MEED

Middle East business intelligence

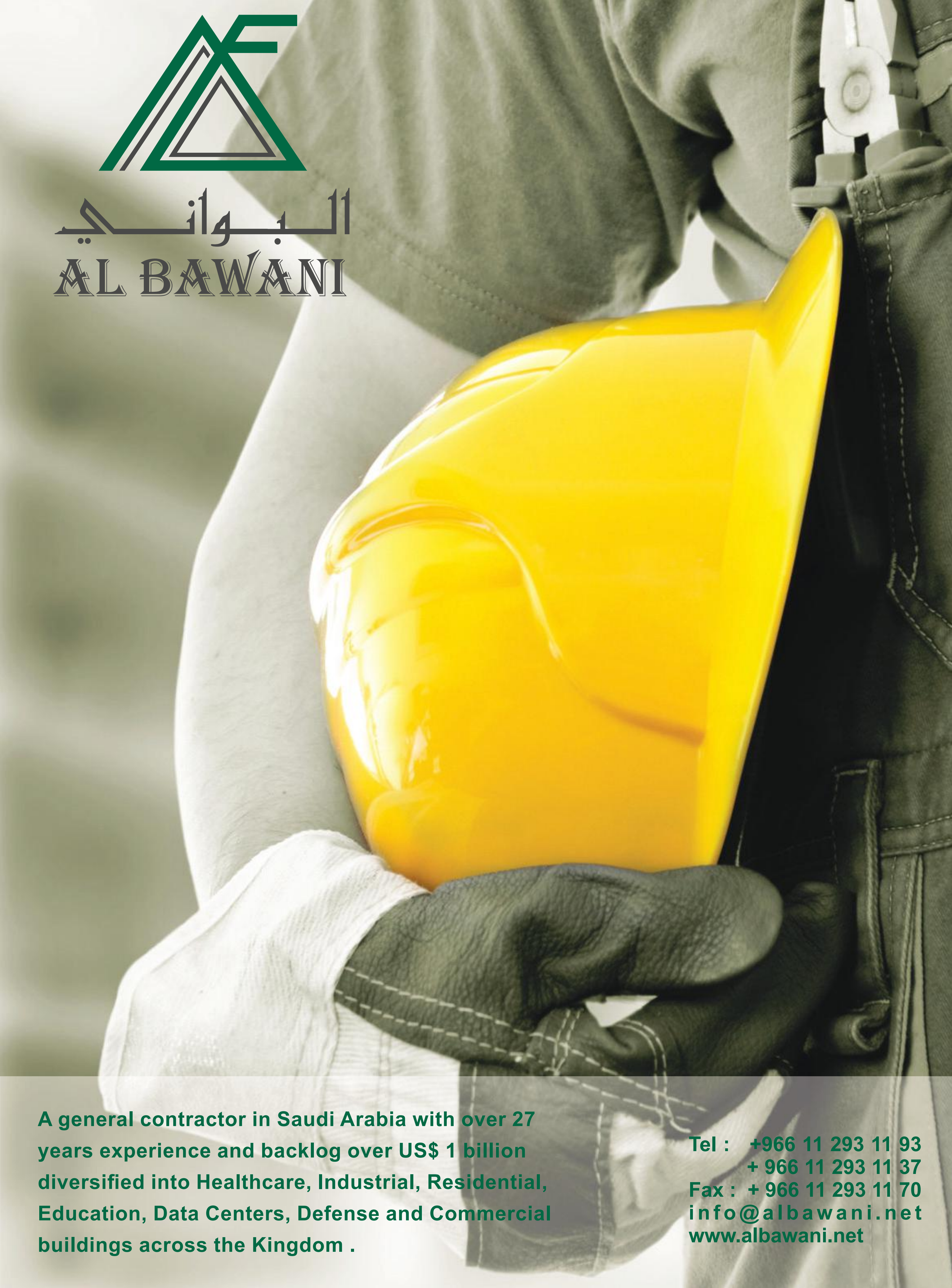
www.meed.com

Yearbook 2016

Low oil prices and spending cuts reshape the economic landscape

Sponsored by

SULB COMPANY شركة صلب


البواني
AL BAWANI
A general contractor in Saudi Arabia with over 27 years experience and backlog over US$ 1 billion diversified into Healthcare, Industrial, Residential, Education, Data Centers, Defense and Commercial buildings across the Kingdom .
Tel : +966 11 293 11 93
+ 966 11 293 11 37
Fax : + 966 11 293 11 70
info@albawani.net
www.albawani.net


Apology / اعتذار


DOOSAN
In power and water,
Doosan brings it all together
At Doosan, we are building a better life around the globe with some of the worlds largest and most-innovative power and desalination plants. Backed by a global network and decades of global experience spanning the fields of plant engineering, equipment manufacturing, construction, and operation and maintenance, we have the proven expertise and technologies to create optimal solutions for power or water projects of all sizes. We look forward to talking with you about yours soon.
Integrated solutions for a better life
Sohar Power & Water Plant in Oman
www.doosanheavy.com

Adjusting to the region's new reality

Richard Thompson

"Changes will come as part of a huge rebalancing of the regional economy"

The past 12 months have seen significant and fundamental change in the regional economic landscape.

Oil prices, which were already significantly down on the levels seen over the previous three years at the start of 2015, continued to fall throughout the year, casting dark clouds over the economic outlook. In January, the accession of King Salman bin Abdulaziz al-Saud to the throne in Saudi Arabia launched sweeping changes across the top levels of leadership in the kingdom. And violence in Syria, Libya and Yemen continued spreading unrest across the region.

But 2015 also saw the re-emergence of two giant markets in Egypt and Iran, as Cairo rolled out an ambitious economic development plan and Iran reached an agreement with international powers over its nuclear programme and the lifting of economic sanctions.

These huge changes have shaped the past 12 months and, as we embark on a new year, the full ramifications of the region's Year of Change are still being felt.

In the coming year, governments across the region will respond to the impact of low oil prices by fundamentally readjusting their fiscal policies to cut spending, raise taxes and increase borrowing. In addition, growing concerns about regional instability and unrest will see their focus continue to shift towards security measures.

These changes will come as part of a huge rebalancing of the regional economy that will see liquidity tighten and a hardening in market conditions; 2016 is set to be a tough year.

But it is not all doom and gloom. There are many bright spots for business across the region that will continue to provide opportunities for investment.

Saudi Arabia, the region's biggest economy and most exciting market, has committed to maintaining spending to continue its essential job creation and diversification drive. Direct government spending in the kingdom will be at lower levels than over the past few years and Riyadh will seek to raise its borrowing to finance its programmes. Meanwhile, Kuwait and Qatar will also continue to invest; Dubai will continue its drive towards Expo 2020 and beyond; and Doha will continue building towards football's Fifa World Cup in 2022.

We can also expect to see an acceleration of initiatives to tap private investment through new and alternative models for the financing and delivery of public services and projects. Various forms of the public-private partnership model will be developed in the coming months and years. In parallel, new legislation will seek to stimulate company creation and equity investment in the region's stock markets.

And, despite significant hurdles that are still to be overcome, Egypt and Iran will steadily expand and open up to foreign investment and international business as the respective governments in Cairo and Tehran get to grips with the structural reform measures required to create confidence and stability.

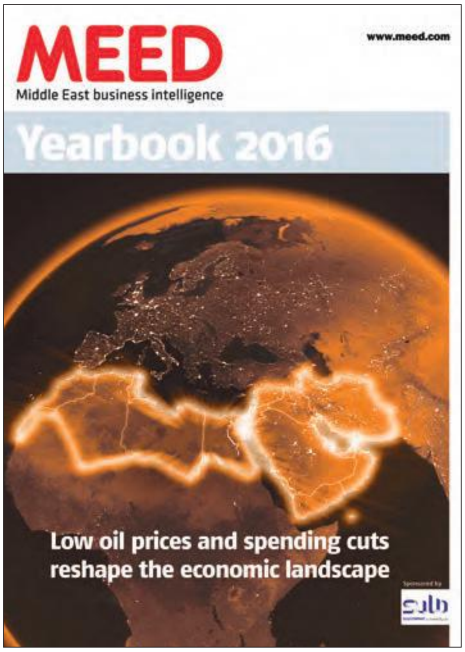
The year ahead promises to be tough for governments and business alike, and it is certain to see consolidation, downsizing and cutbacks across the region. By the end of the year, however, the regional market will have adjusted to a new reality. The outlook will turn more positive than today, and both public and private sector organisations will be in better, leaner condition and well set for the next phase of this region's incredible growth story.

RICHARD THOMPSON
EDITORIAL DIRECTOR

MEED

Middle East business intelligence

Yearbook 2016



Yearbook 2016

MEED HEAD OFFICE

Al-Thuraya Tower 1, 20th Floor, Office 2004,
Dubai Media City, PO Box 25960, Dubai, UAE
Tel +971 (0)4 818 0200/0300
Fax +971 (0)4 368 8025
Email: firstname.surname@meed.com

EDITORIAL

Editorial Director
Richard Thompson +971 (0)4 818 0256
richard.thompson@

Head of Content Development
Robert Jones +971 (0)4 818 0257
robert.jones@

News Editor
Colin Foreman +971 (0)4 818 0238
colin.foreman@

Editor (MEED magazine)
Elizabeth Bains +971 (0)4 818 0240
elizabeth.bains@

Power & Water Editor
Andrew Roscoe +971 (0)4 818 0237
andrew.roscoe@

Infrastructure Editor
Sarmad Khan +971 (0)4 818 0236
sarmad.khan@

Reporter
Philippa Wilkinson +971 (0)4 818 0368
philippa.wilkinson@

Construction Reporter
Hossam Abougabal +971 (0)4 818 0250
hossam.abougabal@

Oil & Gas Editor
Mark Watts +971 (0)4 818 0248
mark.watts@

Energy & Industry Reporter
William Crisp +971 (0)4 818 0242
William.Crisp@

Transport & Technologies Editor
Jennifer M Aguinaldo +971 (0)4 818 0243
Jennifer.aguinaldo@

Tenders Writer
Jane Bishop +44 (0)20 7728 4830
jane.bishop@

Production Editor
Ken Campbell +971 (0)4 818 0245
ken.campbell@

Sub Editor
Sneha Abraham +971 (0)4 818 0259
sneha.abraham@

Supplements Editor
Austyn Allison +971 (0)4 818 0241
austyn.allison@

Digital Support Executive
Lara Golden +971 (0)4 818 0247
lara.golden@

Contributors
James Gavin, Nancy El Khoury,
Marianne Makdisi, Paul Melly,
Chadi Naccour, Rona Selman

ADVERTISEMENT SALES

Sales Support and Europe Enquiries
Monica D'Souza +971 (0)4 818 0334
monica.dsouza@

Saudi Arabia Enquiries
Islam A Kareem +966 (0)1 479 7692/
+966 (0)54 772 1600
islam.hafez@

MEED INSIGHT

Head of MEED Insight
Sari Razzak +971 (0)4 818 0258
sari.razzak@

MEED PROJECTS

Director of Content & Analysis
Ed James +971 (0)4 818 0200
edward.james@

Commercial Director
Greg Turner +971 (0)4 818 0361
greg.turner@

ASCENTIAL HEAD OFFICE

The Prow, 1 Wilder Walk,
London W1B 5AP, UK
Tel +44 (0)20 7715 6000

For a full list of reader services, editorial and advertising contacts visit www.meed.com

Member of the Audit Bureau of Circulation

An EMAP Service – powered by ASCENTIAL
Printed by Headley Brothers Ltd, UK
Registered as a newspaper with the Post Office
ISSN 0047-7238

Cover Illustration: Pravin Bajaj

"Iran is a risky, difficult market for investment but you can't compare it to other frontier markets, which are underdeveloped"

Ali Mashayekhi, Turquoise Partners, Iran page 18

"There are quite a lot of IPOs in [Saudi Arabia's] pipeline and it is not as sensitive to oil and global markets as the others"

Steven Drake, PwC, Capital Markets page 24

"As oil revenues and deposits shrink, liquidity gets tighter and the lending environment will become more discriminating"

Khalid Howladar, Moody's, Banking & Finance page 28

OUTLOOK FOR 2016

Forecasts for the region over the next year

COMMENTARY

SECTOR ANALYSIS

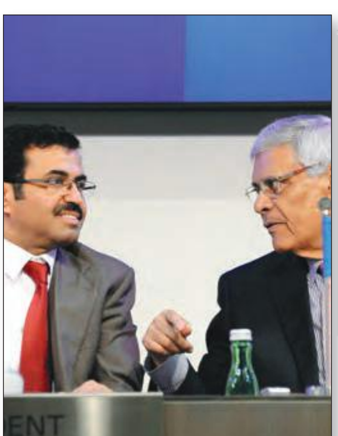
THE YEAR IN REVIEW

Highlights from MEED over the past 12 months

NEWS

AGENDA

MEED
Middle East business intelligence



Cover Illustration: Shutterstock

"2016 will be a very cautious year, but I expect there will be major contract awards around the second and third quarters"
Harj Dhaliwal, Parsons, Transport page 50

"[The oil price slump] gives us all the opportunity to ... acknowledge that we need to change the way we operate"
Samir Brikho, Amec Foster Wheeler, Interview page 96

"The way to get the cost down is to focus on every element ... and keep margins at a reasonable level"
Paddy Padmanathan, Acwa Power, Interview page 100

DATA FILE 2016

Essential data on the region's economy

Global Infrastructure & Capital Projects

Integrated solutions across the lifecycle

Major Infrastructure & Capital Projects create a path beyond tomorrow, with breakthrough investments that can transform countries, cities and companies alike. They can require billions in funding and years to complete, and are among the most complex challenges any organization can undertake. They require an advisor with expansive services, global reach, and a sophisticated view of the entire lifecycle.

http://www2.deloitte.com/sa/en/pages/finance/solutions/infrastructure-capital-projects.html

http://www2.deloitte.com/xe/en/pages/real-estate/topics/construction.html

Deloitte.

Business leaders braced for tough year

Low oil prices and regional unrest force governments to rethink spending plans

RICHARD THOMPSON

As 2015 closed, it was difficult to find much optimism among regional business leaders about the outlook for 2016, with most bracing for a tough year ahead.

With oil prices hitting seven-year lows in December 2015, and finance ministers across the region putting the finishing touches to their 2016 budgets, it is clear that the most significant change to be expected in the year ahead is a tightening of fiscal belts as governments cut back on capital spending in order to balance the books.

The ramifications were already becoming apparent in the second half of 2015, with a clear slowdown in major project contract awards as well as a raft of reports about schemes being shelved or scaled back. And, as the year slowed to a close, news started to emerge about cash flow problems across the regional construction industry as a result of delayed payments by clients.

Supply glut

But it is not only the slowdown in government spending that is casting a shadow over the regional economic outlook. The slowdown in growth across the emerging markets that has been a key factor behind low oil prices has also led to a slump in demand for raw materials, triggering a supply glut in key materials.

After years of heavy investment in expanding production capacity in steel and aluminium, the region's metals producers now find themselves swamped by a flood of low-cost materials that are undercutting their prices and stifling demand.

"We will see some companies going out of business," said Emirates Steel CEO Saeed al-Romaithi, speaking in Dubai on 15 December at the Middle East Iron & Steel Conference, organised by the UK-based Metal Bulletin.

Al-Romaithi was joined by regional manufacturers in calling for greater government action to enforce World Trade Organisation trade regulations and improve regulation of quality controls.

PHOTOGRAPH: DREAMSTIME

ECONOMY

Real GDP growth in the GCC slowed to 3.2 per cent in 2015 from 3.4 per cent in 2014

Source: IMF

ANNUAL GDP GROWTH (PERCENTAGE)

	2015	2016
Algeria	3.0	3.9
Bahrain	3.4	3.2
Egypt	4.2	4.3
Iran	0.8	4.4
Iraq	0.0	7.1
Jordan	2.9	3.7
Kuwait	1.2	2.5
Lebanon	2.0	2.5
Libya	-6.1	2.0
Morocco	4.9	3.7
Oman	4.4	2.8
Qatar	4.7	4.9
Saudi Arabia	3.4	2.2
Sudan	3.5	4.0
Syria	n/a	n/a
Tunisia	1.0	3.0
UAE	3.0	3.1
Yemen	-28.1	11.6

Fall Major rise

Source: IMF, World Economic Outlook Database, October 2015

"Metals producers [are] swamped by a flood of low-cost materials that are undercutting their prices"

Underpinning the gloom is the 20-month fall in the energy market that has seen prices for the international benchmark oil Brent Crude collapse from close to $115 a barrel in June 2014 to a seven-year low of about $36 a barrel on 14 December 2015 – the biggest sustained fall in oil prices in history.

Despite current prices being unprofitable for a significant proportion of global production, few analysts expect any significant recovery in 2016. Some are predicting prices to slump further in the first half of 2016 to near the $30-a-barrel levels seen in 2008, as a result of economic sanctions on Iran being lifted and Iranian exports starting trading. Tehran says it will add 500,000 barrels a day of crude to the market as soon as sanctions are lifted, with a further 1 million barrels a day being added to global supply in the subsequent 12 months.

Iranian exports

Many doubt whether the Islamic Republic could bring this level of crude to the market as quickly as it says, but, whether or not it becomes reality, the perception that the potential exists will continue to weigh on prices.

Over the long term, oil prices are set to stay low as global supply continues outpacing growth in global demand for energy. In late November, Opec oil producers, led by Saudi Arabia, reaffirmed their commitment to maintaining current record levels of oil production in order to retain market share. But the reality is that they have few alternative options. Cutting production to push up prices will simply empower competitors and weaken their position.

Not everybody agrees the outlook is as one dimensional as most suggest. While most analysts believe the most likely scenario is for prices to remain low, all agree that there are many countervailing factors at play that could lead to considerable volatility in energy prices in the coming years.

On the downside, the resilience of high-cost shale oil production in the US and disagreement among members of Opec over strategy suggest oil prices will remain weak. While upside pressure on oil prices stem from regional unrest, there is potential for an increase in global energy demand growth in 2016 and for further investment cuts.

But the broad consensus view is that prices will not return to anywhere close to the levels last seen in 2014. In its latest outlook report for the regional economy, the Washington-based IMF forecast that oil prices would remain in the $40-60 a barrel range in 2016 and the Brent Crude average would remain between $50-70 a barrel until 2020.

The consequence of lower oil prices and conflicts on the region in 2015 has been a slowing in economic growth and increasing budget deficits. According to the IMF, Mena oil exporters lost about $360bn in oil revenues in 2015 and real GDP growth in the GCC slowed to 3.2 per cent in 2015 from 3.4 per cent in 2014. The fund projects a further slowdown in economic growth in 2016 to about 2.7 per cent.

GCC governments have sought, however, to minimise the impact of the slowdown by tapping their foreign currency reserves and selling off foreign assets to finance a fiscal deficit as they have continued to spend.

The result has been a sharp deterioration in fiscal and current account balances across the region. Together the six nations of the GCC are projected to run a $700bn combined budget deficit in 2015, equal to 13.2 per cent of GDP, with Saudi Arabia's fiscal deficit reaching 21.6 per cent.

Even though the GCC oil producers have enough in assets and financial reserves to maintain deficit spending at current rates for another five years, the position is fiscally unsustainable and cuts in spending and other adjustments in fiscal policy will start to be rolled out over the next two months as finance ministries announce their budgets for the year ahead.

Fiscal consolidation

Governments will also be under increasing pressure to implement structural reforms such as the removal of subsidies and other burdens on state finances, as well as introducing new taxes and other measures to increase and diversify government revenue streams.

"Many countries have built up buffers, and have started to consolidate their fiscal position, but fiscal deficits, averaging almost 13 per cent for Mena oil exporters, are likely to persist for years. Sizeable, sustainable fiscal consolidation is needed," said Masood Ahmed, IMF director for the Middle East and Central Asia, on 21 October.

It is inevitable that the axe will fall most heavily on projects as authorities have only limited policy options available to them to help them balance their books.

Oil production, the source of more than 80 per cent of the region's income, is already running at close to full capacity and cannot be significantly raised, while driving new non-oil revenues through taxation is politically unpalatable.

This leaves spending cuts as the main option, and the primary focus will be on capital spending, which accounts for more than 10 per cent of regional GDP, and is easiest to cut. Public sector wages are protected, but some governments are looking at fuel subsidy cuts, a step already taken in the UAE. There will also be a slowdown in the rate of hiring in the public sector. The deepest cuts, however, will come on project spending.

It is clear from the changes in the regional projects market in 2015 that a slowdown in spending is already under way. At the end of 2015, about $3.24 trillion-worth of projects were planned or under way in the Gulf, with about $2.6 trillion of this in the GCC.

But for the first time since 2010, the size of the region's projects market has shrunk over the past year, down 3.2 per cent in the GCC and 3 per cent for the wider Gulf.

The lion's share of the fall is explained by a slowdown in Saudi Arabia's projects sector, which shrank 15.6 per cent in 2015 to about $1 trillion as real estate schemes have been placed on hold. The kingdom accounts for 38 per cent of the total value of the GCC projects market, and it is inevitable that this kind of contraction will reshape the entire regional market.

Strongest performer

The UAE, Kuwaiti and Bahraini markets all grew through 2015, with Kuwait being the region's strongest performer. The total value of projects planned or under way in that country grew 16.4 per cent over the year.

Outside the GCC, Iran's projects market expanded 12 per cent in 2015 to about $260bn as optimism spread at the prospect of economic sanctions being lifted. Iran's projects market ended 2015 on a similar scale to Qatar ($277bn) and Kuwait ($246bn). All three offer bright prospects for 2016. Hit by low oil prices and security problems, Iraq's projects market shrank 9.8 per cent in 2015.

Outside the Gulf, Egypt's projects market offers huge potential as President Abdul Fattah al-Sisi continues his economic turnaround programme. Of a similar scale to Kuwait's projects market, Egypt awarded $22bn-worth of major projects in 2015, up from $13bn in 2014. There is considerable uncertainty, however, about progress on some of Egypt's project deals and the country is being held back by concerns about an overvalued pound. But the long-term view is positive for the Egyptian market.

But while all spending will be under review, the underlying drivers of policy in the region – high levels of population growth and the need to develop modern, competitive, diversified economies – mean that project investment is still a long-term necessity.

KUWAIT IN NUMBERS

$35bn
Kuwait financial reserves

$47
2015 budget breakeven oil price

UAE IN NUMBERS

$77bn
UAE financial reserves

$73
2015 budget breakeven oil price

SAUDI ARABIA IN NUMBERS

$660bn
Saudi Arabia financial reserves

$103
2015 budget breakeven oil price

QATAR IN NUMBERS

$210bn
Qatar financial reserves

$59
2015 budget breakeven oil price

BAHRAIN IN NUMBERS

$5.6bn
Bahrain financial reserves

$94
2015 budget breakeven oil price

OMAN IN NUMBERS

$15bn
Oman financial reserves

$94
2015 budget breakeven oil price

The GCC oil producers may cut capital expenditure in 2016 budgets, but they will continue to spend heavily on projects. Priority projects will be included in budgets, with non-critical schemes cut.

The priority will be placed on social infrastructure projects covering education, healthcare and housing; transport and logistics projects, including rail and airports; new oil and gas production; downstream diversification; and security.

Return to borrowing

Riyadh in particular says it will continue to invest, although at lower levels. But the question now is: What projects should move ahead in 2016?

Riyadh scaled back project ambitions in 2015. Eleven stadiums Saudi Aramco planned in 2015 have stalled. Ongoing infrastructure schemes, such as the Riyadh Metro, have been scaled back and, in October, the Finance Ministry instructed agencies not to award any more contracts in 2015.

Meanwhile, a range of major construction schemes are at tender and prequalification stages. Authorities are thought to be close to awarding contracts for the construction of more metro lines in Mecca, and firms have been invited to prequalify for the Jeddah light rail network. Metros are also planned for Medina and Dammam.

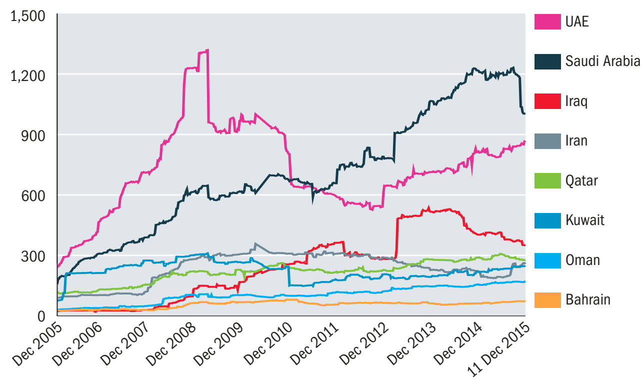
But such schemes require significant funding, and will test the kingdom's commitment to infrastructure spending. It will seek to raise finance from borrowing.

Riyadh has ample room to issue fresh debt in order to fund the deficit without depleting reserves. It has the world's lowest debt-to-GDP ratio at about 6.7 per cent in 2015. This is projected to rise to about 17.3 per cent in 2016.

Riyadh issued about $9bn of debt issued in local currency-denominated bonds in 2015, its first bonds for eight years, and it is set to continue domestic and international issuance in 2016.

GULF PROJECTS INDEX

VALUE OF PROJECTS PLANNED OR UNDER WAY ($bn)



For further information visit www.meed.com/gulfprojectsindex

MEED PROJECTS

PROJECTS PLANNED OR UNDER WAY ($m)

	11 Dec 2015	4 Dec 2015	Change on week (%)	9 Dec 2014	Change on year (%)
Bahrain	72,264	72,769	-0.7	62,066	17.2
Kuwait	247,969	246,794	0.5	218,687	12.9
Oman	170,729	170,154	0.3	155,758	9.2
Qatar	278,358	277,081	0.5	289,368	-4.2
Saudi Arabia	1,003,224	1,003,249	0.0	1,217,971	-17.6
UAE	862,692	865,100	-0.3	812,712	6.4
GCC	**2,635,236**	**2,635,147**	**0.0**	**2,756,562**	**-4.4**
Iran	257,837	262,089	-1.6	222,882	17.6
Iraq	349,585	350,444	-0.2	403,196	-13.1
Gulf Total	**3,242,658**	**3,247,680**	**-0.2**	**3,382,640**	**-4.0**

For further information visit www.meed.com/gulfprojectsindex

Other countries will follow. To deliver projects, governments will look to increase borrowing. They will also seek to tap international and private sector finance through new and alternative funding models. 2016 will see an increase in government borrowing and public-private contract models such as public-private partnerships (PPPs).

In Saudi Arabia, Taif International airport is being developed on a PPP basis. This follows the June 2015 opening of the Medina airport expansion, developed by Tibah Airports Development Company on a 25-year PPP concession.

The lifting of sanctions on Iran in the first quarter of 2016 will fundamentally alter the regional economic landscape. With 79 million people and the world's biggest gas reserves, Iran is the region's second-largest economy, with a GDP of about $404bn in 2015. Its highly diversified economy offers wide-ranging trade and investment opportunities. But its return to business will have dramatic consequences for the region, continuing to affect energy prices and adding to tense geopolitical relations.

Iran potential

The Islamic Republic could become one of the world's fastest-growing countries, and will enjoy rising living standards and steady progress in social indicators. On the lifting of sanctions, Iran has the potential to enter an era of high growth, driven by strong exports of oil, gas, petrochemicals and manufactured goods.

Required investment in infrastructure and productive capacity will be comfortably met from accumulated government and private sector savings, domestic financial resources and an expected inflow of foreign direct investment.

In these conditions, Iran's real economic growth is expected to rebound, growing 4-5.5 per cent in 2016/17, driven by higher oil production and lower trade and financial transaction costs. But severe structural challenges remain, including lower oil prices.

The banking system faces high non-performing assets that have led to high interest rates and stagnant credit. Comprehensive reforms will be critical to attracting investment and delivering macroeconomic stability and high growth.

"The lifting of economic sanctions brings a unique opportunity," said IMF Iran mission leader Martin Cerisola on 6 October 2015. "Prudent policies have allowed the economy to return to positive growth last year and to reduce inflation to around 15 per cent. The authorities have also regained stability in the foreign exchange market and advanced with subsidy reform."

After a decade-long boom, albeit with a short, sharp shock in 2009-10 as a result of the global financial crisis, the GCC is set to come back to earth with a crunch in 2016 as the effects of lower oil prices and a slowdown in global growth take effect on the region.

The next 12 months will see a sharp contraction in the market and a hardening of economic conditions as both the government and private sectors adjust to the new reality. But the underlying drivers of the region remain in place, and by the end of 2016 the outlook will become more positive as oil price volatility eases and the regional market returns to stronger growth. And with substantial markets developing rapidly in Egypt and Iran to add to the strength of the GCC, the outlook beyond 2016 is bright.

Security dominates conflict-riven region

With sectarian violence continuing, crisis management will monopolise policy-making in 2016

JAMES GAVIN

Turbulence looks set to remain the defining characteristic of the Middle East and North Africa (Mena) region in 2016, with a series of evolving, interlinked crises combining to create an increasingly complex political and security landscape.

The regional challenge posed by the Islamic State in Iraq and Syria (Isis) will continue to absorb both Western and Middle Eastern policymakers' attention, precipitated by the success of the group's franchise in bringing terror to the streets of its capitals.

Though the Mena region faces myriad other conflicts, it is through the Isis prism that these issues will continue to be viewed.

Isis threat

Security will be the paramount driver of Mena's regional outlook in 2016, as internal conflicts seep across borders, dragging in different actors and subverting formerly stable relations. The possibility of Isis mounting an attack on Western targets inside the Middle East must be taken seriously, amid rumours that Saudi security forces have recently foiled such an attack on a significant target in the kingdom's Eastern Province.

The terrorist threat could amplify still further in 2016, in spite of the increasing struggle that Isis is encountering in holding territory in Iraq and Syria.

The loss of Sinjar in northern Iraq to Kurdish forces in November 2015 breaks a key transit route that the Jihadist movement used to move between its Syrian base of Raqqa and the northern Iraqi city of Mosul. That erosion of geographic contiguity could undermine the ground-level threat Isis poses in Syria and Iraq, particularly in the face of well-organised and motivated forces from Kurdish groups.

GOVERNANCE

Saudi Arabia and the UAE have been closely engaged in the Yemen conflict since the launch of air strikes in March 2015

Source: MEED

Isis could find it a strain to keep the caliphate's economy functioning as successfully as it has done, denying it critical funding sources.

None of this means the group's capability to terrorise large areas of the region – now including parts of Libya and Egypt – will be seriously diminished. Isis' repeated capacity to terrorise Shia populations, with frequent bombings in Saudi Arabia's Eastern Province, Iraq and Lebanon, should keep sectarian tensions simmering across the region.

The US will hope the joint Kurdish-Arab force it is backing will eventually be in a position to launch an offensive on Raqqa, while an Iraqi army-led assault on Mosul is also awaited. Following November's terror attacks in Paris, ground forces from UN states may become involved. Kurdish reluctance to move into traditionally Arab areas will limit the effectiveness of deploying forces such as the Syrian Kurdish YPG in some of these areas.

"The possibility of Isis mounting an attack on Western targets inside the Middle East must be taken seriously"

In the meantime, Iran and its proxies have shored up President Bashar al-Assad's position in his battle against the Sunni rebels. These have moved the front line away from the Lebanese border towards the provinces of Aleppo and Idlib. However, both the Iranians and Hezbollah have lost many men in battling the rebels.

The intervention of Russia in Syria, together with France's amplified campaign against Isis, could leave Assad in office for a while longer – certainly long enough for the main Western powers to accept him as a transitional leader during a UN-supervised Syrian peace negotiation, as favoured by Russian President Vladimir Putin.

Conflicting loyalties

The Gulf states' strategy towards Isis is compromised by conflicting loyalties, not wanting to see Isis dominate, but also knowing that its allies in the rebel movements have suffered as a result of the Russian-Iranian incursion.

A more pressing concern for the GCC in 2016 will be to seek closure in Yemen, a conflict in which Saudi Arabia and the UAE have been closely engaged since the launch of air strikes in March 2015.

Saudi Arabia has found the military campaign against the Houthis to be a financially draining experience, while Houthi elements remain entrenched in the capital Sanaa and parts of the north.

Riyadh wants to see a negotiated settlement in line with UN Security Council Resolution 2216. The prospect of a lengthy ground-level engagement by coalition troops in Yemen is real enough.

Unless the main UN envoy, Ismail Ould Cheikh Ahmed, can force though a compromise that would find a role for the Saudi-backed President Abd-Rabbo Mansour Hadi in a new government of unity, the Yemen conflict could prove a festering sore for the kingdom – as well as a potential humanitarian catastrophe for the Arabian peninsula's poorest nation.

Egypt is another Mena power that will be under pressure to shore up its security, after the Sharm el-Sheikh airline bombing in October 2015. Given the country's reliance on tourists' hard currency, President Abdul Fattah al-Sisi's government must demonstrate that the major resorts are safe from terrorist attack.

Next door, a divided Libya faces its own challenge, with the failure to cement a power-sharing deal in October 2015 leaving a profound security vacuum that those hard-line elements linked to the rival Tripoli and Al-Bayda-based factions will seek to exploit. A framework agreement for a unity government remains on the drawing board, but actually agreeing the fine print of the deal has so far proved beyond the capacity of Libya's fragile political elites.

Saudi Arabia's leadership will come under greater pressure to dispel rumours of dissent within the royal family, with the swift elevation of the young Deputy

PHOTOGRAPH: DREAMSTIME

Crown Prince and Defence Minister Mohammed bin Salman al-Saud (MBS) proving controversial with some senior princes.

The health of King Salman bin Abdulaziz al-Saud (MBS' father), has been the subject of fevered speculation. Rumours of his incapacity have been fed by the increased prominence of MBS, whose stewardship of important policy-making councils has made him a formidable figure in Riyadh's corridors of power. His leadership style is seen as having alienated senior royals. Either MBS will consolidate his power base in 2016, or his rivals will contain his influence.

With key domestic reform measures needing implementation, and major foreign policy issues such as Yemen requiring Saudi input, the perception of division in senior Saudi ranks would be damaging for the Gulf as a whole.

Domestically, the kingdom faces increased security challenges related to Sunni Jihadist attacks on Shia targets. It must also face down international criticism of its approach to its minority Shia community, with the pending death sentence handed to a young protestor, Ali Mohammed al-Nimr, likely to focus attention on the kingdom's human rights record in 2016.

Improved trajectory

Other Gulf leaderships look to be more stable in 2016. The smoothing over of intra-Gulf tensions over the past year should keep Qatar's relations with both the UAE and Saudi Arabia on an improved trajectory. Oman, though, could face a leadership crisis if Sultan Qaboos bin Said's reputed poor health deteriorates further. The prospect of the Gulf's longest-serving leader leaving the stage would be sure to shake confidence in the region's stability.

Iraq's Prime Minister Haidar al-Abadi could face renewed pressure in 2016, after his evident failure to sustain momentum behind a much-heralded anti-corruption effort. The prime minister will need to make good on promises to scrap senior political offices that were widely seen as being used as instruments of patronage by corrupt individuals. A new raft of reforms will seek to streamline government ministries and improve overall service provision.

Bombings: Isis' capacity to terrorise Shia populations will keep tensions high

REGIONAL ELECTIONS 2016

- Iran parliamentary (**26 February**)
- Tunisia municipal, regional (**30 October**)
- Iran Assembly of Experts
- Libya constitutional referendum
- Morocco parliamentary

Sources: National Democratic Institute; MEED

Yet with the economy in a fragile condition, Abadi faces a struggle in overcoming challenges to his leadership, and the former Prime Minister Nouri al-Maliki is still regarded as a powerful behind-the-scenes figure in Baghdad politics. Abadi will need to show to his Sunni compatriots that he is serious about reconciliation, and that the Shia militias taking on Isis will be kept on a tighter leash.

Meanwhile, with the Kurdistan Regional Government accumulating more land and resources, Baghdad has shed much of its influence in the north of the country.

Iran, which enjoyed a good 2015 with the signing of the nuclear accord in July, faces two critical elections early in 2016 that will go a long way to determining whether that breakthrough can yield lasting results.

In late February, Iranians will vote on electing a parliament, which is currently conservative-dominated. They will also be asked to elect the Assembly of Experts, which will be charged with choosing the next supreme leader to succeed the incumbent, Ayatollah Ali Khamenei. President Hassan Rouhani needs to ensure that his supporters prosper in the parliamentary polls if he is to shore up his power base in advance of presidential elections due in 2017.

Although the deal to unlock international sanctions has been popular among the Iranian public, Rouhani faces stiff opposition from hardliners in parliament, the Revolutionary Guards and the judiciary. Conservative forces will be looking to score strongly in both the parliamentary and Assembly of Experts ballots, in order to shackle the reformists. The conservative Khamenei himself is unlikely to sit on the fence in this battle of wits.

Lebanese deadlock

Elsewhere, Lebanon will struggle on from week-to-week with a government that is barely functioning and unable to take long-term decisions. With domestic confessional balances and regional geopolitics militating against consensus, the country is unlikely speedily to find a mechanism that would allow for the election of a president and the full resumption of executive-level decision-making. The Lebanese security situation looks increasingly precarious in 2016, as Jihadists mount deadly attacks on targets in Shia areas. Hezbollah's attentions are focused on the Syrian battlefield, an intervention that will remain a source of controversy among its Sunni and Christian opponents.

Palestine too looks set for continued drift, with an outbreak of violence targeted at Israeli civilians drawing a firm security response from Israel, which is set to step up settlement building in the Occupied Territories. Young Palestinians in the West Bank have lost patience with the leadership of the long-serving President Mahmoud Abbas. There is little sign of willingness in Tel Aviv to reinvigorate the peace process, leaving Palestine facing the prospect of a renewed and bloody intifada.

In the Maghreb, the future of Algeria's president Abdelaziz Bouteflika is likely to be subject to increased speculation in 2016, with the 78-year-old head of state only rarely making public appearances. The veteran president has ousted rivals from power in recent months, which is seen as preparation for his eventual departure from office.

Next door, Tunisia, reeling from two terrorist incidents in 2015 that targeted tourists, is focused on clamping down on its domestic militant threat. The efficacy of that programme will rest in part on whether the secular government is able to overcome internal rivalries.

In this frenzied, security-driven atmosphere, there seems little prospect of serious reform and political openness taking root in the Mena region in 2016. Crisis management will dominate policy-making, leaving little prospect of long-term strategising. The virulent strain of sectarian violence looks stubbornly immune to easy resolution. Only in isolated spots of stability – for example, the UAE, Qatar and Kuwait – is there cause for genuine optimism about the future.

PHOTOGRAPH: REUTERS

Iran investors need to tread carefully

Vast opportunities are presented by the lifting of sanctions, but interested firms must expect challenges

The prospective return of Iran to the international fold has been likened to a sleeping giant about to wake up. With a population of nearly 80 million and the second-largest GDP in the Middle East, the Islamic Republic is the largest economy cut off from international investors.

The lifting of economic sanctions, expected in early 2016, will unleash significant spending on the oil and gas industry as well as other sectors of the economy, which have been starved of investment and access to state-of-the-art technology for years.

It will also open up the Middle East's second-largest consumer market after Egypt, with huge pent-up demand for goods and services, from cars and electronics to food and beverages.

IRAN

With a GDP of about $400bn, Iran has the second-largest economy in the Middle East

Source: MEED

Cautious approach

The removal of sanctions on Iran is one of the most significant changes to the business landscape ever seen in the region and it offers vast opportunities for local, regional and international firms. But companies need to tread with caution; the business environment is still challenging and complex.

"The removal of sanctions on Iran is one of the most significant changes to the business landscape ever seen"

With Iran having been closed off to much of the world for so long, obtaining detailed and accurate information is difficult and time-consuming for those considering entering the market.

The Joint Comprehensive Plan of Action (JCPOA) to remove sanctions on Iran that was agreed on 14 July 2015 opens up the prospect for regional and international firms to once again do business with Iran. This will come in return for credible action by Tehran to demonstrate that its nuclear programme is designed purely for civilian purposes. In the agreement, Iran reaffirmed it will never seek, develop or acquire nuclear weapons under any circumstances.

With a GDP of about $400bn, Iran has the second-largest economy in the Middle East, while its population of nearly 80 million is the second-highest in the region.

Should international sanctions be lifted as expected in early 2016, the Iranian economy is set to enter an era of high growth driven by strong exports of oil, gas, petrochemicals and other manufactured goods.

The increase in export revenues, together with unfrozen assets and an inflow of foreign direct investment will enable Iran to move forward with a large pipeline of strategic projects that have stalled in recent years due to a lack of financing or technology.

The investment priorities in the oil and gas industry include enhanced oil recovery projects and the construction of liquefied natural gas (LNG) export facilities. Iran shares the world's largest gas asset with Qatar and has the potential to become a leading LNG exporter if it can access the right technology. To encourage foreign investment in the energy sector, the Petroleum Ministry is preparing to launch a new contract model known as the New Iranian Petroleum Contract.

Methanol production

Iran has the second-largest petrochemicals industry in the Middle East after Saudi Arabia and has huge plans to grow the sector further, including becoming the world's largest methanol producer. Unlike elsewhere in the GCC, it has rising volumes of ethane feedstock, but restrictions on imports have constrained the industry in recent years, causing projects to stall.

The Islamic Republic also has ambitions to significantly increase production of steel, copper and aluminium by 2025. It already has the largest mining industry in the Middle East.

Electricity demand is expected to grow at 6.5 per cent a year until 2020 and it is estimated Iran will need to add some 25.6GW of new generating capacity over this period. The total required investment in generation, transmission and distribution projects is estimated at $70bn.

Iran benefits from an advantageous geographical location, with established export routes into Central Asia, the Middle East and beyond. However, all transport infrastructure is in need of modernisation. Plans are in place to build thousands of kilometres of new railways and metro lines as well as to upgrade existing ports and airports.

With the upsurge in interest in doing business in Iran, Tehran faces a severe shortage of hotel rooms, with just 96 hotels in the capital. International hotel chains are already eyeing the market.

With its huge population and hydrocarbons endowment, the Islamic Republic has the potential to quickly overtake Saudi Arabia as the region's largest economy once sanctions are lifted.

The main risks include an uncontrolled collapse in world oil prices due to intra-Opec competition, principally involving Iran, Iraq and Saudi Arabia. Intense competition among energy suppliers is possible after the end of restrictions on Iranian oil exports, driving prices down further.

Another risk is the collapse of the sanctions relief programme either due to objections in the US or by the failure of the Islamic Republic to adhere to the conditions of the deal. This will immediately lead to the re-imposition of at least some sanctions.

This article is adapted from the executive summary of MEED's Opportunity Iran 2015 report, a comprehensive assessment of the opportunities and risks of entering the Iran market. To find out more and purchase the report, visit www.meed.com/opportunity-iran

PHOTOGRAPH: DREAMSTIME

Deal: US Secretary of State John Kerry with Iran's Foreign Minister Javad Zarif

PHOTOGRAPH: GALLO/GETTY IMAGES

SANCTIONS TIMELINE

- **Finalisation day** This is the signing of the JCPOA agreement on 14 July 2015.
- **UN Security Council approval** This was secured on 20 July.
- **Review by US congress** The president submitted legislation facilitating US engagement with the JCPOA for approval by Congress. Congress rejected it, and the president vetoed its decision. This could only be overridden by a two thirds majority in both the House of Representatives and the Senate, which the opposition to the legislation failed to reach. This meant the president did not need to use his power of veto on the decision.
- **Adoption day** On 18 October, the UN, multilateral and national jurisdictions reviewed the JCPOA.
- **Implementation day** This is when sanctions start being lifted. It can only be announced after the International Atomic Energy Agency (IAEA) has found Iran compliant with the conditions of the JCPOA. On 15 December 2015, IAEA director general Yukia Amano said Iran still had to take preparatory steps. "Confirming the level of enrichment will take a minimum of three weeks," he said. Once Iran has finished its steps, he said, the time required would be "not days, not months".
- **The first half of 2016 should see:**
  - The US ceasing most sanctions, removing individuals and entities from blocked persons lists and terminating executive orders about Iran's nuclear programme
  - The UN terminating the provisions of all sanctions called for in Security Council resolutions
  - The EU terminating and suspending all sanctions against Iranian agencies and individuals
  - All related national actions are also likely to be suspended at that point

TEHRAN EXCHANGE BRACED FOR FIVEFOLD GAINS

Market is seen as last major untapped opportunity

Iran's Tehran Stock Exchange (TSE) market capitalisation could increase by more than 400 per cent to $500bn in the five years after sanctions are lifted, according to projections by local Turquoise Partners.

The TSE has a market capitalisation of $98bn, the second-smallest compared to GDP, at 25 per cent, in the Middle East, according to Dubai-based Mubasher Trade. This indicates that there is ample room for expansion, given that Tehran has one of the most diversified economies in the region.

Turquoise Partners took the experience of Turkey, as foreign investment flooded in between 2002 and 2007, as a model. The Borsa Istanbul index rose 580 per cent over the period as foreign ownership grew from negligible levels to about 40 per cent.

"Turquoise Partners was contacted by over 100 serious investors in the week after the nuclear deal," says Ali Mashayekhi, chief financial officer at the Iranian asset management firm. "They were mainly individual investors, but also emerging market funds and global banks doing fact-finding."

Only about $1m of foreign investment is said to have flowed into the market so far.

The 10.4 per cent rise in the main index (Tepix) in the month leading up to the nuclear deal was mainly driven by renewed confidence from domestic investors. However, in the weeks since the announcement sentiment has softened, with a 3.2 per cent fall between 14 and 26 July.

Once the barrier of sanctions is lifted, the flow of foreign investment could increase to $100bn over five years, according to Turquoise Partners. Oil and gas, petrochemicals, consumer goods and the financial and insurance sectors are expected to be the first targets.

Concerns remain over accounting standards, transparency and corruption. "Iran is a risky, difficult market for investment but you can't compare it to other frontier markets, which are underdeveloped," says Mashayekhi. "In comparison, Iran has quite a good legal infrastructure, so the risks are economic and commercial, not legal."

This figure would increase further if US-based MSCI began looking at including Iran on its frontier or emerging market indices. Despite recent efforts to upgrade the TSE, including the installation of an international-standard trading platform, some reforms will undoubtedly be needed for MSCI approval. MSCI is yet to make a statement on the topic.

The TSE total return index consistently outperforms the MSCI emerging and frontier market indices and is in the mid-range for emerging markets capitalisation.

It has a price-to-earnings ratio (PER) of 5.7 times, which is significantly more attractive than the emerging markets PER of 12.3 times, according to Mubasher Trade.

Foreign investors can own 20 per cent of the stock exchange, while the individual foreign investor limit on a single company is 10 per cent.

www.Larsentoubro.com

Integrated strengths, complete solutions for critical industries

Aluminium smelter project

Stacker-reclaimer – port application

Slab caster

Clarity/102015/RP

Larsen & Toubro – India's largest and prominent EPC Company in Middle East – offers a range of end-to-end solutions for metallurgical plants and mineral processing industries.

L&T develops, modernizes and expands metallurgical plants (both ferrous and non-ferrous), offers custom-engineered bulk-material handling solutions on an EPC basis, and offers a wide range of surface miners and comprehensive mineral-crushing solutions.

Technological superiority, speed, cost-effectiveness and robust after-sales support are just some of the advantages that L&T brings to your business.

Building on a 40-year legacy of infrastructure development across the GCC region, the Company leverages global best practices to meet local needs – giving you the competitive edge.

To discover how L&T can take your business to the next level, contact us today.

L&T Metallurgical & Material Handling
 # 1404, Green Emirates Tower "A", 14th Floor,
Electra Road, PO Box 30803, ABU DHABI
Tel: +971 26507328, e-mail: asw@Lntecc.com
Mobile: +971 508180506

L&T Metallurgical & Material Handling

Regd. Office: Larsen & Toubro Limited, L&T House, N. M. Marg, Ballard Estate, Mumbai - 400 001, INDIA CIN: L99999MH1946PLC004768

Facing up to oil price realities

As governments rein in spending, certain sectors will need to be ring-fenced from cuts

ED JAMES

The party is well and truly over. After three years of record spending, the regional projects market is set to slow dramatically in 2016 as the burden of lower oil prices takes effect.

Our best estimates anticipate a 15-20 per cent drop in contract spending to some $120bn-140bn in the GCC next year, down from a high of $172bn in 2014 and $160bn in 2015.

The countries of the region have already indicated the scale of the challenge ahead. Saudi Arabia announced a hiatus on contract awards for the final quarter, while clients everywhere have cautioned that belts will have to be tightened until crude prices start rising again.

Strategic sectors

But it is not all doom and gloom. Certain strategic sectors will continue to see healthy spending levels. Power and water, which are primarily driven by population growth, will have to see maintained levels of spending if states are to avoid shortages in supply.

