

UAE as a Center of Innovation: Towards Attracting Global Talent

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Executive Summary

Recent years have witnessed a deployment of fast-forward policies aimed at making the UAE a hub of innovation on a global scale. In order to accelerate this transformation, the UAE has opened its doors to global talent incentivizing the relocation of innovators, scientists, and entrepreneurs thanks to the changes in its residence policies and the establishment of an innovation/startup ecosystem. These developments have already resulted in the UAE's rise in global innovation rankings. Nonetheless, future decades may bring about a competition in this regard, as other GCC countries also strive to achieve a transformation towards a knowledge-based economy. Consequently, the retention of top talent is critical to maintain a competitive edge in the future.

The Gulf Cooperation Council countries have committed themselves to the creation of a knowledge-based economy that would secure the region's economic growth and competitiveness beyond fossil fuel energy. By investing their oil-related wealth in education and facilitation of the innovation ecosystem, the GCC countries seek to spur innovation and entrepreneurship as the basis of the economy among citizens and residents alike, reducing the dependency of the former on state resources and promoting the economic participation of foreigners that would benefit overall economic growth. The UAE has had an early start in this area redefining its strategic priorities through the National Innovation Strategy announced in October 2014 (UAE Cabinet, n.d.). The strategy is composed of three pillars, namely, an innovation-enabling environment, innovative champions (i.e. entities that promote innovation), and innovative government. Implementing this new paradigm, the UAE spearheaded the drive towards economic transformation and has become the leader of innovation in the Arab World, ranking third in the North African and West Asian regions as per the Global Innovation Index of 2022. This high score that the UAE has maintained for a number of consecutive years, was obtained thanks to policies facilitating the relocation of skilled workers to the UAE, upskilling and training programs, establishing centers for innovation and supporting startups through, among other things, publicly funded research and development programs. Within the scope of application, the national strategy prioritizes the areas of innovation in renewable and clean energy, transportation, water, health, space, technology, and education. The commitment to innovation was reiterated in the Vision 2021 that aimed to achieve a knowledge-based, highly productive and competitive economy, founded on innovation, research, science, and technology and driven by entrepreneurs in a business-friendly environment where public and private sectors form effective partnerships (Vision 2021, n.d.). The subsequent national plan titled "We the UAE 2031" stressed the importance of consolidating the country's position as an innovation hub in sustainability, science and technology (Narayanan, 23 November, 2022). These decennial plans directly

support the UAE Centennial Plan 2071 that stresses innovation, entrepreneurship and advanced industries as the basis of the future UAE's economy (UAE Cabinet, n.d.).

Attracting global talent is a vital element of the 'Innovative Champions' pillar. Consequently, changes related to residence regulations followed. Firstly, in May 2018, new long-term residency visa options for investors and specialists were announced (D'Mello, 22 May, 2018). Two types of visas -- Golden Residency Visa Programme (10 years) and Green Residency (5 years) are offered. Both enable expats to live, work, and study in the UAE without the need for a national sponsor, and with the right to own 100 percent of their businesses. The Golden Visa was implemented first in Dubai with a validity of 10 years, while the validity of this visa category was extended to 10 years from its initial 5 years in Abu Dhabi in 2023 (Khalil, 15 January, 2023). In order to attract more global talent, the revised criteria for application that relaxed eligibility came into effect in 2023. As of today, the Golden Visa encompasses a number of skilled categories. Inventors and specialists in the fields of engineering and science are listed as separate categories of eligible candidates. The scientific fields sought are epidemiology and infectious disease control, artificial intelligence, big data, computer engineering, electronic engineering, software engineering, electrical engineering, genetic engineering and biotechnology engineering. The latter are a testimony to the priorities put on innovation in high-tech fields. More than 150,000 Golden Visas were issued between 2019-2022 (Arabian Business, 18 November, 2022). In addition, various free zone entities across the UAE offer freelance visas to specialists (Waheed, 22 January, 2022). Such employees are vital to small startups that cannot hire full time employees yet and rely on freelance workers on temporary contracts.

