

# The Future of Cities: Middle East, North Africa and Turkey

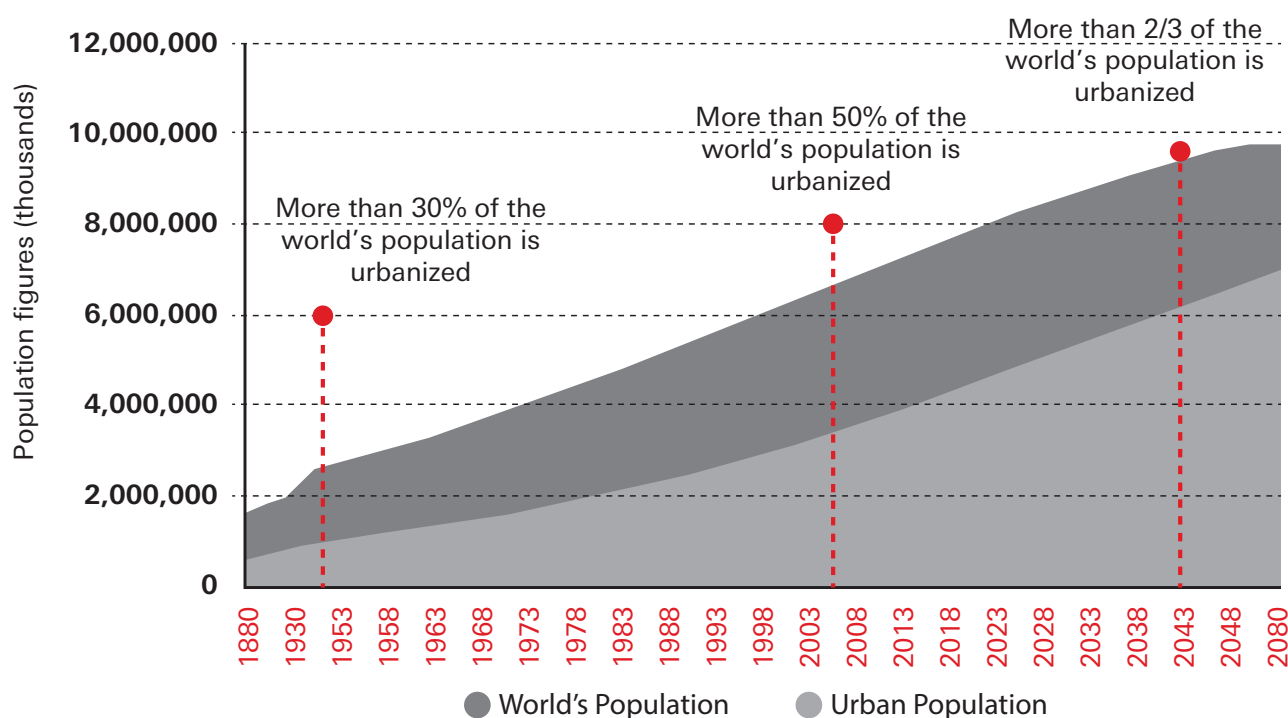
by Professor Greg Clark, Head of Future Cities & New Industries, HSBC



# Top 20 Fast Facts

## 01 What is the metropolitan century?

The metropolitan century refers to the century from 1980 to 2080 during which the global urbanisation rate is expected to jump from 45% to 85%. Over this period, technological, climate, demographic and geopolitical trends will shape the emergence of a new global urban system, with the new economics of trade production, innovation and investment to the fore, and the emergence of 30 new multi-city mega regions.



## 02 Why does the metropolitan century matter?

The rapid and substantial rise in the number of people living in cities means that the decisions and investments we make for our cities over the next 30 years will be of critical importance, particularly as:

- Imperatives for cities to become better managed and integrated
- Systems become smarter and more interoperable
- New industries emerge and old industries innovate

## 03 How can new technologies help cities deliver those new imperatives?

The exponential growth of technology enables cities to collect and analyse data faster than ever and make better informed decision-making. As technologies such as Artificial Intelligence, Big Data or the Internet of Things become more available and efficient, governments can leverage those technologies to develop “smart” solutions that will



improve the efficiency of urban systems and manage their growth better. New tools are emerging to support cities in achieving their goals, for example:



Sensors to collect real-time air quality information or to monitor water quality to track and reduce pollution



Centralised command & control centres and provision of integrated multimodal transport information to monitor traffic flows and respond faster to problems, reducing congestion



Online platforms for citizens to access government services, report issues or engage in policymaking, to increase citizens engagement

## | What is unique about MENAT cities?

### 04 | How fast is the MENAT region urbanising?

While the Gulf is among the most urbanised region in the world alongside the Americas, North Africa is expected to be one of the fastest-growing regions worldwide in the next 30 years. Moroccan cities are forecast to see their population grow the fastest out of all MENAT countries, followed closely by Egyptian cities.

