



KUWAIT CONSTRUCTION INDUSTRY 2015

*Industry poised to catapult the country as a regional
trade and financial hub by 2035*

June 2015

The five-year US\$ 116 billion spend on construction projects ending in March 2020 will catapult Kuwait as a regional trade and financial hub by 2035. While the government’s priority is massive spending on infrastructure projects to boost tourism and residential projects, local companies’ operational capabilities, the private sector’s contribution to economic activity and dependence on foreign workers constitute challenges.

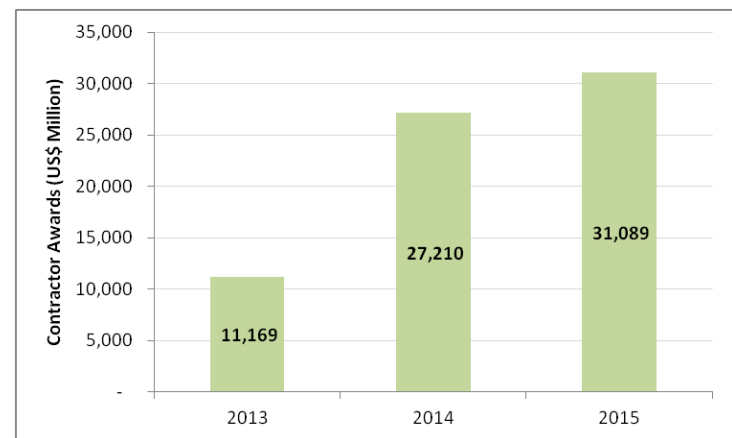
KUWAIT’S CONSTRUCTION MARKET IN BRIEF

Although oil continues to account for 94% of Kuwait’s export revenues, according to the US Energy Information Administration, the decrease in oil revenues is not likely to affect spending on projects. In order to diversify its economy and increase revenue from non-oil sectors, the government announced a five-year (2015-2020) US\$ 116 billion spend last year. The plan aims to boost Kuwait as a regional trade and financial hub by 2035. In addition, the introduction of the new law to regulate all public private partnerships (PPP) in 2014 is likely to invigorate private sector involvement and boost Kuwait’s construction projects market in 2015.

The total construction contractor awards in Kuwait are estimated to increase from US\$ 27 billion in 2014 to US\$ 31 billion in 2015 (see Figure 1). This 14.3% increase is due to the government’s plan to construct 45,000 housing units, airport expansion and a large number of mega oil projects, including a new refinery as part of the five-year plan

In addition, Kuwait's Central Tenders Committee awarded around US\$ 5 billion of tenders in Q1 2015. The top ten of these were in the oil sector with projects value crossing US\$ 4.2 billion. Five of these, with a total value of US\$ 4.17 billion, were issued by Kuwait Oil Company. The Ministry of Electricity issued the highest number of tenders (24) with a combined value of US\$ 486 million. The Public Authority for Agriculture and Fisheries issued three tenders worth US\$ 40 million, and Kuwait University also issued 15 tenders worth a combined US\$ 36 million.

Figure 1: Construction Contracts Awarded, 2013-2015 (US\$ Million)



Source: Ventures Onsite Projects Database www.venturesonsite.com

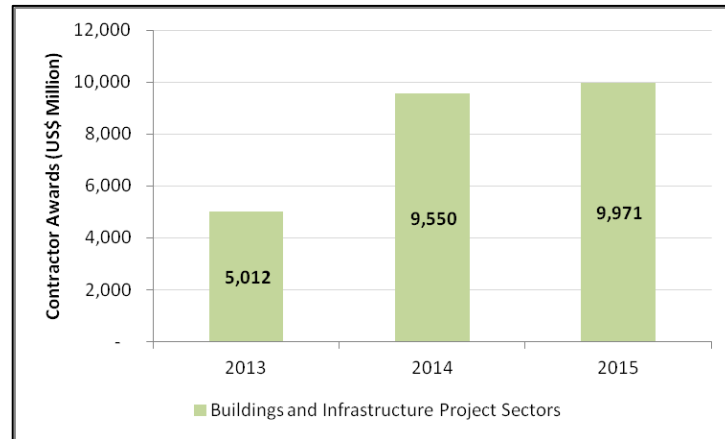
Some of the projects awarded in 2015 include Lower Fars Heavy Oil Field Development – Phase 1, Fifth Gas and Condensate Train at Mina Al Ahmadi Refinery, Sabah Al Salem University – Colleges of Social Science, Shari’a and Law and Administration Facilities Buildings, New Equate Headquarters.

