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MEDIA BRIEFING

GCC social infrastructure schemes top \$121bn

The private sector is expected to play a bigger role in delivery of social infrastructure projects moving forward

The private sector is expected to play a more significant role when it comes to the delivery of the GCC's social infrastructure projects in the coming years, according to Cyril Lincoln, executive vice-president, global head of real estate finance and advisory at Mashreq Bank.

With an ample volume of planned and underway projects in this segment, private developers, contractors and asset managers are presented with a sizeable opportunity to support long-term goals set by the region's governments.

More than \$121bn-worth of social housing, education and healthcare projects are planned and underway in the region, according to projects tracker MEED Projects.

AT A GLANCE

- More than \$121bn of social infrastructure projects are planned and underway across the GCC
- The majority of these projects are located in Saudi Arabia, followed by Kuwait
- Greater private sector participation in the delivery of these projects will help reduce dependence on state-led funding
- The private sector can bring knowledge and innovation to specialised projects in areas such as healthcare and education

SOCIAL INFRASTRUCTURE IN THE GCC



Of these, more than \$50bn are under execution, while the remaining \$70bn are in various stages of planning.

“Social infrastructure will continue to top the agenda for GCC governments, as they prioritise quality of life, medical care and education for their growing populations,” says Lincoln. “But there is a need to diversify the way these projects are delivered. It should not be seen as the government’s responsibility alone.”

The need for social infrastructure

The changing composition of the demographic structure of the GCC is a key demand driver for social infrastructure projects. The region has one of the fastest growing populations in the world, primarily consisting of a younger age group.

An April 2021 report by PwC highlights that the number of people aged under 30 in the region is expected to reach 65 million by 2030.

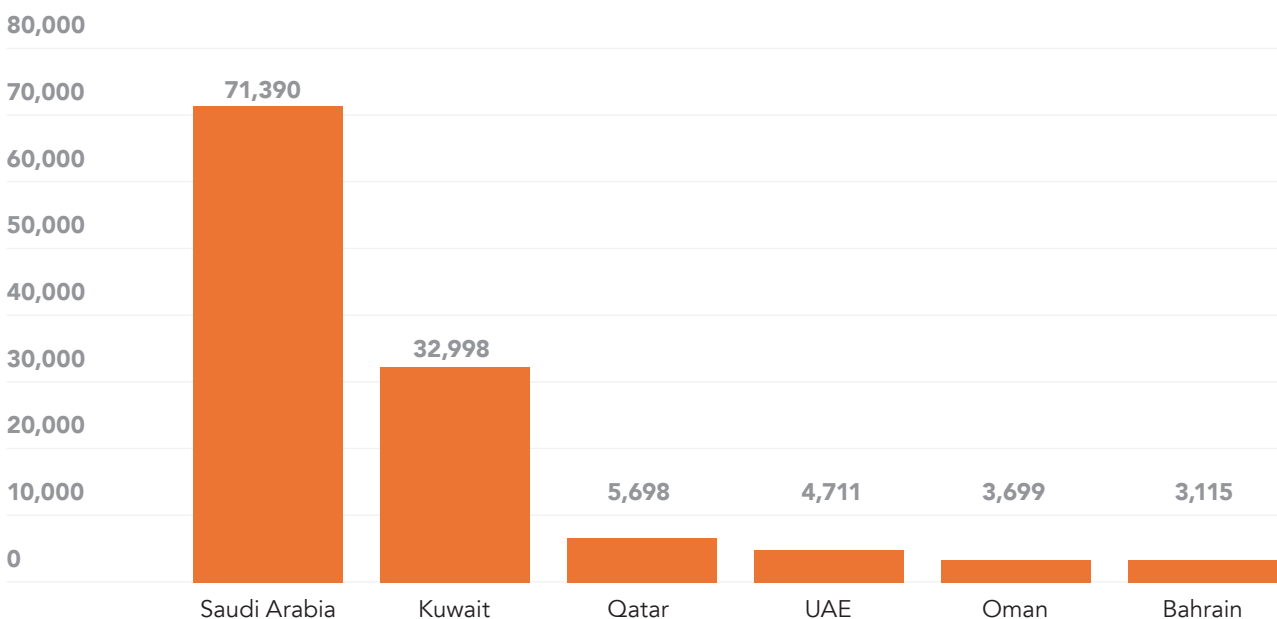
At the same time, factors such as rising trade flows, growing digital penetration and rapid urbanisation continue to attract both individuals and businesses to the shores of the Gulf.

“The GCC sits at the core of global opportunities, and rightly so,” says Lincoln. “Further bolstering the attractiveness of the region are reforms around visas and ease of conducting business.”

Countries such as the UAE have recently introduced a spate of reforms, including long-term residency options that could ultimately lead to more retirees choosing to settle in the country.

“There is a need to provide sufficient and competitive educational institutes for the younger segment of the population. And at the same time, meet the needs of ageing counterparts with quality healthcare services.”