Similarly, social infrastructure outlays are expected to be ring-fenced from cuts. Startled by the Arab Spring, the GCC states know they simply cannot afford to rein in spending on affordable housing, schools and healthcare.

Rail and metro investment too will be protected. Governments have repeatedly said that rail spending is strategic and viewed as a driver to stimulate economic growth. The acceleration of tender activity in the sector in the second half of 2015 tends to underline that view.

Clients have also made it clear that cutting capital investment is not necessarily the right response to falling revenues.

PROJECTS

MEED anticipates a 15-20 per cent drop in contract spending to $120bn-140bn in the GCC next year

Source: MEED

There is a realisation that now is not the time to put the brakes on economic diversification and job creation; the overall health of the economies is as much dependent on continued project spending as project spending is on high oil prices. Drastically cutting expenditures could have a worse than anticipated effect on each country's development.

Optimists can also point to the fact that countries and clients have a number of project funding solutions at their disposal. Kuwait, for example, is developing almost all of its major non-oil projects on a public-private partnership (PPP) basis, which will keep project spending off its balance sheet.

Oman is looking at project bond issuances, while Dubai has launched power sector build-operate-transfer (BOT) schemes for the first time. The market can expect to see a more accelerated shift to privately financed schemes.

"There is a realisation that now is not the time to put the brakes on economic diversification and job creation"

All this is in addition to traditional ways of plugging any budgetary shortfalls. Saudi Arabia in 2015 issued more than $5bn-worth of bonds, for instance, while the six GCC states have more than $1.5 trillion-worth of foreign currency reserves they could dip into should they choose to.

Likewise, with slower global economic growth comes cheaper construction costs. A fall of 10 per cent in the price of key materials and labour would have a dramatic impact on project budgets. In parallel, cost efficiency solutions such as value engineering – already being carried out on the $20bn-plus Riyadh Metro – could help keep spending levels in check.

From a country perspective, the outlook varies widely. For 2016, the countries that performed the best in 2015 – Kuwait, Oman and Qatar – are expected to continue to do well. The Kuwait market broke the $30bn mark for the first time in 2015, boosted by the $13bn-worth of contracts awarded on the New Refinery Project at Al-Zour.

With its ambitious healthcare, education, housing and road-building programmes, as well as a massive budgetary surplus accumulated over the previous decade, the state is in possibly the best position of any in the GCC to weather the current storm. While it will be difficult for it to match 2015's record spending levels, its lengthy pipeline of projects, combined with its comparative financial strength, should ensure it continues to do well in 2016.

The same goes for Qatar, although for markedly different reasons. Doha's projects market has been driven chiefly by the need to build the required infrastructure in time for the 2022 Fifa World Cup. In 2015, this resulted in total contract awards of more than $27bn, down slightly on 2014 levels but still far higher than the $16bn-a-year average between 2009 and 2013.

With projects including the long-distance rail, most of the football stadiums, the airport expansion, the expressway and local roads and drainage programmes, there will be plenty of opportunities in the state in 2016 and the years to come.

Liwa plastics

Oman is another country to have performed well above historical norms in 2015, with more than $12bn-worth of deals. Its largest individual project award over the past 12 months was on the main packages on the $5.2bn Liwa Plastics complex, funded through project financing.

Other significant deals in the sultanate included the Salalah 2 independent power project, and the Barka and Sohar independent water projects.

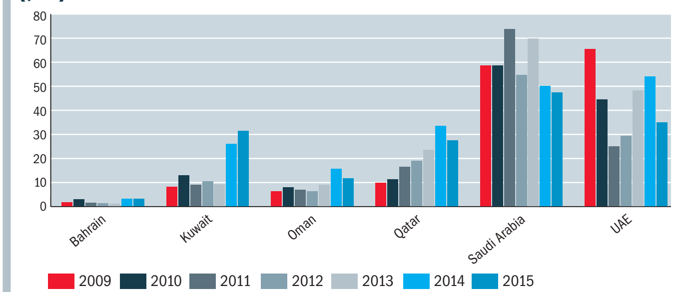
Entering 2016, Oman is expected to award the multibillion-dollar first phase of its railway programme and several major contracts on its Duqm refinery and petrochemicals complex. It received GCC and foreign

PHOTOGRAPH: DREAMSTIME

Abu Dhabi: Spending plans are in limbo while the emirate decides its strategy

GCC CONTRACT AWARDS, 2009-15

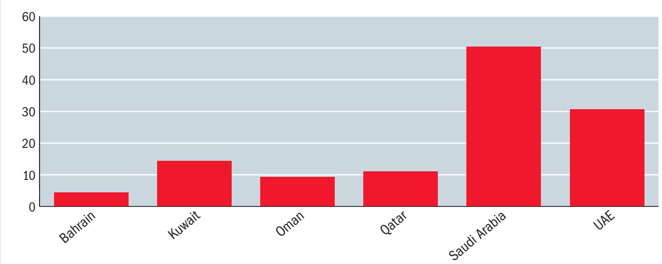
($bn)



Source: MEED Projects

BUDGET VALUE OF PLANNED AND UNAWARDED GCC PROJECTS

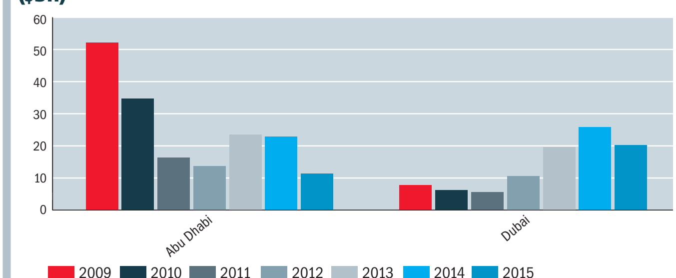
($bn)



Source: MEED Projects

CONTRACT AWARDS IN DUBAI AND ABU DHABI, 2009-15

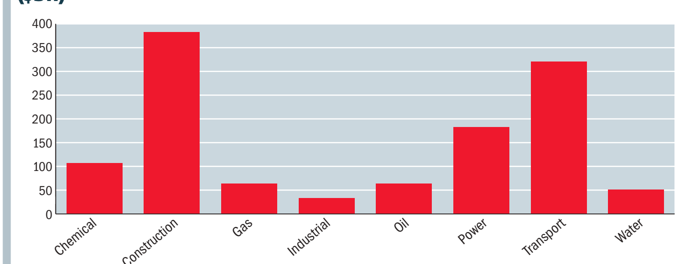
($bn)



Source: MEED Projects

BUDGET VALUE OF PLANNED AND UNAWARDED GCC PROJECTS BY SECTOR

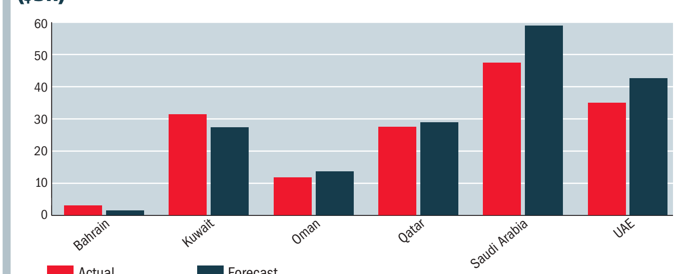
($bn)



Source: MEED Projects

GCC ACTUAL CONTRACT AWARDS VERSUS FORECAST

($bn)



Source: MEED Projects

investor finance for both projects, so lower revenues are not expected to have as major an impact as in some of its more oil-dependent neighbours.

Negative impact

Indeed, it is in the region's two biggest oil and gas producers and its two largest projects markets where lower crude prices are having the most negative impact.

Both Saudi Arabia and the UAE awarded markedly fewer contracts in 2015 than the previous year. In the UAE, spending was almost $20bn down on 2014, while in Saudi Arabia project expenditure hit $47bn, a decrease of $3bn on the previous 12-month period, and $20bn down on the $67bn awarded in 2013.

The slowdown in the UAE was caused primarily by a 50 per cent collapse in project spending in Abu Dhabi to just $11bn. The emirate's spending plans have been in limbo while it decides its future strategy, and this has had a major knock-on effect on non-oil projects development.

"The slowdown in the UAE was caused primarily by a 50 per cent collapse in project spending in Abu Dhabi to just $11bn"

With few signs that the federation's capital is finalising its plans, there is little hope among contractors that 2016 will fare any better.

Dubai in 2016 performed slightly better, helped in large by a more robust private sector. However, it too was $5bn down on 2014's figures.

As real estate prices stagnate and market confidence wavers, a significant pick-up in project spending is not expected to be on the cards.

Ed James is director of analysis at MEED Projects. For more information and data on the GCC and Middle East and North Africa projects market, please visit **www.meedprojects.com**

PHOTOGRAPH: DREAMSTIME

Low oil will weigh on markets in 2016

With oil prices expected to remain at about $50 a barrel in 2016, equity markets will continue to fluctuate

PHILIPPA WILKINSON

After a painful 2015 for equity markets, 2016 is expected to bring more of the same as oil prices continue to hover around the $50-a-barrel mark in the medium term.

Sentiment around oil prices and the effect of falling oil revenue on the wider economy will drag down GCC stock markets in 2016, as these factors did in 2015.

Outside the GCC, regional instability and underperforming economies, both in the region and globally, will continue to mute stock market performance. The best performer in 2015 was the Palestine Exchange, up 2 per cent from the beginning of the year, and Lebanon's Blom Index, down just 0.7 per cent over the same period.

If oil prices were to stabilise or improve, and governments maintained spending, GCC non-oil economies would continue to grow in 2016, although at slower rates. Equity market fundamentals would see a gradual weakening, depending on the sector, reflected in the performance of indices to some extent.

IPO outlook

The expectation of continuing declines is dampening enthusiasm for initial public offerings (IPOs), which would deepen stock market offerings if they took place. However, many companies are preparing to float stock, ready for a moment of good valuations to go ahead.

There are plenty of negative sentiments going into 2016, with the only positives being the direction of regulatory reform and inclusion in global indices.

Aside from the direct effect on sentiment, oil remains the main source of government revenue. In turn, government spending is the main economic driver across the GCC, despite diversification efforts.

CAPITAL MARKETS

In the first three quarters of 2015, GCC equity market capitalisation fell 6 per cent to $944bn

Source: MEED

"Oil is the key factor driving the markets," says a regional equity markets analyst. "Any decline or increase will send the market in either direction. If it stays at current prices, or follows our base case scenario of around $50, so slightly higher, there won't be an impact."

Oil prices also drove market performance in 2015. In the first three quarters, GCC equity market capitalisation fell about 6 per cent to $944bn, and falls have continued since then.

Indices have fallen significantly, with the Dubai Financial Market (DFM) the worst performer, down 14.8 per cent so far this year. Saudi Arabia's Tadawul has dropped 13.5 per cent, while the Abu Dhabi Securities Exchange has held up best, although the index is still down 6.6 per cent.

Liquidity will also continue to be low, especially in smaller markets such as the Kuwait Securities Exchange. Trading volumes by value declined 29 per cent in the third quarter year-on-year there, compared with 20.1 per cent on the Tadawul in the first nine months against the same period in 2014.

"Kuwait saw two IPOs this year, which is unusually good, but there were still weak trading volumes"
Regional equity markets analyst

Slower growth

Non-oil GDP growth will slow to 3.8 per cent in 2016, according to projections by the Washington-based IMF, weakening companies' fundamentals as well as sentiment.

"Weaker economic growth will directly affect the markets through sentiment, and indirectly through banks and their profit lines," says the analyst. "Banks drive the market here; they are the big blue-chip companies."

Banks, which represent a major component of listed shares, will be affected by lower deposits, weaker asset quality and declining lending opportunities.

Other major sectors, such as petrochemicals, have already taken a major hit from lower prices for petroleum products globally.

Listed construction and real estate companies are expected to suffer from weaker real estate markets and slowing project spending and payments by governments. Profit reports for real estate developers continue to be high, but they are unlikely to launch new projects in the current environment, which will affect future revenue.

The UAE markets are particularly vulnerable to global trends. Slowing growth in Asia and a weak European recovery could hit the markets both through oil prices and lower trade and investment.

Another oil shock or turbulence in global exchanges could cause GCC stock markets to tumble, as they did in August. The DFM index lost 7 per cent in a single day, while Saudi Arabia's Tadawul dropped 6.9 per cent.

A sharper than expected spending cut in a GCC country could also hit stock prices. Many sectors are heavily dependent on government spending, which could affect the trade in consumer goods if public sector wages or subsidies were slashed.

Lower capital spending would hit construction and building materials firms even harder as markets slowed.

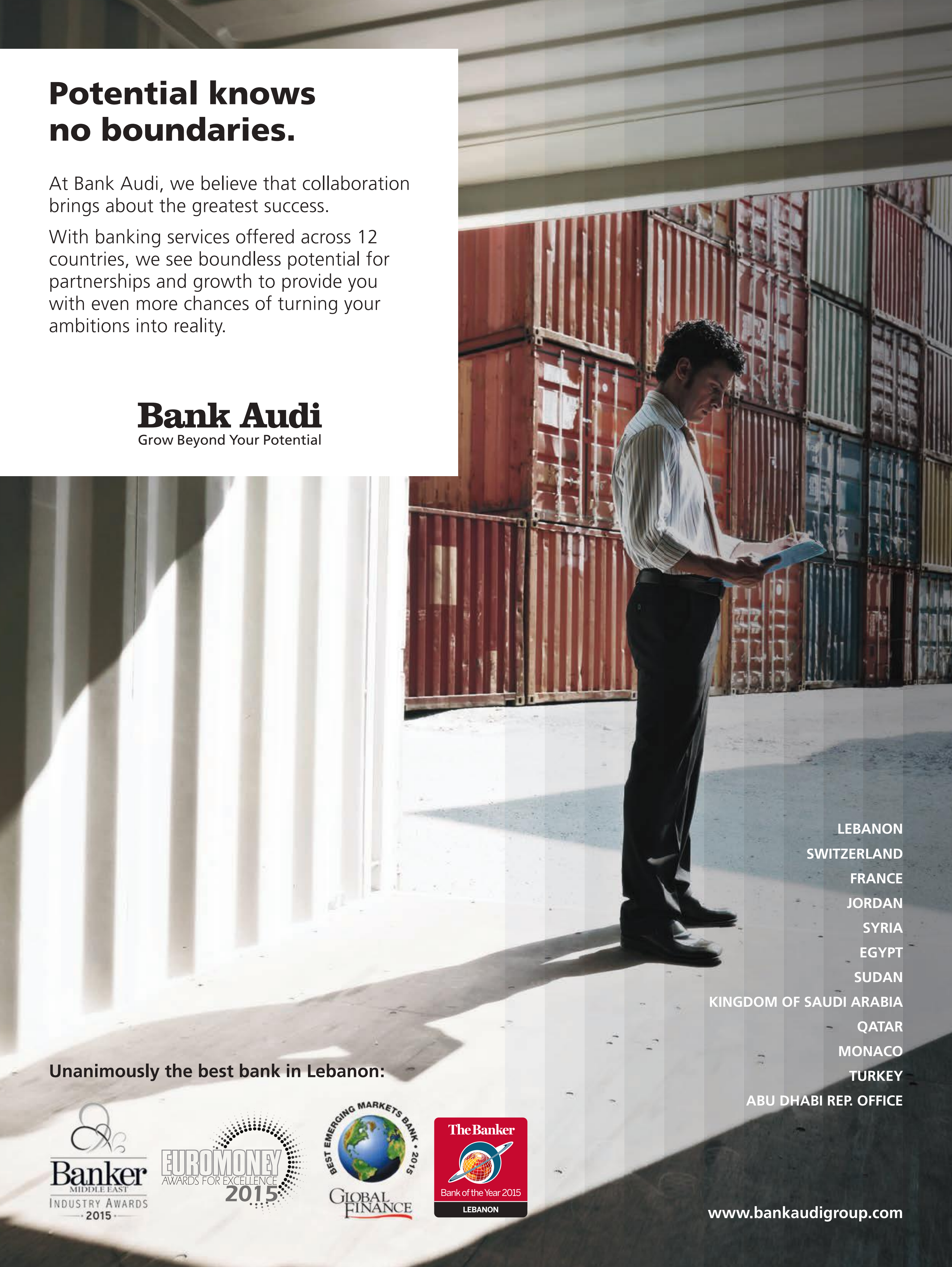
But an increase in spending in Kuwait in 2015 did not act as a catalyst on the stock market, due to external factors.

"Kuwait saw two IPOs this year, which is unusually good," says the analyst. "But there were still weak trading volumes. The increased capital spending might have caused the market to rebound, if things hadn't been so bad elsewhere with oil prices and the global performance of stock markets."

The poor performance is leading to depressed valuations for potential IPOs. Companies considering or preparing an IPO are delaying in hope of a better environment, or looking towards Western markets. Education and healthcare companies are perceived to achieve better valuations there.

Only Saudi Arabia and Egypt have seen significant IPO activity

PHOTOGRAPH: DREAMSTIME


Potential knows no boundaries.
At Bank Audi, we believe that collaboration brings about the greatest success.
With banking services offered across 12 countries, we see boundless potential for partnerships and growth to provide you with even more chances of turning your ambitions into reality.
Bank Audi
Grow Beyond Your Potential
LEBANON
SWITZERLAND
FRANCE
JORDAN
SYRIA
EGYPT
SUDAN
KINGDOM OF SAUDI ARABIA
QATAR
MONACO
TURKEY
ABU DHABI REP. OFFICE
Unanimously the best bank in Lebanon:
Banker MIDDLE EAST INDUSTRY AWARDS 2015
EUROMONEY AWARDS FOR EXCELLENCE 2015
BEST EMERGING MARKETS BANK • 2015
GLOBAL FINANCE
The Banker
Bank of the Year 2015
LEBANON
www.bankaudigroup.com

in the last year. Saudi Arabia's decision to allow qualified foreign investors to buy shares directly boosted the Tadawul index in the first half of 2015. This encouraged a steady IPO pipeline, with three listings worth $699m between them since the beginning of the year, and a fourth, Al-Andalus Property Company, expected.

"Saudi Arabia is buoyant," says Steven Drake, senior partner and head of capital markets advisory at London-based PwC. "There are quite a lot of IPOs in the pipeline and it is not as sensitive to oil and global markets as the others."

The Tadawul also benefits from having more investors, appetite and diversity due to the larger scale of the economy and the exchange. However, the timing of the opening and the announcement of a potential MSCI emerging markets upgrade, over the slow summer period as oil prices continued falling, dampened the expected boost.

Egypt reforms

In Egypt, several IPOs have taken place thanks to Abdul Fattah al-Sisi's programme of reforms. The largest was Emaar Misr, which raised $2.3bn in June.

"Egypt has seen some activity driven by government reform and the ability of equity investors to exit in this way," says Drake. "We should see more equity offerings in Egypt, although this is closely tied to the delivery of reforms and the ability to attract external funding."

The reduction in the free float requirement for companies in the UAE from 55 to 30 per cent could encourage listing, but 2015 saw a drought. The smaller exchanges also lack the liquidity to absorb too many IPOs.

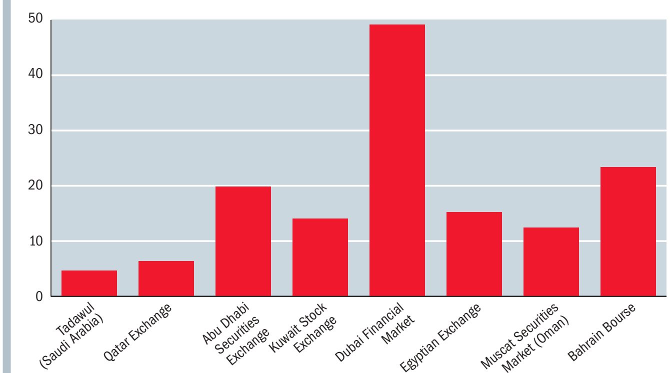
"The Dubai Parks & Resorts IPO in late 2014 took a lot of liquidity out of the market," says Drake. "The supply is there and companies want to list, but there is no demand."

Regulatory changes, such as increasing access to foreign investors and upgrading market platforms, have facilitated inclusion on indices such as the MSCI and FTSE Russell emerging markets. While more needs to be done, market regulators are widely seen to be moving in the right direction.

This trend is bringing in more institutional investors, which tends to increase liquidity and reduce volatility.

FOREIGN OWNERSHIP OF THE REGION'S MARKETS

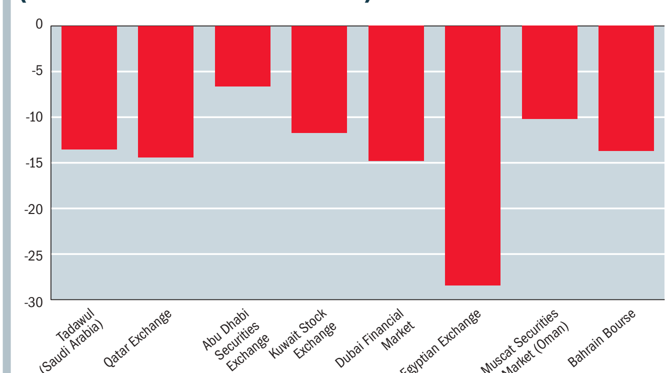
(PERCENTAGE)



Source: Stock markets, as of 25 November or most recent published figures

MAIN INDEX PERFORMANCE

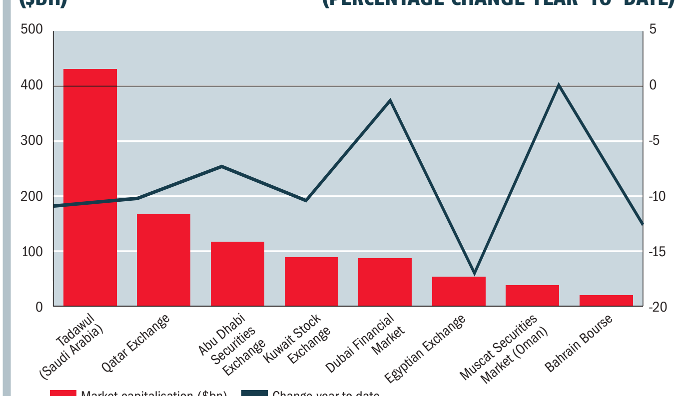
(PERCENTAGE CHANGE YEAR-TO-DATE)



Source: Stock markets, as of 25 November or most recent published figures

MARKET CAPITALISATION

($bn) **(PERCENTAGE CHANGE YEAR-TO-DATE)**



Source: Stock markets, as of 25 November or most recent published figures

"We should see more equity offerings in Egypt, although this is closely tied to the ... ability to attract external funding"

Steven Drake, PwC

On the Muscat Securities Market, more than 84 per cent of trades were by institutional investors, and they made up the vast majority of foreign investors in October 2015. Over the same period, the Qatar Exchange saw 42 per cent of transactions by institutional investors, predominantly foreign.

This proportion should increase when Qatar is promoted to the FTSE Russell emerging markets index. But the impact may be less than the MSCI upgrade brought.

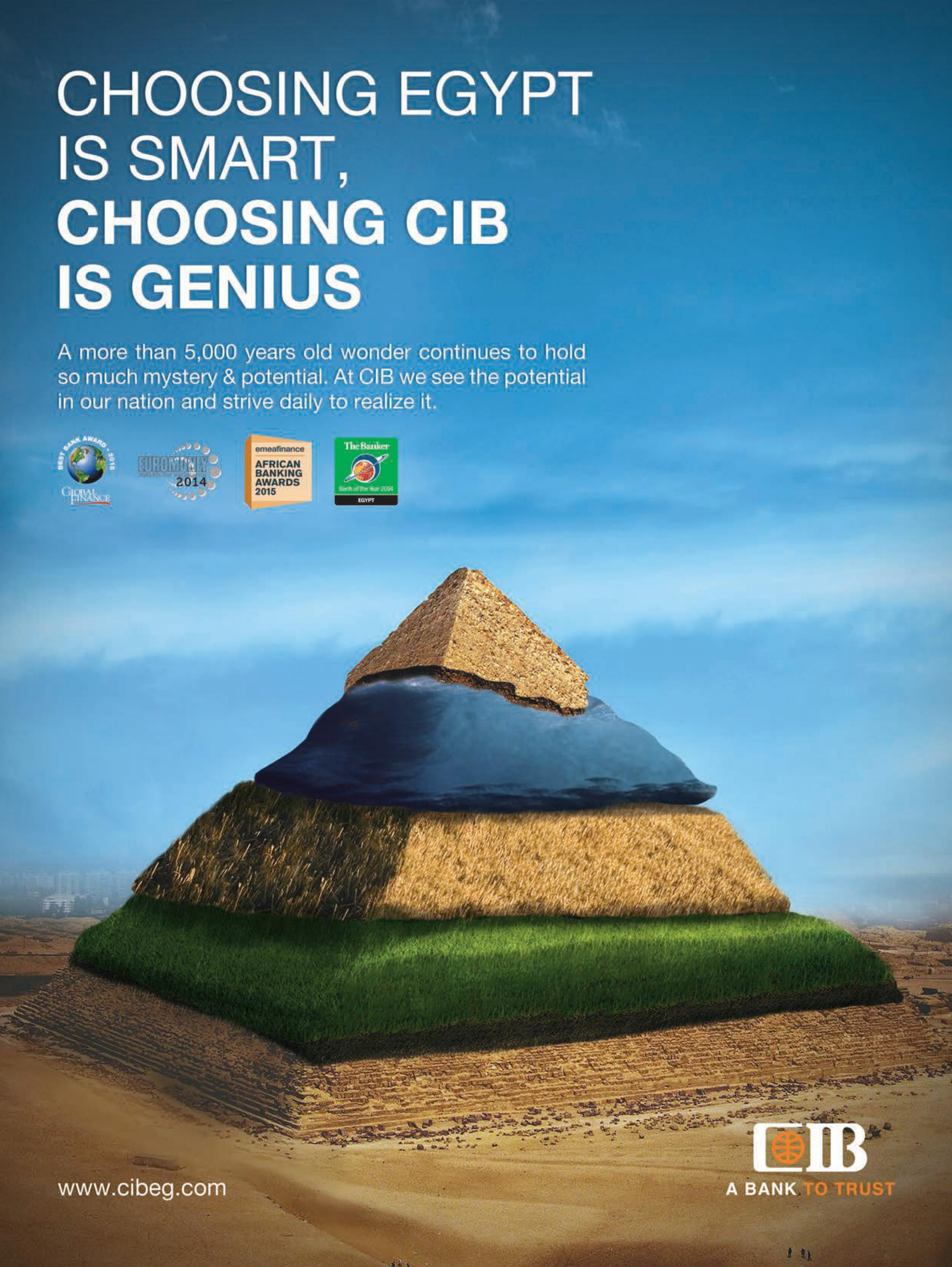
"It is not happening at a strategic time," says the analyst. "Just like the opening up of the Saudi market, we probably won't see the hoped-for pick-up. Passive flows won't be significant if conditions don't change globally."

Saudi Arabia is expected to be upgraded to the MCSI emerging markets index at any point from 2017. The build-up could boost trading and prices, but weak sentiment could cancel out the effect.

Uncertain outlook

Regional instability has had a negative impact on equity markets. Following the bombing of a Russian plane over the Sinai on 31 October, the Egyptian Exchange plummeted 14.7 per cent in 19 days. Further violence would deal a blow to stock exchanges across the region.

The oil exporters will be watching governments' reactions to lower hydrocarbon revenues closely. Any signs of cuts or a slowdown will make 2016 even more painful for equity market investors.


CHOOSING EGYPT
IS SMART,
CHOOSING CIB
IS GENIUS
A more than 5,000 years old wonder continues to hold so much mystery & potential. At CIB we see the potential in our nation and strive daily to realize it.
GLOBAL FINANCE
EUROMONEY
2014
emeafinance
AFRICAN BANKING AWARDS 2015
The Banker
EGYPT
www.cibeg.com
CIB
A BANK TO TRUST

Low oil prices will hit banks in 2016

Falling deposits and liquidity will push GCC lenders to diversify funding sources

PHILIPPA WILKINSON

Banks are already facing an unhappy confluence of economic trends, mainly driven by low oil prices, which will make 2016 an even more difficult year.

While oil prices were high, bank deposits from governments and the boost to regional businesses and households meant deposits growth was rapid. This gave banks a source of cheap funding, making them compete to lend cheaply.

Deposits are slowing or even falling, tightening liquidity in a number of GCC countries. Government borrowing, both as corporate loans and bond issuance, is also soaking up liquidity and threatening to crowd out the private sector.

Problem loans

At the same time, economic growth overall is slowing, causing some small and medium-sized enterprises (SMEs), and a few larger ones, to struggle. In the UAE, there are AED5bn-7bn ($1.4bn-1.9bn) of problem SME loans, according to the UAE Banking Federation, with many business owners absconding to escape harsh bankruptcy laws.

The effect of a weaker economic climate on asset quality will mean banks will be less willing to lend and more rigorous with potential borrowers. The weaker global economy will also reduce international banks' willingness to lend within the region.

The seriousness of the liquidity issue depends on the national context, with Qatar likely to be highly affected and Kuwait barely at all.

Banks are being pushed into tapping bond markets for funding to continue lending, a more expensive option. The sector will pass this, as well as expected rises in US Federal Reserve interest rates, on to borrowers.

BANKING

In the UAE, there are AED5bn-7bn of problem loans involving small and medium-sized enterprises

Source: UAE Banking Federation

As yet, there is no consensus on whether there will be a dangerous liquidity crunch or not, but 2016 is set to be a challenging year, with oil prices expected to remain about $50 a barrel.

GCC banks have been lucky in the past to be able to use deposit bases as their main source of funding, while paying little or no interest. In Saudi Arabia, state deposits reached 22.5 per cent of the total in December 2014, but had dropped 2.7 per cent by mid-2015, according to US-based Moody's Investors Services, slowing the deposit growth rate to just 4 per cent.

"Qatar shows a worrying trend, as deposits are flat while loan growth remains at 10.7 per cent year-on-year"

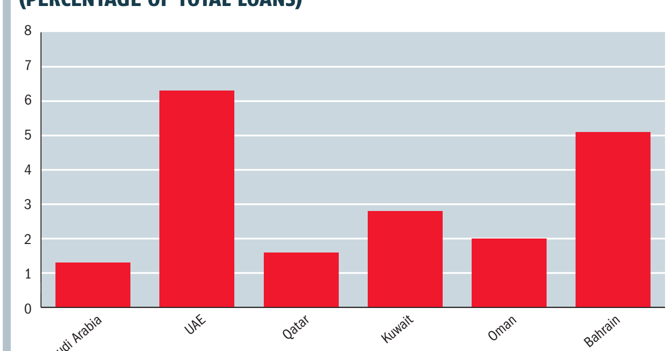
In Oman, state deposits have held steady at about 35 per cent, while in Kuwait they are estimated to be a third of deposits, including state-owned companies.

Qatar shows a particularly worrying trend, as deposits are flat while loan growth remains at 10.7 per cent year-on-year. As the investment for the 2022 World Cup picks up, these deposits could be drawn down even faster, creating a liquidity crunch.

Private sector deposits have also begun to slow, although not as sharply. In Kuwait, they slowed to 5.4 per cent growth year-on-year, and in the UAE to 6.6 per cent year-on-year by the third quarter.

NON-PERFORMING LOANS RATIO

(PERCENTAGE OF TOTAL LOANS)



Sources: Central banks; Moody's

"As oil revenues and deposits shrink, liquidity gets tighter and the lending environment will become more discriminating," says Khalid Howladar, vice-president senior credit officer at Moody's in Dubai. "Deposit pricing is already rising as banks compete to attract funds and adjustments in the pricing on credit will feed through also."

This will slow loan growth, especially as some central banks are imposing loan-to-deposit ratio limits. US Federal Reserve interest rate rises will also have to be mirrored to maintain the currency peg.

Lending costs

Overall, this has already begun to push up the cost of lending for all, by about 50 basis points so far. However, the largest, most-creditworthy borrowers will still have access to attractive terms.

There are growing concerns over the level of problem loans for banks as economic growth slows.

Banks tended to be loose on lending when liquidity soared over the past few years, and agreed to some loans for political rather than commercial reasons. Smaller banks have also been more aggressive with their lending strategies, especially with SMEs.

Many GCC banks have also concentrated lending in the contracting, construction and real estate sector. This makes up 21.5 per cent of Qatari lending, 16.4 per cent of UAE lending and 18.2 per cent of Bahraini lending. The UAE market has already begun to correct, so non-

PHOTOGRAPH: DREAMSTIME


3559575
7835
3382
2596
1900
1619
1517
PIW 25.55 +0.48
+2.00 +5.20%
25.19

performing loans (NPLs) there could begin to rise. However, the situation will not be nearly as bad as in 2009.

"Lessons were learned in the last cycle on concentrated GRE [government-related entities] and real estate exposures," says Howladar. "Banks were more conservative this time as they are not so far out of the last cycle that they had forgotten the stresses of the past. Many banks have since reduced the risk concentrations and Central Banks also have passed regulations in this regard."

Moody's expects NPLs to creep up in Saudi Arabia to 2.5 per cent, and in Bahrain to 6 or 6.5 per cent. This will increase provisioning requirements, affecting liquidity.

Stricter terms

Banks will also be much more rigorous and cautious with creditors, and will tighten their lending conditions.

On the other hand, public sector lending represents a major proportion of loanbooks, reaching 11.2 per cent of the total in the UAE, and 31.6 per cent in Qatar. It will remain high quality due to the good fiscal positions of sovereigns.

Banks will be pushed towards market funding through bond or sukuk issuance. This will also help them comply with Basel III tier 1 capital requirements, which are being implemented gradually.

It has already picked up with recent issuances, including $300m by the National Bank of Oman, $500m by the International Bank of Qatar, $400m by

"Banks will be much more rigorous and cautious with creditors, and will tighten their lending conditions"

OUTLOOK FOR MIDDLE EAST AND NORTH AFRICA BANKS

UAE

The UAE is the most leveraged market in the GCC, and is therefore more at risk from a liquidity squeeze. The credit-to-deposit ratio has slipped past 100 per cent in the last few months, as deposit growth dropped to just 1.6 per cent year-on-year.

Aside from the expected AED5-7bn of SME defaults – about 1 per cent of balance sheets – the biggest risk to UAE banks is overexposure to real estate. Banks have lent a total of AED224bn, or 16.4 per cent of total lending, to real estate and construction companies.

As real estate markets continue to slow, some of these assets could deteriorate in quality.

Oman

As one of the smaller systems, with lower fiscal buffers, Oman will be more affected by falling liquidity than other GCC countries.

The credit-to-deposit ratio has crept above 100 per cent, and loan growth has slowed to 6 per cent year-on-year.

The government is also continuing to borrow from the domestic market, soaking up remaining liquidity. This is despite stated plans for international sovereign bond issuance in 2015.

As Oman continues its high capital spending, international banks will have to take on major debt tranches on projects such as Liwa Plastics and independent power and water schemes.

Saudi Arabia

Saudi Arabia's banking system is seeing liquidity tighten from an extremely high base. Loan to deposit ratios are still well below the 85 per cent upper limit at 78.1 per cent. The biggest concern is that increased government borrowing through bond issuance could begin to crowd out private sector lending.

Saudi banks have more than SR460bn in excess liquidity to buy government bonds, according to Riyadh-based Jadwa Investments. Nevertheless, reduced spending and a number of cancellations and delays on megaprojects could slow the economy and reduce lending opportunities.

Qatar

As Qatar embarks on a massive investment programme in readiness to host the 2022 Fifa World Cup, banks will need to play an important supporting role.

Public sector deposits have fallen 13.9 per cent. At the same time, loan growth has slowed from breakneck rates of more than 20 per cent before 2013 to a steadier 10.7 per cent in the last year. It remains the highest growth rate in the GCC.

Liquidity concerns are growing but not yet serious, and the risk of a crunch may be exaggerated, as capital buffers were still above 15 per cent at the end of 2014, according to Moody's.

"The Moroccan banking system is an exception, performing well due to domestic economic growth"

Kuwait

Kuwaiti banks will buck the GCC trend in 2016, due to low government spending in previous years. This allowed lenders to build up a huge amount of liquidity. Credit-to-deposit ratios stand at just 78.6 per cent, with low government borrowing. NPL levels have recovered from the 2009 crisis, reaching a healthy 2.8 per cent.

The Kuwaiti economy is set to heat up from the stagnation of the last two years as the government finally moves forward on multibillion-dollar spending programmes. While some tightening is expected due to lower oil prices, Kuwaiti banks are eagerly anticipating the upcoming downstream oil and public-private partnerships projects. The Kuwaiti dinar tranches will prompt increased loan growth and profits at domestic banks.

Egypt

Egyptian banks enjoy strong liquidity, but interest rates above 12 per cent inhibit the demand for loans, especially long-tenor project finance. Deposits continue to grow at 13.5 per cent, providing a cheap source of funding, and credit at 17.1 per cent.

Bank performance in 2016 depends on public infrastructure projects going ahead, and stimulating higher economic growth. This would bring NPLs down from the current 8.6 per cent and provide opportunities for loan growth.

Egypt's hard currency shortages continue to hamper banks' operations and hold back an economic revival. With local banks only able to lend in Egyptian pounds, this will have to be resolved before international lenders supplement their relatively small capacity.

Other markets

In the rest of the Middle East and North Africa, the banking outlook is equally cloudy. Jordanian and Lebanese banks are struggling to maintain profits as the refugee crisis creates a drag on their domestic economies.

NPLs remain a significant obstacle, for example in Tunisia, where they are still at 15.8 per cent, according to the Washington-based IMF.

High domestic government borrowing and undercapitalisation also limits private sector lending.

The Moroccan banking system is an exception, performing well due to domestic economic growth.

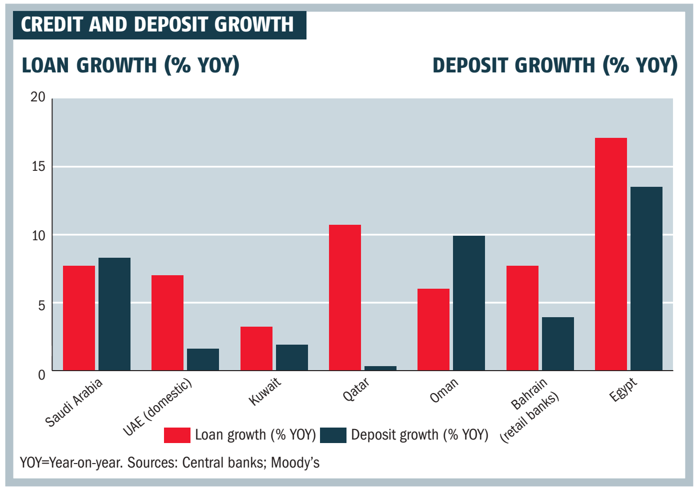
the Commercial Bank of Dubai and $750m by the National Bank of Abu Dhabi. The return of GCC governments to bond markets will underpin this trend by deepening yield curves.

However, there are concerns about the liquidity of regional bond markets, and their capacity to absorb an increased level of banking sector issuance. Abu Dhabi Commercial Bank has already had to cancel a benchmark dollar issuance over the poor response.

Wider spreads

"Local demand is a key part of a successful placement, but when local banks are less liquid there is less to invest," says Howladar.

"Money is getting more expensive and spreads are widening, so banks need to adjust to paying more."



YOY=Year-on-year. Sources: Central banks; Moody's

Sukuk markets may have more liquidity, but are still relatively small. Conventional banks could increasingly target the liquidity contained in this segment.

Banks may find this borrowing expensive as 2016 continues, and will protect their margins by passing the costs on to borrowers.

As government clients increasingly delay payments and find alternative ways to fund projects, banks are being asked to plug the gap. International banks are facing a difficult year as the global economy weakens, so regional banks will continue to play an important role.

Liquidity will continue to tighten, but the important question is how it will affect contractor and project finance. Difficulty in securing the financing to begin work could delay projects.

Cash flow

Some contractors are already being hit by cash flow issues and are unable to raise more finance. Their existing debt service could also become a problem.

Banks should be able to survive the difficult conditions, and increase efficiency to maintain profit ratios, even if profit and asset growth slows. But customers may suffer from the rising cost of lending and more cautious approach.

Tough year ahead for contractors

While projects are still being planned, the challenge will be making progress

COLIN FOREMAN

Fewer contract awards and tightening cash flow were the two main themes for construction companies in 2015 as clients adjusted their capital expenditure plans in the wake of the drop in oil prices.

So far during 2015, there have been $56bn of construction contract awards in the GCC, down 27 per cent on the $77bn awarded in 2014, according to data from regional projects tracker MEED Projects. There was also a 27 per cent drop for transport, which has had $27bn of contract awards this year, down from $37bn in 2014. Oil has seen $18bn of awards this year, down 38 per cent from the $29bn awarded during 2014.

Cash flow

Payment delays have forced contractors to secure loans from banks to cover monies owed, and in some cases cut costs and headcount.

In November, Athens-based Consolidated Contractors Company (CCC) raised $350m as the contractor builds a cash cushion against growing payment delays from its clients, amid slumping oil prices. The company expects payment delays to worsen and is in talks with more banks to raise additional funds as it looks to beef up its cash buffer.

Also in November, Saudi Binladin Group, the largest contractor in Saudi Arabia, moved to lay off 15,000 workers. This was the third batch of staff retrenchments in its architecture and building construction division. It is not known how many the company had already laid off in previous phases.

Other firms are also cutting costs. Dubai-listed interior fit-out firm Depa said in December that it is reducing its global head count, and the Oman Society of Contractors is reported to have warned that up to 55,000 jobs could be lost in the sultanate as construction activity wanes.

CONSTRUCTION

At $56bn, the value of construction deals awarded in 2015* is down 27 per cent on the $77bn awarded in 2014

*=At the time of publication. Source: MEED Projects

The worsening market conditions have caused a significant drop in sentiment. UK-headquartered law firm Pinsent Masons' annual GCC Construction Survey, which surveys companies involved in projects with a value of more than AED100m ($27m), found that just 32 per cent of respondents are optimistic about the year ahead, down from 77 per cent who were looking forward to 2015 last year.

Despite the drop in the value of awards and worsening sentiment, new work is moving ahead. The worst hit market in 2015 has been the UAE, and after a slowdown in awards during the start of 2015, there are signs that large government-backed projects are being driven ahead.

In early December, the Roads & Transport Authority (RTA) awarded the local Wade Adams Contracting the AED474m contract for the second phase of the extension to Academic City road. The transport agency is preparing to award contracts on other road projects totalling about AED2bn.

"Payment delays have forced contractors to secure loans from banks to cover monies owed"

The RTA's largest single project is the new metro link connecting to the Dubai Expo 2020 site. Contractors are preparing to submit bids for the design-and-build contract on 10 January.

For other clients in Dubai, the local/Belgian Bel Hasa Six Construct submitted a low bid of AED1.32bn for the contract to build the second phase of the Jebel Ali sewage treatment plant for Dubai Municipality.

The municipality is also planning to build a deep-sewer tunnel network in the Deira area of the emirate, similar to the Strategic Tunnel Enhancement Programme (STEP) under way in Abu Dhabi. It is also planning tunnels to take storm water from the Dubai World Central and Al-Maktoum International airport area in Jebel Ali out to the Gulf.

Atlantis expansion

For building work, the most high-profile project to be tendered in 2015 was Investment Corporation of Dubai's Atlantis resort expansion on the Palm Jumeirah, and an award was expected by the end of 2015. Other upcoming building projects that are at an earlier stage and should be tendered in 2016 include Wasl Tower, Burj 2020, the Museum of the Future and Zabeel One.

In Abu Dhabi, contract activity has been more subdued, with only a few awards. There are signs that this may start to change. In late November, Musanada invited companies to bid by 13 January for the design and build of a crossing connecting Reem Island with Umlifaina Island.

There are hopes that further into the future – probably in 2017 – transport projects in the UAE capital will start to move ahead after the Department of Transport appointed the UK's Arup to update the city's surface transport masterplan.

The study, which is expected to take one year to complete, will involve updating the masterplan and strategy for all of Abu Dhabi's surface transport. The largest transportation scheme planned for the capital is the Abu Dhabi Metro and Light Rail.

In Saudi Arabia, Riyadh has been forced to scale back its project ambitions in 2015. The 11 stadiums that Saudi Aramco planned to build this year have stalled. Construction work on ongoing infrastructure schemes, such as the Riyadh Metro, is being scaled back and, in October, the Finance Ministry instructed government agencies not to award any more contracts this year.

The question now confronting policy-makers is which projects should move ahead in 2016. A range of major construction schemes are at the tender and prequalification stages.

For the largest planned projects, the authorities are close to awarding contracts for the construction of more metro lines in Mecca, and

PHOTOGRAPH: DREAMSTIME

firms have been invited to express interest in and prequalify for construction work on a metro and light rail network in Jeddah. An urban rail network is also planned for Medina, although this project is at a much earlier stage.

These rail schemes require significant volumes of funding, and will test the kingdom's commitment to infrastructure spending in 2016.

Airport PPP

Perhaps the most interesting upcoming scheme is Taif International airport, which is being developed on a public-private partnership (PPP) basis.

There is a precedent for PPP airport developments in Saudi Arabia. In June, the expansion of Medina airport opened, which was developed by Tibah Airports Development Company, a special-purpose vehicle created for the project when it secured the 25-year airport concession in 2011.

Using the private sector to fulfil infrastructure development commitments will be considered increasingly if oil prices remain depressed during 2016.

The Qatari construction market is more robust as its World Cup 2022 preparations enter a new phase. After three years in which road and metro contract awards dominated, stadiums have been awarded. In July, a joint venture of Italy's Salini Impregilo, the local Galfar Engineering and Italy's Cimolai won the $850m contract from the local Aspire Zone to build the Al-Bayt stadium in Al-Khor.

Construction companies submitted bids in May for the Al-Wakrah stadium. It is understood two groups have been shortlisted for that contract. They are: Austria's Por with the local Midmac Contracting; and the Netherlands' Bam with the local UrbaCon.

Other stadiums are also to be tendered. Qatar Foundation is preparing to invite bids for the contract to build its 2022 World Cup stadium at Education City. Construction firms have also submitted expressions of interest to the Supreme Committee for Delivery & Legacy for the contract to build the 40,000-seat Al-Rayyan stadium.

The largest new stadium at Lusail is at an earlier stage after the UK's Foster+Partners was appointed to design the flagship facility in early March of 2015.

Another major project due to be tendered soon is the regional rail network that will link Doha and other centres in Qatar to the GCC rail network at the Saudi border.

In Kuwait, the public sector continues to dominate the construction market. The Ministry of Public Works is taking the lead on the majority of the upcoming tender awards.

Building new roads is its main focus. In August, the ministry received bids for road construction contracts totalling more than $1.7bn. Other ministry projects include the Bubiyan port scheme, which is officially known as Mubarak al-Kabeer, and various hospital developments.

Longer term, the burden of project delivery in Kuwait will be shared by the private sector. The government has established a new body, the Kuwait Authority for Partnership Projects (KAPP), to proceed with projects on a PPP basis.

Two of the largest schemes planned are the multibillion national rail road and the metropolitan rapid transit system.

MAJOR GCC PROJECTS EXPECTED IN 2016

Project	Country	Country	Value ($m)	Main contract award
Jeddah Metro: Orange and Blue lines	Jeddah Metro Company	Saudi Arabia	8,000	Oct 2016
Thakher City in Mecca	Thakher Real Estate Investment	Saudi Arabia	7,000	Nov 2015
Mecca Metro: package 3	Mecca Mass Rail Transit Company	Saudi Arabia	3,547	Feb 2016
Jeddah Metro: Red Line	Jeddah Metro Company	Saudi Arabia	3,500	Oct 2016
Dar al-Hijrah in Medina	Dar al-Hijrah Company	Saudi Arabia	3,000	Feb 2016
Mecca Metro: package 1	Mecca Mass Rail Transit Company	Saudi Arabia	2,653	Feb 2016
Security forces housing	Saudi Arabia Ministry of Interior	Saudi Arabia	1,883	Feb 2016
National railway segment 4A	Oman Rail	Oman	1,760	Aug 2016
National railway segment 2	Oman Rail	Oman	1,753	Aug 2016
King Abdullah Medical City expansion	Saudi Arabia Ministry of Health	Saudi Arabia	1,730	Jan 2016
North and East regional highway	Kuwait Ministry of Public Works	Kuwait	1,687	Jan 2016
Qasim-Mecca highway (Mecca)	Saudi Arabia Ministry of Transport	Saudi Arabia	1,560	Feb 2016
Fadhili residential camp	Saudi Aramco	Saudi Arabia	1,500	Jan 2016
Jeddah Metro: Green Line	Jeddah Metro Company	Saudi Arabia	1,500	Oct 2016
Jeddah Light Rail	Jeddah Metro Company	Saudi Arabia	1,500	Oct 2016
Sheikh Khalifa Medical City	Musanada	UAE	1,500	Nov 2015
Atlantis resort extension	Investment Corporation of Dubai	UAE	1,400	Dec 2015
King Fahd Naval Academy	Saudi Arabia Ministry of Defence & Aviation	Saudi Arabia	1,380	Mar 2016

Source: MEED Projects

"Prospects will ultimately depend on the commitments governments make to capital expenditure"

New focus

Oman's projects market is traditionally dominated by infrastructure schemes.