OUTLOOK FOR BUILDINGS AND INFRASTRUCTURE CONSTRUCTION PROJECTS

Kuwait’s contractor awards in the buildings and infrastructure sectors are estimated to increase from US\$ 9.55 billion in 2014 to US\$ 9.97 billion in 2015 (see Figure 2). This is due to Kuwait’s massive investment of US\$ 2 billion to strengthen its tourism sector. Moreover, government’s transport infrastructure investment and expansion of hotels are likely to lay the foundation for future growth. In addition, focus on bridges and transportation infrastructure projects are driven by the government’s efforts to boost regional integration and to decrease congestion on Kuwait’s roads. With plans to invest approximately US\$ 6.2 billion in a series of motorway construction projects, Kuwait is now an attractive hub for infrastructure projects.

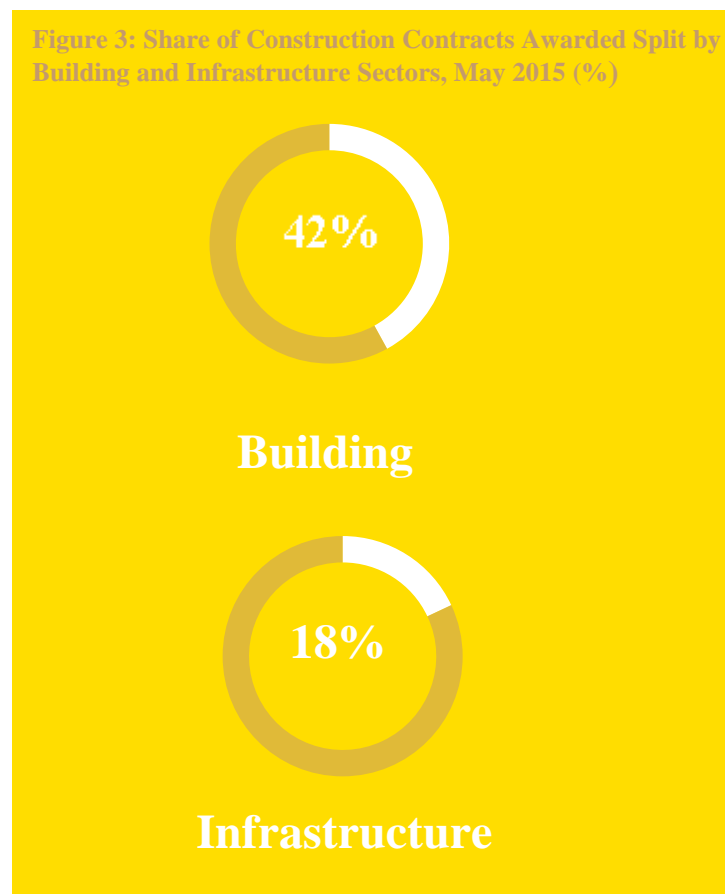
Building and infrastructure projects are likely to be key focus areas of the government in the next few years. Building construction projects are likely to constitute a larger share of 42% of the construction projects pie in 2015 (see Figure 3). This is largely attributed to the ongoing development of the township projects planned by the Public Authority for Housing Welfare (PAHW) as the state seeks to build affordable housing and associated infrastructure for local nationals. In addition, land is also being prioritised for the construction of new housing. Kuwait has also many hospital and university projects under construction or on the drawing boards which drives construction opportunities in the education and healthcare sectors.

