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# BUILDING AND CONSTRUCTION SECTOR IN KUWAIT

FLANDERS INVESTMENT & TRADE MARKET SURVEY

# Building and Construction Sector in Kuwait

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## General presentation

### Area

17,818 sq km (6880 sq miles)

### Population

3.965 million (PACI, 2013)

### Population Density

207.65 per sq km

### Capital

Kuwait City. Population: 2.688 million (2013)

### Other cities:

Jahra (west), Ahmadi (south)



### Geography

Kuwait shares borders with Iraq and Saudi Arabia. To the southeast lies the Persian Gulf, where Kuwait has sovereignty over nine small islands (the largest is Bubiyan and the most populous is Failaka). The landscape is predominantly desert plateau with a lower, more fertile coastal belt.

### Basics of Kuwait's economy:

- GDP (2011): \$160.58 billion
- Real GDP growth rate (2011): 10.2%
- GDP - per capita: \$39,159 (2011)
- GDP - origin by sector: agriculture: 7.1% ; industry: 12.2% ; services: 1.2% (2011)
- Labor force: 2.371 million (2013; non-Kuwaitis represent about 82.7% of the labor force)
- Unemployment rate: 1.36% (2013)
- Inflation rate (consumer prices): 4.4% (2012)

### Budget:

- revenues: \$65.6 billion (2011)
- expenditures: \$36.9 billion (2011)

### Foreign Reserves:

- \$28.999 billion (2012)

### Agriculture:

practically no crops; fish

***Industries:***

Petroleum, petrochemicals, cement, shipbuilding and repair, desalination, food processing, construction materials

***Oil:***

- production: 2.8 million bbl/day (2013)
- capacity project: 4 million bbl/day by 2020
- exports: 105.8 billion USD (2013)
- proved reserves: 104 billion barrels (2013)

***Natural gas:***

- production: 547.91 billion cu f (2012)
- consumption: 642.99 billion cu f (2012)
- proven reserves: 63.5 trillion cu f (2012)

***Foreign trade:***

Current account balance: \$70.5 billion (2013)

***Exports***

- Exports value: \$112.4 billion (2013)
- Exports - commodities: oil and refined products, fertilizers
- Main partners: South Korea 13.8%, India 13.4%, Japan 11.4%, USA 10.0% (2012)

***Imports***

- Imports value: \$24.4 billion (2013)
- Imports - commodities: food, construction materials, vehicles and parts, clothing
- Main partners: US 11.4%, China 8.9%, Saudi Arabia 8.3%, Japan 8.0% (2012)

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## Kuwait construction industry in brief

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### Strengths

- With large oil reserves, Kuwait has a significant cushion to weather economic difficulties.
- The country has been generating surpluses for a number of years, meaning it has financing available for large projects.
- USD 12.6 bn infrastructure investment will further boost development and growth.
- Tighter integration with neighbouring states makes Kuwait a more enticing investment prospect.
- Kuwait has a strong country structure and Kuwaiti firms have considerable infrastructure and construction expertise.
- The tight integration of infrastructure development between Gulf States throughout the GCC provides opportunities for Kuwaiti firms to win contracts in the region.
- The Al-Zour refinery project appears to be back on track, offering opportunities for both energy infrastructure and wider construction projects.
- The government's continuing support for infrastructure stimulus provides opportunities for developments. Improvements in power and transmission systems are particularly beneficial for sustained growth.
- Kuwait's construction industry value is forecast at approximately USD 3.2 bn in FY13, representing a real value annual growth of 3.6%.
- MEED estimates the total value of projects planned or underway in Kuwait at USD 188 bn.
- Transport construction accounts for 76% of total construction spend:
  - Kuwait City's USD 7 bn metro project has been subject to delays, although there are signs of progress. The project is expected to be completed by 2020.
  - USD 3.3 bn Kuwait International Airport (KIA) terminal will open in September 2016.
- Initial terminal capacity will be 13 mn passengers annually, with plans to increase this to 25 mn and 50 mn through further development.
  - Kuwait is to invest approximately USD 6.2 bn in a series of motorway construction projects with an approximate length of 550 km. Tenders for the projects will be issued between 2012 and mid-2015.
  - The Subiya causeway is a 37.5 km bridge that will cross Kuwait Bay, linking Kuwait City, the Subiya peninsula and Bubiyan Island. This project is estimated to cost around USD 2.6 bn.
- Energy and resource construction accounts for 20% of total construction spend.
  - Kuwait National Petroleum Company is set to construct the largest oil refinery in the Middle East.

- The USD 14.5 bn facility will have a daily processing capacity of 615,000 barrels from 2018.
- USD 1.8 bn water and power project is being developed at Al-Zour North.
- It will have an overall capacity of 1,500MW and be capable of producing up to 107 gallons of potable water daily.
- Social construction accounts for 4% of total construction spend.
  - Kuwait has at least USD 5 bn of university building projects either in the planning stage or under construction.
- The largest is the USD 3bn Sabah al-Salem New University at Shadadiyah, which is located 20 km west of Kuwait City.

#### **Some weaknesses**

- Poor growth rates and uncertainty about major projects dissuade private investment, further reducing potential infrastructure projects.
- Kuwait has a weak business environment compared with other GCC countries. A lengthy and difficult tendering process, large bias towards Kuwaiti firms and majority state control are just some areas in which it is compromised.
- Continued lack of private investment may result in a period of extended stagnation as investors look elsewhere for returns.

