard, for example, is here to stick it out until it accomplishes its goal, which is to put a framework in place so DHCC can run on its own. We are also developing a relationship with Mayo Clinic, which is a very helpful and positive relationship for both sides, because DHCC gets the brand name and also the standards they provide."

Dr. Ivo Janecka
Chief Executive Officer
Center for Planning & Quality
Dubai Healthcare City, UAE

Q. Which, if any, of the following strategies will be responsible for driving growth at your organization this year?



Growth markets in Healthcare

'Healthcare tourism' is seen as one of the major revenue branches for industry leaders, with 84% believing that it has high potential over the next two years. The majority (58%) of senior executives in the Travel and Tourism sector agrees that Healthcare tourism is a major growth market. This market is seen to be led by the USA, with France and the UK the most prominent challengers.

Within the Arab world, Egypt (16%) and the UAE (16%) are regarded as the most likely future leaders. However, it is important to note that some commentators are more cautious than the industry itself about the growth prospects for this area of Healthcare.

With demand for public Healthcare increasing, the role of private medicine is expanding. In terms of investment potential over the next two years, private health insurance is rated highly by 60% of senior executives, and private hospitals by 80%.

"In Bahrain and other countries, historically it's mainly been government provision — say up to 80 or 90%. But that's changing — say 60/40 now. There are serious discussions now to change our role and to work seriously in partnership with and to give the private sector more of a role to provide the services. This is a vision we are really taking seriously."

H.E. Nada Haffadh
Minister of Health, Bahrain

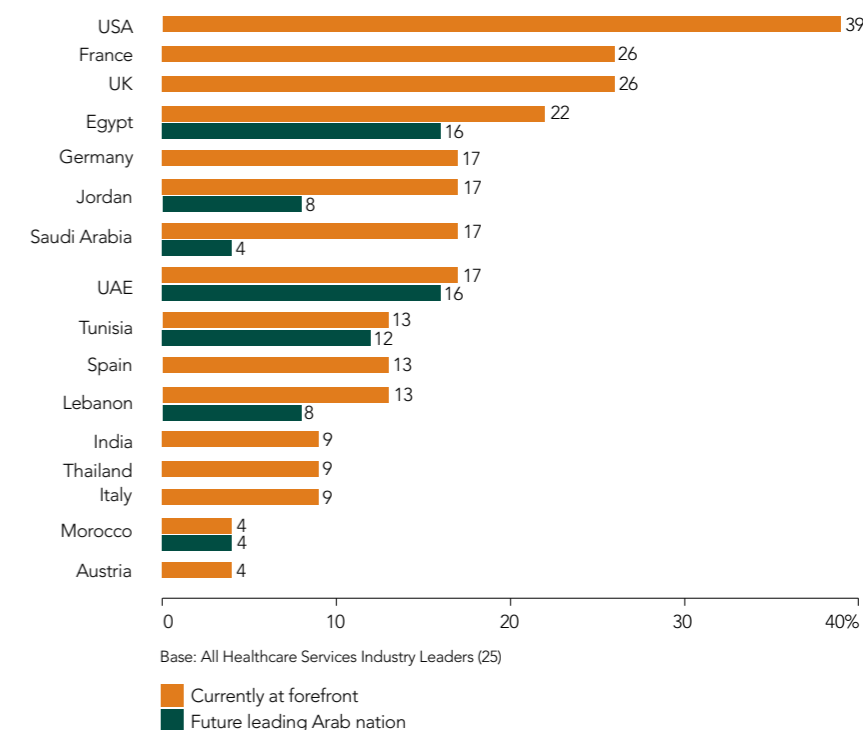
Around half (52%) of industry leaders see high potential to make returns from 'Healthcare clusters' within two years, but 44% say the chances are 'low'. 'Biotechnology' potential is rated highly by around two thirds (68%) of senior executives, but around one quarter (28%) disagree.

