

Projects

Kuwait: Projects off to a good start in 2017 with KD 1.4 billion awarded in Q1

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Kuwait's projects pipeline remains robust against a backdrop of improving oil prices and a government commitment to maintain healthy capital spending and move forward with its development projects. KD 1.4 billion (\$4.6 billion) worth of contracts were awarded in 1Q17, according to MEED Projects, a figure roughly in line with 2016's quarterly average. Looking ahead to the rest of 2017, Kuwait could award another KD 6.2 billion (\$20 billion) worth of contracts before year-end.

The oil sector dominated awarded projects in 1Q17. The sector saw KD 672 million worth of awards for eight projects. The largest project was awarded by KOC to Petrofac for the value of KD 397 million (\$1.3 billion) to build Gathering Center 32. The new infrastructure will have the capacity to produce about 120,000 b/d of oil and will be the first sour gathering center to be developed in the Burgan field. The project is scheduled to begin soon and to be completed in mid-2020. KOC awarded another three projects pertaining to water facilities in different gathering centers in the south, south-east and east of the country. The three contracts averaged KD 69 million (\$225 million) each and are expected to be complete between 4Q19 and 1Q20.

Housing was another sector to see notable activity. In March 2017, the Public Authority of Housing Welfare (PAHW) awarded the second of four infrastructure contracts in South Mutlaa city, a strategic development plan project, to China Gezhouba Group. The contract, valued at KD 216 million (\$708 million), is for major infrastructure work and is expected to be completed by March 2019. The PAHW has distributed most of the 30,000 plots to applicants; however, construction permits for the distributed plots will not be available until road and infrastructure construction is complete. According to a development plan follow-up report for 4Q16, work on South Mutlaa project is 12% complete.

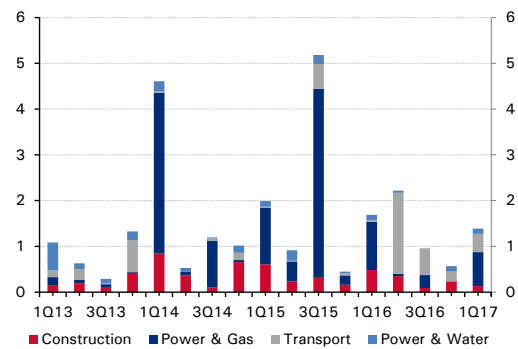
Awards during 1Q17 included work on Kuwait's airport. The Directorate General of Civil Aviation (DGCA) awarded one of the eleven sub-projects pertaining to the expansion of Kuwait airport. The project has been awarded to a joint venture of AVIC International & HOT E&C for a value of KD 149 million (\$489 million) and completion is expected by March 2022. This project includes construction of new runways in addition to extending existing ones and enhancing supportive infrastructure.

Looking ahead, project awards are expected to remain healthy in 2017. Another KD 6.2 billion (\$20 billion) worth of contracts could be awarded before year-end, split almost evenly between the second quarter and the fourth quarter of the year; 3Q17 is likely to see slower activity as a result of the Holy Month of Ramadan and the summer season. Construction projects and power & water contracts are expected to dominate awards during the rest of 2017.

Roadwork and construction of government buildings are expected to be a large part of the award activity in 2017. The ministry of public works has KD 2.3 billion worth of contracts in the pipeline to be awarded

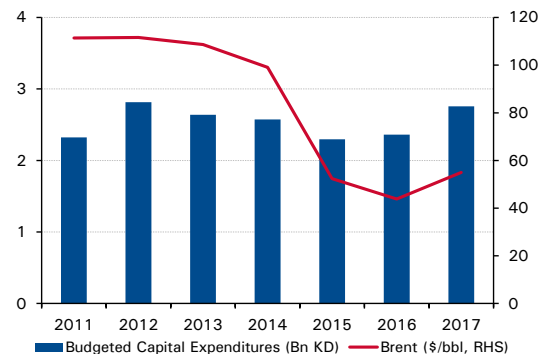
Chart 1: Awarded projects

(KD billion)



