

Marmore Industry Reports 2015

Kuwait Contracting

An Industry Building A Nation



Research Highlight:

Profiling and analyzing the Kuwait Contracting sector, while highlighting the demand drivers, current trends and key challenges for the sector.

MARMORE
MENA INTELLIGENCE

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1. Executive Summary

Kuwait was the fourth largest construction sector in the GCC region in 2014.

Kuwait was the fourth largest construction sector in the GCC region in 2014 and held a 6% share of the total project value in the GCC region in 2014. The construction sector grew at a CAGR of 9.30% during the 2009-2013 periods and is estimated to have grown by 3.4% in 2014¹.

The Kuwait government has set aside a budget of USD 79.6 billion for 2015, out of which USD 7.2 billion would be spent on construction. The country has recently unveiled its 2015-2020 national development plan. The latest development plan sets aside USD116 billion for a broad range of projects, including 45,000 new housing units, a metro and railway system and a new refinery.

The construction sector is estimated to have grown by 3.4% in 2014.

The oil and gas sector accounted for 65% of the total value of the project awarded in 2014. Al Zour refinery facility with a budget of USD 15bn is the largest ongoing project in the oil and gas sector. Ministry of Public Works handles the construction and maintenance of public buildings and key infrastructure projects such as roads, bridges, hospitals and sewage networks. The government plans to invest around USD 6.2bn in various motorway construction projects with an approximate length of 550 km for developing the road infrastructure. The airport expansion project will boost Kuwait airport's passenger handling capacity from approximately eight million to 25 million annually and is set to accommodate 50 million passengers after future expansion. GCC Railway project is the largest ongoing project in the railway sector valued at USD 15.4 billion. The real estate sales increased 18.5% in 2014 to USD 14.3 bn. Tamdeen Group's Al Khiran Commercial and Residential Complex project is the largest ongoing real estate project in the commercial space with a budget of USD 0.7 billion. In the power sector Kuwait Institute for Scientific Research has awarded the Al Shakaaya Renewable Energy project having a budget of USD 7.7 bn. The Al Shakaaya renewable energy park will house a 2000 MW renewable energy plant which will reduce the dependence on fossil fuels and will also lead to reduced carbon dioxide emissions. Kuwait government has

¹ Deloitte

Kuwait's government is set to build eight new hospitals by 2016.

launched a number of social infrastructure projects to meet the education and healthcare requirements of a growing population.

The Kuwait population is forecasted to grow at a CAGR of 2.7% over the 2015-2020 periods. Kuwait's construction industry is set to grow in 2015 driven by demand for housing and infrastructure for a growing population. The key challenge for the construction sector would be to maintain profitability by optimization of input costs.

Social infrastructure will be a key driver for the construction sector as Kuwait's government is set to build eight new hospitals by 2016. Kuwait is set to award about USD 47.2 billion of projects in 2015, almost double the value of those awarded in 2014

2. Overview

Industry Overview

The Kuwait construction industry has grown at a CAGR of 9.3% during the 2009-2013 periods.

After a slow down in the economic growth between 2011 and 2013, the Kuwait economy is slowly retracing its path to recovery with renewed focus on the Kuwait Development plan (2015-2020) with privatisation and infrastructure being its main pillars.

The Kuwait construction industry has grown at a CAGR of 9.3% during the 2009-2013 periods. Kuwait was the fourth largest construction sector in the GCC region in 2014 and held a 6% share of the total project value in the GCC region. The total construction projects awarded in 2014 was valued at USD 85 billion². The country has recently unveiled its 2015-2020 national development plan. The latest development plan sets aside USD116 billion for a broad range of projects, including 45,000 new housing units, a metro and railway system and a new refinery³.

In 2014 the total construction contracts awarded across all the sectors amounted to USD 27,703mn.

The Ministry of Public Works (MPW) which acts as the government's construction agency plays a crucial role in development of infrastructure in the country. The Mega Projects Agency which is the executive arm of the MPW is in charge of designing and implementing the state's major infrastructure projects. The National Housing Authority established in 1974, later renamed the Public Authority for Housing and Welfare (PAHW) is responsible for housing welfare and has the responsibility to supply Kuwaiti nationals with affordable housing.

Kuwait follows a twin track tendering structure which is overseen by two bodies, the Central Tenders Committee (CTC) and the Partnerships Technical Bureau (PTB) which basically focuses on public private partnership (PPPs) with private and foreign contractors.

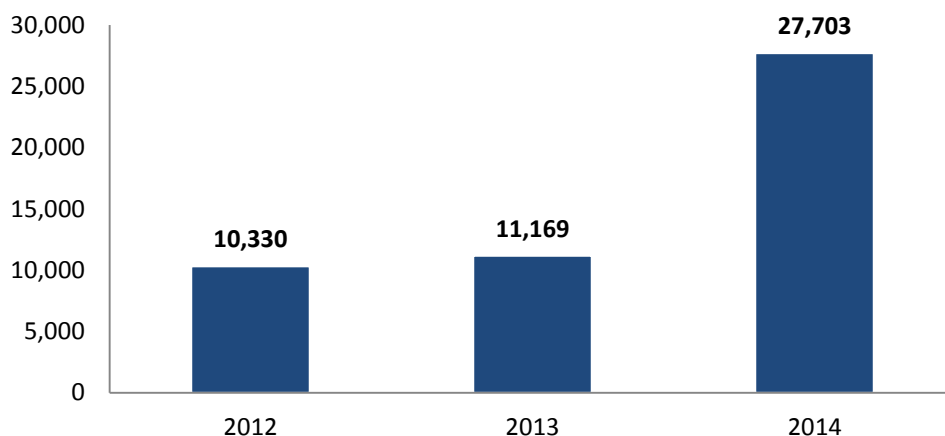
In 2014 the total construction contracts awarded across all the sectors amounted to USD 27,703 million, an increase of 148% over 2013. The improvement in the policy environment post the elections in June 2013, resulted in awarding of projects related to the 2010-2014 development plan

² Khaleej Times

³ Oxford Business Group

which fell short of the implementation targets. Thus the significant increase in the value of the projects awarded in 2014.

Figure 2.1: Construction Contract awarded across all sectors (in USD million) from 2012-14.

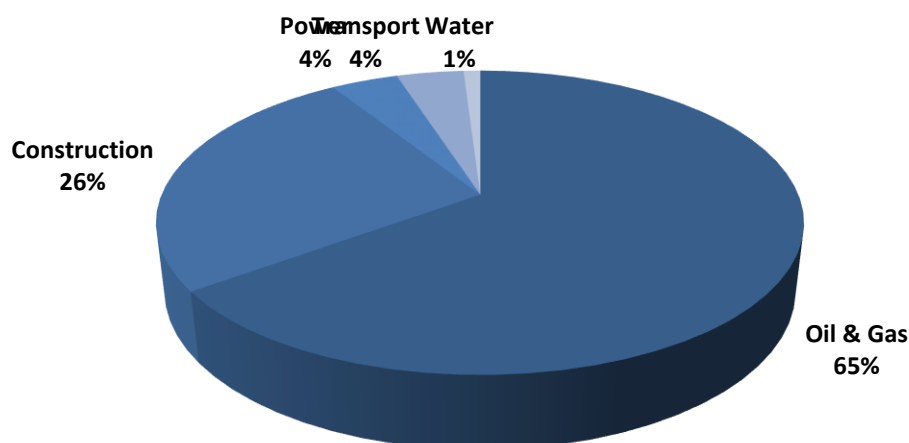


Source : Ventures Onsite

The total contracts awarded in the Oil & Gas sector was USD 16.3 Billion.

The total contracts awarded in the Oil & Gas sector was USD 16.3 Billion which accounted for 65% of the total projects awarded during 2014. The construction sector saw USD 6.7 billion worth of contract representing 26% of the total project awarded in 2014. The transport sector saw contracts of USD 908 million being awarded representing around 4% and power sector with contracts worth of USD 962 billion accounted for 4% of the total project awarded in 2014.

Figure 2.2: Sector wise project awarded (% of total value) in 2014

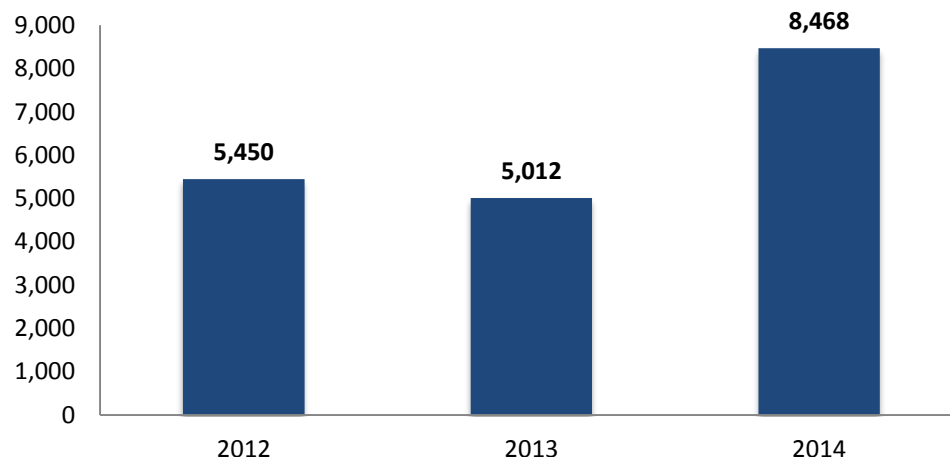


Source : MEED projects

Building and infrastructure projects accounted for 30.5% of the total value of project awarded in 2014. In 2014, there was an increase of 69% in the construction contract awarded for buildings and infrastructure projects.

Figure 2.3: Construction Contract awarded for buildings and infrastructure Projects (in USD million)

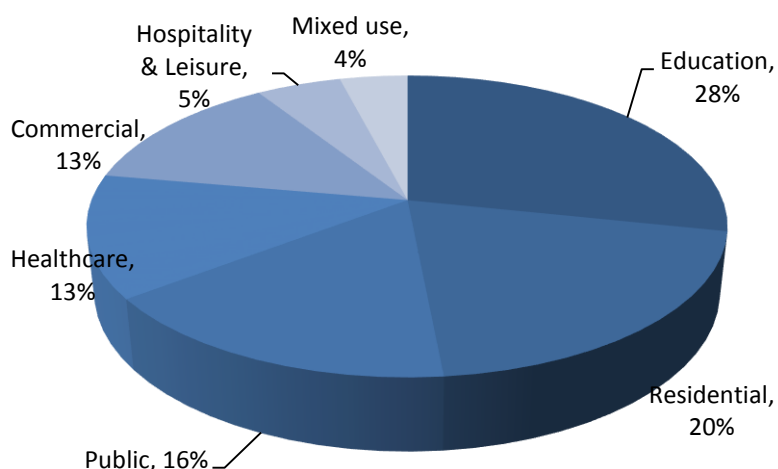
Building and infrastructure projects accounted for 30.5% of the total projects awarded in 2014.



Source : Ventures Onsite

Figure 2.4: Construction expenditure breakdown in Real Estate

The education sector accounted for 28 % of the total construction expenditure.



Source: MEED projects as of April 2014

The education sector accounted for 28 % of the total construction expenditure, followed by residential and public sector which accounted for 20 % and 16 % respectively of the total construction expenditure in the real estate sector. Healthcare and commercial construction accounted for 13% share each.

Presence of strong budget surplus encouraged expansionary government spending through diversification as a part of its USD 130 billion National Development Plan (2010 to 2014).

National Development Plan (2015 to 2020)

The new development plan envisages a spending of more than USD 116 billion⁴ on projects. The plan will aim to bolster the state's gross domestic product (GDP), increasing the private sector share in the economy from 26.4% at present to 41.9%. Despite the fall in oil revenues the government spending on key projects will not be affected. The government is planning the construction of 45,000 housing units, a metro rail system, a railway network and a large number of mega oil projects, including a new refinery as part of the new five-year plan. The new plan envisages development projects during 2015-2020 periods which will aid Kuwait's long-term vision of becoming a regional trade and financial hub. The development projects will certainly stimulate the country's national economy to include wider aspects like housing, education, health, airports and harbors, in addition to oil and infrastructure projects.

Industry Architecture

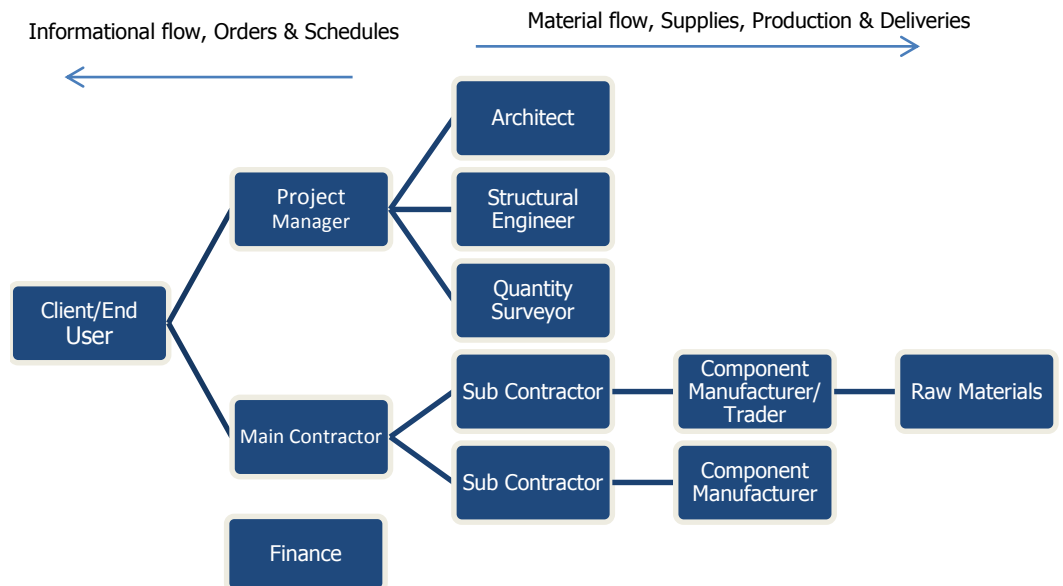
The contracting sector in Kuwait consists of different sectors – Real Estate, Oil & Gas, Infrastructure, Power & Water and Petrochemicals. In the contracting industry, the companies (contractors) enter into an agreement with the project owners (principal) to provide the required good or service at agreed upon period and amount. The contracts awarded to the contractors are further divided to different sub-contractors specialized in the specific sector.

The new development plan envisages a spending of more than USD 116 billion on projects.

The development projects will certainly stimulate the country's national economy.

⁴ Trade Arabia

Figure 2.5: Contracting Network

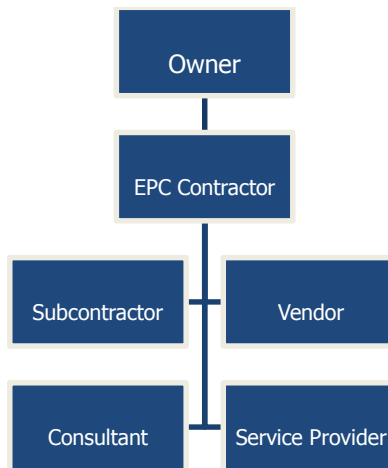


Source: Royal Institution of Chartered Surveyors, RICS

EPC is considered as the most common form of contracting in construction industry.

Engineering, Procurement and Construction (EPC) is considered as the most common form of contracting in construction industry. Under EPC contracting, the contractor does all the work from designing the installation to procuring the materials and finally to do the construction activities along with testing and checking of final product. EPC contract is considered as a complex agreement and it is important for the contractor to have expertise in all sectors related to the project. It includes access to local labor, availability of local services and knowledge of local subcontractor's performance and experience. The EPC form of contracting is considered advantageous for the principal as the complete risk and responsibility is transferred to the EPC contractor. EPC contractor also acts as a single point of contact for the client.