Breakdown of social infrastructure schemes planned and underway in the GCC (\$m)



Source: MEED Projects

SOCIAL SCHEMES UNDER CONSTRUCTION IN THE GCC



\$24bn

HOUSING PROJECTS



\$17.8bn

HEALTHCARE PROJECTS



\$8.5bn

EDUCATION PROJECTS

Data from MEED Projects highlights that the \$66.3bn-worth of social housing schemes account for the lion's share of active social infrastructure projects in the GCC. Of these, around \$24bn are currently under construction, while the remainder is in various stages of planning, design and procurement.

Similarly, \$17.8bn-worth of healthcare projects are under construction in the GCC, while education projects account for \$8.5bn.

In terms of the future pipeline of work, nearly \$42bn of work is expected in the residential sector, as governments in the region seek to provide affordable housing options for their populations. These include the planned Dahiyat al-Fursan housing development project by Saudi Arabia's Ministry of Housing and Kuwait's Al-Khiran Residential City.

Healthcare and education account for \$17bn and \$11.3bn of future projects respectively, including projects such as the third phase of Saudi Arabia's National Schools Programme; Riyadh MedTech City; and Oman's Sultan Qaboos Medical City.

Collaborative approach

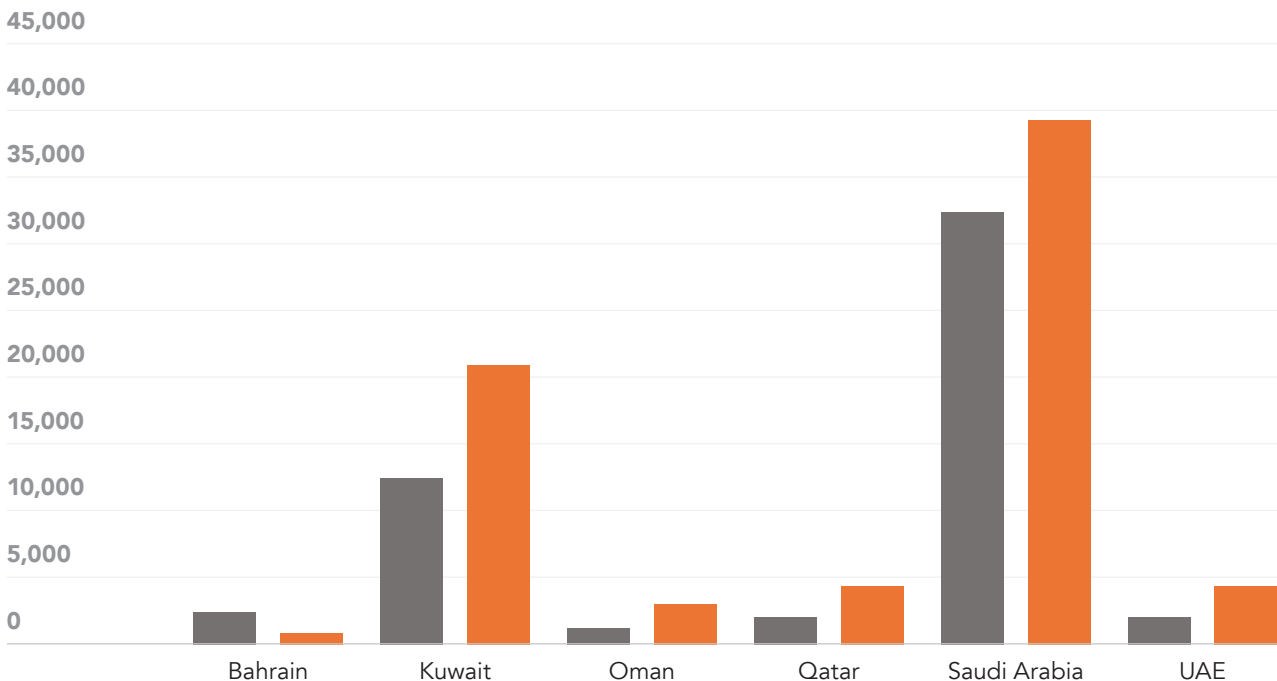
Typically, these projects are funded by the public sector. This has meant that the challenges of recent years, including the Covid-19 pandemic and unstable oil prices, have impacted committed infrastructure spending.

With oil prices steadying in 2022, it is natural to expect that these projects will be given a new lease of life. But it may be advisable for governments to exercise caution when it comes to procyclical spending.

"The experiences of recent years should serve as lessons for the way forward," says Lincoln. "It is important to balance spending even during periods of vulnerabilities such as those caused by lower oil prices."

Status of social infrastructure projects in the GCC (\$m)

Execution Planned



Source: MEED Projects



PRIVATE SECTOR PARTICIPATION AT A GLANCE

Zayed City schools project

Located in Abu Dhabi, the Zayed City schools project is the UAE's first PPP development in the school infrastructure space. A consortium of Belgium's Besix, Australia's Plenary Group and the local United Engineering Construction (Unec) was appointed in May 2022 by the Abu Dhabi Investment Office (ADIO) to finance, build, operate and maintain the project.

Obhur Park residential project

Part of the Sakani programme to provide housing for Saudi citizens, the Obhur Park residential project in northern Jeddah comprises developing over 8,000 apartments. The local Al-Atheer Real Estate Development Company is the developer for the project, with Saudi Arabia's Municipal, Rural Affairs & Housing Ministry involved as owner.

