

Projects

Kuwait: Projects awards of KD 5.6 billion in 2016; healthy pipeline in 2017

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Project activity in 2016 remained relatively healthy, though it eased somewhat from exceptionally strong years in 2014 and 2015. Awards in 2016 continued to exceed levels seen before 2014, when the projects pipeline had witnessed significant delays due to administrative and technical challenges (Chart 1). Major awards during the year included the new airport terminal as well as the gas import terminal and regasification facility.

Public-private partnerships witness delays

Despite the healthy level of activity, 2016 did face some delay in its pipeline of PPP projects which have not moved as quickly following the awarding of the first in 2013. Kuwait established a public-private partnership (PPP) law and a PPP governing body in 2008. Based on the experience and difficulties faced in the award of the first PPP project, the Al-Zour North Phase 1, the law was amended in 2014. As a result, the Kuwait Authority for Partnership Projects (KAPP) became the official PPP governing body.

KAPP had expected to move ahead with several PPP projects in 2016 but delays kept the projects from being awarded. According to KAPP authorities, there are four major PPP projects—worth a total of KD 1.9 billion—under evaluation. The projects are the second phase of Al-Zour North independent water and power project (IWPP), a school development program (the first PPP of its kind in the region), a solid waste project, and the development of highway rest houses.

The PPP model is critical for the success of Kuwait’s development plan, with these projects accounting for around 20% of the KD 30 billion in projects under the plan. Proposed PPP projects help alleviate pressure on fiscal expenditure and encourage international and domestic private investors to participate in viable opportunities found in Kuwait.

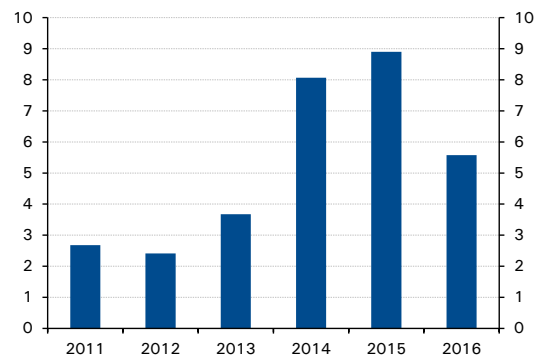
Transport, gas, and construction led 2016 projects

Projects in the transport, gas, and construction industries dominated 2016 awards. They included a new passenger terminal at Kuwait International Airport, and roadwork-related infrastructure for new townships. A natural gas regasification plant and import terminal was also approved during the year, as was the second phase of Kuwait’s first non-associated gas production program. Meanwhile, the construction of two hospitals and parts of the new Kuwait University campus are underway. These projects will address the major development needs of the country, especially those related to building energy and housing capacities, and providing healthcare and education services.

Infrastructure activity picked up in 2016

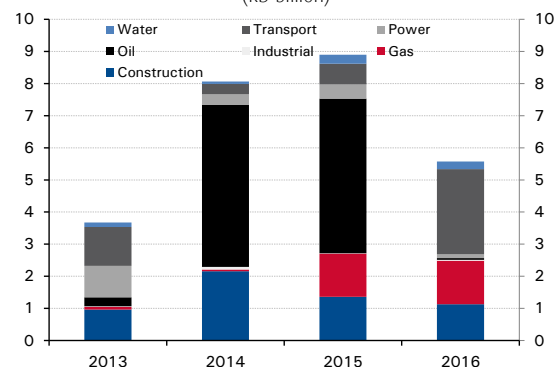
Transport-related projects more than quadrupled in 2016 compared to 2015 in terms of the total value of contracts awarded (Chart 2). Since 2006, Kuwait’s Ministry of Public Works (MPW) has awarded KD 7.5 billion worth of projects. Of those, KD 5.3 billion are still underway, and more than KD 2.7 billion were awarded in 2016 alone. The largest

Chart 1: Awarded projects (KD billion)



Source: MEED Projects

Chart 2: Awarded projects by sector (KD billion)



Source: MEED Projects

contract value awarded in 2016 is a KD 1.3 billion sub-project within the Kuwait airport expansion project. The new passenger building is the second largest project ever awarded in Kuwait since 1995.

