

Abu Dhabi opens investment doors

Monday, 19 May 2008 12:35pm

Despite having 9 per cent of the world's proven oil reserves, Abu Dhabi, the biggest of the seven United Arab Emirates (UAEs) is still looking for outside investment to transform itself into an international capital city, industry-hub, and tourism Mecca.

While Abu Dhabi has made unsubstantiated overtures about opening itself up to foreign investment in the past, iterations within its 'Policy Agenda 2007-2008' give offshore market greater confidence it now means business. Equally encouraging are plans by Mubadala, the government body behind virtually all of Abu Dhabi's developments to act as an incubator for private industry.

The government of Abu Dhabi is seeking to increase the private sector's contribution to The Emirate's gross domestic product (GDP) from 18.2 per cent in 2007 to 32 per cent by 2015. By restricting the role of government, it's expecting to encourage the provision of these services by the private sector. "An ideal environment for local and foreign investment should be created, with the private sector the main driver of economic growth", the Policy Agenda stated.

Local bankers claimed that Abu Dhabi's wealth could make it a global hub for asset management and insurance. Eirvin Knox, CEO of Abu Dhabi Commercial Bank (ADCB) said that while UAE's high inflation may delay these ambitions, the underlying support by the government for all projects - was a comforting factor for future investors.

Among the biggest of these projects is a port with capacity greater than that of Dubai's Jebel Ali, the Gulf's busiest port. Abu Dhabi is also establishing the world's biggest industrial free-trade zone, which is expected to house the world's biggest aluminum smelter.

Over the next five years, an estimated \$100 billion is expected to be invested in infrastructure projects in Abu Dhabi, with construction and tourism alone accounting for around half. Expected to contain both businesses and homes, the city's biggest island development, the \$27 billion, 27 square-kilometre Saadiyat is also expected to house numerous tourist attractions, including a branch of the Guggenheim Museum - plus the first subsidiary of the Paris-based Louvre.

Plans to develop roads, water supply systems, drainage and sewerage on surrounding islands are expected to help accommodate a projected doubling of the country's population within five years. There are also plans for Yas Island, to the southeast, to house a Formula 1 motor-racing circuit, plus the world's first Ferrari theme park. Ear-marked as the future heart of the city's financial district, Al Suwwah Island is expected to house an outlet of the Cleveland Clinic, a US teaching hospital.

It's understood that the Abu Dhabi Investment Authority (Adic), which was established in 1977 to focus on regional and domestic investments now aims to act more like an investment bank. Plans to own capital to fund a minority of its investments saw Adic open a first subscription period for a new fund of hedge funds this month.

By the late June 2008, Adic expects to launch a \$500 million infrastructure fund alongside UBS Asset Management. The private equity arm also plans to launch a fund for other institutional investors - both inside and outside Abu Dhabi.

Meanwhile, it's understood national companies for oil and petrochemicals are preparing to float minority stakes. Equally significant are plans by heavyweight Abu Dhabi entities including, Sorouh and the Abu Dhabi Tourism and Investment Company to issue bonds later this year.

Mark Story