Figure 2.6: EPC Framework



Based on expenses incurred and the way they are shared, contracts could be classified as:

Subcontracting is prevalent when diverse capabilities are required for project execution.

Fixed Price/Lump Sum contract, when the scope of project work is clearly defined and the contractor agrees to complete the work for the fixed rate. Incentives may exist for early completion of work, while late termination may lead to penalties.

Cost plus contract, the client in addition to covering costs/expenses of the contractor incurred during the project activity agrees to pay a fixed percentage or flat fee as remuneration.

Time and Material contract, at times when the project scope is not clear or well established, the contractor might be engaged by the client on a time bound basis.

Subcontracting

Main contractor may divide his work into smaller tasks and engage with a subcontractor. Subcontracting is prevalent when diverse capabilities are required for project execution which a single contractor might not possess in-house. Subcontracting work as a percentage of total project work has been steadily increasing signifying their importance. Though it is advantageous for the contractor to sub-contract work which isn't part of the firms' core competency - as it helps in reducing overhead costs, transferring supply-chain risk and making operations leaner; work quality and co-ordination among sub-contractors has to be carefully monitored.

Specialized subcontractors could be engaged for providing technical services.

Specialized subcontractors could be engaged for providing technical services such as electrical, plumbing and air-conditioning works or general services. While a labor-only subcontractor provides manpower, which would be supervised and managed by the main contractor. Based on contractual agreement, different types of subcontracting exist such as:

Domestic Subcontractor, Employed by the main contractor wherein the main contractor would be responsible for subcontractor work compliance in accordance with agreement made by client.

Named Subcontractor, List of subcontractors is named in the initial tender document. Main contractor subsequently chooses subcontractor by inviting bids from them. Post appointment the engagement and obligation framework will remain similar to domestic subcontractor.

Nominated Subcontractor, The client conducts the tender process to choose a subcontractor. Upon selection, the client would request the main contractor to enter in a contract with the subcontractor. However unlike other types, the client would enter into a formal contract with the subcontractor be responsible for his compliance.

Economic overview of Kuwait

Kuwait holds the world's sixth-largest oil reserves and is among the top 10 producers and exporters of oil.

Table 2.1: Kuwait Economic performance and outlook

Key Indicators	2015
Population (Million)	4.18
Real GDP (USD Billion)	134.32
GDP Real growth rate (%)	1.7%
GDP per Capita (USD)	32,501
Current account balance (% of GDP)	15.2
Inflation (%)	2.6%

Source: IIF, Marmore Research

Kuwait holds the world's sixth-largest oil reserves and is among one of the top 10 global producers and exporters of oil. The hydrocarbon sector accounted for nearly 65% of the country's GDP and 95% of export revenues in 2013⁵. The drop in oil prices will affect the country's revenue

⁵ CIA Factbook

National Bank of Kuwait
the fiscal surplus is likely
to shrink to 11% in
2015-16.

in 2015 which is heavily dependent on the hydrocarbon exports. As per National Bank of Kuwait (NBK) the fiscal surplus is likely to shrink from 26% of GDP in 2013-14 fiscal to 11% in 2015-16, as a result of falling oil prices with a slight projected decline in oil production in 2015.⁶ The government's proposed budget for FY 15-16 projects a 18% cut in budgeted spending.

The Kuwait government has set aside a budget of USD 79.6 billion for 2015, out of which USD 7.2 billion (roughly 9% of the total budget) would be spent on construction.

Real GDP forecast for Kuwait stands at 1.7% for 2015. The economic growth will be sustained by resilient oil production, which forms the bulk of exports, on-going growth in the non-oil sector, public and private investment in infrastructure projects and increase in Foreign Direct Investment.

Kuwait has increased its
oil production capacity
and its output is
expected to reach 3.5mn
bpd in 2015.

Kuwait has increased its oil production capacity and its output is expected to reach 3.5mn barrels per day (bpd) in 2015. Kuwait crude oil production is expected to reach 4 mn barrels per day (bpd) of capacity by 2020, despite slow progress in execution of new projects. In 2013-2014, the total revenues dropped by 0.6% in comparison to the previous fiscal year. Oil revenues constituted about 92.1% of the overall government revenue for the FY 2013-2014 in contrast to 93.6% in the previous fiscal year.

Kuwait has been relatively slow in diversifying its economy away from dependency on oil revenues. Non-oil GDP growth is expected to grow from 3.9% y-o-y in 2014 to about 5.0% in the medium term due to increased government spending on infrastructure and refineries. Structural reforms are needed to improve the business environment in order to enable the sustained implementation of Kuwait's Development Plan. However a drop in oil prices could reduce fiscal surpluses and adversely affect long-term fiscal sustainability. Measures to effectively control current expenditures - wages and subsidies and focus on growth of non-oil sector are required to mitigate risks to the economy from downward oil price shocks.

⁶ National Bank of Kuwait

3. Construction sector in Kuwait

In Kuwait, tendering procedures for public institutions is overseen by the Central Tenders Committee.

General contracting is conventionally associated with a Design/ Bid/ Build arrangement. In this method, the owner hires a design firm to create complete construction plans and specifications before selecting a general contractor by a competitive bidding process.

This method is best suited for relatively straightforward projects that are not likely to require midstream design or scope changes. Since construction documents are complete before bidding begins, owners can be confident they are receiving the right pricing from each general contractor.

In Kuwait, tendering procedures for most public institutions are overseen by the Central Tenders Committee. The Central Tenders Committee also maintains lists of approved contractors for works. Before getting on these lists a contractor must be classified according to the size of projects he is deemed capable of undertaking.

In some public tenders participation is restricted to firms who have been pre-qualified. A firm presents a standard set of documents outlining its financial and technical capabilities to the CTC to prequalify. Foreign firms have to prequalify every time they bid for a public contract, their applications should be submitted by their Kuwaiti agent and must be attached with an authenticated copy of the agency agreement.

The Kuwait National Petroleum Company is planning to invest USD 35bn on expanding oil and gas projects.

In Kuwait all activities relating to public tenders, such as tender announcements, invitations to pre-qualify, pre-tender meetings, and amendments to conditions and specifications, are only published in Al-Kuwait Al-Youm, the official gazette.

Sector wise analysis of construction industry

Oil and gas

Petrofac is leading a consortium with Greece based Consolidated Contractors Company (CCC) as its partner with a total project value of more than USD 4 billion⁷. The Kuwait National Petroleum Company (KNPC) is planning to invest USD 35bn on expanding oil and gas projects over the

⁷ Petrofac

next five years. KNPC is set to build the world's largest oil refinery, the Al Zour facility with a budget of USD 15bn. The refinery is expected to have a daily processing capacity of 615,000 barrels by 2018⁸.

Table 3.1: Top 10 ongoing Oil and Gas projects

Project Name	Budget (\$ bn)	Completion date	Owner
KNPC - Al Zour Refinery	15.0	Q4 2018	Kuwait National Petroleum Company
KNPC - Mina Al Ahmadi/Mina Abdullah Clean Fuel Project	12.0	Q2 2018	Kuwait National Petroleum Company
KOC - Lower Fars Oil Fields	7.0	2030	Kuwait Oil Company K.S.C.
WJO - Wafra Heavy Crude Oil Field - Phase 1	5.0	2017	Wafra Joint Operations
KOC - Lower Fars Oil Fields - Phase 1	4.1	2020	Kuwait Oil Company K.S.C.
KNPC - Al Zour Refinery - Package 1 (Process Plant)	4.0	Q4 2018	Kuwait National Petroleum Company
KNPC - Al Zour Refinery - Package 2 (Process Plant)	2.60	Q4 2018	Kuwait National Petroleum Company
KNPC - Al Zour Refinery - Package 3 (Offsites & Utilities)	2.0	Q4 2018	Kuwait National Petroleum Company
KOC - Gathering Centers (GC) 29, 30 and 31	2.0	H1 2017	Kuwait Oil Company K.S.C.
KOC - LSFO, FG and Gas Oil Pipelines from Mina Al Ahmadi	2.0	Jun 2015	Kuwait Oil Company K.S.C.

Source: Zawya

Infrastructure

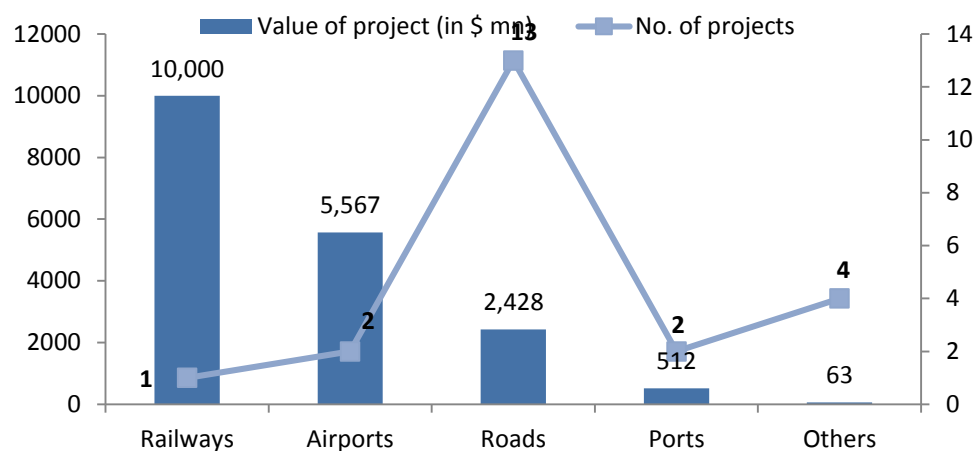
The government's main focus is to develop the country's infrastructure in order to support the needs of the growing population as well as support the movement of people and goods owing to higher economic activity. The metro and rail mega projects are set to boost Kuwait's infrastructure. The Kuwait government is developing new ports as well as carrying out maintenance and expansion of existing ports. The total value of ongoing standalone projects in the infrastructure sector is USD 18.57 billion.

KNPC is set to build the world's largest oil refinery, the Al Zour facility with a budget of USD 15bn.

The total value of ongoing standalone projects in the infrastructure sector is USD 18.57 billion.

⁸ Oxford business group

Figure 3.1: Total value of ongoing standalone projects and number of projects in infrastructure sector as of May 2015



Source: Zawya

Transport infrastructure

Growth in the transportation sector is driven largely by government impetus, aimed at improving the infrastructure within the country and to ensure regional amalgamation with other countries in the GCC region.

Transport infrastructure in Kuwait is largely state controlled and the decision making process is rather lengthy and non-transparent. These factors impact upon the country's internal transport needs, with no rail system, a limited road network and few domestic flight requirements. The build-operate-transfer (BOT) model has played an important role in developing private sector participation in recent years.

Roads

Kuwait plans to invest around USD 6.2billion in various motorway construction projects with an approximate length of 550 km⁹. One of the key motorway project is the Subiya Causeway, a 37.5-km bridge which will cross Kuwait Bay and will link Kuwait City, the Subiya peninsula and Boubyan Island. The causeway is perceived as a strategic project for the country, as it will connect oil-producing areas in the north and the Shuwaikh port.

Kuwait plans to invest around USD 6.2billion in various motorway construction projects.

⁹ Oxford Business Group

The USD 1.8bn upgradation of Jamal Abdul Nasser Street and Jahra Road Project is a crucial project. Ministry of Public Works handles the construction and maintenance of public buildings and key infrastructure projects such as roads, bridges, hospitals and sewage networks. The USD 1.8 bn upgradation of Jamal Abdul Nasser Street and Jahra Road project is seen as a crucial project and is slated to be completed by 2016.

Table 3.2: Kuwait Top 10 ongoing Roadways projects

Project Name	Budget (\$ bn)	Completion date	Owner
Kuwait MPW - Upgrade of Jamal Abdul Nasser Street and Jahra Road	1.80	28 Oct 2016	Ministry of Public Works - Kuwait
Kuwait MPW - Sheikh Jaber Al Ahmad Town Development Expressway	0.97	May 2017	Ministry of Public Works - Kuwait
Kuwait MPW - Al Jahraa Road Upgrade	0.95	28 Oct 2016	Ministry of Public Works - Kuwait
Kuwait MPW - Jamal Abdul Nasser Street Upgrade	0.86	28 Oct 2016	Ministry of Public Works - Kuwait
Kuwait MPW - Nawaseeb Road Upgrade	0.57	2016	Ministry of Public Works - Kuwait
Kuwait MPW - Al Salmi Motorway Expansion	0.55	2017	Ministry of Public Works - Kuwait
Kuwait PAI - Shaddadiah Industrial Zone Infrastructure	0.30	Jul 2016	Public Authority for Industry
Kuwait MPW - Kuwait City Northern First Ring Road	0.27	NA	Ministry of Public Works - Kuwait
Kuwait MPW - Al Salmi Motorway Expansion - Phase 1	0.20	2017	Ministry of Public Works - Kuwait
Kuwait MPW - Al Salmi Motorway Expansion - Phase 2	0.17	2017	Ministry of Public Works - Kuwait

Source: Zawya

Airport

The airport expansion project will boost Kuwait airport's passenger handling capacity from approximately eight million to 25 million¹⁰ annually and is set to accommodate 50 million passengers after future expansion.

¹⁰ DGCA Kuwait

Table 3.3: Kuwait Ongoing Airport projects

Project Name	Budget (\$ bn)	Completion date	Owner
Kuwait MPW - Kuwait International Airport Passenger Terminal 2	5.52	Q4 2016	Ministry of Public Works - Kuwait
Kuwait DGCA - Kuwait International Airport Expansion	4.21	Nov 2016	Directorate General of Civil Aviation - Kuwait
Kuwait DGCA - Kuwait International Airport Pavement	0.04	Q4 2015	Directorate General of Civil Aviation - Kuwait
Kuwait DGCA - Kuwait International Airport Expansion - Terminal Building	0.03	Nov 2016	Directorate General of Civil Aviation - Kuwait
Kuwait DGCA - Kuwait International Airport Expansion - Infrastructure - Buildings Package	0.16	Q1 2016	Directorate General of Civil Aviation - Kuwait

Source: Zawya

Railways

Kuwait National Rail Road Network project envisages construction of a 505 Km railway track including 387 km railway track in phase I and 118 km in phase II. The project with a budget of USD 10 bn is slated to be completed by 2017. The scope of Kuwait Metropolitan Railway Transport System project is to build a 411 km railway track.

Table 3.4: Kuwait Ongoing Rail projects

Project Name	Budget (\$bn)	Completion date	Owner
Kuwait MOC - Kuwait National Rail Road Network	10.0	2017	Ministry of Communications - Kuwait
Kuwait MOC - Kuwait Metropolitan Railway Transport System - Railway System	--	2018	Ministry of Communications - Kuwait

Source: Zawya

GCC Railway project

GCC Railway project is the largest on-going project in the railway sector valued at USD 15.4 billion. When it becomes operational the GCC rail project is set to cover 2,116 km¹¹ of track, starting from Kuwait and passing through Saudi Arabia, Bahrain, Qatar, United Arab Emirates, and ending up in Oman. The Saudi Railway Organisation (SRO) is involved in the engineering and design of the rail network. Other GCC nations have already begun moving forward on the project. However Kuwait has been

GCC Railway project is the largest on-going project in the railway sector valued at USD 15.4bn.

¹¹ Saudi Railways Organization

Kuwait Metro project involves construction of a 169 Km metro system divided into 4 lines.

comparatively slow on the GCC railway project. Kuwait's section of the project, estimated to cost USD 10bn. The total length of the GCC railway line passing through Kuwait is 145 km.

Table 3.5: Total length of the GCC railway line in each GCC country

Country	The total length of the railway line (in Km)
Kuwait	145
Bahrain	36
Qatar	283
Oman	306
United Arab Emirates	684
Saudi Arabia	663

Source: Saudi Railways Organization

Metro Rail

Traffic congestion is a problem in Kuwait due to an increasing population, urbanization and increase in number of vehicles. Kuwait Metro Rail projects will ease the congestion by reducing the dependence on road network.