Over the past five years, the focus has been the expansion of Muscat International airport, the Batinah Expressway and, to a lesser extent, the Oman Convention and Exhibition Centre.

Over the coming years, the focus will shift to rail. The national railway project is the largest upcoming scheme in Oman. With an expected budget of $15bn, there are at least eight segments that make up the planned 2,135-kilometre national railway.

Contractors submitted bids earlier this year for the first segment, which comprises a 127km rail link connecting Sohar and Buraimi. Italian contractors Saipem and Salini are the two frontrunners for that deal. The project client, Oman Rail, is also prequalifying contractors for subsequent packages.

Other upcoming projects include a liquids terminal at Duqm, a new hospital, a cultural centre, road works and a naval base.

Bahrain's construction market is traditionally the smallest in the GCC. The biggest contract to be awarded there is for the estimated $815m expansion of the international airport. In late October, at least nine groups submitted bids for the project, which is being funded by the Abu Dhabi Fund for Development.

With government clients bearing the brunt of the projects that are planned, the prospects for upcoming schemes will ultimately depend on the commitments governments make to capital expenditure when setting budgets before the end of the year. With few expecting oil prices to rebound soon, progress will be difficult rather than swift.

Low oil prices delay energy awards

The progress of a handful of large schemes is key to the market's health

MARK WATTS

The Middle East and North Africa (Mena) oil and gas industry is facing challenging times with oil prices collapsing from four years of sustained $100-a-barrel-plus prices.

Since crude prices began to fall in the second half of 2014, there has been much speculation in the market about how spending on new projects would be affected.

Role of Opec

The collapse of crude prices has called into question the role of oil producers group Opec, with Saudi Arabia unwavering in its policy of maintaining production above the group's quota levels despite calls from some members for a cut in production to support prices.

Any hopes of a change in policy were dashed at the beginning of December when the annual Opec meeting in Vienna passed without any decision to steer the market upwards.

Capital expenditure in the Mena region has so far been resilient, despite the uncertain market outlook. In the first 11 months of 2015, companies in the region awarded $44.3bn of engineering, procurement and construction (EPC) contracts on oil, gas and petrochemicals projects.

Although this is likely to remain lower than the $59bn awarded in 2014, spending was higher in 2015 than in each year from 2010 to 2013. There was a total of $247bn-worth of EPC contracts awarded in the first half of the decade in the Mena region, excluding Iran.

The pipeline of planned projects that have yet to be awarded is even larger than this total, with as much as $331bn-worth of schemes in the early stages, from oil and gas extraction to refining and petrochemicals.

ENERGY

There was a total of $247bn-worth of EPC contracts awarded in the first half of the decade in the Mena region, excluding Iran

Source: MEED

"Capital expenditure in the Mena region has so far been resilient, despite the uncertain market outlook"

While it is inevitable that not all of these projects will make it to the execution phase, it remains to be seen how the collapse of oil prices will affect the drive to carry out future projects and whether governments will prioritise key sectors.

The health of the projects market will remain, as ever, closely tied to a handful of very large schemes proceeding on schedule.

The GCC has been the epicentre of projects spending over the past five years, with just three countries – Saudi Arabia, the UAE and Kuwait – representing almost two thirds of total project awards value.

Kuwait has been by far the largest market over the past two years, driven by the implementation of its huge refinery expansion and rehabilitation programme.

Elsewhere in the GCC, the Qatari market remains quiet, as the country continues its moratorium on developing its major offshore gas assets. Doha's focus will be on upstream oil in the coming years. Oman has increased spending incrementally every year since 2010, driven by major projects including the Sohar refinery expansion, the Khazzan tight gas development and its largest ever petrochemicals project, Liwa Plastics.

Huge potential

Outside the GCC, Iraq has had the biggest potential for contractors and, in 2014, it was the second-largest market with more than $13bn spent on oil and gas projects. However, this momentum all but collapsed in 2015 and Iraq's project pipeline has shrunk considerably.

The impact of lower oil prices on Baghdad's budget has been exacerbated by the ongoing conflict with Islamic State in Iraq and Syria (Isis), causing many capacity expansion plans to be downsized.

At the same time, the political standoff between Baghdad and the Kurdistan Regional Government on oil revenues has affected expansion plans in Iraqi Kurdistan. Erbil has been unable to pay the international oil companies carrying out its ambitious oil field development programme.

Outside the GCC, spending has largely stagnated or fallen. The conflict in Libya has caused project developments to grind to a halt.

Egypt's projects market suffered in the first half of the decade due to political upheaval, but there are signs that major upstream projects are starting to gain momentum.

The discovery earlier in 2015 of a deepwater gas field, the largest proven gas field in the Mediterranean Sea, has enormous potential and could supply much of the country's increasing domestic demand. The field could be brought online by its operator, Italian oil group Eni, as early as 2020, meaning significant investments would be required over the coming years in field development, as well as pipelines and processing infrastructure.

Algeria has a pre-execution project pipeline valued at nearly $32bn, although the North African country has typically been one of the least successful at fulfilling its potential, and has trailed other resource-rich countries in the region in terms of spending in recent years.

Much could be decided by the fate of four refinery projects and several gas developments planned by Sonatrach.

Expanding upstream gas-handling capacity and boosting supplies have become major priorities for the region's governments as they seek to meet domestic demand growth of up to 15 per cent a year from the power, industrial and oil sectors.

With an increase in associated gas production constrained by the relative lack of expansion in oil production – with the exception of Iraq and potentially Iran – the focus has been on developing non-associated gas fields in Saudi Arabia, Iraq, Algeria and Kuwait,

PHOTOGRAPH: SHUTTERSTOCK

as well as moving into the development of sour and tight gas deposits, especially in Abu Dhabi, Oman and Saudi Arabia.

Saudi Arabia awarded its first contract to develop shale gas production in the north of the kingdom in 2015 and, in the next year, it is set to start work on a four-fold expansion of the initial work. At the same time, state oil company Saudi Aramco is starting a series of major offshore field developments after awarding long-term agreements to four EPC contractors for the programme. The first, an expansion of the Hasbah sour gas field, is expected to be awarded in early 2016.

The high cost of developing more difficult gas plays, coupled with the ongoing moratorium on Qatar's North Field, has resulted in Kuwait and Dubai building liquefied natural gas receiving terminals. These are being followed by facilities in Jordan, Bahrain, Fujairah (UAE), Egypt and Morocco.

Driving factors

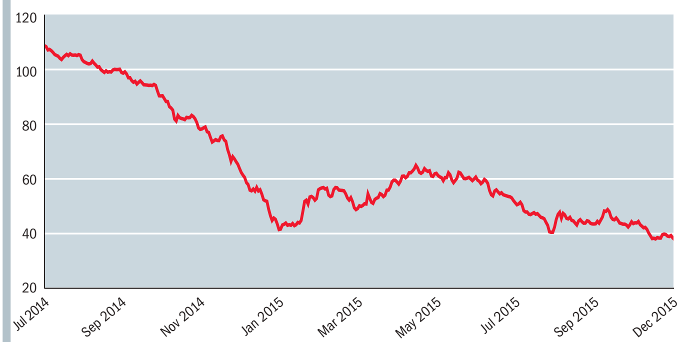
Downstream investment in refining has largely been driven by a desire of some states, most notably Saudi Arabia, Algeria, Egypt and the UAE, to increase refined product exports, which fall outside Opec quotas. Some countries must also meet domestic demand, which has been increasing by up to 11 per cent a year in some parts of the region.

The need to improve product specifications through a significant reduction in sulphur content, especially at older refineries, has also been a factor. This is one of the drivers for the expansion of Oman's Sohar refinery.

Predictably, Saudi Arabia had the region's largest oil, gas and petrochemicals market when taken over a five-year period, between 2010-15, with a total of $72.8bn awarded, accounting for almost 30 per cent of the total. However, the kingdom has not been the largest market in any of the last three years, and in 2014 it was only the fourth biggest spender on projects.

OPEC BASKET PRICE

($ A BARREL)



Source: Opec

MAJOR UNAWARDED OIL AND GAS CONTRACTS

Country	Project	Net project value ($m)	Award year
Saudi Arabia	Yanbu oil-to-chemical complex	30,000	2017
Saudi Arabia	Yanbu integrated refinery and petrochemicals	20,000	2017
UAE	Hail and Ghasha sour gas	15,000	2019
Egypt	West Nile Delta development: North Alexandria	12,000	2017
UAE	Bab sour gas project	10,000	2017
Egypt	Zohr gas field development	10,000	2016
Oman	Duqm petrochemicals complex	9,000	2020
Kuwait	Olefins 3 petrochemicals	7,000	2017
Oman	Duqm refinery	5,000	2016
Algeria	Hassi Messaoud peripheral field development	5,000	2016

Source: MEED Projects

THE 10 LARGEST CONTRACTORS IN MENA HYDROCARBONS, 2010–15

	Contract value ($bn)
Petrofac	18.8
Samsung Engineering	18.0
Saipem	14.7
Tecnicas Reunidas	14.0
SK Engineering & Construction	12.2
Daelim	12.3
Hyundai Engineering & Construction	8.7
GS Engineering & Construction	7.7
National Petroleum Construction Company	6.2
JGC Corporation	6.1

Source: MEED Projects

The kingdom was surpassed by the UAE in 2013 and 2014, and by Kuwait in the last two years.

Kuwait has been by far the largest market in 2014 and 2015 and easily the fastest-growing out of any major oil and gas economy in the region.

In the past two years, Kuwait has spent more than $35bn, driven by major projects such as Clean Fuels, the Al-Zour refinery and the Lower Fars heavy oil handling facilities.

As of December 2015, there was an estimated $247bn-worth of planned and unawarded projects in the Mena region. The UAE and Saudi Arabia represent a large chunk of that value with respective project pipelines of $77bn and $74bn. With the value of planned projects in Iraq collapsing over the past 18 months, Egypt and Algeria are now seen to have the third and fourth largest potential with $41bn and $32bn worth of unawarded projects respectively.

After being the driving force of project spending in 2014 and 2015, Kuwait has a relatively small project pipeline of $30bn – one of the only countries where this figure is smaller than the past two years of spending.

For smaller economies, such as Oman and Bahrain, the level of spending in the coming years largely depends on the fate of a few large projects. In both countries, these projects come in the form of large refinery schemes.

In 2016, Bahrain could award its $4bn-plus refinery modernisation scheme. In the fourth quarter of 2015, the developer of Oman's largest single-phase refinery project at Duqm tendered the main packages with an award also expected in 2016.

Budget cuts

A large amount of uncertainty always exists in trying to forecast which of the hundreds of oil, gas and petrochemicals projects in the planning stage will come to fruition. The fall of global crude prices adds further to this uncertainty, with governments looking at ways to cut costs and meet annual budgets.

In countries with major gas supply issues, such as Saudi Arabia, the UAE and Oman, governments are likely to ring-fence key gas projects as a matter of national strategic importance.

Projects seen as less essential, such as small incremental increases in crude production capacity for example, could be put on the backburner as governments make tough decisions to balance budgets while uncertainty in oil markets remains.

While some countries have a good track record of implementation, many of the projects in the pipeline are in states such as Algeria, Iraq and Egypt, where politics can have a substantial impact on their respective local projects market.

GulfCapital SME Awards MEED

Gulf Capital SME Award winners 2015

The success stories behind this year's winners of the Gulf Capital SME Awards have all contributed to the UAE's diversification and growth

This year's winners of the annual Gulf Capital SME Awards were revealed at the end of October. Leading the roster of winners was Asis Boats, which received the highly-coveted Gulf Capital Business of the Year Award, while its founder Roy Nouhra was named Entrepreneur of the Year.

Asis Boats makes vessels for leisure, commercial and military customers. Since its establishment in 2006, it has grown to become one of the world's leading designers and manufacturers of rigid inflatable boats, sold in 80 countries.

"We congratulate all the winners of this year's edition of the Gulf Capital SME Awards," said Karim el-Solh, CEO of Gulf Capital, a Middle East alternative investment firm and headline sponsor of the annual Gulf Capital SME Awards.

"Their success stories are an inspiration for many entrepreneurs and small businesses to follow. They are among the reasons why the UAE has achieved such strong diversification and growth and why the SME [small and medium-sized enterprises] sector has become the main engine of growth for the UAE economy."

Others honoured at the glittering ceremony on 28 October included Early Years Educational Services, an educational training and consultancy firm, which received the MasterCard Small Business of the Year award.

For turning the conventional healthcare model upside down, Eternity Medicine was recognised with the Business Innovation of the Year award on the strength of its pioneering practice in providing personalised health reports using advanced screening technologies and cutting-edge treatments.

1. Emirati Business of the Year
2. Gulf Capital Business of the Year

The Camel Soap Factory, winner of the Start-up Business of the Year award last year, was back on the honour roll, winning the Sustainable Business of the Year award for its work in educating customers on the benefits of environmentally friendly soap manufacturing.

In support of the UAE government's efforts to promote the growth of the SME sector, an Emirati Business of the Year award is given annually, to inspire other nationals to embark on their own entrepreneurial journey. This year's winner was Bin Touq Fire & Safety, a company that has benefited tremendously from the UAE's construction boom in recent years by providing fire protection and alarm systems.

Souqalmal.com succeeded over other web-based businesses in winning this year's Online Business of the Year award.

The RSA Customer Focus of the Year award was given to Smart Fitness, an SME that specialises in providing personal, group and athletic training, as well as bespoke solutions for corporate wellness.

The winners of the 2015 Gulf Capital SME Awards (complete list, right) were honoured at a ceremony at the Westin Mina Seyahi Beach Resort & Marina, Dubai.

2015 WINNERS

- **Gulf Capital Business of the Year**
  Asis Boats
- **RSA Customer Focus of the Year**
  Smart Fitness
- **MasterCard Small Business of the Year**
  Early Years Educational Services
- **DHL People & Culture of the Year**
  British Orchard Nursery
- **Start-up Business of the Year**
  Beehive Group DMCC
- **Online Business of the Year**
  Souqalmal.com
- **Sustainable Business of the Year**
  The Camel Soap Factory
- **Business Leader of the Year**
  Adventure HQ
- **Emirati Business of the Year**
  Bin Touq Fire & Safety
- **Entrepreneur of the Year**
  Asis Boats - Roy Nouhra
- **Business Innovation of the Year**
  Eternity Medicine

Contact us now for details of the 2016 awards:

becky.crayman@meed.com

www.meedsmeawards.com

3. MasterCard Small Business of the Year
4. RSA Customer Focus of the Year
5. Online Business of the Year
6. Entrepreneur of the Year
7. Business Innovation of the Year
8. Sustainable Business of the Year

Robust demand drives utilities growth

After a milestone year for the region's utilities sector, 2016 will continue to offer lucrative opportunities

ANDREW ROSCOE

With oil prices expected to remain subdued in 2016, moves towards energy diversification and private financing will form the key trends in the Middle East and North Africa's (Mena's) power and water markets.

An eventful 2015 for the region's utilities sector showed that as projects in other sectors are cancelled or scaled back due to falling revenues, the growing demand for electricity and water is ensuring governments are still pushing ahead with major power and desalination schemes.

While demand for power and water from industrial sectors may fall if government and private projects are delayed, the robust population growth being experienced throughout the region will continue to drive demand for utilities.

MEED estimates that installed power capacity in the Mena region will need to increase by 143.2GW by 2020 to meet expected demand, with the desalination requirement for the arid GCC states in this period increasing by 2,012 million imperial gallons a day (MIGD).

Watershed year

In future years, 2015 will likely be remembered as a watershed for the region's power sector, with renewable energy finally emerging as a viable option for utility-scale power generation. Renewables, along with other alternative energy sources, are emerging as important facets of power generation programmes across the region.

A consortium led by Saudi Arabia's Acwa Power was awarded a contract to build a 200MW photovoltaic (PV) solar project with a world-record-low tariff in January.

POWER & WATER

Installed power capacity in the Mena region will need to increase by 143.2GW by 2020 to meet demand

Source: MEED

With the tariff-price almost converging on conventional energy prices, governments are becoming increasingly keen to develop large-capacity renewable projects.

State utility Dubai Electricity & Water Authority (Dewa) is preparing to tender the 800MW third phase of its Sheikh Mohammed bin Rashid al-Maktoum solar park, which will be by far the largest single-phase solar project undertaken in the world. With more than 95 companies submitting expressions of interest in the project in October, 2016 will usher in great anticipation for the bidding and award of the emirate's next major solar scheme.

Acwa's success with the 200MW PV solar project in Dubai came shortly after it was awarded the contract to develop the Noor 2 and Noor 3 concentrated solar power (CSP) projects in Morocco. With a combined capacity of 350MW, the North African schemes are two of the largest CSP projects in the world. The 160MW Noor 1 power plant is already under construction, and the

"Saudi Arabia is still regarded as the potential game-changer for clean-energy schemes"

Moroccan Solar Agency (Masen) has awarded contracts for more than 500MW of CSP schemes. The client is set to continue its ambitious programme into 2016, with the next phase set to encompass 75MW of PV solar to extend its solar energy portfolio.

Ambitious target

Morocco is making inroads towards its ambitious target for renewables to account for 42 per cent of its power capacity by 2020. Rabat's Office National de l'Electricite et de l'Eau Potable is overseeing the development of 850MW across five wind farms. The client received bids in late October, and the wind project is likely to be one of the first major contract awards in the region's power sector in 2016.

Egypt is also ready to become a major player in the renewable energy sector in 2016, as it seeks to reach financial close on the first phase of its ambitious 4,300MW feed-in-tariff wind and solar programme, and also makes contract awards on some major renewable independent power projects (IPPs).

Those within the renewables and project financing market will eagerly be waiting to see if 2016 is the year that Saudi Arabia can finally establish renewable energy projects on a large scale. Following the disappointment of King Abdullah City for Atomic & Renewable Energy's (KA-Care's) failed attempts at initiating a 54GW alternative energy programme, state utility Saudi Electricity Company (SEC) has taken on the mantle as the kingdom's renewable energy hope.

Progress in 2015 was promising, with the long-awaited contract award on the 550MW Duba integrated solar and combined cycle (ISCC) project in October, and the tendering of the 3,780MW Taiba ISCC, which will contain a sizeable 180MW solar component.

While considerable progress was made by several countries in 2015 with renewable projects, Saudi Arabia is still regarded as the potential game-changer for clean-energy schemes in the region. If Riyadh is able to push ahead with projects on a large scale, it will create the sustainable supply chain to put the region on the global map of renewable energy producers.

The drive for alternative energy is not solely being driven by falling government revenues in the era of lower oil prices, but also by the increasing difficulty in securing fuel for gas power plants, still the fuel of choice for large-scale power generation.

In addition to renewables, utilities are looking at other alternative fuels to reduce pressure on gas supplies and imports.

In October, Dubai selected Acwa Power to develop the GCC's first large-scale coal-fired power generation facility, the planned 1,200MW Hassyan IPP. With a contract award expected by the end of the first quarter of 2016, the coal project illustrates the government's drive to diversify fuel supply and bolster energy security.

Egypt is also likely to make progress with major coal-fired power

PHOTOGRAPH: DREAMSTIME

facilities in 2016, having signed agreements with several international firms to build more than 9,000MW of coal plants at the Egypt Economic Development Conference in March.

As Abu Dhabi makes progress with the GCC's first nuclear power project, Egypt is set to start initial construction work on its first nuclear power plant in 2016. In November, Russia's nuclear organisation, Rosatom, signed contracts to develop four reactors of 1,200MW each at the El-Dabaa nuclear plant. With Cairo having set a target of delivering first nuclear power by 2022, the Russian company will need to make swift progress. Moscow has reportedly agreed to provide a long-term loan to cover the financing of the facility.

In addition, Russia is working on plans to develop a nuclear power plant in Jordan. Rosatom was selected in late 2014 to build the facility, and the nuclear company is now working on a feasibility study for financing the plant, which is scheduled to be completed in 2017.

The international nuclear market will also be keeping a close eye on Saudi Arabia's planned nuclear programme. As with its renewables plans, KA-Care has not made any tangible progress with its ambitious atomic power programme, following the appointment of a group of advisers in late 2012. However, with Riyadh committed to developing up to 16 reactors with an installed capacity of upwards of 17GW, the kingdom's power sector will remain a central focus of nuclear providers from across the world in 2016.

MAJOR POWER AND WATER PROJECTS DUE TO BE AWARDED IN 2016

Project	Owner	Country	Budget ($m)	Main contract award	Due
Fadhili independent power project (IPP)	Saudi Aramco/SEC	Saudi Arabia	2,500	Q1 2016	2018
Waad al-Shamal power plant	SEC	Saudi Arabia	1,300	Q1 2016	2018
850MW wind farms	Onee	Morocco	1,700	Q1 2016	2018
Gulf of Suez wind farm 250MW IPP	NREA	Egypt	360	Q1 2016	2018
Dairut IPP	EEHC	Egypt	2,500	Q2 2016	2019
Jeddah 4 desalination plant	SWCC	Saudi Arabia	750	Q2 2016	2019
Ouarzazate solar IPP: Noor 4	Masen	Morocco	170	Q3 2016	2019
Al-Zour North 2 IWPP	KAPP	Kuwait	1,600	Q3 2016	2019
Dubai 800MW solar IPP	Dewa	UAE	1,200	Q3 2016	2018
Taiba ISCC	SEC	Saudi Arabia	3,500	Q3 2016	2018
Al-Khiran IWPP	KAPP	Kuwait	1,800	Q4 2016	2020
Al-Abdaliyah ISCC	KAPP	Kuwait	500	Q4 2016	2019
Abu Dhabi 350MW solar IPP	Adwec	UAE	500	Q4 2016	2019
Rabigh 3 desalination plant	SWCC	Saudi Arabia	1,000	Q4 2016	2020
Salalah independent water project (IWP)	OPWP	Oman	250	Q4 2016	2019
Sharqiyah IWP	OPWP	Oman	250	Q4 2016	2020

Adwec=Abu Dhabi Water & Electricity Company; Dewa=Dubai Electricity & Water Authority; EEHC=Egyptian Electricity Holding Company; KAPP=Kuwait Authority for Partnership Projects; NREA=New & Renewable Energy Authority; Onee=Office National de l'Electricite et de l'Eau Potable; OPWP=Oman Power & Water Procurement Company; SEC=Saudi Electricity Company; ISCC=Integrated solar combined-cycle; IWPP=Independent water and power project; Masen=Moroccan Solar Agency; SWCC=Saline Water Conversion Corporation. Source: MEED

Private assistance

The second major theme set to permeate the region's utilities market in the coming year is a move towards increased private participation and investment in major power and water projects.

With the demand growth for electricity and potable water set to remain strong, governments are unlikely to remove planned schemes from project pipelines under pressure from falling hydrocarbon revenues. The big question will be how these schemes are to be financed. There is likely to be an increased move towards using the private developer market to finance the capital expense (capex) of costly utility projects.

While the region, particularly the GCC, has built up an impressive portfolio of IPP and independent water and power projects (IWPPs) over the past two decades, many major utilities schemes continue to be funded from government accounts.

Saudi Arabia provides the most pertinent example of this. The kingdom's desalination provider, Saline Water Conversion Corporation (SWCC), has not tendered a major desalination project through the IWPP model since 2007. The electricity generator SEC has also moved away from its IPP model since the award of Rabigh 2 in 2013, with the client having scrapped plans to develop the Duba ISCC as an IPP. Instead it proceeded to tender the scheme as an engineering, procurement and construction (EPC) project.

"2016 may usher in additional ways to procure major utility projects while reducing debt on balance sheets"

However, with Riyadh feeling the impact of the drop in oil prices, Saudi utility providers are likely to move towards the private financing model to develop the country's ambitious programme of projects. According to sources in the kingdom's water sector, SWCC is considering employing the IWPP model in its next planned major cogeneration project, the 1,500,000 cubic-metres-a-day (cm/d) Jubail 3 plant.

Contractor financing

In addition to the IPP/IWPP models, 2016 may also usher in some additional ways to procure major utility projects while reducing debt on balance sheets. One of the alternative methods emerging for major infrastructure projects is contractor financing, where projects are procured on an EPC basis with the contractor bringing bank or export credit financing. This model may be used extensively in Egypt, where a number of agreements were signed with Chinese contractors in 2015 to build major coal-fired power facilities.

Another part of the region's changing utilities market that may begin to rise in prominence in 2016 is the growing interest in standalone water plants, as governments seek to boost desalination capacity separately from power plants. Oman and Kuwait have already tendered and awarded some major independent water projects, and Abu Dhabi is reported to be interested in separate desalination facilities due to the significant power capacity that will come online when its nuclear project is completed.

After a milestone year for the Middle East's utilities sector, 2016 should continue to offer some interesting and lucrative opportunities for contractors and developers. While the robust demand for power and water should ensure that few projects are cancelled, the ability of clients to tap into private financing will determine how successful the market is next year.

Optimism replaced with concern

The drop in commodities prices threatens to derail expansion plans in the region's industrial sector

MARK WATTS

Prospects for the Middle East and North Africa (Mena) region's non-oil industrial sector continue to look gloomy moving into 2016, as commodity markets across the board suffer from oversupply and plunging prices.

Weak market conditions in industries from cement to aluminium have affected the potential for expansion plans in a region that is already being hit by the severe drop in oil prices.

Expansion in sectors such as metals and manufacturing is a key plank of the economic diversification strategies being pursued by Mena oil-exporting countries to decrease reliance on oil revenues.

The slump in commodities prices over the past three years threatens to derail these plans as investors consider the potential of expanding capacities.

Falling prices

In late October, UK-based commodities consultancy CRU said its average basket of 35 products is expected to drop by nearly 12 per cent in 2015.

"There has been no annual positive price movement since 2011. This means less cash available for debt repayment, investment and operating costs," said Paul Robinson, CRU's director of multi-commodity, knowledge and information, speaking at MEED's Saudi Mining & Minerals Conference in Riyadh on 27 October. "Optimism has been replaced with concern."

Robinson said CRU is "cautiously optimistic" about a medium-term recovery, but forecasts the average commodities price will remain flat in 2016.

Despite the uncertain outlook for commodities, there has been a slight upturn in spending on new industrial projects in the Mena region in 2015, dominated by two of the region's major economies – Saudi Arabia and the UAE.

INDUSTRY

The biggest EPC contract of 2015 came in November on a 20,000-t/d cement scheme in Saudi Arabia

t/d=Tonne a day. Source: MEED

Between January and November 2015, about $7.9bn-worth of contracts were awarded on industrial projects across the Mena region (excluding Iran), according to regional projects tracker MEED Projects.

About $7.1bn-worth of deals were let in 2014, but the value of awards remains far below the recent high of $14bn in 2011.

The largest engineering, procurement and construction (EPC) contract of 2015 came towards the end of the year on a cement scheme in Saudi Arabia.

In November, German engineering group Thyssenkrupp was awarded a contract by Yamama Saudi Cement Company to build two cement clinker production lines near Riyadh. Thyssenkrupp said the deal was in the "high three-digit million euro range", putting the value at more than $500m and possibly close to $1bn. The two lines will have an overall capacity of 20,000 tonnes a day (t/d) and will be built at a new site about 80 kilometres east of Riyadh.

"Egypt, Iran and Saudi Arabia all made cases for investment in their respective mining sectors in 2015"

Saudi Arabia's cement capacity has doubled in the past decade, increasing from 27 million tonnes a year (t/y) in 2006 to a capacity of about 60 million t/y, the Petroleum & Mineral Resources Ministry said in October.

In June, cement production in the kingdom reportedly dropped at the steepest rate on record as producers attempted to run down stocks to boost prices.

The largest cement project at the pre-execution phase in the GCC is Al-Baha Holding Cement Company's estimated $500m plant in the Al-Bahah province in the southwest of Saudi Arabia.

The project scope calls for a 15,000-t/d plant. In June, it emerged that the feasibility study had been completed and Al-Baha had received all licences and proposals to build the facility.

Aluminium market

Some of the largest schemes in the pipeline of industrial projects in the Mena region are in the aluminium sector. However, aluminium prices remain in the doldrums on continuing oversupply and high stockpiles of product.

Prices have fallen this year to a low of about $1,500 a tonne and there is little scope for recovery in 2016. The value has fallen over the past four years from an average of more than $2,000 a tonne in 2012.

The largest project in this sector is Aluminium Bahrain's (Alba's) proposed $3.5bn expansion of its smelting operation. In June, it emerged that state-owned Alba had been granted government approval for plans to add a sixth potline at its smelter complex, which would make it the largest single-site producer of primary aluminium in the world.

The project will add an additional 514,000 t/y of capacity, meaning Alba will ramp up production to 1.45 million t/y.

The scheme will represent the largest heavy industry project ever witnessed in Bahrain and is a clear indication that Manama understands the importance of primary aluminium production to the economy. Alba and the downstream aluminium industries are responsible for about 10 per cent of Bahrain's GDP.

According to Alba, work is due to commence on the scheme in 2016. The potline will be tendered on an engineering, procurement and construction management (EPCM) basis.

The other upstream aluminium project in the planning phase is Sohar Aluminium Company's expansion of the smelting complex in Sohar, northern Oman. However, the project looks to have made little progress since the plans were revealed in 2010.

One of the issues, as with many large industrial projects in the GCC, is the shortage of gas to power the energy-intensive process. One country in the Middle East that does have large volumes of gas capacity coming on stream is Iran, and with the lifting of economic sanctions anticipated in 2016, the country could see new invest-

PHOTOGRAPH: DREAMSTIME

ments in its aluminium and other energy-intensive industries.

One of the first Iranian project announcements following the Vienna sanctions agreement in July 2015 was made by India's National Aluminium Company (Nalco). The firm plans to set up a $2.6bn smelter and captive power plant in Iran in order to overcome electricity shortages back home.

Nalco intends to source alumina from its refinery in Odisha, India, to feed a 1 million-t/y smelter in Iran. The plant is unlikely to be completed until at least the end of the decade. It is not yet known where the facility will be located or which local companies will be involved in the venture.

CRU's Robinson was pessimistic in the firm's outlook for aluminium prices, saying the world does not need any additional smelting capacity, but the Chinese industry is expected to increase production further next year.

Steel affected

Another industry affected by lower prices is steel. On the UAE local market, the price of steel bars has fallen to about AED1,500 ($408) a tonne in the first quarter of 2015, representing a 30 per cent drop from the same period in 2014. This is estimated to be the lowest price since 2005 and compares with a price of AED2,100 at the beginning of 2015 and AED6,000 before the financial crisis in 2008.

The steel arm of Saudi Basic Industries Corporation (Sabic) saw a loss for the third quarter of 2015, according to Abdulaziz al-Humaid, the firm's executive vice-president for metals. "The drop in raw materials prices is also bad news for the steel industry," he said.

Saudi Arabia, the Middle East's second-largest steel producer after Iran, has struggled to push through major projects in recent years.

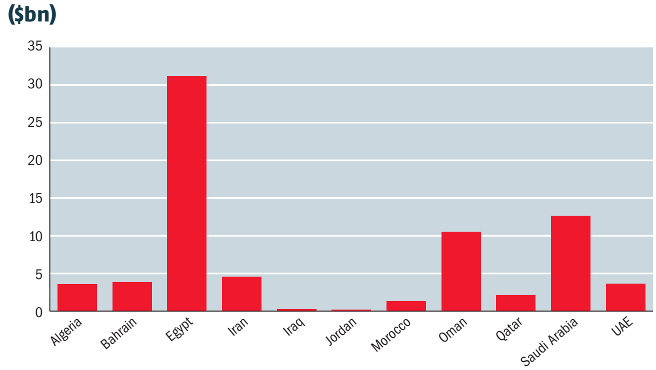
The kingdom's previous flagship steel project, Al-Rajhi Steel's proposed $3bn complex at King Abdullah Economic City, was cancelled in 2013. In the same year, it emerged that Sabic was planning to invest $4.2bn in two new steel plants, but these are now on hold as further feasibility studies are carried out.

MEED Projects estimates the Mena region, excluding Iran, has $61bn-worth of projects in the pre-execution phase. However, 96 per cent of this value is for projects in the design or study phases and is not likely to be awarded in the near term.

One project undergoing the EPC bidding process is Advanced Manufacturing Solutions' steel foundry project in Khalifa Industrial Zone Abu Dhabi (Kizad). Bids are under evaluation for the first two phases of the plant, which could see contracts worth $300m awarded in the coming months.

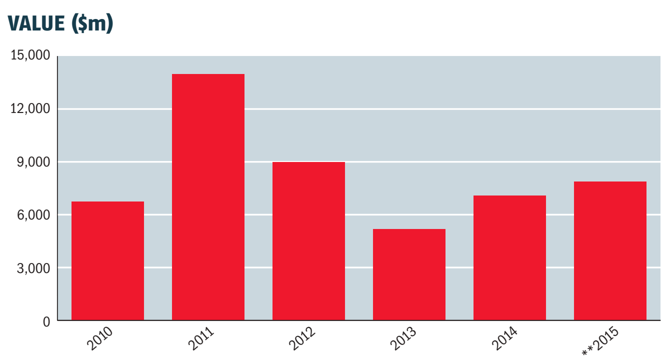
A tender is also expected on a large downstream aluminium project in the UAE. Taweelah Aluminium Extrusion Company (Talex) is planning an estimated $1.5bn aluminium rolling mill, also at Kizad. The front-end engineering and design study on the project was completed in October, paving the way for Talex to invite companies to bid on the EPC contract.

PROJECTS IN PRE-EXECUTION



Source: MEED Projects

MENA* INDUSTRIAL AWARDS IN 2015



*=Excluding Iran; **=January-November. Source: MEED Projects

Mining potential

Egypt, Iran and Saudi Arabia all made cases for investment in their respective mining sectors in 2015.

Saudi Arabia is aiming to triple the mining sector's contribution to national GDP by 2030 and provide 100,000 new jobs in remote areas, the kingdom's Petroleum & Mineral Resources Minister Ali al-Naimi said in late October. "We are preparing ambitious plans to execute in the next five or 10 years, and it will lead transformation in the kingdom," said the minister.

Egypt's President Abdul Fattah al-Sisi's administration announced ambitious plans for the country's mining sector in March, but the development strategy has seen slow progress.

Cairo aims to increase mining's contribution to its economy from 0.4 per cent of GDP in 2013/14 to more than 5 per cent within a decade. Key elements of the strategy included the announcement of new mining bid rounds for gold and other minerals in the first half of 2015 and the implementation of the new mining law.

Egypt's mining strategy includes the preparation of a masterplan for the development of mineral processing zones, including the so-called Golden Triangle. Located on Egypt's Red Sea coast, the area has been designated as the site of an integrated industrial complex.

In March, Egypt said the region, which has been declared a special economic zone, would see a 6,000-square-kilometre pilot project begin in 2016 with the identification of mineral resources and development of infrastructure.

Uncertain outlook for beleaguered sector

Contract awards to remain limited amid declining prices and constrained GCC gas supplies

WIL CRISP

The petrochemicals sector in the Middle East and North Africa (Mena) is scrambling to adapt to a rapidly changing global market amid an ongoing shale boom in the US, increasing production in China and plunging petrochemicals prices.

Since 2011, the annual value of petrochemicals contract awards in the region has steadily declined.

As of 30 November, 2015 has seen just $4.5bn in contracts awarded, 69 per cent less than the $14.3bn awarded in 2011.

Over the past five years, increasingly constrained gas supplies in the GCC and competition from other regions have weighed on the Mena region's petrochemicals sector.

Persistently low oil prices since mid-2014 have driven down the price of petrochemicals, adding another dimension to the challenge faced by those looking to develop petrochemicals facilities in the Mena region.

After peaking at 1,463 in July 2014, the Platts Global Petrochemical Price Index has declined by 47 per cent, hitting 769 in November 2015.

PETROCHEMICALS

The Platts Global Petrochemical Price Index has declined by 47 per cent since peaking in July 2014

Source: MEED Projects

PHOTOGRAPH: DREAMSTIME

Stalling projects

A stark sign of the difficulties the sector is facing is the series of major project delays and cancellations that have been announced since oil prices dropped.

Qatar's Al-Sejeel and Al-Karaana projects, worth a total of $14bn, have both been shelved since the third quarter of 2014.

In May 2015, MEED revealed that plans to build a petrochemicals complex in Duqm, Oman, have been frozen, or at least significantly delayed, with the developer pushing back plans to build the petrochemicals complex until after the completion of a proposed refinery in the same location.

About one month later, in June, MEED reported that Saudi Basic Industries Corporation (Sabic) had shelved plans to build a $500m-800m acrylonitrile plant in Jubail.

Another scheme in limbo is phase two of the Saudi Aramco Total Refining & Petrochemical Company (Satorp) steam cracker in Jubail, Saudi Arabia, which is yet to receive a gas allocation and has seen no progress over the past four years. In Egypt, the $7bn Tahrir petrochemicals complex has seen repeated delays due to financing problems.

Over 2015, the biggest award by far was the steam cracker package for the Oman Oil Refineries & Petroleum Industries (Orpic) Liwa steam cracker and polyethylene plant.

The contract, valued at $2.8bn, was awarded to a consortium of Netherlands-based CB&I and Taiwanese group CTCI in November.

"A stark sign of the difficulties the sector is facing is the series of major project delays and cancellations"

The package makes up 62 per cent of the total value of all petrochemicals projects awarded over 2015 so far.

Orpic is in negotiations with the preferred bidders for the other three engineering, procurement and construction (EPC) packages that make up the project, which could be awarded before the end of the year. The total project is estimated to be worth $5.2bn.

Other project contracts that have been awarded include the $450m contract for a petrochemicals complex in Iran's Bushehr province that was awarded to Italy's Maire Tecnimont in March 2015.

Maire Tecnimont also partnered with the Italian chemical company Versalis to win a $291m contract for an emulsion styrene butadiene rubber plant in Iran in October.

Future awards

While Orpic is likely to award the rest of the packages on the Liwa steam cracker and polyethylene plant over coming months, there is unlikely to be a surge in petrochemicals contract awards in the Mena region over 2016.

The total value of active petrochemicals projects in the Mena region is $143.5bn, according to the project-tracking service MEED Projects, but 78 per cent of this sum is made up of projects that are still at the study phase.

Many of the projects at the early stages of development are likely to see slow progress due to the headwinds faced by petrochemicals projects in the region.

There are a wide range of interconnected factors that are undermining the viability of petrochemicals projects in the region.

Global factors include the US shale boom as well as slowing growth in China, increasing domestic petrochemicals production in China, persistently low petrochemicals prices, and the impact of the removal of sanctions on Iran.

In the Mena region itself, the major factors negatively affecting the petrochemicals sector are a continuing shortage of ethane gas in the GCC and reduced spending on projects. The scaled-down spending on projects is connected to weaker crude prices and lower oil revenues for Gulf States.

Asia has been a key market for the Middle East for decades and China remains the number one destination for petrochemicals produced in the Mena region.

However, there are concerns that China's appetite for the Gulf's petrochemicals could diminish.

In October, statistics released by China revealed that the country's economy had expanded by 6.9 per cent in the third quarter compared with the same period the previous year.

It was the slowest quarterly expansion the country had seen since 2009.

On top of growth concerns, over recent years China has increased domestic petrochemicals production, eroding the need for imports from the Gulf.

Just how much new domestic petrochemicals facilities will affect demand for imports in the

future is likely to be determined by how many coal-to-olefins facilities are given the green light over coming years.

The US boom in shale gas has transformed America's petrochemicals sector over the past seven years and is a key factor in the decline in the price of petrochemicals products.

The US Energy Information Administration is expecting US petrochemicals-capacity-expansion projects to increase domestic demand for ethane by nearly 600,000 barrels a day (b/d) and propane by nearly 200,000 b/d.

Most of the project announcements were made between early 2011 and mid-2013, when increasing quantities of natural gas from shale formations pushed down ethane prices and increased the margins for facilities turning ethane into ethylene.

Increased production of natural gas has also increased the supply of propane, leading to a flurry of new propane dehydrogenation projects.

Iran impact

The impact of the removal of sanctions on Iran is another source of uncertainty for the region's petrochemicals sector.

Iranian authorities have made it clear that the country is looking to embark on a number of new projects with the aim of significantly increasing petrochemicals capacity.

Just how quickly capacity will increase remains unclear. After years of underinvestment, Iranian infrastructure is substandard and geopolitical tensions remain a concern for investors.

Even with worsening headwinds and increased competition there is confidence among governments that the Mena region can remain a global player in the petrochemicals industry.

Many large-scale facilities are still being built to schedule, a clear sign that governments and private sector partners believe that the right kind of project can still make big profits in the Gulf. These include the $20bn Sadara Chemical, a joint venture between the US-based Dow Chemical and the state energy company Saudi Aramco.

Sadara started production at its first plant in December and will have a capacity of 3 million tonnes of petrochemicals a year when fully operational.

It is hoped that projects like Sadara will remain viable because the GCC still has a number of advantages over its competitors – even though its surplus of cheap gas has dried up and its geographical distance from growth markets puts it at a cost disadvantage.

The Sadara complex is also an example of a petrochemicals facility that is integrated with a refinery in order to increase efficiency and improve margins. Saudi Arabia's recently resurrected $3bn Ras Tanura refinery clean fuels project is also using refinery integration to improve its competitiveness.

Outside Saudi Arabia, Oman's Liwa plastics project is planning to integrate the Orpic refinery at Sohar with an 800,000 tonne-a-year ethylene cracker and three polyethylene plants.

It is expected to see contract awards in the fourth quarter of 2015.

In Kuwait, a study looking at integrating a petrochemicals plant with Kuwait National Petroleum Company's Al-Zour New Refinery Project is ongoing.

While the Gulf's petrochemicals sector is quickly adapting to the challenges the market poses, it remains to be seen whether the drive to increase efficiency and integration will make it an attractive region in which to develop petrochemicals projects over the coming years.

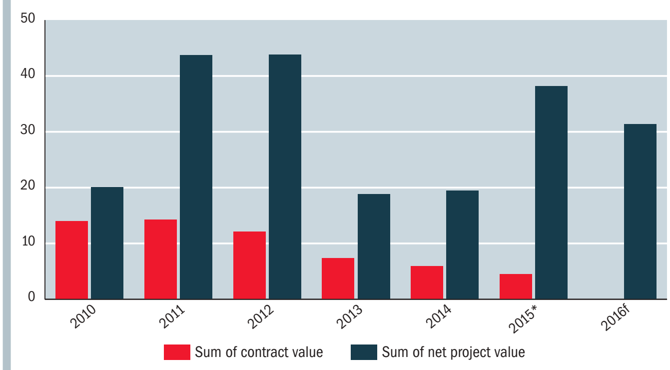
Beyond control

Success will depend on a wide range of factors over a long period of time. These include the price of petrochemicals on global markets, the rate of the development of Iran's petrochemicals sector, the resilience of US shale gas operations and how strictly Chinese environmental legislation is enforced.

Unfortunately for the region's government officials and private sector project developers, many of the factors that will determine the success of the region's petrochemicals sector are beyond their control.

MENA PETROCHEMICALS CONSTRUCTION CONTRACTS

($bn)



*=Up to 30 November; f=Forecast; Mena=Middle East and North Africa. Source: Meed Projects

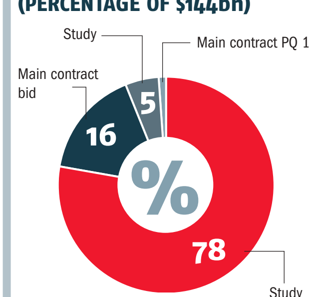
2015 CONTRACT AWARDS

Project	Client	Contract value ($m)	Country
Liwa steam cracker and polyethylene plant project: steam cracker: EPC 1	Orpic	2,800	Oman
Petrochemicals complex (17th olefins)	Dehloran Sepehr Petrochemical Industry Company	800	Iran
Styrene petrochemicals park	National Petrochemical Company	450	Iran
Emulsion styrene butadiene rubber plant	Sadaf Petrochemical Assaluyeh Company	291	Iran
Chemical plant at Wadi-el Natrun industrial area	Obegi Group	90	Egypt
Speciality chemical production plant	Addar	35	Saudi Arabia
Solid oral dosage plant	Pharmax Pharmaceuticals	28	UAE

Source: MEED Projects

PETROCHEMICALS PROJECTS*

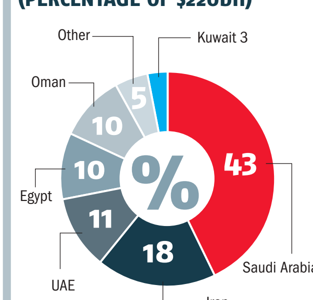
(PERCENTAGE OF $144bn)



*=In pre-execution; PQ=Prequalification. Source: MEED Projects

PROJECTS BY COUNTRY*

(PERCENTAGE OF $220bn)



*=Planned and under way. Source: MEED Projects

Transport masterplans still a priority

While governments remain committed to the sector, some projects will be delayed or scaled down

JENNIFER AGUINALDO

The urgent need for Middle East and North Africa (Mena) countries to diversify their economies away from hydrocarbons, decongest key cities and decentralise trade underpinned the recent focus on investment in comprehensive transport infrastructure schemes.

The common aspiration is to build a multi-modal logistics and transport infrastructure integrating sea, air, rail and roads that would allow people and cargo to travel with ease within their national territories and beyond.

These investments are long overdue. Only a few countries have existing mainline rail or urban light rail systems, and the majority of rail track in countries such as Iraq, Egypt, Jordan and Iran has fallen victim to years of neglect, disrepair or vandalism. Until recently, the reliance on cars as the primary mode of transport in the GCC states has also hampered the development of rail infrastructure.

Integrated masterplans

Hundreds of kilometres of roads across the region also need to be expanded, dualled and rehabilitated to comply with international standards. Airports and seaports need to be integrated into the existing or planned rail, metro and road schemes as well.

These requirements have led to the development of integrated multibillion-dollar citywide or country-wide transport masterplans in Qatar, Abu Dhabi, Bahrain, Jeddah and Mecca, among others.

None has caused as much excitement in recent years as rail. Nearly 47,000km of track is planned and under way, with budgets estimated to be in excess

TRANSPORT

Nearly $190bn-worth of road projects were awarded in the Mena region between 2005 and 2015

Source: MEED

of $220bn. If all these plans come to fruition, the length of the existing mainline rail network will be more than doubled, while the length of urban rail systems will grow fivefold.

This excitement peaked in 2013, when some $33bn of contracts were awarded, primarily on the Riyadh and Doha Metro schemes. In 2014, the value of total contract awards dropped to $11.5bn, and this fell further to $7.4bn in 2015.

The fall in contract awards in 2014 reflects to some extent the assimilation of the investments arising from the previous year's awards into the economy as spending began, while the rest of the planned schemes were undergoing design and further planning.

The delay in contract awards in 2015, however, is caused primarily by fiscal concerns as most countries come to terms with the prospect of incurring deficits for the first time in years, due to falling oil revenues. Saudi Arabia, the largest market for future rail projects in the region, delayed the

"2016 will be a cautious year, but I expect there will be major awards around the second and third quarters"
Harj Dhaliwal, Parsons

award of several packages for the first phase of the Mecca Metro this year. The same is true for the first segment of Oman Rail and the second phase of Etihad Rail.

The next 12 months might see more delays in project awards, although governments say they remain committed to most of these schemes.

"2016 will be a very cautious year, but I expect there will be major contract awards around the second and third quarters," says Harj Dhaliwal, vice-president and head of rail sector for Middle East and Africa at Parsons.

Dhaliwal expects projects such as the Mecca Metro to be out in the market by 2016. Passenger rail, he says, will also take off. The Kuwait Authority for Partnership Projects (KAPP) indicated that the state's $20bn rail road and metro projects will be tendered in 2016.

Rail scrutiny

What is certain is that nearly all of the planned rail projects will be facing greater scrutiny in terms of their viability prior to being tendered. The process of scrutinising rail projects before they are awarded will include reassuring clients that the rail infrastructure will be self-sustaining, at least from an operations cost perspective.

"What we do not want to happen is for the [rail] asset to be a drain on public infrastructure budget over its lifetime," Dhaliwal says. "It is important to drive the perspective that the initial rail infrastructure investment may be underwritten as a government investment, with long-term operations self-supporting."

An inevitable consequence of this exercise is that some projects will have to be scaled down or put on hold.

