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ASIA EDITION

Middle East Drives AI for Real Gains

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The Middle East is not only investing in digital healthcare but building around it. From national health strategies to growing startup hubs, the region is turning infrastructure gaps into launch pads. With a projected compound annual growth rate (CAGR) of 9.2 per cent, the Middle East's digital healthcare market is poised to reach $7.9 billion by 2028. Moreover, the United Arab Emirates (UAE) has now launched a strategic initiative aimed at strengthening its position as a leading global hub for entrepreneurship and innovation, especially with the advent of artificial intelligence (AI) and other technologies. But there are certain barriers affecting technology adoption and startup scale-up in the region.

From virtual hospitals to AI-powered diagnostics, the Middle East is rapidly becoming one of the world's most dynamic frontiers for digital health. Governments across the region are making bold investments in healthcare innovation. For instance, Saudi Arabia's healthcare ambitions under Vision 2030 have positioned the Kingdom as a global leader in digital health. The kingdom established the Saudi Data & AI Authority (SDAIA) to steer AI policy and launched a national strategy to develop AI and data capabilities. Saudi Arabia has set targets like creating 300 AI-driven startups and attracting $20 billion in AI investments by 2030. Also, Saudi's HUMAIN (a Public Investment Fund-backed AI company) plans a $10 billion venture fund to fuel AI startups.

On the other hand, Oman's Health Vision 2050 underscores a commitment to healthcare modernisation, with blockchain and telehealth playing central roles. Qatar's healthcare innovation strategy, under the Qatar National Vision 2030, is focused on precision medicine, telemedicine, and genomic research. AI-powered tools are driving advancements in diagnostics, achieving 95 per cent accuracy rates for conditions such as cancer and cardiovascular disease. As of 2025, Qatar government has committed significant funding, roughly $2.5 billion for data and AI initiatives under its "Digital Agenda 2030", plus an additional $2.4 billion investment package to boost AI capabilities and attract global tech talent.

Likewise, Egypt's Digital Egypt 2030 strategy is driving a comprehensive healthcare transformation focused on AI diagnostics, telehealth, and electronic health records (EHR), creating new business opportunities and raising the bar for private healthcare enterprises.

Bahrain has taken a more incremental but principled approach to AI adoption. In July 2025, Bahrain launched a National Policy on Artificial Intelligence focused on ethical innovation and digital transformation.

Further, the transformation of healthcare in the UAE began with the government's recognition of digitalisation as a key driver of future growth. The UAE Vision 2031 and the National Strategy for Artificial Intelligence 2031 place healthcare at the centre of digital innovation. During a high-profile diplomatic visit in 2025, the UAE and US agreed to build the world's largest AI-

focused campus outside of the US, a 26 sq km site in Abu Dhabi that will house 5 gigawatts of data centre capacity when complete. This “AI campus” will be developed with help from OpenAI, Oracle, NVIDIA, and Cisco, among others, and an initial 200 MW cluster is slated to go live by 2026.

As the UAE’s most internationally connected city, Dubai is fast becoming the nexus of digital health innovation in the region. The emirate’s smart city ambitions, world-class digital infrastructure, and targeted investment in health tech make it the ideal launchpad for events such as WHX Tech, held in September 2025. The inaugural edition of Xcelerate, the region's largest startup competition dedicated to digital health, was one of the key highlights of WHX Tech showcasing initiatives such as smart hospital rooms, AI-enabled pain management, intelligent medical records, and AI cameras that detect glaucoma and Alzheimer’s.

Recent reports have highlighted that Dubai aims to integrate advanced medical technology into daily life, fostering a proactive healthcare system. Dubai's ambition to develop the world's first smart health city is poised to redefine the landscape of healthcare delivery.

Reaffirming Dubai’s strong commitment to adopting advanced technologies, highlighting AI as a key driver of global competitiveness and progress in healthcare, **Awadh Seghayer Al Ketbi, Director General of the Dubai Health Authority** said, “AI today represents one of the world’s most critical challenges and opportunities. Dubai recognised the strategic importance of AI early on. AI is reshaping societies and transforming the future as we integrate AI and the latest technologies into our healthcare systems and policies.”

AI & startups

According to reports, Saudi Arabia has emerged as the Middle East and North Africa’s (MENA) top-funded startup market in the first half of 2025 with a major focus on technology, securing approximately 64 per cent of the region’s total capital. Across the broader region, MENA startups raised $2.1 billion through 334 deals in the first half of 2025, up 134 percent from the same period in 2024.

Also, a recent report by the Ministry of Communications and Information Technology, in collaboration with King Abdullah University of Science and Technology and Hello Tomorrow consultancy, highlights that in 2025, nearly 50 per cent of homegrown deep tech startups will specialise in Artificial Intelligence (AI) and the Internet of Things (IoT).

Reports have also revealed that there are 77 native AI-based healthcare startups in the Middle East. Out of these, 43 startups are funded, with 20 having secured Series A+ funding. Over the past 10 years, an average of 6 new companies have been launched annually. Notably, several of these startups have been founded by alumni of Tel Aviv University, Technion Israel Institute Technology and Massachusetts Institute of Technology.