Figure 2: Construction Contracts Awarded (Building and Infrastructure only), 2013-2015 (US\$ Million)



Source: Ventures Onsite Projects Database www.venturesonsite.com

Figure 3: Share of Construction Contracts Awarded Split by Building and Infrastructure Sectors, May 2015 (%)



Source: Ventures Onsite Projects Database www.venturesonsite.com. Note: The value of the projects in the pie includes: planned, design, tender for construction, under construction, on hold (but likely to be activated)



Major Building and Infrastructure Construction Projects

Major building and infrastructure construction projects in Kuwait include:

US\$ 7.00 bn

Project Name: Kuwait National Rail Road (KNRR) Network Project
 Client: Ministry of Communications / Ministry of Public Works (MPW) / Partnerships Technical Bureau (PTB)
 Status: Planned

US\$ 4.70 bn

Project Name: Kuwait International Airport Expansion Project
 Client: Directorate General of Civil Aviation (DGCA) / Ministry of Public Works (MPW), Kuwait
 Status: Tender for Construction

US\$ 3.42 bn

Project Name: Al Khairan Residential City Project
 Client: Public Authority for Housing Welfare (PAHW)
 Status: Planned

US\$ 3.00 bn

Project Name: Sabah Al Salem University (Kuwait University City)
 Client: Kuwait University Construction Program (KUCP)
 Status: Construction

US\$ 2.60 bn

Project Name: Sheikh Jaber Al Ahmed Al Sabah Causeway- Phase 1 (Subiya Causeway) Project
 Client: Ministry of Public Works (MPW)
 Status: Construction

US\$ 1.72 bn

Project Name: Umm al Hayman Wastewater Treatment Plant (WWTP) Expansion Project
 Client: Ministry of Public Works (MPW)/ Partnerships Technical Bureau (PTB)
 Status: Design

US\$ 1.57 bn

Project Name: Boubyan Island - Phase 1 (Stage 3) Project
 Client: Mega Projects Agency (MPA) / Ministry of Public Works (MPW)
 Status: Design

US\$ 1.27 bn

Project Name: New Jahra Hospital (NJH) Project
 Client: Amiri Diwan / Ministry of Public Works (MPW)
 Status: Construction

US\$ 1.05 bn

Project Name: Jaber Al Ahmed Al Sabah Hospital Project
 Client: Ministry of Health / Ministry of Public Works (MPW)
 Status: Construction

US\$ 0.90 bn

Project Name: Jahra Street Upgrade Project
 Client: Ministry of Public Works (MPW)
 Status: Construction

CHALLENGES

Major challenges such as local companies' lack of operational capabilities, the private sector's lagging contribution to economic activity and dependence on foreign workers still exist despite efforts to address development issues in Kuwait.

There have been controversies around cost where the price submitted by the contractors is higher than the estimated cost approved by the concerned authorities. Many projects have been revived over the past years. Examples include the Jaber Al Ahmed Al Sabah Causeway and a number of hospitals and other projects, in addition to the airport project, which is currently being re-tendered.

However, the government is currently working on mitigating these challenges through its current five-year plan to avoid spillover effect on future projects.

CONCLUSION

Kuwait has seen massive development in recent decades. Infrastructure and residential construction projects are likely to be key focus areas for the government, with substantial investment planned in airports, roads, residential units and rail to cope with the needs of the rising population trends. The ongoing projects by the PAHW and the PPP contract models are expected to be the growth drivers for the construction industry. Opportunities lie in Kuwait's tourism sector, which is currently undergoing a revamp with number of new projects in the pipeline in order to turn the country into a popular destination for leisure as most of its travelers come in for business. Overall, the construction industry in Kuwait is poised for increased project activity in 2015.