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## 1. General view: policy, future vision, needs

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Kuwait has everything in place to deliver long term, sustainable growth opportunities for anybody involved in Middle East construction: rich in natural resources, high level of life, strategic location ...

It is the region's fourth largest projects market after Saudi Arabia, the UAE and Qatar. In terms of future projects, there are some \$ 116 bn-worth of projects planned or un-awarded in the state, according to MEED's project database MEED Projects.

The drivers of Kuwait's projects market are high oil prices, which lead to higher oil revenues, demographic growth, economic diversification, the need to create jobs, and the political necessity of investing in social infrastructure following the regional unrest of the Arab uprisings.

Despite this, the Kuwaiti projects market continues to be a source of frustration to many in the industry. It is no secret that the market has long underperformed. For a country with so much oil wealth, many expect Kuwait's projects market to move faster. However, because of Kuwait's inclusive political structures, consensus on major projects can take time. And with so much work available in Saudi Arabia, Qatar and increasingly in the UAE, many project companies have in the past lost patience with Kuwait's frustrating market.

But contractors should keep faith in Kuwait. Its projects market offers huge potential and is underpinned by two key fundamentals that guarantee activity: a chronic need to develop its infrastructure and the financial muscle to meet that need. If Kuwait can deliver on its promises, it will become one of the region's biggest project markets and it will be those that have stayed with the country that will be best positioned to take advantage of the opportunities.

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### Kuwait's huge projects market potential

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In terms of future projects, Kuwait has the highest upward potential of any market in the region, with more than double the value of contracts planned to be awarded in the next five years compared with the previous half-decade. Currently, there are some \$ 116 bn-worth of projects planned or un-awarded in the state.

Economically, Kuwait lies in a very strong position, with record surpluses and average real gross domestic product (GDP) growth of more than 4 per cent a year over the last six years. With the oil price forecast to remain at around \$ 100 a barrel, there is little reason to believe that the state's healthy economic position will not continue for some time.

But while public contracts have to pass through many hoops, it is also the case that there is a greater amount of transparency in the market than elsewhere in the region.

All public tenders must be published in the weekly Official Gazette and the CTC, and bidders and prices are also always made public within a few days of bidding. This allows for a relatively transparent process, although the legal emphasis on the lowest priced, technically compliant offer nearly always means that the low bidder wins. But while these challenges have pushed Kuwait down the priority list for some, there are encouraging signs that things are set to change.

In its recent Kuwait Projects Market 2013 report, MEED Insight estimates that some \$ 16 bn-worth of contracts will be awarded in Kuwait in 2013, a 60 per cent increase on the 2012 figure with construction set to be the largest sector, dominated by new hospital projects, followed by the power sector.

Longer term, there is likely to be upward momentum for the local projects market driven by heavy downstream investments. Infrastructure will be the key, with substantial investment planned in airports, roads, ports and rail as the government looks to increase capacity to cope with rising population trends.

One of the biggest growth areas will be in the ongoing development of the township projects planned by the Public Authority for Housing Welfare (PAHW) as the state seeks to build affordable housing and associated infrastructure for local nationals.

An important additional driver is a programme to encourage greater private sector participation through public-private partnership (PPP) contract models. This initiative is being driven by the Partnerships Technical Bureau's (PTB), whose PPP programme covers almost 30 projects and, if successful, will drastically alter Kuwait's projects market environment.

Kuwait has huge potential for growth in the projects activity and far more substantial than its performance over the past half-decade. However, for it to happen, it will need to overcome the political impasse and commit to spending plans.

### Kuwait's Top 10 Projects

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Rank	Project Name	Sector	Contract value (\$m)
1	Subiya Causeway	Transport	3,700
2	Al Zour IWPP: Phase 1	Power	2,000
3	Oil and Gas Pipelines from Mina Al Ahmadi Refinery to Kuwait Power Plants	Gas	1,802
4	Jurassic Non Associated Gas Reserves Expansion: Phase 2	Gas	1,556
5	Al Zour South Power Plant Upgrade	Power	1,200
6	Bubiyan Seaport Project: Phase 1: Package 2	Transport	1,162
7	Jaber Ahmed al-Sabah Hospital	Healthcare	1,000
8	Al-Jahra Road Upgrade	Transport	965
9	Booster Station 171	Gas	900
10	AlAhmadi Refinery: Gas Fractionation Train 4	Gas	886

### Government spending

Kuwait's government expenditure is set to triple by 2016 compared with \$ 25 bn in 2005.

Kuwait could possibly award more than \$ 114 bn-worth contracts in the period between 2013 and 2017, more than double the \$ 58 bn-worth of projects awarded in the previous five years.

The largest sector by a considerable margin is the oil sector, particularly in the refining and downstream sectors. The three main packages on Kuwait National Petroleum Company's (KNPC) clean fuels project (CFP) are scheduled to be awarded in 2014 and if implemented, they will be the largest projects ever undertaken within Kuwait, and will have a cumulative project value of over \$ 17 bn.

Construction is the second-largest sector thanks to ongoing and planned projects by PAHW, Kuwait University and MPW. Infrastructure too features highly due to the planned metro and rail projects, although neither scheme is confirmed.

There is more certainty, however, over the power sector, as it seeks to keep up with high demand growth and avoid the summer blackouts which have plagued it over the last five years. Along with the Partnerships Technical Bureau (PTB), MEW is planning a number of major power plant and transmission and distribution projects as it seeks to meet its supply targets.