Kuwait Metro project involves construction of a 169 Km metro system divided into 4 lines. Line 1 which will be 23.7km long, will link Kuwait's southern metropolitan area with the centre of the city and the main university and will have 19 stations.¹² Line 2 will be around 21km long, and will have 27 stations. Line 3 will be 24 km long and have 15 stations. Line 4 will be 22.7km long and will connect city centre with Kuwait International Airport. It will have 15 stations, serving residential areas and the Shuwaikh Industrial Zone.

Bubian Island Port project involves construction of an 860 sq.km port.

¹² railway-technology.com

Table 3.6: Kuwait Ongoing Metro Rail projects

Project Name	Budget (\$)	Completion date	Owner
Kuwait MOC - Kuwait Metropolitan Railway Transport System	7.0bn	2020	Ministry of Communications Kuwait
Kuwait MOC - Kuwait Metropolitan Railway Transport System - Metro System	--	2018	Ministry of Communications - Kuwait
Kuwait MOC - Kuwait Metropolitan Railway Transport System - Metro System - Line 1	--	2018	Ministry of Communications - Kuwait
Kuwait MOC - Kuwait Metropolitan Railway Transport System - Metro System - Line 2	--	2018	Ministry of Communications - Kuwait
Kuwait MOC - Kuwait Metropolitan Railway Transport System - Metro System - Line 3	--	2018	Ministry of Communications - Kuwait
Kuwait MOC - Kuwait Metropolitan Railway Transport System - Metro System - Line 4	--	2018	Ministry of Communications - Kuwait

Source: Zawya

Ports

Bubiyah Island Port project involves construction of a 860 sq.km port to develop Bubiyah island into a commercial seaport. The project is divided into three phases and Phase 1 has three stages. Hyundai E&C and Al Kharafi have been awarded the contract.

Table 3.7 : Ongoing Ports projects

Project Name	Budget (\$ bn)	Completion date	Owner
Kuwait MPA - Bubiyah Island Port	4.0	2028	Mega Projects Agency
Kuwait MPA - Bubiyah Island Port - Phase 1	3.11	2016	Mega Projects Agency
Kuwait MPA - Bubiyah Island Port - Phase 3	1.5	2028	Mega Projects Agency
Kuwait MPA - Bubiyah Island Port - Phase 1 - Stage 3	1.4	2016	Mega Projects Agency
Kuwait MPA - Bubiyah Island Port - Phase 2	0.5	2021	Mega Projects Agency
KOC - Small Boats Harbor	0.48	Q2 2015	Kuwait Oil Company K.S.C.
Kuwait MPA - Bubiyah Island Port - Phase 1 - Stage 1	0.41	Oct 2015	Mega Projects Agency
KNG - Funaitees Officers Club Marina Renovation	0.02	Q3 2016	Kuwait National Guard

Source: Zawya

Social infrastructure

Kuwait University has USD 5.45bn worth of ongoing construction projects.

Kuwait government has launched a number of social infrastructure projects to meet the education and healthcare requirements of a growing population.

Kuwait has identified education as a key to achieving economic and social development. Kuwait University has USD 5.45 bn worth of ongoing construction projects. The Kuwait University City project with a budget of USD 3 bn is the largest project in the education sector. It involves construction of a 4.9 million m² educational complex including infrastructure facilities ,25 faculty buildings, medical campus including a 600-bed university hospital, hotel, housing complex , sports facilities, auditoriums and related facilities.

Table 3.8: Ongoing projects for Education infrastructure

Project Name	Budget (\$ bn)	Completion date	Owner
Kuwait University City	3.00	2025	Kuwait University
Kuwait University City - College of Business and College of Women	0.90	Feb 2016	Kuwait University
Kuwait University City - College of Social Science, College of Law and College of Shari'a and Islamic Studies	0.52	2016	Kuwait University
Kuwait University City - Faculty of Arts and Education	0.42	Q2 2015	Kuwait University
Kuwait MOD - Ali Al Sabah Military Academy	0.40	Q1 2018	Ministry of Defense
Kuwait University City - Package 3A	0.27	Aug 2015	Kuwait University
Kuwait University City - College of Science and Faculty Club	0.14	Q1 2016	Kuwait University
Kuwait University City - Package 4B	0.09	Jun 2015	Kuwait University
Kuwait University City - Package 4A	0.08	Apr 2015	Kuwait University
Shuwaikh Electricity & Water Training Institute	0.03	Q4 2016	Public Authority for Applied Education and Training-Kuwait

Source: Zawya

There are currently six ongoing hospital expansion projects in the healthcare sector.

Rapid population growth and subsidized electricity prices have led to high electricity consumption in Kuwait.

The Kuwait government is looking to improve and expand healthcare facilities in the country in order to cater to the growing population. There are currently six ongoing hospital expansion projects in the healthcare sector. Al Jahraa Hospital Expansion is the largest project with a budget of USD 1.4 bn and is expected to be completed by last quarter of 2017.

Table 3.9: Ongoing projects for Healthcare Infrastructure

Project Name	Budget (\$ bn)	Completion date	Owner
Kuwait Al Diwan Al Amiri - Al Jahraa Hospital Expansion	1.40	Q4 2017	Al Diwan Al Amiri
KIA/ MoH - Kuwait Health Assurance Company (KHAC) Hospitals Project	1.15	2015	KIA/MoH
Kuwait MOH - Al Farwaniyah Hospital Expansion	0.93	2018	Ministry of Health - Kuwait
Kuwait MOH - Sabah Al Salem Cancer Center	0.80	2016	Ministry of Health - Kuwait
Kuwait MOH - Al Adan Hospital Expansion	0.79	2018	Ministry of Health - Kuwait
Kuwait MOH - New Al Sabah Hospital	0.70	Q2 2017	Ministry of Health - Kuwait
Kuwait MOH - Al-Amiri Hospital Expansion	0.35	Q2 2016	Ministry of Health - Kuwait
KOC - Ahmadi Hospital and Residences	0.30	Q3 2015	Kuwait Oil Company K.S.C.
Kuwait MOH - Infectious Disease Hospital Expansion	0.24	Apr 2017	Ministry of Health - Kuwait
Kuwait MOH - Al-Razi Hospital Expansion	0.11	Dec 2014	Ministry of Health - Kuwait

Source: Zawya

Power and water

Kuwait's rapid population growth combined with subsidized electricity prices have led to high electricity consumption. The Ministry of Electricity and Water has announced several projects to improve Kuwait's electricity and water situation in order to the growing demand. The Kuwait government has set an ambitious target of generating 10% of the total power production through renewable energy sources by 2020.

Power

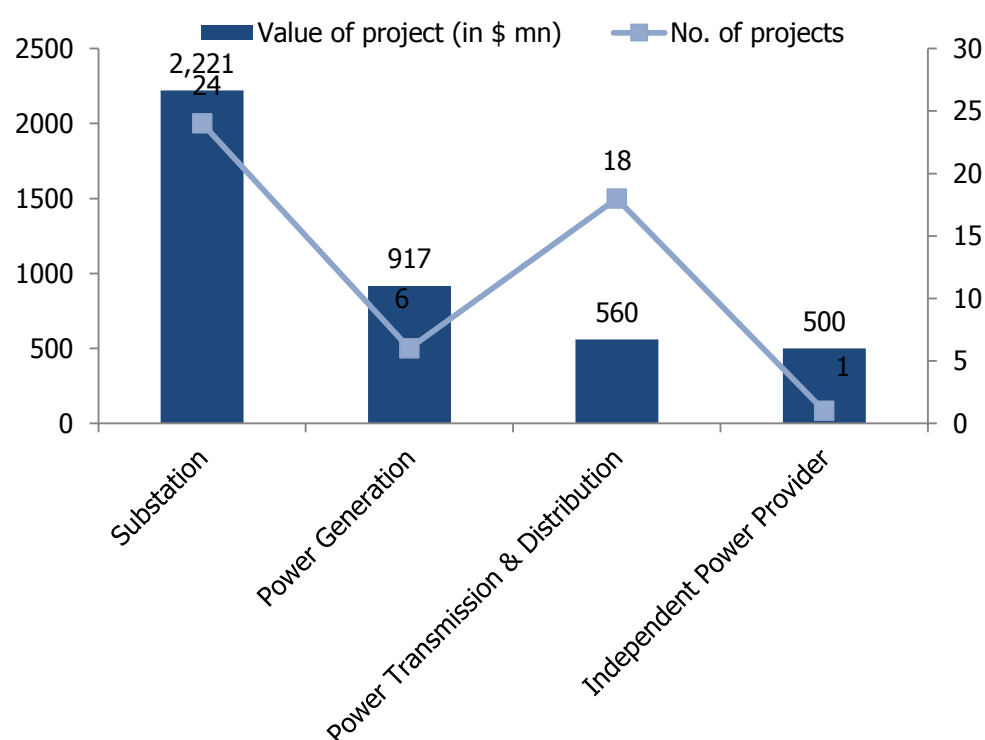
Kuwait had an installed electric generation capacity of 15.7 gigawatts¹³(GW) in 2013 and peak demand in 2013 was 12.1 GW. Kuwait's Ministry

¹³ EIA

of Electricity and water expects peak power demand to almost double to 22.5 GW by 2020.

The power sector currently has 49 ongoing standalone projects with a total value of USD 4,198 million. The substation sub-sector has 24 ongoing projects valued at USD 2,221 million. The Julai'a Independent Power Provider (IPP) project with a budget of USD 500 million involves construction of a 1,000 MW gas fired power plant in Kuwait City.

Figure 3.2: Total value of ongoing standalone projects and number of projects in infrastructure sector as of May 2015.



Power Provider project with a budget of USD 500mn involves construction of a gas fired power plant.

The Subiya power plant project has a budget of USD 0.28 million.

Source: Zawya

Heavy Engineering Industries and Shipbuilding Company K.S.C.P. is the contractor for the USD 0.3 billion Doha West Power Station Steam Turbines and Generators Renovation project. Kuwait's Alghanim International Gen. Trading & Contracting Co. W.L.L. is the contractor for Subiya power plant project which involves supply and installation of 500 MW gas turbines. The company is also involved in Al Zour South 500 MW power plant expansion project. The Subiya power plant project has a budget of USD 0.28 million.

Table 3.10: Top Ongoing projects -Power Generation

Project Name	Budget (\$ bn)	Completion date	Owner
Doha West Power Station Steam Turbines and Generators Renovation	0.30	2020	Ministry of Electricity and Water
500MW Subiya Power Plant	0.28	Mar 2015	Ministry of Electricity and Water
Al Zour South 500 MW Power Plant Expansion	0.28	Q2 2015	Ministry of Electricity and Water
Khaitan Emergency Electricity Center	0.03	Q4 2016	Ministry of Electricity and Water
Kuwait MEW - Doha West Main Valves for Distillers Steam Pressure Reducing Station	-	Q2 2016	Ministry of Electricity and Water
5 Diesel Power Generators	-	2016	Kuwait Municipality
Subiyah Gas Fired Power Plant - Phase 2	--	Q4 2016	Ministry of Electricity and Water

Source: Zawya

The Shakaaya renewable energy park will house a 2000 MW renewable energy plant.

Kuwait Institute for Scientific Research is the owner of the Al Shakaaya Renewable Energy project having a budget of USD 7.7 bn. The Shakaaya renewable energy park will house a 2000 MW renewable energy plant, thus saving up to 12.5 million barrels of oil a year and help prevent 5 million tons of carbon dioxide emission. The project is expected to be completed by 2030. The construction of the 2000 MW renewable energy plant will include a 50 MW thermal solar energy power plant, 10 MW photo-voltaic solar energy power plant, 10 MW wind energy power plant during the first phase. Phase 2 will involve expansion of the power plants to 1000 MW Phase and 3 will result in further expansion of the power plants by 1000 MW.

Table 3.11: Top Ongoing projects –Alternative energy

Project Name	Budget (\$ bn)	Completion date	Owner
KISR - Al Shakaaya Renewable Energy	7.70	2030	Kuwait Institute for Scientific Research
KISR - Al Shakaaya Renewable Energy - Phase 1	0.53	2016	Kuwait Institute for Scientific Research
KISR - Al Shakaaya Renewable Energy - Phase 1 - Al Shakaaya Thermal Solar Energy	0.31	Q4 2016	Kuwait Institute for Scientific Research
KOC - Umm Gudair Photovoltaic Plant	0.02	Q4 2015	Kuwait Oil Company K.S.C.
KISR - Al Shakaaya Renewable Energy - Phase 1 - Al Shakaaya Wind Energy	0.02	Q4 2015	Kuwait Institute for Scientific Research
KISR - Al Shakaaya Renewable Energy - Phase 1 - Al Shakaaya Photovoltaic Solar Energy	0.01	Q4 2015	Kuwait Institute for Scientific Research
KISR - Al Shakaaya Renewable Energy - Phase 2	-	2021	Kuwait Institute for Scientific Research
KISR - Al Shakaaya Renewable Energy - Phase 3	-	2030	Kuwait Institute for Scientific Research

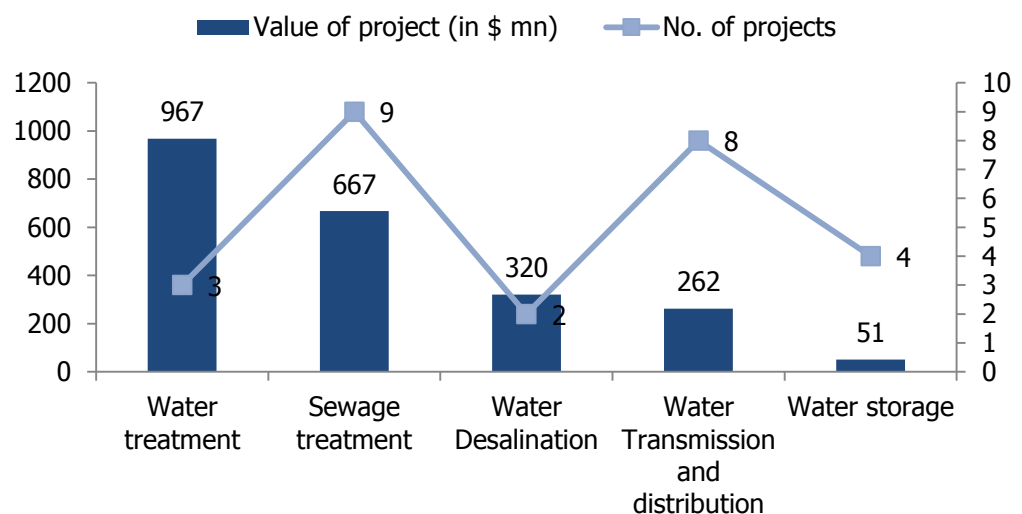
Source: Zawya

Kuwait's per capita water consumption is among the highest in the world.

Water

Kuwait's per capita water consumption is among the highest in the world. Kuwait's water consumption is set to reach 780 million imperial gallons per day by 2020. The rising population and the scarcity of water resources are driving the need for desalination facilities.

Figure 3.3: Total value of ongoing standalone projects and number of projects in infrastructure sector as of May 2015



Source: Zawya

The sector currently has 26 ongoing standalone projects with the total value projects reaching USD 2,267 million. The water treatment sub-sector has 3 projects valued at USD 967 million. The sewage treatment sub-sector has the highest number of projects (9) and the second highest value of projects. Al Zour Water Complex - Phase 2 project and Al Khafji Solar Powered Desalination Plant project are two major ongoing standalone projects in the desalination sub-sector. Al Khafji Solar Powered Desalination Plant project with a budget of USD 130 million involves construction of a solar powered desalination plant with a capacity of 60,000 cu.m/day.