By 2035, it is expected that the region's urban population will increase by about 35% and there will be more than 40 cities with a population above 1 million, up from 30 in 2020.<sup>1</sup>

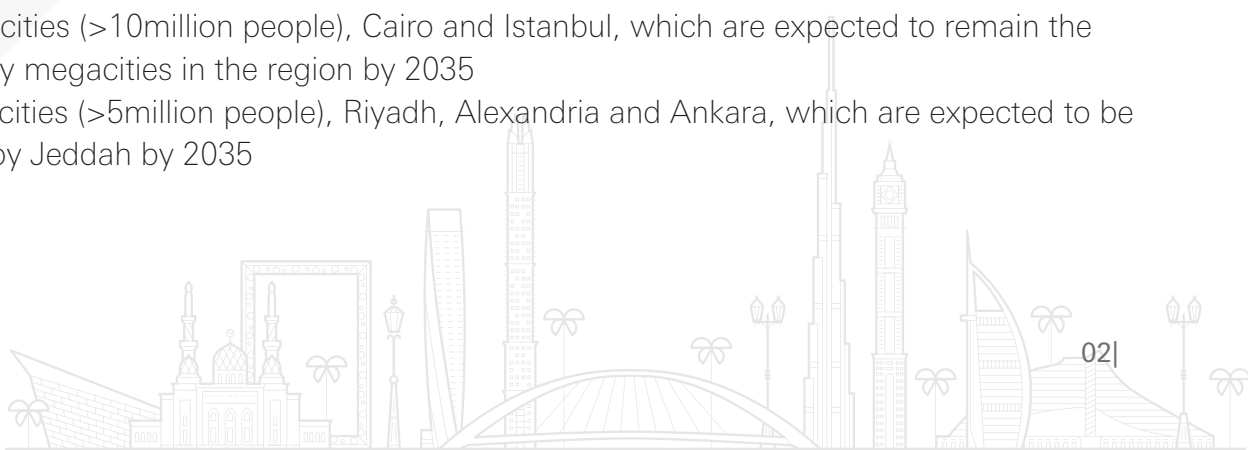
### 05 | Which cities will grow the fastest?

MENAT cities will experience high levels of growth across the board, with 28 out of the 30 largest cities forecast to grow their population by more than 15% by 2035. The fastest growing cities (>35% growth) will be Manama, Cairo, Tangier, and Alexandria. Gulf cities and Moroccan cities will also see their population grow by more than 30%. Population will increase by 15 to 30% in Turkish cities although most of the growth will be concentrated in medium-sized cities, with Istanbul experiencing a growth of 18%. Slower growing cities (<15%) will mainly be concentrated in Lebanon and Jordan.<sup>2</sup>

### 06 | What is the system of cities like?

The system of cities in the MENAT region includes:

- 2 megacities (>10million people), Cairo and Istanbul, which are expected to remain the two only megacities in the region by 2035
- 3 large cities (>5million people), Riyadh, Alexandria and Ankara, which are expected to be joined by Jeddah by 2035