Here are some tables comparing the government spending on the construction sector within the GCC:

GCC Building Construction Project Completions in Residential Sector by Country				
Country	2013	Rank	2014	Rank
KSA	US\$30.96 bn	1	US\$34.39 bn	1
UAE	US\$22.66 bn	2	US\$24.77 bn	2
Qatar	US\$ 7.31 bn	3	US\$14.51 bn	3
Kuwait	US\$ 2.43 bn	5	US\$4.73 bn	5
Oman	US\$ 2.70 bn	4	US\$4.51 bn	4
Bahrain	US\$ 828 m	6	US\$ 1.29 bn	6

GCC Building Construction Project Completions in Retail Sector by Country				
Country	2013	Rank	2014	Rank
KSA	US\$458 m	2	US\$267 m	3
UAE	US\$1.02 bn	1	US\$400 m	2
Qatar	US\$47 m	5	US\$522 m	1
Kuwait	US\$138 m	3	US\$72 m	5
Oman	US\$133 m	4	US\$87 m	4
Bahrain	US\$46 m	6	US\$50 m	6

GCC Building Construction Project Completions in Hospitality Sector by Country				
Country	2013	Rank	2014	Rank
KSA	US\$1.46 bn	2	US\$3.85 bn	1
UAE	US\$1.55 bn	1	US\$2.61 bn	2
Qatar	US\$300 m	3	US\$1.19 bn	3
Kuwait	US\$186 m	4	US\$183 m	6
Oman	US\$159 m	5	US\$516 m	4
Bahrain	US\$27 m	6	US\$252 m	5

GCC Building Construction Project Completions in Commercial Sector by Country				
Country	2013	Rank	2014	Rank
KSA	US\$6.47 bn	1	US\$7.97 bn	1
UAE	US\$2.59 bn	2	US\$3.71 bn	2
Qatar	US\$1.27 bn	3	US\$2.27 bn	3
Kuwait	US\$876 m	4	US\$1.57 bn	4
Oman	US\$507 m	5	US\$340 m	5
Bahrain	US\$144 m	6	US\$223 m	6

GCC Building Construction Project Completions in Educational Sector by Country				
Country	2013	Rank	2014	Rank
KSA	US\$4.16 bn	1	US\$4.38 bn	1
Qatar	US\$1.59 bn	2	US\$1.81 bn	2
UAE	US\$489 m	3	US\$987 m	3
Kuwait	US\$313 m	4	US\$218 m	4
Bahrain	US\$179 m	5	US\$123 m	5
Oman	US\$115 m	6	US\$20 m	6

GCC Building Construction Project Completions in Healthcare Sector by Country				
Country	2013	Rank	2014	Rank
KSA	US\$961 m	2	US\$1.64 bn	3
Qatar	US\$2.48 bn	1	US\$2.39 bn	2
UAE	US\$227 m	3	US\$3.13 bn	1
Kuwait	US\$33 m	6	US\$331 m	4
Bahrain	US\$40 m	4	US\$79 m	5
Oman	US\$60 m	5	US\$15 m	6

## Kuwait master plan for construction

Current and future construction and infrastructure projects are implemented under the guidance of the Third Kuwait Master plan Review. Completed in 2005 by a consultancy team of Colin Buchanan & Partners and Kuwaiti Engineering Group, the review of the 1997 third master plan covered the development of Kuwait up to 2030 and aimed to provide an integrated approach to future development encompassing housing, commercial and leisure space, transportation and utilities.

Beyond providing a template for future development, the master plan review had several key goals to be met by 2030. They were:

- The availability of 1.285 million jobs
- Complete 315,000 private housing units
- A total of 580 schools
- More than 8,600 hospital beds
- 618 million gallons a day of desalination capacity
- 19,330 MW of power generation capacity

The master plan review was based on the assumption of a total population of 5,368 million by 2030. However, it is already clear that under the current rate of growth, this will be exceeded several years before. Indeed, it is likely that Kuwait will need more than 20,000 MW of power generating capacity by 2020, given the current rate of demand growth.

Nonetheless, the master plan is a critical element behind current construction plans. Perhaps its most important aspect is dealing with the problematic issue of where to locate future housing developments. The vast majority of Kuwait's population lives in a narrow strip stretching from the capital district along a southerly axis towards the Divided Zone shared with Saudi Arabia. However, there is limited room in this area to build additional housing or commercial units. While adjacent areas are largely off-limits for development as they fall under Kuwait Oil Company's (KOC) concession area. As a result, the focus of planners has been to drive urban development northward towards the Subiya peninsula and Bubiyan Island, and also to the far south, near the Divided Zone border.

This has underpinned flagship projects such as the Subiya Causeway, Silk City and Bubiyan port projects, although only the latter has made any concrete progress. Rail, road and metro projects included in the masterplan have also been designed with the same goal in mind.

## Township development programme

The Public Authority for Housing Welfare (PAHW) is the largest construction client in Kuwait and has responsibility for providing housing and associated infrastructure to nationals.

PAHW concentrates its housing projects within new townships, which are frequently located in outlying areas of the state. These township schemes range from a few dozen houses to new towns with thousands of units and associated infrastructure.

All PAHW tenders are published in the Official Gazette and the bids are opened and approved by the Central Tenders Committee. The body splits contracting work between infrastructure and the housing units themselves. International contractors, predominantly Turkish and Chinese, regularly bid for work in joint venture with local firms.

As of June 2013, three large township developments were well under way: Sabah al- Ahmed, Jaber al-Ahmed and Saad al-Abdullah. However, these will be dwarfed by planned townships at Mutlaa and Khiran, with the latter designed to house more than 750,000 people, effectively making it a small city.

