“Digitalization, Growth, and Diversification in the Gulf”, AGSIW webinar, 11 Mar 2025

Dr. Nasser Saidi participated in the presentation and discussion hosted by the Arab Gulf States Institute in Washington (AGSIW) ahead of the publication of an IMF report on Digitalisation in the GCC – held as a webinar on March 11th, 2025.

The Gulf Cooperation Council member countries have actively embraced digital transformation, making notable progress in the extensive development of digital infrastructure, the maturity of government digitalization, and a dynamic ecosystem for financial technology activities.

In a forthcoming paper, the International Monetary Fund highlights the positive relationship between progress in digitalization and more favorable macroeconomic and financial outcomes, including economic growth, government effectiveness, financial inclusion, and private sector resilience to shock.

New analysis by the Mohammed bin Rashid School of Government (along with Nasser Saidi & Associates and Developing Trade Consultants) also emphasizes the important and growing role of digitalization in supporting growth and economic diversification.

Within the context of these two papers, what additional efforts can be made toward improving digital skills, industry, and innovation? What are the challenges raised by the broad adoption of digital technologies and artificial intelligence, especially relating to cybersecurity and the potential effect on the labor market? Could comprehensive strategies help further accelerate the GCC countries’ already impressive progress on digitalization and support their broader economic transformation agendas?

Watch the discussion below:

"How knowledge-based human capital can drive UAE’s diversification efforts", Oped in The National, 27 Nov 2020

The article titled “**How knowledge-based human capital can drive UAE’s diversification efforts**” appeared in the print edition of The National on 27th November 2020 and is posted below.

How knowledge-based human capital can drive UAE’s diversification efforts

Nasser Saidi & Aathira Prasad

Recent structural reforms related to labour will help remove distortions in the market, attracting high-skilled professionals and investment

The UAE recently announced an expansion of its current 10-year golden visa to include medical doctors, scientists and data experts as well as PhD holders, in a bid to attract professionals to the country. The liberalisation comes on the heels of visas for retirees and options for remote working in Dubai: these provide added incentives for expatriates to remain, invest and contribute further to the country's development.

Currently, an expat's UAE residential status is linked to an employer, and in the event of job loss, the person has 30 days to either find a new job or secure a new visa. With Covid-19 changing the outlook for jobs globally, these steps come at an opportune time for the country to retain the best talent.

Traditionally, construction and services were the largest sectors offering employment within the UAE's private sector, according to the UAE central bank's quarterly report. This data, however, excludes free zone activities. For example, the DIFC is home to 2,584 firms and over 25,000 employees while the DMCC last reported 17,500 member companies in its free zone.

The UAE has also made great strides in increasing the private sector's participation in the economy as it set sights on greater economic diversification. According to the 2019 Labour Force Survey by the UAE's Federal Competitiveness and Statistics Authority, the share of the private sector in the UAE has increased to 70 per cent in 2019 from 58 per cent in 2009 – a positive move that underscores diversification efforts.

By economic activity, a few sectors have seen an increase in their share: manufacturing (9.2 per cent in 2019 vs 7.7 per cent in 2009), construction (17.5 per cent vs 12.3 per cent), hotels and restaurants (5.4 per cent vs 4 per cent). The real estate sector has seen a significant drop during the decade, which is not surprising given the boom prior to 2010.