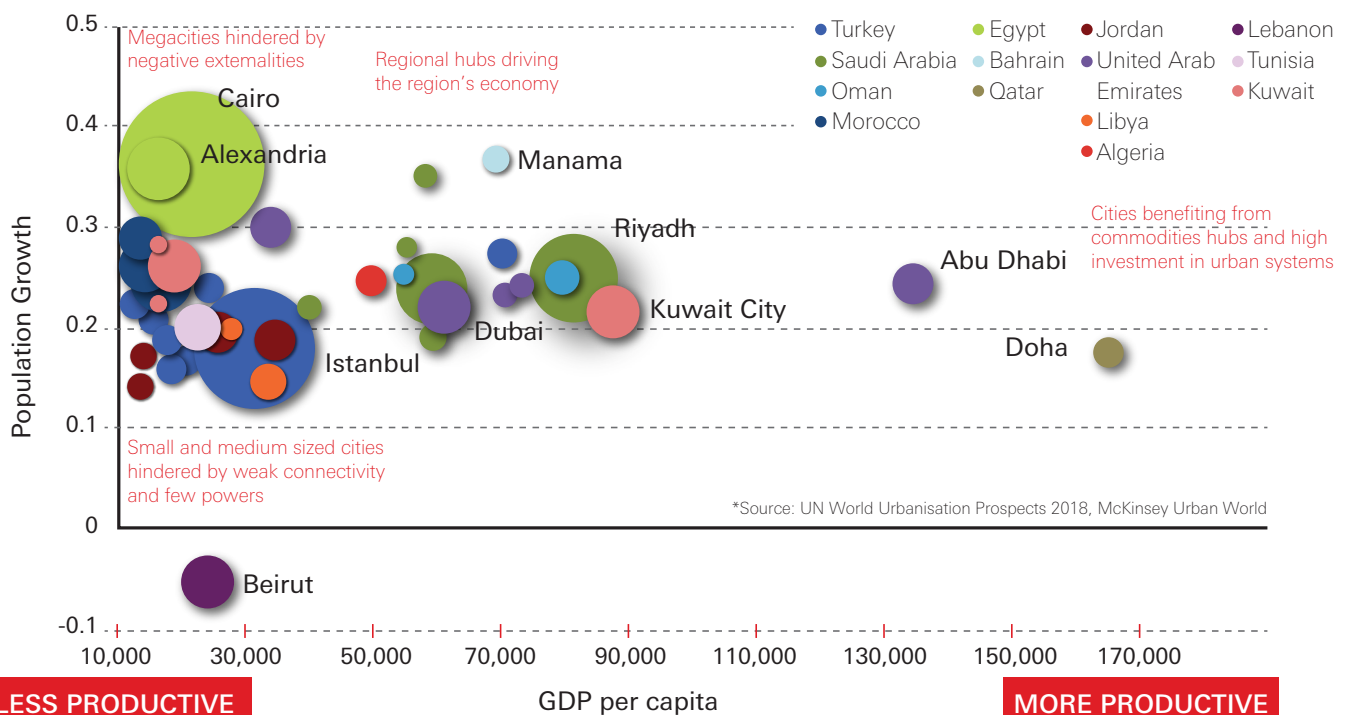
- 25 medium-sized cities (>1million people), including Casablanca, Kuwait City, Izmir, Dubai, Algiers, Amman. It is a mix of capital cities in smaller states and secondary cities whose growth has been driven by economic specialisation
- 70 small-sized cities with a population below 1 million<sup>3</sup>

## 07 What MENAT cities are the most productive?

Gulf cities are the most productive, as they benefit from high investment in urban systems and their position as commodities hubs.

The region's two megacities, Cairo and Istanbul, perform less well as they are hindered by growth diseconomies such as congestion and inequalities. In their national systems, both cities are overtaken by smaller, more specialised cities like Port Said and Gebze.

Other small and medium-sized cities are hindered by weak connectivity and weak local powers that limit their growth potential.<sup>4</sup>



