

KUWAIT

An investment perspective

Private investment the key to economic diversification

['06]
BUSINESS
OPPORTUNITIES

Against a background of soaring economic expansion and rapid population growth, Kuwait's infrastructure and oil sectors are attracting unprecedented levels of private investment.

Fueled by record oil prices and low inflation, GDP grew by more than 6.5% in 2005, and is set to further increase this year. At the same time, the country's overall population is increasing by 8%. In response, Kuwait is laying the foundations for economic diversification, to enable it to compete successfully in the coming decades. Most real estate projects currently under development are focused on building commercial office space, hotels, and housing.

Analysts say that over the next five years more than \$8 billion of private money will pour into the construction industry.

As part of this infrastructure drive, the ministry of public works has announced that it is to undertake 500 large-scale projects, from highways to hospitals, sports facilities, and public housing worth \$3 billion within the next few years, says Ministry of Public Works undersecretary Abdulaziz Al-Kulaib.

The government also intends to coordinate several build-operate-transfer (BOT) projects, such as Failaka and Bubiyan islands, as well as the Sabbiya Bridge, which will be worth more than \$40 billion.

Kuwait is seeking bids for the first phase of a container port on Bubiyan Island at a cost of \$2bn, according to the minister. The project is part of a plan to develop Bubiyan into a free zone, storage area, oil depot and recreational area. The port will have a capacity of around 1m TEU. The multi-billion-dollar development of Failaka Island into a major tourist attract is yet another mega project. Several companies have been pre-qualified for the project to be carried out on BOT basis. The Sabbiya Bridge project is still in the bidding stages and is expected to take several years to complete.

"The amount of projects to be carried out by the ministry at the current time and in the foreseeable future is considered the biggest ever in Kuwait's history in terms of value and number," says Mr. Al Kulaib.

[page 3] ACICO

[page 4] PALMS BEACH

[page 5] WATANIYA

[page 6] IFA HR

To promote cooperation between the public and private sectors in infrastructure, the government has put forward draft legislation to the Kuwaiti Parliament outlining operating procedures for BOT and public-private-partnerships (PPP).

"The government has come to finally understand the role of BOT systems in developmental aspects and the law will liaise between the two sectors to produce the best possible outcome", he said, adding the govern-



Mr Al-kulaib
Undersecretary, Ministry of Public Works

“The amount of projects to be carried out by the ministry at the current time and in the foreseeable future is considered the biggest ever in Kuwait's history in terms of value and number”

says Mr. Al-Kulaib

ment's main objective was to further strengthen the performance of the private sector. "This law will also include guidelines to foreign investors," adds the under-secretary.

Kuwait has a long history of BOT projects dating back to the 1970s, and the system played a key part in the reconstruction underway since the Iraqi invasion of 1990. But the government says that there is now a pressing need to further expand the participation

of the private sector in development and infrastructure projects such as roads and ports. "Economic restructuring and the end of public sector dominance will occur by increasing local and foreign investments in the services and products sectors, argues Mr. Al Kulaib.

New fund will boost private investment in oil industry

Kuwait's oil sector is also increasingly opening up to the private sector, as evidenced by the creation last year of a \$170 million energy fund by Markaz, the country's leading asset management and investment banking company. Markaz' decision reflects the regional government's efforts to allow private sector participation in the energy sector in order to reduce the fiscal burden on the regional governments, create job opportunities for nationals in the private sector, and enhance the efficiency of project execution.

The fund will invest in the shares of companies operating in the energy sector of the GCC and neighboring countries, which may arise in light of the sector's growth potential.

"We believe that over the next decade, oil and gas will be the most attractive sectors for private investors," explains Manaf Alhajeri, General Manager at Markaz. "The sheer size of the changes underway in the sector will require the participation of the private sector," he adds.

Mr. Alhajeri says that the fund will predominantly invest in unlisted companies that require capital for growth. The fund will target companies that have a sound operation but require the capital to acquire equipment and technology to execute their growth strategies. Many of these companies in the region still depend on bank loans; and this will allow the fund to offer these companies a stable alternative source of funding.

"The sector is not yet saturated and promises excellent growth, adds Mr. Alhajeri, highlighting the decision to privatize Al-Qurain Petrochemicals, as well as the Al-Oula and Al-Sour retail gasoline stations.

"The region will require service companies that are properly equipped and properly capitalized in order to deliver their projects. We will be targeting these companies and investing in them. Mainly it will be expansion

capital, which will be used to expand their businesses to buy equipment or acquire other companies to expand their businesses across the Middle East," he explains.