Another interesting insight from the Labour Force Survey offers a morale booster for women – women are relatively are more educated than their male counterparts (about 50 per cent of employed Emirati women have a bachelor's degree while 10 per cent have a bachelor's and above). The comparable numbers for expat women are at 42.8 per cent and 33 per cent,

respectively. A high proportion of women work as professionals and managers as well. This shows that though women are transforming the labour force they still face a glass ceiling. It is time that we have more women on boards and at top management levels in the private sector.
The survey also showed that the public sector, with better salaries and benefits, continued to outweigh the private sector in terms of appeal. Though wages by sector breakdown is not available (publicly), it is safe to assume the government sector has relatively higher salaries where close to three-quarters of citizens work. According to the UAE’s Labour Force Survey, more than one-third of Emirati respondents disclosed receiving monthly wages between Dh20,000 to 35,000 (versus just 5 per cent of expats in the same income bracket).
But for long-term growth and to further increase the private sector’s contribution to GDP, it is important to increase the proportion of UAE nationals in privately-held firms.
While attracting foreign talent to take up such jobs in the near-to-medium term is necessary, it is also critical to reform the education sector and invest in building a knowledge economy.
There is a persistent skill mismatch in the country compared to market requirements. Though spending per capita is high and student-teacher ratios are comparable to OECD levels, the outcomes are not strong: the PISA 2018 scores, for example, reveal that UAE students are placed 50th in maths, 49th in science and 46th in reading. It is time to invest in curricula that support job readiness, ‘Digital Education-for-Digital Employment’, early exposure to the workplace (summer internships and labour policies that facilitate such changes, for example), vocational and on-the-job training. Increasingly, emphasis should be to invest in and promote STEM (Science, Technology, Engineering and Mathematics) – especially given the official policy focus on innovation and a shift to the digital economy in the UAE and the region.
The recent structural reform related to labour will help remove distortions in the market, attract high-skilled

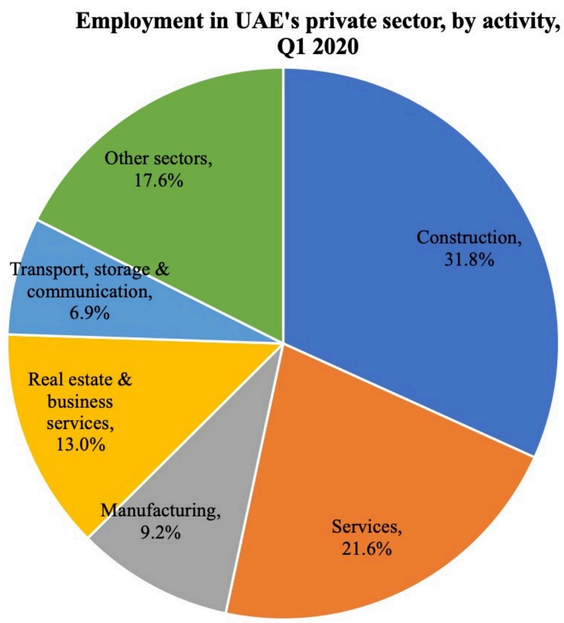
professionals and help the UAE diversify further while also supporting domestic investment (including in the real estate sector). This will happen in tandem with a reduction in outflow of remittances, which in turn will boost the balance of payments. Last year, outward remittance flows from the UAE reached $44.9bn.
Long-term residents will be keen to invest in medium- and long-term financial instruments, secure mortgages and invest in start-ups and growth companies.

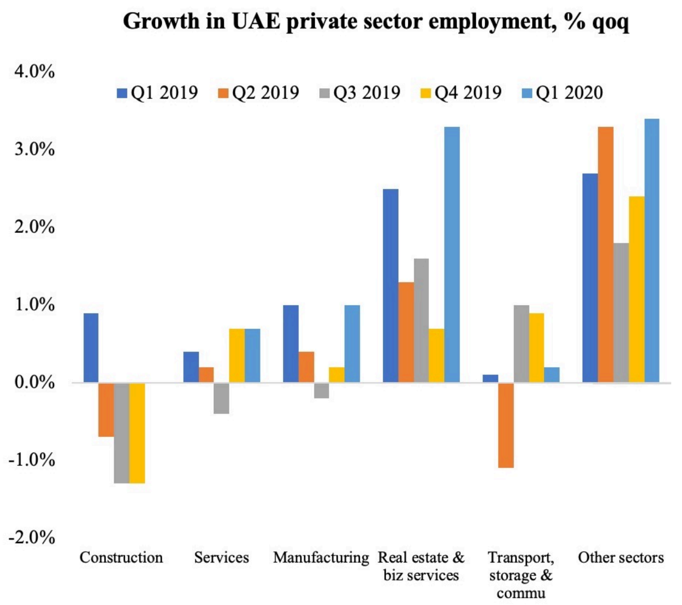
Weekly Insights 19 Nov 2020: Knowledge-based human capital to drive UAE's diversification efforts