A review of the phasing of these big-budgeted schemes is also likely to take place to allow for appropriate phasing of schemes to fit with the fiscal budget. Over the coming year, and indeed perhaps over the medium-term, key government decision-makers will prioritise rail projects in terms of funding and will also focus on what private sector finance can offer.

Road deals

Nearly $190bn-worth of road and street projects were awarded across the Mena region between 2005 and 2015, averaging $17bn in annual awards. The GCC states, led by the UAE and Saudi Arabia, accounted for more than 75 per cent of this overall contract value.

The road contracts awarded in 2015 alone have an estimated value of $21.9bn, three times the size of awarded rail contracts during the year. Considering that this value already dropped by 25 per cent from the previous year's contract awards value, the roads sector features tremendous opportunities.

Qatar has the largest active masterplanned road scheme in the region. This includes the $20bn expressway programme and the $14.6bn local roads and drainage programme.

Other major road projects under execution include the Emirates

PHOTOGRAPH: DREAMSTIME

thalesgroup.com
Ground Transportation solutions
Wherever safety and security matter, we deliver
PASSENGER SATISFACTION
Offering real time information and ensuring security
TRANSPORT SAFETY
Automate critical decisions to eliminate human errors
REVENUE PROTECTION
Innovative solutions to collect revenues
NETWORK CAPACITY
Improve flow with automated signalling for optimal train frequency
OPERATIONAL EFFICIENCY
Ensure optimised network management with minimal investment
SEAMLESS JOURNEYS
Unique fare systems for all transport modes
Millions of critical decisions are made every day in transportation. The ability to run networks smoothly and efficiently is crucial to economic growth and quality of life. Thales is at the heart of this. We design, develop and deliver equipment, systems and services, providing end-to-end solutions. Our integrated smart technologies give decision makers the information and control they need to make more effective responses in critical environments. Every moment of every day, wherever safety and security are critical, Thales delivers.
THALES
Together • Safer • Everywhere

Road masterplan and the Mafraq-Ghuweifat road development in the UAE. One third of the 328km Mafraq-Ghuweifat road had been completed as of August 2015, with nearly two more years remaining on the project.

Kuwait has also awarded several hundred million dollars-worth of road contracts this year, including upgrades for the Nawaseeb road and the roads that link Mina Abdulla city and Wafra, and Mina al-Zour and Wafra. Nearly a dozen projects, with budgets totalling $4.5bn, are tendering or in the prequalification stage and are due to be awarded in 2016. These include several sections of the northern regional road and the Al-Ghouse road schemes.

Seaport sector

The value of contracts awarded in the region's seaport sector rose by 37 per cent year-on-year to reach $840m. This value, however, is just under half the average annual contract awards since 2005. A marked increase in capacity-building in seaports across the region over the past few years had resulted in project awards slowing down, starting in 2014.

The Central Algeria trade port and Egypt's 10 Ramadan port and Safaga industrial port expansion are among the key seaport projects set to be awarded in 2016.

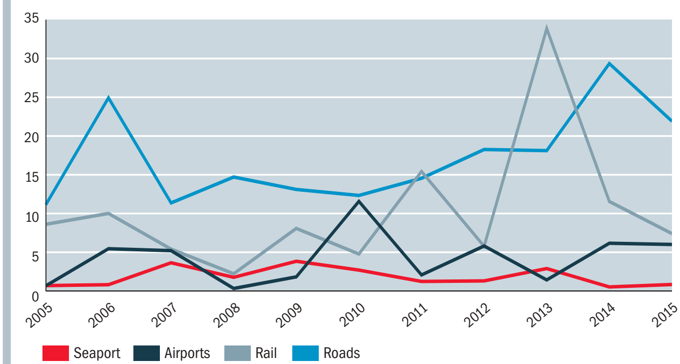
Airports and aviation

Middle East airlines, which generated cumulative profits of nearly $6bn in 2010-14, could generate up to $3bn in profits in 2015 alone due to lower jet fuel prices, a cost that accounts for carriers' largest single operational expense. At the end of September, Emirates airline reported a net profit of $1bn in the first half of its fiscal year.

However, low oil prices aside, bad news for the sector abounds. Emirates' revenues are 2.3 per cent down year-on-year due to the confluence of a strong dollar that weakened other currencies, particularly the Chinese yuan and Russian rouble, and the

MENA TRANSPORT AWARDS BY YEAR

($bn)



Mena=Middle East and North Africa. Source: MEED Projects

intensifying conflicts in Syria, Iraq and Yemen. Low-cost airline Flydubai registered a $40m loss in the first half of 2015 for similar reasons.

Regardless of the geopolitical and economic uncertainties, popular opinion holds that the Mena region will continue to outpace global passenger demand growth over the long term.

Passenger traffic in the Middle East has been growing at an average of 9.9 per cent a year since 2010, compared with a global average of 6 per cent, according to US airline manufacturer Boeing. Annual growth to 2034 is estimated at 4.9 per cent, adding 237 million passengers a year on routes to, from and within the region.

The number of pilgrims visiting Saudi Arabia for the hajj and umrah is expected to exceed 25 million by 2030, more than three times the volume recorded in 2014. Some 70 million passengers passed through Dubai International airport in 2014 alone, marking a 15 per cent uptick in passenger traffic compared with the year before. At 58.7 million as of the end of September 2015, the hub has registered a year-to-date passenger increase of 12 per cent.

Such growth requires at least 3,000 new commercial planes, with some of these replacing old aircraft. Middle East airlines already have an order backlog of more than 1,000 units, mainly with Boeing and Airbus. This number is expected to grow with the lifting of economic sanctions against Iran, which has said it will require up to 90 new aircraft a year over the next five years.

Air cargo

Besides passenger transport, cargo is also expected to drive air traffic, given the region's strategic location between Europe, Asia and Africa. Bolstering the region's strength as a centre for travel and trade is its access, within an eight-hour circle, to 80 per cent of the world's population, which accounts for 65 per cent of global economic activity.

Growth will require more modern and efficient airports. Some $6bn-worth of airport projects were awarded in the Mena region in 2015, only slightly down from the previous year.

A frontrunner has been selected for the $4.3bn Terminal 2 project at Kuwait International airport. Kuwait's capacity-building efforts have gathered pace with the start of prequalification for a contract for a passenger support terminal that will accommodate some 4.5 million passengers annually until Terminal 2 becomes operational in 2020. The passenger support building is set to become operational 450 days from the date of contract signing.

In Saudi Arabia, $13bn-worth of expansion, renovation and new airport projects are under way. The kingdom's 27 airports handled 74 million passengers in 2014, some 10 per cent more than in 2013. The same year saw the completion of construction work and the start of operations at the Prince Mohammad bin Abdulaziz airport in Medina, the first airport in the region to be developed on a public-private partnership basis.

Bahrain's terminal expansion contract is also under bid. The number of passengers that passed through the airport in 2014 exceeded 8.5 million, twice its official capacity.

In Dubai, Al-Maktoum International, the emirate's second airport, is undergoing small extension projects while it awaits a funding decision on the major $32bn expansion plan that will make it the world's largest airport, with a capacity to handle 200 million passengers a year.

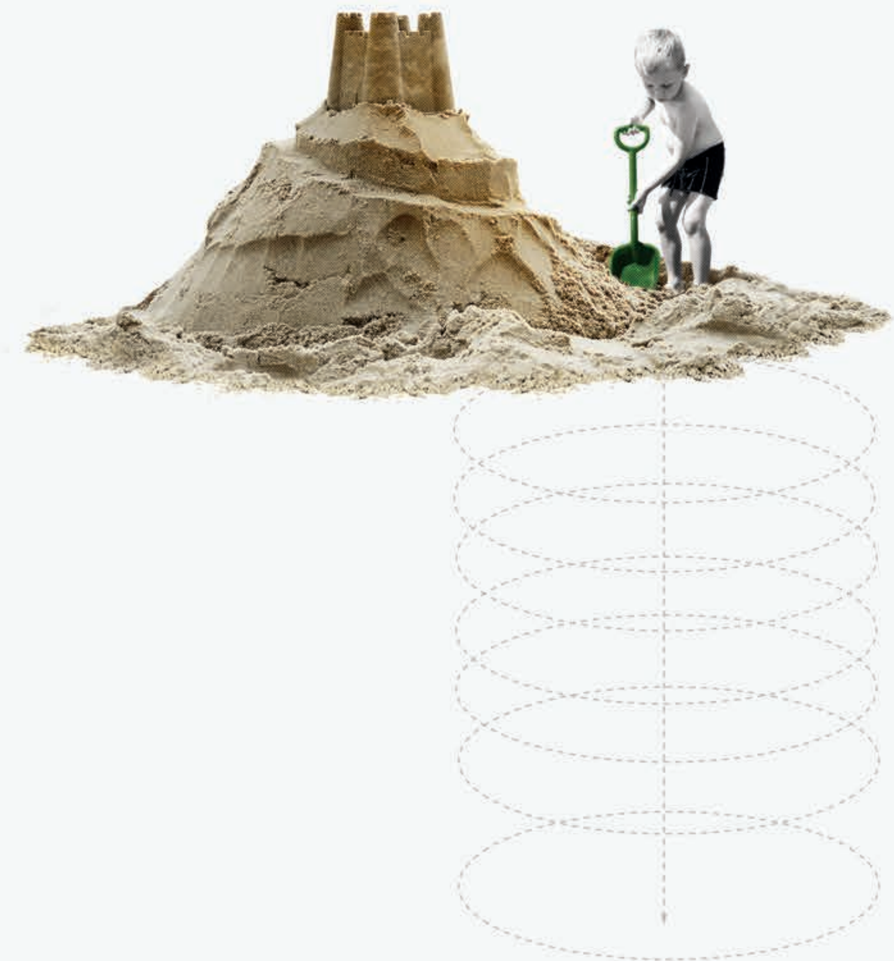
Passenger numbers at Oman's airports had increased 15 per cent year-to-date by September 2015. The sultanate is developing five of its hubs: in Muscat, Sohar, Salalah, Duqm and Ras al-Hadd.

The structures for the new 12 million passengers-a-year terminal in Muscat is nearly complete, while the interiors and systems work still remains to be carried out.

In 2016, some $27bn-worth of airport projects are scheduled to be awarded. Realistically, only a fraction of these could be released to the market, due to the overall trend towards more conservative public infrastructure spending.

Even the extension of Qatar's Hamad International airport, which is the largest and most promising proposed project, with an estimated budget upwards of $5bn, could be delayed.

Nonetheless, aviation is a major investment area, offering opportunities to contractors and private finance companies alike.



GCC transforms healthcare provision

The development of mega hospitals shows no signs of slowing as primary and elderly care expands

PAUL MELLY

Hard figures tell the headline story: healthcare spending in the GCC is set to reach $133bn a year by 2018 and the region's governments are investing massively in new infrastructure. Some 37 major hospital projects are under way, at a cost of $28bn, and will provide a further 22,500 beds.

This will come on top of the 13,000 beds already added to Gulf health systems in 2009-13.

In 2014 alone, some $3.7bn-worth of health projects were completed and the projected total for 2015 is almost double that.

Private investors

Nor is this a purely public service affair. Increasingly, private sector investors see GCC healthcare as a promising growth area, attractive for both private equity investment and partnerships with government agencies.

Yet beyond the mega hospital projects and prestige ventures, the provision of healthcare is evolving in ways that will have a profound impact on both public service delivery and the role of the private sector in this key industry.

While there is a need for more specialist hospital facilities, to reduce the reliance on sending GCC nationals overseas for expert treatments, there is also a growing recognition of the need to focus on primary provision, to treat more patients at an early stage and provide advice on diet and exercise to tackle the lifestyle issues that have left Gulf nations with high rates of diabetes, heart disease and other 'illnesses of affluence'.

More extensive provision for healthcare in the community and at home is needed too, because at present many hospital beds are occupied by elderly people who do not need hospital-level medical care and could be looked after at home.

HEALTHCARE

By 2020, the UAE hopes to be attracting 500,000 foreign visitors a year to undergo treatment

Source: MEED

Technology – effective use of resources, 'e-visits' providing online medical advice and so on – is another area of priority development and a market that is now valued at $2bn-3bn a year.

The coverage provided by health services is also widening, as countries introduce insurance schemes and seek to provide better care for lower-income expatriate workers. And this means providing the necessary medical centres and hospital capacity.

The picture is further complicated by the development of facilities within the Gulf itself to cater for medical tourists: by 2020, the UAE hopes to be attracting 500,000 foreign visitors a year to undergo treatment.

In short, the Arabian healthcare industry is in a period not only of growth, but also of change: the type of services provided, the range of population these services aim to reach and the manner in which they are delivered and financed are all being transformed.

"Some 37 major hospital projects are under way, at a cost of $28bn, and will provide a further 22,500 beds"

The development of new projects and services is necessarily a slow process in such a complex area. So while it is possible to make rough guesses about how much money might be spent on new developments in a single year, the more significant pointers are the big trends and the strategic plans devised by individual governments, which may be implemented over a period of years.

A major hospital project takes years to plan and design in detail, even before the process of construction can begin. It then has to be equipped and staffed.

Recruitment issues

The latter issue is a serious constraint, because GCC countries, many with small national populations, are highly reliant on the recruitment of expert staff from abroad. There is a shortage of GCC national medical staff, just as there are shortages of engineers, bankers, architects and many other specialist skilled roles.

Mobilising capital for the development of new facilities and services also poses problems, both in absolute financial terms and in matching the readiness of investors and banks to provide funding with the real pattern of demand.

For example, will GCC governments be able to draw investors into financing the provision of residential care facilities and at-home treatment services for the elderly?

Top hospitals are glamorous and their output is perhaps more easily managed; the provision of home support for older people is not so remunerative. It is also difficult to put an exact value on the benefit to hospitals of a health service caring for more pensioners at home

GCC governments and their specialist advisors and international partners do tend to think long-term about these issues and ways of measuring progress.

The year-by-year figures for investment may fluctuate – and that in itself would hardly be surprising when the slump in global oil prices has had such a dramatic impact on Gulf nations' income. But what is more significant are the long-term trends.

That certainly applies to the role of private sector funding for the GCC health sector overall. The private sector's share of healthcare funding in the GCC was 32 per cent in 2008 and 30 per cent in 2013, but it has only fluctuated marginally. It did not sink below 26 per cent and did not rise above 32 per cent. This pretty narrow range can be explained by local variations in economic conditions from year to year, but fundamentally there was no significant shift in the balance of expenditure between public and private sectors.

The demand for healthcare is driven by two principle market elements: national GCC citizens and expatriates. But visitors coming from abroad for treatment are a significant, if still marginal, contributing factor; after all, they can actually help to render the development of specialist hospital facilities more viable in economic

PHOTOGRAPH: DREAMSTIME

terms because they create an additional demand for services that might not otherwise be in full-time use.

The UAE has taken a deliberate decision to attract more medical tourists, by relaxing the visa rules that apply to such cases to reach its target of 500,000 medical tourists by 2020.

The core national market in each GCC state is distinguished by two key features: treatment is financed by governments that understandably regard the wellbeing of their citizens as a priority and are prepared to spend heavily on catering for their needs; and secondly, nationals are resident over their full lifespan in their home countries and services therefore need to cater for this full range – from antenatal care to paediatrics, routine services for adults and specialist services for the elderly.

The expatriate population is different, because among those in lower-income roles the proportion of those living in the GCC as single adults is high. In proportionate terms, there are fewer mothers, children and old people to look after. Moreover, the incomes of many expatriates are much lower than the average for locals.

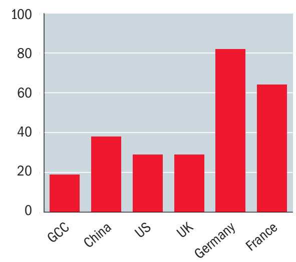
Health insurance

For many years, GCC health systems have struggled to adequately cope with these twin realities, in economic terms at least. But insurance is emerging as a solution.

Nationals often benefit from care funded by the state, whereas a slowly growing number of Gulf countries are turning to insurance as a means of funding healthcare for their expatriate workers, especially those on lower incomes. (Expatriates higher up the income scale have often benefitted from

HOSPITAL BED COVERAGE

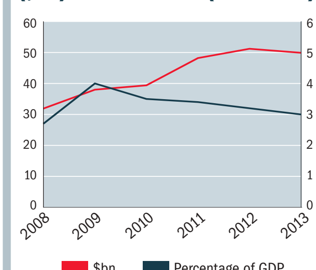
(BEDS PER 10,000 PEOPLE)



Sources: WHO; Ardent Advisory; IMF

GCC HEALTHCARE SPENDING

($bn) **(% OF GDP)**



Sources: Ardent Advisory; WHO

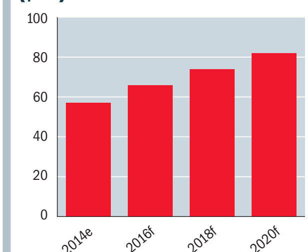
remuneration packages that include health coverage anyway.)

For example, Abu Dhabi introduced compulsory health insurance for all residents back in 2008, while in 2014 Dubai introduced a requirement for all firms with more than 1,000 employees to provide medical cover for their staff, with smaller firms obliged to follow suit in 2016.

But Saudi Arabia had already become the first country to impose a requirement for health insurance in the private sector. Bahrain has operated a mandatory system for nationals since 2003, and similar arrangements are now planned for expatriates. In Kuwait, health insurance is a prerequisite requirement for foreigners applying for a residence permit. Oman has indicated that it too will

PROJECTED GCC SPENDING

($bn)



e=Estimate; f=Forecast. Sources: WHO; Ardent Advisory; IMF

> **"A slowly growing number of Gulf countries are turning to insurance as a means of funding healthcare for their expatriate workers, especially those on lower incomes"**

impose an obligation to arrange health insurance for staff in the private sector.

Insurance has a direct impact on the type of facilities that are being built, particularly to cater for foreigners on lower incomes. In the UAE, legislation has driven the introduction of services to cater for all workers at a basic level – designated as 'essential benefits'. This will come into full effect in 2016.

Private investors are responding to the emergence of this new market at the lower end of the income scale. Last year, Dubai-based Aster DM Healthcare introduced a new brand, Access, which targets those on lower incomes and aims to provide 'no-frills', good-quality essential care, with user fees paid under the new mandatory insurance policies.

But while primary care centres and support for the elderly represent a growing element in the palette of health services that GCC states are developing, the development of major new hospitals is not slowing down. A $680m medical complex is being developed at Abu Dhabi's Mohamed bin Zayed City, including a 400-bed hospital and housing for personnel, while an 838-bed hospital is planned for Sheikh Khalifa Medical City in Abu Dhabi city. This large new hospital will have specialist trauma, gynaecology and paediatrics departments.

Medical cities

Saudi Arabia is investing $4.3bn in the development of five new medical cities. King Khalid Medical City in Dammam ($1.2bn) will include an academic medical centre with 1,500 single-patient rooms, a 500-bed private community hospital, medical schools and hotels, while King Faisal Medical City ($1.1bn) in the Southern Province will offer 1,350 beds.

Prince Mohammed bin Abdulaziz Medical City in the northern region will have 1,000 beds, and a 500-bed complex is planned for Al-Jouf, also in the north. The King Fahd Medical City in Riyadh will be expanded, and Mecca's King Abdullah Medical City will have 1,350 beds in three hospitals and 10 medical centres.

Kuwait has been developing eight new public hospitals, to increase total national bed provision to 11,000, while Oman is building the Sultan Qaboos Medical City in Muscat, which will include both a general hospital and specialist facilities for treating head and neck problems and paediatric cases, an organ transplant unit and rehabilitation facilities.

2015 in brief

7 JANUARY

Five-year plan will require 100,000 extra foreign workers

Kuwait's next five-year plan will require 100,000 extra foreign labourers to be brought into the country, according to Kuwait Petroleum Corporation (KPC). "Total labour [required by] the five-year plan will be 100,000 extra foreign workers at its peak," Mohammad al-Farhoud, managing director for planning at KPC, tells MEED. "Arrangements are being made and the influx of workers is expected to go ahead without causing problems."

Oil prices hit new low

Oil prices fell to a new five-and-a-half-year low on 6 January, amid heightened worries about a global oversupply of crude. The Brent crude price fell 5 per cent from the previous session to below $52 a barrel, after the world's largest crude exporter, Saudi Arabia, lowered its monthly selling price to European buyers. The kingdom did, however, raise its selling price into Asia.

21 JANUARY

QP and Shell cancel $6bn Al-Karaana

Qatar's expansion plans for its petrochemicals sector have taken another major blow after the joint-venture partners behind the $6.4bn Al-Karaana complex decided to axe plans to build the facility. The 80:20 joint venture of Qatar Petroleum (QP) and the UK/Dutch Shell Group has cited commercial unfeasibility as the reason for halting the scheme at Ras Laffan in northern Qatar. The project was being tendered and the news will disappoint international engineering, procurement and construction (EPC) contractors looking to win work, especially as a near identical project was also cancelled in September 2014.

Doha delays delivery of ambitious Sharq Crossing

Doha has delayed the delivery of its landmark Sharq Crossing scheme by about a year as the government has decided the estimated $12bn project does not need to be completed in time for football's Fifa World Cup in 2022. "The crossing is a nice-to-have project for the World Cup, not a need-to-have project," says a source close to the scheme. "Doha is focusing on what it really needs now." The delay means construction work will not start this year, says another source. Dredging and reclamation work, together with land-based enabling works, were expected to start during 2015.

28 JANUARY

Saudi Arabia's new king brings next generation into succession line

King Salman bin Abdulaziz al-Saud has become the new monarch of Saudi Arabia after the death of King Abdullah. He inherits a country attempting what some believe to be an impossible balancing act: to embrace change while adhering the Wahabism, one of the most conservative forms of Sunni Islam. To infuse the process with a fresh and younger outlook, one of King Salman's first acts was to name Prince Mohammed bin Nayef as the deputy crown prince, placing him second in line to the throne. The move means a grandson of King Abdulaziz al-Saud, the founder of modern Saudi Arabia, has for the first time been officially lined up to ascend to the pinnacle of the royal court.

4 FEBRUARY

Supreme Council of KA-Care disbanded by King Salman

The Supreme Council of the King Abdullah City for Atomic & Renewable Energy (KA-Care) has been disbanded as part of a government reshuffle by Saudi Arabia's King Salman bin Abdulaziz al-Saud. The reshuffle took place in late January, a week after King Salman was appointed, and resulted in 12 supreme councils being cancelled, including KA-Care's supervisory council, established in 2010 by the late King Abdullah bin Abdulaziz al-Saud to oversee the country's renewable and atomic energy programme. The move leaves the role that KA-Care will play in the development of alternative energy in the kingdom unclear. The body has attracted criticism in the past year over the stalled progress of its renewable and nuclear energy schemes.

11 FEBRUARY

Standard & Poor's lowers ratings for Bahrain and Oman

US ratings agency Standard & Poor's has reviewed its ratings for Gulf states in light of the sharp fall in oil prices, downgrading both Bahrain and Oman. Bahrain's rating has been downgraded to BBB-/A-3 with a negative outlook, while Oman's rating has been lowered to A-A-2 with a stable outlook. Other Gulf countries fared better. Saudi Arabia retained its current high rating of AA-/A-1+, although it did have its outlook revised to negative. Qatar was the least affected country, with S&P affirming its AA/A-1+ rating with a stable outlook. Similarly, the emirate of Abu Dhabi also retained its AA rating and a stable outlook.

4 MARCH

Progress slows on Aramco's ambitious stadium-building programme

Saudi Aramco has yet to award construction contracts for the $5bn-worth of stadiums it plans to build at 11 different locations across the kingdom. The deals were expected to be let by the end of 2014, but since then progress has slipped. Falling oil prices and a change in leadership in Saudi Arabia are fuelling the expectation that the programme, launched by the late King Abdullah bin Abdulaziz al-Saud, could be delayed, downsized or cancelled.

18 MARCH

Cairo unveils 15-year development strategy

In an address to delegates at the Egypt Economic Investment Summit in Sharm el-Sheikh, Planning and Administrative Reform Minister Ashraf el-Araby announced details of the country's new long-term economic development programme. The Egypt 2030 Sustainable Development Strategy sets out a 12-point development plan of structural economic reforms, allied to capital investment projects and energy-efficiency initiatives. The strategy aims to ensure Egypt's economy not only delivers growth, but can also sustain it.

8 APRIL

Dubai moves on 800MW solar project

Dubai Electricity & Water Authority (Dewa) has invited firms to submit bids for an advisory services contract for the 800MW third phase of its Mohammed bin Rashid al-Maktoum solar park in Dubai. Like the first two phases, the third phase will use photovoltaic solar technology. The third phase will be developed as an independent power project. If developed as planned in one stage, it will be the largest single-phase solar project in the world.

13 MAY

New rules set for foreign investment in the Saudi Stock Exchange

Saudi Arabia's Capital Market Authority (CMA) issued new rules for foreign investment in the Saudi Stock Exchange (Tadawul) on 4 May. Riyadh is preparing to open the largest bourse in the region, with a capitalisation of $590bn, to qualified foreign investors (QFIs). The rules will be effective from 1 June and QFIs will be allowed to buy listed shares from 15 June. The rules permit QFIs, including banks, brokerages, fund managers and insurance companies, with at least SR18.75bn ($5bn) in assets under management to invest. Each QFI may only own 5 per cent of a listed firm's shares. Overall, QFIs may own up to 20 per cent of shares of any listed company. QFIs may only own 10 per cent of the overall market value. Foreign entities will be able to hold up to 49 per cent of a single stock.

GCC authorities adopt draft value-added tax agreement

GCC officials have adopted a draft agreement to implement a value-added tax (VAT), according to Kuwait's Finance Minister Anas al-Saleh, Kuwait News Agency has reported. Each GCC member will issue a separate VAT law that includes the principles of the draft agreement. No timetable was given for its implementation. VAT would have to be introduced across the GCC to avoid smuggling of taxed goods. Concerns have been raised over sudden increases in living costs.

20 MAY

Kuwait revives stalling public-private partnership programme

The newly formed Kuwait Authority for Partnership Projects (KAPP) has restarted the procurement process for three long-delayed public-private partnership (PPP) schemes. KAPP, which has replaced the Partnerships Technical Bureau as Kuwait's PPP body, has started to move ahead with three major utility projects since the beginning of May, all of which have been in the pipeline for several years. Progress with the schemes follows the request

for qualification for the Al-Zour North 2 and Al-Khiran 1 independent water and power projects earlier this year.

17 JUNE

GCC railway project in doubt after UAE drops Oman link

Plans to build an integrated GCC regional railway have been thrown into doubt after the UAE's Etihad Rail retendered construction contracts for the second phase of the UAE's national railway without a rail connection to Oman. Previously, the second phase of the Etihad Railway network included a spur to Al-Ain that would connect to the Omani rail network, with a link running from Buraimi on to Sohar. Etihad Rail has invited consortiums to submit technical bids for the reduced second phase by 16 July, with commercial offers due on 30 July. The organisation had been locked in protracted talks with two shortlisted groups for the second phase for more than a year. Bids were submitted in November 2012.

15 JULY

Historic nuclear deal signed

Tehran and the P5+1 world powers have hammered out a comprehensive agreement on Iran's nuclear programme after more than two weeks of negotiations in Vienna. Both sides compromised on their negotiating positions as they attempted to overcome several sticking points on UN nuclear inspections and the process of lifting sanctions against Iran's economy. Under the deal, the UN will be allowed to monitor military sites for illegal activity, but Tehran will have the power to challenge requests for access.

29 JULY

Kuwait awards Al-Zour refinery packages

Kuwait's Central Tenders Committee has announced the winners of four contracts for the Al-Zour New Refinery Project (NRP). The deals have a combined value of KD3.5bn ($11.5bn). The awards follow the approval of the NRP's budget extension by the Supreme Petroleum Council, the government agency charged with oversight of the country's energy sector. The approval was granted on 16 July, just days after the board of national oil company Kuwait Petroleum Corporation gave its assent for KD871m in extra funds for the scheme.

26 AUGUST

Egypt selects team for Abu Rawash wastewater facility

Egypt's PPP Central Unit, on behalf of the Construction Authority for Potable Water & Wastewater, has selected a consortium led by the local Orascom Construction to build the Abu Rawash wastewater treatment expansion. The other members of the team are International Consultants for Agency & Trade (Icat), Spain's Aqualia and France's Veolia. The scheme is being developed as a PPP. The project has faced several delays since it was first launched. The PPP Central Unit initially produced a list of prequalified companies allowed to bid to build the plant in early 2011, but due to delays resulting from political upheaval and changes in specifications, the project owner decided to restart the process earlier this year.

9 SEPTEMBER

Riyadh to cut project spending

Saudi Arabia is planning to cut project spending in response to lower oil prices. In an interview with TV station CNBC Arabia on 6 September, Finance Minister Ibrahim al-Assaf said Riyadh is cutting unnecessary spending and will increase its focus on strategic projects and social development infrastructure. Saudi Arabia, the world's largest exporter of crude oil, has faced close to a 50 per cent drop in annual state revenues since global oil prices crashed 16 months ago, following a four-year run of high prices.

14 OCTOBER

Saudi government stops awarding project contracts

Saudi Arabia's projects market is on course to suffer its worst year since 2008, after the Finance Ministry ordered government clients

2015 in brief

to not award any project contracts for the rest of the year. The order to cease awarding deals means the total value of awards made during 2015 is unlikely to change significantly before the end of the year. Major projects that had been slated for award in the fourth quarter include contracts on the Mecca Metro and the Waad al-Shamal integrated solar combined-cycle power plant. According to data from regional projects tracker MEED Projects, there have been $35bn-worth of contract awards this year, which is a decline of about 28 per cent on the total value of awards during 2014. The likely 2015 total is also down 28 per cent on the average yearly total of $56.3bn of awards made during the 2008-14 period.

21 OCTOBER

Russia tightens grip on nuclear sector

Russian state nuclear provider Rosatom is in final negotiations with Cairo to develop Egypt's first atomic power plant at El-Dabaa. Speaking at a press event in Abu Dhabi on 13 October, Anton Moskvin, vice-president for marketing and business development at Rosatom, said the firm was in the final stages of commercial and technical negotiations for the EPC contract to build the plant. The Egyptian Finance Ministry is close to finalising intergovernmental agreements for financing the project, he added.

4 NOVEMBER

Oman to make big budget cuts

Muscat is preparing its next five-year plan for investment in a context of narrow fiscal constraints. Speaking at MEED's Oman Projects Forum held in the sultanate on 26-28 October, representatives from the central bank and the ministries of health and transport said a much smaller capital spending budget is likely to be agreed. They expect a stronger emphasis on soft infrastructure projects, such as developing technology and human resources, and a larger role for the private sector.

11 NOVEMBER

Sinai plane crash dents Egypt's economic revival as tourism slows

Egypt's economy is expected to suffer a major setback as the passenger plane that crashed in the Sinai Peninsula on 31 October threatens to cripple the tourism sector and deprive the country of much-needed foreign currency. The tourism sector has already been affected, with the UK and Russia both suspending flights to parts of Egypt. There have also been reports of

a British airliner avoiding a missile in August this year. "The damage has been done and the tourism industry may have been given its final blow," says a Cairo-based analyst.

Ratings downgraded for five Saudi banks

US-based Standard & Poor's has downgraded five banks and has assigned a negative outlook to a total of eight banks in Saudi Arabia, including the largest banks in the kingdom. The ratings agency predicts a weakening operating environment for Saudi banks and increased economic risks. It also expects banking sector profits to decline.

18 NOVEMBER

Kuwait tenders three PPP contracts

The Kuwait Authority for Partnership Projects (KAPP) has tendered three PPP schemes as the private sector gears up to play a crucial role in the development of the country's infrastructure. KAPP has already progressed with projects in the power and water sector, and is now tendering contracts covering the development of a municipal solid waste facility and schools, as well as more power capacity with an integrated solar combined-cycle plant.

Cairo moves to lower exchange rate

The Central Bank of Egypt has instructed state-owned National Bank of Egypt and Banque Misr to lower the exchange rate with the dollar and raise interest rates on deposits. Smaller banks will be forced to follow suit, strengthening the Egyptian pound. On 11 November, the rate reached £E7.83 to $1, compared with £E8.03 on 10 November. Three-year bonds are being issued with an interest rate of 12.5 per cent.

25 NOVEMBER

International banks cut 250 jobs from UAE operations

HSBC Middle East and the UK's Standard Chartered have shed about 250 jobs from their UAE operations as they move to reduce costs due to tightening market conditions. HSBC Middle East has cut more than 150 jobs from its UAE operations, as Europe's biggest lender strives to save costs amid declining profitability. Job cuts, affected in mid-November, were mainly done in HSBC's global businesses and functions, which include retail banking and wealth management, and the commercial banking divisions. The number of people laid off at the bank could be as high as 300, says one source. No job cuts were implemented in the lender's investment banking arm.

2 DECEMBER

Power firm Abengoa starts insolvency proceedings

Spanish energy company Abengoa started insolvency proceedings on 25 November, which is set to have an impact on contracts and tenders in the Middle East. The beginning of insolvency proceedings comes less than a week after the firm signed a contract with Emirates Global Aluminium to build a 220MW expansion of the captive power plant at its Al-Taweelah complex in Abu Dhabi. Share prices for Abengoa had fallen by 57 per cent over the past 12 months before trading in its shares was suspended on the Madrid exchange when proceedings began. In September, the group revealed its gross debt was €8.9bn ($9.4bn).

9 DECEMBER

Riyadh plans to establish construction regulator

Saudi Arabia is looking to establish a property and construction regulatory body under the Ministry of Commerce & Industry (MoCI) to introduce centralised oversight and governance of the industry in the kingdom. Minister of Commerce & Industry Tawfig Fawzan al-Rabiah is leading the efforts, according to two sources familiar with the government's plans. "They are trying to come up with a body to do the regulatory job under MoCI," says one of the sources. "This is happening and [Al-Rabiah] is very active on that front."
The number of people laid off at the bank could be as high as 300, says one source. No job cuts were implemented in the bank's investment banking arm.

Quotes of the Year

There are many decision-makers in Iran, but only one decision-taker

7–13 January

Richard Dalton, Chatham House

[Jihadists returning] to Saudi Arabia would pose a significant threat to Western businesses and their staff

21–27 January

Philip Stack, Verisk Maplecroft

[King Salman] will have to work under the same enduring constraints that [King] Abdullah had to deal with

28 January–3 February

Bilal Saab, Brent Scowcroft Centre

If we look back in 10 years time, I think we will find that 2014/15 was the turning point for the renewables sector

4–10 February

Paddy Padmanathan, Acwa Power

The [Bahraini] regime hasn't given an inch. If there was any kind of give and take, then I would be happy to work within the system

11–17 February

Ali, protester

Kirkuk is as significant symbolically as it is strategically. It is a microcosm of Iraq as a whole

25 February–3 March

Samuel Morris, Middle East Research Institute

Syria has shown that conflicts like this can quickly devolve into self-sustaining cycles of violence

4–10 March

William Lawrence, George Washington University

We all need Egypt to succeed. The US will do whatever Egypt needs to help it achieve the goals of this conference

18–24 March

John Kerry, US Secretary of State

The Houthis won't stop even if the military is used. They have their plan and they will stick to it

1–7 April

Farea al-Muslimi, Sanaa-based political analyst

No one is expecting sanctions on Iran to be completely lifted overnight; the important factor is that things go ahead … by both sides

8–14 April

Sanam Mahoozi, Turquoise Partners

The Arab Gulf states are better off creating a truly unified military force before expanding to other Arab countries

15–21 April

Bilal Saab, Brent Scowcroft Centre

In South Kordofan, no one voted, in Darfur no one voted, and there were boycotts all the way across Sudan

22–28 April

Eric Reeves, US-based Sudan analyst

Other countries are just starting to embrace fracking, but [the US] has already taken it to 'Fracking 2.0'

10–16 June

Chris Faulkner, Breitling Energy

The Yemen campaign is the strongest signal yet that [Riyadh] sees itself as a regional hegemon that will fight its own corner

6–12 May

Christopher Davidson, Durham University

[Isis] has been markedly unsuccessful in developing an insurgency where there is a functioning state

12–25 August

Philip Stack, Verisk Maplecroft

The political … environment is hostile, but [Haider] Al-Abadi's plan could lead to a new dynamic in Iraqi politics

26 August–8 September

Kawa Hassan, Carnegie Middle East Centre

We want to suggest a new way to recreate the international order – an order based on mutual respect

7–13 October

Hassan Rouhani, President of Iran

Isis fighters don't believe in combat rules. They just have two goals: to kill their enemies and to die in battle

14–20 October

Murad, Kurdish peshmerga fighter

[Iran's] return is not going to be as smooth as people think, especially when it comes to oil policies

25 November–1 December

Bassam Fattouh, Oxford Institute for Energy Studies

ECONOMY

Oil price fall reignites tax debate

GCC governments could resort to stealth taxes to prop up budgets in the face of declining crude prices

With oil prices plummeting to below $50 a barrel, the need for Gulf governments to diversify their revenue streams and reduce their dependency on the hydrocarbons sector could become increasingly important.

Typically, the Gulf has not prioritised tax regimes as a means of generating revenues, with most government treasuries fed by strong oil and gas exports.

The region has positioned itself as a low-tax environment, with countries using the lack of personal income tax and low corporate taxes as a means of attracting investment and international expertise into the region.

New agenda

But if low oil prices continue, taxation and other state revenue-generating efforts could rapidly climb up the agenda. This is especially the case if governments want to maintain high levels of spending on multibillion-dollar infrastructure plans while not falling into serious deficit.

In 2008-10, when oil prices last slumped, the introduction of a GCC-wide value-added tax (VAT) was discussed, and most governments went on to draft their own VAT laws. Those plans fell to the wayside, however, in the wake of the 2011 Arab unrest, as governments shied away from implementing unpopular reforms that would raise the cost of living and doing business in the GCC.

But evidence is now emerging that certain governments are once again looking to bolster revenue-raising measures, with new taxes or other forms of levies, such as increased visa fees or road tolls, being considered.

Dubai provides the clearest example of this happening. The emirate's 2015 budget forecasts that revenues from taxation will increase by 12 per cent compared with 2014, and will represent 21 per cent of total government revenues.

Dubai has long had to ensure its budget is not reliant on oil sales, given its limited hydrocarbons reserves. Although it has no corporate or personal tax, revenues from other sources such as customs duties, taxes on the oil industry and foreign banks already play an important role in propping up the budget. Dubai is relatively protected from the direct impact of declining crude prices, as oil revenues account for less than 5 per cent of government income. But the 50 per cent drop in oil prices since June 2014 is nonetheless eating into state funds at a time of renewed spending on infrastructure.

Indirect taxation: Dubai's Salik road toll is contributing to revenue growth

PHOTOGRAPH: DREAMSTIME

The emirate is raising fees for government services to boost revenues. The Roads & Transport Authority (RTA) increased the minimum charges on its taxi services at the end of last year. It has also sharply increased the number of parking meters. Revenues from such government services will represent 74 per cent of total state income in 2015 and rise by 22 per cent compared with last year.

Other indirect taxation measures already in existence include road tolls, housing fees on electricity and water bills, and municipality fees levied on restaurant and hotel bills. There was also talk in the past about placing a tax on remittances made by expatriates and other forms of taxation, but these have not materialised.

The government is acutely aware that Dubai's appeal to investors and expatriates as a place to do business and set up home would be severely undermined by any new, overt taxation, and would threaten the foundation of the economy as a whole.

Undermining appeal

"In the UAE, while there have been some informal debates surrounding the introduction of federal corporate tax, this has not been converted into concrete proposals or timelines," says Nilesh Ashar, a Dubai-based partner for tax at Dutch accountancy firm KPMG.

Abu Dhabi, as one of the world's largest oil producers, is more exposed to declining crude prices. Currently, the emirate does not have personal or corporate taxes in place. But it did recently move to increase government revenues through reforming its power and water tariffs, raising prices from 1 January for expatriates and targeting nationals for the first time. The reforms are expected to significantly boost the emirate's budget.

Bahrain and Oman are the Gulf countries most vulnerable to low oil prices, and are therefore under the most pressure to increase reve-

nues. Bahrain's breakeven oil price is currently nearly $120 a barrel. The country already levies income tax of 46 per cent on the oil and gas industry, a form of stamp duty, and social security for corporations and individuals.

There has been recent speculation surrounding the introduction of a VAT-type tax in the kingdom. Amal Abdulla, financial controller at the Finance Ministry, tells MEED the preparations for the 2015 budget, due to be published in March, include studies surrounding small taxes, although nothing has been confirmed as yet.

Oman has a lower breakeven oil price of about $100 a barrel, but it too will suffer if there is a prolonged period of weak crude prices. Its budget for 2015 anticipates 25 per cent higher tax revenues of RO1.3bn ($3.4bn), compared with RO1.04bn in 2014, although no details are given on how this will be achieved. While Muscat is unlikely to introduce new headline taxes, there has been discussion about improving enforcement of current tax laws and tackling tax avoidance.

"It is a balancing act between maintaining [non-oil growth] and balancing the budget"
Steffen Dyck, Moody's Investors Service

At present, corporate tax in Oman is levied at 12 per cent on income over a certain level, which encourages misreporting of results. Tax holidays are also available to companies engaged in certain sectors.

There is no capital gains, personal income, sales or stock market tax in the sultanate. The introduction of an expat remittance tax has also been discussed, but the idea has not been advanced.

The other GCC countries are better disposed to withstand a lengthy period of low oil prices. Saudi Arabia has already announced plans to support a budget deficit in 2015 by dipping into its vast foreign exchange reserves, estimated at $736bn. Likewise, Qatar is unlikely to have a knee-jerk reaction to low oil prices; gas sales account for a large share of government income, and most of its exports are tied into long-term contracts.

Corporate tax is limited in Saudi Arabia, with all locally wholly-owned businesses exempt from taxation and a 20 per cent charge placed on other companies. Wholly-owned local companies are liable for zakat, however.

Kuwait, meanwhile, has the lowest budget breakeven price in the region as well as significant oil reserves, making it one of the best-placed countries in terms of its resilience to low oil prices.

Years of underspending in the country have also buoyed state coffers and as such there are no concrete plans to increase or add new taxes. Efforts are under way, however, to boost the budget by cutting expenditure, targeting its large subsidy bill.

On 1 January, the Kuwaiti government raised the price of diesel to KD1.7 ($5.8) from KD0.6. The move has attracted criticism from some sectors of the population and is a clear indicator of how subsidy reform and taxation is received in the region.

"This is low-hanging fruit," says Abdulaziz al-Yaqout, a lawyer and owner of Kuwait-based Meysan Partners. "A lot of GDP is spent on subsidies. Remove that and you save a lot of money. The question is will the government be able to stand up to the uproar."

Kuwait is also implementing forms of stealth taxes such as increasing visa fees and company registration fees. Such charges are more an annoyance than a cause for protest, but the government may inadvertently deter much-sought after foreign investment through such measures. "If you raise something like that, you ask yourself: is the government really interested in promoting Kuwait?" says Al-Yaqout.

The GCC relies on its business-friendly, low-taxation environment to draw in the people and money needed to ensure economic growth and development. In times of financial uncertainty, the region's governments will be even less likely to want to upset this balance.

Stealth taxes

So the introduction of taxation in its traditional form via income or personal tax is unlikely to be governments' main strategy to boost revenues. Rather, they are likely to employ other revenue-generating methods first, such as increased fees for government services, and tackling their budgets from the expenditure side by reducing subsidies.

"Personal income tax would have a direct negative effect on the individual – and could have political repercussions," says Al-Yaqout.

"In general, the willingness to implement meaningful revenue measures such as implementing new taxes or raising existing taxes seems not very strong," adds Steffen Dyck, vice-president, senior analyst, sovereign risk group at US ratings agency Moody's Investors Service. "It is a balancing act between maintaining growth in the non-oil private sector and balancing the budget."

But the stealth rise in fees for government services, be that utility bills, transportation costs or other, are set to significantly increase the cost of living and doing business in the GCC in 2015.

Rebecca Spong

This article first appeared in MEED on 28 January 2015

GOVERNANCE

King Salman focuses on continuity

The new Saudi monarch inherits a kingdom facing many political and economic challenges

Seldom before, if ever, has the world's media reported the passing of a Gulf monarch as extensively as it covered the death of Saudi Arabia's King Abdullah bin Abdulaziz al-Saud on 23 January.

It is an acknowledgement of the growing importance of the Gulf region to the global political and economic context. But it also shines a light on the importance of the transition now under way within the world's biggest oil producer.

Saudi Arabia's new monarch, King Salman bin Abdulaziz al-Saud, immediately pledged to continue the policies his half-brother set in motion, covering a wealth of economic, dynastic, ideological and religious issues that will go a long way to shaping the future of the Middle East.

Stability: King Salman's (right) first priority was to establish a clear line of succession to the throne

PHOTOGRAPH: REUTERS

Balancing act

The 79-year-old inherits a country facing an increasingly deep divide between modernisers calling for rapid reform, and traditionalists. And added to the economic uncertainty caused by falling oil prices, a low in relations with Tehran, wars in Syria and Iraq, and rising violence in neighbouring Yemen, the new king has an unenviable juggling act to perform.

Fully alert to the intense scrutiny it is receiving, it is not surprising that Riyadh moved rapidly to present a united front committed to continuity and stability. This is encapsulated by King Salman himself, regarded by many observers as someone who understands that social and cultural reforms are essential, but not at the expense of the values of Islamic traditionalists.

"[King] Salman specifically said he will not overturn [King] Abdullah's policies," says Bilal Saab, senior fellow for the Washington-based Brent Scowcroft Centre on International Security. "Some tweaks here and there should be expected, but in terms of strategic direction and scope and pace of reforms at home, none of that is likely to change because he will have to work under the same enduring constraints that [King] Abdullah had to deal with."

Maintaining stability is the new ruler's priority and King Salman's first action was to establish a clear line of succession to the throne in what would be the first generational shift in more than 60 years. As the governor of Riyadh between 1962 and 2011, the new king has been at the heart of the kingdom's government for five decades. He, more than anyone else, understands the importance of the eventual succession of a crown that since 1953 has only been worn by the sons of King Abdulaziz al-Saud, the founder of modern Saudi Arabia, also known as Ibn Saud.

In April 2014, King Abdullah appointed Prince Muqrin bin Abdulaziz, his 69-year-old half-brother, as deputy crown prince. Crown Prince Muqrin is now next in line to the throne. He is said to be a genial and well-liked member of the royal family. He was educated in the UK and has held numerous senior government posts, including the head of Saudi Arabia's main intelligence agency.

However, as the youngest son of Ibn Saud, Crown Prince Muqrin has been chosen over several older brothers, despite having a Yemeni mother. This has led many observes to assume that his appointment was a clear signal King Abdullah was drawing a line under his own generation and ushering in the new guard to the top tier of the royal court. Exactly how popular this appointment was with the older sons of Ibn Saud is difficult to fathom. The family politics of the Al-Sauds is notoriously complex and difficult for outsiders to understand.

Speedy appointment

Saudi Arabia's political elite largely comprises members of the Al-Saud family. But with more than 40 branches and an estimated 15,000-plus members, the royal family is not a homogenous entity. It comprises many different viewpoints and allegiances, progresses through discussion, compromise and by finding a way of balancing conflicting interests. And, just like all governments, it progresses.

Hardline: Deputy Crown Prince Mohammed bin Nayef has vast experience in counter-terrorism

Within 12 hours of being in office, King Salman announced Interior Minister Prince Mohammed bin Nayef as Deputy Crown Prince, and in doing so named the first grandson of Ibn Saud to be included in the direct line of succession.

"Internal cohesion and national security are the new king's most pressing priorities," says Saab. "He's acting with speed, so that is a good sign. He doesn't want his adversaries – primarily Iran – to think the kingdom is vulnerable or unstable."

It has been reported that the Allegiance Council, set up by King Abdullah in 2006 to steer the selection of future crown princes and kings, ratified the selection of Deputy Crown Prince Mohammed through a vote.

"[King Salman is] acting with speed. He doesn't want his adversaries to think the kingdom is vulnerable"
Bilal Saab, Brent Scowcroft Centre

Position confirmed

"When the Allegiance Council deliberated this, it was clearly done by majority and [Prince Mohammed bin Nayef] got his position confirmed," says Richard Dalton, former British diplomat and associate fellow on the Middle East and North Africa for London think-tank Chatham House. "So far, no one has taken the lid off that meeting to indicate whether it was a slim or massive majority."

The 55-year-old, US-educated prince is a relative youngster in terms of Saudi Arabia's most senior royalty. He has vast experience in counter-terrorism. As interior minister, Prince Mohammed bin Nayef became known for an uncompromising, hardline stance against terrorism, and this is reported to have led to four assassination attempts being made against him. The most infamous was a suicide bomb attack at his home in Jeddah in 2009 that led to tighter security being placed around the prince.