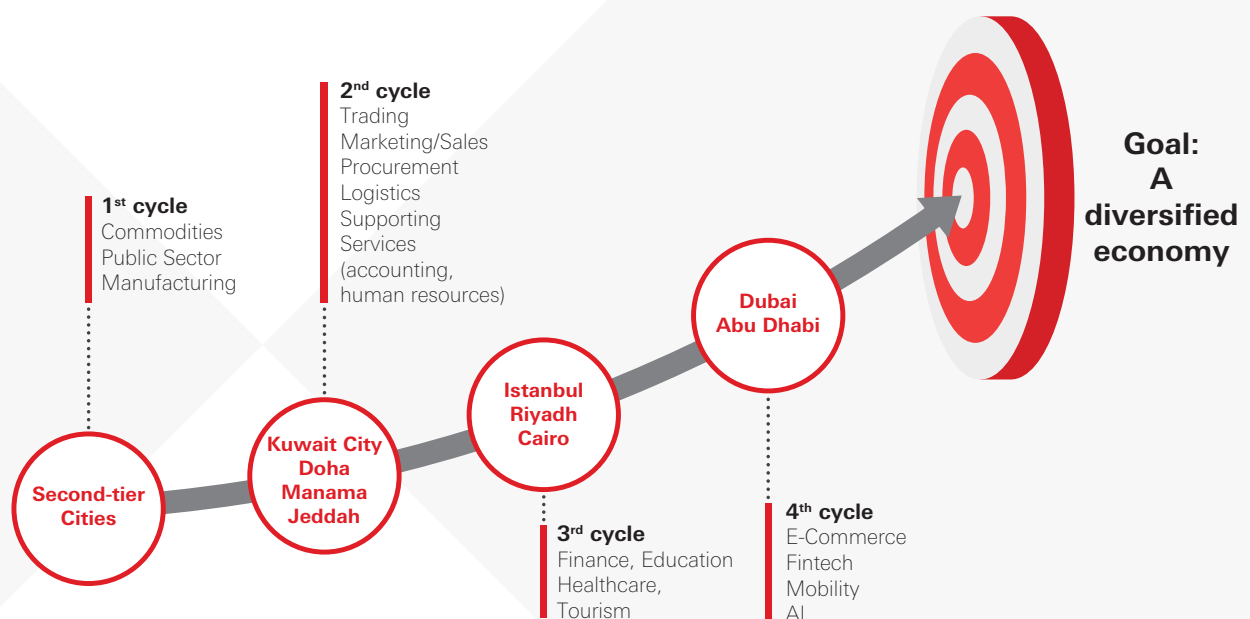
## 08 What makes the MENAT governance context so unique?

Governance in MENAT differ widely between and within countries, which makes it hard for foreign investors to enter the market. Cities like Dubai, Abu Dhabi and Doha where it is possible to invest quickly, which benefit from high levels of fiscal and policymaking autonomy and which are open to co-investment in city systems are more likely to receive foreign investment and re-invest revenues to improve public service delivery. Governance in those cities often adopts a long-term view, planning projects for several cycles and ready to embrace technology evolution.

However, most second-tier cities in MENAT do not have the resources or capacity to shape their future as a result of weak city powers in highly centralised countries. Moreover, volatility impedes investment and many cities remain vulnerable to conflict or social unrest.

## 09 | Where are the MENAT cities on the journey towards a high-value economy?

With a strong and long history of diversified economy, most MENAT cities became dependent on a narrow range of sectors in the last century. They are now entering a new period of seeking diversification. Dubai and Abu Dhabi are taking the lead, growing industries such as e-commerce, fintech or artificial intelligence. Other capital cities and major hubs are well into the 3rd cycle of economic diversification, investing in high-value industries such as finance, education and healthcare. However, many cities are still in the 1st or 2nd cycle, depending mostly on commodities revenues, public sector employment, manufacturing and supporting services such as accounting or marketing.



## 10 | How are MENAT Cities faring in the global benchmarks?

More than 40 MENAT cities are now measured in global benchmarks and Dubai stands as the most visible and best performing city in the region.

MENAT cities perform particularly well globally for the strength of their tourism economy. The cultural history of the region and natural assets combined with greater efforts to improve security makes it a key tourist destination. Dubai, Istanbul, Antalya and Mecca appear in the top 20 destinations by number of international visitors.<sup>5</sup>

MENAT cities also perform relatively well for the development of the innovation economy compared to other cities globally. With new incubators and accelerators, many MENAT cities are now increasingly supporting their entrepreneurs and the region boasts 2 unicorns.<sup>6</sup> Despite significant improvements, reduced access to capital remains one of the main barriers and most cities are yet to find specialisations in order to compete on the global stage.

Talent attraction and retention is a challenge for MENAT cities. Lack of investment in human capital is offset by strong presence of high-skilled expats but more investment is required to prepare the population to the future economy.

MENAT cities also struggle to attract investment due to the lack of transparency and volatility of markets. These also impact citizens' quality of life and only Dubai and Abu Dhabi feature in Mercer Quality of Living Index's top 100.<sup>7</sup>