Private investment in the oil sector has been hampered by the lack of financial instruments. Until the last couple of years few companies in the energy sector were listed on the stock exchanges of the Gulf region because they lacked access to the capital needed for their growth. But the situation is changing fast. "The main change in recent years is the surge in liquidity in the capital market. Without this surge I don't think we would have been able to serve a highly capital-intensive sector like oil and gas at all," says Mr. Alhajeri. "We serve it by making both capital and debt available in a very efficient manner. We started by recruiting a highly specialized team that came from the energy sector. Not only do we have a thorough financial understanding, we also have a good operational understanding of these



Mr Manaf al Hajeri's,
General Manager of Markaz

companies. Markaz will be able to provide these companies a new class of financing more adapted

to their operational and expansion challenges, whereas in a conventional market and with other institutions that would be a bit difficult. We also have the ability to advise them on expansion and give them the financial resources, but also make their expansion strategy possible because of our knowledge of markets outside their home turf," he explains.

Kuwait offers tremendous potential for foreign investment over the next four years. It has excellent international credit ratings, enjoys one of the highest GDP surpluses in the world, its demographics are exceptional, and a significant chunk of the economy is still in the hands of the government, offering significant opportunities as its key sectors are opened up to private capital. ■

ACICO: Building solutions

SET UP IN 1990, ACICO has now built up a leading share of the regional construction market thanks to its use of ground-breaking building techniques, backed by a can-do, solutions-oriented approach that offers customers a full range of integrated services.

"We specialize in building with acrated concrete load bearing system," explains Ghassan Ahmed Al-Khaled, the company's chairman and managing director.

"Our fully integrated approach means we are both fast - which keeps costs down - and able to deal with every detail."

The company has the exclusive license from Germany's Hebel International, the leading company in the global aerated concrete industry, to use its process in Kuwait. ACICO manufactures heat insulated aerated concrete blocks, slabs and lintels of all types and sizes with state-of-the-art global technologies and the latest in German technological innovations.

As domestic and regional demand for aerated concrete products has increased and the company's business grows, ACICO is building new plants .

"We are also interested in acquiring companies in the same sector, or partnering with them," explains Mr. Al-Khaled. A leading company on the Kuwait Stock Exchange, Mr Al-Khaled says that the company wants to increase shareholder value, and sees diversification into the real estate sector as one of the best ways toward that goal.

Dubai expansion

ACICO's real estate subsidiary, ACICO Real Estate Development, is also the owner of two new luxury hotels to be opened in Dubai by Japanese group, Nikko Hotels International: the Nikko Fujairah Resort & Spa will open in December 2006, and the Hotel Nikko Tower Dubai in 2008.

Nikko Fujairah Resort & Spa is being constructed in Fujairah. The 262-room

five-star resort hotel is designed to be the best diving resort in the Arab world.

The 487-room, 57-story Hotel Nikko Tower Dubai is being built in a premium location near the Dubai world trade center and international convention center, only 15 minutes by car from the Dubai International airport along with a multi use tower that consists of apartments and offices.

Beach resorts, such as those in Kuwait and UAE, exemplify the elegance and grandeur of the Hebel system of autoclaved aerated concrete construction, delivering the structural stability of standard concrete and a host of other advantages.



Mr Ghassan Ahmed Al-Khaled, ACICO's chairman and managing director

“Our fully integrated approach means we are both fast - which keeps costs down - and able to deal with every detail.”

says Mr. Ghassan Ahmed Al-Khaled



MORE THAN A HOTEL

FOR BUSINESS OR FOR PLEASURE...

MEMORIES AT THE PALMS WILL BE A TREASURE...



Palms Beach Hotel & Spa: the perfect getaway



Ghosson Al-Khaled
Managing Director
Palms Beach Hotel and Spa

Overlooking a spectacular swathe of Kuwait City beachfront, Palms Beach Hotel & Spa has established a reputation as the perfect getaway location: close enough to the major shopping district of Kuwait, but a stone's throw from the soft, golden sands of the Gulf and its crystalline azure waters.

Each of its 128 luxurious suites - with spectacular views across the sea and the beautifully laid-out gardens - is exquisitely furnished and equipped for leisure and business travelers.

The hotel is also the perfect location for business boardroom meetings, conferences, product launches and seminars, and has become the venue of choice for weddings, private functions and exhibitions in Kuwait. ■



Wataniya, giving new meaning to www.

Reflecting its commitment to meeting the growing needs of Kuwait's business community, in March 2006, Wataniya Telecom introduced three state-of-the-art mobile telecommunications services: W-Net; W-Connect; and W-Mail. The first such offer in the Gulf, this www package will give Wataniya's business customers full mobility and communication efficiency at the highest level.

"We're rolling out the red carpet for our customers across Kuwait by setting new standards for mobile services," says Harri Koponen, Wataniya Telecom's CEO and general manager. "Our customers today are empowered with the best network quality, 100% coverage across Kuwait, and a guarantee of the best mobile experience. We're provisioning next generation services, and putting a more powerful SIM in our customers' hands, as well as a more powerful network in place to serve them is the first step in that direction."