The Public Authority for Housing Welfare (PAHW) is committed to building townships to address the growing need for housing in Kuwait and the decongestion of Kuwait's main residential and metropolitan areas. In 2016, a number of infrastructure contracts for these townships were awarded. PAHW awarded the first of four sub-projects for South Al-Mutlaa City. This parent project will have a capacity of 30,000 plots to be distributed, as well as amenities like parks, public service buildings, supermarkets, and other facilities. The first contract for major infrastructure works was awarded in June 2016 for KD 296 million, and is expected to be completed in September 2020.

Gas projects to expand capacity and efficiency in power and water

In the first quarter of 2016, there was a surge in awarded gas projects. The second largest project awarded in 2016 was Kuwait National Petroleum Company's (KNPC) liquefied natural gas (LNG) import terminal and regasification facility, located in Al-Zour, with a contract value of KD 908 million. The facility will supply the necessary fuel to power plants during peak electricity demand. Another phase is planned for this project with the same capacity, and is expected to be up for bidding in the coming year. These projects are integral to the expansion of power and water capacity in Kuwait as well as the move to cleaner fuel options.

In January 2016, Kuwait Oil Company (KOC) awarded several contracts related to oil and gas, worth a total of KD 497 million, KD 372 million of which was for the Jurassic non-associated oil and gas reserves expansion project. Contractors Spetco International and Schlumberger will conduct engineering, procurement, and construction (EPC) work on the three stages that make up the second phase. The project will produce gas from the northern fields and improve efficiency in oil and gas production.

Construction led by new campus and hospitals

Kuwait University awarded two contracts worth a total of KD 341 million for the construction of administration and academic support buildings in its new Shdadiyah campus. Construction for the Sabah Al-Salem University parent project, as a whole, is expected to be completed in March 2020. In the planning phase are the medical campus and the College of Architecture and Computer Science.

The Ministry of Public Works awarded a KD 226.3 million contract for the new maternity hospital, part of the development plan goals of expanding healthcare facilities. The new hospital will provide 600 beds and will be located in the Sabah Medical Area.

Separately, Kuwait Health Assurance Company (KHAC) signed two contracts, a combined value of KD 165 million with the China Metallurgical Group Corporation to build two hospitals that will be located in the Ahmadi and Jahra areas. KHAC is a PPP company established in 2014 responsible for providing healthcare services to the expatriate community in Kuwait.

2017 to focus on power and transport projects

The first half of 2017 is expected to be very active in project awards, especially PPP projects. According to MEED Projects, more than KD 6.2 billion worth of contracts will be in the bidding phase for the first two quarters. With the aim of shifting the energy mix used in the power and water sectors, the government is looking to award gas-based power and

water plants. Kuwait's second largest IWPP, Al Zour North 2 power and water desalination plant, is up for bidding in the first quarter at net project value of KD 806 million (two contracts). Al Zour North 3 and 4 will be gas-based as well and are expected to be awarded over the following two years.

Also in the first quarter, KAPP expects to award wastewater and solid waste management projects at Umm al-Hayman and Kabd, respectively; the projects are expected to be worth a combined KD 775 million (two contracts). The second quarter is expected to witness the awarding of a second major infrastructure works contract worth KD 992 million for South Al Mutlaa City.

Table 1: Largest projects awarded in 2016

(contract value, KWD billion)

Project	Sector	Value
MPW – Airport Expansion: New Passenger Building II	Transport	1.3
KNPC – LNG Import and Regasification Terminal	Gas	0.9
KOC – Jurassic Non-Associated Phase 2 [3 contracts]	Gas	0.4
KU – Sabah Al Salem Uni. Admin and Academic Bldgs [2 contracts]	Construction	0.3
PAHW – South Al-Mutlaa City: Major Infrastructure Works	Transport	0.3
MPW – New Maternity Hospital	Construction	0.2
KHAC – Expat Hospitals	Construction	0.2
MPW – Northern Regional Road	Transport	0.2

Source: MEED Projects

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