Source: MEED Projects, NBK

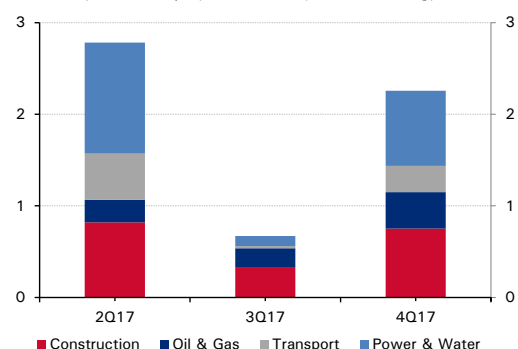
Chart 2: Budgeted capital expenditures



Source: Ministry of Finance

Chart 3: Projects awards outlook

(KD billion, projects currently under bidding)



Source: MEED Projects, NBK

between the second and fourth quarter of this year. Out of the 18 contracts, eleven are for roads and the remaining eight are construction contracts for governmental buildings.

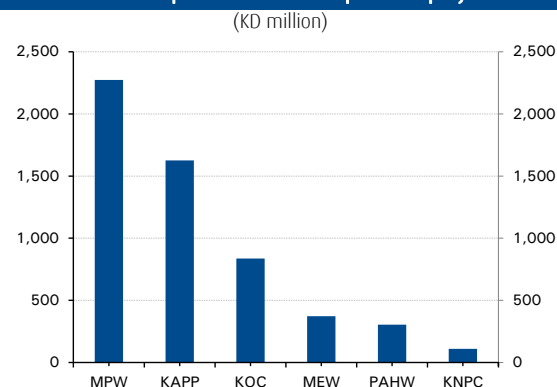
Public-private partnership (PPP) projects remain an important source of project awards in 2017, led by phase 2 of the Al-Zour North power and water project. Kuwait Authority for Partnership Projects (KAPP) extended the deadline for the project which was expected to be tendered in 2016. Bid bonds for the two components of the phase 2 of Al-Zour North IWPP, the power plant and water desalination plant, with estimated net project values of KD 534 million and KD 287 million, respectively, have been extended to October 2017, when the project is likely to be awarded.

PPP projects for a wastewater plant and a solid waste facility are also likely to be awarded in 2017. The award date for the KD 473 million (\$1.5 billion) Umm Al-Hayman Wastewater Treatment Plant has been set to 22 May; WTE Wassertechnik and International Financial Advisers submitted the lowest bid at \$1.61 per cubic meter of water, while Kharafi National and Alfanar Group offered \$1.70 per cubic meter. Meanwhile, bids for the Kabd Municipal Solid Waste Project closed on 19 March. International Financial Advisors is said to have submitted the lowest bid at a cost of KD 243 million. The award date is set for May.

2017 could see the awarding of another important power contract. Phase 3 of the Sabiya combined gas turbine will expand the existing capacity at the Sabiya site by 750 MW. The bids have been under evaluation since July 2016 though the project has yet to be awarded. Alghanim International General Trading & Contracting is the lowest bidder with the bid price of KD 177 million.

The Kuwaiti government continues to be committed to moving forward with its development projects despite the decline in oil prices since 2014 and the fiscal deficit. According to the Supreme Council for Planning's (SCP) third follow up report of the annual development plan for FY16/17, KD 1.45 billion was spent between March and December 2016, or 49% of what was allocated for the fiscal year. Most of the spending came on 25 projects, out of which 17 were flagged as strategic oil and infrastructure projects (Table 1).

Chart 4: Top owners of 2017 planned projects



Source: MEED Projects, NBK

Table 1: Select Strategic Development Plan Projects

(contract value, KWD million)

Project	Total Cost	FY 16/17 allocation	April-Dec 2016	% of allocation
Clean fuel	4680.0	1005.0	426.8	42.5
Al-Zour Refinery	4871.0	500.0	352.1	70.4
Jaber Al-Ahmed Causeway	938.0	200.0	156.0	78.0
Refinery & petrochem complex in Vietnam	448.0	90.9	31.7	34.9
3D Seismic Survey at Kuwait Bay	105.1	55.0	27.2	49.5
College of Arts and Education at Sabah Al-Salem University	73.9	30.3	25.5	84.3
College of Science at SSUC*	136.9	26.0	23.1	88.7
SSUC infrastructure	197.6	38.0	22.3	58.7
Design & construction of electricity and energy plants via renewable sources	567.3	52.0	20.3	39.1
Jaber Al-Ahmed Hospital – South Surra	176.6	29.2	16.0	54.8

Source: MEED Projects

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