

Projects

Kuwait: Value of contracts declined in 2017; sectors performance varied

The total value of awarded contracts across sectors fell by 28% in 2017. (Chart 1.) The awarded projects amounted to KD 4.0 billion, below the five-year average of KD 5.0 billion, according to data from MEED Projects. The surge in contracts in the power and water sectors—compared to prior years—was more than offset by the slowdown in projects in other sectors, mainly transport and construction.

For 2018, the value of contracts is expected to remain at about its 2017 level with the largest contribution coming from the construction sector. (Chart 2.) Due to delays in the bidding phase in 2017, many construction projects (KD 2 billion) have been pushed out to 2018. Also, some delays in awarding transport projects, valued at up to KD 0.7 billion, could also take place this year.

Power & Water

Projects in the water sector reached a record KD 0.9 billion in 2017. The Umm Al-Hayman wastewater treatment plant expansion, one of five projects awarded for the sector, accounted for most of the sector's KD 0.9 billion. This project, which was awarded to a consortium of WTE Wassertechnik and International Financial Advisors, will be funded through a public private partnership (PPP). Although the cancellation of the Al-Zour North IWPP was a setback for the power and water sector—and the public-private endeavor as a whole—the second phase is planned to be integrated with the third phase of Al-Zour North. There are still no further developments on the Khairan IWPP, which was awaiting the progress on Al-Zour North 2.

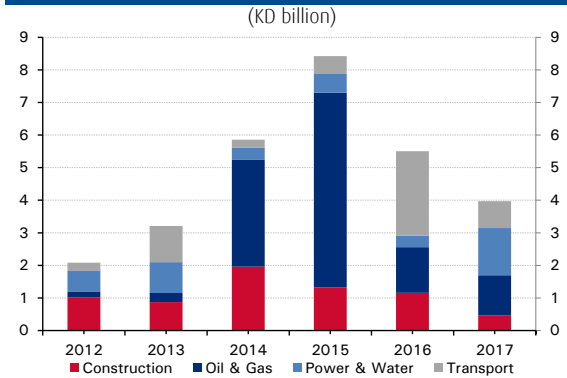
Contracts in the power sector amounted to KD 502 million, but there was a delay of the Kabd waste-to-energy PPP project. The Kabd municipal solid waste project was awarded to a consortium led by France's Constructions industrielles de la Méditerranée—that bid KD 236 million—in September 2017. However, Kuwait's State Audit Bureau (SAB) rejected the tender—based on the documents submitted—delaying the project to 2018, provided that requirements by SAB are fulfilled.

For 2018, up to KD 650 million in power sector contracts are expected to be awarded. Among them is the Al-Dibdibah solar PV power plant in the upcoming Shagaya renewable energy complex. In line with the development plan goals, the Kuwait National Petroleum Company (KNPC) has tendered this project, hoping to contribute to the goal of solar energy providing 15% of the electricity demand in Kuwait by 2030.

Oil & Gas

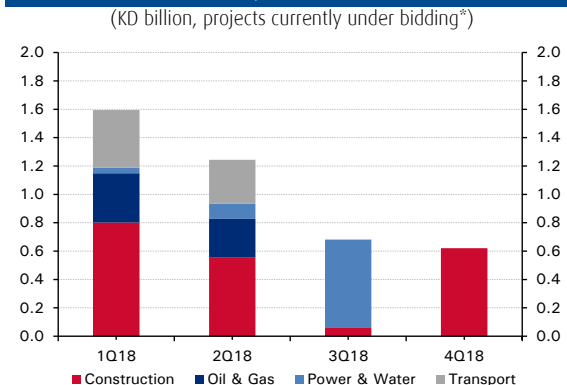
Activity in the oil sector picked up to KD 1.1 billion worth of projects in 2017. Of the fifteen contracts awarded in 2017, three major projects are noteworthy: (i) Kuwait Oil Company's (KOC) KD 390 contract for a gathering center at Burgan Field, that was awarded to British

Chart 1: Awarded projects



Source: MEED Projects

Chart 2: Projects awards outlook



Source: MEED Projects. *As of February 1, 2018.

oilfield services provider Petrofac; (ii) the New Refinery Feed Pipeline project, awarded to Italy's Saipem in a deal worth KD 255 million; and (iii) a crude transit pipeline from North Kuwait to Al-Ahmadi's central mixing manifold, awarded to Indian contractor Larsen & Toubro (KD 113 million).

Gas sector awards eased in 2017 following significant activities in prior years, and are expected to remain relatively modest in 2018.

The gas sector took a back seat in award activity in 2017 after a stellar performance in the prior two years. Two deals were signed in 2017, worth KD 96 million, a lackluster performance after the boost of KD 1.3 billion in deals in each of 2015 and 2016. In terms of upcoming projects, both the oil and gas sectors are expected to witness subdued activity (KD 620 million) in 2018.

Transport

Activity in the transport sector declined in 2017 following a strong performance in 2016, mainly on account of delays.

A total of 15 transport sector deals (KD 0.8 billion) were awarded in 2017. The largest deal was an infrastructure works contract for the South Al-Mutlaa City, valued at KD 212 million. Another significant project was the runway and taxiway project for the first phase of the Kuwait Airport Expansion project at KD 147 million. The Central Tenders Committee postponed awarding a contract related to road and crossroad construction in the South Al-Mutlaa area. The lowest bidder, a team of Ali Al-Kharafi & Brothers and Metallurgical Corporation of China, was not able to raise the required bank guarantee (bid worth KD 85 million). MEED reports that a team comprising of Turkey's Makyol and Kuwait's Contec United General Contracting could win the contract, offering the second lowest bid at KD 109 million.

Looking forward, up to KD 700 million in transport contracts are expected over the next few quarters.

The Ministry of Public Works (MPW) and Public Authority for Housing Welfare (PAHW), have six contracts currently in the bidding phase, in addition to three other contracts from various government entities. Several contracts are related to the northern and southern sections of the regional road, and roads at South Al-Mutlaa.

Construction

Despite a higher number of contracts, the total value of construction awards eased in 2017 to KD 0.5 billion.

Over thirty contracts were awarded in the construction sector, but given the small size of these contracts (only three are worth over KD 30 million), their value fell short of the 21 contracts awarded in 2016 (total value of KD 1.2 billion).

The construction sector is expected to dominate projects in 2018 and could reach up to KD 2 billion.

There are 26 anticipated deals under consideration, of which the Jahra Ministries Complex valued at KD 260 million could be awarded in the first half of 2018. MEED Projects reports that the lowest bidder is United Gulf Construction Co., and it is very likely it will be awarded the tender. This project was pushed to 2018 due to budgetary constraints. The other noteworthy project that is expected in 2018 is the Kuwait National Guard's Kazema Camp project estimated at KD 300 million.

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