In the global marketplace, Saudi Arabia (40%) received twice as many votes as its nearest competitors for growth potential. Outside the Arab world, the most significant growth markets were named as France (20%), the USA (12%), and the UK (12%).

When Arab industry leaders were asked to consider only those growth markets within the Arab world, the countries mentioned most were Saudi Arabia (40%), the UAE (28%) and the three key North African markets of Algeria (28%), Libya (28%) and Egypt (24%). The UAE (16%) and Libya (16%) were considered the single most important growth markets.

Q. Thinking about Healthcare tourism worldwide, which countries do you currently see as being at the forefront of this industry?

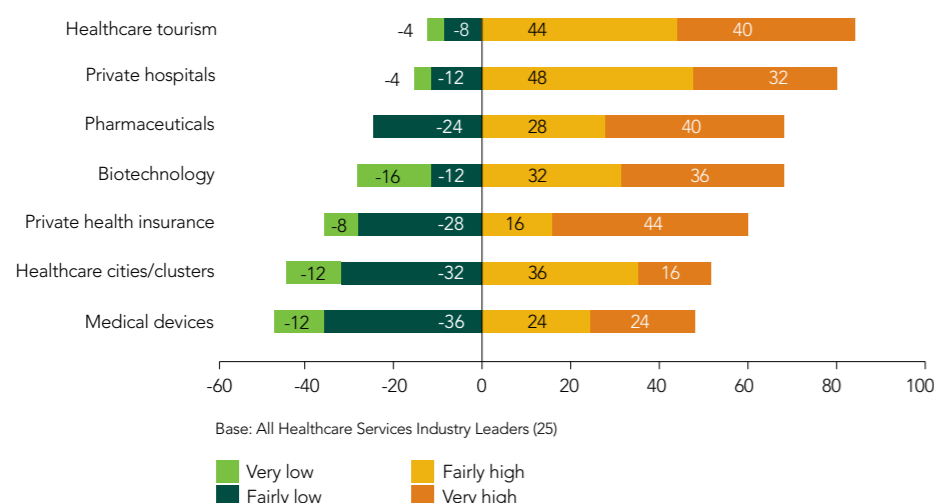
Q. Looking forward 2-3 years from now, which do you believe will be the most prominent Arab country in this market?



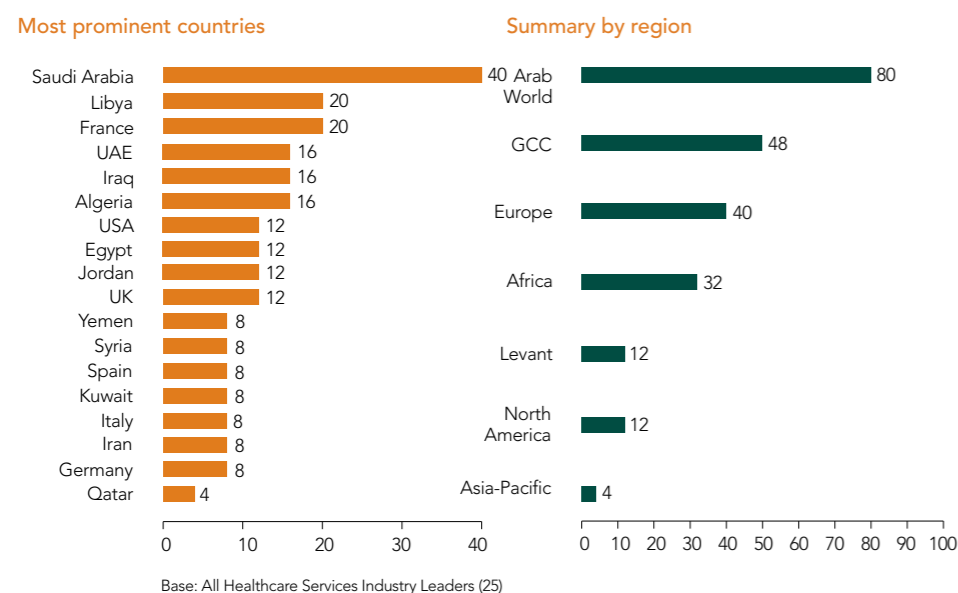
Pharmaceuticals

Growth strategies in Healthcare

Q. How do you rate the following markets in terms of their investment potential over the next 2 years?



Q. Thinking about the global marketplace, which countries do you see as major growth markets for your industry?



More than two thirds (68%) of senior executives rate pharmaceuticals investment potential over the next two years as 'fairly' or 'very high'.