One of the biggest AI funding rounds this year came from AppliedAI, an Abu Dhabi-based startup automating healthcare and insurance workflows, which raised $55 million in Series A led by G42 with backing from Palantir and Bessemer.

At the institutional level, Abu Dhabi’s MGX is exploring a massive $25 billion AI fund, while Nvidia and TII launched the region’s first AI and robotics research lab. Though AI funding still lags behind fintech, these moves—combined with landmark deals and state-led initiatives—show growing maturity and position the UAE and Saudi Arabia as emerging AI powerhouses.

Considered as one of the largest funding rounds in the history of the Saudi’s health tech sector, MedIQ has recently raised $6 million in a Series A funding round to boost its digital healthcare solutions with the help of AI. Another example is of Saudi Arabia-based health tech startup Kilow that has raised $2.5 million in seed funding for personalised weight management with AI-driven treatment plans.

Another major example is Saudi Arabia’s launch of a $40 billion investment fund aimed at AI, emphasising a deliberate shift towards economic diversification and asserting global technological dominance. As a result, 2025 is witnessing big investments and launches within the AI-based healthcare startup sector.

According to **UAE-based entrepreneur and tech investor Abdumalik Mirakhmedov,** “Looking ahead, AI is set to become a core part of how businesses run and develop new products in the region. This is pushing companies to innovate quickly. More than 50 per cent have launched new products in the last five years, and 40 per cent have entered new industries to grow. For investors and founders alike, supporting talent development will be just as important as funding new products.”

Barriers to scale-up & tech adoption

Despite impressive growth, startups face significant hurdles when attempting to scale AI healthcare solutions across the Middle East. One of the biggest challenges is regulatory fragmentation. While both Abu Dhabi and Dubai have made progress in publishing guidelines for telemedicine, data sharing, and digital health delivery, these rules are often emirate-specific and subject to frequent revisions.

For example, the Dubai Health Authority's 2024 policy on health information sharing introduced new requirements for handling sensitive data. Startups that succeed in one emirate may need to redesign their systems to comply with another's rules, making scaling costly and time-consuming. The absence of harmonised regulations across the UAE and wider region creates uncertainty that deters investors.

Another major barrier is data access and interoperability. AI requires large, high-quality datasets, and while platforms like Malaffi in Abu Dhabi and Riayati/Nabidh in Dubai offer centralised health information exchange, access remains restricted, with lengthy approval timelines and opaque governance mechanisms.

Beyond this, public and private hospital data is fragmented and inconsistent, complicating AI integration. The challenge deepens in genomics i.e. while initiatives like the UAE's Emirati Genome Programme have global recognition, issues of data sovereignty, consent, and political oversight make international collaborations complex.

Further, talent shortages and clinical validation also present persistent obstacles. The region is cultivating AI expertise but still lacks professionals who combine technical skills with deep clinical knowledge. As a result, Abu Dhabi's Technology Innovation Institute (TII) has partnered with US chipmaker Nvidia to establish the Middle East's first joint AI research facility. This strategic collaboration marks a significant milestone in the UAE's growing efforts to become a global force in artificial intelligence and robotics innovation.

According to Mercer's newly released 2024/2025 Global Talent Trends Study, 67 per cent of Middle Eastern organisations admit they are only 'exploring or just getting started' with AI-driven talent deployment, suggesting a considerable gap in competitive capabilities.

"While many employees are ready to reskill, the lack of organisational focus and investment in AI may leave regional firms behind in the global innovation curve. Companies that take action now can align better with the region's broader growth goals and position themselves to win the talent race", said **Najla Najm, Careers Leader for Mercer Middle East**.

Clinical validation, which is essential for healthcare adoption, requires rigorous trials, hospital partnerships, and real-world evidence studies, all of which are resource-intensive. Startups often struggle with the long timelines and costs involved, slowing their ability to bring products to market.

Capital availability adds another layer of complexity. Venture funding in the GCC surged between 2020 and 2024, driven by sovereign wealth funds and corporate investors. Yet, capital distribution remains uneven.

Early-stage funding is relatively accessible, but late-stage growth capital and exit pathways are still limited. Investors also prioritise alignment with national priorities, which narrows opportunities for startups with unconventional models. Similarly, the reimbursement ecosystem for digital health and AI solutions remains underdeveloped.

Unlike in the US or Europe, where frameworks for reimbursing digital therapeutics and AI diagnostics are maturing, insurance companies in the Middle East are only beginning to experiment. Startups are therefore forced to rely on direct-to-consumer sales or contracts with hospital networks, both of which present limitations in terms of margins, acquisition costs, and lengthy procurement cycles.

In view of the current barriers facing the AI-based healthcare startup sector in the Middle East, experts from Deloitte recommend that collaboration on AI based R&D requires initiatives like setting up of AI labs, incentivising startups through grants, sandboxes, and accelerators focused on region-specific challenges and solutions.

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