## SELECTED MAJOR PAHW AWARDED CONTRACTS

Project	Value (\$m)	Award date	Contractor (local unless otherwise stated)
Jaber al-Ahmed city, suburb N2, infrastructure works	736	2010	Mohammed Abdulmohsin al-Kharafi & Sons
Jahra housing project, 248 villas	700	2007	Al-Khamis Trading & Contracting Company
Jahra housing project, 202 villas	700	2007	Faisal al-Mishari General Trading & Contracting Company
Sabah al-Ahmed city, Mudbna suburbs A and B, infrastructure works	488	2011	Mohammed Abdulmohsin al-Kharafi & Sons
Sabah al-Ahmed city, Dahiya A, infrastructure works	465	2010	United Gulf Construction Company

Sabah al-Ahmed township, sectors A1, A2, A3	461	2010	Mohammed Abdulmohsin al-Kharafi & Sons
Sabah al-Ahmed township, sectors A4, A5	441	2010	United Gulf Construction Company
Sabah al-Ahmed township, sector C	302	2008	Bash Tazji (Turkey), Sinohydro Corporation (China), Al-Hajraf Trading & Contracting
Jahra housing project, infrastructure works	300	2007	Copri Construction Enterprises Establishment
Jaber al-Ahmed township, sectors N1, N3	203	2013	Al-Ahmadiyah Contracting & Trading Company
Saad al-Abdullah township, block 2	180	2006	Real Estate Construction & Fabrication Company (Recafco), Kuwait Dynamics
Sabah al-Ahmed township, sector D	159	2012	Al-Tawbad General Trading

## KDP – Residential township projects of PAHW

Township	Number of units	Planned population	Estimated cost (\$M)	Land Area (Hectares)	Status
Sabah Al Ahmed	8,009	110,000	6,200	4,000	Under Construction, exp. Completion Feb 2015
Jaber Al Ahmed	6,649	100,000	2,500	1,245	Under Construction
Saad Al Abdullah	3,576	31,119	700	514	Completed
Khiran	30,000	484,500	15,000	14,500	Consultancy contract expected to be awarded by 2015
Mutlaa	18,000	265,500	2,434	6,500	PQ of design contractors
Total	66,234	991,119	26,834	26,759	

### Mall developers eye Kuwait opportunity

With a rich consumer base, Kuwait is attracting investment in major shopping developments.

Kuwait's retail landscape is one of the least developed in the GCC. This is despite high per capita income levels and, at 90 per cent of the population, a higher degree of urbanisation than its neighbours, factors generally considered near-ideal conditions for high-end retail growth.

Modern retail formats, such as hypermarkets and supermarkets, have the lowest market share in Kuwait of any GCC state. Cooperatives continue to dominate the market, accounting for an estimated 70 per cent of overall retail trade.

Kuwait has about eight malls, mostly concentrated in Kuwait City, but a lot of these are not attractive for retailers, especially international retailers. A large gap between primary and secondary retail offerings in the market leads to a lack of retail spaces available for both.

Kuwait has been reluctant to adopt new retail formats, such as modern grocery stores. Instead the market consists of standalone stores and some outlets within malls. Completed gross leasable retail area in 2011 stood at 630 million square metres, including 0.6 million m<sup>2</sup> in the country's eight shopping malls. This is considerably below the 4.5 million m<sup>2</sup> in the UAE, the GCC's most advanced retail market.

The market is ripe for development and there are suggestions that change is coming to Kuwait. New retail spaces are opening, with major mall developments including The Avenues and the 360° Mall quickly establishing themselves as popular destinations.

These locations are encouraging international and local retailers to launch new offerings that are broadening the retail choice exponentially. According to Alpen Capital, Kuwait's retail market should grow at a steady annual rate of more than 7 per cent in the next four years. A total of 440 million m<sup>2</sup> of gross leasable area is projected to be added up to 2020.

The opening of an outlet of luxury UK retailer Harvey Nichols in The Avenues in September 2012 suggests Kuwait is starting to play catch up with its neighbours. The KD 300m (\$ 1 bn) Avenues is the largest mall in the country, spread over 301,000 m<sup>2</sup>. It is also the most frequented shopping destination, with 800 retail outlets and 10 anchor stores based around seven districts. The mall draws more than 22 million visitors a year, with total spending exceeding \$ 1 bn. The developer, the local Mabanee Company, is planning to expand the mall. It presented preliminary designs for phase four of The Avenues project to Kuwait Municipality in early 2013. It involves the construction of more than 360,000 m<sup>2</sup> of gross leasable area, as well as hotels.

The 360° Mall, open since 2009, is the second-largest mall in Kuwait, with more than 150 outlets in a circular design. It has a shopping area of more than 82,000 m<sup>2</sup>. Several smaller-scale malls are in the pipeline, including The 8, located in Sabah al-Salem by the sea, which will offer 15,300 m<sup>2</sup> of gross leasable area, including shops, restaurants and cafes.

Not all the country's retail developments have proceeded according to plan. The Mall of Kuwait, backed by the local Tamdeen Real Estate, was expected to have 150,000 m<sup>2</sup> of retail space, but the \$ 350 m project has been delayed since it was first announced in 2009.

The strong growth in the retail sector has been supported by a combination of factors, including solid employment growth (4.4 per cent for Kuwaitis in 2012), salary hikes and broader government welfare payments.

As compelling as the broadly positive economic backdrop is the fact that the underdeveloped nature of the Kuwaiti market makes it a strong growth proposition for major retailers. Alpen Capital estimates wholesale and retail trade totalled \$ 4.8 bn in 2011, representing just 3 per cent of gross domestic product at current market prices.