Deputy Crown Prince Mohammed's reluctance to compromise has also seen him criticised in recent months after an apparent increase in the arrests of social activists for even minor criticism of the government.

The case of Raif Badawi, a Saudi blogger imprisoned for 10 years and publicly flogged after calling for greater freedom of speech and separation of the state from the religious establishment, has been widely condemned internationally.

Badawi's case typifies the dilemma Riyadh faces as it tries to fight terrorism, appease conservative clerics and also appeal to the growing number of citizens demanding greater reform.

Ensuring security will be given the highest priority rather than civil liberties, and reformers can expect to see no softening in Riyadh's intolerance of political or social dissent or in the severity of its punishments.

King Salman has previously voiced his opposition to democracy, which he has said is unworkable in the kingdom.

King Abdullah's legacy, in terms of both investment spending and state commitment to a large public sector, as well as lavish energy subsidies, will continue. Saudi Arabia is in the middle of a huge spending programme aimed at improving social infrastructure, and this will be maintained in the short term. Progress will not slow on the vast number of education and health projects that are under way.

However, the current rate of spending, particularly on public sector salaries and energy subsidies, cannot be sustained in the long term.

This is especially apparent when oil prices are below $50 a barrel, having plummeted from more than $110 in the space of seven months. The kingdom relies on 85 per cent of its revenues coming from oil and, while its profit margins are some of the highest in the world, it will eventually need to find other sources of income.

"They will have to address these issues, but not yet," says Dalton. "They will wait and see which way the oil price goes and whether the global economy improves. Riyadh can sustain its current expenditure for anywhere from two to five years."

Population boom

Some economists have said that, with an estimated 50 per cent of the population of Saudi Arabia aged under 25, Riyadh will not be able to sustain its current economic model. This will become even more acute when the current young generation start families of their own, which, in a traditional society such as Saudi Arabia, will happen sooner rather than later, fuelling an even larger population boom.

These long-term issues will be at the forefront of Princes Muqrin and Mohammed bin Nayef's thinking as they plan for the future.

Change occurs slowly in Saudi Arabia, and even though the choice of deputy crown prince has been made, it could be another two decades before Prince Mohammed bin Nayef ascends to the throne. However, with his appointment, there is a definite feeling that a new epoch in the short history of Saudi Arabia has begun. This time, the citizens may not be willing to wait so long for significant reforms.

Kevin Baxter

PHOTOGRAPH: REUTERS

YEMEN

A litmus test for Saudi policy

King Salman's strategy for Yemen has the potential to mark a major shift in the history of the region

On 29 March, Egypt's President Abdul Fattah al-Sisi announced that the member states of the Arab League are planning to form a joint military force to combat jihadist groups in the Middle East and North Africa. The announcement built on the momentum created by an unprecedented military intervention in Yemen by a Saudi-led coalition of Sunni militaries, and could be a defining moment in the history of the region.

The Yemen campaign, dubbed Resolute Storm, has to date taken in a series of air strikes on key military installations by the Saudi-led 10-nation coalition, and could see Egyptian boots on the ground in the Arab world's poorest country within weeks. It is a more muscular approach to enforcing Riyadh's influence in the region with the backing of its allies, while pegging back its rivals. Those rivals include Sunni extremists such as Al-Qaeda in the Arabian Peninsula (AQAP) and Islamic State in Iraq and Syria (Isis), and Shia militias backed by the kingdom's main rival, Iran, including Yemen's Houthi rebels.

Saving Yemen: It is likely the Saudi-led coalition will feel a ground invasion is necessary

PHOTOGRAPH: GALLO/GETTY IMAGES

King Salman

Observers are already asking whether the intervention in Yemen has acted as a marker for the way the new Saudi monarch, King Salman bin Abdulaziz al-Saud, plans to define his time in power. An aggressive doctrine from the king would be a marked contrast to the quieter and more conciliatory tone of his predecessor, King Abdullah bin Abdulaziz al-Saud.

For many, such an approach is long overdue, particularly given its galvanising effect on long-mooted plans for a pan-Arab military force and on cohesion among the Gulf states (all GCC members have pledged to back the Yemen campaign, with the exception of Oman). It is also seen as a break from a long history of allowing Washington to set the region's military agenda. Riyadh now looks keen to be viewed as a hard power in its own right, in part at least as a riposte to the decision by the White House to enter into talks over Iran's nuclear programme.

But many questions remain as to how such an aggressive stance will work in the long term, and where the endgame for Arab interventions in the region might lie. The answers will be found in Yemen, with the new Saudi king's policy put to the test in the crucible of war.

Yemen is a melting pot of the kind of tensions that have wrought chaos elsewhere in the region. The country is already divided due to a Shia rebellion in the north, boiling secessionist sentiment in the south and a virulent Al-Qaeda franchise. It has been in freefall since inter-elite fighting sparked by popular unrest in 2011 led to the collapse of the regime of long-time president Ali Abdullah Saleh.

Until early 2015, Yemen had been undergoing a UN-overseen political transition due to end with the passage of a new constitution and fresh elections. The deal that helped set this in motion by getting Saleh to step down is known in Yemen as the GCC Initiative because of the role played by the Gulf states, Saudi Arabia in particular, to negotiate a truce between two warring factions that had previously formed the backbone of the Saleh regime.

Yemen's current predicament has been caused by an odd partnership between Saleh and the Houthis, a Zaydi Shia militia that started out as a religious revivalist group and spent six years fighting Saleh in their northern highlands stronghold, the Sadah province.

Houthi advance

Since early 2014, Houthi militias have been expanding their presence in the northwest of the country, putting down the conservative Sunni Islamist faction that broke from the former president's regime in 2011, backed by tribes and military units still loyal to Saleh.

In September 2014, the Houthis took the capital, Sanaa, before forcing a peace deal on favourable terms with Abd Rabbu Mansour al-Hadi, Saleh's former vice-president, who took the reins after Saleh stepped down in 2011 as part of the GCC deal. In 2012, Al-Hadi was made president in a one-candidate election.

In January this year, the Houthis, enraged by what they saw as a plot by Al-Hadi to quickly pass a new constitution that would enshrine a system of federal government the northern

This article first appeared in MEED on 1 April 2015

rebels oppose, first kidnapped the president's chief of staff and then besieged his Sanaa residence, placing him under house arrest. Al-Hadi resigned in protest, but rescinded his resignation a month later when he fled to the southern port town of Aden. The UN envoy to Yemen, Jamal Benomar, stepped up his attempts to prevent civil war by mediating a peace deal between Al-Hadi, the Houthis and Yemen's main power brokers.

For support, Al-Hadi turned to Riyadh, which had already propped up his presidency with $4bn of cash and fuel shipments. He implored the Saudis to underwrite what was in effect a government in exile within Yemen itself, and to help arm and pay for a 20,000-strong militia to push the Houthis out of Sanaa. Riyadh, which has decided the group must be put down at any cost, responded in kind.

But it soon became clear the well-equipped and militarily experienced Houthi-Saleh alliance would be able to outgun the ragtag bunch of soldiers, tribesmen and Islamists Al-Hadi had rushed to cobble together. After naming Aden his temporary capital, the president fled it in late March as Houthi militias and Saleh loyalist military units closed in and the air force dropped bombs near the presidential palace.

"The Saudi-led coalition will help the tribes to take actions against Al-Qaeda in the Arabian Peninsula"
Saud al-Sarhan, Saudi academic

With Al-Hadi fleeing a second capital in as many months, it became clear to Riyadh that he would not be able to topple the Houthis on his own terms. The Saudis would have to push the Houthis out themselves. The Houthis' ties with Iran were becoming increasingly evident as Tehran promised to supply them with oil for a year and started twice-daily flights into Sanaa after Al-Hadi fled to Aden. Allowing the rebels to consolidate their control over a country the Saudis see as their own backyard was simply "unacceptable" to the kingdom's leaders, according to a Western diplomatic source who regularly visits with policymakers in Riyadh.

It is hard to know whether or not the ascension of King Salman to the Saudi throne on 23 January, and his decision to appoint his son, Prince Mohammed, to the key post of defence minister, prompted a more aggressive approach to Yemen, or if the collapse of the Al-Hadi-led resistance would have forced Riyadh's hand either way. But the response to the Houthis' latest advance has been shocking in its swiftness.

Al-Hadi was still attempting to escape Yemen when the first air raids were launched early in the morning of 26 March. By the time the Arab League meeting was held in Egypt two days later, a newfound unity was unfolding. Al-Sisi and King Salman promised to back the Yemen campaign to the hilt.

The question remains what the endgame in Yemen will be. Cairo and Riyadh say they will accept nothing less than unconditional surrender from the Houthis. But "the Houthis won't stop even if the military is used", says Farea al-Muslimi, a Sanaa-based political analyst. "They have their plan and they will stick to it."

If that is the case, then it is likely a ground invasion will be required if the Saudi coalition's goals of a Houthi surrender and the reinstatement of Al-Hadi are to be met.

Given the last remnants of Yemen's armed forces are Saleh loyalists and are currently being pummelled by the coalition's airstrikes, an invasion could quickly metastasise into an occupation. This would be plagued by a renewed Houthi insurgency and attacks from AQAP, which is already benefiting from the power and security vacuum caused by the current situation and from rising sectarian anti-Houthi sentiment among the country's majority Sunni population.

Targeting Houthis

"The target of the Saudi-led coalition is the Houthis and not the Yemeni army," says Saud al-Sarhan, a Saudi academic, who argues that the Saudi intervention in Yemen will be a success. "Any Yemeni military installations targeted are those, as I believe, that have been overrun by the Houthis. It should be noted only certain elements of the Yemeni armed forces have deserted to join the Houthi-Saleh forces, and there remains an army loyal to the state."

Of the dangers of Saudi Arabia and its allies becoming an occupying force bogged down in internecine conflicts, Al-Sarhan says Riyadh is "aware of the American mistake of destroying the Iraqi army" in 2003. The kingdom can play a role in mobilising Yemen's tribes against the Houthis to reduce the appeal of AQAP.

"AQAP benefits from the Saleh-Houthi alliance because the Houthi aggression helped AQAP to make an alliance with the tribes," says Al-Sarhan. "The Saudi-led coalition will help the tribes to take actions against AQAP."

The problem is that even the best-laid plans can go awry. Militaries that take part in ground invasions often have to adapt to the shift from offensive force to occupying power with a growing list of responsibilities for which they are ill-equipped to provide. King Salman's doctrine, if that is indeed what the region is witnessing, has the potential to mark a major shift in the history of the region. But only time will tell whether that shift is a positive one. Yemen will prove the litmus test.

Peter Salisbury

This article first appeared in MEED on 8 April 2015

GOVERNANCE

The way forward for Tehran

The Lausanne agreement has left investors eagerly awaiting the lifting of sanctions

Crowds took to the streets of Tehran to celebrate after Iran's negotiators reached a landmark nuclear agreement in Switzerland that could see international sanctions against the Islamic Republic's ailing economy lifted.

Iran's Foreign Minister Mohammed Javad Zarif was greeted by cheering supporters when he returned from Lausanne on 3 April, the morning after agreeing the outline of a final deal with the P5+1 group of world powers.

Many Iranians hope this is the first step towards their country re-engaging with the world, following several rounds of sanctions backed by the UN, EU and US, which have left the domestic banking and energy industries isolated.

Final deal

Although the agreement, signed after eight days of gruelling talks, is a positive step for Iran, much of the hard work is left to be done by negotiators to seal the outlined 15-year Joint Comprehensive Plan of Action.

Tehran and Washington, in post-Lausanne messages to their domestic populations, appear to disagree on when and how sanctions against the Islamic Republic would be lifted.

Zarif told reporters on his return that US and EU sanctions would be lifted following a final agreement in June and could not be reimposed.

However, the US State Department released a fact sheet on the talks saying sanctions would only be removed "after the International Atomic Energy Agency (IAEA) has verified that Iran has taken all of its key nuclear-related steps".

Zarif dismissed the fact sheet as "spin", but all parties in the Lausanne discussion have an incentive to try and sell the deal to their respective constituencies.

The agreement places strict limits on Iran's nuclear development programme, including reducing the amount of centrifuges installed to 6,104, from the current 19,000.

Iran also agreed to significantly reduce its stockpile of low-enriched uranium – the vital feedstock that would be needed to enrich further to produce bomb-making material. These measures, along with others monitored by the IAEA, are thought to increase the Islamic Republic's 'break-out time' – the amount of time it would take to rush to produce a weapon – to a year, from a previous estimate of 1-2 months. The amount of access afforded the Vienna-based agency will enable it to immediately alert the UN if Tehran attempts to produce a warhead.

Talks: The 'key parameters' of a deal aimed at preventing Tehran from building a nuclear bomb have been agreed on

PHOTOGRAPH: GALLO/GETTY IMAGES

Failure by Iran to comply with the IAEA inspections could result in a "snap-back" of the sanctions regime into place, according to Washington. "The architecture of US nuclear-related sanctions on Iran will be retained for much of the duration of the deal and allow for snap-back of sanctions in the event of significant non-performance," the US State Department's version of the agreement stated.

The US State Department made no reference to the termination or lifting of sanctions, talking only of "relief" and sanctions being "suspended" – very different language to that used by Iran.

Apart from the differences in each side's understanding of the sanctions removal, there are several more obstacles to overcome before reaching the final agreement by the end of June.

Potential opposition

Domestic political opponents in both Tehran and Washington could try and put the brakes on negotiations before a permanent deal is reached.

Perhaps the biggest risk of derailing the talks comes from the US Congress, which is now controlled by Obama's opponents in the Republican Party. Obama needs the unified support of the Democrats to prevent Congress passing veto-proof legislation to prevent the deal from going ahead.

A final deal under the agreed outline is also strongly opposed by Israel, a key US ally in the region, and talks will be cautiously observed by Saudi Arabia and other Arab countries under Washington's influence.

Saudi Arabia's cabinet welcomed the framework agreement, saying it hoped a binding accord would free the Middle East of weapons of mass destruction, including nuclear arms.


VOLVO I-SHIFT GEARBOX:
Driving profitability
GLOBETROTTER
VOLVO
FH


VOLVO
E/P

Tehran: The breakthrough in Lausanne gives Iran a chance to become a major economic force in the region

The interim deal signed between Iran and the P5+1 powers in November 2013 sparked renewed interest from companies looking to re-enter Iran and grab early opportunities.

There were several trade delegations from European firms forming early business ties in Tehran with the hope of being the first to win contracts in a post-sanctions Iran.

"What happened in Lausanne is unlikely to change this scene that much as we still do not know how fast the sanctions are going to be lifted," says Amir Kordvani, a Dubai-based associate at UK law firm Clyde & Co. "There is now a strong sentiment and expectation that there will be a deal in June, but we still do not know whether the sanctions will be lifted at once or whether there will be a staged lifting of sanctions, and what sectors will be subject to any immediate sanctions relief.

Serious steps

"But the positive step that was taken will encourage companies to start thinking about Iran, or if they have already started to think about Iran, take more serious steps with their market entry strategy. We think this is the right time for firms to do their market research, start to identify and shortlist potential partners, and obtain advice on their establishment options."

Tehran-based investment firm Turquoise Partners has seen interest in foreign investment grow since the more moderate Hassan Rouhani took over as president in 2013 and, especially, following the interim nuclear deal signed in Geneva that same year. The consultancy has hosted more than 90 overseas delegations in the past two years.

> **"Investors are already thinking of ways to invest in Iran and get a piece of this action, so to speak"**
> Sanam Mahoozi, Turquoise Partners

"This is a process and no one is expecting sanctions to be completely lifted overnight; the important factor is that things go ahead positively by both sides," says Sanam Mahoozi, public relations and publications manager at Turquoise Partners.

The company's exchange-traded fund (ETF) tracking the Tehran Stock Exchange rose by 12 per cent on 4 April, the first day of trading following the nuclear agreement.

"There is huge interest in Iran at the moment and we believe there will be a very visible change in investor sentiment," says Mahoozi. "Investors are already thinking of ways to invest in Iran and get a piece of this action, so to speak.

"Again, this goes back to the question of sanctions and their removal pace. We will likely see investment from Asian and European countries first before seeing any bankable interest from the US."

Sectors likely to see investment if the legal barriers are unravelled included the country's outdated oil and gas sector, the automotive industry and the markets for fast-moving consumer goods.

Oil markets did not react strongly to news from Lausanne despite the prospect of a final agreement having major implications for additional crude entering the market.

The Brent crude price closed down 3.6 per cent to $55 a barrel on 2 April after the talks ended – not as severe a drop as many analysts had forecast.

Iran's Oil Ministry has said it would be able to ramp up exports towards pre-2012 levels quickly after restrictions are lifted.

Analysts at UK bank Barclays estimate that Iran could boost sales by 200,000-300,000 barrels a day (b/d) before the 30 June deadline and add an additional 500,000 b/d of production by the first quarter of 2016.

The Islamic Republic's crude sales are estimated to have dropped to just over 1 million b/d from 2.5 million b/d in 2011, before the EU and US sanctions on crude exports were imposed.

Iran's return

In the longer term, the country should be able to increase its oil and gas capacity, aided by overseas investment and technology brought in by international oil companies (IOCs).

The prospective return of Iran to the status of one of Opec's largest oil exporters will create further downward pressure on prices in a market that is currently already oversupplied.

Iran has the world's largest proven reserves of gas and has the potential to be a significant gas exporter to Asia and Europe. The country had ambitious plans to start liquefied natural gas exports from the giant offshore South Pars gas field shared with Qatar.

However, sanctions against IOCs and overseas oil services groups operating in Iran have meant the government has not been able to acquire the technology to complete the facilities on its Gulf coast.

Iran could potentially be the largest market in the region for oil and gas investment without the political instability that has hampered hydrocarbons development in neighbouring Iraq.

The breakthrough in Lausanne gives Tehran a chance to fulfil its potential as a giant in the global oil and gas sector and a major economic force in the region. The result of talks on a comprehensive agreement in June is set to be the defining moment in the country's recent history.

Mark Watts

PHOTOGRAPH: DREAMSTIME

This article first appeared in MEED on 6 May 2015

SAUDI ARABIA

Focus falls on deputy crown prince

Prince Mohammed bin Salman is taking on a more powerful role in the kingdom

In the early hours of 29 April, when viewers tuned in to watch a television address from Saudi Arabia's King Salman bin Abdulaziz al-Saud, few would have expected that his words would reverberate across the world.

Within a few short minutes, King Salman had told his subjects that Crown Prince Muqrin bin Abdulaziz, who was also first deputy prime minister, had requested to be relieved of his duties and had been replaced by Deputy Crown Prince Mohammed bin Nayef.

In the same address, King Salman appointed his favoured son, Prince Mohammed bin Salman, as deputy crown prince, adding to the portfolios of defence minister and head of the Royal Diwan.

The new appointments mean the monarch will be bringing the curtains down on the country being ruled by King Abdulaziz al-Saud's (Ibn Saud's) sons – 62 years so far – and handing over to the next generation. The move is also a sure sign King Salman is building the foundations for long-term rule by one of his younger, most ambitious sons.

Connection: Deputy Crown Prince Mohammed has sought to position himself as an expert on young Saudis

New blood

There is a definite sense in Riyadh that Deputy Crown Prince Mohammed bin Salman is empire-building, and he has now established a power base equalled by few of his prospective rivals looking to eventually ascend to the throne.

The young prince was born in 1980 and educated at Riyadh's King Saud University, where he studied law. For the past decade he has sought to position himself as an expert on the affairs of young Saudis, a canny strategy in a country where almost 70 per cent of the population is under 30.

When his father ascended to the throne, Prince Mohammed was appointed defence minister, becoming the youngest in the world, and has been a mainstay on Saudi television since. His profile has been heightened considerably since a Saudi-led coalition force began air strikes against the Iran-backed Shia Houthi rebels in Yemen, becoming the poster boy for his father's campaign.

Prince Mohammed bin Salman has also spearheaded the recent structural changes within the Oil Ministry, especially the move to separate state oil major Saudi Aramco, reinforcing the clout his chairmanship of the Council for Economic and Development Affairs brings.

Meanwhile, Crown Prince Mohammed bin Nayef's expertise in fighting terrorism and his excellent reputation overseas means he remains secure as crown prince. The 55-year-old is firmly established as interior minister and his new role as deputy prime minister is an indication that he wields considerable influence across the kingdom.

Prince Mohammed bin Nayef is considered the scourge of terrorists and King Salman will not want to risk losing one of his most experienced operators to familial power struggles. However, questions remain over how the crown prince will be able to reconcile social change with the young Saudi population while also placating more senior and conservative members of society.

Closely guarded

The rules regarding succession state that all the changes have to be endorsed by the Allegiance Council, the committee of Ibn Saud's sons and grandsons that are required to ratify any decisions. The secrecy surrounding the inner machinations of the Al-Sauds, including the Allegiance Council, makes it difficult to fathom how influential this process is.

What is clear is that the next generation of rulers is now established and it is going to prove extraordinarily difficult to dislodge them.

Kevin Baxter

PHOTOGRAPH: REUTERS

THE HOUSE OF SAUD

RIYADH TAKES A STANCE

The recent military campaign in Yemen is the latest example of Saudi Arabia's more active foreign policy, which is set by King Salman bin Abdulaziz al-Saud and is being implemented by his son.

"The proactive foreign policy is now entrenched," says Christopher Davidson, reader in Middle Eastern politics at Durham University in the UK and author of 'After the Sheikhs'. "The Yemen campaign is the strongest signal yet that Saudi Arabia sees itself as a regional hegemon that will fight its own corner."

It has been accompanied by strong anti-Iran sentiment in the kingdom, and is said to be a response to the prospect of Tehran improving its diplomatic relations with Washington. Iran signed a nuclear framework agreement with the P5+1 group of world powers on 2 April. An official statement welcomed the deal.

Saudi Arabia is also taking a pro-active role in countering Iranian influence in Iraq, Syria and Lebanon. The kingdom channelled arms and funding to opposition militias in Syria, although this policy took a back seat after Prince Bandar bin Sultan, the intelligence chief, stepped down a year ago.

"There is a strong anti-Iran sentiment in this leadership," says Davidson. "King Faisal bin Abdulaziz and the late King Abdullah bin Abdulaziz were more workmanlike and pragmatic. This is not to say there weren't daggers drawn on many occasions, but negotiations were always around the corner. That is off the table now."

Philippa Wilkinson

THE KINGDOM'S NEW FOREIGN MINISTER

The world's longest serving foreign minister, 75-year-old Prince Saud bin Faisal al-Saud, has stepped down due to ill health and has been replaced by Adel al-Jubeir, Saudi Arabia's ambassador to the US.

Prince Saud "asked to be removed due to the condition of his health", said a royal decree issued on 28 April. He will now take the less demanding role of special envoy and adviser to King Salman bin Abdulaziz al-Saud.

Al-Jubeir has served as ambassador to Washington since 2007 and was educated in the US. He is likely to continue the kingdom's close relationship with the US.

"Al-Jubeir knows the policy well and has been the ambassador in the US for some time," says Christian Koch, director of Switzerland-based Gulf Research Centre. "He is not about to challenge the Saudi leadership on a policy shift as he also supports the activist stance the kingdom is currently taking."

Al-Jubeir came into the public eye in March in Washington, when he briefed the press on Saudi Arabia's military campaign in Yemen, praising its achievements.

"The key positions in sovereign ministries were held up until now by established figures, such as Prince Saud, who have years of experience and constituencies in their own right," says Christopher Davidson, reader in Middle Eastern politics at Durham University in the UK.

"They have been removed and replaced with technocrats who owe their positions to the new regime and are essentially frontmen for the real policymakers."

Philippa Wilkinson

PHOTOGRAPHS: CORBIS; GALLO/GETTY IMAGES; REUTERS

IRAQ

Payment arrears stall investment

Despite record oil exports, Baghdad is struggling to pay contractors and having to lower production targets

Iraq's oil exports reached their highest level in 30 years in April, but mounting arrears owed to international oil companies (IOCs) by the Baghdad government threaten to cut short the sector's revival.

The impact of the dramatic slump in oil prices since mid-2014 has been compounded by the escalating conflict with the jihadist group Islamic State in Iraq and Syria in the north and west of the country, leaving the Oil Ministry unable to keep up with payments owed to companies developing its major southern fields.

The Paris-based International Energy Agency (IEA) says the federal government already owes $9bn to contractors for 2014 and is due to pay about $18bn to investors this year. However, only $12bn has been allocated in the 2015 national budget to pay cost recovery and remuneration fees.

Mounting debt: Baghdad owes $9bn to contractors for 2014 and needs to pay $18bn to investors this year

PHOTOGRAPH: REUTERS

Biggest impact

Although falling crude prices have affected all oil-exporting countries in the Middle East, Iraq could feel the biggest impact on its long-term growth plans, which outstrip the ambitions of the more stable, well-established oil producers in the Gulf.

The UK's BP and Russia's state-owned Lukoil have both warned that lower oil prices will hold back Baghdad's plans to increase production, with long-term consequences for its post-war reconstruction efforts.

Michael Townshend, president of BP's Middle East operations, said at a conference in Abu Dhabi in April that it and other IOCs were studying their contracts with the Iraqi Oil Ministry to make sure they will receive payments.

The ability of BP to meet its production targets is dependent on the Baghdad government approving its pending investment plans, he added.

At the same event, Gati al-Jebouri, senior vice-president of Lukoil Overseas, said that even the review of the contracts "will lead to postponement in production growth" and he forecast there would be a "significant reduction" in Iraq's production growth in 2016 and 2017 because of lower oil prices.

Crude prices have recovered to an extent from the sub-$50-a-barrel prices seen in January and have remained above $60 since the middle of April. However, Iraq had enjoyed export prices of more than $100 a barrel for most of the four years leading up to the crash, which had allowed the government to increase spending.

The Washington-based IMF estimates the country's budget breakeven oil price at $97.7 a barrel for 2015, leaving the government a long way short of balancing its books this year.

With few analysts predicting a return to pre-2014 prices anytime soon, Baghdad faces a new reality where oil revenues are not enough to meet its stretched budget commitments, while continuing to pay IOCs working at the agreed rates.

Feeling the pinch, the government has been forced into negotiations to amend service contracts with companies including BP, Lukoil, ExxonMobil of the US and China National Petroleum Corporation. The federal government has asked these companies to cut costs by revising their work programmes for 2015.

Paying with oil

IOCs working in Iraq can receive payment in crude of the same value as the amount of cash owed by the government. According to the IEA, Baghdad had to cut equity cargoes for most investors in February and March.

"There are proposals to link the profitability of the companies with the oil prices, and not just with a specific fee per additional barrel," Oil Minister Adel Abdel Mehdi said in a statement obtained and published by Reuters.

Another proposal was to link payments to IOCs with the extent to which they can lower the cost of producing oil.

"The companies have started to see some of that overdue money coming through and the amount of that oil being allocated as pay-

This article first appeared in MEED on 13 May 2015

ments for IOCs has gone up substantially," says Richard Mallinson, geopolitical analyst at UK-based Energy Aspects. "January-February was very low, but it picked up in March-April to about 800,000 b/d out of the total export volumes.

Mallinson says the increased payments do not affect what Baghdad is trying to do in negotiations with IOCs, namely reduce the financial burdens from the contracts.

"Iraq has encouraged IOCs to review their spending plans for this year and next year, potentially to defer or reduce investment, because that investment would turn into a qualifying expense under the contracts … it is very much about Baghdad trying to manage its short-term financial situation," Mallinson says.

Budgetary issues are likely to see Iraq scaling back further from the ambitious capacity plans the government put in place at the start of the decade. In 2009-10, when the country

"Baghdad faces a new reality where oil revenues are not enough to meet its stretched budget commitments"

was signing service contracts to develop its major southern oil fields, Baghdad set a production capacity target of 12 million barrels a day (b/d) by 2020.

Getting anywhere close to this target has long looked unrealistic and, in recent years, the Oil Ministry has revised production objectives for several of its major oil field projects, reducing the overall target to 8.5-9 million b/d.

It remains to be seen how the current negotiations between the ministry and the various IOCs to reduce their development programmes in 2015 and beyond will end, especially given Lukoil's prediction of a significant reduction in Iraqi production growth for the next two years.

Regardless of the IOCs' efforts to expand production, the country still does not have in place the pumps, storage tanks, blending equipment and the pipeline connections needed to handle much higher volumes. Iraq has already experienced significant bottlenecks with export infrastructure at its southern oil hub of Basra.

However, the delayed Common Seawater Supply Project, which is also a major bottleneck to increasing exports, now appears to be making progress, with the award of key front-end engineering and design (feed) contracts in late 2014 and early this year.

For the Iraqi oil industry, the uncertainty surrounding investment in its major assets takes the shine off the long-term export records the Oil Ministry has announced in recent months. Baghdad said oil exports in April averaged 3.08 million b/d, representing the highest volumes the country has shipped since the 1980s, before years of sanctions and war crippled the national oil industry.

"By the end of this decade, I think we will see [movement] towards 5 million b/d," says Mallinson. "It is very difficult to see Iraq achieving any great leap in output because of this composite of challenges.

"If there are a couple of years of lower investment by both Baghdad and the IOCs, we will see production broadly flatten out … and maybe towards the end of the decade we will see a pick-up again and a bit more growth."

The IMF expects Iraq's exports to average 3.1 million b/d in 2015, compared with 2.5 million b/d in 2014, helped by the agreement between Baghdad and Erbil that enables the Kurdistan Regional Government to export oil from all fields in the north of Iraq under the umbrella of the federal State Organisation for Marketing of Oil.

The fund is predicting Iraq will post a budget deficit of about 12 per cent of GDP in 2015 due to the fall in oil revenues, based on exports of 3.3 million b/d and an average price of $56 a barrel.

Iraq's GDP contracted by more than 2 per cent in 2014 and is projected to grow by just over 1 per cent this year, according to the IMF.

Cash management

"Under more conservative oil revenue assumptions, and taking into account unbudgeted payments to IOCs, the deficit may well reach much higher levels," said the IMF's Carlo Sdralevich, after a consultation with the Iraqi authorities in mid-March.

"To address this downside risk, the government is committed to under-execute budget spending as needed through rigorous cash management, the rationalisation of capital investment and the postponement of some investment projects."

The lower production estimates over the next five years are a negative development for Iraq, but in the current oversupplied market, the global oil industry will be relieved several million b/d of new supply will no longer be coming on stream by the end of the decade. With the Iraqi government focused on managing its short-term finances, it can do little more than hope for a return of high crude prices to drive further investment.

Mark Watts

This article first appeared in MEED on 27 May 2015

PROJECTS

Uncertainty hangs over GCC markets

Low oil prices have forced governments to concentrate only on essential schemes

When Brent Crude prices dropped to $46.59 a barrel on 13 January, companies working on projects in the GCC feared the market was about to collapse.

Since then, oil prices have remained the key driver of sentiment. With a 37 per cent recovery to $65.03 a barrel on 20 May, sentiment has improved. The problem is, with crude prices still below the budget breakeven levels needed for all GCC states except Qatar and Kuwait, optimism remains cautious.

The total value of new contracts signed so far this year reflects this lack of confidence. There were $61bn-worth of contracts awarded in the GCC up to 20 May, down nearly 28 per cent on the $85bn let over the same period in 2014.

This has caused concern that with less new work being secured, diminishing backlogs may create a more significant slowdown in construction activity on site in 2016, while at the same time offering some respite to a market that in 2014 was starting to look overheated.

Decline: The biggest fall has been in the UAE, where the value of awards has dropped from $24bn to $12bn

PHOTOGRAPH: SHUTTERSTOCK

Market change

"There has been a slight change in the volume and scale of project awards this year – more noticeable this quarter than in the beginning of the year," says Greg Kane, director of operations at Canadian engineering consultancy WSP PB. "However, in our view, it is not what we would consider overly significant. If we had continued at the pace we saw last year, it could have become difficult for the industry to deliver the volume of work being awarded."

The biggest fall has been in the UAE, where the value of contracts awarded has dropped from $24bn to $12bn, as low oil prices curb spending in Abu Dhabi and Dubai's property sector slows down. At the start of the year, when oil prices were below $50 a barrel, government departments in the UAE capital were instructed to reduce spending in 2015 by about 15 per cent. That instruction has led to investment plans being scrapped or rescheduled, with a clear impact on the value of new contracts being let.

Widely considered a counter-cyclical investor, Abu Dhabi's oil and gas sector has scotched that assumption this year and has been forced to make spending cuts. Abu Dhabi National Oil Company (Adnoc) says it has been asked to reduce operating expenditure by 10-15 per cent and, although it remains committed to hitting its 3.5 million barrel-a-day (b/d) production capacity target by 2017, spending on new projects also appears to have been curtailed.

"Abu Dhabi is more vulnerable to oil prices and it is looking like there is a refocus of money rather than a reduction," says Chris Seymour, partner at EC Harris, which is part of Dutch firm Arcadis. "Some projects are slowing up; there is no confirmation that it is over oil prices, but that is the feeling. We are starting to feel more confident as oil prices head toward a stable recovery."

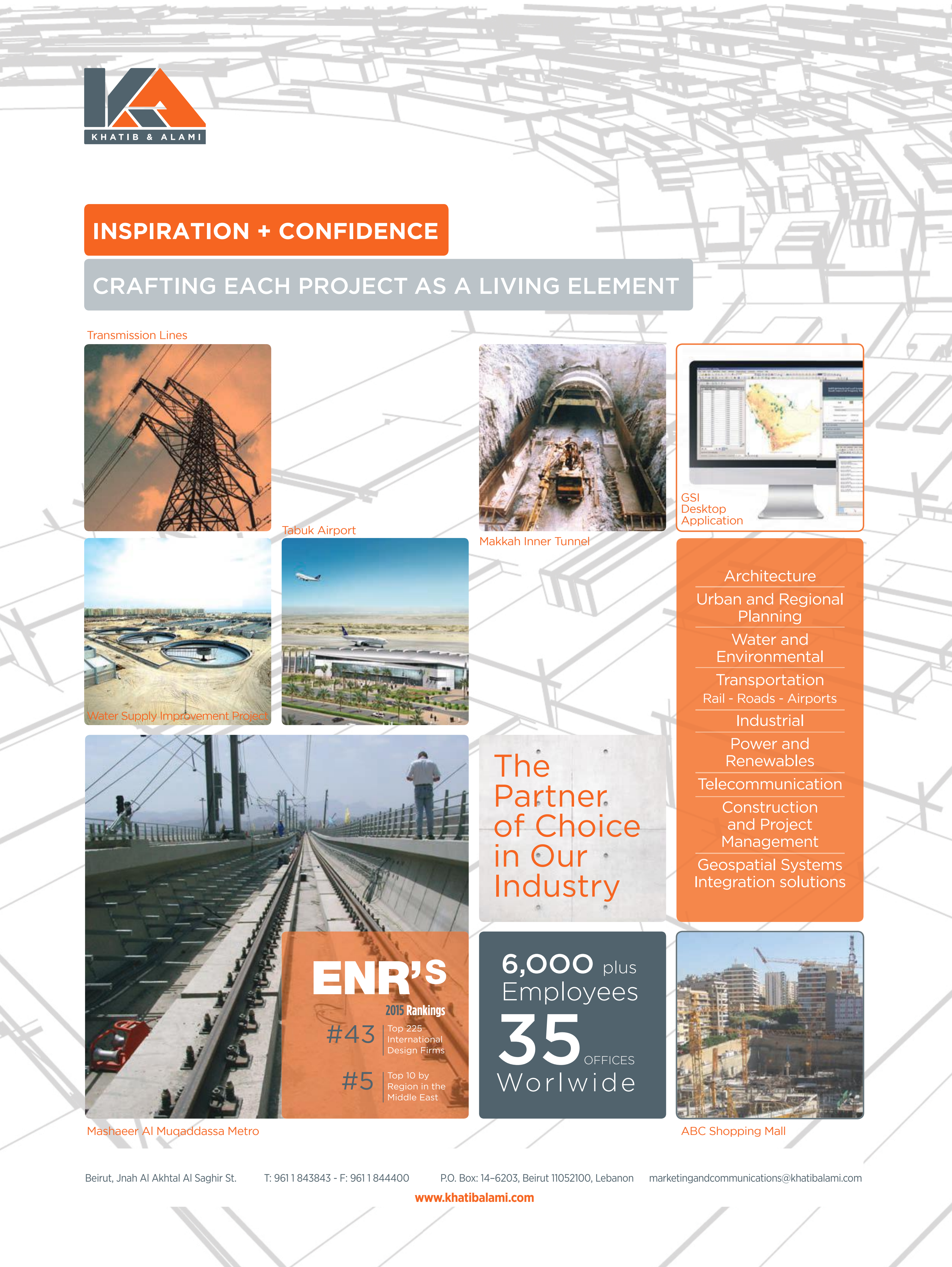
In Dubai, the change has been a drop in property prices rather than oil prices. In early 2014, the emirate's real estate market was buoyed by the Expo 2020 win in late 2013 and there was a widely held expectation that prices would continue to rise in the lead up to 2020.

Those expectations were dashed this year as consultants reported that prices had fallen. The UK's Cluttons reports that home values slipped 0.8 per cent in the first quarter of this year, leaving average prices 0.5 per cent lower than a year earlier and 19.4 per cent below the 2008 peak. The consultancy is also predicting further softening for the rest of the year due to a bulging pipeline of new supply, more stringent mortgage rules, higher transactions fees and rising living costs that have dampened demand across the emirate.

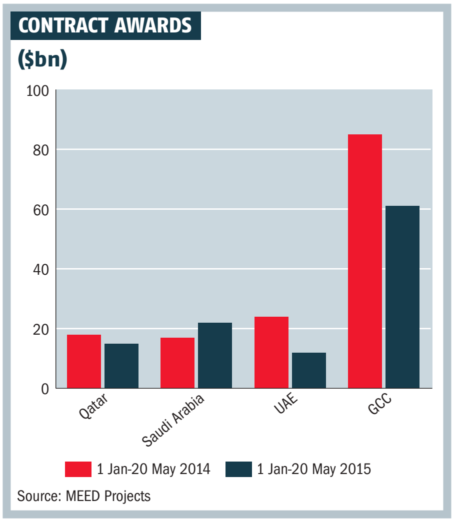
Dubai recovery

The bad news from the property market now appears to have been digested by the construction industry and after a period of hesitation, projects are starting to move forward again. "The optimism in Dubai has tempered a little," says Seymour. "That tempering felt more real at the beginning of year. Now, we are getting into the second quarter and it feels like it is recovering more, and that feeling is certainly supported by enquiries coming into our business."

The value of awards made in Qatar has also fallen, but for different reasons. During 2014, the authorities in Doha began to acknowledge



KHATIB & ALAMI
INSPIRATION + CONFIDENCE
CRAFTING EACH PROJECT AS A LIVING ELEMENT
Transmission Lines
Tabuk Airport
Makkah Inner Tunnel
GSI Desktop Application
Water Supply Improvement Project
Architecture
Urban and Regional Planning
Water and Environmental
Transportation
Rail - Roads - Airports
Industrial
Power and Renewables
Telecommunication
Construction and Project Management
Geospatial Systems Integration solutions
The Partner of Choice in Our Industry
ENR'S
2015 Rankings
#43 Top 225 International Design Firms
#5 Top 10 by Region in the Middle East
6,000 plus Employees
35 OFFICES Worlwide
Mashaeer Al Muqaddassa Metro
ABC Shopping Mall
Beirut, Jnah Al Akhtal Al Saghir St.
T: 961 1 843843 - F: 961 1 844400
P.O. Box: 14-6203, Beirut 11052100, Lebanon
marketingandcommunications@khatibalami.com
www.khatibalami.com



Doha: Qatar's economy has been hit by LNG prices weakening in tandem with the drop in crude prices

that the projects market was in danger of overheating. In response to these fears, government clients have delayed schemes not considered vital for hosting football's 2022 Fifa World Cup.

The most high-profile project to have been affected by this new, more measured approach is the Sharq Crossing scheme. Formerly known as the Doha Bay Crossing, MEED reported in January that the Public Works Authority (Ashghal) had delayed the delivery of the landmark scheme by about a year.

Qatar has also quietly been scaling back its industrial development. In April, Qatar General Electricity & Water Corporation (Kahramaa) shelved its planned Ras Laffan independent water project, a move that followed on from Qatar's cancellation of the $7.4bn Al-Sejeel petrochemicals complex in September last year and the $6.4 Al-Karanaa chemicals scheme in January this year.

The slowdown in industrial projects is largely due to the effects of the fall in energy prices. As the world's largest exporter of liquefied natural gas (LNG), Qatar's economy has been hit by LNG prices dropping in tandem with the fall in crude prices – a problem compounded by increased competition from LNG producers in Australia and the US.

Bright spot

Perhaps surprisingly, given the recent change in leadership, the bright spot of the year has been Saudi Arabia, where the value of awards has increased by 27 per cent this year, to $22bn from $17bn. "Saudi Arabia has not been obviously affected by the fall in oil prices; the level of spend has not changed, but there has been a refocus on [investments] that will have a positive impact on GDP," says EC Harris' Seymour.

The best example of this refocus is the slowdown of the stadiums that oil major Saudi Aramco plans to build at 11 locations. That multi-billion-dollar project was being fast-tracked in late 2014, but since the start of the year, virtually no tangible progress has been made.

For oil and gas, all projects under execution, including the $20bn Jizan refinery, are still going ahead. Where there has been an impact is future projects. Aramco has suspended almost all of its major capital spending in downstream refining and petrochemicals, although there is still investment in gas and gas processing to meet domestic consumption. The $6.5bn Fadhili gas plant that is being tendered is the best example of Riyadh's commitment to this policy. The gas will largely be used to fire power plants.

The power sector remains a key focus for the government as it faces a major struggle to meet rising demand for electricity from a growing population and the industrialisation drive. Three major power plant construction contracts are currently being tendered at Duba, Waad al-Shamal and Fadhili, with awards for all three expected by the end of this year. The kingdom is also pushing ahead with plans to expand the capacity of existing power plants such as the PP9 facility in Riyadh.

For other infrastructure, future spending in the kingdom will be on critical infrastructure rather than symbolic projects. "Government priorities for infrastructure spending are focused on the core infrastructure of roads and highways, railways, ports, service utilities and transport generally," says Martin Bassett, director of transportation and infrastructure at WSP PB.

"These assets are critical to supporting the growing needs of the region's major population centres and connectivity between them. There remains a strong, long-term commitment from governments across the region to support economic development, particularly towards furthering the service industry and the high employment opportunities this provides."

Optimistic outlook

While infrastructure investment may proceed, the future prospects for the GCC's projects market remain strongly linked to oil prices. These are still 40 per cent below the $109.69 a barrel they were on 20 May 2014. If prices continue to strengthen, then sentiment will improve further, new projects will move ahead and the total value of contract awards will increase. Conversely, if prices fall, sentiment will be dented and project spending will be subdued.

For the rest of this year, the expectation is that the market will improve. If major schemes that are being tendered, such as Mecca Metro, are awarded, the market will end the year broadly flat when compared with the $170bn of awards that were made in 2014.

"We expect a slightly slower summer period, as is often the case, but a pick-up in the third quarter," says WSP PB's Kane. "Some are predicting the oil price effects may be felt later in the year, as could the effects of a strong US dollar. However, we remain broadly positive about the property and construction market in the region for the remainder of 2015."

The key difference in the second half of 2015 when compared with the same period in 2014 will be that after a period of doubting and review, any projects driving the recovery later this year will be ones that are really needed.

Colin Foreman

PHOTOGRAPH: DREAMSTIME

GOVERNANCE

Reputation own-goal

Repairing Qatar's battered image needs more than just spin doctors

Since being awarded the 2022 Fifa football World Cup in December 2010, Doha has spent millions of dollars assembling teams of internationally-renowned public relations (PR) consultants to advise it on how best to use the tournament as a means of increasing Qatar's status and influence in the world.

So far, however, Doha's spending appears to have bought little in the way of tangible gains. Under the intense spotlight that the World Cup has shone on Qatar, the world's richest country per capita has floundered among a seemingly endless torrent of negative headlines in the international media.

Plan backfires

These stories have focused on issues ranging from corruption to allegations of labour abuse and even accusations that Doha has been financing terrorism. Taken collectively, they have fanned the concerns of critics about Qatar's role in the international community rather than winning it new allies.

Among the most damaging stories was an expose on former Fifa executive member for Qatar Mohamed bin Hammam, which was published by the UK's Sunday Times in June 2014. The article cited leaked emails and accused Hammam of making payments worth $5m to accounts controlled by the presidents of 30 African football associations in order to garner support for Qatar's World Cup campaign.

More damage was dealt in early 2015, when the UK's Telegraph newspaper published more than 20 negative stories about Qatar in the space of three months, many accusing Doha of financing terrorism. On top of all this, the UK's Guardian newspaper has run a sustained campaign highlighting the high fatality rate among labourers and flaws in Doha's labour laws.

But while it has become an established practice for the international media to criticise the hosts of world events, it is Doha's inability to get control of the agenda despite the help of an army of PR firms that is greatest cause for concern. These include the UK's Blue Rubicon, which counts Coca Cola and the British Cabinet Office among its clients. It has been employed by the Supreme Committee for Delivery & Legacy, Qatar's World Cup committee, since 2012.

Cleaner reputation: Doha needs to demonstrate it is taking issues such as worker abuse seriously

PHOTOGRAPH: GALLO/GETTY IMAGES

Qatar Foundation, a quasi-governmental entity that has spearheaded the country's efforts to become a regional leader in science and culture, employs its own fleet of PR companies. Since 2011, its core briefs have been handled by UK-based Grayling and Brown Lloyd James (BLJ) Worldwide, while a separate list of PR contracts deal with the institutions that come under the foundation's umbrella.

One of Qatar's newest PR signings is Portland Communications, an agency built out of the remnants of the New Labour communications team that helped Tony Blair secure three terms as UK prime minister.

Since signing a contract with the Qatar prime minister's office in August 2014, Portland Communications has struggled with a brief that is said to be "a broad remit ranging from government affairs through to nation branding", according to the trade publication PR Week.

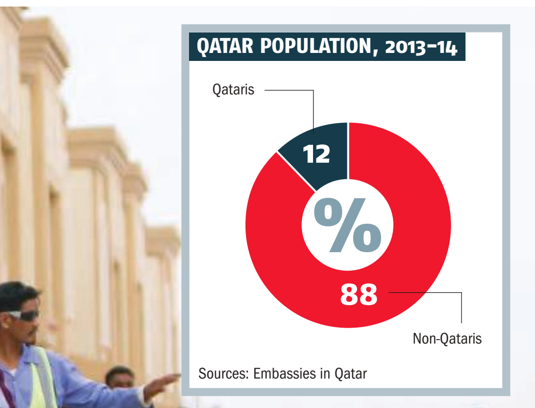
In September 2014, Greg Dyke, the head of the governing body for football in England, questioned Portland Communications' ethics after an investigation by UK broadcaster Channel Four revealed it had anonymously set up a sports blog that attacked critics of the 2022 World Cup, including Dyke himself, football commentator Gary Lineker and journalists working for the Sunday Times.

"The site was created by a former employee, and our digital team gave some help when the platform was built, but Portland does not run it," Portland Communications said in a statement. "It is not part of our work for the government of Qatar."

BBC arrests

More recently, another Portland Communications initiative became a PR disaster when a BBC news crew, which had been invited to Qatar by the prime minister's office on a tour of construction worker accommodation, was arrested and detained for two nights by Qatari security services. The press trip had been devised by the firm as part of a drive to silence critics who accused the country of using forced

This article first appeared in MEED on 3 June 2015



SELECTED REPUTATION MANAGEMENT FIRMS IN QATAR

Company	Employees in Qatar	Contract
Blue Rubicon	24	Supreme Committee for Delivery & Legacy
Brown Lloyd James Worldwide	45	Qatar Foundation
Grayling	52	Qatar Foundation
Portland Communications	na	Prime minister's office

na=Not available. Sources: Company officials; Grayling

labour and failing to enforce basic safety standards for workers. Instead, the arrests caused a media frenzy and prompted renewed criticism of Qatar's record on worker conditions.

When contacted by MEED to discuss the challenges of representing Doha, Portland Communications declined to comment, saying it did not speak publicly about any of its clients.

But the blame for these mistakes does not sit entirely with the consultants. There are several reasons why Qatar's teams of PR advisers are struggling to stem the flow of negative stories about the Gulf state, many of which are beyond their ability to control. According to figures close to the country's political system, these include a failure by political leaders to create a cohesive message on issues such as labour abuse, and a failure to put in place concrete changes that address these same issues.