Table 3.12: Top Ongoing projects -Water

Project Name	Budget (\$ bn)	Completion date	Owner
Kuwait PTB - Umm Al Haiman Sewage Treatment Plant	2.20	2020	Partnership Technical Bureau
KOC - North Kuwait Effluent Water Treatment And Injection Plant	0.95	2016	Kuwait Oil Company K.S.C.
Kuwait MPW - Sulaibiya Wastewater Treatment and Reclamation Plant Expansion	0.30	Q4 2015	Ministry of Public Works - Kuwait
Kuwait PTB - Kabd Municipal Solid Waste Treatment Facility	0.22	2019	Partnerships Technical Bureau
Kuwait MEW - Al Zour Water Complex - Phase 2	0.19	Q1 2015	Ministry of Electricity and Water
Kuwait MEW - Al Zour North Desalination Plant to Al Zour Water Complex 2 Water Transmission Pipelines	0.13	May 2015	Ministry of Electricity and Water
KACST - Al Khafji Solar Powered Desalination Plant	0.13	Q4 2017	King Abdulaziz City for Science and Technology

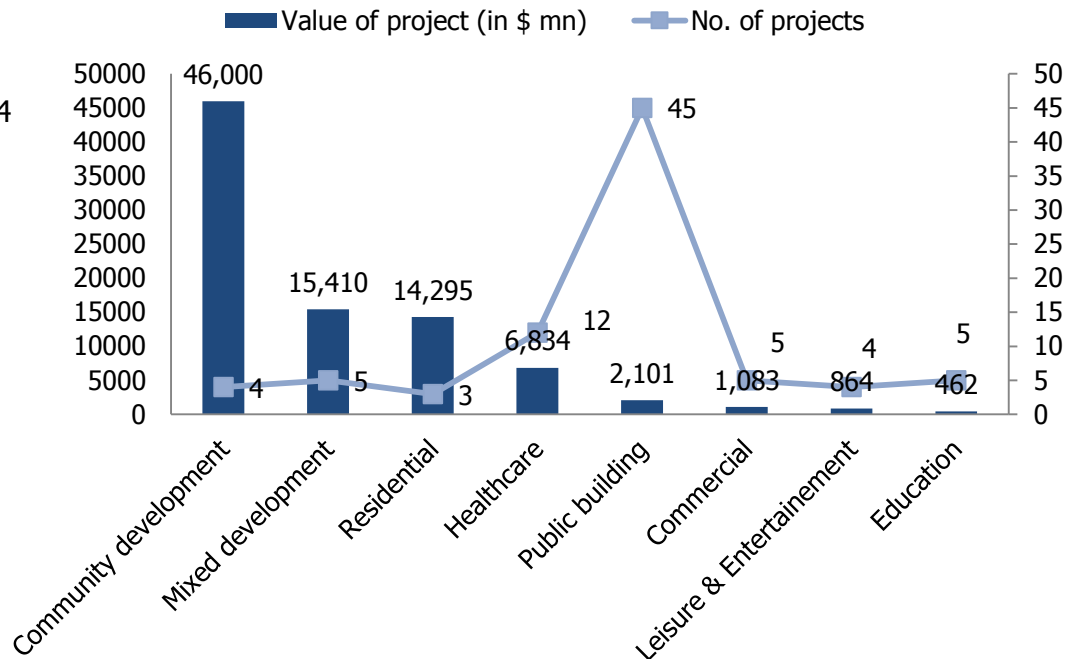
Source: Zawya

Real Estate

Kuwait has a large number of ongoing projects in the real estate sector. The government's main focus is on community development projects which accounts for 53% of the total value of ongoing projects in the sector. The government is undertaking construction of large township projects and

housing projects, which will lead to increased construction activity in this sector.

Figure 3.4: Total value of ongoing standalone projects and number of projects in infrastructure sector as of May 2015



Source: Zawya

The real estate sales increased 18.5% in 2014 to USD 14.3 bn.¹⁴ However in February 2015, real estate sales fell 17% year-on-year to reach USD 730 million.

The total residential sales in 2014 increased by 5% over 2013, while the total transactions dropped by 6% to 5803.¹⁵ Sabah Al-Ahmed Sea City constituted 40% of all the residential transactions in 2014. Public Authority for Housing Welfare's Khiran Residential City project with a budget of USD 14 billion is the largest ongoing residential project in the real estate sector.

¹⁴ NBK economic update Mar15

¹⁵ NBK Economic update Feb15

Sabah Al-Ahmed Sea City constituted 40% of all the residential transactions in 2014.

Table 3.13: Top Ongoing Real Estate projects –Residential

Project Name	Budget (\$ bn)	Completion date	Owner
Kuwait PAHW - Khiran Residential City	14.0	2020	Public Authority for Housing Welfare
Kuwait PAHW - North West Sulaibikhat Residential City	0.27	Mar 2015	Public Authority for Housing Welfare
Kuwait PAHW - Jaber Al Ahmad City - N1 & N3	0.20	Q4 2015	Public Authority for Housing Welfare
Kuwait PAHW - North West Sulaibikhat Residential City - 310 Apartments Package	0.13	Mar 2015	Public Authority for Housing Welfare
Kuwait PAHW - Sabah Al Ahmad Future City - Dahiya E	0.12	Oct 2015	Public Authority for Housing Welfare
KOC - South Ahmadi New Houses	0.09	2017	Kuwait Oil Company K.S.C.
Kuwait PAHW - North West Sulaibikhat Residential City - 396 Houses Package	0.01	Mar 2015	Public Authority for Housing Welfare
Kuwait Finance House - Residential Tower	--	NA	Kuwait Finance House K.S.C.
Kuwait PAHW - 170,000 Low Cost Housing Units	--	2020	Public Authority for Housing Welfare

Source: Zawya

The commercial sector sales recorded 40% growth in 2014, largely helped by the sale of plots.

The commercial sector sales recorded 40% growth in 2014, largely helped by the sale of plots for commercial use in Sabah Al-Ahmed Sea City. Tamdeen Group's Al Khiran Commercial and Residential Complex project is the largest ongoing real estate project in the commercial space with a budget of USD 0.7 billion.

Table 3.14: Top Ongoing Real Estate projects –Commercial

Project Name	Budget (\$ bn)	Completion date	Owner
Tamdeen Group - Al Khiran Commercial and Residential Complex	0.70	NA	Tamdeen Real Estate Company K.P.S.C
KIA - Kuwait Investment Authority Headquarters	0.26	Jul 2016	Kuwait Investment Authority
KOC - West Kuwait Mega Complex	0.06	Oct 2015	Kuwait Oil Company K.S.C.
NBK - National Bank of Kuwait Headquarters	0.03	H2 2016	National Bank of Kuwait S.A.K.
KOC - Magwa Office Buildings	0.24	Sep 2016	Kuwait Oil Company K.S.C.
KCB - Kuwait Credit Bank New Headquarter Complex	NA	Jun 2018	Kuwait Credit Bank

Source: Zawya

Kuwait National Guard's Al Raqae Kuwait National Guards Headquarters project is the largest ongoing public building project in Kuwait with a budget of USD 0.29 billion. The project is due for completion by third quarter of 2015. The project involves construction of Kuwait National Guards Headquarter building.

Table 3.15: Kuwait's top 10 ongoing public building project

Project Name	Budget (\$ bn)	Completion date	Owner
KNG - Al Raqae Kuwait National Guards Headquarters	0.29	Q3 2015	Kuwait National Guard
Kuwait Al Diwan Al Amiri - Al Farwaniyah Courts Complex	0.28	Jun 2015	Al Diwan Al Amiri
Kuwait Ministry of Public Works - Ministry of Education Headquarters	0.27	2015	Ministry of Public Works - Kuwait
Kuwait Al Diwan Al Amiri - Al Jahraa Courts Complex	0.26	Jun 2015	Al Diwan Al Amiri
Kuwait MPW - General Administration Building of Criminal Evidence	0.16	Q3 2016	Ministry of Public Works - Kuwait
Kuwait MPW - Hawally Court Complex	0.15	2017	Ministry of Public Works - Kuwait
Kuwait MPW - Ministry of Awqaf and Islamic Affairs Headquarters	0.15	Oct 2016	Ministry of Public Works - Kuwait
Kuwait Al Diwan Al Amiri - Al Salam Palace Development and Rehabilitation	0.13	Oct 2015	Al Diwan Al Amiri
KNG - Al Raqae Kuwait National Guards Headquarters - Phase 1	0.12	May 2015	Kuwait National Guard
Kuwait MPW - Al Raqae Experts Department Headquarter Building	0.08	2017	Ministry of Public Works - Kuwait

Source: Zawya

KNG's Al Raqae Kuwait National Guards Headquarters project is the largest ongoing public building project.

STEEPLED Analysis of Kuwait construction sector

Social- Good

Kuwait has one of the highest per capita incomes in the world. The limited recreational facilities in Kuwait provide greater potential for growth in hospitality and recreational construction sector. The social development projects such as affordable housing projects for which the government has planned to build 1,74,000 new houses by 2020 will drive the construction sector.

Kuwait's GDP is estimated to grow at 1.7% in 2015.

Construction sector is a major source of waste and debris.

Technological- Good

The Kuwait construction industry is moving towards increased use of the latest technologies for speeding up the work. Cutting edge technology is being adopted and is mainly being used in raising the efficiency level of engineering and designing of construction industry. Another development is the use of new construction material to reduce costs. The Big 5 Kuwait, the country's largest building and construction exhibition showcases the latest technology in the construction sector and this will drive the use of latest technology in the construction sector.

Economic- Neutral

The Kuwait economy is heavily dependent on the hydrocarbon sector which accounts for almost 65% of the GDP. With the recent plunge in the oil prices the revenue from the hydrocarbon sector is set to fall. Kuwait's GDP is estimated to grow at 1.7% in 2015 as per IMF forecasts. In comparison to other GCC countries Kuwait is lagging behind on economic growth. The economic growth will be sluggish until there is an uptrend in the oil prices. It has one of the strongest fiscal positions among the GCC countries. In spite of the slowdown in the economic growth, government spending on major projects as a part of National Development Plan 2015-2020 will drive the growth in construction industry.

Environmental- Low

Availability of natural resources such as water is an important factor for the Construction sector. Kuwait has limited natural freshwater resources and some sophisticated desalination facilities provide much of the water. Environmental issues like air, water pollution and greenhouse emissions result due to various activities of the construction sector. Construction sector is a major source of waste and debris, waste management efforts need priority as landfills could pose severe public health and environmental dangers. The Kuwait government is planning to build three new recycling plants to tackle Kuwait's waste problem.

Political- Low

The main roadblocks are confrontations with the opposition which has led to delay in execution of development plans and has led to delay in major projects.

The construction sector is highly exposed to the risks of low transparency and corruption.

An inefficient bureaucracy has clearly curtailed foreign direct investment, with the 2015 World Bank Doing Business survey ranking Kuwait 86th out of 189 countries for ease of doing business, 150th for starting a business and 131st for enforcing contracts which is a major deterrant for the players looking to enter the construction market in Kuwait.

Legal- Good

The new build-operate-transfer (BOT) law is encouraging for new investors as it allows for a longer investment horizon and has clarification about the legal framework for participation in PPPs¹⁶. For the contracting companies to take part in a Kuwaiti government tender it is obligatory to have a local agent and to get in pre-approved list of companies. Property ownership is another factor to consider for the construction industry as it is not possible to own land for non-GCC citizens. With large percentage of Kuwait's labor force being non-Kuwaiti, labor legislation becomes an important factor for the construction sector.

Ethics- Neutral

The population size of Kuwait is set to be 4.1mn in 2015 and will increase to 4.7mn by 2020.

The construction sector is highly exposed to the risks of low transparency and corruption and faces challenges in terms of bid shopping, no-payment issues, inflated claims, false claims and employee embezzlement. Though, there hasn't been any reported incident of corruption or scam related to the construction sector. Kuwait's rank of 67 out of 175 countries, the lowest in the GCC, in Transparency International's 2014 Corruption Perceptions Index does indicate the existence of corruption across different industries in Kuwait. The ideal way for companies looking to improve their ethics would be to start from the top with a clear vision articulated by the senior management and aligning the company policies in-line with the vision.

Demographics-Good

The population size of Kuwait is set to be 4.1 million in 2015 and will increase to 4.7 million by 2020¹⁷. The population is projected to grow at a rate of 2.7% during 2015 - 2020. The urban population is projected to be

¹⁶ Global Finance

¹⁷ IMF

98.4% in 2020 while it was 98.3% in 2011. The rising population will drive the demand for infrastructure and real estate providing a boost to the construction industry.

Table 3.16: Summary of STEEPLED analysis

STEEPLED analysis	Comments on the Kuwait contracting sector	Ranking
Social	<ul style="list-style-type: none"> - Kuwait has one of the highest per capita income in the world - Limited recreational facilities in Kuwait provide greater potential for growth in hospitality and recreational construction sector 	Good
Technological	<ul style="list-style-type: none"> - The Kuwait construction industry is moving towards increased use of the latest technologies for speeding up the work 	Good
Economic	<ul style="list-style-type: none"> - The economic growth will be sluggish until there is an uptrend in the oil prices - The Kuwait economy is heavily dependent on the hydrocarbon sector which accounts for almost 65% of the GDP 	Neutral
Environmental	<ul style="list-style-type: none"> - Environmental issues like air, water pollution and greenhouse emissions result due to various activities of the construction sector. - The Kuwait government is planning to build three new recycling plants to tackle Kuwait's waste problem. 	Low
Political	<ul style="list-style-type: none"> - The main roadblocks are confrontations with the opposition which has led to delay in execution of development plans and has led to delay in major projects. - An inefficient bureaucracy has clearly curtailed foreign direct investment 	Low
Legal	<ul style="list-style-type: none"> - The new build-operate-transfer(BOT) law is encouraging for new investors as it allows for a longer investment horizon and has clarification about the legal framework for participation in PPPs 	Good
Ethics	<ul style="list-style-type: none"> - The construction sector is highly exposed to the risks of low transparency and corruption and faces challenges in terms of bid shopping, no-payment issues, inflated claims, false claims and employee embezzlement. - Kuwait's rank of 67 out of 175 countries, the lowest in the GCC, in Transparency International's 2014 Corruption Perceptions Index does indicate the existence of corruption across different industries in Kuwait. - The ideal way for companies looking to improve their ethics would be to start from the top with a clear vision articulated by the senior management and aligning the company policies in-line with the vision. 	Neutral
Demographics	<ul style="list-style-type: none"> - The population size of Kuwait is set to be 3.5 million in 2015 and will increase to 4 million by 2020. - The rising population will drive the demand for infrastructure and real estate providing a boost to the construction industry. 	Good

Source : Marmore Research

4. Key Demand Drivers

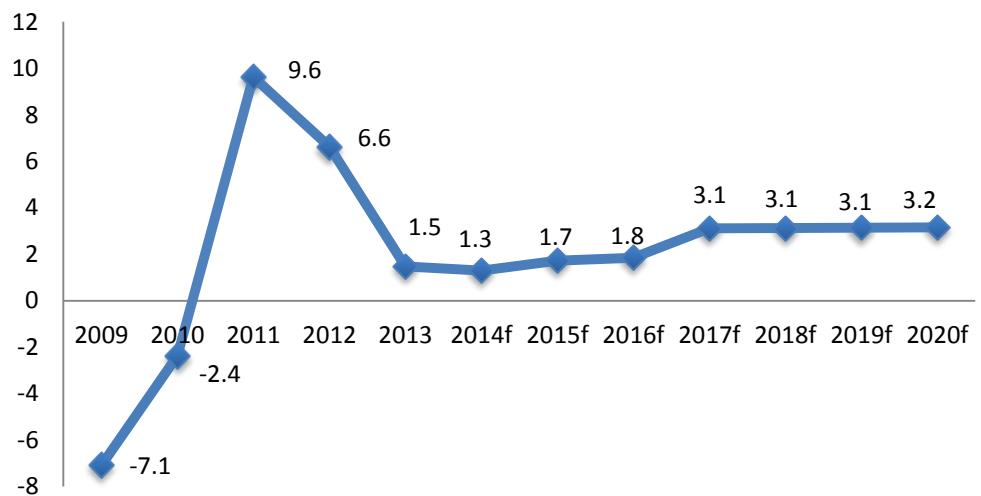
Rising demand for housing has led to promising opportunities in the residential real estate segments.