The growing influence of Western culture, fashion and lifestyles, especially on the increasingly younger population, is a key driver behind the move to high-end malls.

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## **2. Current Major Projects in Kuwait**

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In the following pages, we are mentioning some mega projects in Kuwait. Some of them have already started and most of them are delayed or under studying stage.

More details on the projects are given in the document “Projects in Kuwait”.

### ***Sheikh Jaber Al-Ahmad Subiya Causeway***

- Construction of a 37.5 km bridge with junctions to existing roads at city end linking the Subiya promontory and Bubiyan Island.
- The project was awarded to Hyundai Eng & Construction and Combined Group Co in 2011 but contract was signed by end 2012
- Value: 3.7 bn USD

### ***Kuwait International Airport***

- Directorate General of Civil Aviation (DGCA) plans to expand the Kuwait Airport to increase its capacity to 20 Million passengers.
- Project Value is \$ 25 bn USD
- Foster & Partners are awarded the PMC for Airport.

### ***Kuwait Railway and Metro***

- Construction of a 165 km metro network and 518 km of mainline system part of the GCC railways. It is expected that those two projects will be executed by B.O.T. concept. It is proposed that the strategy of B.O.T will be issued as follows:
  - 40% for strategic Partner
  - 50% for the Public
  - 10% for the Owner of new Idea & concept
- The total cost is estimated at \$ 20 bn USD which will be funded through PPP arrangement in which the state will hold a 24% stake and contractor 26%. The remaining 50% will be raised through an IPO. This approach is part of Kuwait's future strategy of using the innovations of private capital for public projects.
- Annual ridership is estimated at 69.1 million passengers.
- The government is also developing plans for rail network. Five passenger and freight lines are under consideration with a total length of 505.3 km of double track line electrified at 50 kV AC. Estimated budget is \$ 15 bn USD.

### ***Bubiyan Port***

- MPW is developing a new port in Bubiyan Island (Mubarak AlKabeer port or Bubiyan port) aiming to be an import transport system project for Kuwait and the region.
- Phases 1 & 2 have progressed considerably and phases 3 & 4 are in early stage.
- Value: 8 bn USD

### ***Failaka Island Development Project***

- Development of a major offshore tourism project: construction of tourism infrastructure, hotels, chalets, leisure and entertainment facilities on the 43 km<sup>2</sup> island (20 km east Kuwait-City)

- Project owner: PTB
- Currently bids are under evaluation for the consultancy contract
- Value: 3,320 million USD

#### **New University Campus**

- Construction of a major new university campus at Shadadiyah aiming to bring all the currently dispersed universities facilities at one location. Designed for 40,000 students.
- Value: 3,448 million USD

#### **KDP- New University Campus projects of KU**

Kuwait University - Sabah Al Salem University Campus Projects			
Project	Estimated Cost (\$M)	Project Status	Expected date of award
College of Science	800	Execution stage	Awarded
Business studies & Women college	650	Execution stage	Awarded
Engg.& Petroleum College	520	Execution stage	Awarded
Faculty of Arts bldg	460	Execution stage	Awarded
Law, Sharia Islamic & Social Sciences College	400	Main contract bidding	2014
Sector B5 & A5 infrastructure	400	Execution Stage	Awarded
College of Medicine	400	On hold since 2011	--
College of Dentistry	400	On hold since 2011	--
Hospital	400	On hold since 2011	--
Supportive academic bldgs	300	Tender documentation completed	2014
Activity and athletics facilities	300	Tender issue on construction contract is delayed	2014

#### **Hospitals (for Ministry of Public Health)**

- Construction or extensions of several hospitals
- Value: 8 bn USD

## KDP – Healthcare Projects

Project	Client	Estimated Cost (\$M)	Status	Contract award date
Al-Jahra Hospital	MOH	1,400	Main contract is retendered in Feb 2014	2014
Al-Adan Hospital expansion	MOH	1,000	Main contract bidding completed	2014
Jaber Ahmd Al Sabha Hospital	MOH	1,000	Execution stage	Awarded
Farwaniya Hospital Expansion	MOH	1,000	Main contract bidding completed	2014
Al Razi Hospital	MPW	700	Execution stage	Awarded
Paediatric Hospital	MPW	700	Tender cancelled	
Kuwait Cancer Centre	MOH	610	Design works are ongoing, Construction to start by end 2014	Awarded
Al-Amiri Hospital expansion	MOH	513	Under Execution	Awarded
Ibn Sina Hospital	MOH	500	Tender cancelled	Q4,2013
Maternity Hospital	MOH	500	Tender cancelled	

### 3. Rules & Regulations

#### Public projects

As a general rule, a public authority in Kuwait may only buy equipment and commodities, and commission works, by way of an independently administered tendering process.

Tendering procedures for most public institutions are administered by the Central Tenders Committee (CTC), though the client body (i.e. the public body requiring the service) it draws up the specifications and particular conditions it requires, reviews pre-qualifying companies, and evaluates bids technically. However some public institutions have their own tendering procedures. But no matter who administers a tender, the procedures are in essence the same as CTC procedures, and all activities relating to public tenders, such as tender announcements, invitations to pre-qualify, pre-tender meetings, and amendments to conditions and specifications, are only published in Al-Kuwait Al-Youm, the official gazette.

Funding for major projects is normally provided by the government. In recent years other forms of financing, such as credit facilities supported by export credit agencies (ECAs) and build-own-transfer (BOT) type schemes, have been tried.