	Visibility	Global Economy			Innovation Economy		Visitor Economy		Quality of Life
	Proportion of appearances in global benchmarks over the past 3 years	AT Kearney Global Cities Index 2019	IESE Cities in Motion (Economy)	Z-Yen Global Financial Centres 2019	StartupBlink Startup Cities 2019	IMD Smart City Index 2019	Euromonitor top city destinations 2018	ICCA 2019	Mercer Quality of Life Survey 2019
Focus		Overall competitiveness and growth prospects	Economic productivity and growth, global HQ functions	Actual and perceived strength of financial industry	Startup ecosystem strength	Residents perceptions of technological infrastructure and services	International arrivals	Number of ICCA meetings hosted	Overall quality of life
Dubai	55%	27 <sup>th</sup>	64 <sup>th</sup>	8 <sup>th</sup>	139 <sup>th</sup>	45 <sup>th</sup>	7 <sup>th</sup>	44 <sup>th</sup>	74 <sup>th</sup>
Istanbul	51%	26 <sup>th</sup>	67 <sup>th</sup>	53 <sup>rd</sup>	78 <sup>th</sup>	-	12 <sup>th</sup>	84 <sup>th</sup>	130 <sup>th</sup>
Abu Dhabi	32%	69 <sup>th</sup>	116 <sup>th</sup>	32 <sup>nd</sup>	-	56 <sup>th</sup>	95 <sup>th</sup>	161 <sup>st</sup>	78 <sup>th</sup>
Cairo	29%	66 <sup>th</sup>	109 <sup>th</sup>	-	177 <sup>th</sup>	99 <sup>th</sup>	50 <sup>th</sup>	143 <sup>rd</sup>	177 <sup>th</sup>
Riyadh	27%	67 <sup>th</sup>	108 <sup>th</sup>	96 <sup>th</sup>	-	71 <sup>st</sup>	40 <sup>th</sup>	-	164 <sup>th</sup>
Doha	21%	61 <sup>th</sup>	52 <sup>nd</sup>	39 <sup>th</sup>	-	-	98 <sup>th</sup>	255 <sup>th</sup>	110 <sup>th</sup>
Ankara	16%	74 <sup>th</sup>	162 <sup>nd</sup>	-	204 <sup>th</sup>	74 <sup>th</sup>	-	-	-
Casablanca	15%	94 <sup>th</sup>	99 <sup>th</sup>	21 <sup>st</sup>	284 <sup>th</sup>	-	-	365 <sup>th</sup>	124 <sup>th</sup>
Jeddah	14%	75 <sup>th</sup>	-	-	-	-	-	-	168 <sup>th</sup>
Kuwait City	13%	76 <sup>th</sup>	163 <sup>rd</sup>	65 <sup>th</sup>	-	-	-	409 <sup>th</sup>	126 <sup>th</sup>

## 11 What is on the agenda for MENAT cities?

In light of increasing global competition and geopolitical shifts, MENAT cities face the imperative to diversify their economy and support entrepreneurs and start-ups to grow their innovation economy. Investing in human capital through education and training is also crucial to grow the skills of local talent and prepare them for new, fast-growing industries.<sup>8</sup>

Other priorities for global hubs, such as Dubai and Istanbul, include adapting infrastructure to climate change threats and facilitate the growth of private sector employment through pro-business measures.

More regional hubs like Jeddah or Manama and second-tier cities will also have to tackle physical and digital infrastructure deficit and invest in city branding to highlight openness and grow their international linkages.

Governance reform will be an essential part of MENAT cities' agenda to attract more investments, increase local autonomy and improve local service provision.

## 12 How connected are MENAT cities globally?

The MENAT region counts:



2 of the world's 20 busiest airports by passenger number (Dubai and Istanbul), <sup>9</sup>



2 of the world's 15 most connected cities by number of air routes (Istanbul and Dubai), <sup>10</sup>



4 of the top 50 busiest container ports: Dubai's Jebel Ali, Jeddah, Tanger Med and Oman's Salalah. <sup>11</sup>

Taking advantage of their position between three continents, MENAT cities – especially Dubai and Istanbul – have successfully established themselves as connectivity hubs. Other Gulf cities are following, with major investment in Muscat, Salalah, Kuwait City and Manama to expand airport and cargo capacity.