Download a PDF copy of this week's insight piece [here](#).

Knowledge-based human capital to drive the next phase of UAE's diversification efforts
The UAE this week announced an expansion of its current 10-year golden visa to include medical doctors, scientists and data experts as well as PhD holders, in a bid to attract professionals to the UAE. The liberalisation comes on the heels of visas for retirees and options for remote working in Dubai: these provide added incentives for expatriates to remain, invest and contribute further to the country's development. Currently the UAE residential status for expatriates is linked to an employer, and in the event of job loss, the person has 30 days to either find a new job or secure a new visa. With the backdrop of Covid19 and related

job losses – UAE’s PMI Employment sub-index fell to its lowest in over 11 years and the latest November reading falling for the 10th consecutive month – many long-term residents were forced to return to their home countries, taking their savings back with them generating capital outflows from the economy.
While UAE does not release monthly data on employment, the central bank’s quarterly report offers a glimpse into the recent trend. Construction and services were the largest sectors offering employment within the UAE’s private sector. This is an incomplete picture, as the database on private sector employment excludes the Free Zone activities. For example, the DIFC is home to 2584 firms and over 25k employees while the DMCC last reported 17.5k member companies in the free zone. In terms of pace of growth (in quarter-on-quarter terms), construction has been registering a decline since Q2 last year, though other sectors posted upticks in Q1 (prior to Covid19-related lockdowns). No data is yet available for that period, but Embassy estimates suggest 400k+ (net) and 60k persons having returned to India and Pakistan respectively during the past months.