"Our own belief is that we have a real boom in the Arab world for the next 10 years in the pharmaceutical sector. Double digit growth is in the cards."

Mr. Mazen Darwazah
Chairman
Hikma Pharmaceuticals, Jordan

Many respondents identified clear problem areas facing the pharmaceutical sector. Operating in the Arab world presents some unique 'cultural' (16%) and 'ethical' (8%) challenges. Demand is increasing across the board in Healthcare, but demographic changes are also creating new markets. Within pharmaceuticals, the most important challenges listed by Healthcare leaders are 'research and development productivity' and 'intellectual property protection' (each 24%).

"There is really no research and development in the Arab world. What I have been working on a lot, in terms of convincing the Arab governments, is that we have incubators for sciences. The Arab world spends 0.8% on R&D — in total, not in the pharmaceuticals industry. In the pharmaceuticals industry overall, they spend around 1.5-1.6%... I'm concerned about the research and development and about how much the government and the private sector are willing to spend — this is one of the things that we should work on."

Mr. Mazen Darwazah
Chairman
Hikma Pharmaceuticals, Jordan

Our survey also showed that the sector needed to address the issues of tariff levels (20%), approval processes, pricing processes, and pricing pressures (each 16%).

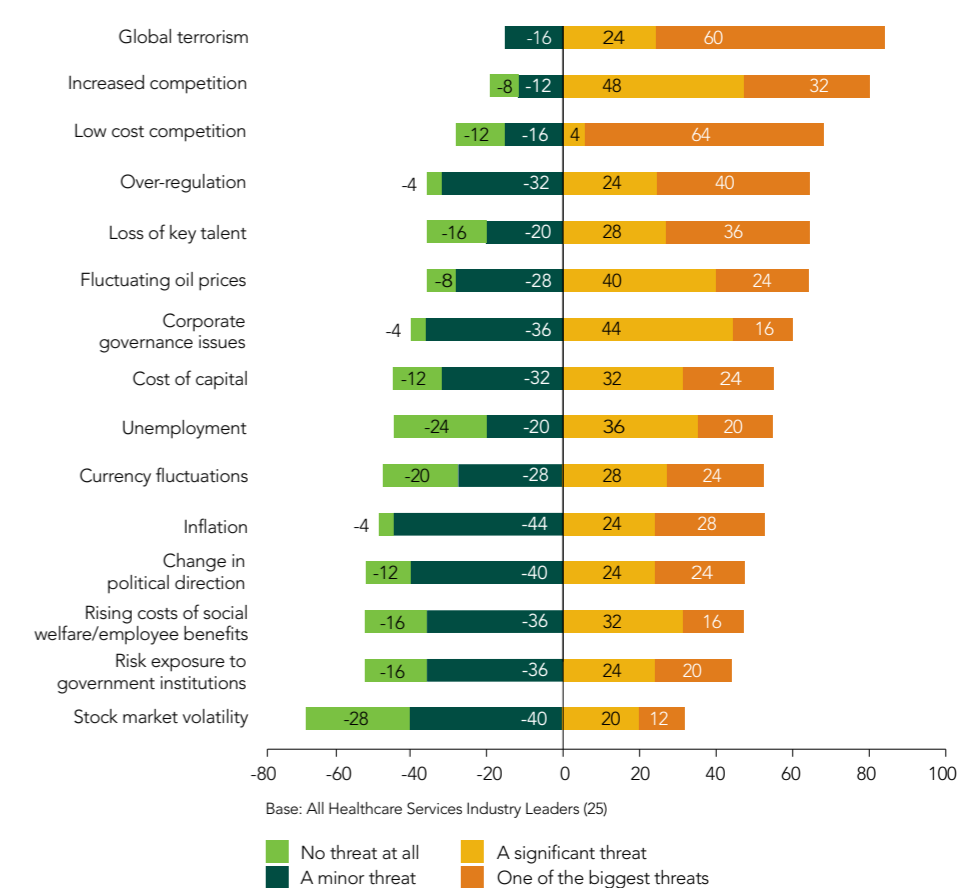
'Global terrorism' was regarded as the single biggest threat to business growth in Healthcare, with 84% of senior executives describing it as 'at least significant', and 60% referring to it as 'one of the biggest threats'. 'Competition' was ranked a close second with 80% regarding the threat as 'at least significant'. 'Over-regulation' and the 'loss of key talent' both polled 64%. Unlike senior executives in the Financial Services and Travel and Tourism sectors covered in this first ABIR survey, those in the Healthcare sector did not see 'rising staff welfare costs' as a major threat (16% saw it as 'no threat at all' and 36% as a 'minor threat'). This may be seen as a positive step because those costs would indicate a decrease in the shortage of staff mentioned earlier. 'Changes in political direction within Arab countries' was also rated as either a minor or negligible threat (52%).