"Efforts to communicate a positive image have been stultified by the nature of decision-making," says David Roberts, a lecturer on Gulf relations at King's College London. "There is no

"Efforts to communicate a positive image have been stultified by the nature of decision-making"
David Roberts, King's College London

masterplan or white paper that Qatar is playing from. So there isn't an ounce of strategic forethought. It's a set of hunches and general ideas that get filled in as they go along.'

Currently, there is no official government spokesperson and Emir Sheikh Tamim bin Hamad al-Thani rarely grants interviews to the media, something that has been criticised by Qatar watchers. "The employees of the PR firms repeatedly craft press releases that are never given approval and public appearances that aren't given the green light," says a Doha-based diplomatic source. "They keep telling officials that someone senior needs to speak out and give the Qatari viewpoint, but no one wants to do it."

Roberts agrees that reluctance by senior officials to talk directly to the media on a regular basis has allowed Qatar to lose the initiative when it comes to influencing media narratives. "Qatar's Foreign Minister Khalid al-Attiyah is very eloquent," he says. "When the ambassadors were removed from Doha by Saudi Arabia, Bahrain and the UAE last year, he went to Europe and wrote numerous editorials.

"This helped remind European leaders why Qatar is an important player on the global stage. The problem is it took an abject crisis to force anyone from Qatar to engage in any kind of systematic way with the media, and even then it was only for a short period of time."

The other major challenge for the PR firms is Doha's failure to address the criticisms levelled at it by Western media and human rights groups. By far the most damaging of these has been the criticism of the sponsorship (kafala) system, which is used to monitor migrant workers, and has been likened to a form of modern-day slavery by the International Trade Union Confederation. Under the system, Qatari nationals earn money by sponsoring migrant workers and have the power to prevent employees from changing jobs or leaving the country.

Critics say this leaves workers vulnerable to exploitation and is connected to the reported high rate of fatalities among labourers working in the country. In May 2014, Doha promised to abolish the kafala system, but has yet to deliver on this promise. A timetable for the passage of the law and its implementation is still to be announced and the proposed changes are seeing resistance from the Chamber of Commerce.

"One simple reason why the reforms to Qatar's kafala system are being blocked is that it will make things more expensive for businesses," says Roberts.

National security

Another reason for Qatar's foot-dragging is fears about national security. According to one diplomatic source, the country's native population of about 300,000 Qataris is worried by the prospect of a possible shift in the balance of power if it grants new freedoms to the migrant worker population, which stands at about 1.8 million.

"The reluctance doesn't just come from the fact that Qataris benefit from the kafala system financially," says the diplomat. "There is also a fear they will lose control of their own country. If you can deport a worker at a moment's notice then you have control."

Reform is also being held back by bottlenecks within Qatar's bureaucracy. Doha observers say the government lacks a workforce with the capability to implement wholesale change, and is blocked by conservative elements that want to maintain the status quo.

In order to win over public opinion abroad, Qatar needs to demonstrate it is taking issues such as worker abuse seriously, and will have to do far more than employ PR agencies. Senior officials need to create real change in the way business is done at home and how the government deals with foreign media organisations.

"Qatar is seen as a benign autocracy and there is an expectation that the emir can click his fingers and get things done, but he loses a lot of political capital if he tries to do this," says Roberts. "I'm pretty sure if Sheikh Tamim could click his fingers and get these changes he would, but in reality the current system is very resistant to change."

Wil Crisp

ENERGY

Opec plays a dangerous game

Maintaining oil production levels could backfire for the oil producers' group

The decision by Opec on 5 June to maintain its current oil production level of 30 million barrels a day (b/d) was unusual only in that it was announced with a smile rather than a grimace.

Opec's continued relevance in the global oil market has been repeatedly questioned in recent months and its last few meetings have been marred by heated arguments and accusations of foul play. The oil producers' group needed to put up a united front and that is exactly what was presented in Vienna.

Reaching a consensus was the only possible outcome when Saudi Arabia said it had no intention of dropping its production below 10 million b/d, so it made more sense for all parties to say it was a joint decision.

Traditionally, Opec has been able to flex its collective muscles by turning off the taps and reeling production back to influence oil prices. This new strategy is, therefore, unchartered territory for the group.

On the back foot

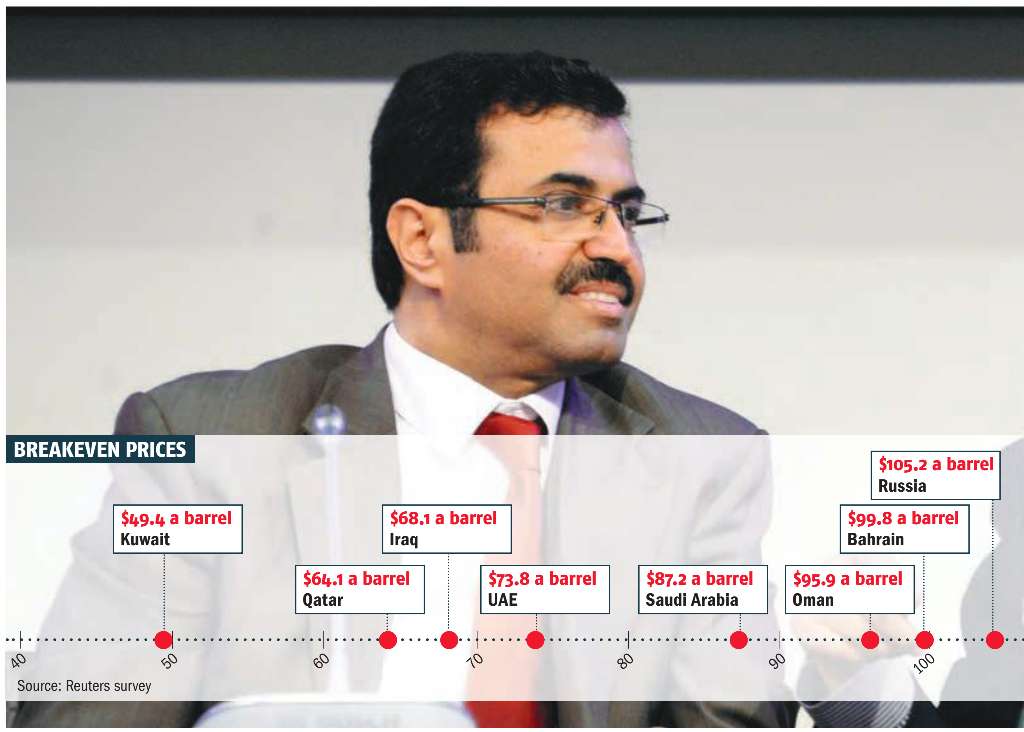
Some argue that allowing the market to set the price is a dangerous game to play. It also could indicate that despite the glad-handing, back-slapping and mutual admiration in Vienna, the recent surge in non-Opec supply has the group on the run.

Maintaining high oil production seems like a counter-intuitive move for Opec, an organisation famed for putting the brakes on production as soon as the going gets tough.

The big game changer has been the large increase in North American unconventional oil. The shale oil revolution has rattled Opec and is the underlying driver for the current strategy. Shale oil is expensive to produce and it took the strained geopolitical situation in the Middle East that came after the 2011 Arab uprisings to act as a tailwind for the oil price and allow US producers to flourish.

Any diversification of supply always spells bad news for cartels, but aside from Libya and Iran, the rest of the Opec members were making too much money to notice what was happening in the US.

There are several advantages held by the Middle East's major producers, not least low



United front: Opec members confidently agreed to maintain current production levels, but the tactic could fall flat

production costs, coupled with the fact Opec holds 74 per cent of conventional oil reserves.

Saudi Arabia, traditionally the world's swing producer, has set Opec's current strategy as it believes that continuing to sell large volumes of low-cost oil to long-term customers is the safest way to safeguard market share.

Other Opec members have not shared that view up to last week's meeting. Now, it seems that either everyone is in total agreement, or that the smaller exporters have been left with no choice but to toe the line.

"It is a good move and it makes the most sense at this time," says Sadad al-Husseini, former head of exploration and production at Saudi Aramco. "Demand is picking up, so why not capture that demand surge by making room for Iran and Iraq instead of fighting?"

Output from Iran and Iraq is expected to increase in the coming months.

Iran's Oil Minister Bijan Zangeneh has spelled out the Islamic Republic's plan to increase production by as much as 500,000 b/d within a month of international sanctions being lifted following a deal on the country curbing its nuclear programme.

This would rise to 1 million b/d within six months before hitting pre-2008 production levels of 4 million b/d shortly after. Iran is reported to have produced 2.8 million b/d in May.

Oversupplied market

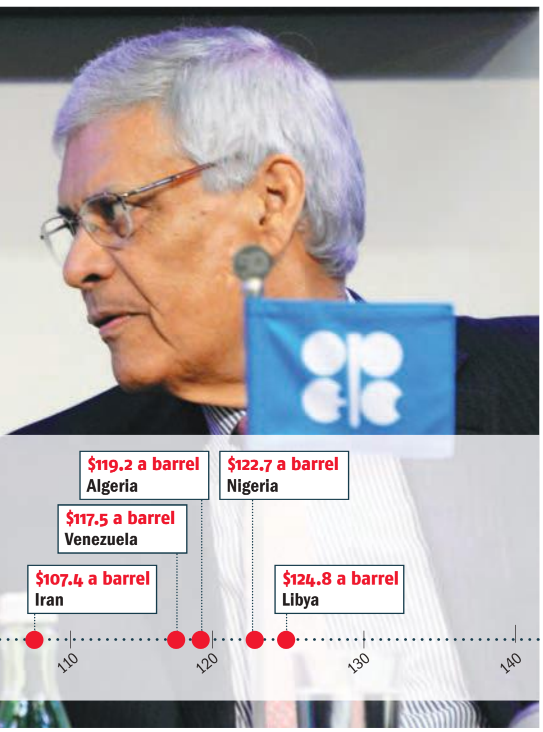
Despite Tehran earlier accusing Saudi Arabia of using oil as a weapon to "punish" Iran by purposefully keeping oil prices low, relations between the region's two largest power players were not as strained at the recent Opec meeting as at previous gatherings.

Tehran is now so desperate for cash that it is expected to offer up 35 million barrels of crude for immediate sale before the ink even dries on the nuclear agreement with world powers, the P5+1.

This would certainly depress an already oversupplied market and it is fair to assume much of that oil would be offered to Asian refiners at a

PHOTOGRAPH: GALLO/GETTY IMAGES

This article first appeared in MEED on 10 June 2015



bargain price, the very customers Aramco has been courting for the past 12 months.

How Opec will manage to accommodate this small tidal wave of crude will be interesting as will how Iran plans to elbow its way into an already crowded market. There are, however, still doubts as to whether Iran could ramp up to 4 million b/d with more realistic figures of 3.5 million b/d being cited by many.

Baghdad has also said that it has no intention of curbing its drive to ramp up oil production. If Libya can sort out its domestic troubles, then it will also want to restore production to pre-civil war levels of 1.5 million b/d from the current output of about 500,000 b/d.

Oil prices are already looking precarious at $60 a barrel and any substantial production increase could send them into freefall.

The entente cordial enjoyed by Opec members at the recent meeting may well stem from finally understanding that for any cartel to work, it has to act in a way that is beneficial to all. The one positive from hugely increasing Opec production would be that the US shale oil sector would take a battering if oil prices dropped below $50 a barrel for a prolonged period.

"Shale oil was always subsidised oil ... It was never sustainable and is never going to be cheap"
Sadad al-Husseini, Saudi Aramco

The average cost of production for shale oil is about $55 a barrel. If oil prices were to fall below $50, many of the hundreds of small independent producers could be sent under within the next 18 months. This would buy the major oil producers a year or so of time to get their fiscal budgets aligned to cope with lower-priced oil.

"[US shale oil] is a case of the tail wagging the dog and it has certainly been overstated and over-exaggerated," says Al-Husseini. "Why should Opec be frightened of 4 million b/d of very expensive oil when it produces 30 million b/d of very cheap oil?"

What seemed to be firmly off the agenda at the Vienna meeting was how leaving the taps on to flood the world with oil would affect smaller-producing Opec member states that do not have the advantage of low-cost oil. Production costs in some countries are almost on a par with shale oil and consequently new field developments under 200,000 b/d will look extremely risky in some of the region's more fragile economies.

Even in the Middle East, producers such as Qatar have a lot of smaller yield mature fields that require huge sums to rehabilitate. A prolonged bout of lower oil prices would make many smaller fields completely unviable.

Another problem is that US shale oil is proving to be more difficult to suppress than many thought last year when Riyadh implemented its high production strategy as a means to bury it.

Shale oil producers only have shareholders to appease and many of the venture capitalists investing in the US market are happy to take breakeven prices or low returns on investment for the first few years to gain first-mover status. The real money is in future operations when the technological breakthroughs lower operating costs to match conventional oil production.

Subsidised oil

"Shale oil was always subsidised oil, made possible by cheap dollars and high oil prices," Al-Husseini says. "It was never sustainable and is never going to be cheap."

Aside from the challenges facing US shale producers and the smaller Opec members, national oil companies (NOCs) from the Middle East's large oil-exporting nations also have their own problems.

Not only are they expected to rake in billions of dollars of export revenues for cash-hungry governments, they are also expected to provide citizens, power generators and industry alike with hugely subsidised hydrocarbons.

All Middle East oil-producing nations, with the exception of Kuwait, have budget breakeven prices above $50 a barrel.

On top of this insatiable demand for money and resources, NOCs are also charged with the task of maintaining their respective upstream oil and gas assets being operated at close to maximum capacity. Not an easy task.

Opec still controls 30 per cent of global oil supply and is the biggest force in the energy world. However, there are cracks beginning to show in the organisation's facade and there is no clear solution as to how they can be fixed.

Despite the smiles of Opec officials, they know that low oil prices are bad for all producers, not just the US. By the same token, they know that if $70-plus oil returns the US shale oil producers will be back in business, which will be bad news for Opec.

Saudi Arabia's strategy to smash the competition by flooding the market is fine for the world's largest oil exporter with $700bn of foreign cash reserves. The real question is whether this strategy is good for the rest of Opec's members, which are far less financially stable.

If the strategy works, it could return Opec to its former dominant position, able to control the global oil market and win it even more market share. If not, it could lead to the break up of the oil industry's oldest interest group.

Kevin Baxter

SAUDI ARABIA

A year of change

Riyadh has become embroiled in a complex web of challenges in 2015

The long-promised opening up of the Saudi Stock Exchange (Tadawul) to foreign investment has for years been hailed as the most significant liberalisation of the kingdom's economy, with potential consequences reaching far beyond the equity markets.

But the bourse's eventual opening on 15 June could not have come at a worse time for Saudi Arabia, with Riyadh today embroiled in a complex web of challenges that includes post-succession government restructuring, a war in Yemen, an upsurge in domestic terrorism and the prospect of a resurgent Iran, as well as adjusting to a new era of low oil prices. This unprecedented confluence of events has damaged the country's risk profile, raising the nerves of investors and other companies doing or looking to do business in the kingdom.

Conflict: The focus in Saudi Arabia has shifted this year to security

PHOTOGRAPH: REUTERS

Watershed year

2015 is turning out to be a watershed year for Saudi Arabia, beginning in January with the passing of King Abdullah bin Abdulaziz al-Saud. His successor, King Salman bin Abdulaziz al-Saud, has made it clear the country is heading in a different direction and a new era of governance is being ushered in.

By the end of April, Crown Prince Muqrin bin Abdulaziz had departed to be replaced by Prince Mohammed bin Nayef, while King Salman's son, Prince Mohammed bin Salman, was parachuted into the deputy crown prince role.

The changes mean the era of power being handed to various sons of King Abdulaziz, Saudi Arabia's founding father is over and a clear jump to the next generation is under way. As well as adjusting the uppermost echelons of power, King Salman has revamped several government ministries and departments in order to further centralise the power base and reflect this new ruling elite.

He has also taken the exceptional step of leading the kingdom into war. The Saudi-led coalition forces trying to repel the Shia Houthi rebels and militia loyal to former president Ali Abdullah Saleh have carried out scores of raids into Yemen since late March.

The conflict took a worrying turn on 5 June, when a scud missile was launched into Saudi Arabia from Yemen. UN Secretary-General Ban Ki-moon has since called the situation in Yemen a "ticking time bomb".

As MEED went to press, peace talks were due to be held in Geneva. How successful they will be remains to be seen, but media reports in Saudi Arabia say Riyadh will not be satisfied unless the exiled president, Abd Rabbu Mansour al-Hadi, is reinstated. With the Houthis and their allies in such a strong strategic position, it is unlikely they will be willing to allow him back. If Al-Hadi is to return, it is more likely that he will need to be accompanied by a large contingent of Saudi-led troops.

The step-up in defence spending comes at a time when Saudi Arabia has seen its revenues cut dramatically as a result of the collapse in oil prices since mid-June 2014. Riyadh has played a hard ball game with US shale oil producers, maintaining output to safeguard market share rather than assuming its traditional role of swing producer and reining in exports to support oil prices. But it has come at a price.

The government relies on the hydrocarbons sector for 90 per cent of its revenues. With exports of about 8 million barrels a day (b/d), a $10 drop in the price of a barrel of oil can mean $29bn less in revenues. Riyadh earned an average of $300bn a year from 2012 to 2014, when oil prices were in triple figures. Based on selling crude at an average of $56 a barrel and exports of 8 million b/d for the whole of 2015, Riyadh would earn $164bn this year, far less than it has grown accustomed to receiving.

Oil income

The government has $736bn of foreign reserves accrued during years of surpluses to cover its outgoings this year, but it will face difficult choices in terms of spending priorities if oil prices stay low as expected and the war in Yemen drags on. Oil prices could take a further tumble if, as expected, a definitive nuclear deal is signed between Tehran and the P5+1 group of world powers on 30 June. The Islamic Republic has said it would increase oil production by 1 million b/d within six months of economic sanctions being lifted, as well as offering 35 million barrels of crude for immediate sale.

The impact on oil prices and the prospect of Iran increasing its influence in the oil producers' group Opec are just two concerns for the Saudi leadership stemming from the potential Iran nuclear deal. Tehran is also Riyadh's main rival in the region and the kingdom would not be quick to welcome an agreement that would enable the Islamic Republic to rebuild its economy and increase its political influence in the region.

Saudi Arabia officially welcomed the signing of the preliminary nuclear framework at the start of April, when King Salman telephoned US President Barack Obama to say he hoped a final settlement of the nuclear dispute would "strengthen the stability and security of the region and the world". However, the already-fractured relationship between the two Gulf countries has further deteriorated in recent months, with Saudi Arabia accusing Iran of providing support for the Houthi rebels.

King Salman's swift and aggressive response to the Houthis' advance across the country is based on the belief that they are acting as a proxy force for Tehran and that if Iran is fighting a war on its border, Saudi Arabia has no choice but to act. Tehran and Riyadh have also found themselves backing opposing sides in the Syrian civil war, with Iran continuing to support embattled President Bashar al-Assad against Sunni rebel groups.

"[Riyadh] going into the battlefield against Iran would provide a perfect scenario for Isis to thrive"

Above all, Riyadh fears that a soft nuclear agreement would allow Tehran a path to develop a bomb. Suspicions of Iran rushing to weaponise its uranium enrichment programme could lead to a nuclear arms race in the region, with Saudi Arabia the next country in line to develop the weapons. "Whatever the Iranians have, we will have, too," Prince Turki bin Faisal, the former Saudi intelligence chief, said at a recent conference in South Korea.

It is widely thought that Pakistan would be able to provide Saudi Arabia with the technology to produce nuclear weapons within a relatively short space of time.

The terms of the comprehensive agreement targeted by Iran and the world powers have not yet been confirmed. But the US will have its work cut out to convince its allies in Riyadh that Iran has not been given an easy ride.

Meanwhile, Riyadh is fighting a rising tide of domestic terrorism from elements sympathetic to the jihadist group Islamic State in Iraq and Syria (Isis). May saw two deadly suicide bomb attacks on Shia mosques in the Eastern Province. Westerners have also come under attack across the kingdom in the past year.

A risk analyst speaking to MEED dismisses fears Isis might attempt to breach the kingdom's borders, saying the group's greater threat to Saudi Arabia is ideological. "The government is worried how Isis' ideology resonates with Saudi state religion and large sections of the population," he says. This could inspire more lone wolf attacks of the type seen in the past 10 months or the development of a larger local franchise of the group.

Saudi Arabia has a strong central government and a well-funded civil defence force, so Isis will never be able to grow as quickly as it has done in Syria, northern Iraq and Libya. Riyadh also has a good track record in dealing with domestic terror threats, dismantling Al-Qaeda following its 2003 attacks. A wave of arrests was conducted in May, which saw about 100 alleged Isis sympathisers apprehended. "The internal security mechanisms have gone up a gear due to the perceived threat," says the risk analyst.

Hardline approach

King Salman has surrounded himself with a younger generation of royals who are keen to establish themselves as a decisive ruling elite, capable of tackling external or internal threats. If this means taking a more hawkish stance against Iran while surpressing threats in the kingdom then this is what they are prepared to do.

The problem with this type of aggressive positioning is that it can only be achieved by over-compensating, which brings the risk of mass arrests and pushing Iran into a region-wide sectarian war. Inflaming tensions that radicalise young Saudis as well as going into the battlefield against Iran would provide a perfect scenario for Isis to thrive.

In mid-2015, Saudi Arabia is in a far different position to where it was in June 2014. Back then, Isis had yet to rampage through Iraq, oil prices had yet to plummet, the domestic terror threat was believed to be in check and King Abdullah was continuing his programme of economic diversification, with the Tadawul opening a core element of that. The prospect of Iran and the West reaching a nuclear agreement was also remote as the first deadline passed without a deal.

Fast forward one year and analysts were warning the opening up of the Tadawul would pass with a whimper rather than a bang, as lower oil prices and slower GDP growth has depressed the market since September. In the event, the bourse closed the day down by 0.9 per cent. It will go down as one of the less memorable occasions in this year of unprecedented change for Saudi Arabia.

Elizabeth Bains, Kevin Baxter, Mark Watts and **Philippa Wilkinson**

This article first appeared in MEED on 15 July 2015

FINANCE

Turning back to debt markets

Low oil prices and record-high spending are pushing GCC governments to issue sovereign bonds

Several GCC governments have decided to revive or increase their sovereign bond programmes as lower oil prices and high spending on infrastructure and social services lead to budget deficits.

Following three years when $100-plus oil allowed healthy surpluses and expansionary spending, a return to debt markets signals a significant shift in Gulf fiscal policy. Local and international banks are welcoming the move, having consistently shown a strong appetite for GCC sovereign debt. More frequent issuance will stimulate debt markets and establish a yield curve, clarifying pricing for lenders.

Saudi Arabia, the world's largest oil exporter, is expected to run a budget deficit of $80bn-$106bn in 2015, according to Riyadh-based Jadwa Investments. The kingdom had drawn down on its external reserves by $64bn at the end of May, leaving them at $672bn, down from a record high of $736bn in August 2014.

To reduce the pressure on reserves, the Saudi government may fund as much as half its deficit by issuing sovereign bonds on the local market for the first time since 2007. This implies that between $40bn and $53bn of bonds could be sold, starting in the next three months, according to Jadwa figures.

Oman programme

Oman has already stepped up its government development bond programme, issuing $519m in the first quarter of 2015. It plans to sell about $1bn more of debt this year, on both the domestic and international markets, but this could change depending on how Muscat decides to fund its deficit, which could be more than the projected $6.5bn. The next issuance is rumoured to be a $779m sovereign sukuk (Islamic bond), the first for the sultanate.

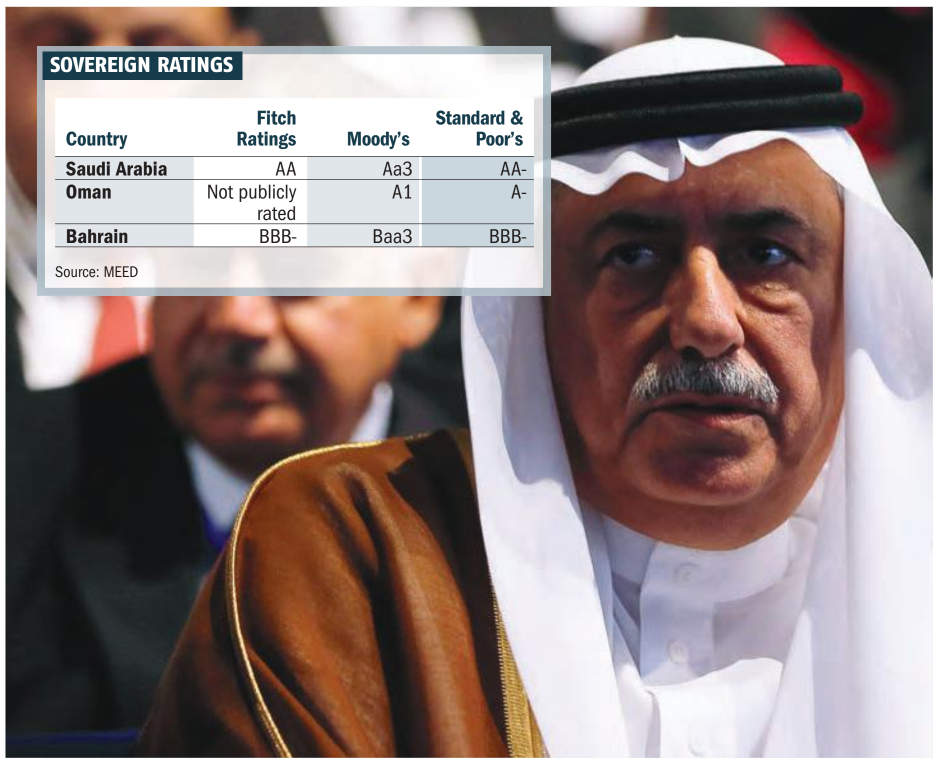
Only Bahrain has a regular programme of debt issuance that fully develops the yield curve. This programme is expected to accelerate in 2015 as Manama maintains its high spending.

Kuwait, Qatar and the UAE have either smaller populations or higher oil production, and their reserves will easily cover infrastructure spending plans. Analysts expect any sovereign bond issuances will be small and aimed at establishing debt markets in the longer term.

SOVEREIGN RATINGS

Country	Fitch Ratings	Moody's	Standard & Poor's
Saudi Arabia	AA	Aa3	AA-
Oman	Not publicly rated	A1	A-
Bahrain	BBB-	Baa3	BBB-

Source: MEED



New focus: Saudi Arabia's Finance Minister Ibrahim Abdulaziz al-Assaf is turning to debt to fund the deficit

This month, Fahad al-Mubarak, the governor of the Saudi Arabian Monetary Agency (Sama), the central bank, announced the kingdom had issued SR15bn ($4bn) in sovereign bonds to domestic banks in 2015. He was quoted as saying the government will issue more debt over the coming months, but he did not reveal how much or the timing.

"The question is on the asset side," says Paul Gamble, senior director, sovereign group at the UK's Fitch Ratings. "The government has spent a long time building up its assets, but how quickly should it draw them down, and what for?"

Saudi Arabia has a vast pipeline of infrastructure projects to execute, important investments that will allow it to diversify its economy and improve living standards. The focus areas are transport, housing and electricity.

"During the earlier low oil price period in 2009, the government used reserves," says Fahad al-Turki, chief economist and head of research at Jadwa Investments. "But this time, with the major development projects and commitments, it will go for debt to reduce the pressure on reserves."

The bonds are generally being issued in regular auctions, allowing central banks to manage both state deficits and banking sector liquidity. The $4bn of bonds issued so far by Saudi Arabia appear to have been placed privately.

Presently, the kingdom's domestic banks have too much liquidity, with excess assets deposited in Sama. Combined sector deposits at the central bank stand at $27bn, according to Sama, and show no sign of falling. The banks could, therefore, enthusiastically absorb the sudden issuance of $40bn or $50bn in sovereign bonds.

Building yield curves

Sovereign bonds will offer better returns for local banks and mop up some of the excess liquidity without seriously affecting their ability to lend. However, the cost of lending on the Saudi market will rise slightly as the bonds

PHOTOGRAPH: REUTERS

Manama: Analysts warn cuts will be necessary to bring Bahrain's spending in line with projected revenues

soak up liquidity and competition to provide credit eases. Investing in low-risk, easily tradable government bonds will also help banks balance their assets and liabilities.

Sovereign bond issuances play an important role in building yield curves and helping banks price their own lending. An active debt market is also important for ratings.

Regular issuances

"We have been calling for regular issuances for three or four years," says Al-Turki. "The government should not retire debts, to deepen the yield curve. Lending costs are also lower than returns on reserves. Lower oil has put this into context, and hopefully policymakers will realise the benefits."

When oil prices were high between 2010 and mid-2014, Saudi Arabia was paying off older debt as well as increasing spending. It is, therefore, starting from a position of low external debt, at 1.6 per cent of GDP in 2014. This could increase rapidly, as Riyadh is expected to run a fiscal deficit of 20 per cent of GDP in 2015, according to the IMF's Article IV Consultation report published in June.

Oman, with its smaller economy and lower oil production, is in a different position. It has already issued a third of its projected $1.6bn of sovereign debt for 2015. The sultanate's banks are less liquid and it plans to issue debt internationally before the end of the year. Banks

"[Riyadh] has spent a long time building up its assets, but how quickly should it draw them down?"
Paul Gamble, Fitch Ratings

welcome the issuance as a low-risk investment and an opportunity to develop yield curves.

Oman is likewise starting from a strong position, with debt making up just 4.8 per cent of GDP in 2014, according to the Central Bank of Oman. This means any increases this year to fund a $6.5bn deficit, equivalent to 8 per cent of GDP, are sustainable.

Muscat is also planning to draw down on its assets by $1.8bn. The central bank's net foreign assets stood at $16.1bn at the end of 2014. Meanwhile, total government assets stood at $62.3bn, or 80 per cent of GDP, in 2013, according to US-based Moody's Investors Services.

"Oman is starting from a very low base," says Gamble. "They have plenty of space to borrow and they are drawing down on assets too. There is a choice, to cut spending, issue debt or use their assets." However, the IMF has warned that Oman's spending plans, which include a $100bn-plus infrastructure investment and current expenditure of $24.9bn a year, would raise government debt to 70 per cent of GDP by 2020.

It is also concerned Oman's 2015 deficit may reach 14.8 per cent of GDP due to this spending and lower oil prices, suggesting that borrowing this year could be higher than expected.

With Oman and Saudi Arabia looking to debt markets to finance their deficits, analysts see the next step being regular issuances to manage yields and liquidity, rather than to satisfy immediate funding needs.

"Bahrain is a frequent issuer, so you have a very clear view of what the sovereign curve is for pricing. But Oman issues debt infrequently, so we don't have that curve to reference for a longer-term view," says an international banker working in the Middle East. "If they become a regular issuer, they would build the curve for banks here, and a lot of people have appetite for Omani risk. The more transparency you get in the curve, the better for banks."

Sophisticated sector

As a marginal oil producer, Manama's borrowing is more sophisticated than any other GCC country; it auctions bonds with a variety of maturities on a weekly basis, both conventional and Islamic. The rolling programme of short-term bonds should keep about $5.8bn in domestic debt markets throughout 2015.

Bahrain's domestic banking system, the longest-established in the region, has plenty of liquidity to keep the auctions significantly-oversubscribed. Manama is also experienced at tapping international bond markets, with periodic eurobond issuances, which tend to be more than $1bn.

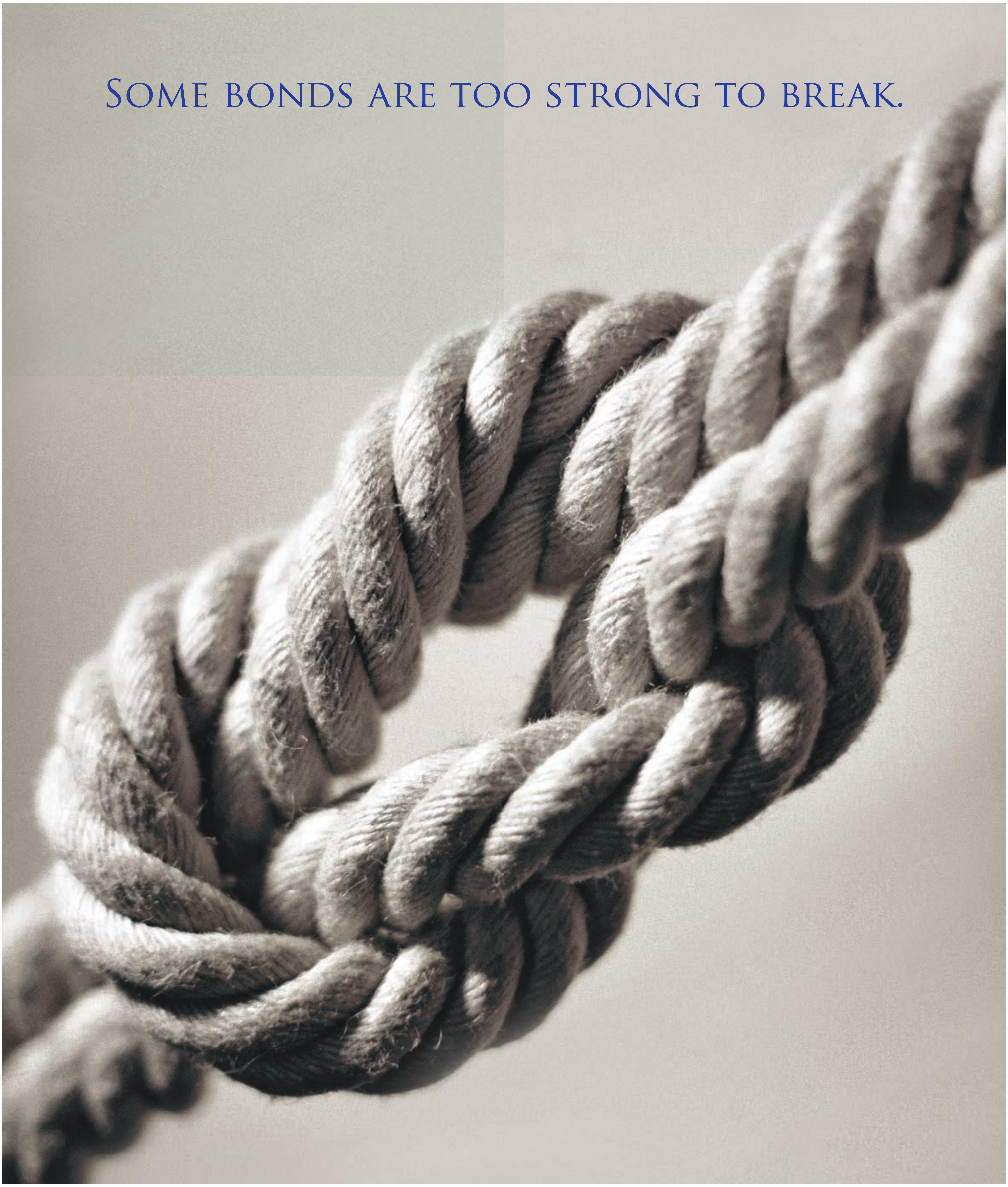
Although on a global scale Bahrain's debt levels are little cause for concern, it does have the highest debt in the GCC, and it is rapidly increasing. Fitch forecasts a current account deficit of 10.9 per cent of GDP in 2015, while government debt is expected to reach 54.2 per cent in 2015 and 58.6 per cent in 2016, if spending trends continue. Bahrain has negative outlooks from both Standard & Poor's and Moody's, while Fitch downgraded its sovereign debt rating to BBB- in June.

Analysts warn that cuts will be necessary in the future to bring Bahrain's spending in line with projected revenues. This will require some difficult decisions on social and infrastructure spending. "We expect a fairly large deficit over the next few years," says Gamble. "There are structural rigidities in the budget, such as the wage bill and subsidies, which are difficult to cut given the political context."

Similar decisions also lie ahead for Muscat and Riyadh, albeit with less urgency.

Philippa Wilkinson

PHOTOGRAPH: DREAMSTIME


Some bonds are too strong to break.

In association with: mashreq المشرق
MEED QUALITY AWARDS for PROJECTS 2015

Awarding excellence in projects

Projects shortlisted for best practice and quality across the region were commended at the MEED Quality Awards for Projects 2015 ceremony on 27 May

The Faculty of Islamic Studies Building Project at Education City in Qatar was named the GCC project of the year at the MEED Quality Awards for Projects 2015, in association with Mashreq. The project, entered by ASTAD Project Management, was also named the GCC's UCC UrbaCon Trading & Contracting Social Infrastructure Project of the Year.

The scheme was one among 10 named as the region's best projects of the year at a gala awards ceremony attended by nearly 400 business leaders, at the Address Dubai Marina hotel on 27 May.

The Faculty of Islamic Studies Building Project was designed by Mangera Yvars Architects and the consultant on the project was Arup. The contractors that worked on the scheme were a joint venture of Consolidated Contractors Company and TCC.

Most success

Saudi Arabia enjoyed the most success on the night, with projects in the kingdom winning three different category awards. Close behind was Bahrain, which picked up two regional awards.

Two special trophies were also handed out during the ceremony: The MEED Editor's Award for Leadership, given to Mattar al-Tayer, chairman of Dubai's Roads & Transport Authority (RTA); and The MEED Editor's Award for Excellence in Project Delivery, which was presented to the Al-Maryah Island Project Team, International Financial Centre, Mubadala Real Estate & Infrastructure.

1. MEED Editor's Award for Outstanding Achievement in Project Delivery – Al-Maryah Island Project Team
2. MEED Quality Project of the Year, in association with Mashreq – Faculty of Islamic Studies Building

WINNERS LIST

- **MEED Quality Project of the Year, in association with Mashreq:** Faculty of Islamic Studies Building, Qatar; **Project owner:** Qatar Foundation; **Entrant:** ASTAD Project Management
- **The MEED Editor's Award for Leadership:** Mattar al-Tayer, chairman, Roads & Transport Authority
- **The MEED Editor's Award for Excellence in Project Delivery:** Al-Maryah Island Project Team, Mubadala Real Estate & Infrastructure, UAE.
- **Oil and Gas Project of the Year:** Awali Oil Field, Bahrain; **Project owner:** Tatweer Petroleum; **Entrant:** New Water Corporation.
- **Daman Industrial Project of the Year:** Siemens Energy Hub, Saudi Arabia; **Project owner:** Siemens Energy; **Entrant:** Hyder, an Arcadis company
- **CH2M Award for Innovation:** Emirates AquaTechnologies Caviar Factory, UAE; **Project owner:** Bin Salem Holding; **Entrant:** Emirates AquaTech
- **Ramboll Sustainable Project of the Year:** Muharraq STP and Sewer Conveyance Project, Bahrain; **Project owner:** Ministry of Works; **Entrant:** Muharraq STP Company
- **UCC Urbacon Contracting & Trading Social Infrastructure Project of the Year:** Faculty of Islamic Studies Building, Qatar; **Project owner:** Qatar Foundation; **Entrant:** ASTAD Project Management
- **Building Project of the Year:** Jabal Omar Project Phase 1, Saudia Arabia; **Project owner:** Jabal Omar Development Company; **Entrant:** Schneider Electric.
- **Drake & Scull Leisure and Tourism Project of the Year:** Alila Jabal Akhdar Resort, Oman; **Project owner:** Oman Tourism Development Company (Omran); **Entrant:** Omran
- **Power and Water Project of the Year:** Qurayyah Independent Power Project, Saudi Arabia; **Project owner:** Hajr Electricity Production Company; **Entrant:** Hajr Electricity Production Company
- **Transport Project of the Year, sponsored by Hyder, an Arcadis company:** New Doha (Hamad) International Airport Passenger Terminal Complex – CP 18, Qatar; **Project owner:** New Doha International Airport Steering Committee; **Entrant:** Sky Oryx Joint Venture (Taisei – TAV joint venture)
- **Small Project of the Year:** Structural Renovation of the Grand Mosque, Kuwait; **Project owner:** Ministry of Awqaf & Islamic Affairs; **Entrant:** PACE

This article first appeared in MEED on 3 June 2015


3


4

NEW AWARD CATEGORIES FOR 2016

- Tall Building Project of the Year
- Retail Project of the Year
- Mixed-use Project of the Year
- Education Project of the Year
- Residential Project of the Year
- Commercial Project of the Year
- Culture & Heritage Project of the Year
- Upstream Project of the Year
- Downstream Project of the Year
- Airport Project of the Year
- Rail, Metro, Tram Project of the Year
- Road, Bridge, Tunnel Project of the Year


6


7


8

3. Drake & Scull Leisure & Tourism Project of the Year – Alila Jabal Akhdar Resort
4. Daman Industrial Project of the Year – Siemens Energy Hub
5. Small Project of the Year – Structural Renovation of the Grand Mosque
6. Transport Project of the Year, sponsored by Hyder – New Doha (Hamad) International Airport Passenger Terminal Complex
7. Building Project of the Year – Jabal Omar Project Phase 1
8. Ramboll Sustainable Project of the Year – Muharraq STP
9. UCC Urbacon Contracting & Trading Social Infrastructure Project of the Year – Faculty of Islamic Studies Building
10. The MEED Editor's Award for Leadership – Mattar al-Tayer


5


10


9

ENTRY DEADLINE: **21 January 2016**

To find out how to enter or sponsor the awards

contact :

Becky Crayman

Programme director

Mob: +971 (0)50 559 0713

Email: becky.crayman@meed.com

This article first appeared in MEED on 21 January 2015

Samir Brikho

CEO, Amec Foster Wheeler

The head of the newly formed engineering services giant explains why the company is setting its sights on Saudi Arabia. Kevin Baxter reports

As the UK's Amec finalised its $3.2bn takeover of US-listed Foster Wheeler in November 2014, it did so in the face of freefalling oil prices and genuine concerns in the industry about the best way to move forward.

For Samir Brikho, the Lebanese-born CEO of the newly formed engineering services giant Amec Foster Wheeler, lower crude prices offer the industry an opportunity to tackle some glaring issues that had been in obvious need of attention.

Shift in thinking

"Even when oil was $10 a barrel, the profit margins for most producers were the same as they are now," he says. "So it gives us all the opportunity to sit down with each other and acknowledge that while we all want to make money, we also need to change the way we operate."

While admirable, Brikho's pragmatism may not prove as popular in some quarters as it is in others. However, since he took over as CEO of the UK's largest engineering consultancy in 2006, he has always been extremely clear about where his priorities lie in terms of what is good for the company and shareholders.

"In 2006, my first presentation to the market was clear: we needed to get rid of the non-core businesses and start to focus on what we did best, which is high-value engineering," he says. "I targeted a margin of 6 per cent for the business, because at that time we were delivering around a 3.5 per cent margin, and we ended up delivering a margin of about 7.5 per cent."

Amec Foster Wheeler is now listed in both New York and London, and has more than 40,000 employees operating in more than 50 countries worldwide. A total of 56 per cent of its business is focused on oil and gas, with clean energy and power accounting for 27 per cent, environment and infrastructure making up 9 per cent, and mining the remaining 8 per cent.

"[The oil price slump] gives us all the opportunity to … acknowledge that we need to change the way we operate"

The company is headquartered in London, but has large engineering centres in several major European cities including Paris, Milan and Madrid, as well as Houston in the US.

Amec's takeover of Foster Wheeler came after three years of negotiations, and it was one of several companies considered. Brikho stresses that the US firm was chosen because it and Amec had different capabilities that complemented each other.

"In 2008, rumours were floating around about us taking over a lot of different companies," he says. "At that time, it is true we were definitely looking for an upstream player that would add to our capabilities in that sector. However, it soon became obvious that if we really wanted to take this company further we would have to become more competent in different sectors. So we started to spread the net further and this is when we came to Foster Wheeler."

The merged entity now has capabilities along the entire hydrocarbons value chain as well as in power generation, which includes renewables, nuclear and clean power. Brikho admits this has meant the firm has stepped up to compete with huge global players such as France's Technip and the US' Fluor, but he says he welcomes such comparisons and the competition.

Career highlights

- **October 2006** Appointed CEO of Amec
- **2005** Appointed head of power systems division at Switzerland's ABB Group
- **2003** Appointed CEO of ABB Lummus Global
- **2000** Promoted to head of international operations at France's Alstom Power
- **1999** Appointed CEO of ABB Alstom Kraftwerke
- **1983** Joins ABB, beginning 10-year career in sales, rising to senior vice-president and managing director of ABB Kraftwerke in 1995
- **Graduated** with master's degree in thermal technology from Stockholm University in Sweden

Middle East focus

What is clear from the new company strategy is that the Middle East has been targeted as one of the main areas for growth. In 2014, the Africa, Middle East, Asia and Southern Europe region accounted for only 19 per cent of Amec Foster Wheeler's total business and Brikho is convinced this can be raised significantly by the end of the decade.

"There are some huge markets in this region that we can tap into, such as Saudi Arabia," he says. "As we integrate the two businesses, we will be looking at the best way of utilising our resources to increase our market share."

In terms of Amec Foster Wheeler's Middle East operations, there are several regional issues that need to be addressed. This includes the question of how best to deal with local partners, as there are now two in many of the main operational locations.

"We have already started integrating in the Middle East, and in every country where we are present we have a very specific strategy on how to tackle this," says Brikho. "Of course, the easiest answer is to go with the company that has the largest footprint in the specific

ILLUSTRATION: JOSIE JAMMET/HEART

Brikho: We have started integrating in the Middle East

country, but in Kuwait, for example, both entities are of almost equal size."

Amec Foster Wheeler's main regional headquarters will be in Abu Dhabi, although there will be several other offices across the region in its key territories of Saudi Arabia, Oman and Kuwait, as well as others.

Traditionally, Amec has enjoyed success in regional markets such as Abu Dhabi and Kuwait, but the company has not been particularly active in Saudi Arabia, especially within the oil and gas sector.

In contrast, Foster Wheeler has won significant volumes of work with national oil company Saudi Aramco recently, including some large upstream oil and gas projects.

Saudi focus

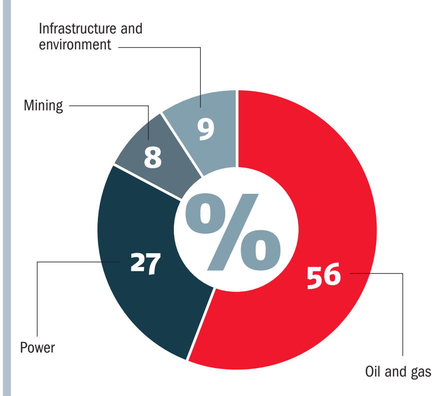
With the combined capabilities of the new company, it is easy to see how Brikho has targeted the kingdom as one of Amec Foster Wheeler's main markets for growth.

In the utilities sector, Riyadh has extensive plans to increase conventional and renewable power capacity, with the possibility also of a nuclear programme. In oil and gas, Aramco and Saudi Basic Industries Corporation (Sabic) are leading a large industrial diversification programme using refineries and petrochemicals facilities as the foundation for growth. The kingdom also has ambitious plans for the infrastructure and the metals and mining sectors. These industries represent the entire operations of Amec Foster Wheeler.

Brikho is well aware of these opportunities, but the only issue that is likely to need to be resolved is the question of margins. Traditionally, successful companies in the kingdom have been offered lower margins in return for a higher volume of work.

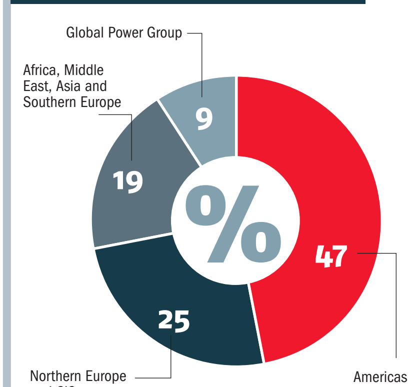
The CEO rules out any possibility that the company will change its core strategy in order to accommodate this. Instead, he believes lower oil prices will usher in a new era where

AMEC FOSTER WHEELER OPERATIONS*



*=By sector. Source: Amec Foster Wheeler

AMEC FOSTER WHEELER OPERATIONS*



*=By region; CIS=Commonwealth of Independent States.
Source: Amec Foster Wheeler

"The way forward will be to work closely with clients and tailor services to their requirements"

accurate costing and more effective project management will allow clients to manage their project spending more efficiently.

"If you look at the world's megaprojects in 2014, in any sector, very few are actually being delivered on time and on budget, and this has been caused by looking only for the lowest price," he says. "This needs to change because you can't just continue to make the same mistakes and expect a different outcome in the future. That is insanity."

Tailoring services

In the new era of lower oil prices, Brikho believes the way forward will be to work closely with clients and tailor services to match their requirements. This may mean higher initial costs, but will also greatly lower the risk of budget and time overruns once the project enters execution.