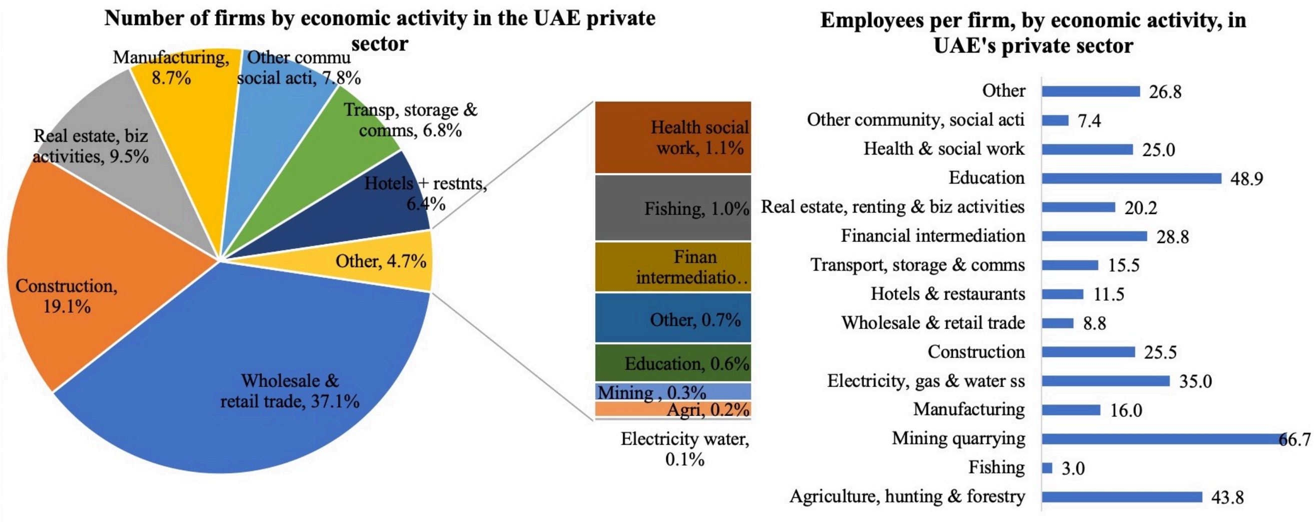


Source: UAE Central Bank Quarterly Report Q1 2020, Nasser Saidi & Associates

Structural change signals the UAE’s greater economic diversification

The UAE Ministry of Human Resources and Emiratisation also offers additional details of number of establishments in the country (unfortunately, also excluding free zones). Close to

50% of the firms (as of Jan 2020) were operating in the sectors most affected by Covid19: an update of this data is likely to show a significant difference in the composition. Interestingly, if we consider the number of employees per firm, mining & quarrying (the oil sector) tops the list – in contrast to the capital-intensive nature of the sector.



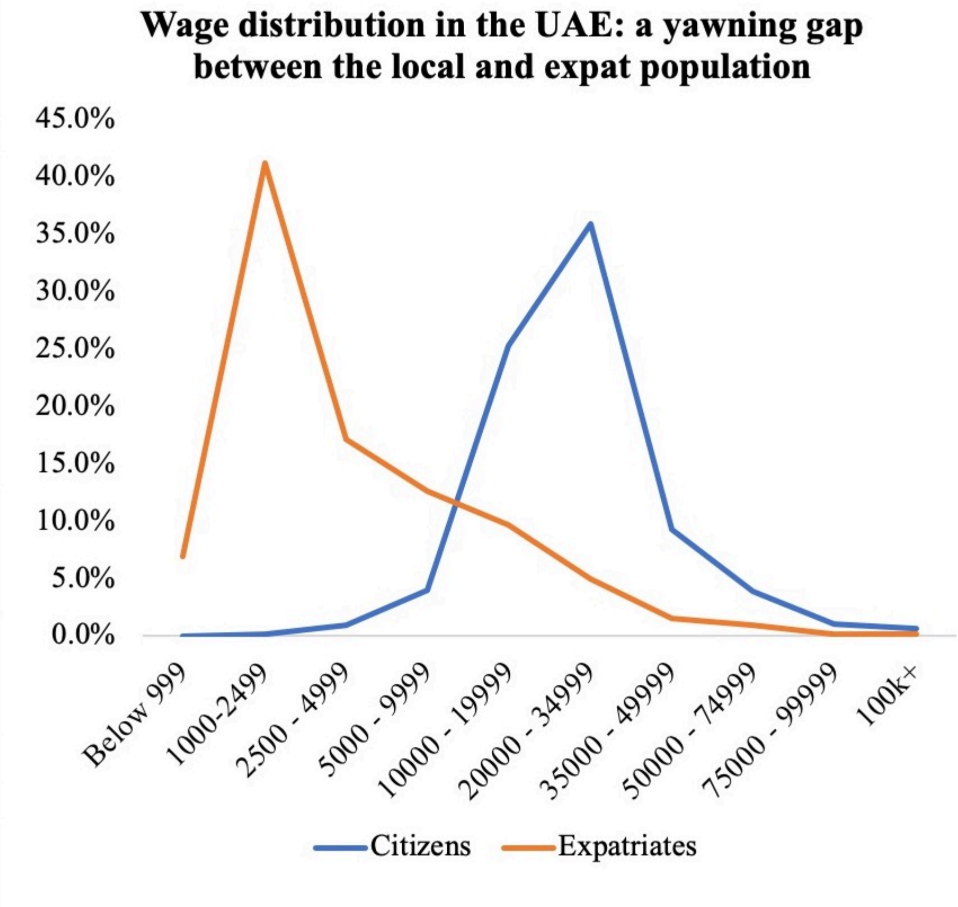
Source: UAE Ministry of Human Resources & Emiratisation, Nasser Saidi & Associates