"The cost of Healthcare per living year of an individual who is obese or smokes is about \$2,500 more in the US than of those who have normal body weight and don't smoke. Employers are looking very closely into the health statistics of employees because of the ever-rising health insurance costs. If you consider that the population is growing here by about 3.5-3.6% per annum — that is a significant number."

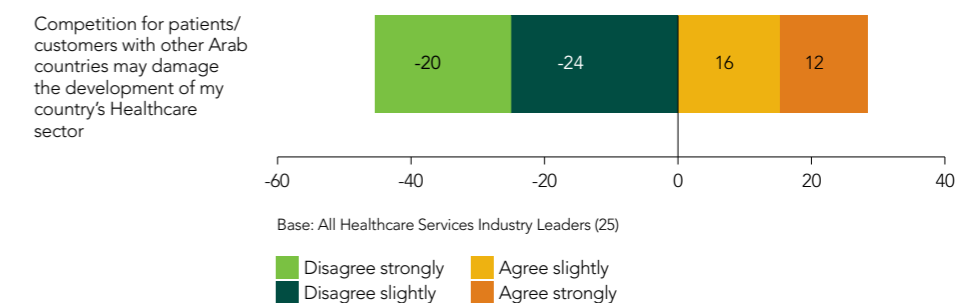
Dr. Ivo Janecka
Chief Executive Officer
Center for Planning & Quality
Dubai Healthcare City, UAE

Four out of five senior executives in the Healthcare sector described increased competition as a significant threat to business growth and 64% cited low cost competition as one of the biggest threats to the sector. Those results indicate that the threat is on a domestic level, as only 28% of Healthcare leaders agree that international competition for patients will damage home country provision.

Q. How big a threat are the following to your business growth prospects?



Q. How strongly do you agree with the following statement about the Healthcare industry?



Governance, Risk Management and Compliance

Competition within Healthcare

Healthcare leaders in the Arab world regard Governance, Risk Management and Compliance (GRC) as potentially cumbersome, but the vast majority (88%) also agrees that there should be a regional standard for GRC.

"You need proper accounting and reporting procedures — you have to be transparent in what you are doing within the private and public sector. Corruption must be eliminated."

Mr. Mazen Darwazah
Chairman
Hikma Pharmaceuticals, Jordan

While there is widespread acceptance that GRC would benefit the Healthcare industry, four out of five industry leaders identify a lack of understanding of that benefit as the biggest challenge. 'Government influence on the regulatory environment' (76%) and the 'speed and efficiency of judicial processes' (72%) are also seen as obstacles to GRC implementation. Nearly two thirds (64%) also identify 'over-regulation' as a potential threat to business growth.