The new infrastructure projects are expected to enhance economic development and meet growing energy demand in the country. Infrastructure projects in the pipeline will see an influx of public and private spending on road, airport and energy projects, while rising demand for housing and hotels has led to promising opportunities in the hospitality and residential real estate segments.

Economic growth (non-oil private sector)

Government has increased focus on non-oil sector growth and has initiated a large number of projects in order to reduce the dependency on oil revenues in the long run. Spending by the government on different infrastructure projects has helped maintain economic activity during the global economic downturn.

Figure 4.1: Kuwait GDP growth forecasts



Source: IMF *f= forecast

IMF has forecasted GDP growth to increase from 1.7% in 2015 to 3.2% in 2020.

Post the global economic crisis the Kuwait economy bounced back strongly from posting negative growth in 2009 and 2010 to a growth of 9.6% in 2011. After achieving its peak in 2011, the GDP growth slowed down to 1.5% in 2013. However IMF has forecasted GDP growth to increase from 1.7% in 2015 to 3.2% in 2020. The economic growth will act as a growth driver for the construction sector and will help attract foreign investment into the sector.

Government spending

The value of projects to be awarded in 2015 is almost twice the value of those awarded in 2014.

Government revenues are set to decrease owing to the decline in global oil price. However the Kuwait government is set to award projects worth USD 47.2 billion in 2015. The value of projects to be awarded in 2015 is almost twice the value of those awarded in 2014. As a part of the 2015-2020 National Development Plan (NDP), the Kuwait government plans to focus upon development of infrastructure. With the Sovereign wealth fund worth USD 548bn¹⁸, Kuwait is very well placed to fund its development related expenditure despite lower oil prices.

Table 4.1: Kuwait Selected large projects

Project	Owner	Sector	Value (USD bn)	Scope	Status
Kuwait Health Assurance Co. KIA (PPP)		Health	NA	Health insurance, medical treatment for non-Kuwaitis. 3 hospitals, 15 clinics	Awarded: Founding Assembly held, a board of directors has been formed but awaits ministerial approval. Each citizen expected to receive 1000 shares.
Al-Jahra Hospital	Al-Diwan Al-Amir	Health	1.324	Capacity: 1,157 beds, parking facilities for 3,000 cars	Bidding: Client approved Mohammed Abdulmohsen Al Kharafi & Sons as the main contractor on the project. Formal contract is yet to be signed.
Khairan City	PAHW	Housing	12.909	140 mn m2 residential city, 10,000 houses; 22,000 apts, other facilities	Planning: The client has awarded a consultancy contract (\$10.2 m) to McKinsey and Company. The contract includes carrying out a governance consultation and an economic feasibility study for the project.
Mutlaa City	PAHW	Housing	2.317	21,000 residential units, schools and other facilities	Planning: The client has awarded a consultancy contract (\$10.2 m) to McKinsey and Company. The contract includes carrying out a governance consultation and an economic feasibility study for the project.
New Refinery (NRP)	KNPC	Oil & gas	13.24	New 615,000 bpd refinery by KNPC	Planning: All 5 packages currently under review. Package 4 might be retendered if negotiations fail. Package 5 expected to be awarded in May 2015; delay possible. Lowest bid was double the estimated budget
Clean Fuels (CFP)	KNPC	Oil & gas	11.254	Specification upgrade and expansion of 2 existing refineries	Underway: For FCC & SWT units: the work is expected to be completed by May 2015, main packages still at early stages.
Al Zour North IWPP – Phase 1 (PPP)	KAPP	Power & water	1.99 (7.94 all phases)	1500 MW power generation capacity, 100 MIGPD desalination capacity	Underway: According to a company press release progress on the power plant reaches 65%; the water desalination plant 50%
Umm Al Hayman Wastewater (PPP)	KAPP	Power & water	1.324	Initial capacity of 500,000 m3 /d. May replace Riqqa WWTP	Bidding: KAPP most likely to start a new prequalification process by end of 2015.

¹⁸ Sovereign Wealth Fund Institute

Airport Expansion	DGCA / MPW	Transport	5.627	Project includes new terminal building and a new runway	Bidding: The government considering the option of re-tendering the new terminal project under a BOT (PPP) model. Client currently reviewing qualifying contractors for packages 1 & 3 (infrastructure & runways).
Mubarak Al-Kabeer Port – Phase 1	MPW	Transport	4.63 (7.6 all phases)	Building a seaport on Bubiyan island	Underway: Construction work on Package one expected by September 2015. Main contract tender issue for package 3A expected in July 2015. Bids for consulting contract on package 3B&C currently under evaluation.
Kuwait Metro (PPP)	KAPP	Transport	18.536	200 km across Kuwait. 10% of the project is underground	Planning: KAPP is once again responsible for tendering the project
Kuwait National Railroad (PPP)	KAPP	Transport	6.62	Railroad linking Kuwait to GCC	Planning: KAPP is once again responsible for tendering the project; consultants are being pre-qualified for design of phase 1
Sheikh Jaber Al Ahmed Causeway	MPW	Transport	2.317	37 km causeway linking Kuwait City with Subiya to the north	Underway: Construction works on the project have progressed by 30%, according to MPW officials.

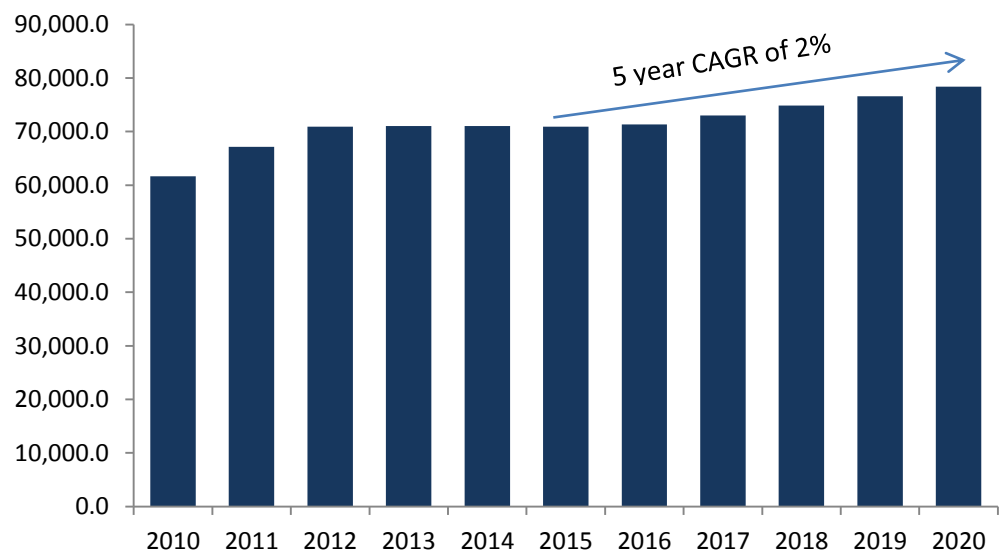
Source: NBK, Marmore Research

Rise in Per Capita Income

The increase in standard of living of the population will drive the demand for real estate properties.

As the per capita income grows, the local population will demand bigger and better properties. As per IMF forecasts Kuwait's GDP per capita based on PPP is set to grow at a CAGR of 2% over the 2015-2020 period. The increase in standard of living of the population will drive the demand for real estate properties.

Figure 4.2: Kuwait GDP per capita Income based on PPP (USD)



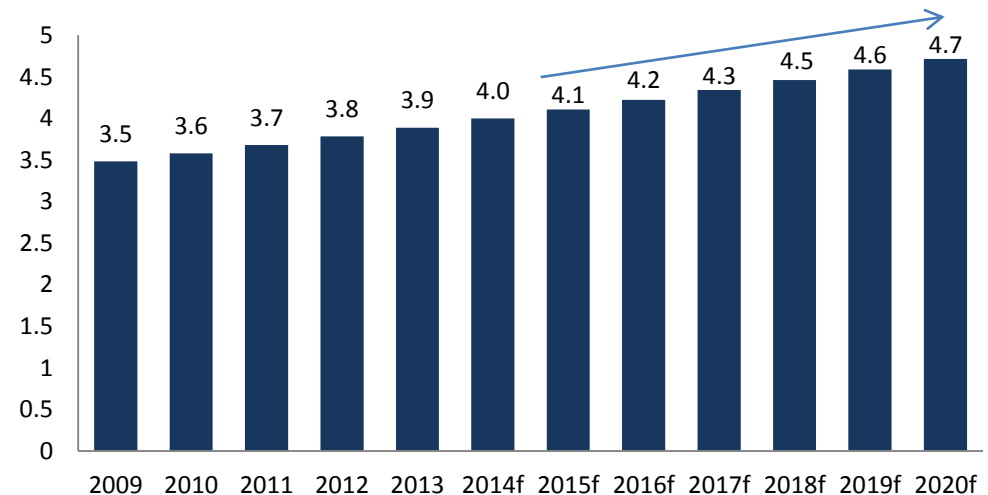
Source: IMF (estimates start after 2013)

Favorable Demographics

The Kuwait population is forecasted to grow at a CAGR of 2.7% over the 2015-2020 period. The urban population is set to rise from 2.68 million in 2010 to 3.33 million in 2020. Kuwait's construction industry is set to grow in 2015 driven by demand for housing and infrastructure for a growing population.

The Kuwait population is forecasted to grow at a CAGR of 2.7% over the 2015-2020 periods.

Figure 4.3: Kuwait population forecast (2014-2020) in Millions



Source: IMF (estimates start after 2013)

Development of Tourism sector

Kuwait was ranked 101th among 140 countries as per the Travel and tourism competitiveness index 2013 as it declined from 95th position in 2011. The tourism sector has immense growth potential in Kuwait and the government is looking to develop the sector and has drafted a five year plan for the sector. A total sum of around USD 13 billion has been allocated for development of transportation infrastructure. Leisure tourism which accounted for 77% of the domestic tourist spent in 2014 is expected to drive the construction activities in the hospitality sector through development of resorts, luxury hotels and recreational facilities. The new terminal at the Kuwait International airport is set to double its capacity to 16 million passengers by 2016 in order to accomodate growth in passenger traffic.

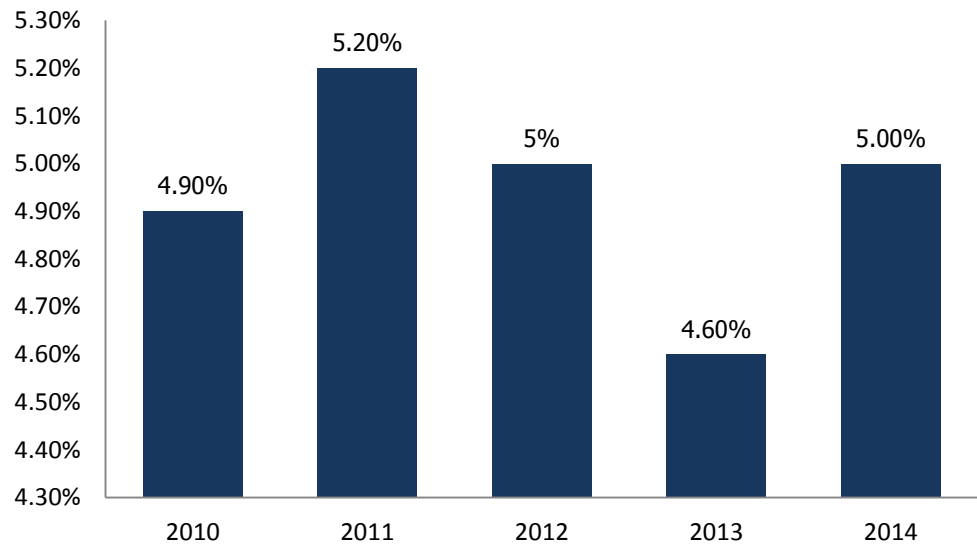
USD 13bn has been allocated for development of transportation infrastructure.

Availability of easy financing

The Kuwait banking sector is ready and capable to support when projects reach financing stage. The outlook for credit growth in the next 2-5 years looks positive. Easy availability of finance will boost the construction sector. Moreover, lending rate has been stable over the last five years.

Figure 4.4: Kuwait lending rate (2010-2014)

Easy availability of finance will boost the construction sector.



Source: World Bank, NBK

5. Key Challenges

Global economic uncertainties

Kuwait is heavily dependent on oil and gas sector. Although Kuwait government is focused on improving the share of non-hydrocarbon sector to the total GDP, decrease in the global oil and gas demand as well as lower oil price could impact the government spending in the non-hydrocarbon sector and cash surplus economies may soon run into deficits. There might be slowdown in economic activity across the region which would affect sustainability of companies and drive up vacancy rates of the office market.

Kuwaiti government has imposed restrictions on real estate companies to restrict speculation.

Government regulations

A country's attractiveness for conducting business is determined by its government regulations governing trade and commerce. Government regulations have serious impact on the overall performance of the real estate operations. Since the global crisis, Kuwaiti government has imposed many restrictions on real estate companies in order to restrict speculation in this industry. The new laws prohibit companies to own land in residential areas as hoarding of land by companies resulted into higher prices. However, an exemption is provided to Islamic banks from this law. Another law, which prohibits the holding of large property (5000 square meters) for more than 3 years, was also exempted for Islamic banks, due to their nature of business, as they held the property for long term for other than trading purposes. The expatriate population is not allowed to own properties in Kuwait. Going forward, the Kuwaiti government will need to review its regulatory environment in the real estate and construction sector if it wants to attract foreign investors.

6. Business Environment in Kuwait

Economic freedom score

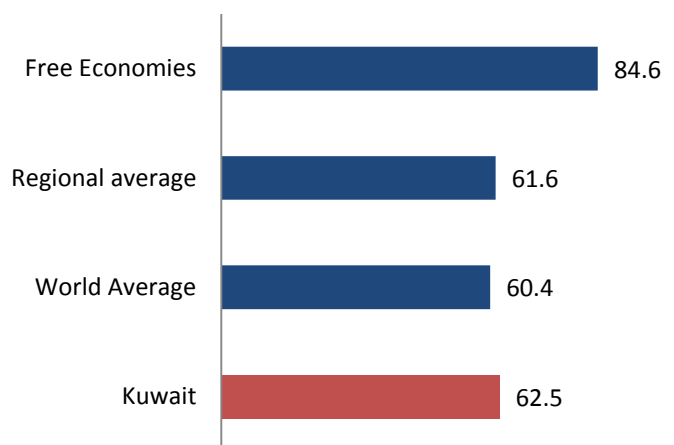
For the contracting sector the economic freedom indicators are crucial for analyzing the business environment prevailing in the country.

As per the 2015 index for Economic freedom by The Heritage Foundation, Kuwait's economic freedom score is 62.5 making it the 74th freest country in the world.

Figure 6.1: Economic Freedom Comparison

Kuwait's economic freedom score is 62.5 making it the 74th freest country in the world.

Kuwait is ranked 8th out of the 15 countries in the region and its score is marginally better than the regional and world average.



Source: heritage.org

Table 6.1: The Ten Economic Freedom score

Economic Freedom			
Rule of Law	Score	Rank	1-Yr change
Property rights	45	66 th	-5.0
Freedom from corruption	43	69 th	-0.7
Government size		Rank	
Fiscal Freedom	97.7	7 th	+0
Government spending	61.1	109 th	+5.5
Regulatory efficiency		Rank	
Business freedom	58.6	118 th	+0.9
Labor freedom	64.2	79 th	+0.6
Monetary freedom	74	121 st	+0.8
Open Markets		Rank	
Trade freedom	76.2	94 th	-0.5
Investment freedom	55	96 th	0
Financial freedom	50	70 th	0

Source : The Heritage Foundation and the Wall Street Journal

In Transparency International's 2014 Corruption Perceptions Index, ranked Kuwait 67th out of 175 countries, the lowest among the GCC countries, compared to the UAE at 25th. Kuwait City is ranked 36th safest city to reside as per the Safe cities Index 2015.