Whether this will be a strategy embraced by Saudi Arabia remains to be seen, but there are some suggestions that Aramco is moving towards a more collegiate approach, with more long-term deals now on offer for offshore operations.

With the decline in crude prices causing a seismic shift in priorities for many of the region's major economies, Amec and Foster Wheeler may have increased their chances of succeeding in the Middle East by merging.

However, this may also alert some of the firm's competitors and make it a prime target for a takeover by one of the bigger players. Brikho remains unconcerned, but also throws in his own scenario of what the future could hold.

"I sometimes look at the diverse requirements of many countries in the Middle East and think that our own operations are so closely aligned to what many are doing, so then if we were going to be taken over, it might be by a country rather than a company."

PHOTOGRAPH: AMEC FOSTER WHEELER

This article first appeared in MEED on 4 February 2015

Paddy Padmanathan

President & CEO, Acwa Power

The head of the Saudi utility company has his sights firmly set on turning Acwa Power into the most cost-effective renewable energy provider in the Middle East and North Africa. Andrew Roscoe reports

For Paddy Padmanathan, president and CEO of Saudi Arabia's Acwa Power, 2014 was an important year. Not just because it marked the tenth anniversary of his company's founding, but also because he sees it as the year renewable energy entered the mainstream.

What makes this more important for the man who has been leading the power developer since its inception, is that his firm has been at the forefront of this transition.

"If we look back in 10 years time, I think we will find that 2014/15 was the turning point for the renewables sector – not just in [the Middle East and North Africa] – but also in the world," says Padmanathan. "Why? Because I think you will find that this is the time that renewable energy finally became sustainably mainstream – even against subsidised fuel."

In November, Acwa Power submitted the world's lowest tariff for a photovoltaic (PV) solar plant in Dubai. And in January, the developer was selected as the preferred bidder to build the 200MW second phase of Dubai's maiden solar development (double the initially planned capacity for the second phase).

Its selection for the Dubai project came days after the developer was awarded a contract to build more than $1bn-worth of solar projects in Morocco, and capped what has been a remarkably successful first decade for the company.

Grid parity

Acwa Power has found itself at the centre of regional and global attention following the approval of its tariff price of 0.585 cents a kilowatt hour for the Dubai solar project. Many in the sector see the scheme as the possible game-changer that will establish the foundations for renewables to finally take off in the Middle East.

"I define mainstream as the grid-parity panacea," says Padmanathan. "We want renewable energy to compete head-to-head with conventional forms of energy. In this part of the world, this has been a huge challenge because fossil fuel energy is hugely subsidised, so it is an extra challenge to get renewable energy to parity. And while renewable energy has achieved parity elsewhere a few years ago due to no subsidies, we've now got a point where it is starting to get competitive with subsidised fossil fuels."

> **"The way to get the cost down is to focus on every element ... and keep margins at a reasonable level"**

Acwa Power project pipeline

Under construction

- 6,147MW of power, 55,000 cubic metres a day (cm/d) of desalinated water and 1,015 tonnes an hour of steam capacity in **Saudi Arabia**
- 160MW concentrated solar power (CSP) plant at Ouarzazate and in **Morocco**
- 50MW CSP plant at Bokpoort in **South Africa**
- 926MW combined-cycle gas turbine plant at Kirikkale in **Turkey**
- 56,825 cm/d of desalinated water in **Oman**

Awaiting financial close

- 120MW wind and 350MW CSP plants in **Morocco**
- 275MW coal-fired power plant in **Mozambique**
- 100MW CSP plant in **South Africa**
- 260MW photovoltaic solar plant in the **UAE**

Padmanathan says it is not just significant that grid parity has been achieved, but also that renewable energy has now moved from "the venture capitalist/private equity era into a utility era".

"We have come out of expecting a 20 per cent-plus rate of return on investment [on renewables] – because it was seen as niche and high risk to now thinking of it as a mainstream utility," says the Acwa Power head. "It is a mainstream utility now because you can provide reliable long-term services, but that means returns drop to a steady rate of 10 per cent."

While Acwa Power's groundbreaking tariff for the Dubai scheme has been met with much excitement from proponents of renewable energy, it has also been met with equal scepticism among many in the power sector.

"We have had an amazing amount of interactions [regarding the Dubai project]. Ranging from envy, scepticism, denial – to also, thankfully, well-wishers," says Padmanathan.

While sceptics say the price is unsustainable and unprofitable, Padmanathan says the key to achieving the tariff was to concentrate on reducing costs at every stage, and turning the focus away from market pricing.

"The only way to get the cost down is to focus on every element of the cost, and keep margins at a reasonable level."

Interest rate

While Padmanathan acknowledges the sharp drop in technology costs in recent years played a major role in Acwa Power achieving the record-low tariff, a further factor behind the bid price was the highly leveraged financing it was able to acquire.

"Roughly, 50 per cent of the tariff is the capital cost, getting the plant built, 35 per cent is the cost of the finance and 15 per cent is operation and maintenance," he says.

"For the 35 per cent cost of financing, we focused on getting this as low as we could. Due

ILLUSTRATION: JOSIE JAMMET/HEART

to Dubai's high credit rating, and our track record of delivery, we were able to break through the 80:20 equity/debt ratio and get 86 per cent debt at an interest rate of 4 per cent. This helped enormously."

Padmanathan says that while there has been much debate on the potential impact of falling oil prices on the viability of renewables projects, the interest rate is actually the key factor.

"Had oil prices dropped two years ago, it would have been a problem for renewables, but not today," he says. "The real concern should be interest rates – because if interest rates go up, we have a problem. That 35 per cent financing cost is directly impacted by interest rates and it is all to do with risk. If the base rate goes up, all the costs will go up."

Local dominance

Acwa Power has risen rapidly to become an international leader in the utility field. Focusing at first on its home market, since in 2004, the developer has won seven of the nine grassroots independent power projects tendered in Saudi Arabia, marking a 78 per cent success rate.

The firm is now involved as a developer, investor and operator in utility schemes across 10 countries, with a total investment of almost $30bn. As with its recent success in Dubai, a key component of Acwa Power's formula has been submitting comfortably the lowest tariffs. Padmanathan says this has been central to the company's strategy since its foundation.

"When the company was set up, the business plan was only half an A4 sheet of paper. It said we are going to focus entirely on power and water generation, and not get deviated. We set out to be a developer, owner and operator and to create value for ourselves by doing real things.

"The key part of our business ethos was that we were going to deliver reliable electricity and water at the lowest possible cost. Because business is about maximising shareholder value, we set out to ensure the returns we promise our shareholder at time of investment are achieved."

Padmanathan says the fact the firm has consistently achieved lower tariffs than its competitors is due to focusing on its own activities.

"We have tried to not pursue the conventional practice of market pricing," he says. "Typically, in a contracting environment, you look around at who else is bidding and if you think other bidders will be much higher, you jack up your prices.

"It is difficult not to look around and look at what others are doing, but we try to put all our efforts into our design, our costs, our model and get our tariff as low as possible. And if someone is cheaper, then good luck."

Padmanathan: Acwa Power is seeking an IPO

PHOTOGRAPH: ACWA POWER

"Our business ethos was ... to deliver reliable electricity and water at the lowest possible cost"

Having built up a strong position in its domestic market, Acwa Power is now turning its attention overseas. In late 2014, the company won contracts in Turkey and South Africa, and has followed this up in 2015 with the major awards in Morocco and Dubai.

However, Padmanathan says the firm is in no rush to enter uncertain markets.

"We are in the long-term business. We are looking to countries that have a track record of protecting the law, social stability and steady economic policies that allows these countries to grow," he says. "And, of course, where there is a power market that is growing and embracing the private sector."

The company's current target markets were identified in 2009. In addition to the GCC and Jordan in the Middle East, and Egypt and Morocco in North Africa, Acwa Power set itself the goal of becoming active in four countries in southern Africa: Botswana; Mozambique; Namibia; and South Africa.

"We wanted to locate places [where] we could potentially build 4,000MW to 5,000MW on multi-fuel platforms that we could run optimally with decentralised management."

Padmanathan says that, five years later, progress is on track. "In southern Africa, we have 1,000MW under construction, 1,000MW in the pipeline and another 1,000MW we have submitted prequalifications on, so we are there."

In Turkey, the firm has gas and coal projects under execution, and the recent success in winning the Noor 2 and 3 solar projects in Morocco has further bolstered its presence in the North Africa state, with 510MW of renewable projects in the pipeline. Importantly, Padmanathan expects the country to create opportunities for the desired multi-fuel platform.

"Morocco has just announced a plan to bring in LNG [liquefied natural gas] and build some gas-fired plants, and we are also currently preparing a tender for 850MW of wind projects – so the 4,000MW target is attainable."

Ownership changes

The past 10 years have not only seen an evolution in Acwa Power's business strategy, but also in its shareholding.

In January 2013, two Saudi state-owned investment funds, Sanabil Direct Investment Company and the Public Pension Agency, acquired stakes totalling almost 20 per cent in the developer. This was followed by the International Finance Corporation (IFC), part of the World Bank, making a SR375m ($100m) equity investment in the firm in August 2014.

Padmanathan says that while not bringing extra work, the investments have benefited the developer. "It gives counter-parties confidence when very large sovereigns like the Public Wealth Fund in Saudi Arabia or the Public Pension Agency is a partner," he says. "In certain quarters, it is an immediate stamp of approval, an immediate insurance policy for them.

"And as we start to grow beyond the kingdom, the [state] investment, and subsequent investment by the IFC, are extremely important to put us in the right place to broaden our asset platform – even our construction and financial partners.

"In terms of financial partners, does it mean I get money at a lower rate? Who knows, it's difficult to quantify. But in the conversations I undertake, and the way we engage, it is clear that it is delivering value."

Further changes are on the cards. In 2012, it was reported that Acwa Power was planning to launch an initial public offering in 2014 as part of its ambitious expansion plans. While this date may have passed, Padmanathan says the company is firmly committed to listing.

"It goes back to our initial half-page business plan," he says. "We also wrote that water and power is a very socially emotive business – and it is inconceivable that we could be significant if we were only owned by a few people – it will benefit from wider public ownership.

"We are absolutely committed to achieving a broader-based shareholding, and we intend to embark on that process during the year. But execution is subsequent to regulatory approval."

This article first appeared in MEED on 4 March 2015

Naoki Tamaki

Chief representative in Dubai, Jbic

The executive from Japan Bank for International Cooperation says the Middle East and North Africa region will remain an important market for Japanese developers. Andrew Roscoe reports

The Gulf projects market boom that began in 2003 became synonymous with the emergence of Japanese firms winning contracts to build some of the region's most prestigious projects, from the pioneering Dubai Metro to the GCC's largest power and water facilities.

An important partner in financing many of these schemes, particularly in the energy and utilities sector, was Japan Bank for International Cooperation (Jbic), an export credit agency (ECA). A key player leading the agency's regional growth is Naoki Tamaki, who joined Jbic in 2002 and has been employed in several senior roles.

Building a portfolio

"Jbic first provided financing, through direct untied loans, in the 1990s to the Omani government," says Tamaki. "We also provided project financing for power facilities in Tunisia in the 1990s, but we properly began providing export credit for major project financings in 2005 with the Taweelah B project in Abu Dhabi."

Since then, Jbic has provided financing of more than $10bn to some of the GCC's largest utility schemes, including the UAE's Shuweihat 2 and Fujairah 2 independent water and power projects (IWPPs) and the Ras Laffan C IWPP in Qatar. With demand for power and water continuing to grow at a rapid pace across the region, Tamaki, now the bank's chief representative in Dubai, says the Middle East and North Africa (Mena) region will form a key part of the ECA's future strategy.

Jbic entered the Gulf's project finance sector at the height of the region's boom in 2005, and has continued to support Japanese firms in winning contracts in the period since the global financial crisis, as governments push ahead with infrastructure schemes to facilitate population and industrial growth, particularly in the utility sector. Tamaki says that

> **"We see very good signs coming from Egypt. There will be a lot of projects coming up"**

while the global crisis undoubtedly affected the Gulf's projects sector, the high liquidity enjoyed by Japanese banks and ECAs allowed Japanese firms to boost their market share during the downturn.

"After the global crisis, the market was shrinking, but it was a good time for Japanese companies to expand their IPP [independent power project] business in the region," says Tamaki. "This is because the IPP business is very competitive, and one of the most important factors is financing. For Japanese firms, they have access to Jbic and also long-established and close relationships with Japanese banks."

Tamaki explains that high levels of liquidity and the merger of several of Japan's banks has enabled the country's banking and export credit sector to support Japanese ventures abroad.

Career highlights

- **August 2014** Moved to Dubai to become chief representative
- **2009** Completed master's degree in business administration from London Business School
- **2002** Joined Jbic
- **1994** Graduated from Keio University, Tokyo, with a bachelor's degree in economics, then began his career at Bank of Tokyo

"Japanese banks were forced to shrink assets after the burst of the bubble in the late 1980s to early 1990s," he says. "There used to be 10 big banks in Japan, and now there are only three. And they all have very healthy balance sheets.

"If you compare it with the European banks, which have very high debt-to-loan ratio (more than 100 per cent), for Japanese banks, loans are only about 70 per cent of the level of total deposits. So Japanese banks are in a good position to support Japanese companies abroad.

"Since the crisis, we have seen Japanese developers doing well in the power and water sector, and making competitive bids. First it was Marubeni, which was followed by Mitsui and Sumitomo; they have now become established developers in the region."

Emerging markets

While Tamaki says the low price of oil may affect the progress of proposed major hydrocarbons projects, particularly in the petrochemicals sector, the demand for power and water will remain robust throughout the region, and Japanese companies are keen to be involved.

"In Oman, despite concerns over its projects because of oil prices, OPWP [Oman Power & Water Procurement Company] says it needs to achieve the targets that have been set to meet future demand," says Tamaki. "As well as the Salalah 2 IPP, which is under evaluation, they are planning large IPPs at Ibri and Sohar.

"In the UAE, they have the Hassyan coal project, which Japanese companies have shown interest in even though it is coal, and in Saudi Arabia, they have the planned Fadhili IPP. There is also the Facility D IWPP in Qatar, in which Japanese firms are heavily represented."

Tamaki says Kuwait may offer the most lucrative market for developers in the coming years, because of – rather than in spite of – slow progress to date. Jbic is providing $645m of financing for the consortium selected in December

ILLUSTRATION: JOSIE JAMMET/HEART

2013 to develop the country's first IWPP, Al-Zour North. Sumitomo is the Japanese representative in the developer consortium.

"Kuwait will be the biggest market for power and water in the GCC," says Tamaki. "Oil prices won't affect their projects as their development of power is already delayed, so they need to catch up." The recent start of the prequalification process for Kuwait's next two major IWPPs, Al-Zour North and Al-Khiran, suggests that Tamaki's prediction could well come true.

Egypt potential

While Tamaki expects the GCC to remain the regional focus of Japanese developers in the immediate future, he is also becoming increasingly excited about the potential of the Egyptian market.

"We see very good signs coming from Egypt," says Tamaki. "[President Abdul Fattah] al-Sisi has already started to invest in and plan major infrastructure projects such as the Suez Canal redevelopment programme. There will be a lot of projects coming up, with solving electricity shortages a key priority. They are looking at conventional gas, coal, nuclear and renewables schemes to meet demand."

Tamaki says that while Egypt is not quite investment ready, 2015 may be the year the country re-emerges as a major player in the Mena projects market.

"[The US'] Fitch Ratings has already upgraded Egypt's credit rating from B- to B, and Moody's [Investors Service] outlook has improved from negative to stable," he says. "The IMF report [issued since the interview in February] will probably say things are better – just in time for the upcoming conference in Sharm el-Sheikh."

Tamaki is referring to the Egypt Economic Development Conference, which be held from 13-15 March and is expected to welcome heads of state and business leaders from around the globe as Al-Sisi's government seeks to push ahead with its infrastructure programme.

While Japanese firms will be looking to leverage their technology and extensive expertise to participate in Egypt's and the wider region's infrastructure development initiatives, its participation in nuclear programmes is less certain. "There were several potential nuclear projects overseas for Japanese companies five years ago, but when [the] Fukushima [disaster] happened, the plans were suspended or dropped immediately," says Tamaki.

"To do nuclear business abroad, companies need approval from the government, and after Fukushima, the authorities dropped all nuclear plans and shut down existing plants due to public pressure. Also, for Japanese firms to bid on nuclear projects, they need assistance from major power providers and operators in Japan – such as Tokyo Electric Power Company [Tepco] – which already have huge nuclear assets. But, of course, Tepco had to focus all of its attention to manage Fukushima and the aftermath. So Tepco, for example, could not provide any assistance or support to other countries."

Tamaki: GCC will remain focus for Japanese firms

"As the yen depreciates, we will move more towards export and away from loans"

Fukushima also had an impact on the firm's financial position, which prevented Tepco from targeting other opportunities abroad. "Almost 30 per cent of Japan's power was provided by nuclear energy, so all of the electricity providers had to find other fuel to burn for power, from expensive LNG [liquefied natural gas] imports to coal or even oil, and this affected their balance sheets," says Tamaki. "So they stopped plans for any external investment."

He says that while opinion remains divided in Japan over nuclear energy, the country's industries are lobbying for the restart of nuclear power generation, which will reduce the costs of electricity companies and enable them to start bidding on projects again. Tamaki says Tepco's participation in the consortium bidding on Qatar's Facility D IWPP is the first international project the firm has targeted since Fukushima, and this is a positive sign for the future of Japan's power sector, which has been constrained since the disaster.

While entering the region's potentially lucrative nuclear energy market will pose one difficulty, the return of competition from European banks will also provide another challenge.

However, new stringent regulations on international lending and the impending Basel III regulations will place banks under stricter guidelines and reduce their capacity to guarantee long-term tenor loans in the project financing market. Tamaki says this could put ECAs such as Jbic in a stronger position in the Middle East. "It will not give us more flexibility, as Japanese banks will also be regulated under Basel III," he says. "But it should give ECAs more opportunities to be involved in projects, as they will be preferred for longer loans."

Increasing competition

While stricter regulations on banks may lead to more opportunities, Tamaki acknowledges that the international project financing market is gradually becoming more competitive again, particularly as Western banks recover from the eurozone crisis.

"European banks are coming back to the market and bringing new financing products, such as mini-perm loans, and so sponsors will have more alternatives," he says. "There is also Islamic financing, which will open up another avenue for every developer for financing."

This will signal greater competition from commercial lenders for project financing, but Tamaki says this is not necessarily a negative development. "It is good for developers because they – even Japanese [developers] – have more alternatives for financing from more sources," he says. "For us, as a financial institution, it will allow us to use funds for other regions and other sectors. We shouldn't be concentrating on one sector and one region as that is very risky. We would also like to diversify our portfolio, so now is maybe the time to do this."

Another trend that will shape the Mena project financing landscape in 2015 is the growing strength of the dollar and the depreciation of the Japanese yen. "As an ECA, our major activity should be to support exports from Japan abroad," says Tamaki. "But nowadays, we have two main products – the first is export credit and the other is overseas investment loans, with loans now much larger than export financing."

Tamaki says that with the depreciation, the onus will shift back towards export credit. "With the depreciation of the yen, the competitiveness of Japanese products and companies has been raised," he says. "So, for Japanese developers, which previously may have used cheaper non-Japanese contractors, they will switch back to Japanese firms. As the yen depreciates, we will move more towards export and away from loans."

PHOTOGRAPH: JBIC

This article first appeared in MEED on 10 June 2015

Moutaz al-Khayyat

CEO, Khayyat Contracting & Trading

The CEO of one of Qatar's leading contractors has his eye on new markets, as he looks ahead to life after the World Cup. Wil Crisp reports

Less than five years after moving its headquarters from Syria to Doha, Khayyat Contracting & Trading (KCT) and its sister company UrbaCon Trading & Contracting (UCC) have become dominant forces in Qatar's construction sector.

Since making the move in the first quarter of 2011, the two companies have executed 25 major projects in Qatar including some of the country's most high-profile developments.

These include the refurbishment of Doha's Sheraton Hotel, which was completed in December 2014, the luxury Banana Island Resort off the coast of Doha, which opened earlier this year, and the Lekhwiya sports stadium at Al-Duhail.

"Construction is different to other businesses. When you are a contractor it is not easy to be successful," says Moutaz al-Khayyat, CEO of KCT and UCC. His father, Mohamad Moutaz al-Khayyat, started the businesses in Damascus in 1983.

"There are so many variables. You need good planning, good management, good experience and you need to have a team where every member is an expert in their field," he adds.

Secrets to success

Al-Khayyat says that attention to detail and a commitment to completing contracts to a high standard are the secrets of his companies' success.

"Before we started our first project in Qatar we had already checked the market very carefully," he says.

"We looked at other contractors who hadn't been successful and examined where they went wrong. There was a lot of detailed research."

Many contractors that try to enter the Qatari construction market don't make enough effort to understand the country's business culture, according to Al-Khayyat.

> **"One factor that is of utmost importance in all construction markets is ... trust"**
> Moutaz al-Khayyat, CEO, Khayyat Contracting

"Some of the companies that come to Qatar from outside don't know what the process is here and they don't know what the rules are. And sometimes they complain that they haven't been paid on time or they are having problems with bureaucracy, but often this is their own fault," he says.

"If a company doesn't learn about the country and the culture and how they should deal with business people, then they will run into problems. It's very simple," he adds.

UCC ongoing construction projects

- SOUQ WAKIF HOTEL
- UNION RESIDENTIAL TOWER
- MALL OF QATAR
- FIRE STATION ARTS CENTRE
- JERY AL-SAMUR DEVELOPMENT
- SOUQ AL-NAJADA

Selected completed projects

- SHERATON DOHA – RENOVATION
- HILTON HOTEL
- ANANTARA DOHA ISLAND RESORT

The attention to detail does not stop after a tender is won and construction starts. Workers for UCC say their CEO has a habit of making morning site visits and a reputation for carefully tracking project developments.

"My brother, my father and I follow every project very closely, but we're also careful to delegate responsibility," says Al-Khayyat.

"We have an integrated management structure and a core team of senior managers who have been with the company for a long time and know their jobs inside out."

Building trust

One factor that is of utmost importance in all construction markets is building trust with clients, he says. "All of our projects are very high pressure and challenging, but every time we have managed to carry out the work on time and to high standards," says Al-Khayyat.

"Our clients have all been very happy with our work and, because of our track record, they respect the company. Our name and our reputation have been key to our success.

"In the lifetime of the company, every project has been finished successfully and to the satisfaction of the client," says Al-Khayyat.

KCT started building its relationship with Doha long before it moved its headquarters there, forging ties with the state-owned real estate company Qatari Diar when it built palaces for the Qatari royal family in Syria about five years before the Syrian civil war started.

"We came here partly as we had good working relationships with a number of clients here," says Al-Khayyat. "They believed that if we relocated, we would be successful."

One of KCT and UCC's flagship projects is the Mall of Qatar, which is one of the country's biggest commercial projects.

Under current plans, it will span 550,000 square metres, provide parking for

ILLUSTRATION: JOSIE JAMMET/HEART

7,000 cars and attract 20 million customers a year.

Construction of the mall started in 2012 and is due to be completed in the fourth quarter of 2015, ahead of the opening of another Qatari retail complex, Doha Festival City, construction of which began in 2007.

"Working at such a fast pace would be a challenge to any contractor, but I am confident that the project will be a success," says Al-Khayyat.

Other ongoing projects include the modification of Doha's Souq Waqif Hotel, the construction of the Union Residential Tower, a high rise that will be located in Doha's Al-Dafna district, and the development of the Fire Station arts space, which will see a former fire station transformed into a creative hub containing a gallery and studios.

World Cup projects

KCT's move to Qatar came just weeks after football's governing body, Fifa announced that the Gulf nation would be hosting the World Cup in 2022.

The impending tournament has created a frenzy of construction activity as Qatar prepares for the influx of foreign teams and fans.

KCT was the main contractor on the 20,000-square-metre Lekhwiya sports stadium, which was inaugurated in February 2013 and is due to function as a training venue during the World Cup.

Future projects may include building some of the stadiums where the 2022 World Cup matches will be played.

"We have submitted bids on many projects for 2022, but these have not been awarded yet," says Al-Khayyat.

"As the tender process progresses, we are optimistic about our chances of securing at least some of the contracts we have bid on."

"KCT started building its relationship with Doha long before it moved there"

"Qatar's construction market is very good and, over the next seven or eight years, there will be plenty of opportunities," he adds.

After the intense project activity in the run-up to the tournament, though, the CEO believes there will be a quiet period for contractors.

"We know that in the future the construction sector will not be as it is today, and we have planned for that," he says.

One of the ways KCT and UCC are preparing for life after the 2022 World Cup is by moving into markets outside Qatar.

UCC is already working in Oman and Morocco, and is planning to open a new office in Saudi Arabia within the next six months, where it is "already dealing with the paperwork".

The appeal of Saudi Arabia for UCC is the country's very active construction market and the range of opportunities for contractors.

In Morocco, Al-Khayyat's business development team has identified pent-up demand for large, experienced contractors that have a track record of executing successful design-and-build projects.

UCC is currently working with developers on plans for a hotel and resort in Morocco and intends to announce details over the coming months, with construction starting by the end of the year.

In Oman, UCC has identified a range of specific private-sector opportunities.

Al-Khayyat says that when he looks for business in new markets, the quality of available projects and the potential opportunities in the market it could provide UCC are his first considerations.

"The key is finding good opportunities and good clients," says Al-Khayyat.

"When we look at new markets the project comes first: is it a good project? Secondly, we look at whether the client will suit the way that we work. Thirdly, we look at the country itself: is this somewhere we can do business?

"We're very conscious that new markets involve new risks. We know that Morocco is a very different business environment compared with Qatar, and because of this we're not afraid of tailoring our business model to reduce risk."

Continuing diversification

Another way Al-Khayyat is preparing for the expected construction slowdown after 2022 is by diversification and shifting focus to companies outside the construction sector.

In addition to KCT and UCC, the Al-Khayyat family owns 15 other firms that span a range of industries and sectors. These include general contracting companies, commercial and residential developments, building materials suppliers, trading companies, hospitals and restaurants.

"Although there is likely to be a lull for contractors we believe services will still be strong, including sectors like management and hospitality," says Al-Khayyat.

"We have a vision that should see our companies continue to grow even if Qatar's construction sector slows."

PHOTOGRAPH: KHAYYAT CONTRACING AND TRADING

Bahrain

February 2015

A crackdown on opposition leaders sparks renewed unrest ahead of a key protest anniversary. Wil Crisp reports

Unrest: Protests continue to take place across Bahrain on a daily basis

After 40 minutes of walking, the march stops, and what had been an orderly protest breaks down into smaller groups. The makeshift public address system that had accompanied the demonstration disappears, as do all the women.

"Now is when they attack," a 33-year-old protester called Ali says, pointing out the lights of a police checkpoint about 100 metres away.

A group of children near the front start placing curb stones from a crumbling pavement in a line across the road, in an effort to slow the inevitable police advance.

This standoff is a ritual that is enacted every evening in Sitra, an island-suburb off the coast of Manama. Saturday 14 February 2015 marks the fourth anniversary of the start of pro-democracy protests that saw more than 100,000 Bahraini citizens congregate around Manama's iconic Pearl roundabout in 2011.

Daily protests

Although the initial occupation of the roundabout was quickly crushed by Bahraini security forces, dozens of smaller protests have continued to take place across the country on a daily basis, often ending in clashes with the police.

Since official opposition groups boycotted parliamentary elections in November, the government has stepped up efforts to quash dissent.

This tougher stance has seen the leader of the biggest opposition movement, Sheikh Ali Salman, arrested and 72 Bahraini nationals stripped of their citizenship. Despite the increased risk, protesters in Sitra say the crackdown has made them more determined to continue their campaign of civil disobedience.

"Every day we are more angry and every day we care less about our own safety," says Ali.

The first tear-gas canister, when it comes, lands amid the group of children constructing the makeshift barricade. They scatter, then stand a few metres back, watching the canister spin on the tarmac as it sprays out white gas that hangs low over the road. The protesters hold their ground while another three canisters land. As a fourth canister flies in, the headlights of the police vehicles start moving closer. Those nearest the checkpoint turn and run, sparking a mass retreat. Ali ducks down side streets, pausing when he thinks he has shaken off the police, before running again when the gas canisters start landing once more.

Many of the demonstrators in Sitra have had to make sacrifices because of their political activities. A former financial consultant, who asked to be called Abdul, was arrested in the wake of the 2011 protests at the Pearl roundabout. After he served time in prison, both he and his wife lost their jobs due to his links to the pro-democracy movement.

"Two officers from the army went to my wife's office at the Health Ministry," he says. "They took her outside and told her she no longer had a job." Now she runs a cake delivery business, while Abdul devotes himself full time to political activitism.

Jawad al-Sheikh, another Sitra resident, protests in as many as four different towns a day after his 14-year-old son was killed by a blow from a police tear-gas canister at a local demonstration in August 2011.

Estimates for the number of protesters killed by security forces since the uprising vary between 13 and 88. Three fatal shootings took place in 2014, including the death of another 14-year-old boy who was shot and killed at a protest in the village of Kharijya on 22 May. On the other side of the conflict, more than 15 police officers have been killed since 2011, with six dying in four separate bomb attacks last year.

Political deadlock

Bahrain's Sunni-led leadership says the disruption and clashes are preventing meaningful political dialogue, while the protesters say the existing parliament has too little power and that taking to the streets is the only option left to them as they try to initiate change. "Tear gas and police helicopters: this is the reality of our political system," one protester says.

Just how much the government would have to concede to the protesters is uncertain. Ali says he would be satisfied by the release of imprisoned protesters, equal employment opportunities for the Shia population and better benefits including government housing.

"The regime hasn't given an inch," he says. "If there was any kind of give and take, then I would be happy to work within the system."

Other protesters disagree, saying increasing economic benefits will not go far enough. "I don't want a new house or better services," says Abdul. "What I want is real democracy like in France or the UK. Is that too much to ask for?"

PHOTOGRAPH: WIL CRISP

This article first appeared in MEED on 11 February 2015

Clockwise from top: Protester reads out demands; Children with banner calling for Sheikh Ali Salman's release; Tear gas fired at activists; Graffiti depicting Pearl roundabout; Protesters march; Police fire teargas; Women walk past graffiti depicting those killed by security forces

PHOTOGRAPHS: WIL CRISP

Erbil

April 2015

After being dubbed the 'New Dubai' in the boom years, Erbil now faces a future dominated by the fight against terrorism. Florian Neuhof reports

Unfulfilled ambition: No progress at this construction site in Erbil

On the potholed road into Erbil, just after the final checkpoint, a battered advertising board boasts: 'Erbil – 2015 Capital of Tourism'. As the drive takes you into the city, evidence mounts that this bold statement may have come too soon. The dusty streets do not lack in liveliness or colour, but the slapdash architecture is without charm, and the hotels needed to accommodate greater numbers of tourists are hulking shapes of grey, construction sites with little sign of activity.

There are reasons for the mismatch between ambition and reality. The Kurdish region of Iraq, long regarded as a beacon of progress in a country mired in sectarian strife, has not been able to escape the conflict that has raged since the jihadists of the Islamic State in Iraq and Syria (Isis) surged into Iraq last year.

Still mistrustful of Baghdad after suffering under Saddam Hussein's brutal regime for decades, the Kurds suddenly found themselves with a new threat at their border, and Isis lodged only 50 kilometres from Erbil.

Stalled investment

An advance on the capital was beaten back with the help of US air strikes, and the front lines have firmed, but deteriorating security has caused investment into the region to stall, and Erbil to be removed from the destination list of any but the most hardy of travellers.

More than anything, it is the oil industry that has suffered. The Kurdistan Regional Government (KRG) has confidently promoted the exploitation of its abundant hydrocarbon resources, striking contracts independently of the central government and building an export pipeline to Turkey.

A protracted legal wrangle with Baghdad over independent Kurdish exports has already dampened the enthusiasm of oil men with a stake in the KRG's energy sector, and the Isis risk premium has further reduced commitments. This has hit local companies hard. Kurdish oil field service providers bemoan the lack of tenders, and their bidding strategy has degenerated into a desperate scattergun approach.

The pullback by energy companies is juxtaposed by the inflow of Syrian refugees and internally displaced persons that have fled the civil war in Syria or the advancing jihadists. The western tip of the autonomous region, in particular, is littered with refugee camps: vast tent cities or sprawling container complexes.

With the humanitarian crisis came the aid workers, changing the complexion of the expatriate scene. Erbil's bars and hotels, once frequented mainly by grizzled oil workers, are now filled with a more idealist, younger crowd. Where talk of rigs and drilling logistics once predominated, the chatter is now about food aid, sanitation and education programmes. Private security contractors have also flocked to the region, adding a smattering of bearded, rugged-looking types.

In spite of the menace of Isis, life in Erbil goes on largely as normal. Security has been beefed up, but groups of Kalashnikov-wielding, uniformed Peshmerga militia are nothing new. The omnipresence of firearms in everyday life seems quite normal in a corner of the world where an assault rifle is part of most households.

Even the car bomb that shook the US consulate on 17 April only briefly shattered the calm in Ainkawa, the Christian district. Just days after the explosion that killed two, attention had moved onto other issues; in times of crisis the past is rarely as important as the future.

Terrorism setback

That future will be dominated by the fight against terrorism, a setback for a city that lapped up the 'New Dubai' moniker bestowed on it in the boom years. In truth, Erbil is light-years behind Dubai, and would be even if Isis had not come knocking. The KRG territory may be an upgrade on the rest of the country, but its infrastructure ranges from dilapidated to non-existent, and it is still in the lower reaches of the ease of doing business index.

A visit to any government ministry reveals a worrying level of competence, and a bloated bureaucracy that leaves little doubt as to where the bulk of state revenues end up.

But it is not all bad. Late last year, the KRG and Baghdad hammered out a revenue-sharing deal that unlocked Kurdish oil exports. It is no more than a first step towards resolving a protracted dispute that has blighted the prospect of hydrocarbon riches for Erbil, but it does offer hope. If the Kurds manage to fulfil their production potential, they have a shot at becoming if not Dubai then the new Abu Dhabi.

This article first appeared in MEED on 13 May 2015

Clockwise from top left: Unfinished building; displaced children; abandoned Emaar office; Erbil's citadel; tents at the Karparto refugee camp; rifles parked in the guard room of the Karparto camp; entrance to the Ankawa Christian quarter

PHOTOGRAPHS: FLORIAN NEUHOF

REPORTAGE

Dealing with a second population

The influx of refugees from Syria has come at a sensitive time for Lebanon, with the government having to power ahead with infrastructure building and defusing social tensions

HOSSAM ABOUGABAL AND **NADINE SAYEGH**

Crouched in the darkness of a West Beirut alleyway, three young Syrian children exchange petty change and food collected after a day of walking around the capital begging.

It is difficult to know how these children made it to Beirut from their home town of Aleppo, but they do not seem disillusioned by the array of branded restaurants and coffee shops where they do most of their pleading.

Lebanon is home to at least 1.5 million Syrian refugees, although locals believe this number is closer to 1.8 million, with many crossing the border every day for work.

This is a country that is accustomed to an influx of displaced people from neighbouring countries. A total of 450,000 Palestinian refugees are living in Lebanon, of whom about 44,000 are Palestinian refugees from Syria, who fled the unrest from 2012 onwards. This number is only reflective of those registered with the UN Relief & Works Agency (UNRWA), and there are thousands more not accounted for.

Entry restrictions

This number is not expected to increase due to tightened border restrictions between Lebanon and war-torn Syria, although occasional exemptions are made for those with embassy appointments or valid flight tickets.

In January this year, the authorities imposed new rules regarding entry restrictions for Syrian nationals. Syrians can apply for six types of entry visa, including tourist, business, student, transit, short-stay and medical.

Palestinians and Syrians are usually barred from working in several professions and trades, due to Lebanon's international syndicate system whereby employment is only permitted with a local sponsor.

Despite this, small businesses have benefited from Syrian and Palestinian refugees, who are willing to accept lower wages for longer hours.

It is difficult to measure the impact on Lebanon's economy, but the country faces uncertainty, with infrastructure spending likely to only marginally increase. Experts have called the refugee situation a crisis. A more uncomfortable reality is that, quite simply, the country does not have the infrastructure required for a sudden surge in population growth.

The social implications could prove damaging for an already schismatically sensitive country. Lebanon and Syria shared a bloody past during the years of the Lebanese civil war.

In addition to this, the typical refugee and immigrant rhetoric coming from groups of influence is fuelling the idea that Palestinians and Syrians are taking the few jobs left in the country.

Lebanon's political parties have used the refugee crisis to justify economic shortcomings, with many groups blaming the refugees for the lack of jobs and stability. Some even claim the refugees pose a security risk, bringing with them extremist sentiments from the war in Syria and the troubles in the Palestinian territories.

The problem is exacerbated by Beirut's inability to apply any real policies to deal with the number of displaced people. As a result the capital's streets have become hunting grounds for young beggars, who make some of the local population uncomfortable.

Insufficient funds

The reality is that many of these refugees are not registered with UN agencies or relevant faith groups, and live in abandoned buildings on the outskirts of the city. While UNRWA is an established organisation that has been able to house and employ many Palestinian people living in Lebanon, the same cannot be said for the Syrians who have fled the war.

Nonetheless, Palestinians in both the Gaza strip and in Lebanon say the Palestinian diaspora has been left disenfranchised by the efforts of UNRWA, following several cuts caused by the organisation's recent inability to secure more funds. Agencies and faith groups alike have announced that a lack of funding is forcing them to stop cash assistance programs for tens of thousands of Palestinians and Syrians living in Lebanon.

The issue at hand for Beirut will be how to alleviate the economic impact of the refugee crisis while maintaining some level of social cohesion as millions of Syrians continue to walk around major cities in search of work, food and housing.

KEY FACT

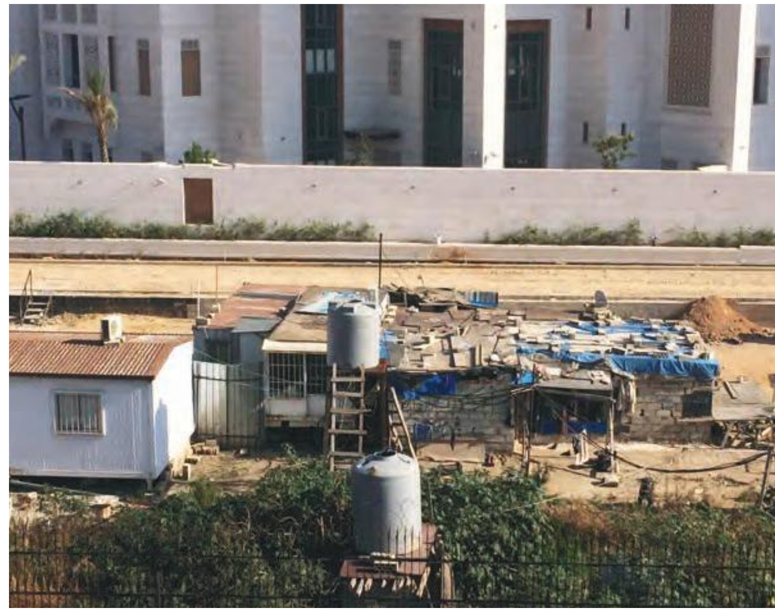
Lebanon is home to at least 1.5 million Syrian refugees, although locals believe this number is closer to 1.8 million

Source: MEED

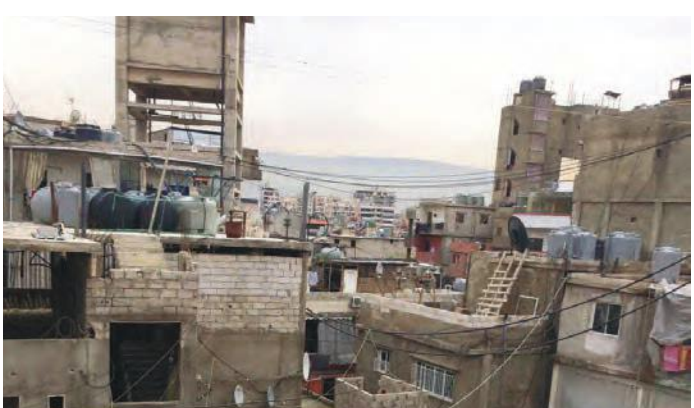
Survival: A young refugee begs for her next meal

"Quite simply, [Lebanon] does not have the infrastructure required for a sudden surge in population"

PHOTOGRAPH: HOSSAM ABOUGABAL & NADINE SAYEGH



Clockwise from top: Yasser Arafat posters; makeshift homes on a highway in Beirut; young refugee children gather in the evening looking for food; small protests erupt in Shatila; the refugee camp in Shatila; cramped living conditions in Shatila; pro-Palestine graffiti



PHOTOGRAPHS: HOSSAM ABOUGABAL & NADINE SAYEGH

MEED

Middle East business intelligence

www.meed.com

Middle East data file 2016

Sponsored by

البواني
AL BAWANI

Algeria

For more information and data on Algeria, go to:
www.meed.com/countries/algeria

KEY INFORMATION

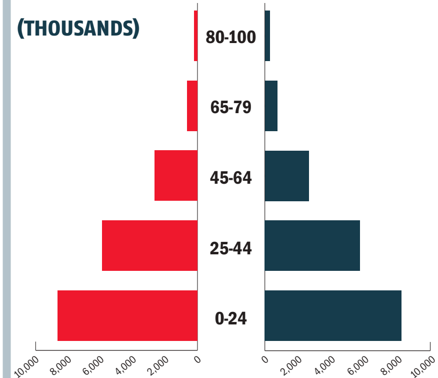
Full name People's Democratic Republic of Algeria
Capital Algiers
Area 2,381,740 square kilometres
Population 40.3 million
Head of state President Abdelaziz Bouteflika (since April 1999)
Currency Algerian dinar

Source: MEED

LOCATION

POPULATION BY AGE GROUP

(THOUSANDS)



Source: MEED

KEY ECONOMIC INDICATORS

	2010	2011	2012	2013	2014	2015	2016
Nominal GDP ($bn)	161.2	199.4	209.0	209.7	213.5*	175.1	181.7
GDP per capita ($)	4,481	5,431	5,574	5,533	5405.5*	4,345	4,426
Real GDP growth (annual change, %)	3.6	2.8	2.6	2.8	3.8*	3.0	3.9
General government gross debt (% of GDP)	11.7	9.9	9.9	8.3	8.8	10.2*	13.6
Current account balance (% of GDP)	7.5	9.9	5.9	0.4	-4.5	-17.7*	-16.2
Inflation (%)	2.7	5.2	9.0	1.1	5.3	2.0*	4.1
Unemployment (%)	10.0	10.0	11.0	9.8	10.6	11.6*	11.7

*=Estimates start from. Sources: IMF; World Economic Outlook Database, October 2015

KEY GOVERNMENT BODIES

National oil company	Sonatrach
Electricity and gas utility	Societe National de l'Electricite et du Gaz (Sonelgaz)
Water utility	Algerienne des Eaux
Power and water developer	Algerian Energy Company
State petrochemicals company	Societe National de la Petrochemie
Railway agency	National Agency of Studies and Follow Up of the Realisation of Railway Investment (Anesrif)
Airports agency	Etablissement de Gestion des Services Aeroportuaires
Roads agency	Agence Nationale des Autoroutes
Energy Ministry	Ministere de l'Energie et des Mines
State refiner	Algerian National Oil Refining Company

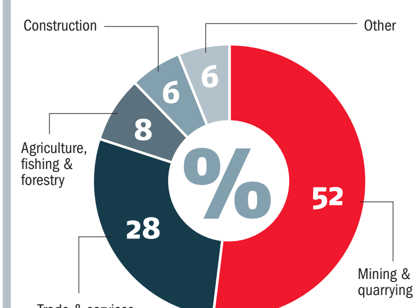
Source: MEED

LARGEST PROJECTS BY VALUE*

Project	Budget ($m)	Status	Project owner	Due
12,000MW renewable energy programme	66,000	Execution	Societe Algerienne de Production de l'Electricite	2030
East-West highway	11,842	Execution	Agence Nationale des Autoroutes	2016
Midstream pipeline network	6,270	Execution	Sonatrach	2018
Tramways	6,000	Execution	Metro d'Alger	2020
Hassi Messaoud new city	6,000	Execution	L Etablissement de la Ville Nouvelle de Hassi Messaoud	2018
Hassi Messaoud peripheral field development	5,000	Feed	Sonatrach	2020
Highland highway	5,000	Execution	Agence Nationale des Autoroutes	2018
Oued Tlelat to Akid Abbes high-speed rail electrification	3,700	Execution	Agence Nationale d'Etudes et de la Realisation des Investissements Ferroviaires (Anesrif)	2017
Laghouat to Ksar el-Boukhari railway line	3,000	Execution	Anesrif	2018
Ghardaia refinery	3,000	Study	Sonatrach	2018

*=All projects planned or under way; Feed=Front-end engineering and design. Source: MEED Projects

GDP BY SECTOR, 2013



Sources: Central Bank; Global Finance; World Bank

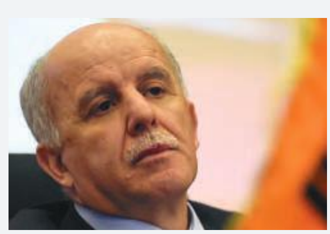
President

Abdelaziz Bouteflika

Prime Minister

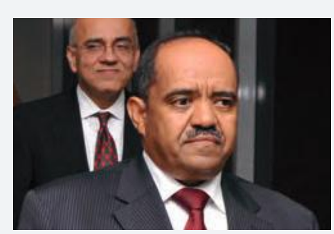
Abdelmalek Sellal

Sonatrach CEO



Said Sahnoun

Central Bank Governor



Mohammed Laksaci

PHOTOGRAPHS: GALLO/GETTY IMAGES

Bahrain

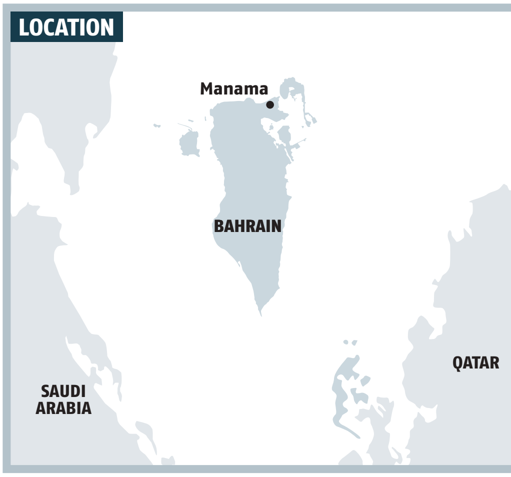
For more information and data on Bahrain, go to:
www.meed.com/countries/bahrain

KEY INFORMATION

Full name Kingdom of Bahrain
Capital Manama
Area 665 square kilometres
Population 1.2 million
Head of state King Hamad bin Isa al-Khalifa (since March 1999)
Currency Bahraini dinar

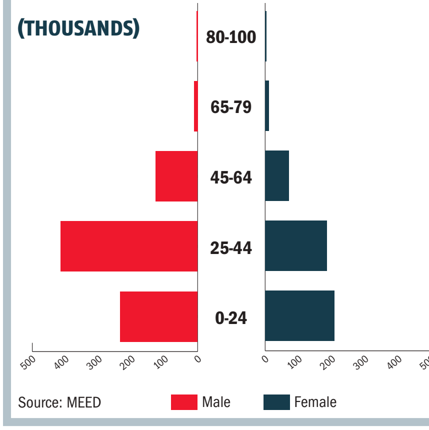
Source: MEED

LOCATION



POPULATION BY AGE GROUP

(THOUSANDS)



Source: MEED

KEY ECONOMIC INDICATORS

	2010	2011	2012	2013	2014	2015	2016
Nominal GDP ($bn)	25.7	29.0	30.8	32.9	33.9	30.9*	32.3
GDP per capita ($)	20,823	24,299	25,227	26,454	26,701*	23,899	24,507
Real GDP growth (annual change, %)	4.3	2.1	3.6	5.3	4.5	3.4*	3.2
General government gross debt (% of GDP)	29.7	32.5	36.2	43.5	43.8	66.7*	77.8
Current account balance (% of GDP)	3.0	11.2	7.2	7.8	3.3	-4.7*	-5.9
Inflation (%)	1.0	0.2	2.6	4.0	2.5	1.6*	2.6
Unemployment (%)	3.6	4.0	3.9	4.4	4.1*	4.2	4.2

*=Estimates start from. Sources: IMF; World Economic Outlook Database, October 2015

LARGEST LISTED COMPANIES BY MARKET CAPITALISATION*

	($bn)
Ahli Bank	4.5
National Bank of Bahrain	1.9
Aluminium Bahrain	1.4
Bahrain Telecommunications Company	1.4
Arab Banking Group	1.3
BBK	1.2
United Gulf Bank	0.9
Al-Baraka Banking Group	0.6
Al-Salam Bank	0.5
Gulf Finance House	0.4