Secondly, the UAE has channeled several national undertakings into creating innovation ecosystems with Abu Dhabi and Dubai leading the way. Firstly, the Entrepreneurial Nation initiative was launched in 2021 providing support for entrepreneurs with an aim to, among other things, build 20 unicorn businesses (i.e. privately owned companies with a worth exceeding 1 billion USD, in the UAE by 2031) (Kamel, 10 November, 2021). The initiative has also created partnerships with private businesses, public entities and universities to help the entrepreneurship ecosystem and sector expand (Ministry of Economy, 13 October, 2022). By the end of 2022, the UAE was already home to 4 locally grown unicorn companies out of the existing 5 in the Middle East (Abbas, 17 January 2022), the fifth one being in Egypt. Currently, the 2023 Hurun ranking that analyzes the growth of unicorn companies in the world, highlighted the fact that the UAE, by being home to all the four unicorns in the Gulf region, stands in contrast to other GCC states that may still be focused on traditional economic sectors such as energy. Another broad initiative, "Projects of the 50," has established among other undertakings, the 4th Industrial Revolution Network to promote the adoption of advanced technologies in the national industrial sector (U.A.E, n.d). The initiative aims at building 500 national companies equipped with the technologies of the Fourth Industrial Revolution and technologically advanced workforce. Furthermore, financial support to entrepreneurs and innovators exists through a variety of entities and programs (Omalley, 29 April, 2022). A notable example was the launch of a 100 million USD venture capital fund by the Dubai Crown Prince to support startups and entrepreneurs (Oommen, 28 April, 2022). The funds will run through a cycle of eight years initially from 2022-2030 with a possible extension of an additional two years.

Lastly, multiple innovation hubs opened across the emirates of Dubai and Abu Dhabi. In 2017, Sheikh Mohammed bin Rashid Al Maktoum announced the establishment of AREA 2071 in Dubai with Dubai

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1. The General Directorate of Residency and Foreigners Affairs does not, however, disclose the breakdown of each of the Golden visas awarded to specific categories.
 2. One of the four unicorns, Swvl, was listed on Nasdaq in March 2022, but subsequently, its shares lost most of their value since (Gebre, Parasie & Elbahrawy, 2023). A new unicorn, Group 42, entered the unicorn list in September 2022.
 3. Some other examples are listed here <https://www.decisivezone.ae/startup-funding-programs-in-the-uae/>

Future Foundation at its core (Government of Dubai Media Office, 25 May, 2021). The foundation hosts the Centre for the Fourth Industrial Revolution UAE - C4IR UAE, which operates in collaboration with the World Economic Forum. Area71 also offers opportunities for setting up innovation labs. The 290 startups residing in the area raised more than 75 million dirhams in equity funds (Area 2071, n.d.). In order to spur innovation, Abu Dhabi established its own center, Hub71, in 2018. The hub defines itself as a global tech ecosystem for tech start-ups in any sector, investors, government, and corporate partners to build and develop their community under one roof. It also offers venture capital financing. In 2022, it hosted more than 200 startups that raised 4.5 billion dirhams (Hub71, n.d.). In 2018, the Innovation Hub Powered by Google was launched and it provides training to young generations (Al Kuttub, 8 February, 2018). In 2019, Tech Park was opened in Abu Dhabi's sustainable district, Masdar City. It is home to start-ups focused on technology, sustainability and the digital economy (Masdar News, 20 March, 2019). Furthermore, in 2021, Dubai International Financial Centre (DIFC) Innovation Hub was opened in Dubai. It encompasses DIFC FinTech Hive and FinTech Fund. At the end of 2020 there were more than 2,919 businesses, 915 of which were financial and innovation firms, active in the Centre. As of 2023, DIFC has grown to more than 4,900 active companies employing over 39,000 workers (DIFC, 2023). Two other innovation hubs were created under the umbrella of Oracle, one in Dubai in 2018 (Zayed Innovation Hub), the other in Abu Dhabi in 2021 (Al Mustaqbal Oracle Innovation Hub). Other accelerators and startup incubators cater to various fields of science and technology. In addition, as part of the startup expansion in the UAE, selected international startups were invited to participate in trainings and/or to relocate to the country through various initiatives (Zawya, 6 September, 2023; Gulf Business, September 7, 2023). The 2023 Global Startup Ecosystem Report (GSER) ranked Dubai the second highest MENA entry in the Emerging Ecosystems (the 12th position worldwide, coming right after Tel Aviv that came in 5th). In the same ranking, Abu Dhabi was listed in the 81–90 range (Startup Genome, 2023). Future developments were announced in Dubai in June 2023 as DIFC plans to establish the “Dubai AI & Web 3.0 Campus,” which will become the largest cluster of artificial intelligence and tech companies in the MENA region (Metaverse Newswire, 19 June, 2023). The initiative to be unveiled over the next five years will focus on AI and Web 3.0 in the financial services industry, and similarly to previous hubs, will offer trainings, startup funding, and R&D. In Abu Dhabi, another investment is under development under the name Block 7 located in Industrial City.