#### Eligibility & Registration

A tenderer for a public contract must be a Kuwaiti merchant who is (a) registered with the KCCI and the MCI, and (b) registered as an approved supplier or contractor.

The CTC and client bodies maintain lists of approved suppliers of equipment and materials. To get on the lists, the main requirement for suppliers is that they be Kuwaiti merchants. Application for registration is usually made to the client body.

The CTC also maintains lists of approved contractors for works. Before getting on these lists a contractor must be classified according to the size of projects he is deemed capable of undertaking. The size limit for the first three categories represents the cumulative size of all contracts being undertaken at the same time by a contractor, e.g. a category (4) contractor cannot bid for a contract worth more than KD 50,000 if, at the time of his bid, he is already undertaking projects with a total value of KD 200,000. Foreign companies are not classified as they must prequalify each time they bid for public sector contracts.

#### **Pre-Qualification**

Participation in some public tenders is restricted to firms who have been pre-qualified, i.e. judged capable of undertaking the particular project. To prequalify, a firm submits a standard set of documents outlining its financial and technical capabilities to the CTC. Foreign firms must prequalify each time they bid for a public contract. Their applications may only be submitted by their Kuwaiti agent and must be accompanied by an authenticated copy of the agency agreement.

#### **Bidding Procedures**

Forthcoming tenders are announced in Al-Kuwait Al-Youm as invitations to bid to collect the documents, a written request in Arabic plus the fee (for which a receipt is given) is needed. A foreign firm must show an authenticated copy of the agreement with its local agent.

Firms who have purchased the documents may be invited to pre-tender meetings with the client body. Sometimes these are mandatory and bidders who do not attend find themselves excluded from the tender. The scope of work may be amended after the tender documents have been issued or after a pre-tender meeting. When this happens the administering committee issues a formal addendum which can only be collected on production of the original receipt for the tender documents. Notice of pre-tender meetings and tender amendments are announced in Al-Kuwait Al-Youm and tenderers are seldom advised directly.

#### **Bid Preparation**

A bid may only be submitted on the original official tender documents issued to the company making the bid. All parts must be completed in full and the documents may not be altered in any way. The bid must conform to the tender terms exactly and alternative terms are never acceptable. All prescribed supporting documentation must be appended.

The tender documents are expected to be submitted without erasures or corrections. Where alternative offers are allowed, a tenderer must buy a separate set of documents for each offer he submits, with each bid clearly marked to show that it is an alternative.

#### **Pricing & Pricing Preferences**

Contracts must usually be priced on a lump sum fixed-price basis, though unit pricing is normal in maintenance type contracts. Most bids must be priced in Kuwaiti dinar. Prices must be stated on a cash-basis.

Public sector contracts must by law be awarded to the bidder who offers the lowest price provided his bid conforms to technical requirements and he has adequate resources. But where a firm has submitted an artificially low bid and it appears that it will be unable to perform to the required standard, the contract may be awarded to the next lowest bidder.

Local manufacturers have a price advantage. Subject to technical acceptance, goods made in Kuwait may be priced up to 10% higher than comparable items made abroad and be deemed the lowest priced. Goods made in other GCC countries have a 5% price preference; but if the goods are not made in Kuwait then GCC goods have a 10% advantage. Local contractors for the performance of works do not enjoy any pricing advantage.

#### Bid Bonds

A bidder's offer must be irrevocable until the end of its period of validity which initially cannot be more than 90 days. An unconditional bank guarantee for the entire initial period of validity, issued in Arabic by a Kuwaiti bank, must be submitted with the bid. These bonds vary from 2% to 5% of the value of the bid. If a bidder is successful but refuses to sign the contract, the bond is forfeit. Bidders are often asked, towards the end of the initial period of validity, to extend their offers. If they wish to do so then the bid bond must also be extended.

#### Submission of Bids

Tender documents must be signed by the bidder and stamped with his seal. If a foreign firm submits a bid directly, rather than through its local agent, both its stamp and the agent's stamp must appear on every page. Proof of the signatory's capacity to bind the bidding firm is always required and this usually takes the form of a notarised power of attorney.

If the tender documents include a bid envelope, this must be used to submit the bid. The name of the bidder may not appear on the envelope, which must be sealed with wax.

Bids must be submitted to the tender committee at the place, date and time stated in the conditions. Where the CTC is administering the tender, bids must be submitted in the CTC's office in Sharq, which is done by placing the envelope in the box designated for that tender by a notice in Arabic (only). The closing time is usually 1:00 pm and the box is always sealed the very second time is up.

#### Evaluation & Award

Where the CTC is administering the tender, bidders may get a copy in Arabic of the list of bidders and their prices from the CTC's Sharq office, about a week or so after bidding closes, by showing a copy of the original receipt for the documents. But other tender committees do not normally provide such lists.

In most tenders a technical study, to ensure that bids comply with the required specifications, is usually carried out by the client body. During these studies, a bidder may be invited to answer queries orally or he may be sent a list of questions requiring a written reply.

Once technical studies are completed, a contract is awarded on the basis of price from among the bids that conform to the tender specifications. The administering committee notifies a successful bidder in writing, but the latter does not have any contractual rights until he has signed his contract with the client body. If the winner fails to sign the contract within a specified time of being invited to do so, he is deemed to have withdrawn.

Before signing the contract, a successful bidder must replace his initial guarantee with a final guarantee or performance bond from a Kuwaiti bank. This is typically 10% of the contract value and must be valid for the duration of the contract including a maintenance period. A contractor who fails to present this guarantee is deemed to have withdrawn.