## 13 What are MENAT cities doing in terms of mobility?

Characterised by lower public transport ridership than the rest of the world, MENAT cities are now encouraging a modal shift towards public transport, as a way to reduce congestion, improve quality of life and better serve the growing needs of the region. MENAT cities are now investing massively in their public transport to increase coverage and efficiency.<sup>12</sup>

City	Project	Cost (US\$)	Completion date
Abu Dhabi	Metro	2bn	2020
Dubai	Expansion of Dubai Metro red Line	3bn	2020
Doha	Metro	8bn	2019-26
Lusail	Tramway	2.7bn	2020
Riyadh	Metro	23bn	2020
Jeddah	Metro	15bn	2025
Mecca	Metro	16bn	N/A
Medina	Metro	11bn	2020
Dammam	Light Rail	16bn	2021
Kuwait City	Mass Rapid Transit	7bn	N/A
Amman-Zarqaa	BRT line	165m	2021
Alexandria	Metro	1.5bn	N/A
Istanbul	Great Istanbul Tunnel (roads + railway)	3.6bn	2020
Istanbul	Metro linking airport to	1bn	2020
Izmir	Second Metro line	250m	N/A

Some MENAT cities are also taking the lead in developing the future of mobility: Dubai has 40 smart transportation initiatives in the pipeline, including driverless buses and flying taxis, and Masdar City has launched a self-driving shuttle service.<sup>13 14</sup>

## 14 What are MENAT cities doing to reduce their energy emissions?

Renewables have a key role to play in the region's sustainable energy transition. Many cities are shifting to new and cleaner sources of energy to reduce their emissions: Turkish and Jordan cities such as Kayseri, Antalya and Amman are investing massively in solar-energy based plants while UAE cities such as Sharjah and Dubai are investing in waste-to-energy plants.

In terms of energy usage, Abu Dhabi and Dubai have established aggressive new targets to integrate sustainable technologies into city-wide infrastructure to reduce energy usage by at least 50%. Egyptian cities of Cairo and Alexandria are investing in low-emissions bus fleet to reduce emissions from public transportation.

## 15 What are MENAT cities doing to become more sustainable?

Over the last 30 years, natural disasters have cost MENAT cities countries about US\$20bn and Muscat, Alexandria, Beirut and Cairo are among the 30 cities with the highest share of GDP at risk of man-made and natural catastrophes.<sup>15</sup>

Many cities are thus investing in making their infrastructure more resilient to natural disasters. For example, Jeddah has invested in draining infrastructure and land use to reduce flood risk while Fez has launched community-level disaster risk management initiatives.<sup>16</sup>

As the most water-stressed region in the world, MENAT cities are also investing in water technologies to reduce water leakages. While Manama and Damman are building or upgrading wastewater treatment plants to increase reuse of wastewater, Abu Dhabi and Dubai are investing in agritech to reduce water leakages from the agricultural sector.

Due to the scarcity of water supply and limited arable land, the Middle East is vulnerable to international commodity markets. Therefore, food security and development of sustainable agriculture industry are top priorities.

## 16 How are MENAT cities performing in the innovation economy?

MENAT cities have been quick to embrace the innovation agenda. Gulf cities have invested significantly in tertiary education to attract many international universities to the region. They have also been grown their support to entrepreneurs by facilitating the process to set up a business and by launching incubators and accelerators programmes to provide guidance and funding to start-ups.

Several MENAT cities have made a name for themselves on the global innovation scene, building on the strength of some sectors: Istanbul ranks in the top 20 global innovation hubs for pharmaceuticals and Casablanca ranks 13th globally for green finance.<sup>17 18</sup> Dubai also attracted the most foreign direct investment in AI and robotics in 2017.<sup>19</sup>