As is oft-cited, there is a preference to work in the public sector: 78.2% of UAE citizens surveyed in the Labour Force Survey 2019[1] declared as working with either the federal or local government (versus just 12% in the private sector). However, comparing this data with the 2009 survey, the share of the private sector has increased from 58% to 70%- a positive move, and underscoring the UAE's diversification efforts. By economic activity, a few sectors have seen an increase in their share: manufacturing (9.2% in 2019 vs 7.7% in 2009), construction (17.5% vs 12.3%), hotels and restaurants (5.4% vs 4%). Real estate sector has seen a significant drop during the decade, not unsurprising given the boom prior to 2010; but a slight dip in financial and insurance activities is surprising (2.5% in 2019 vs 3.2% in 2009).

Women are transforming the labour force: more educated but facing a glass ceiling

Another interesting insight from the Labour Force Survey offers a morale booster for women – women are relatively are more educated than their male counterparts (about 50% of employed local women have a bachelor's degree, and about 60%

have a bachelor's and above; the comparable numbers for expat women are at 33% and 42.8% respectively); a high proportion of women work as professionals and managers (28.5% among female expats, 45% of female citizens). It is time that this translates into having more women on boards and at top management levels in the private sector[2].



Source: Labour Force Survey 2019, FCSA, Nasser Saidi & Associates

The Survey also confirms the disparity in wages between local and expat population: more than one-third of Emirati respondents disclosed receiving monthly wages between AED 20-35k (versus just 5% of expats in the same income bracket). This brings to the forefront two issues:

(a) Private-public sector wage gap that deters citizens from joining the private sector. Though wages by sector breakdown is not available (publicly), it is safe to assume relatively higher salaries in the government sector where close to three-fourths of citizens work. Public sector remains oversaturated, and with higher wages and relatively better benefits, highly educated young people prefer to remain unemployed till they get a public sector job – doing little to help the private sector.

(b) The need to attract high-skilled professionals to support private sector activity. This needs to be carefully addressed: while attracting foreign talent to take up such jobs in the near- to medium-term is necessary, it is critical to reform the education sector and invest in building a knowledge economy. There is a persistent skill mismatch and low educational quality in the country compared to market requirements. Though spending per capita is high and student-teacher ratios are comparable to OECD levels, the outcomes are not strong: the PISA 2018 scores, for example, reveal that UAE students are placed 50th in math, 49th in science, and 46th in reading. Radical modernisation of education curricula is essential for creating a 21st century able workforce. It is also time to invest in curricula that support job-readiness, 'Digital Education-for-Digital Employment', early exposure to the workplace (e.g. summer internships and labour policies that facilitate such changes), vocational and on-the-job training. Increasingly the focus should be to invest in and promote STEM (Science, Technology, Engineering and Mathematics) – especially given the official policy focus on innovation and a shift to the digital e-economy and -services in the UAE and the region.

What next? The recent structural reform moves (related to labour) will help remove distortions in the labour market, attract high-skilled professionals and help UAE to diversify into higher value-added and more complex economic activities, while also supporting domestic investment (including in the real estate sector). This will happen alongside a reduction in outflow of remittances, which in turn will boost the balance of payments: last year, UAE expatriates sent $44.9bn in outward remittances in 2019, comparable to the value of oil exports at $49.64bn[3]. It is important in this regard to accelerate capital market development: long-term residents will be keen to invest in medium- and long-term financial instruments, participate in a mortgage market and given an opportunity, also invest in startups and growth companies.

[1] This is published by the UAE's Federal Competitiveness and Statistics Authority.
[2] A KPMG report on Female Leaders Outlook identified that 94% of CEOs that participated from the UAE were male. The 2019 UAE report includes input from 50 UAE-based women leaders, up from 29 in 2018.
[3] Data from OPEC's Annual Statistics Bulletin.