All in all, the UAE has managed to position itself as the leader of innovation in the Gulf region through its national strategies focused on facilitation, expansion and continued support of the sector. The undertakings follow the triple helix model of innovation by fostering the collaboration between government, industry and universities. In addition, the many innovation hubs, startup accelerators and fundraising opportunities provide an enabling environment that is attractive for global talent to relocate to the UAE. In addition, by implementing more relaxed Golden and Green visa residence policies, innovators and scientists who relocate to the UAE now have a sense of stability and security for the length of their stay in the country. Additionally, taxation in the UAE is limited to corporate entities, which is another incentive for innovators and startup entrepreneurs. These factors have all contributed to the emergence of a dynamic startup and innovation ecosystem. Future economic development plans have all highlighted the need for further development of this sector as the basis of the knowledge economy.

The UAE is, however, not the only Gulf state looking to tap into the potential of the innovation sector for

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1. Some of the most popular are listed here: <https://www.failory.com/startups/united-arab-emirates-accelerators-incubators>
 2. Companies with annual profits that fall under AED 375,000 are taxed at zero rate. Companies operating within free zones may be taxed at a zero tax rate on income generated from specific qualifying activities and transaction.

growth. In August 2023, Saudi Arabia announced the creation of a \$200m fund to support investments in local and international firms specializing in high-tech. The strategy is anchored within King Abdullah University of Science and Technology (KAUST), the largest applied scientific research university in Saudi Arabia. In addition, the National Transformation Institute for Applied Research (NTI) was launched to support innovation and commercialization of emerging technologies (Saleh & Nashar, September 6, 2023)., 6 September, 2023). Furthermore, in September 2023, Saudi Arabia launched “The Garage,” the largest startup ecosystem in the Middle East accommodating more than 300 companies, within King Abdulaziz City for Science and Technology in Riyadh (WAMDA, 21 August, 2023). The strength of the innovation sector in Saudi Arabia is illuminated by their holding the largest number of patents in the GCC in 2022 (WIPO IP, 2023). While Saudi Arabia may not yet be a direct competitor for the talent pool, the recent changes to its immigration policies along with the establishment of premium residency, coupled with its talent pool needs have led to a hiring spree, similar to that in the UAE (Gulf News, 19 June, 2023). Finally, the robustness of innovation in the UAE will be further measured through the level of innovative output. While some of the successful startups have mirrored pre-existing market solutions such as individual transportation and delivery services like Careem, resemblant of Uber, the emergence of unique and original solutions will bear testimony to the country becoming a global innovation powerhouse.

All in all, the UAE has strived to create an ecosystem that supports innovation and entrepreneurship in a bid to transform its economy towards a knowledge-based one. Coupled with the extension of the Golden Visa programme and limited corporate taxation, the country is currently a magnet for innovators and start ups, proven by the influx of companies registered under these categories. The trend is likely to continue given the aspirations of the UAE in these sectors of the economy. While the exact data on the migration patterns are not available to the public, some reports suggest that 30% of the startups are led by Indian entrepreneurs (Rajkumari, 25 January, 2023), which is consistent with the overall migration patterns to the UAE.

1. Data from February 2023 revealed that there were 5,641 startups in the UAE and the number has almost doubled year on year (Startup Sash, 17 February, 2023).

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