Ease of doing business in Kuwait

Kuwait's ease of doing business rank has deteriorated from 79th rank in 2014 to 86th in 2015.

Kuwait's ease of doing business rank has deteriorated from 79th rank in 2014 to 86th among 189 countries in 2015. In 2015 Kuwait increased the commercial license fee in addition to the increase in minimum capital requirement which was implemented in 2014, making starting a business more difficult. For the contracting sector, dealing with construction permits is an important indicator. In Kuwait it takes 96 days to get a construction permit and the total number of procedures involved is 20. Property registration in Kuwait involves eight procedures and takes 47 days.

Table 6.2: Kuwait ease of doing business

Doing business 2015		Rank	86
Starting a business		Rank	150
Procedures (number)	12		
Time (days)	31		
Dealing with construction permits		Rank	98
Procedures (number)	20		
Time (days)	96		
Getting electricity		Rank	93
Procedures (number)	7		
Time (days)	42		
Registering property		Rank	69
Procedures (number)	8		
Time (days)	47		
Enforcing contract		Rank	131
Procedures (number)	50		
Time (days)	566		
Getting Credit		Rank	116

Source: World Bank

Possibility of Residency cap bill

Kuwait government is looking to reduce the current imbalance in the population of locals and foreigners. The Kuwaiti government has taken a bold step to freeze the number of expatriate population and will grant visas only for the purpose of replacing existing expats. If the bill which envisages imposition of a five year residency cap on expatriates is passed, it could be

fateful for the construction industry in Kuwait. This would have a disastrous effect on the construction industry as it would reduce the supply of available foreign workforce. The construction company would lose the skill and expertise of the workforce and has to start from the beginning every five years if the bill comes into force.

Kuwait's inflation rate increased from 2.68% during 2013 to 2.91% in 2014.

Rising Cost of Construction

Cost of construction is increasing at a rapid rate due to shortage of supply of cement and increase in demand for unskilled labor force. Kuwait's inflation rate increased from 2.68% during 2013 to 2.91% in 2014. Rise in construction costs would be reflected in cost over runs. An increase in cement prices would have a negative impact on the cost of several construction projects within stipulated time period. The escalation in diesel and kerosene prices by almost three times as a part of subsidy rationalization by the government with effect from 1st January 2015 will result in a sharp hike in the input costs and transportation costs associated with the industry. The rising cost of construction will squeeze the margin for contractors and will result in cost overrun as well as lower profitability. The key challenge for the construction sector would be to maintain profitability by optimization of input costs.

Major infrastructure projects have been stalled in the wake of bureaucratic delays and political indecision.

Project delays

Major infrastructure projects have been stalled in the wake of bureaucratic delays and political indecision, while ambitious rail projects have been put on hold as the state works to address urgent housing and power demands. Privatisation offers a quicker way forward for many initiatives, with the state's public-private partnership (PPP) model already helping major construction projects break ground, a trend expected to continue both in 2014 and in the longer term.

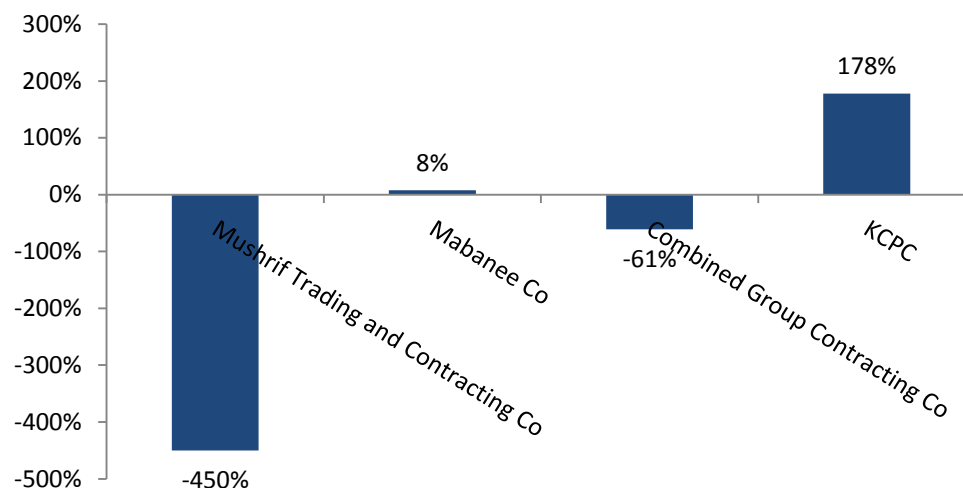
Increased Competition

The presence of large number of players in the industry will lead to price based competition among the contractors, this could lead to decrease in tender prices. This coupled with rising business costs will result in margin contraction. Apart from Kuwait Company for Process Plant Construction

and Contracting (KCPC) the net margins for all other players has either shrunk or has increased marginally during the 2010-14 period.

Figure 6.2: Change in net margins of key players during 2010-14

The presence of large number of players in the industry will lead to price based competition among the contractors.



Source: Reuters, Marmore research

7. Key Players Analysis

Mushrif Trading and Contracting reported a net loss of USD 10.5 million in 2014.

Mushrif Trading and Contracting is a Kuwait-based construction and infrastructure contractor. The Company is engaged in construction activities and deals in constructing materials; the ownership of properties and real estate. The Company's activities are divided into five divisions: Heavy Civil Works & Infrastructure, which is active in civil, infrastructure and building projects; Waste Water Treatment Plants is involved in wasteland reclamation and the building of controlled disposal facilities; Buildings & Foundations provides engineering services for large building works; Facilities Operation & Management covers all works related to operation and maintenance of civil works and equipment for sewage/wastewater treatment plants, pumping stations, reservoirs and other industrial facilities, and Plant & Facilities provides ready-mix concrete and asphalt, among others.

Mushrif Trading and Contracting reported a net loss of USD 10.5 million in 2014, as total sales revenue was reduced by 7% in comparison to 2013. The total equity increased by 22.6% to USD 132.9 million in 2014, as the company's share capital increased from USD 70.8 million in 2013 to USD 104.9 million in 2014.

The company's sales fell by 7% in 2014, while the operating expenses increased by 6.6%.

Table 7.1: Key Financials - Mushrif Trading and Contracting

USD (in million)	2010	2011	2012	2013	2014
Total Revenue	161.6	133.3	133.6	134.1	124.7
Gross Profit	10.2	12.6	14.7	13.8	8.8
Net Income	5.5	7.3	5.7	5.3	(10.5)
Equity	89.4	97.4	103.2	108.4	132.9
Total Assets	275.5	266.5	274.0	341.9	310.3

Source: Reuters, Marmore research

The company's sales fell by 7% in 2014, while the operating expenses increased by 6.6%. The company therefore reported a negative operating income and a net loss of USD 10.5 million in 2014, as a result of which apart from gross margin all other profitability ratios are negative. In 2014 the current ratio decreased to 1.45, due to decrease in current assets by 14.4% and increase in current liabilities by 12%. The cash cycle of the

company has shown an increasing trend over the 2010-14 period. In 2014 the cash cycle increased to 600.7 days from 489.3 days in 2013.

The company reduced its long term debt significantly from 34.3% of the total capital to a mere 1.7% in 2014. The company's reduced its total debt by 32% in 2014, which resulted in a debt-to -equity (D/E) ratio of 0.61.

Table 7.2: Key Financials - Mushrif Trading and Contracting

	2010	2011	2012	2013	2014
Profitability					
Gross Margin	6.3%	9.5%	11.0%	10.3%	7.1%
EBITDA Margin	7.3%	9.3%	8.8%	6.3%	(6.8%)
Operating Margin	3.4%	4.0%	5.0%	2.7%	(11.5%)
Pretax Margin	2.6%	5.8%	4.5%	4.2%	(8.4%)
Net Margin	2.4%	5.5%	4.3%	3.9%	(8.4%)
Liquidity					
Quick Ratio	1.40	1.66	1.93	1.86	1.42
Current Ratio	1.47	1.76	1.99	1.90	1.45
Cash Cycle (Days)	240.3	353.7	372.6	489.3	600.7
Leverage					
Assets/Equity	3.08	2.74	2.66	3.15	2.34
Debt/Equity	0.77	0.76	0.84	1.10	0.61
% LT Debt to Total Capital	30.9%	29.8%	34.8%	34.3%	1.7%
(Total Debt - Cash) / EBITDA	5.63	4.52	5.53	10.04	-
Operating					
Avg. A/R Days	436.4	419.3	432.0	559.2	656.9
Avg. Inventory Days	23.5	29.0	24.3	16.8	15.9
Avg. A/P Days	219.5	94.6	83.7	86.6	72.1
Fixed Asset Turnover	7.66	9.35	10.92	8.99	8.10
WC / Sales Growth	4.8%	24.7%	14.5%	20.1%	(1.4%)
ROIC	3.0%	4.4%	3.4%	2.9%	(6.2%)

Source: Reuters

Combined group contracting company has USD 1.43 billion worth of projects in Kuwait. The ongoing projects of the company are spread across infrastructure, power & water and oil & gas sectors. Sheikh Jaber Al Ahmad Town Development Expressway project with a budget of USD 0.97 billion is the largest ongoing project under the company. The project has been allocated by Ministry of Public Works and involves construction of an 8.3 Km expressway including 6 interchanges.

Mushrif reduced its long term debt significantly from 34.3% of the total capital to a mere 1.7% in 2014.

The ongoing projects of Mushrif are spread across infrastructure, power & water and oil & gas sectors.

Table 7.3: Combined group contracting company ongoing projects

Project Name	Sub sector	Budget (\$ bn)	Completion date	Owner
Sheikh Jaber Al Ahmad Town Development Expressway	Infrastructure	0.97	May 2017	Ministry of Public Works - Kuwait
Shaddadiah Industrial Zone Infrastructure	Infrastructure	0.30	Jul 2016	Public Authority for Industry
Remote Monitoring Control Center at Ardiya Pumping Station	Power and Water	0.06	Jun 2015	Ministry of Public Works - Kuwait
Water Network and Tanks for C1 Treated Water	Power and Water	0.05	Q2 2015	Ministry of Public Works - Kuwait
Southern and Eastern Kuwait High Pressure Flares	Oil and Gas	0.05	Oct 2015	Kuwait Oil Company K.S.C.

Source: Zawya

Mabane Company reported a net income of USD 169.4mn in 2014.

Mabane Company is a Kuwait-based public shareholding company engaged, along with its subsidiaries, in the manufacture and installation of pre-cast buildings, construction work, and the installation of sanitary, mechanical, electrical and other equipments related to the construction industry. In addition, the Company is also involved in real estate investment, as well as invests its surplus funds in investment securities. The Company operates in three business segments: the Construction and real estate investment segment includes real estate development, properties, projects leasing and the construction activity for self or others; the Logistics segment includes all types of transportation, distribution, handling and customs clearance for goods, and the Financial investments segment includes investments in portfolios, shares and financial instruments in and outside Kuwait managed by self or by specialized firms.

Mabane Company reported a net income of USD 169.4 million in 2014, while the total sales revenue reduced marginally by 1.3% in comparison to 2013. The total equity increased by 10.2% to USD 897.6 million in 2014, as the company's retained earnings increased 14.5% from USD 514.8 million in 2013 to USD 589.3 million in 2014.

Table 7.4: Key Financials - Mabanee Company

USD (in million)	2010	2011	2012	2013	2014
Total Revenue	124.3	136.5	187.6	304.4	300.3
Gross Profit	98.5	112.5	143.2	242.0	237.5
Net Income	65.2	75.3	119.0	169.1	169.4
Equity	451.6	527.3	690.2	814.3	897.6
Total Assets	911.9	1,104.0	1,368.0	1,439.2	1,772.6

Source: Reuters Eikon

The company's sales fell by 1.3% in 2014, while the operating expenses has remained constant due to which the gross margin decreased marginally. In 2014 the current ratio increased marginally to 0.55, due to higher increase in current assets (4.7%) compared to increase in current liabilities (1%). The company has a negative cash cycle of 18.2 days.

The company's long term debt as a percentage of the total capital increased to 29.8% in 2014 in comparison to 24.4% in 2013. The company's total debt increased by 26% in 2014, which resulted in a debt-to -equity (D/E) ratio of 0.64 compared to 0.56 in 2013.

Table 7.5: Key Financials - Mabanee Company

	2010	2011	2012	2013	2014
Profitability					
Gross Margin	79.2%	82.4%	76.3%	79.5%	79.1%
EBITDA Margin	71.6%	77.7%	72.5%	71.0%	73.0%
Operating Margin	59.7%	65.7%	64.4%	63.3%	62.8%
Pretax Margin	54.8%	57.7%	66.6%	58.1%	59.0%
Net Margin	52.4%	55.2%	63.7%	55.6%	56.4%
Liquidity					
Current Ratio	0.39	0.26	0.32	0.53	0.55
Cash Cycle (Days)	(272.7)	(516.7)	(233.1)	(68.8)	(18.2)
Leverage					
Assets/Equity	2.02	2.09	1.98	1.77	1.97
Debt/Equity	0.79	0.78	0.67	0.56	0.64
% LT Debt to Total Capital	37.9%	33.5%	32.2%	24.4%	29.8%
(Total Debt - Cash) / EBITDA	3.27	3.42	2.92	1.82	2.00
Operating					
Avg. A/R Days	38.3	34.3	30.7	21.7	25.9
Avg. A/P Days	311.0	551.0	263.7	90.5	44.2
Fixed Asset Turnover	42.75	38.91	41.18	46.63	39.21
WC / Sales Growth	52.1%	40.9%	3.6%	35.4%	5.8%
ROIC	10.2%	8.6%	11.5%	14.1%	11.9%

Source: Reuters

Mabanee's sales fell by 1.3% in 2014, while the operating expenses have remained constant.

Kuwait Company reported a net income of USD 7.6 million in 2014.

Kuwait Company for Process Plant Construction and Contracting

(KCPC) is a Kuwait-based company that operates in the engineering and construction industry. The Company operates in three business segments: Construction, Installation, maintenance and sales, and Investment of surplus funds. The Company focuses on civil, mechanical and electrical engineering and maintenance contracting; the installation and maintenance of elevators, swimming pools, water treatment and fire alarm equipment; the ownership of real estate and land, and investment of surplus funds through portfolio managers. In addition, the Company also provides after sales maintenance services. The Company's products include passenger and freight elevators, escalators, moving walks, dumbwaiters and elevators for the physically challenged, among others.

The Company reported a net income of USD 7.6 million in 2014, while the total sales revenue reduced by 6% in comparison to 2013. The total equity increased marginally by 1.4% to USD 78 million in 2014, as the company's retained earnings increased 7.2% from USD 36 million in 2013 to USD 38.6 million in 2014. The company's total assets reduced as a result of decrease in accounts receivable.

Table 7.6: Key Financials - Kuwait Company for Process Plant Construction and Contracting

USD (in million)	2010	2011	2012	2013	2014
Total Revenue	138.4	93.8	133.5	126.7	119.2
Gross Profit	63.4	17.1	14.2	16.9	24.7
Net Income	3.3	6.7	6.7	7.5	7.6
Equity	53.2	59.4	64.2	76.9	78.0
Total Assets	115.4	126.7	142.7	180.2	145.6

Source: Reuters Eikon

Kuwait company's cash cycle reduced to 139.7 days in 2014 compared to 144.9 days in 2013.

The company reported a 6% decline in sales in 2014. The operating expenses reduced by 8.4% in 2014 as a result of better cost management due to which the gross margin increased to 20.7%. In 2014 the current ratio increased marginally to 1.19, as the current assets fell (32.5%) at a lower rate compared to the fall in current liabilities (37.2%). The company's cash cycle reduced to 139.7 days in 2014 compared to 144.9 days in 2013.

The company's long term debt as a percentage of the total capital was a mere 1% in 2014. The company reduced its total debt by 52% in 2014, which resulted in a debt-to -equity (D/E) ratio of 0.14 compared to 0.30 in 2013.