"You have to be in a respectable market, which is why we choose the UK [to list]. There remains much to be done in the Arab capital markets in terms of transparency – I'm very interested in developing that concept in the Arab world."

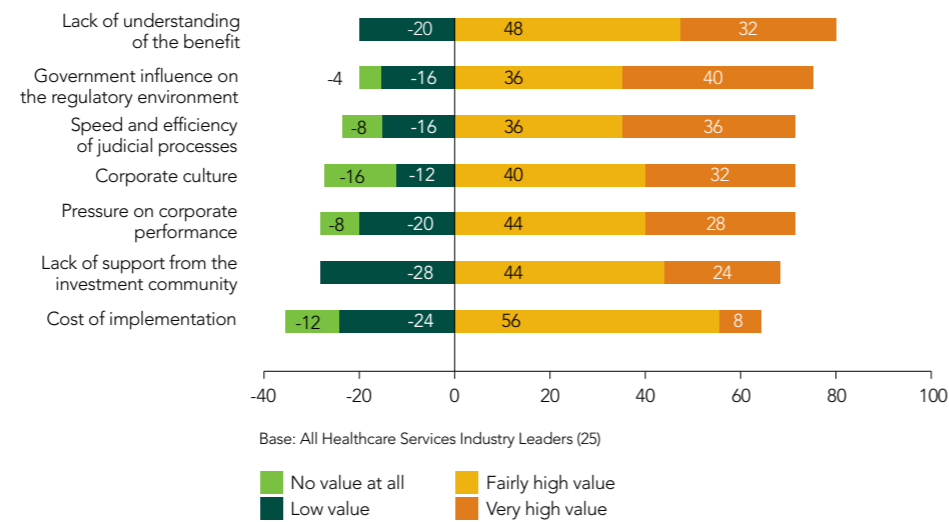
Mr. Mazen Darwazah
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As the Healthcare sector develops and customer rights increase, an emerging area of risk is malpractice litigation, an area generally seen as a challenge for the western Healthcare industry. With the prospect of this becoming increasingly evident in the Arab world, providers here have the opportunity to learn from the experiences of the West in managing this issue.

"There are two things that practitioners need to do. One is that they have to be as good as they can be — on par with current standards. But even more importantly, they need to understand patients; they need to establish trust."

Dr. Ivo Janecka
Chief Executive Officer
Center for Planning & Quality
Dubai Healthcare City, UAE

Q. How big an obstacle do you consider each of the following factors in successfully implementing Governance, Risk Management and Compliance across countries in your region?



Arab industry leaders generally believe they operate in highly competitive environments although, compared to other sectors in the first ABIR, competition within Healthcare is less intense. Less than half (44%) of the senior executives in Healthcare rate competitiveness 'above average', compared to 61% in Travel and Tourism and 54% in Financial Services.

Outside the Arab world, leading Healthcare businesses are most likely to benchmark their performance against companies from the USA (28%), the UK (24%) and France (20%). Europe is the leading source of comparison, but within the Arab world, performance is measured most against Egypt (20%), Saudi Arabia (20%) and the UAE (16%).

"It's all about how to keep the quality versus the cost of the finance, which is going to increase over time. It's a difficult balance but we have to learn from many countries around the world and this is what we did in Bahrain... We looked at the experiences of seven benchmark countries around the world to determine the best reforms for Bahrain — what suits our system and goes along with the vision of having the private sector as a real partner..."

