



KUWAIT INFRASTRUCTURE SECTOR 2015

*Diversifying into greener pastures for economic growth and
increased FDI inflows*

July 2015

Kuwait's infrastructure sector will witness growth primarily driven by government attempts to enhance its integration with the GCC members and economic diversification.

Overview of Trends and Developments

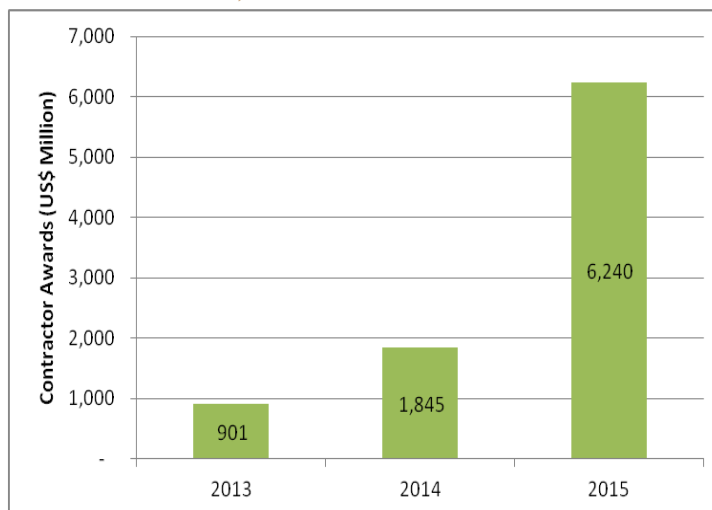
The Kuwait infrastructure market in this report is defined to include transport infrastructure (road, rail, highways, bridges and airports) and marine (ports) projects.

Economic diversification will play a crucial role in future growth, as Kuwait gears up to be transformed into a financial and trade centre by 2035 under the Kuwait Development Plan (KDP). Moreover, the introduction of the new public private partnerships (PPP) law that has come into effect on 29th March 2015 is likely to invigorate private sector involvement that is instrumental for its economic growth and boost foreign direct investment (FDI) inflows in the next five years. The country's new five-year development plan (2015-2020) showcases a renewed commitment by the government to revive long-stalled mega strategic projects. In particular, bridges and transportation infrastructure is given a priority and driven by the government's efforts to boost regional integration and reduce congestion on busy roads. The government plans to invest approximately US\$ 6.2 billion in a series of motorway construction projects, including the Subiya causeway (estimated at US\$ 2.6 billion).

The total contractor awards in Kuwait is likely to increase massively from US\$ 1.8 billion in 2014 to US\$ 6.2 billion in 2015 mainly due to the expected contractor award for the Kuwait airport project (Figure 1). Kuwait has invested US\$ 2 billion to strengthen its tourism sector. Re-tendering is currently underway by the government for the construction of a massive new terminal at the Kuwait International Airport. With the current expansion, annual capacity will witness massive growth from 6 million to 13 million, and then up to 25 million by 2025. In addition, Kuwait will be coming up with its own metro railway system. Kuwait's metro is part of the Kuwait National Rail Road System project, which will be a 511-kilometer network.

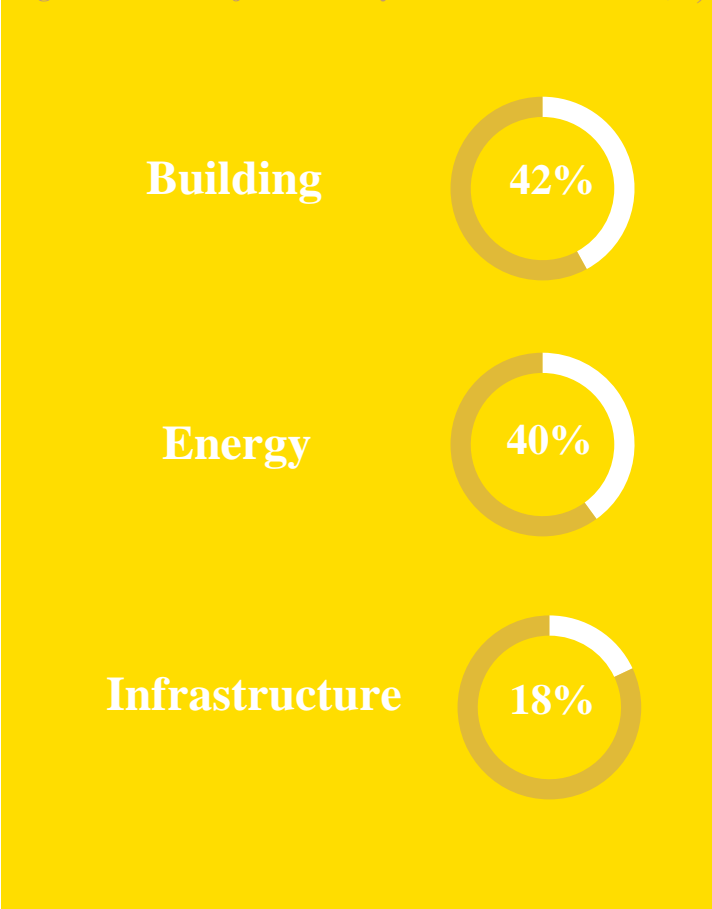
Infrastructure projects constituted 18% of the total construction projects in Kuwait as of June 2015 (Figure 2). Although low oil prices have pushed Kuwait to cut subsidies, the government has ensured that infrastructure projects will not be impacted. Therefore, 2015 will witness continued growth due to a number of infrastructure projects set for roll-out between 2015 and 2019.

