

Kuwait: Project awards were low in 2018, but will likely improve in 2019

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Highlights

- Project awards fell to a nine-year low of KD1.7 billion in 2018, partly due to technical and legal delays.
- Awards are expected to rise to KD4.4 billion in 2019 on large power and water, transport, and construction projects.
- Quarterly project awards have picked up pace over three consecutive quarters, with KD0.6 billion awarded in 1Q19.

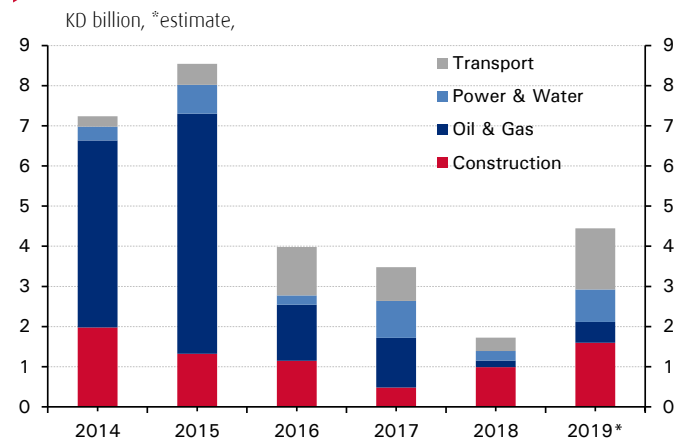
Project awards in 2018 were low, hampered by delays

Project awards declined for the third consecutive year in 2018, with only KD1.7 billion in awards, the lowest since 2009. This is less than half of the KD3.8 billion in awards planned at the beginning of 2018. Awards in 2018 were hindered by numerous delays, setbacks, and cancellations. Kuwait has attempted to make progress with its public-private-partnership (PPP) program, which has suffered from structural, technical, legal and financing issues. Setbacks in 2018 may also be attributed to the restructuring of Kuwait Authority for Partnership Project's (KAPP), along with a review of the Public Authority for Roads and Transportation's (PART) mandate.

First quarter 2019 awards signal a decent start to the year

The outlook for project awards is expected to improve as some of last year's delayed projects are rolled over into 2019, as further rescheduling is becoming difficult amid an increased urgency surrounding power and water, and road-work projects. Awards are expected to be in the vicinity of KD4.4 billion in 2019, to be driven mainly by major construction projects, as well as overdue projects in the transport and power and water sectors. The pace of awards in 2019 so far has been promising, with a total of KD 0.7 billion contracts as of April. However, given the low execution rate of recent years, this number (KD4.4bn) still looks optimistic. Moreover, Kuwait's track record for delivering on PPPs has been weak, and the pressure to deliver is rising, given their importance to Kuwait's development plans and vision 2035.

Chart 1: Annual project awards



Source: MEED projects, as of April 3.

Transport

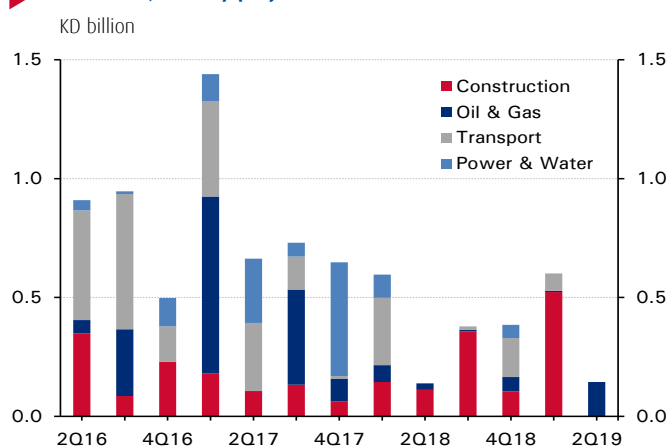
The transport sector is expected to see large awards in 2019, with KD73 million awarded so far and KD1.4 billion still in the pipeline. Many of these projects were postponed from 2018 due to structural issues with PART, the authority responsible for executing roadworks and transport projects. These projects have become of pressing concern, and have been the subject of political pressure, as maintenance and upkeep of the country's transport infrastructure becomes increasingly overdue. For this reason, the chance of delays or cancellations in this sector is low. Notable planned projects include the Ministry of Public Works Northern and Southern regional roads, currently under bid evaluation and due to be awarded soon, with a combined value of KD405 million and the DGCA airport expansion phase 1, valued at KD150 million.