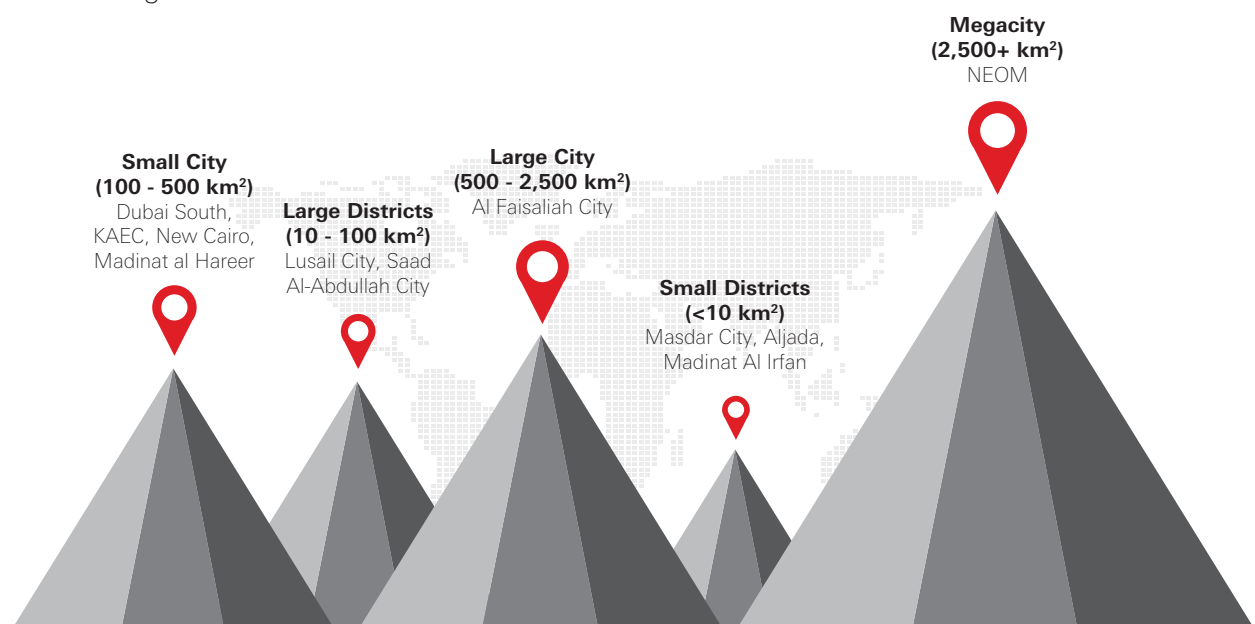
Aware of the growth of the region's innovation ecosystems, global tech giants have also turned to the region for investment opportunities with Uber's acquisition of the ride-hailing app Careem, making it the first unicorn exist in the region, and Alibaba plans to invest US\$6bn to create a "tech town" near Dubai.<sup>20</sup>

Dubai and Abu Dhabi have also established themselves as global leaders for the implementation of smart city initiatives with both cities appearing in the top 60 Smart Cities Index.<sup>21</sup>

## 17 What are the New Cities planned in the MENAT region?

There are more than 10 New Cities projects planned in the MENAT region, which vary significantly in terms of scale, from NEOM 2,500-km<sup>2</sup> megacity to small districts of less than 10 km<sup>2</sup> in the likes of Masdar City or Oman's Madinat al Irfan. The variation in scale results from the different goals of the New Cities Agenda, which has emerged in recent years as:






- 1 A response to cities' needs to accommodate the region's growing population and to control sprawl, as illustrated by the New Cairo district in Egypt or Al-Faisaliah City in Saudi Arabia
- 2 A unique opportunity to test and adopt new technologies at a wider scale: Gulf cities are prone to design new districts as innovation testbeds to deploy "smart" solutions and pioneer the future of cities.
- 3 An opportunity for economic diversification and to develop new brands. Saudi Arabia's NEOM is envisioned as a global hub for advanced manufacturing and robotics while King Abdullah Economic City (KAEC) is to become a manufacturing and logistics hub. Similarly, Kuwait's Madinat Al-Hareer (Silk City) is planned to become a regional hub for finance and trade while Dubai South, flagship district of Dubai 2020, is planned as a logistics and aviation hub.



## 18 How can MENAT cities improve social participation?

The MENAT region, and more particularly North Africa, is marked by high levels of youth unemployment and a low rate of female participation in the labour market.<sup>22</sup> As MENAT cities are growing, improving social participation will be essential to ensure sustainable economic growth and minimise inequalities. The World Bank estimates that GDP per worker in MENA could be 2 times higher if children achieved complete education.<sup>23</sup>

To improve social participation, MENAT cities can:

-  Invest in education, especially early childhood education and vocational training
-  Encourage female labour force participation
-  Use apps and digital systems to increase citizen engagement
-  Expand labour recruitment channels for private sector workforce to become more diverse
-  Activate public spaces through placemaking efforts

## 19 What are MENAT cities doing to increase their global reach?

In recent years, MENAT cities have successfully opened up to the world, becoming the host of many major international sports events and global forums, including the 2020 G20 summit in Riyadh, Dubai's EXPO 2020 and the 2022 FIFA World Cup in Qatari cities. Several cities have also risen on the cultural scene, holding major significant cultural events and institutions such as the Guggenheim and Louvre museums in Abu Dhabi and the International Book Fair in Sharjah. Cities from Istanbul to Beirut to Casablanca have also been putting their cultural identity at the core of their development strategy to promote their cities' cultural heritage. As a host to the world, MENAT cities are able to stimulate infrastructure investment while boosting high value tourism and developing a positive international image.