## Performance

Public sector contracts always contain penalty clauses, and minor delays and faults in execution usually result in penalties being imposed.

Contractors for the performance of works normally receive an advance of 10% to cover costs of mobilisation. Stage payments on account of work-in-progress are also made. Most contracts allow the client body to retain 10% from work-in-progress payments until the end of the contract and to recoup the advance pro-rata from work-in-progress payments, so that during the maintenance period the client body is holding a retention of 10%.

Public sector contracts normally include a maintenance period of a year, during which the contractor is liable for any faults in the equipment or works. The period is covered by a retention, in the case of works, and the performance bond.

When a project of works is completed, the contractor usually receives a provisional completion certificate which is replaced by a final acceptance certificate at the end of the maintenance period. This final certificate releases him from further liability and enables him to claim his final payment. Before he can receive his final payment, a foreign contractor must obtain a tax clearance certificate.

## Central Tenders Committee

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The Central Tenders Committee (CTC) is a public authority in charge of organising and following the public tenders in Kuwait. Its mission is to:

- Receive tenders from the concerned public bodies
- Publish the tender in the Official Gazette with details and date of closure
- Receive the bids within the fixed deadline
- Transfer the bids to the concerned public body
- Announce the result of the tender
- Receive and review eventual complaints
- Transfer the complaints to the concerned body and collect the answers

Source: [www.ctc.gov.kw](http://www.ctc.gov.kw)

## Registration of foreign consultants

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### Definition

The Consultants Department, State of Kuwait, registers local and foreign consultants. The foreign consultants (consultants whom their country of origin is other than the state of Kuwait) can be registered as either engineering specialty consultants or non-engineering specialty consultants.

### Required documents

- A. A written letter, from the main branch, requesting registration in the Consultants Department as a foreign consultant and providing a brief summary about the consultant.
- B. Certificate submission:

- a. Engineering Consultants are required to submit a certificate of independency obtained and verified from an internationally recognized professional society/council of their country (<http://www.fidic.org>) duly attested by the Kuwait Embassy/Consulate accredited to the country of origin. This requires that the consultant should be independent from contracting, manufacturing, equipment sales etc. The certificate shall state that he is an independent consultant directly or indirectly not connected with contractors, manufacturers, or equipment suppliers.
- b. Non Engineering Consultants specialized in Project Management (PM), Administrative and Management Services/Fields etc., are required to submit a membership or affiliation with professional recognized society in the relevant fields of disciplines. This affiliation document should be notarized from the Kuwaiti Embassy.
- C. A valid license or work permit duly attested by the Kuwait Embassy/Consulate accredited to the country of origin.
- D. Undertaking Statement shall be signed and stamped by the consultant (refer to sub-item D/item IV)

#### **Online registration procedure**

- A. The Consultant fills out the information required on the main page of the website (Foreign Firm Basic Information), attaches the required documents which are mentioned above and creates a username and password.
- B. The Consultants Department will open the "Foreign Firm Basic Information", to ensure the completion of the required attachments and submission of required information. In the case of missing information, the consultants will be contacted to complete them sufficiently.
- C. After the Consultants Department is satisfied with the completion of the submitted documents, the consultant will be allowed to complete the second phase, which is supplying other detailed information about the firm and their professional and technical staff.
- D. The Consultants Department finishes reviewing and approving the submitted registration folder of the consultant; then the consultant will be contacted to pay the registration fees of three hundred (300) KD. With that payment completed, the Consultant will be registered in the Consultants Department as a Foreign Consultant.

#### **Comments**

- A. A program has been created online to simplify the registration process for consultants to review their registration and follow the procedure online via an account created by the consultant. If and when a file is modified, the Consultants Department shall be informed.
- B. The consulting firms will not be permitted to register if their license/certificate has an expiry date coming in four months' time.
- C. Active registered consultants are exempted from the following conditions:
  - 1. Item II: A & C.
  - 2. Item III: D

- D. The Undertaking Statement will be provided to the consultants by the Consultants Department after the completion of sub-items A and B of item III.

(Source: [www.cait.gov.kw](http://www.cait.gov.kw))

## Kuwait Society of Engineers

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Kuwait Society of Engineers (KSE) has been created in November 1962 as non-profit organisation. Its main objectives are:

- Defend and protect the rights and professional interests of the engineers
- Participate in the development of the country
- Organise the rules and regulations of the profession
- Establish relationship and cooperation between engineers from Kuwait and their colleagues in foreign countries

KSE has several committees organised by activity: civil, architects, mechanical, electrical, IT, marine, medical, chemical ...

Membership is not mandatory but engineers (Kuwaiti and foreigners) are encouraged to be members of KSE through the legal and social advantages offered by the society.

Source: [www.kse.org.kw](http://www.kse.org.kw)

## Partnership Technical Bureau

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The Government of Kuwait has embarked on an ambitious Public Private Partnership (PPP) program which promotes collaboration between the public and private sectors to develop quality infrastructure and services for Kuwaiti citizens. The Partnerships Technical Bureau (PTB) was established in 2008, and serves as the main body responsible for PPP projects implementation. PTB aims to utilize private sector skills and expertise to maximize value for money and service quality. PTB is currently in the process of initiating several high-impact projects in the power,

water/wastewater, education, health, transportation, communications, real estate, and solid waste management sectors.