Omani schools attract bidders

In August 2022, Oman's Finance Ministry qualified companies to bid for the contract to design, finance, construct and maintain 42 schools under the sultanate's first ever PPP programme for the education sector.

Tatweer and Ministry of Education work together

With plans to deliver hundreds of public schools across multiple phases, Saudi Arabia's Ministry of Education and Tatweer Buildings Company are working to deliver high-quality infrastructure for the kingdom's education sector by procuring under a PPP model.



Procuring through models such as a public-private partnership (PPP) agreement allows the state to transfer key risks to the private stakeholders, while still retaining full ownership of the asset.

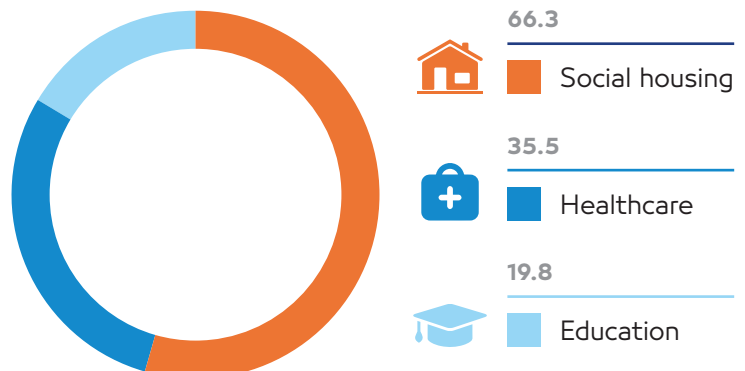
"Another aspect to bear in mind is the technical expertise that the private sector can bring to such projects," says Lincoln. "Especially in areas such as healthcare and education, these players can bring forth disruptive innovation."

The evolution of regulatory frameworks in the GCC has provided greater clarity and impetus for private sector participation.

"The development of PPP regulatory framework is a step forward in the right direction," says Lincoln. "It is fair to expect that in due time, social infrastructure projects delivered under a PPP model will pick up pace."

Social infrastructure in the GCC

Types of projects planned and underway in the GCC (\$bn)



Source: MEED Projects

Top 5 social infrastructure projects underway in the GCC (by sector)



Social housing

	Country	Project value (\$m)
Public Authority for Housing Welfare – Sabah al-Ahmed township	Kuwait	2,540
Ministry of Housing – Saudi housing project: Mecca Province	Saudi Arabia	1,640
Public Authority for Housing Welfare – Jahra and Sulaibiya low-cost housing	Kuwait	1,441
Ministry of Housing – Saudi housing programme	Saudi Arabia	1,098
Ministry of Housing – Saudi housing project: Eastern Province	Saudi Arabia	979



Healthcare

	Country	Project value (\$m)
Ministry of Interior – KAP: security forces medical city complex in Jeddah	Saudi Arabia	3,016
Ministry of Interior – KAP: security forces medical complex in Riyadh	Saudi Arabia	2,680
Qiddiya Investment Company – Qiddiya project: public facilities	Saudi Arabia	1,654
Ministry of Health – Expansion of eight hospitals: Al-Adan hospital expansion	Kuwait	772
Ministry of Public Works – New maternity hospital in Al-Sabah	Kuwait	730



Education

	Country	Project value (\$m)
Ministry of Defence – Relocation and construction of King Faisal Air Academy	Saudi Arabia	2,000
Kuwait University – Sabah al-Salem University development	Kuwait	1,603
Tatweer Buildings Company – Kingdom national schools programme	Saudi Arabia	649
Kuwait University – Sabah al-Salem University: administration facilities	Kuwait	574
Kuwait University – Sabah al-Salem University: sharia, law and social sciences college	Kuwait	498

KAP=King Abdullah Project. Source: MEED Projects

Despite the recent windfall from higher oil and gas prices, PPP projects are steadily growing on the back of supportive regulatory frameworks and greater incentivisation.

The region's first PPPs in the education sector were announced in Saudi Arabia and Qatar in 2020. A similar approach was seen with the Zayed City schools project in Abu Dhabi, announced in 2021.

The first hospital PPP in Saudi Arabia was also announced in 2020. Al-Ansar hospital is the first of its kind to be approved under Vision 2030's privatisation programme.

More recently, the kingdom's Health Ministry and National Centre for Privatisation and PPP (NCP) have qualified companies that can bid for the contract to develop two medical city projects – the King Faisal Medical City and the Prince Mohammad bin Abdul Aziz Medical City.

In October 2021, the UAE announced the launch of a dedicated Infrastructure and Housing Council to plan and implement projects that cater to housing needs. In subsequent meetings, the council has emphasised the need for public-private partnerships to design effective strategies to achieve its goals.

Meanwhile in Oman, the Finance Ministry has issued the request for proposals for upcoming PPP projects in the sultanate covering health, education, transport and IT. Oman previously announced 10 successful prequalified bidders for 42 schools planned to be developed as PPPs.

This briefing is brought to you by the MEED-Mashreq Real Estate Partnership

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