Table 7.7: Key Financials - Kuwait Company for Process Plant Construction and Contracting

	2010	2011	2012	2013	2014
Profitability					
Gross Margin	45.8%	18.3%	10.6%	13.3%	20.7%
EBITDA Margin	5.7%	11.3%	7.5%	9.4%	16.8%
Operating Margin	3.1%	8.0%	5.5%	5.0%	7.5%
Pretax Margin	2.5%	7.6%	5.2%	6.2%	6.7%
Net Margin	2.3%	7.1%	5.0%	6.0%	6.4%
Liquidity					
Quick Ratio	1.31	1.28	1.33	1.06	1.14
Current Ratio	1.49	1.34	1.40	1.11	1.19
Cash Cycle (Days)	110.0	149.3	115.1	144.9	139.7
Leverage					
Assets/Equity	2.17	2.13	2.22	2.34	1.87
Debt/Equity	0.40	0.23	0.20	0.30	0.14
% LT Debt to Total Capital	11.0%	1.0%	6.0%	0.0%	1.0%
(Total Debt - Cash) / EBITDA	1.24	0.04	-	0.05	0.38
Operating					
Avg. A/R Days	146.7	202.7	164.5	203.4	210.8
Avg. Inventory Days	34.6	30.1	12.2	15.5	15.8
Avg. A/P Days	71.3	83.5	61.6	74.1	86.9
Fixed Asset Turnover	5.26	3.37	4.68	3.84	3.26
WC / Sales Growth	0.3%	6.4%	(5.9%)	(2.9%)	(5.0%)
ROIC	4.6%	9.7%	9.3%	9.4%	8.9%

Source: Reuters

Table 7.8: Kuwait Company for Process Plant Construction and Contracting - ongoing projects

Project Name	Sub sector	Budget (\$ mn)	Completion date	Owner
Kuwait University City - Package 4B	Real Estate	96.61	Jun 2015	Kuwait University
Moubarak Al Kabeer Sewage Treatment Network	Power and Water	6.7,0	H2 2017	Ministry of Public Works - Kuwait

Source: Zawya

Kuwait Company reduced its total debt by 52% in 2014.

Combined Group Contracting Company reported a net income of USD 18.1 million in 2014.

Combined Group Contracting Co is a Kuwait-based company engaged in the construction industry sector. The Company's activities include general contracting, mechanical and engineering works, construction of industrial and commercial buildings, bridges, and highways; manufacture and import of building materials; trade and packaging of cement, sand and related materials; ready-mix works; asphalt production; owning the transportation intermediaries for the Company's activities, and the investment of excess funds in portfolios managed by specialized companies. The Company operates mainly in the State of Kuwait and other Gulf countries.

The Company reported a net income of USD 18.1 million in 2014, while the total sales revenue increased by 27.5% in comparison to 2013. The total equity decreased marginally to USD 141.6 million in 2014. The company's total assets increased 14% to USD 780.6 million in 2014 as a result of increase in total receivables.

Table 7.9: Key Financials - Combined Group Contracting Co

USD (in million)	2010	2011	2012	2013	2014
Total Revenue	410.6	545.8	631.9	546.9	697.2
Gross Profit	53.0	65.1	73.8	51.4	50.2
Net Income	31.0	36.8	36.7	16.5	18.1
Equity	128.3	144.4	152.4	142.1	141.6
Total Assets	481.4	523.6	616.5	683.8	780.6

Source: Reuters Eikon

The operating expenses increased by 28.8% in 2014 as a result of which the gross margin fell to 7.2%.

In 2014 the company reported a 27.5% increase in sales. The operating expenses increased by 28.8% in 2014 as a result of which the gross margin fell to 7.2%. In 2014 the current ratio decreased marginally to 1.25 compared to 1.27 in 2013. The company's cash cycle reduced to 38.2 days in 2014 compared to 101.8 days in 2013.

The company's long term debt as a percentage of the total capital was 3% in 2014. The company reduced its total debt by 16% in 2014, which resulted in a debt to equity (D/E) ratio of 0.90 compared to 1.06 in 2013.

Table 7.9: Key Financials- Combined Group Contracting Co

	2010	2011	2012	2013	2014
Profitability					
Gross Margin	12.9%	11.9%	11.7%	9.4%	7.2%
EBITDA Margin	12.7%	11.2%	9.7%	7.8%	6.2%
Operating Margin	8.3%	7.9%	6.6%	4.1%	3.1%
Pretax Margin	7.8%	7.1%	6.3%	3.5%	3.1%
Net Margin	7.5%	6.8%	6.1%	3.4%	2.9%
Liquidity					
Quick Ratio	1.48	1.27	1.26	1.01	1.08
Current Ratio	1.72	1.60	1.47	1.27	1.25
Cash Cycle (Days)	118.9	60.3	66.6	101.8	38.2
Leverage					
Assets/Equity	3.75	3.63	4.05	4.81	5.51
Debt/Equity	0.46	0.30	0.64	1.06	0.90
% LT Debt to Total Capital	4.4%	3.0%	4.4%	3.0%	3.0%
(Total Debt - Cash) / EBITDA	0.72	0.32	0.39	1.47	1.91
Operating					
Avg. A/R Days	266.4	163.8	113.8	172.0	173.2
Avg. Inventory Days	58.4	58.9	55.4	69.2	57.0
Avg. A/P Days	205.9	162.5	102.6	139.5	192.0
Fixed Asset Turnover	7.95	9.55	10.29	8.73	10.19
WC / Sales Growth	13.5%	2.2%	(5.2%)	(0.9%)	(9.0%)
ROIC	17.5%	15.8%	16.3%	8.0%	7.9%

Source: Reuters

Combined group contracting company currently has seven ongoing projects worth USD 0.62 billion in Kuwait. Jahra Motorway project with a budget of USD 0.16 million is the largest ongoing project by Kharafi group. The project is expected to be completed by first quarter of 2016.

Table 7.10: Combined group contracting company ongoing projects

Project Name	Sub sector	Budget (\$ bn)	Completion date	Owner
Jahra Motorway - Middle Part	Infrastructure	0.16	Q1 2016	Ministry of Public Works - Kuwait
Al Salam Palace Development and Rehabilitation	Real Estate	0.13	Oct-15	Al Diwan Al Amiri
Al Zour North Desalination Plant to Al Zour Water Complex 2 Water Transmission Pipelines	Power & Water	0.13	May-15	Ministry of Electricity and Water
Sabah Al Ahmad Future City - Dahiya E	Real Estate	0.13	Oct-15	Public Authority for Housing Welfare
Kuwait Chemical Handling and Storing Facilities	Oil & Gas	0.05	Oct-15	Kuwait Oil Company K.S.C.
Al Assimah Sewers Network	Power & Water	0.01	Q4 2016	Ministry of Public Works - Kuwait
KOC - Magwa Gas Pipelines	Oil & Gas	0.007	May-15	Kuwait Oil Company K.S.C.

Source: Zawya

Kharafi Group is a private Kuwait based group with diverse business activities worldwide. The company was set up as a trading company 100 years back and since then it has developed into a multi national company offering contracting and facilities management services. The company's field of activity includes construction, manufacturing, investments and hotel and tourism.

Kharafi Group currently has nine ongoing projects worth USD 501.4 million in Kuwait. Sulaibiya Wastewater Treatment and Reclamation Plant Expansion project with a budget of USD 0.3 billion is the largest ongoing project by Kharafi group.

Table 7.11: Kharafi group ongoing projects

Project Name	Sector	Budget (\$ bn)	Completion date	Owner
Sulaibiya Wastewater Treatment and Reclamation Plant Expansion	Power and Water	0.30	Q4 2015	Ministry of Public Works - Kuwait
Sabah Al Ahmad 8 Substations (2K, 2H, 2G, 4D, 4B, 2B, 4A, 2A)	Power and Water	0.07	2016	Ministry of Electricity and Water
Funaitees (I and H) and Abu Fatira (B,E,F,C,D and G) Main Transformer Stations	Power and Water	0.06	Q2 2015	Ministry of Electricity and Water
Al Shakaaya Renewable Energy - Phase 1 - Al Shakaaya Photovoltaic Solar Energy	Alternative Energy	0.01	Q4 2015	Kuwait Institute for Scientific Research
Drainage, Sewage and Sewage Treatment Plants Services in Company's Operational Areas	Power and Water	0.01	2020	Kuwait Oil Company K.S.C.
Kuwait City and Hawalli Medium Voltage Network Emergency Repairs	Power and Water	7.2*	Jan 2016	Ministry of Electricity and Water
Saad Al Abdullah Residential City Roads - Block 11	Infrastructure	3.7*	Q1 2016	Public Authority for Housing Welfare
Kuwait South 11 kV Medium and Low Voltage Overhead Transmission Lines	Power and Water	3.6*	Sep 2015	Ministry of Electricity and Water
Kuwait South 11 kV Overhead Transmission Line	Power and Water	3.5*	Sep 2015	Ministry of Electricity and Water

Source: Zawya, * data in \$ million

8. Major Stakeholders

Public Authority for Housing Welfare (PAHW)

The Public Authority for Housing Welfare is responsible for providing housing and settlements to accommodate Kuwaiti citizens, as well as expatriates, along with providing all required educational, religious and social services.

Sabah Al Ahmad Future City project is the largest ongoing community development.

Major Ongoing projects

Kuwait Public Authority for Housing Welfare's Sabah Al Ahmad Future City project is the largest ongoing community development project with a budget of USD 27 billion. The project will include construction of universities, schools, hospitals, residential and commercial buildings spread over 35 million sq. m. Mutlah Residential City involves community development over 90 million sq. m involving construction of 25,000 residences, 119 schools, 110 mosques, 10 government buildings, 10 police stations and 10 health centers. Al Subiyah Residential City project involves construction of 52,000 housing units. North Mutla Residential City project also involves construction of 52,000 housing units. Kuwait City 6,000 Housing Units project involves construction of 6,000 housing units and their related facilities.

Table 8.1: Top 10 ongoing projects under PAWH

Project Name	Project type	Facility type	City	Budget (\$ bn)	Completion date
Sabah Al Ahmad Future City	Master	Community Development	Al Ahmadi	27	Oct 2015
Mutlah Residential City	Standalone	Community Development	Kuwait City	16	2020
Al Subiyah Residential City	Standalone	Housing Units	-	14	2020
Khiran Residential City	Standalone	Residential development	-	14	2020
North Mutla Residential City	Standalone	Housing Units	Kuwait City	14	2020
Kuwait City 6,000 Housing Units	Standalone	Housing Units	Kuwait City	2	2020
Sabah Al Ahmad Future City - Dahiya A	Package	Residential	Al Ahmadi	0.92	Jul 2015
Sabah Al Ahmad Future City - Dahiya A4, A5	Contract	Residential	Al Ahmadi	0.45	Q2 2015
North West Sulaibikhat Residential City	Master	Residential Complex	Kuwait City	0.27	Mar 2015
Jaber Al Ahmad City - N1 & N3	Standalone	Residential	-	0.20	Q4 2015

Source: Zawya

Ministry of Electricity and Water (MEW)

Ministry of Electricity and Water is responsible for the provision of power and water.

Ministry of Electricity and Water is responsible for the provision of power and water across the country. Its principal activities include power generation, their transmission and distribution, water desalination, licensing and infrastructure development to meet Kuwait's increasing demand for electricity and water supply.

Major Ongoing projects

Table 8.2: Top 10 ongoing projects under Ministry of Electricity and Water

Project Name	Project type	Facility type	City	Budget (\$ bn)	Completion date
Doha West Power Station Steam Turbines and Generators Renovation	Standalone	Steam Turbines	Doha West	0.30	2020
500MW Subiya Power Plant	Standalone	Power Plant	-	0.28	Mar 2015
Al Zour South 500 MW Power Plant Expansion	Standalone	Power Plant	-	0.28	Q2 2015
Al Zour Water Complex - Phase 2	Standalone	Water Desalination Complex	Al Ahmadi	0.19	Q1 2015
Khiran Z 400/132/11 KV Substation	Standalone	Substation	-	0.18	Q2 2015
Al Zour North Desalination Plant to Al Zour Water Complex 2 Water Transmission Pipelines	Standalone	Water Transmission Pipelines	-	0.12	May 2015
Mirqab, Hawalli, Fahihil, Sabah Salem, El Shuweikh and Al Mina Substations	Standalone	Substations	Hawalli	0.11	Q3 2016
Sabah Al Ahmad Underground Cables - Phase 2	Standalone	Underground Cables	Sabah Al Ahmad	0.10	Apr 2015
132 KV XLPE Power Cables and Fiber Optic Cables	Master	XLPE Power Cables and Fiber Optic Cables	Kuwait City	0.10	Q2 2016
Raudhatain W to Raudhatain X Substations Overhead Transmission Lines	Standalone	Overhead transmission lines	-	0.10	May 2015

Source: Zawya, Marmore research

Ministry of Health (MoH)

Ministries of health's
top ten major projects
are worth USD 3.99bn.

Ministry of Health is responsible for designing and governing Kuwait's healthcare system, along with providing health related services to address the healthcare needs of residents.

Major Ongoing projects

Ministry of health's top ten major projects are worth USD 3.99bn.

Table 8.3: Top 10 ongoing projects under MoH

Project Name	Project type	Facility type	City	Budget (\$ bn)	Completion date
Al Farwaniyah Hospital Expansion	Standalone	Hospital Expansion	Al Farwaniyah	0.93	2018
Sabah Al Salem Cancer Center	Standalone	Hospital	Kuwait City	0.80	2016
Al Adan Hospital Expansion	Standalone	Hospital	Al Adan	0.79	2018
New Al Sabah Hospital	Standalone	Hospital	Kuwait City	0.70	Q2 2017
Al-Amiri Hospital Expansion	Standalone	Hospital	Kuwait City	0.35	Q2 2016
Infectious Disease Hospital Expansion	Standalone	Hospital	Al Farwaniyah	0.24	Apr 2017
Al-Razi Hospital Expansion	Standalone	Hospital	Kuwait City	0.11	Dec 2014
Mubarak Al Kabeer, Al Farwaniyah and Al Jahra Hospitals Infrastructure Upgrade	Standalone	Hospital	Mubarak Al Kabeer	0.04	Q4 2016
Sabah Al Ahmad Cyclotron Building	Standalone	Cyclotron Building	Sabah Al Ahmad	0.02	Q3 2015
Mubarak al Kabeer Hospital Car Parking	Standalone	Car Parking	Mubarak Al Kabeer	0.01	Q1 2017

Source: Zawya

Ministry of Public Works
is responsible for the
development and
maintenance of Kuwait's
infrastructure.

Ministry of Public Works (MPW)

Ministry of Public Works is responsible for the development and maintenance of Kuwait's infrastructure including roads, ports and airports. It also pursues projects based on public need such as low cost housing.

Table 8.4: Major Ongoing projects

Project Name	Project type	Facility type	City	Budget (\$ bn)	Completion date
Al Farwaniyah Hospital Expansion	Standalone	Hospital Expansion	Al Farwaniyah	0.93	2018
Sabah Al Salem Cancer Center	Standalone	Hospital	Kuwait City	0.80	2016
Al Adan Hospital Expansion	Standalone	Hospital	Al Adan	0.79	2018
New Al Sabah Hospital	Standalone	Hospital	Kuwait City	0.70	Q2 2017
Al-Amiri Hospital Expansion	Standalone	Hospital	Kuwait City	0.35	Q2 2016
Infectious Disease Hospital Expansion	Standalone	Hospital	Al Farwaniyah	0.24	Apr 2017
Al-Razi Hospital Expansion	Standalone	Hospital	Kuwait City	0.11	Dec 2014
Mubarak Al Kabeer, Al Farwaniyah and Al Jahra Hospitals Infrastructure Upgrade	Standalone	Hospital	Mubarak Al Kabeer	0.04	Q4 2016
Sabah Al Ahmad Cyclotron Building	Standalone	Cyclotron Building	Sabah Al Ahmad	0.02	Q3 2015
Mubaraka al Kabeer Hospital Car Parking	Standalone	Car Parking	Mubarak Al Kabeer	0.01	Q1 2017

Source: Zawya

Ministry of Education (MoE)

Ministry of Education is responsible for the development of Kuwait's educational system as well as building infrastructure for education.