Figure 1: Infrastructure Construction Contract Awards, 2013-2015 (US\$ Mn)



Source: Ventures Onsite Projects Database www.venturesonsite.com. Note: Contractor awards include awards for infrastructure and transport projects including rail, airport, utility, sewerage and wastewater projects + marine projects

Figure 2: Total Projects Value by Sector as of June 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)



Synopsis of Infrastructure Projects

Transport

KDP focuses on heavy private sector involvement in transport infrastructure projects.

Kuwait's Ministry of Public Works has taken strategic plans to improve motorways and transport infrastructure. Jahra Road is one of the core transport routes running through the heart of Kuwait. The Jahra Road Development Project is one key project that will transform the simple three lane road into a grand unified highway.

The Kuwait Development Plan (KDP) is focused on increased private sector involvement in transport infrastructure projects. According to the plan, Kuwait is likely to propel the private sector's share of the economy to 41.9%, from its current 26.4%. One of the major project to be undertaken as a joint public-private partnership is the construction of the US\$ 20 billion three lines metro project due to begin in 2017. The first line will span a distance of 23.7 kilometers (km), running from Salwa to Kuwait University, with 19 stations. The second line spanning 21 km will run from Hawally across 27 stations to end in Kuwait city and the third line would stretch over 24 km from Kuwait International Airport to Abdullah AL Mubarak area, crossing 15 stations.

Kuwait Authority for Partnership Projects (KAPP), which has replaced Partnerships Technical Bureau (PTB) for the construction of Kuwait National Rail Road (KNRR) network, announced the transaction advisory contract to be awarded soon. The rail road system will serve freight and passengers with the speed of the regional lines being 120 km per hour with a high speed of 200 km per hour. The 500 km KNRR network, which will be built in two phases and that will form a part of the GCC rail network, is expected to be constructed during the second half of 2018. Upon completion, the GCC railway system will connect several cities in the region with the proposed starting and ending points being Kuwait city and Muscat. Several economic, commercial and social benefits are expected to be derived from the rail system.

The expansion work on the existing ports and new ports presents long-term potential for international construction companies in Kuwait.

Kuwait's Ministry of Public Works (MPW) had invited pre-qualified firms to submit their bids in June 2015 for the project management consultancy (PMC) contract of packages 3B and 3C, which are part of phase 1 of the Mubarak Al Kabeer seaport. The project, which covers an area of 14 million square metres, is expected to be completed in 2020. MPW is also planning to float tenders for the engineering, procurement and construction (EPC) contract in August 2016 with an award expected in the second quarter of 2017.

The US\$ 1.2 billion Mubarak Al-Kabeer Seaport at Boubyan Island holds high potential to turn Kuwait into a financial and commercial hub.

Marine

Expansion work for existing and new ports presents opportunities for international construction companies.

Major infrastructure projects in Kuwait include:

US\$ 7 bn

Project Name: Kuwait National Rail Road (KNRR) Network

Client: Ministry of Communications, Kuwait / Ministry of Public Works (MPW), Kuwait / Partnerships Technical Bureau (PTB)

Status: Planned

US\$ 7 bn

Project Name: Kuwait Metro Project

Client: Ministry of Communications, Kuwait

Status: Planned

US\$ 4.7 bn

Project Name: Kuwait International Airport Expansion

Client: Directorate General of Civil Aviation (DGCA) / Ministry of Public Works (MPW), Kuwait

Status: Tender for Construction

US\$ 2.6 bn

Project Name: Sheikh Jaber Al Ahmed Al Sabah Causeway - Phase 1 (Subiya Causeway)

Client: Ministry of Public Works (MPW), Kuwait

Status: Construction

US\$ 1.725 bn

Project Name: Umm al Hayman Wastewater Treatment Plant (WWTP) Expansion

Client: Ministry of Public Works (MPW), Kuwait / Partnerships Technical Bureau (PTB)

Status: Design

US\$ 1.57 bn

Project Name: Boubyan Island - Phase 1 (Stage 3)

Client: Mega Projects Agency (MPA) / Ministry of Public Works (MPW), Kuwait

Status: Design

US\$ 1.56 bn

Project Name: Kuwait New Refinery Project (NRP) - Package 5 - Marine Works

Client: Kuwait National Petroleum Company (KNPC)

Status: Tender for Construction

US\$ 0.925 bn

Project Name: Jahra Street Upgrade

Client: Ministry of Public Works (MPW), Kuwait

Status: Construction

US\$ 0.836 bn

Project Name: Jamal Abdul Nasser Street

Client: Ministry of Public Works (MPW), Kuwait

Status: Construction

US\$ 0.642 bn

Project Name: Kuwait New Refinery Project (NRP) - Dredging and Reclamation

Client: Kuwait National Petroleum Company (KNPC)

Status: Construction

US\$ 0.584 bn

Project Name: Sheikh Jaber Al Ahmed Al Sabah Causeway - Phase 2 (Doha Link)

Client: Ministry of Public Works (MPW), Kuwait

Status: Construction