

## SAUDI ARABIA

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## Growing opportunities in the Saudi healthcare sector



**By Ben Cowling and Henry Clarke**

Judging by the attendance of healthcare providers at the Arab Health trade fair in Dubai in February 2013 it is clear that there is keen interest in this Middle East sector by healthcare providers from across the world. It is an expanding area as governments in the region increasingly address the welfare needs of their populations.

For those businesses yet to participate in the Middle East healthcare sector expansion, there is still time; investment in the field will be sustained, if only because of investment by the Saudi government. The Kingdom's economy and population make up approximately half that of the Gulf Cooperation Council states collectively, the most stable part of the Middle East market. The Saudi population is a growing one. The current population is approximately 27 million people with migrant workers comprising about a third of that figure. In 1950 the population was 3 million people. Since 1990 the Saudi population has grown by 64 percent. This youthful population has its healthcare requirements; lifestyle diseases such as diabetes, cancer and heart related conditions are on the rise. This is on top of the Kingdom having struggled to fill its medical vacancies with its own nationals for many years. With Saudi central bank net foreign assets somewhere in the region of USD 626 billion and a regular annual budget surplus based on high oil prices, there is plenty of finance for healthcare projects to meet these challenges for the foreseeable future.

The Saudi government intention is to expand the number of healthcare institutions. Examples of larger projects announced to date include the King Fahad Medical City Expansion and the construction of King Khaled Medical City. Both projects are worth at least USD1 billion each. The female only Al Shoula hospital project is valued at over USD 500 million. Other projects worth hundreds of millions of US dollars include the King Faisal Specialist Hospital and Research Centre expansion project; the National Centre for Neuroscience, Comprehensive Cancer Centre and Heart Centre Buildings; the university hospital for Qassim University; the Al Miqat Hospital; and the Aseer Specialisation Hospital. The 34,000 hospital bed capacity in Saudi hospitals in 2012 is intended to be expanded

to 54,000 in 2016. The two years until 2015 will see the opening of 132 hospitals to meet this objective. In addition about 1,100 healthcare clinics will be completed.

Foreign healthcare investment is subject to regulation and licensing under the Ministry of Health resulting in non-GCC involvement being most prominent in larger projects at present; arguably the full implications of Saudi membership of the World Trade Organisation may change this position. Other ministries have a regulation role such as the Ministry of Commerce and Industry and some even run their own health schemes such as the Saudi Arabian National Guard, Ministry of Defence and Aviation, Ministry of Education and the Ministry of Labour and Social Affairs. Despite the plethora of government agencies involved in healthcare, key facilities in the healthcare sector are run by private sector entities. This includes hospitals, pharmacies and clinics.

Issues to consider when making a foray into the Saudi health-

care market are manifold. These include legal issues, but they are not insuperable hurdles to investment and doing business. The legal issues include consideration of the nature of the legal vehicle used for the business presence in the country and for the particular project. Also important are real estate ownership issues for non-GCC entities and persons. Financing opportunities under government schemes for qualifying projects may be worth reviewing as may financing arrangements with any private equity groups or banks specialising in this sector. Medical insurance providers should take note of the require-

ments of the Hanbali school of Shar'ia law. Employment contracts for a variety of healthcare roles need to be prepared.

Despite the burden of legal and other factors, the Middle East healthcare sector and the Saudi sector in particular is ripe for participation in by healthcare businesses currently located in and beyond the Middle East region. The health requirements of its youthful population tied in with greater government awareness of its welfare role backed by oil money committed to healthcare expenditure should sustain healthcare demand for decades to come.

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