

Kuwait PPP 10 years on

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It is 10 years since Kuwait launched its PPP programme, which to date has delivered just one project, leading many to question whether procurement agency Kuwait Authority for Partnership Projects (KAPP) will ever deliver most of its pipeline. With two projects now set for re-tender and a seeming lack of progress on others, market participants appear to be losing patience.

Despite GCC governments talking up private investment in infrastructure in recent years, with public finances strained by depressed oil prices, there has been little real enthusiasm for project financing outside of the IWPPs, IWPs and IPPs they have been undertaking for decades. PPPs for transport or social infrastructure assets are still almost unheard of.

Kuwait is the one country which has long committed to developing PPPs, but its track record is woeful. Despite a long list of projects, it has only closed one project under its PPP programme, and that was in fact a conventional power and desalination project, Az Zour North, which was financed in 2013.

“Kuwait needs to get its act together,” one developer commented. “The rest of the GCC has a demonstrable track record.”

It needs to “demonstrate that there will be light at the end of the tunnel”, the source continued. “We will bid if we are convinced that we are welcome and if there is certainty in the procurement process.”

On paper at least, Kuwait plans to spend around \$15.6 billion on infrastructure projects in 2017-18 alone. Its pipeline of PPP projects include waste-to-energy, wastewater, integrated solar and combined-cycle power, schools, and housing.

The country began procuring under the PPP model with the establishment of the Partnerships Technical Bureau in 2008. But with only Az Zour North completed, the country rebooted its PPP programme in 2014, restructuring PTB as KAPP, passing a new PPP law, and relaunching its pipeline of projects.

KAPP chose preferred bidders for both the Kabd waste-to-energy and Umm Al Hayman (UAH) waste water treatment PPPs towards the end of 2017 – but PB letters have not been received for either project, according to sources.

Kabd and UAH are rumoured to be up for re-tendering in 2018, according to sources, and Kuwait’s government has previously said it will re-tender Az Zour North 2 and Al Abdaliyah integrated solar combined-cycle power development.

The projects could be re-tendered using the existing PPP law, sources said. But it begs the question of whether previous bidders and new market participants will have the appetite to take part.

KAPP may struggle to get as many competitive bids as it would like given the repeated attempts to procure a number of the projects. Tenders for both UAH and Kabd were issued in April 2012 and March 2014, respectively, with fresh attempts launched in 2015 as a result of the KAPP/PTB restructure.

UAH and KABD eventually received just two and three bids at RFP stage, respectively. With market appetite already

looking cautious, responses to new tender might be underwhelming.

“If it’s correct that they go out and re-tender both Kabd and UAH, I think the number of bidders they will get for these deals will reduce dramatically,” a source commented. Bidding can be costly in terms of time and resources, and with multiple starts on a number of its PPP projects, KAPP will need to present a compelling rationale as to why they are starting from scratch.

But some are bullish on Kuwaiti PPP for the medium-term. With only the Az Zour North 1 project closed so far, one developer points out that the country still has plenty of demand for infrastructure

“We are assuming that they’ll sort out their process,” one commented. “I can only hope they learn from experience.”

[Kabd waste-to-energy PPP](#)

A consortium of Constructions Industrielles de la Mediterranee, Gulf Investment Corporation, and Al Mulla Group was selected preferred bidder in August 2017, almost a year after the September 2016 bid submission. But no preferred bidder letter has been received and the project has not proceeded since PB selection, sources have said.

Kuwait’s State Audit Bureau also rejected approval of the project at the end of January 2018, according to local reports.

The Kabd project involves the DBFOM of a 3,275 tonnes per day waste-to-energy project 35km from Kuwait City. The plant will process around half of Kuwait Municipality’s waste.

Kuwait’s Ministry of Electricity and Water will be the sole offtaker under a 25-year PPA. Design and construction is expected to take 44 months (around three and a half years).

KAPP is being advised by:

- PWC – financial
- Ashurst – legal
- Fichtner – technical

[Umm Al Hayman wastewater PPP](#)

German firm WTE Wassertechnik in consortium with International Financial Advisors was awarded preferred bidder status in December 2017 over a year after bids were submitted. But – similar to Kabd – the project has not progressed since then.

WTE will DBFOM the UAH wastewater project under a 25-year contract awarded by KAPP. Hayman is planned to have an initial capacity of 500,000 cubic metres per day, with the option to expand that by a further 200,000 m3 per day.

KAPP is being advised by:

- HSBC – financial
- Norton Rose Fulbright – legal
- Fichtner – technical

[Az Zour North 2 IWPP](#)

The long-delayed 1,500MW Az Zour North 2 IWPP was [cancelled](#) prior to bidder award, *IJGlobal* revealed in August 2017. At the time the country’s Higher Committee decided it should be re-tendered in tandem with the third phase of the project.

Phase two was shelved due to technical and legal deviation. AZN 2 and the 1,800MW AZN 3 – the latter of which had been planned for tender in H1 2018 – will be merged into a single project by a joint team formed between KAPP and the

Ministry of Electricity.

KAPPs advisers on AZN 2 were:

- Covington & Burling – legal
- BNP Paribas – financial
- Lahmeyer – technical

[AZN 1](#) – Kuwait’s only PPP project to reach financial close – is expected to [IPO a 50% stake](#) later in 2018.

[Al Abdaliyah ISCC](#)

KAPP told bidders in March 2017 that it plans to [re-tender](#) the 280MW Al Abdaliyah integrated solar combined cycle project. Would-be sponsors are still waiting for the tender’s relaunch.

KAPP’s previous attempt to tender Abdaliyah saw an RFP issued in November 2015 and repeat bid deadline extensions before its eventual cancellation. The project was shelved because it had not been tendered under the current PPP legislation.

Abdaliyah is planned to consist of 220MW of gas-fired and 60MW of solar capacity.

KAPP was being advised on Abdaliyah by:

- HSBC – financial

[Al Khairan IWPP](#)

Market participants expected an RFP for the 1,800MW Al Khairan IWPP to be issued shortly before a PB announcement for AZN2. With that project now awaiting re-tender, it’s unclear when the Al Khairan RFP will go to market.

The project is planned to have capacity to produce 125 million imperial gallons per day.

KAPPs advisers on Al Khairan are:

- Covington & Burling – legal
- BNP Paribas – financial
- Lahmeyer – technical

[Kuwait Schools Development PPP](#)

The Kuwait Schools PPP is progressing steadily, according to a source involved with the procurement. Bids were received from two of the three prequalified bidders and are now being evaluated by the State Audit Bureau and the Higher Committee.

Kuwait’s schools programme includes the DBFOM and transfer of nine schools including five kindergartens, three elementary, one middle school, and one 10-lane Olympic-size swimming pool.

The projects will be located in the Al Asema, Al Ahmadi, Hawali, and Mubarak Al Kabeer districts of Kuwait City on state-owned properties. The 25-year concession begins after three years allotted for design and construction.

Kuwait’s Ministry of Education will be responsible for managing the schools’ administration and educational curricula, and for appointing staff. The sponsor will receive a monthly availability payment from the MoE.

KAPP is being advised by:

- Eversheds – legal

- PWC – financial
- Mott Macdonald – technical

[South Al Jahara Labour City housing PPP](#)

The South Al Jahara Labour City PPP includes DBFOM and transfer of a 1,015,000m² “labour city” which will provide adequate and affordable housing for 20,000 male, bachelor labourers.

The project will include residential areas, commercial services, community services, and municipal and utilities services. A sponsor will operate the project under a 40-year contract including three years for construction.

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