Construction

The construction sector is expected to be the largest contributor to total estimated awards in 2019, with KD523 million awarded

in 1Q19, and an additional KD1.1 billion planned for the remainder of the year. Among the awards was the Al-Jahra low cost housing city, valued at KD432 million. This is one of the anticipated projects of the Public Authority for Housing Welfare (PAHW), which has been tasked to meet the growing demand for affordable low-cost housing. The project will consist of 9,800 units over 830 hectares, and is expected to be completed in 2030. Other notable construction projects planned for later in the year include the MPW Mubarak Al-Kabeer seaport project and the MOH Ibn Sina Hospital, with a combined value of KD439 million. These projects are currently in the main contract pre-qualification stage, and will likely be tendered soon.

Chart 2: Quarterly project awards



Source: MEED projects, as of April 3

Power and Water

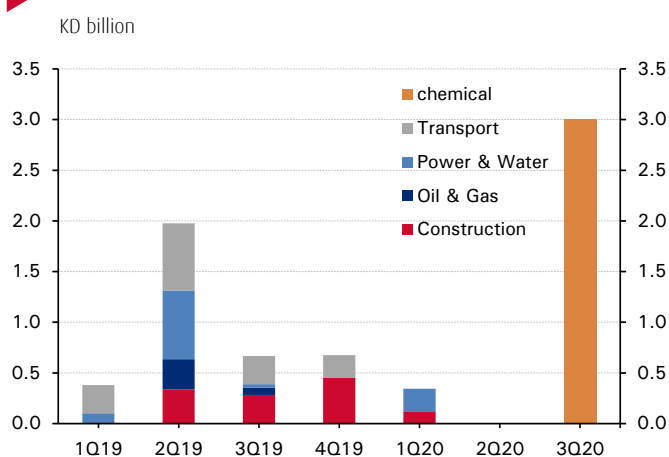
With a growing population, and with the development of various energy-intensive projects as part of Kuwait's development plan, the demand for utilities is projected to grow significantly. These projects include the construction of new housing cities, in addition to plans for new petrochemical and industrial facilities. The Ministry of Energy and Water expects demand for electricity to increase by 17 gigawatts by 2030. It follows that plans for expanding current power/water plants, the commissioning of new integrated facilities, as well as renewable energy projects, have become increasingly important for the state in meeting current and future utility demand. Yet, the risk of delays is still present given the experience of recent years. While no awards have taken place in this sector so far in 2019, KD0.8 billion in projects are expected to be awarded later this year, most notable of which is the KD0.4 billion Al Dibdibah Solar Power Plant in Shagaya Renewable Energy Complex, currently under bidding and due to be awarded soon. In addition, despite still being in the early (planning) stage, KAPP has made progress on its two major planned IWPPs, the Al-Zour North and the Al-Khiran IWPPs. Firms were invited to express interest last November, and KAPP

is in the process of appointing a transaction advisor for both projects, after which the procurement process is expected to begin. Al-Zour North is expected in 3Q19, while Al-Khiran is expected in 2020. In addition, MEW will commission its own, 'Al-Nuwiseeb 1' IWPP, expected to be awarded in 2020.

Oil, gas and chemicals

Although the focus this year will be on projects in other sectors, the oil and gas sector saw the awarding on April 1 of the KOC – New Gas Export Pipeline, at a contract value of KD144 million. A further KD432 million in planned oil and gas projects are to be awarded later this year. The chemical sector on the other hand, having been dormant for many years, is expected to receive a major boost in 2020 with the implementation of the much-awaited Al-Zour petrochemical complex, valued at KD3 billion and delayed from 2018 due to technical and financing setbacks. This sector has been burdened in recent years by repeated changes in leadership, which makes the outlook for the oil, gas, and chemical sector somewhat uncertain. On a positive note, the recent approval by the Council of Ministers for the Kuwait Petroleum Corporation to obtain a KD 16 billion loan to finance its strategic plans over the next five years should support project activity in this sector in over the next few years.

Chart 3: Planned projects*



Source: MEED projects, as of April 3, *excludes awarded projects

▶ 2019 major planned projects

Project Name	Sector	Value (KD million)	Expected Award
MPW - Mubarak Al-Kabeer Seaport Project: Phase 1: Package 3A	Construction	271	4Q-2019
MOH - New Ibn Sina Hospital	Construction	168	4Q-2019
KAPP / Kuwait Municipality - South Al-Jahra Labour City	Construction	149	3Q-2019
KOC - KERP Bio Remediation	Oil	150	2Q-2019
KNPC - Al Dibdibah Solar PV Power Plant	Power	360	2Q-2019
MPW - Regional Road South Part Project: Central Section	Transport	225	2Q-2019
MPW - Northern Regional Road	Transport	180	1Q-2019
DGCA - Kuwait Airport Expansion: Phase 1, Package 1	Transport	150	4Q-2019

Source: MEED projects, as of April 3

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