### PTB's Objectives

- Increasing Kuwait's Gross Domestic Product and diversifying its sources
- Encouraging private sector participation in development projects
- Improving public sector service quality
- Promoting human development and creating job opportunities for Kuwaiti nationals
- Promoting scientific research and technological development

## PTB's Mandate

In collaboration and coordination with the public authorities, the PTB shall be responsible for the following:

- Conducting surveys and initial studies to identify potential development projects
- Developing PPP project concepts, conducting pre-feasibility studies, and selecting qualified PPP transaction advisors
- Studying projects and Unsolicited Proposals referred by the Higher Committee, evaluating economic and technical feasibility studies and providing recommendations on tendering projects
- Managing feasibility studies development and procurement process for PPP projects
- Preparing model contracts which set required terms and provisions for PPP projects
- Developing methods for project follow-up and performance evaluation
- Following up on project implementation and providing quality technical assistance to Public Entities throughout the project cycle
- Arranging final award to successful bidders and setting up joint stock companies
- Preparing and submitting an annual report on development projects to the High Committee for approval, to then be referred to the Cabinet by the Minister of Finance

Source: [www.ptb.org.kw](http://www.ptb.org.kw)

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## 4. How to approach the market?

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### A. Services (consultants & contractors):

In the public projects field, depending on the type and value of each project, the local authority may precise if the project is open to local (local tender) or international consultants or contractors (international tender). By definition, an international consultant or contractor is a company based outside Kuwait and having realised some projects outside its own country. In most situations, joint-venture between local and international consultant or contractor is requested. Local companies are in charge of general work as well as the administrative coverage, while international expertise is required for some specific matters in the project. All the mega projects in Kuwait are awarded to consortia between local and international companies. In this regards, it is highly recommended to establish a partnership with local company in order to explore the market and manage the eventual awarded projects.

In the private sector, projects are managed on tender basis but the choice is more open and free. The owner (promoter) of the project can decide whether he will charge a foreign or local consultant/contractor. In many cases the local company will sub-contract part of the project to a foreign or international company when needed. In any case, the foreign company needs to have a local sponsor to cover administratively its engineers and workers during the realisation of the project

### B. Goods:

Building and construction material and equipment are more limited. Any import of goods to Kuwait should be done by a local company having licence as trading company. The customer can import the goods if he is registered as trading company (which is the case in most of the situations), otherwise he should do it through a local agent/importer. Once again, a partnership with a local agent/distributor is the easiest way to penetrate the Kuwaiti market, both on legal and commercial sides.

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## 5. Main contacts and sources

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**Ministry of Public Works Ministry of Public Works Building**

Tel: +965 25385530

Fax: +965 25380829

E-mail: [pr@mpw.gov.kw](mailto:pr@mpw.gov.kw)

Website: [www.mpw.gov.kw](http://www.mpw.gov.kw)

**Ministry of Electricity and Water**

Tel: +965 25371000

Fax: +965 25371420/ 25371421/ 25371422

Website: <http://www.mew.gov.kw/en/>

**Kuwait Investment Authority**

Tel: +965 22485600

Fax: +965 22454059

Website: [www.kia.gov.kw](http://www.kia.gov.kw)

**Kuwait Chamber of Commerce & Industry**

Tel: +965 2433854/5

Fax: +965 22404110/ 22460693

E-mail: [kcci@kuwait-chamber.com.kw](mailto:kcci@kuwait-chamber.com.kw)

Website: [www.kuwaitchamber.org.kw](http://www.kuwaitchamber.org.kw)

**Kuwait National Offset Company**

Tel: +965 22219200

Fax : +965 22492904

Email: [info@kuwaitnoc.com](mailto:info@kuwaitnoc.com)

Website: [www.kuwaitnoc.com](http://www.kuwaitnoc.com)

**Kuwait Port Authority**

Tel: +965 24812622/ 24812712

Fax: +965 24819714

Website: [www.kpa.gov.kw](http://www.kpa.gov.kw)

**Directorate General of Civil Aviation**

Tel: +965 24319829

Fax: +965 24744396

Website: [www.dgca.gov.kw](http://www.dgca.gov.kw)

**Kuwait Environment Public Authority**

P.O. Box 243950 Safat 13104 Kuwait

Tel: +965 24839971

Website: [www.epa.org.kw](http://www.epa.org.kw)

**Supreme Council for Planning & Development**

Tel: + 965 22428200

Fax: +965 22427588

Website: [www.scpd.gov.kw](http://www.scpd.gov.kw)

**Public Authority for Housing Welfare**

Tel: + 965 25301000

Fax: +965 25387464

Website: [www.housing.gov.kw](http://www.housing.gov.kw)

**Partnership Technical Bureau**

Tel: +965 24965900

Fax: +965 24965902

Website: [www.ptb.gov.kw](http://www.ptb.gov.kw)

**Kuwait Society of Engineers**

Tel: +965 22445588

Fax: +965 22448977

Website: [www.kse.org.kw](http://www.kse.org.kw)

**Central tenders Committee**

Tel: +965 22910000

Website: [www.ctc.gov.kw](http://www.ctc.gov.kw)

**Websites**

[www.constructarabia.com](http://www.constructarabia.com)

[www.constructionweekonline.com](http://www.constructionweekonline.com)

[www.meed.com](http://www.meed.com)

[www.zawya.com](http://www.zawya.com)

[www.bigprojectme.com](http://www.bigprojectme.com)

[www.metenders.com](http://www.metenders.com)

[www.kuwaittenders.com](http://www.kuwaittenders.com)

[www.cait.gov.kw](http://www.cait.gov.kw)

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