Comments on McKinsey's Lebanon report in Arab News, Jan 2019

Dr. Nasser Saidi's comments (below) appeared in an Arab News report titled "Lebanon's damning McKinsey report: how the experts reacted", on January 7, 2019. The full article can be accessed here and here; the Arab News report can can be downloaded here.

One of the damaging figures reveals that Lebanon's residents spend 50 percent more time than needed on congested roads, only 15 percent of which are in good condition. It also discloses that Lebanon's infrastructure ranks 113th out of 137 countries.
"These numbers come from a variety of sources like the World Bank and others, so these have been assessed by various international parties," Dr. Nasser Saidi, former chief economist and head of external relations at the Dubai International Financial Center, told Arab News.

"What's more important is the cost of this in terms of productivity and income, because when you spend time on the road you aren't producing anything, so congestion costs are very large in terms of both loss of business opportunities, lost income and lost productivity."

Lebanon's perceived corruption was shown to have increased by 26 points since 2012 to 146 out of 180.

"In terms of governance, it has been deteriorating over the past five to six years on a continuous basis," Saidi said. "It's corruption, bribery and nepotism. In all reports on transparency and corruption, Lebanon is unfortunately one of the most corrupt (places) in the world, and the importance of it is not only that we want to be able to fight corruption, but that it has become a cancer and it is so pervasive."

He emphasized the issue as it is a major contributor to public finance and the budget deficit. "Corruption is directly related to government procurement and government contracts as well as government revenue," he said. "So there is widespread tax evasion, and corruption is at the core of Lebanon's large budget deficit, which was close to 11 percent in 2018 and likely to be the same or higher in 2019… The economic and fiscal impacts are extremely important."

"If you want to measure the real damage that the civil war and the (Israeli) occupation have done to the country, it's where Lebanon stands vis-a-vis countries that were equivalent to it before the war," he added. "So it has regressed a lot by that measure." Saidi said the poor quality of statistics in the country needs to be improved as the central statistics office lacks resources and figures on key areas including GDP and investment.

He said the lack of field productivity growth and investment means it is unsurprising that there has not been much of an increase in per capita income or real GDP.

The McKinsey report highlighted the country's education system, deeming it to be of low quality and in decline. It said many skills are not being taught to suit labor force needs, partially because the curriculum has not been upgraded since 1997. Experts, however, said this is only the case for public sector schools and universities.

"The picture is diverse and there's a big gap between public and private education," Saidi said. "The major private sector universities are St. Joseph, the AUB and the LAU, which are able to deliver competitive quality education. The evidence for that is that our graduates are able to go to top-notch universities internationally." But the problem is that it is mostly elites who can afford high-quality education, leaving behind most of the population, including Syrian refugees, he said.

He pointed the finger at the Arab world as a whole. "You need to think of two things: Education for employment, which should give you skills to be able to get jobs, and digital education for digital employment, because economies on a global basis and in the Arab world are increasingly going to have to move to become digital."

In terms of the country's diaspora and its $6.9 billion in remittances sent back to Lebanon, the report said they are not largely channelled into productive areas.

"There's very little public investment, and all remittances and the capital coming in from the diaspora go into bank deposits, treasury bills and to finance the budget deficit," Saidi said. "We have one of the highest levels of debt to GDP in the world, in excess of over 158 percent, which makes it the third most indebted country in the world after Japan and Greece."

He attributed the problem to very little public investment, which trickled down to poor infrastructure performance. "It's all going to finance wages, pensions and interests on public debt," he added, calling it a resource curse due to the government's dependency on it. "They're happy to pay high rates just to attract them. Had we not had them, they would've had to adjust on their own and had fiscal reform."

The main issues at hand, he believes, are fiscal reform and corruption, cutting down the budget deficit and the level of public debt.