Major Ongoing projects

Table 8.5: Ongoing projects under Ministry of Education

Project Name	Project type	Facility type	City	Budget (\$ mn)	Completion date
Building and Facilities at Mubarak Al Kabeer Educational Zone	Master	Educational Buildings	Mubarak Al Kabeer	24	2016
Al Sharq Car Parking Building and Pedestrian Bridge	Standalone	Parking building and bridge	-	15	2016
Building and Facilities at Mubarak Al Kabeer Educational Zone - Area 1	Package	Education Building	Mubarak Al Kabeer	10.5	2016
Building and Facilities at Mubarak Al Kabeer Educational Zone - Area 2	Package	Education Building	Mubarak Al Kabeer	10.5	2016
Ishbiliya Middle Girls School	Standalone	Middle Girls School	Al Farwaniyah	10.4	Q4 2015
Ishbiliyah Intermediate Boys School	Standalone	School	Ishbiliyah	9.9	Q2 2016
Rumaithia Primary Girls School	Standalone	Primary School	-	*	Sep 2016
Al Salmiya Multi-story Car Parking	Standalone	Building & Car Parking	Salmiya	*	Q2 2016
Rumaithiya Palestine Boys Secondary School	Standalone	Secondary School	-	*	Q2 2017

Source: Zawya

*Bid submission phase

Major projects in Kuwait

TAI-Zour Refinery and Clean Fuels are the biggest projects by Kuwait National Petroleum Company. The Al-Zour Refinery and the Clean Fuels project are the two biggest projects being implemented by Kuwait National Petroleum Company as a part of its 2030 strategy. The Al-Zour Refinery will be one of the largest refineries in the world when it becomes operational. Kuwait National Petroleum Company's Clean Fuels Project involves upgradation and integration of the Mina Abdulla (MAB) and Mina Al Ahmadi (MAA) refineries. The project will increase the combined capacity of the refineries from the existing 736,000 barrels per day to 800,000 barrels per day¹⁹. The budget

¹⁹ KNPC website

for KABD waste-to-energy plant and Al Khiran Independent Water & Power Project - phase 1 are yet to be announced.

Table 8.6 : Top 10 construction projects in Kuwait (based on project value)

Project Name	Project value (USD bn)	Client	Description
AL-ZOUR NEW REFINERY PROJECT	15.0	Kuwait National Petroleum Company (KNPC)	The project involves building a new refinery at Al Zour with a capacity of 615,000 barrels per day (bpd), making it the biggest in the region. The contract award is scheduled in May 2015.
CLEAN FUELS PROJECT	14.0	Kuwait National Petroleum Company (KNPC)	The EPC contract for implementation of Clean Fuels scheme involves upgrading and increasing capacity at Mina Al-Ahmadi and Mina Abdullah refineries raising their total refining capacity to 800,000 000 barrels per day(bpd).
OLEFINS 3 PETROCHEMICALS PLANT PROJECT	10.0	Petrochemical Industries Company (PIC)	The project involves the development of world-scale Olefins complex in Kuwait with a mixed-feed cracker in Al Zour area to produce 1mtpa of polyethylene and up to 600,000tpa of polypropylene.
KUWAIT AIRPORT EXPANSION PROJECT	4.8	Directorate General of Civil Aviation	The project involves expansion of Kuwait's international airport to increase capacity to handle 13mn passengers annually by 2016; this will be increased to 25mn passengers in the second phase and 50mn in the third phase.
LOWER FARS HEAVY OIL DEVELOPMENT PROJECT - PHASE 1	4.2	Kuwait Oil Company (KOC)	The Lower Fars field is located about 80km northwest of Kuwait City. The EPC contract covers drilling of hundreds of wells and data collection, as well as pilot schemes using various extraction methods. When fully operational, the initial phase of the Lower Fars heavy oil project is expected to produce around 60,000 000 barrels per day (bpd).
HEAVY OIL PRODUCTION FACILITIES PROJECT	4.2	Kuwait Oil Company (KOC)	This oilfield-cum-refinery project, initiated by the Kuwait Oil Company (KOC), is located in the north of Kuwait and includes transportation, storage and distribution of crude as part of exploration and development of oilfields. The heavy oil production facilities will have a capacity of 60,000 000 barrels per day(bpd) and will play a very important role in helping Kuwait meet its oil production target of 4mn barrels per day(bpd) by 2020.
GAS TRAIN PROJECT MINA AL AHMADI REFINERY	1.5	Kuwait National Petroleum Company (KNPC)	The project involves an EPC contract for the construction of a fifth gas train with the capacity to process 805m cubic feet of gas per day and 106,000 barrels per day (bpd) of condensates. The gas train, which will separate associated gas produced in the north and southeast of the country into its basic components, will accommodate upstream capacity increase at Kuwait Gulf Oil Company (KGOC) and Kuwait Oil Company (KOC).

BUBIYAN PORT DEVELOPMENT PROJECT	1. 2	Ministry of Public Works	Bubiyah is Kuwait's largest island separated from the mainland by the Subbiya Channel. Long undeveloped due to its poor soil conditions, the government approved a plan to develop Bubiyah in 2004 and turn it into commercial seaport with a total handling capacity of 2.5mn containers a year.
AL KHIRAN INDEPENDENT WATER & POWER PROJECT - PHASE 1	TBA	Kuwait Authority for Partnership Projects (KAPP)	The Al Khiran IWPP will include a greenfield power and seawater desalination plant with a capacity of 1,500 MW and 125 MIGD respectively with the Ministry of Electricity & Water as the off-taker. The project will be located to the south of existing Al Zour South power and water project in Kuwait and include a 400kV substation. Low sulphur fuel oil, gasoline, crude oil and/or natural gas will be used for fire the plant.
KABD WASTE- TO-ENERGY PLANT	TBA	Kuwait Authority for Partnership Projects (KAPP)	The plant will be located about 25 km from Kuwait City and will treat up to half of Kuwait's municipal waste. The waste-to-energy plant will have an initial capacity of 3,275 tons a day. To be developed on BOT basis, the contract term will be for 30 years, in addition to a two-year period for construction and equipment installation. The electricity generated by the plant will be purchased by the Ministry of Electricity & Water.

Source: McConstructionNews

9. Outlook

Kuwait is set to award about USD 47.2 billion of projects in 2015.

The key challenge for the construction sector would be to maintain profitability.

The Kuwait construction sector is likely to grow at a CAGR of 7.5% as a result of continued spending by the government to diversify the economy and focus on residential and infrastructure construction. Social infrastructure will be a key driver for the construction sector as Kuwait's government is set to build eight new hospitals by 2016. Kuwait is set to award about USD 47.2 billion²⁰ of projects in 2015, almost double the value of those awarded in 2014. The Kuwait government is focused on developing infrastructure and in the first quarter of 2015 infrastructure and oil projects worth USD 5 billion have been awarded. Direct Investment Law aimed at improving Kuwait's business environment which allows foreign investors to own 100% equity ownership in 14 sectors will also allow partial or full custom duties exemption as well as exemption from corporate tax for 10 years. This should aid private investment growth. This will support the government's USD 47.2 billion spending on infrastructure projects outlined for 2015. The government has pledged USD 116 billion spending as part of the five-year development plan that commenced from April 2015. The key challenge for the construction sector would be to maintain profitability by optimization of input costs in the wake of increased competition among the players.

²⁰ Trade Arabia

10. Appendix

Kuwait and GCC Construction industry

GCC projects market is likely to grow in 2015, but at a lower rate compared to 2013 and 2014.

The Construction sector in the GCC countries is known as one of the largest construction sectors in the world. The total value of projects awarded in the GCC climbed to above USD 40 billion in Q1 2015.²¹ The total value of projects awarded in the six-nation Gulf Cooperation Council climbed to above USD 40 billion in the first quarter of this year, up 9.9 per cent from the previous quarter.²² GCC projects market is likely to grow in 2015, but at a lower rate compared to 2013 and 2014.

The total value of completed construction projects reached USD 67.6 billion in GCC countries in 2014.²³ The completed projects is set to grow at a rate of 6.5% to reach USD 72 billion and the awarded projects will grow by 21.2% to reach USD 103 billion during 2015. In 2014, the residential sector represented 41.5% of the construction market, followed by the commercial sector with 16.97% and educational sector with 10.6%. In 2014 the completed and awarded projects stood at USD 67.56 billion and USD 85 billion respectively. The total value of completed projects across hospitality, medical and retail buildings were USD 4.4 billion, USD 3.72 billion and USD 854 million respectively.

In 2014 the completed and awarded projects for GCC stood at USD 67.56 billion and USD 85 billion respectively.

Saudi Arabia and UAE topped markets across all sectors, while Qatar ranked first with completed retail projects worth \$362 million, the study highlighted.

Saudi was the highest ranking market with USD 3.4 billion in 2014, representing 43% of the market share. UAE ranked second with USD 2.3 billion, accounting for 31% of the marketshare.

The residential sector accounted for almost half of the overall market with 41.95% (USD 3.09 billion), followed by the commercial sector with 17.15% (USD 1.26 billion) and the hospitality sector with 13.51% (USD 993 million).

²¹ Reuters

²² Reuters

²³ Ventures ME

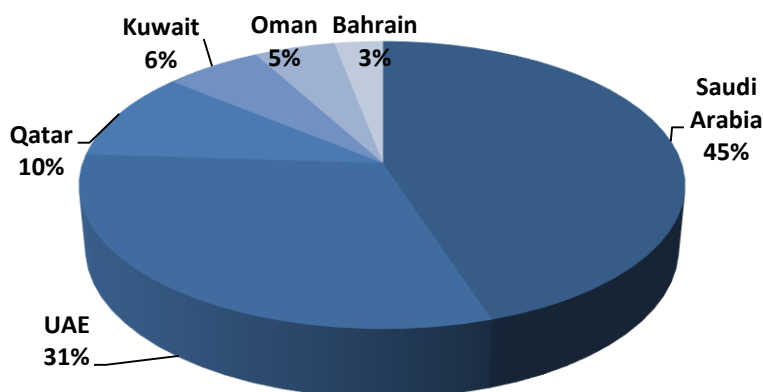
The Gulf Cooperation Council construction market will reach USD 144 billion in 2016.

The Gulf Cooperation Council (GCC) construction market will reach USD 144 billion in 2016, driven by mega-projects like FIFA World Cup 2022 in Qatar and World Expo 2020 in Dubai.

Saudi Arabia has the largest construction market in the GCC region. The UAE is the second largest construction market and has USD 90 billion in capital development projects while Qatar is the third largest and the fastest-growing construction and infrastructure market in the GCC and is set to spend USD 24 billion on infrastructure in 2015.

Kuwait construction sector is the fourth largest in the GCC region.

Figure 10.1: GCC construction pie (country wise)



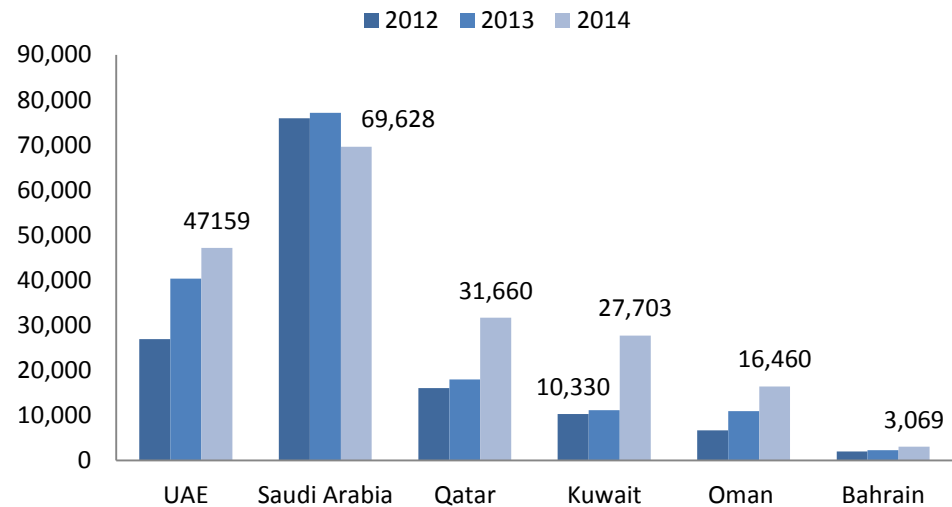
Kuwait construction sector is the fourth largest in the GCC region.

Source: Venture Onsite Projects (May 2014)

During 2014, in the GCC region the residential sector accounted for a market share of 41.9 per cent amounting to USD 3.09 billion. The commercial sector accounted for 17.1 per cent share corresponding to a value of USD 1.26 billion and 13.5% was accounted for by the healthcare sector with a value of USD 993 million.

Figure 10.2: Construction contract awarded in GCC by country (USD mn) during 2012-14

Kuwait recorded the highest increase of 148% in the total construction contract awarded in 2014.



Source: Venture Onsite

Apart from Saudi Arabia which showed a decline in the construction contract awarded in 2014, all the other GCC nations showed an increase in construction contract awarded. Kuwait recorded the highest increase of 148% in the total construction contract awarded in 2014 followed by Qatar with an increase of 75.6% over 2013.

The GCC construction sector has projects worth USD 72 billion to be completed in 2015.

The GCC construction sector is set to continue its robust growth, with projects worth USD 72 billion²⁴ on track to be completed in 2015. Regardless of the predicted economic slowdown in the region due to the plunge in oil price, new projects valued at USD 103 billion are set to be awarded in 2015. The tourism and hospitality sector will be the key growth driver for the construction industry along with growing needs of the region's population and the need to build up the infrastructure to meet the rising demand for office, retail and housing. Construction projects for mega events like FIFA World Cup 2022 in Qatar and World Expo 2020 in Dubai are set to keep the industry buoyant in the medium term and the construction market is set to reach USD 144 billion²⁵ in 2016. In the GCC

²⁴ albwaba business

²⁵ Business Standard

region 117 planned major programmes²⁶ for completion by 2030 will cost in excess of USD 1 trillion²⁷.

Construction Materials

The building material cost comprises approximately 33% of the overall cost of the project.

Raw Materials used in construction projects are basically cement, sand, reinforced steel, gravel. The building material cost comprises approximately 33% of the overall cost of the project.

Construction growth assists the material segment in addition to region-wide construction boom; increased demand for raw materials could drive up prices and raise project costs, which in turn could lead to further project delays. Kuwait imports its gravel from the United Arab Emirates. Kuwait might face sand and gravel shortage in the coming years, and sand is critical for projects like sea ports and railway embankments, the shortage of sand might delay the projects.

Electricity is highly subsidized by the Government. A newly promulgated law allows foreign investment in the electricity and water sectors, through public-private partnership whereby independent water and power projects (IWPP) will be established.

The GCC tiles market is expected to grow at a compound annual growth rate of more than 10-12% until 2020.

Stone products can constitute as much as 10 percent of the building project value at fit-out stage, with stone being predominantly used in flooring, structural works, and internal and external cladding.

GCC countries are increasingly using stone and other environmentally friendly raw materials to comply with green building codes and sustainable development plans, helping to drive the market for marble, stone and ceramics up from USD 5.1 billion in 2014 to an estimated USD 5.4 billion²⁸ in 2015. The GCC tiles market is expected to grow at a compound annual growth rate of more than 10-12 percent until 2020²⁹, driven by increasing demand in the residential and hospitality sectors.

²⁶ 'Major programmes'- construction programmes that cost more than US\$1billion and need to be delivered in a relatively short period of time

²⁷ EC Harris

²⁸ Ventures Middle East

²⁹ Frost & Sullivan

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