Tourism is a major economic pillar throughout the region and has become a strategic component in the diversification of oil-based economies. More political stability, improved security measures, visa facilitation policies, new routes and air capacity enhancement and marketing and promotion efforts have all contributed to strengthening MENAT cities' tourism economy. The region is found to be the fastest growing region for tourism with international tourist arrivals in MENAT destinations growing 10% in 2018, and tourism from India and other fast-growing emerging markets has been increasing significantly too.<sup>24</sup>

## 20 What impact will the Belt & Road have on MENAT cities?

China has become the largest extra-regional source of FDI in the Middle East, with key projects including UAE's Khalifa Port, Oman's Duqm, Saudi Arabia's Jizan port and Egypt's Port Said. Planned warehouses and logistics centres are also planned across the region.<sup>25</sup>

- <sup>1</sup> United Nations, Department of Economic and Social Affairs, Population Division (2018), World Urbanisation Prospects: The 2018 Revision.
- <sup>2</sup> United Nations, Department of Economic and Social Affairs, Population Division (2018), World Urbanisation Prospects: The 2018 Revision.
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- <sup>4</sup> United Nations, Department of Economic and Social Affairs, Population Division (2018), World Urbanisation Prospects: The 2018 Revision. ; McKinsey Global Institute's Urban World App
- <sup>5</sup> Mastercard Global Destination Cities Index 2019. Available at: <https://newsroom.mastercard.com/wp-content/uploads/2019/09/GDCI-Global-Report-FINAL-1.pdf>
- <sup>6</sup> Crunchbase data.
- <sup>7</sup> Mercer Quality of Living City Ranking 2019. Available at: <https://mobilityexchange.mercer.com/Insights/quality-of-living-rankings>
- <sup>8</sup> <https://openknowledge.worldbank.org/bitstream/handle/10986/31984/Promoting-a-New-Economy-for-the-Middle-East-and-North-Africa.pdf?sequence=1&isAllowed=y>
- <sup>9</sup> <https://www.internationalairportreview.com/article/32311/top-20-largest-airports-world-passenger-number/>
- <sup>10</sup> <https://blueswandaily.com/top-20-most-connected-cities-in-the-world/>
- <sup>11</sup> <http://www.worldshipping.org/about-the-industry/global-trade/top-50-world-container-ports/>
- <sup>12</sup> International Association of Public Transport (UITP) (2019), MENA Transport report
- <sup>13</sup> <https://gulfnews.com/uae/transport/40-initiatives-to-drive-dubais-future-mobility-1.62252822>; <http://www.emerton.co/new-mobilities-gcc-cities/>
- <sup>14</sup> <https://masdar.ae/en/masdar-city/the-city/mobility>
- <sup>15</sup> <https://www.thenational.ae/opinion/comment/urban-planning-can-make-the-middle-east-more-resilient-to-outside-forces-1.901325> Lloyd's City Risk Index 2015-2025, available at: <https://cityriskindex.lloyds.com/explore/>
- <sup>16</sup> <https://www.thenational.ae/opinion/comment/urban-planning-can-make-the-middle-east-more-resilient-to-outside-forces-1.901325>
- <sup>17</sup> Hickey & Associates (2019), Global Innovations Hubs Report
- <sup>18</sup> Z-Yen and Finance Watch (2019), Global Green Finance Index 4. Available at: [https://www.zyen.com/media/documents/GGFI\\_4\\_Full\\_Report\\_2019.09.27\\_v1.0.pdf](https://www.zyen.com/media/documents/GGFI_4_Full_Report_2019.09.27_v1.0.pdf)
- <sup>19</sup> fDi Markets Data (2018)
- <sup>20</sup> <https://www.weforum.org/agenda/2019/04/chinese-tech-investors-are-turning-towards-mena-heres-why/>
- <sup>21</sup> IMD World Competitiveness Centre's Smart City Observatory (2019), IMD Smart City Index. Available at: <https://www.imd.org/smart-city-observatory/smart-city-index/>
- <sup>22</sup> <http://pubdocs.worldbank.org/en/907071571420642349/HCP-MiddleEast-Plan-Oct19.pdf>
- <sup>23</sup> <http://pubdocs.worldbank.org/en/907071571420642349/HCP-MiddleEast-Plan-Oct19.pdf>
- <sup>24</sup> <https://www.e-unwto.org/doi/pdf/10.18111/9789284420896>
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