H.E. Nada Haffadh
Minister of Health, Bahrain

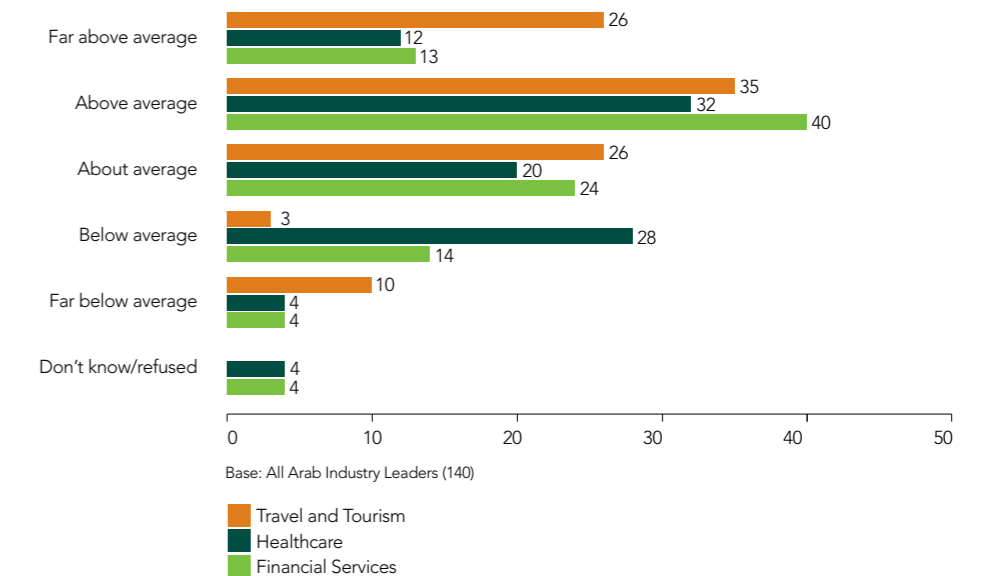
Industry leaders predict that the UAE (20%) will be the most significant source of new competition over the next three years. Competition from outside the Arab world is expected from Italy (16%), China, France, India and the USA (each 12%).

"I do see multi-nationals buying companies in the Arab world. Now, is that fair competition? In most instances, the competition is very healthy and we should always have competition and open markets, but it might be a concern. Local companies are becoming more and more vulnerable because they have undeveloped skills, marketing techniques and financial capabilities. They will not be able to survive."

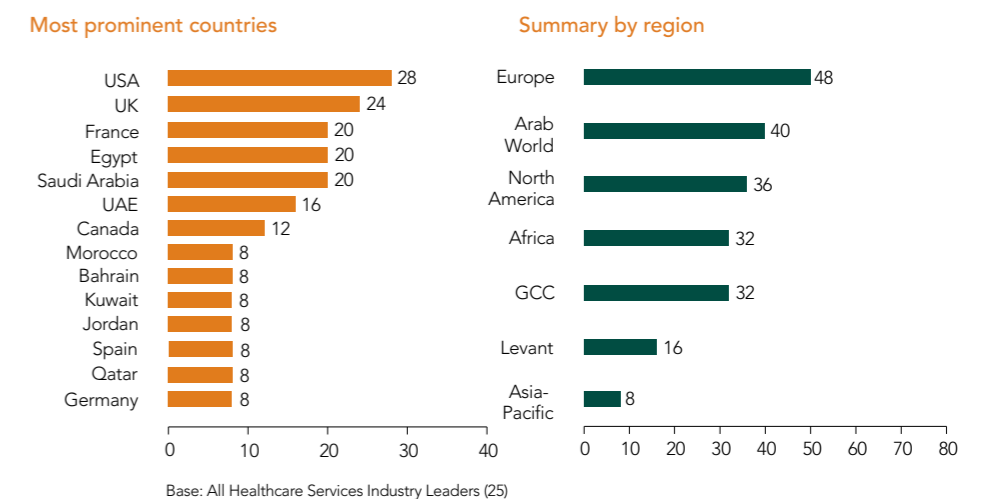
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Within the Arab world, senior executives voted Saudi Arabia, the UAE, Egypt and Jordan (each 16%) as the most prominent sources of new competition, but cited Saudi Arabia (36%) as providing the most significant competition.

Q. How does the level of competitiveness in your domestic industry compare to other sectors and markets?



Q. When benchmarking your organization against others, to which other countries do you turn for comparison?



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