Wataniya's philosophy is simple but effective: provide the right services to the client via a wide range of cutting-edge wireless voice and data services, through high-quality delivery. As Mr. Koponen explains, this means being one step ahead of the game; giving both business and private customers the latest

technology combined with faultless service. Mr. Koponen's vision is clear: "we intend to remain the leader in the regional telecommunications business."

Local brand with international recognition

Most mobile operators, especially in the Middle East, have focused mainly on consumer customers, leaving business users to fend for themselves. Wataniya saw this gap and has worked hard to develop services tailored specifically for the business community.

With operations in Kuwait, Iraq, Tunisia and Algeria, Wataniya Telecom is actively expanding its presence within the MENA (Middle East North Africa) region, and now serves more than two million customers.

Wataniya, continually growing

"Wataniya Telecom has upgraded its network significantly in the course of 2005, building one of the world's most advanced and capable mobile networks, and the most technologically advanced in the Middle East. We have launched a series of new products and services this year, consistent with our core strategy of offering customers the services that matter to them. One of these products is the W-Net package, which we feel will be a facilitator for enterprise mobility in Kuwait," says Mr. Koponen. ■



**Mr Harri Koponen
CEO & General
Manager
Wataniya Telecom**



NOW IT'S OKAY TO BE OUT OF THE OFFICE.

We at Wataniya think that your work should follow you and not vice versa.

So, stay on the move and be productive, wherever, whenever. To hear more about

Wataniya's new Tools for Business, call 121, visit a Wataniya branch or log on to wataniya.com

Tools for Business



The Red Carpet Co.

IFA's HR global network sets new standards in hotel luxury

From the Jumeirah Palm, a fabulous manmade island off Dubai, to the super-premium Sheraton Algarve Hotel in Portugal, the stunning Zimbali Coastal Resort in South Africa, or the exotic Zanzibar Beach Hotel on the Indian Ocean spice island, in just four years, IFA Hotels & Resorts has established itself as the world's leading developer of integrated and mixed-use hotel and tourism resort projects.

They've created resorts in the Middle East, South Africa and Europe, with plans on entering the US, Mauritius and the Far East.

"The key element in our operations is the forging of international strategic alliances. We bring our expertise, but we always need a strong local partner with knowledge of the area," says chairman and managing director Talal Al Bahar.

"Our philosophy is to look at all tourism-related services that have a real estate or a membership element to them," explains Mr. Talal Al-Bahar. "We like the vacation ownership concept which we develop into a mixed used tourism service, we like working with brands: Sheraton, Movenpick, Kempinski, Fairmont, Four Seasons... we don't manage the properties, we develop them and we hand them over to those who know best."

Three concepts

Aside from its upscale resorts activities, IFA HR recently acquired Yotels, a new type of airport hotel inspired by Japanese capsule hotels, inaugurated at Heathrow and Gatwick airports, with more planned for the British capital next year.

Add to this IFA's HR yacht ownership club, and it is easy to see why the company has become a world leader. "One is real estate based, one is lifestyle based, and the third is a mixed-use development concept. We look at how the tourist trends move and adapt fast, while being a step ahead of the game as we enter niche markets."

"We understand the business of developing and investing in mixed use development worldwide, which we pioneered 15 years ago," explains Mr. Talal Al-Bahar. "Our main objective is to offer 5-star tourism products for affordable prices, our main target being to provide luxury tourism wherever we go.

The kind of high profile projects the company has become known for reflect the prestige of IFA Hotels & Resorts' largest investor, Kuwaiti investment powerhouse, International Financial Advisors (IFA). IFA HR has a long history of success in providing borrowing and lending services, offering financial advice, trading securities, and managing investment portfolios. Since taking up his post in 2002, Mr. Talal Al-Bahar has expanded the company's activities, particularly increasing its focus on property investments and hotel and resort developments.

Listed on the Kuwait and Johannesburg stock exchanges, with plans to join the London and New York bourses by the end of the decade, IFA HR is well-positioned to continue its global expansion. Mr. Talal Al-Bahar believes IFA HR is building upon Kuwait's entrepreneurial tradition. "The people of Kuwait have always been pioneers. They had the vision and courage to go and seek worldwide opportunities without navigation charts. Today it is the investors' and bankers' turn to explore the world for business openings." ■



Mr. Talal Jassim M. Al-Bahar, Chairman & Managing Director of IFA Hotels & Resorts

The World Collection



Kuwait • United Arab Emirates • Lebanon • United Kingdom
Portugal • South Africa • Kenya • Tanzania

IFA Hotels & Resorts specialises in the development of resorts and hotels throughout Europe, the Middle East and Africa. IFA Hotels & Resorts is known for its luxury properties and professional management capabilities, offering you the investment and lifestyle of choice from their World Collection.



Dubai Tel: +971 4 391 2522 • Kuwait Tel: +965 249 0218 • E-mail: info@ifahotelsresorts.com
www.ifahotelsresorts.com