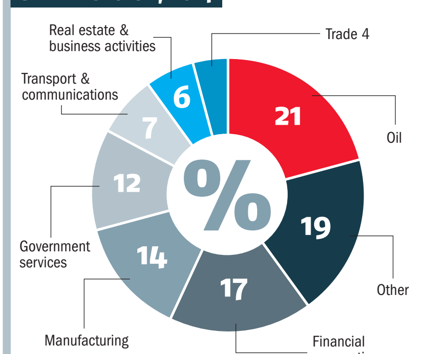
*=As of December 2015. Source: Bahrain Bourse

LARGEST PROJECTS BY VALUE*

Project	Budget ($m)	Status	Project owner	Due
Light rail network	7,900	Study	Bahrain Ministry of Transportation	2022
Water Garden City	6,600	Execution	Albilad Real Estate Investment	2018
Bahrain International airport upgrade	5,000	Execution	Bahrain Airport Company	2020
Modernisation programme	5,000	Feed	Bahrain Petroleum	2020
Diyar al-Muharraq	3,600	Execution	Diyar al-Muharraq	2020
Aluminium smelter expansion: phase 6	3,500	Study	Aluminium Bahrain (Alba)	2019
North Bahrain new towns	3,500	Execution	Bahrain Ministry of Housing	2020
Durrat Marina	3,000	Execution	Durrat Khaleej al-Bahrain Company	2020
Bander al-Seef	2,700	Study	Eskan Bank	2023
Bahrain Financial Harbour	2,560	Execution	Bahrain Financial Harbour	2019

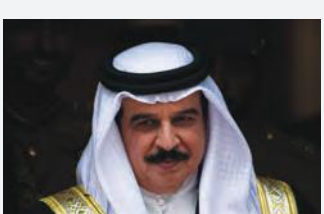
*=All projects planned or under way; Feed=Front-end engineering and design. Source: MEED Projects

GDP BY SECTOR, 2014



Sources: Central Bank of Bahrain; Bahrain Economic Development Board

Monarch



King Hamad bin Isa al-Khalifa

Crown Prince

Sheikh Salman bin Hamad al-Khalifa

Prime Minister

Sheikh Khalifa bin Salman al-Khalifa

Central Bank Governor

Rasheed Mohammed al-Maraj

PHOTOGRAPHS: GALLO/GETTY IMAGES; REUTERS

Egypt

For more information and data on Egypt, go to:

www.meed.com/countries/egypt

KEY INFORMATION

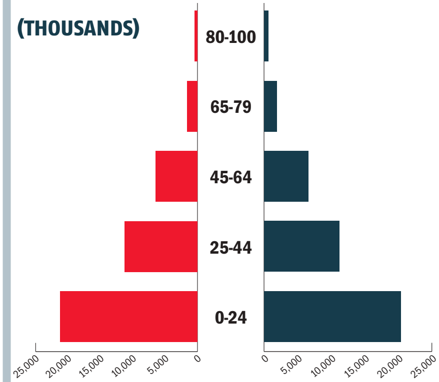
Full name Arab Republic of Egypt
Capital Cairo
Area 1,001,449 square kilometres
Population 85.4 million
Head of state President Abdul Fattah al-Sisi
Currency Egyptian pound

Source: MEED

LOCATION

POPULATION BY AGE GROUP

(THOUSANDS)



Source: MEED

KEY ECONOMIC INDICATORS

	2010	2011	2012	2013	2014	2015	2016
Nominal GDP ($bn)	218.8	235.6	262.3	271.4	286.4	na	na
GDP per capita ($)	2,779	2,930	3,183	3,205	3,304	na	na
Real GDP growth (annual change, %)	5.1	1.8	2.2	2.1	2.2	4.2*	4.3
General government gross debt (% of GDP)	73.2	76.6	78.9	89.0	90.5	90.0*	89.3
Current account balance (% of GDP)	-2.0	-2.6	-3.9	-2.4	-0.8	-3.7*	-4.5
Inflation (%)	10.6	11.8	7.3	9.8	8.2	11.4	10.4*
Unemployment (%)	9.2	10.4	12.4	13.0	13.4	12.9	12.4*

*=Estimates start from; na=Not available. Sources: IMF; World Economic Outlook Database, October 2015

LARGEST LISTED COMPANIES BY MARKET CAPITALISATION*

	($bn)
Orascom Construction Industries	6.7
Commercial International Bank	5
Qatar National Bank	2.4
Emaar Misr	1.6
TMG holding	1.6
Abou Qir Fertilisers Company	1.5
Edita Food Industries	1.5
Global Telcom Holding	1.4
Telecom Egypt	1.4
Eastern Tobacco	1.2

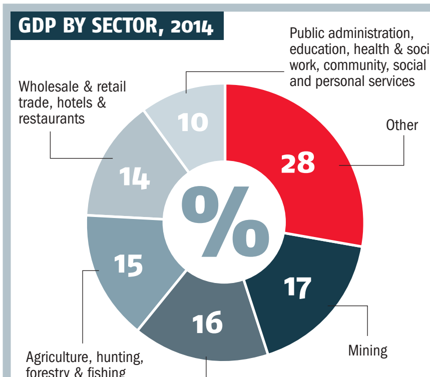
*=As of December 2015. Source: Bloomberg

LARGEST PROJECTS BY VALUE*

Project	Budget ($m)	Status	Project owner	Due
The Capital Cairo: phase 1	45,000	Study	Egypt Ministry of Housing Utilities & Urban Communities	2038
Golden Triangle mining and urban development	29,000	Design	Egypt Ministry of Industry & Foreign Trade	2030
New Suez Canal	12,000	Execution	Suez Canal Authority	2016
Cairo Metro network	12,000	Execution	Egypt Ministry of Transport	2050
West Nile Delta development: North Alexandria concession	12,000	Study	BP/RWE Dea JV	2025
Alexandria-Aswan high-speed railway line	10,160	Study	Egypt Ministry of Transport	2030
Zohr field development	10,000	Study	Eni	2021
Renewable energy programme (FIT model)	7,500	Execution	New & Renewable Energy Authority	2020
Tahrir petrochemicals complex	7,000	Execution	Carbon Holdings	2019
El-Dabaa nuclear power plant	6,000	Execution	Egyptian Electricity Holding Company	2022

*=All projects planned or under way; FIT=Feed-in tariff; JV=Joint venture. Source: MEED Projects

GDP BY SECTOR, 2014



Sources: Central Bank of Egypt; Bank Audi research department

President

Abdul Fattah al-Sisi

Prime Minister

Sherif Ismail

Investment Minister

Ashraf Salman

Head of PPP Central Unit

Atter Hanoura

PHOTOGRAPHS: GALLO/GETTY IMAGES; REUTERS

Iran

For more information and data on Iran, go to:

www.meed.com/countries/iran

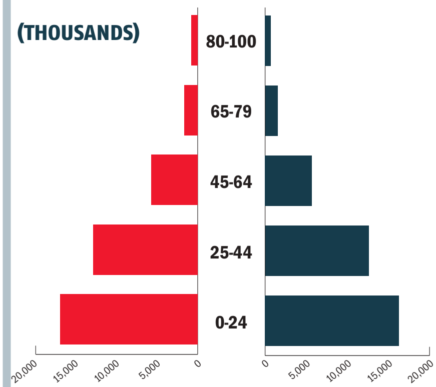
KEY INFORMATION

Full name Islamic Republic of Iran
Capital Tehran
Area 1,648,000 square kilometres
Population 78.6 million
Head of state Supreme Leader Ayatollah Ali Khamenei (since June 1989)
Currency Iranian rial

Source: MEED

LOCATION

POPULATION BY AGE GROUP



Source: MEED

KEY ECONOMIC INDICATORS

	2010	2011	2012	2013	2014	2015	2016
Nominal GDP ($bn)	464.0	564.5	583.2	380.3	416.5	396.9	416.2*
GDP per capita ($)	6,241	7,511	7,673	4,941*	5,353	5,048	5,237
Real GDP growth (annual change, %)	6.6	3.8	-6.6	-1.9	4.3	0.8	4.4*
General government gross debt (% of GDP)	12.2	8.9	16.8	15.4	15.8	16.4	15.3*
Current account balance (% of GDP)	5.9	10.5	4.0	7.0	3.8	0.4	1.3*
Inflation (%)	19.7	20.5	41.2	19.7	16.2	14.0	9.0*
Unemployment (%)	13.5	12.3	12.2	10.4	10.6	11.7	12.3*

*=Estimates start from. Sources: IMF; World Economic Outlook Database, October 2015

LARGEST LISTED COMPANIES BY MARKET CAPITALISATION*

	($bn)
Persian Gulf Petrochemical Industry Holding Company	8.9
Iran Mobile Tele	3.8
Parsian Oil & Gas Development	3.5
Iran Telecommunications Company	3.5
Tamin Petro	3.2
Ghadir Investments	3.0
IRI Marine Company	2.8
Mobarakeh Steel Company	2.7
Jam Petrochemicals	2.7
Mellat Bank	2.6

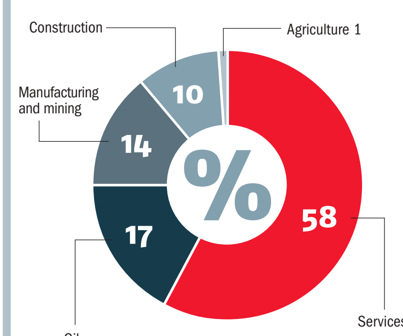
*=As of November 2015. Source: Tehran Stock Exchange

LARGEST PROJECTS BY VALUE*

Project	Budget ($m)	Status	Project owner	Due
South Pars gas field development	64,422	Execution	Pars Oil & Gas Company	2017
Chabahar petrochemicals complex (Mokran)	20,000	Study	Negin Mokran Development Company	2025
Tehran Metro	19,855	Execution	Tehran Urban & Suburban Railway Company	2025
IGAT gas trunkline	17,863	Execution	Iran Gas Engineering & Development Company	2019
Khuzestan energy park	10,000	Study	Government of Iran	2020
Iran liquefied natural gas project	8,480	Execution	National Iranian Oil Company	2018
South Azadegan field development	6,000	Execution	National Iranian Oil Company/Petroleum Engineering & Development Company JV	2021
Bushehr nuclear plant 2	5,500	Study	Atomic Energy Organisation of Iran	2024
Bushehr nuclear plant 3	5,500	Study	Atomic Energy Organisation of Iran	2026
Kish gas development (phases 2 and 3)	4,500	Main contract PQ	Iranian Offshore Oil Company	2019

*=All projects planned or under way; JV=Joint venture; PQ=Prequalification. Source: MEED Projects

GDP BY SECTOR, 2013/14



Source: Central Bank of Iran

Supreme Leader

Ayatollah Ali Khamenei

President

Hassan Rouhani

Economy Minister

Ali Tayebnia

Central Bank Governor

Valiollah Seif

PHOTOGRAPHS: GALLO/GETTY IMAGES; REUTERS

Iraq

For more information and data on Iraq, go to:
www.meed.com/countries/iraq

KEY INFORMATION

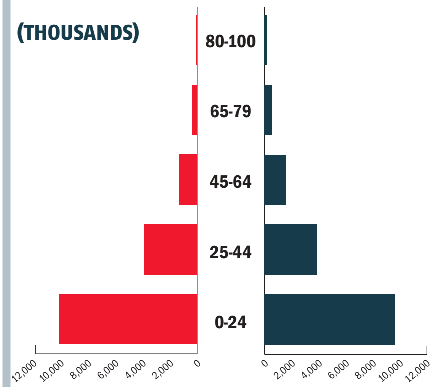
Full name Republic of Iraq
Capital Baghdad
Area 437,072 square kilometres
Population 35.2 million
Head of state President Fuad Masum (since 2014)
Currency Iraqi dinar

Source: MEED

LOCATION

POPULATION BY AGE GROUP

(THOUSANDS)



Source: MEED

KEY ECONOMIC INDICATORS

	2010	2011	2012	2013	2014	2015	2016
Nominal GDP ($bn)	138.5	185.8	218.0	232.5	223.5	165.1*	176.4
GDP per capita ($)	4,474	5,849	6,693	6,957	6,520*	4,694	4,891
Real GDP growth (annual change, %)	6.4	7.5	13.9	6.6	-2.1	0.0*	7.1
General government gross debt (% of GDP)	53.6	40.8	34.7	31.9	38.9	75.7*	88.2
Current account balance (% of GDP)	3.0	12.0	6.7	1.3	-2.8	-12.7*	-11.0
Inflation (%)	3.3	6.0	3.6	3.1	1.6	3.0*	3.0

*=Estimates start from. Sources: IMF; World Economic Outlook Database, October 2015

LARGEST LISTED COMPANIES BY MARKET CAPITALISATION*

	($m)
Al-Khatem Telecom Company	4,627
Asiacell Communications	1,815
Kurdistan International Bank	468
Baghdad Soft Drinks	287
Bank of Baghdad	217
Sumer Commercial Bank	193
National Islamic Bank	184
Al-Mansour Bank	179
Trans Iraq Bank for Investment	150
Economy Bank	146

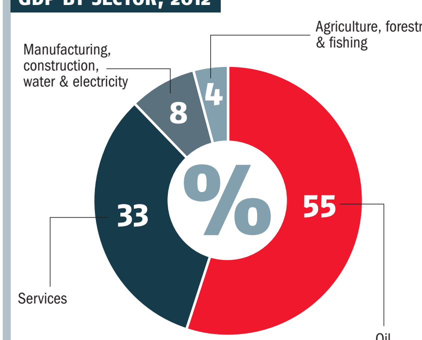
*=As of December 2015. Source: Rabee Securities

LARGEST PROJECTS BY VALUE*

Project	Budget ($m)	Status	Project owner	Due
Iraq housing programme	200,000	Execution	Iraq Ministry of Construction & Housing	2025
Zubair field development	20,000	Execution	Eni/Oxy/Kogas/Missan Oil Company JV	2028
South gas utilisation project	17,200	Execution	Basrah Gas Company	2019
Basra New City	15,000	Design	Al-Rajhi/Trac JV	2025
High-speed railway network: Western Route	13,800	Main contract bid	Iraq Ministry of Transport	2035
Halfaya project surface facility	10,000	Execution	PetroChina/South Oil Company/Petronas/ Total JV	2018
Iraq common seawater supply project	10,000	Feed	Iraq South Oil Company	2019
Housing complex in Bismayah	10,000	Execution	Iraq National Investment Commission	2019
Grand Faw port project	8,400	Execution	Iraq Ministry of Transport	2028
Garraf oil field development	5,500	Execution	Petronas/Japex/South Oil Company JV	2020

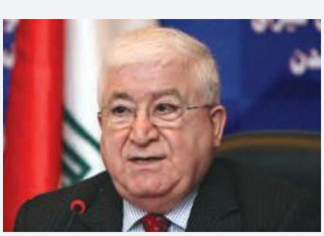
*=All projects planned or under way; Feed=Front-end engineering and design; JV=Joint venture. Source: MEED Projects

GDP BY SECTOR, 2012



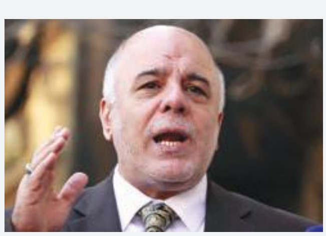
Sources: Trading Economics; Central Bank of Iraq

President



Fuad Masum

Prime Minister

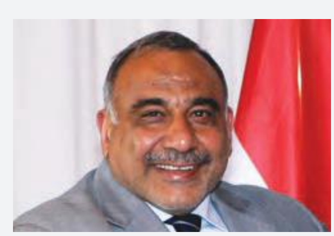


Haider al-Abadi

Kurdistan Regional Government Prime Minister

Nechirvan Idris Barzani

Oil Minister



Adel Abdul-Mehdi

PHOTOGRAPHS: GALLO/GETTY IMAGES; REUTERS

Jordan

For more information and data on Jordan, go to:

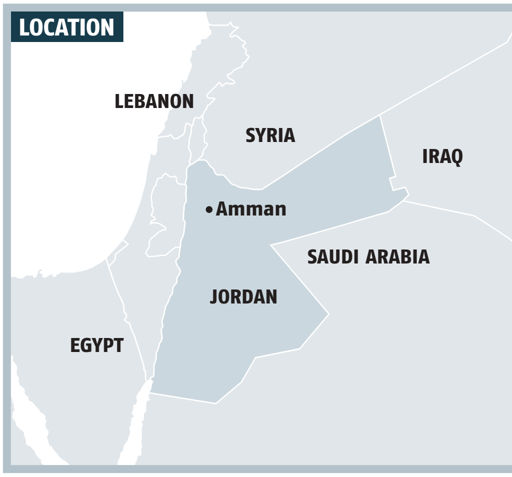
www.meed.com/countries/jordan

KEY INFORMATION

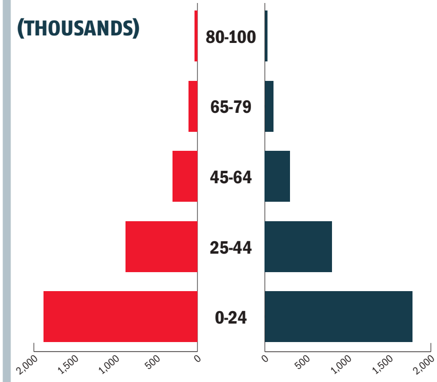
Full name Hashemite Kingdom of Jordan
Capital Amman
Area 89,206 square kilometres
Population 6.8 million
Head of state King Abdullah II (since February 1999)
Currency Jordanian dinar

Source: MEED

LOCATION



POPULATION BY AGE GROUP



Source: MEED

KEY ECONOMIC INDICATORS

	2010	2011	2012	2013	2014	2015	2016
Nominal GDP ($bn)	26.4	28.8	31.0	33.6	35.9*	38.2	40.9
GDP per capita ($)	4,323	4,615	4,850	5,152	5,375*	5,600	5,862
Real GDP growth (annual change, %)	2.3	2.6	2.7	2.8	3.1*	2.9	3.7
General government gross debt (% of GDP)	67.1	70.7	81.8	86.7	89.0*	90.0	86.6
Current account balance (% of GDP)	-7.1	-10.3	-15.2	-10.3	-6.8*	-7.4	-6.5
Inflation (%)	5.7	2.9	6.0	3.1	1.7*	1.9	2.5
Unemployment (%)	12.5	12.9	12.2	12.6	na	na	na

*=Estimates start from; na=Not available. Sources: IMF; World Economic Outlook Database, October 2015

LARGEST LISTED COMPANIES BY MARKET CAPITALISATION*

	($bn)
Arab Bank	5.5
The Housing Bank for Trade & Finance	3.3
Arab Potash Company	2.4
Jordan Telecom	0.8
Jordan Islamic Bank	0.7
Jordan Phosphate Mines Company	0.6
Al-Eqbal Investment Company	0.6
Bank of Jordan	0.5
Jordan Kuwait Bank	0.5
Cairo Amman Bank	0.5

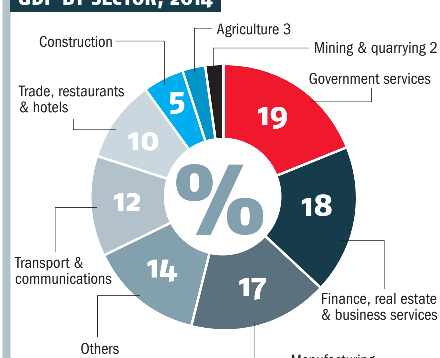
*=As of November 2015. Source: Amman stock exchange

LARGEST PROJECTS BY VALUE*

Project	Budget ($m)	Status	Project owner	Due
Red Sea-Dead Sea water conveyance	10,000	Main contract PQ	Jordan Red Sea Project Company	2022
Amra nuclear power plant	10,000	Study	Jordan Atomic Energy Commission	2024
Marsa Zayed	10,000	Execution	Al-Maabar	2040
Attarat Um Ghudran oil shale development	6,000	Execution	Eesti Energia/YTL Corporation/Near East Investment JV	2021
Jordan inter-regional railway network	5,000	Main contract bid	Jordan Ministry of Transport	2025
Al-Abdali development	3,500	Execution	Abdali Investment & Development	2030
Attarat Um Ghudran power plant	2,200	Execution	Attarat Power Company	2018
Ayla Oasis development	2,100	Execution	Ayla Oasis Development Company	2018
Dead Sea development zone masterplan	2,000	Execution	Jordan Development & Free Zones Commission	2020
Saraya Aqaba	1,800	Execution	Saraya Holdings	2020

*=All projects planned or under way; JV=Joint venture; PQ=Prequalification. Source: MEED Projects

GDP BY SECTOR, 2014

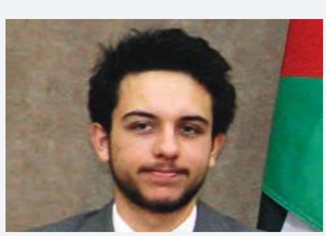


Sources: Central Bank of Jordan; Bank Audi's Group Research Department

Monarch

King Abdullah II

Crown Prince



Prince Hussein bin al-Abdullah

Prime Minister

Abdullah Ensour

Finance Minister

Umayya Toukan

PHOTOGRAPHS: GALLO/GETTY IMAGES; REUTERS

Kuwait

For more information and data on Kuwait, go to:

www.meed.com/countries/kuwait

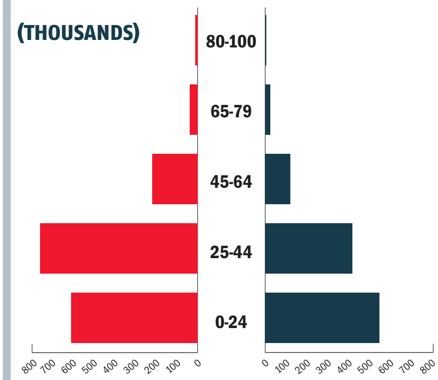
KEY INFORMATION

Full name State of Kuwait
Capital Kuwait City
Area 17,820 square kilometres
Population 4.1 million
Head of state Emir Sheikh Sabah al-Ahmad al-Jaber al-Sabah (since January 2006)
Currency Kuwaiti dinar

Source: MEED

LOCATION

POPULATION BY AGE GROUP



Source: MEED

KEY ECONOMIC INDICATORS

	2010	2011	2012	2013	2014	2015	2016
Nominal GDP ($bn)	115.4	154.0	174.1	175.8	172.6	123.2*	128.5
GDP per capita ($)	32,216	41,831	45,993	45,202	43,168	29,982*	30,426
Real GDP growth (annual change, %)	-2.4	10.6	7.7	0.8	0.1	1.2*	2.5
General government gross debt (% of GDP)	11.3	8.5	6.8	6.4	6.9	9.9*	9.8
Current account balance (% of GDP)	31.8	42.7	45.2	41.2	31.0	9.3*	7.0
Inflation (%)	6.0	3.1	4.4	2.7	2.9	3.3*	3.3
Unemployment (%)	2.1	2.1	2.1	2.1	2.1	2.1*	2.1

*=Estimates start from. Sources: IMF; World Economic Outlook Database, October 2015

LARGEST LISTED COMPANIES BY MARKET CAPITALISATION*

	($bn)
National Bank of Kuwait	13.5
Kuwait Finance House	8.68
Zain	4.94
Ahli United Bank – Bahrain	4.34
Boubyan Bank	2.97
Kuwait Projects Company	2.78
Ahli United Bank – Kuwait	2.76
Gulf Bank	2.67
Mabanee Company	2.66
Kuwait Food Company	2.65

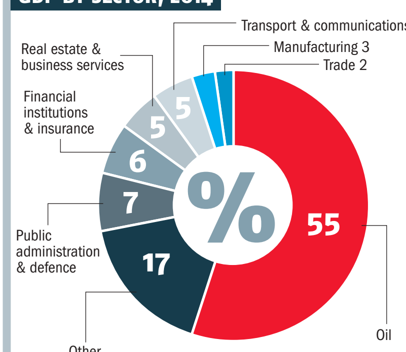
*=As of December 2015. Source: Kamco Research

LARGEST PROJECTS BY VALUE*

Project	Budget ($m)	Status	Project owner	Due
Clean Fuels Project 2020	16,285	Execution	Kuwait National Petroleum Company	2018
New Refinery Project	15,500	Execution	Kuwait National Petroleum Company	2019
Al-Khiran City	14,000	Study	Kuwait Public Authority for Housing Welfare	2032
Kuwait national rail road	10,000	Study	Kuwait Authority for Partnership Projects	2028
Mubarak al-Kabeer seaport project	9,000	Execution	Kuwait Ministry of Public Works	2030
Ratqa Lower Fars heavy oil handling facilities	9,000	Execution	Kuwait Oil Company	2030
Al-Zour North IWPP	8,387	Execution	Kuwait Authority for Partnership Projects	2022
Kuwait City metropolitan rapid transit	7,000	Study	Kuwait Authority for Partnership Projects	2024
Olefins 3 project	7,000	Study	Petrochemical Industries Company	2021
Sabah al-Salem University	6,346	Execution	Kuwait University	2025

*=All projects planned or under way; IWPP=Independent water and power project. Source: MEED Projects

GDP BY SECTOR, 2014



Source: NBK

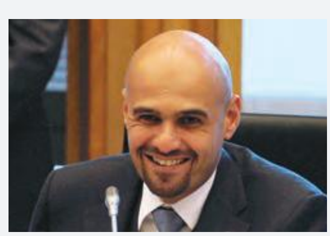
Emir

Sheikh Sabah al-Ahmad al-Jaber al-Sabah

Prime Minister

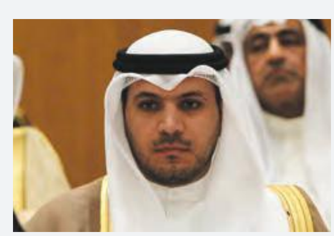
Sheikh Jaber Mubarak al-Hamad al-Sabah

Finance Minister



Anas al-Saleh

Central Bank Governor



Mohammad al-Hashel

PHOTOGRAPHS: GALLO/GETTY IMAGES; REUTERS

For more information and data on Lebanon, go to:

www.meed.com/countries/lebanon

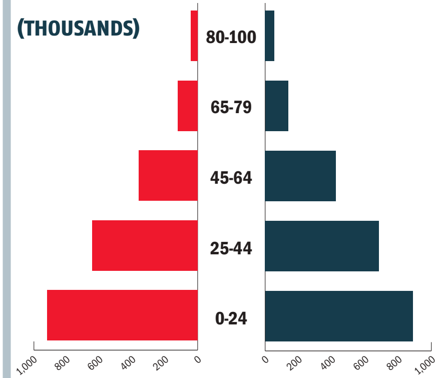
KEY INFORMATION

Full name Republic of Lebanon
Capital Beirut
Area 10,452 square kilometres
Population 4.2 million
Head of state Vacant position
Currency Lebanese pound

Source: MEED

LOCATION

POPULATION BY AGE GROUP



Source: MEED

KEY ECONOMIC INDICATORS

	2010	2011	2012	2013	2014	2015	2016
Nominal GDP ($bn)	38.0	40.1	44.1*	47.6	50.0	54.4	57.0
GDP per capita ($)	8,756	9,144	9,966*	10,655	11,092	11,945	12,405
Real GDP growth (annual change, %)	8.0	0.9	2.8*	2.5	2.0	2.0	2.5
General government gross debt (% of GDP)	138.4	133.9	130.8	133.4	133.1*	132.4	134.3
Current account balance (% of GDP)	-20.7	-15.1	,-24.3*	-26.7	-24.9	-21.0	-19.3
Inflation (%)	4.6	3.1	10.1	1.1	-0.7*	1.0	2.0

*=Estimates start from; na=Not available. Sources: IMF; World Economic Outlook Database, October 2015

LARGEST LISTED COMPANIES BY MARKET CAPITALISATION*

	($bn)
Bank Audi	2.4
Blom Bank	2
Solidere	1.1
Byblos Bank	0.9
Bank of Beirut	0.3
Holcim Liban	0.3
Bank Bemo	0.1
BLC Bank	0.08
Rasamny Younis Motors Company	0.04
Ciments Blancs	0.02

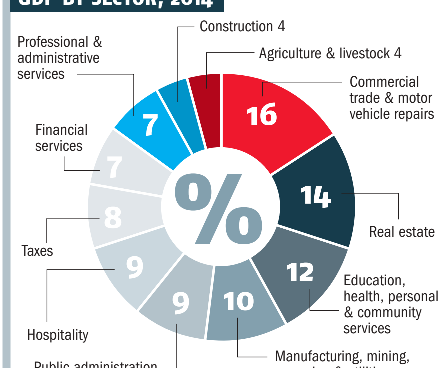
*=As of November 2015. Source: Beirut Stock Exchange

LARGEST PROJECTS BY VALUE*

Project	Budget ($m)	Status	Project owner	Due
Azur resort	1,000	Design	Sayfco Holding	2020
Waterfront City	1,000	Execution	Waterfront City	2027
United States Embassy in Beirut	1,000	Design	US Department of State	2020
Beit Misk	800	Execution	Renaissance Holdings/Emaar Properties JV	2015
Water supply augmentation project	617	Main contract PQ	Lebanon Council for Development & Reconstruction	2024
Venus Towers	500	Execution	Venus Real Estate Development Company	2018
Beirut Terraces	485	Execution	Benchmark	2015
Greater Beirut water supply project	370	Execution	Lebanon Ministry of Energy & Water/Lebanon Council for Development & Reconstruction JV	2018
Litani water project: phase 1	330	Execution	Lebanon Council for Development & Reconstruction	2016
Zouk power plant expansion	280	Execution	Lebanon Ministry of Energy & Water	2016

*=All projects planned or under way; JV=Joint venture; PQ=Prequalification. Source: MEED Projects

GDP BY SECTOR, 2014

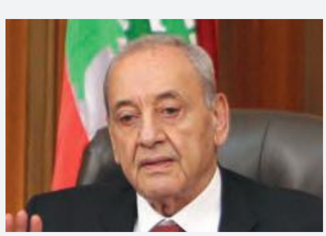


Source: Investment Development Authority of Lebanon

Prime Minister

Tammam Salam

Parliament Speaker



Nabih Berri

Minister of Interior

Nouhad al-Machnouk

Minister of Energy and Water

Arthur Nazarian

PHOTOGRAPHS: GALLO/GETTY IMAGES; REUTERS

Libya

For more information and data on Libya, go to:

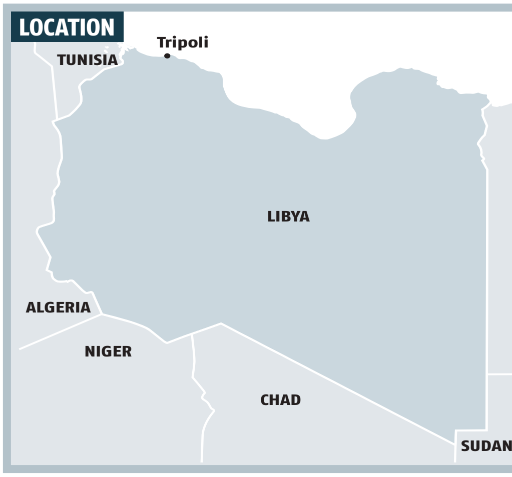
www.meed.com/countries/libya

KEY INFORMATION

Full name Libya
Capital Tripoli
Area 1,759,540 square kilometres
Population 6.3 million
Interim head of state Prime Minister Abdullah al-Thani
Currency Libyan dinar

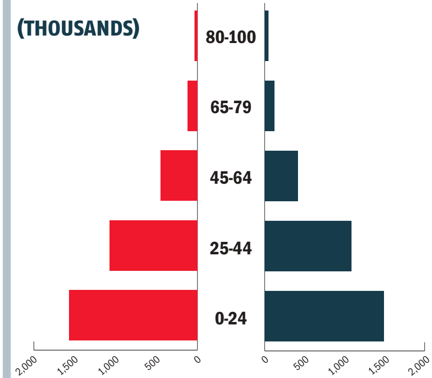
Source: MEED

LOCATION



POPULATION BY AGE GROUP

(THOUSANDS)



Source: MEED

KEY ECONOMIC INDICATORS

	2010	2011	2012	2013	2014	2015	2016
Nominal GDP ($bn)	74.8	34.7	81.9	65.5	41.1	29.7*	32.4
GDP per capita ($)	12,382	5,859	13,644	10,766	6,671	4,754*	5,109
Real GDP growth (annual change, %)	5.0	-62.1	104.5	-13.6	-24.0	-6.1*	2.0
General government gross debt (% of GDP)	1.6	10.9	2.3	3.3	39.3	50.5*	46.5
Current account balance (% of GDP)	19.5	9.1	29.1	13.6	-30.1	-62.2*	-49.1
Inflation (%)	3.3	26.6	-3.7	1.7	3.7	11.7*	7.2
Unemployment (%)	na	na	na	na	na	na	na

*=Estimates start from; na=Not available. Sources: IMF; World Economic Outlook Database, October 2015

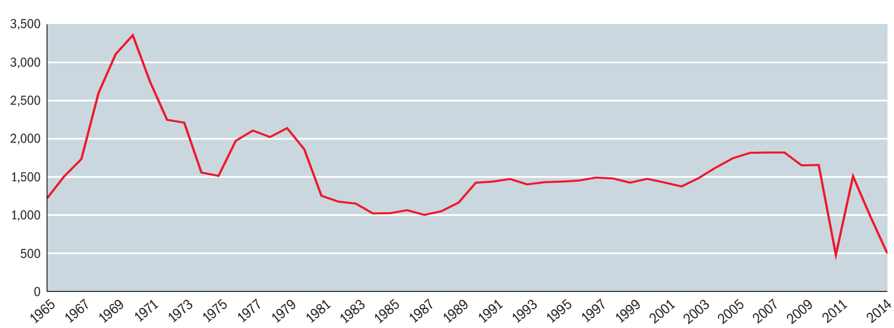
OIL COMPANIES

Company name	Joint venture partners
National Oil Corporation (NOC)	
Arabian Gulf Oil Company	
Azzawiya Oil Refining Company	
Sirte Oil Company	
Ras Lanuf Oil & Gas Processing Company	
Zueitina Oil Company	NOC/Occidental/OMV
Mellitah Oil & Gas	NOC/Eni
Greenstream	NOC/Eni
Waha Oil Company	NOC/ConocoPhillips/Marathon Oil/Hess
Harouge Oil Operations	NOC/PetroCanada
Akakus Petroleum Operations	NOC/Repsol

NOC=National Oil Corporation. Source: MEED

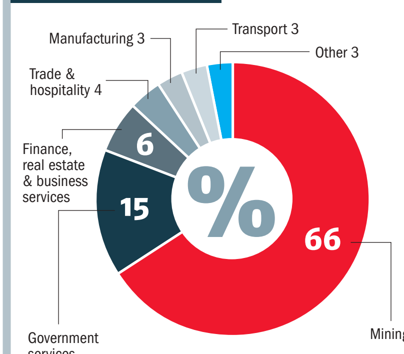
LIBYA OIL EXPORTS

(THOUSAND BARRELS A DAY)



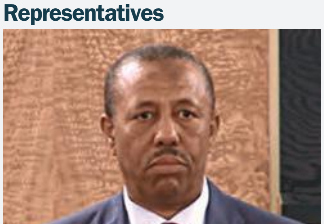
Source: BP

GDP BY SECTOR, 2012



Source: African Economic Outlook

Prime Minister of House of Representatives



Abdullah al-Thani

President of the New General National Congress

Nouri Abusahmain

President of House of Representatives

Aguila Saleh Issa

Leader of Pro-Government Coalition of Army Units and Militia Force

General Khalifa Haftar

PHOTOGRAPHS: GALLO/GETTY IMAGES; SMI M BERRIEWEN; REUTERS

سلطة واحة دبي للسيليكون
Dubai Silicon Oasis Authority
Setup your Business
in Dubai Silicon Oasis
Technology Park
Located in the fastest Growing Economy, "The MENA Region"
Dubai Silicon Oasis a 100% government owned free zone provides opportunities, incentives and facilities for international firms to establish a base at Silicon Oasis technology park.
A 7.2 million Sqm of urban master plan enjoys a state of art utility infrastructure featuring advanced telecommunication, power and road network.
visit us at: www.dsoa.ae
SAP
Schneider Electric
+971 4 501 5555
salessection@dso.ae
www.dsoa.ae

Morocco

For more information and data on Morocco, go to:

www.meed.com/countries/morocco

KEY INFORMATION

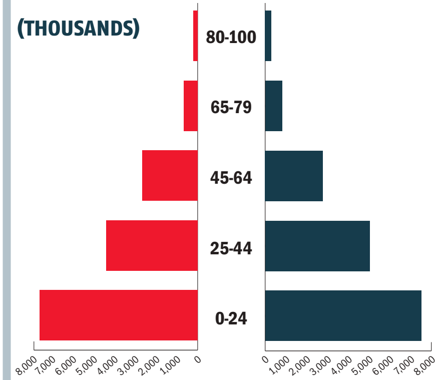
Full name Kingdom of Morocco
Capital Rabat
Area 446,550 square kilometres
Population 33.5 million
Head of state King Mohammed VI (since July 1999)
Currency Moroccan dirham

Source: MEED

LOCATION

POPULATION BY AGE GROUP

(THOUSANDS)



Source: MEED   Male   Female

KEY ECONOMIC INDICATORS

	2010	2011	2012	2013	2014	2015	2016
Nominal GDP ($bn)	93.2	101.4	98.3	107.2	110.0	103.1*	109.9
GDP per capita ($)	2,927	3,149	3,022	3,264	3,316	3,076*	3,249
Real GDP growth (annual change, %)	3.8	5.2	3.0	4.7	2.4	4.9*	3.7
General government gross debt (% of GDP)	49.0	52.5	58.3	61.5	63.4	63.9*	63.9
Current account balance (% of GDP)	-4.4	-7.9	-9.5	-7.9	-5.5	-2.4*	-1.6
Inflation (%)	2.2	0.9	2.6	0.4	1.6	1.6*	2.0
Unemployment (%)	9.1	8.9	9.0	9.2	9.9	9.8*	9.7

*=Estimates start from. Sources: IMF; World Economic Outlook Database, October 2015

LARGEST LISTED COMPANIES BY MARKET CAPITALISATION*

	($bn)
Itissalat al-Maghrib	9.83
Attijariwafa Bank	6.80
BMCE Bank	3.90
BCP	3.77
Lafarge Ciments	2.70
Ciments du Maroc	1.46
Taqa Morocco	1.38
Wafa Assurance	1.12
Centrale Danone	9.16
Holcim (Maroc)	8.58

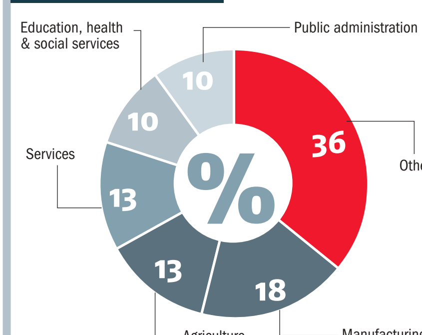
*=As of December 2015. Source: Casablanca Stock Exchange

LARGEST PROJECTS BY VALUE*

Project	Budget ($m)	Status	Project owner	Due
Moroccan solar plan	9,000	Execution	Moroccan Agency for Solar Energy	2020
Plan Azur resorts	5,770	Execution	Morocco Ministry of Tourism	2017
Gas-to-power project	4,600	Study	Office National de l'Electricite et de l'Eau Potable (ONEE)	2025
Pharaonic railway: Laayoune-to-Marrakesh rail line	3,700	Study	L'Office National des Chemins de Fer	2020
Tangier-Casablanca high-speed rail	3,350	Execution	L'Office National des Chemins de Fer	2017
Morocco-to-Spain undersea rail link	3,000	Study	SECEGSA/Societe Nationale d'Etudes du Detroit de Gibraltar JV	2025
Chrafate City	3,000	Execution	Al-Omrane Chrafate	2020
Safi independent power project	2,700	Execution	ONEE/Safiec JV	2019
New industrial complex	2,000	Study	Office Cherifien des Phosphates	2019
Wind integrated programme: phases 1 and 2	1,900	Execution	ONEE	2020

*=All projects planned or under way; JV=Joint venture; SECEGSA=Fija a traves del Estrecho de Gibraltar. Source: MEED Projects

GDP BY SECTOR, 2015



Source: Ministry of Economics & Finance

Monarch

King Mohammed VI

Prime Minister

Abdelilah Benkirane

Finance Minister

Mohamed Boussaid

Central Bank Governor

Abdellatif Jouahri

PHOTOGRAPHS: GALLO/GETTY IMAGES; REUTERS

For more information and data on Oman, go to:
www.meed.com/countries/oman

KEY INFORMATION

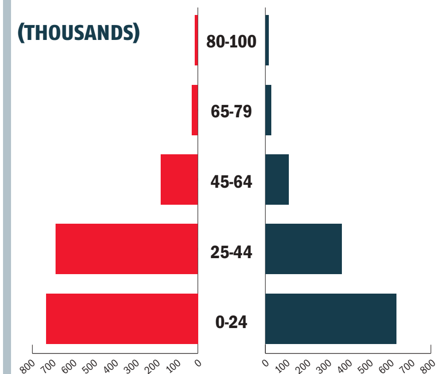
Full name Sultanate of Oman
Capital Muscat
Area 212,460 square kilometres
Population 3.8 million
Head of state Sultan Qaboos bin Said al-Said (since July 1970)
Currency Omani riyal

Source: MEED

LOCATION

POPULATION BY AGE GROUP

(THOUSANDS)



Source: MEED

KEY ECONOMIC INDICATORS

	2010	2011	2012	2013	2014	2015	2016
Nominal GDP ($bn)	56.8	67.7	75.4	77.0*	77.8	60.2	60.6
GDP per capita ($)	19,698	22,623	22,923	21,424*	20,927	15,672	15,322
Real GDP growth (annual change, %)	4.8	4.1	5.8	4.7*	2.9	4.4	2.8
General government gross debt (% of GDP)	5.9	5.2	4.9	5.1	5.1*	9.3	12.2
Current account balance (% of GDP)	8.9	13.2	10.3	6.6*	2.0	-16.9	-24.3
Inflation (%)	4.2	3.3	2.9	0.3	1.0	0.4*	2.0
Population (millions)	2.9	3.0	3.3	3.6	3.7*	3.8	4.0

*=Estimates start from. Sources: IMF; World Economic Outlook Database, October 2015

LARGEST LISTED COMPANIES BY MARKET CAPITALISATION*

	($bn)
Oman Telecommunications Company	2.99
Bank Muscat	2.97
Ooredoo Oman	1.23
National Bank of Oman	0.98
Bank Dhofar	0.90
Al-Ahli Bank	0.72
Sembcorp Salalah	0.64
Ominvest	0.63
Bank Sohar	0.61
HSBC Bank Oman	0.56

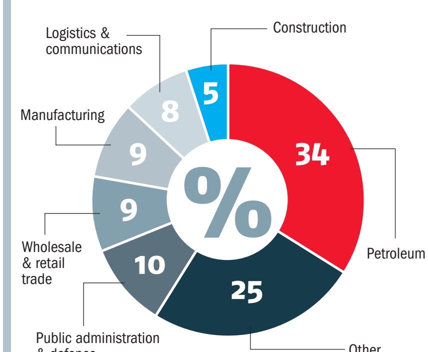
*=As of December 2015. Source: MSM

LARGEST PROJECTS BY VALUE*

Project	Budget ($m)	Status	Project owner	Due
Duqm new town	20,000	Execution	Duqm Development Company	2022
Khazzan and Makarem fields development	16,000	Execution	BP Global	2017
Oman national railway	15,600	Main contract bid	Oman Rail	2022
Duqm refinery and petrochemicals complex	15,000	Execution	Duqm Refinery & Petrochemical Industries Company	2023
Muscat and Salalah International airports expansion	5,200	Execution	Oman Ministry of Transport & Communication	2018
Liwa steam cracker and polyethylene plant project	4,500	Execution	Oman Oil Refineries & Petroleum Industries	2019
Middle East-to-India deepwater pipeline	4,500	Study	South Asia Gas Enterprise	2021
The Al-Mouj development	3,000	Execution	The Wave Muscat	2022
Gas-based steel plant	3,000	Study	Oman Oil Company/Steel Authority of India JV	2019
Mirbat beach development	2,998	Execution	Dhofar Tourism Company	2025

*=All projects planned or under way; JV=Joint venture. Source: MEED Projects

GDP BY SECTOR, 2015*



*=End of June 2015. Source: National Centre for Statistics & Information

Sultan

Sultan Qaboos bin Said al-Said

Deputy Prime Minister for Cabinet Affairs

Fahd bin Mahmoud al-Said

Oil and Gas Minister

Mohammed bin Hamad al-Rumhi

Executive President, Capital Market Authority

Abdullah bin Salim al-Salmi

PHOTOGRAPHS: GALLO/GETTY IMAGES; REUTERS

For more information and data on Qatar, go to:

www.meed.com/countries/qatar

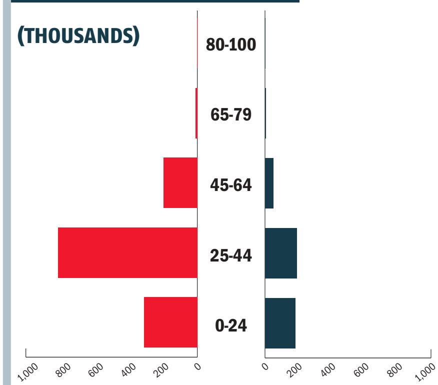
KEY INFORMATION

Full name State of Qatar
Capital Doha
Area 11,437 square kilometres
Population 2.4 million
Head of state Emir Sheikh Tamim bin Hamad al-Thani (since June 2013)
Currency Qatari rial

Source: MEED

LOCATION

POPULATION BY AGE GROUP



Source: MEED

KEY ECONOMIC INDICATORS

	2010	2011	2012	2013	2014	2015	2016
Nominal GDP ($bn)	125.1	169.8	190.3	201.9	210.1	192.1*	192.2
GDP per capita ($)	76,413	99,431	103,606	98,710	93,990	78,829*	73,725
Real GDP growth (annual change, %)	19.6	13.4	4.9	4.6	4.0	4.7*	4.9
General government gross debt (% of GDP)	38.4	34.5	36.0	32.3	31.7	29.9*	27.8
Current account balance (% of GDP)	19.1	30.7	32.6	30.9	26.1	5.0*	-4.5
Inflation (%)	0.4	2.1	2.6	2.5	2.9	1.6*	2.3
Unemployment (%)	na	na	na	na	na	na	na

*=Estimates start from; na=Not available. Sources: IMF; World Economic Outlook Database, October 2015

LARGEST LISTED COMPANIES BY MARKET CAPITALISATION*

	($bn)
Qatar National Bank	30.75
Industries Qatar	16.70
Ezdan Holding Group	11.65
Qatar Islamic Bank	7.56
Mesaieed Petrochemical Holding Company	6.63
Qatar Electricity & Water Company	5.89
Ooredoo	5.81
Qatar Insurance	4.21
Commercial Bank of Qatar	4.05
Qatar Gas Transport Company	3.77

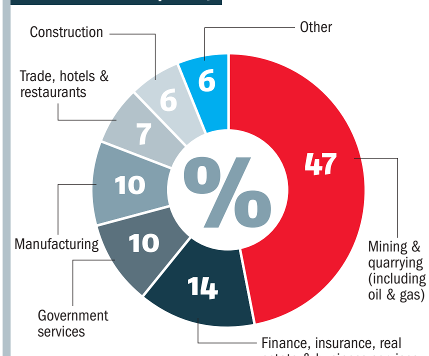
*=As of end of November 2015. Source: Kamco

LARGEST PROJECTS BY VALUE*

Project	Budget ($m)	Status	Project owner	Due
Lusail development	45,000	Execution	Qatari Diar	2022
Qatar integrated rail project	40,000	Execution	Qatar Rail Company	2026
Expressway programme	20,000	Execution	Qatar Public Works Authority	2018
Hamad International airport	15,500	Execution	New Doha International Airport	2020
Local roads and drainage programme	14,600	Execution	Qatar Public Works Authority	2019
Bul Hanine field redevelopment project	11,000	Study	Qatar Petroleum	2022
Barzan gas development	10,300	Execution	RasGas Company	2023
Barwa al-Khor development	10,000	Execution	Barwa Real Estate Company	2025
Water security mega reservoirs	7,668	Execution	Qatar General Electricity & Water Corporation	2026
Education City	7,500	Execution	Qatar Foundation	2016

*=All projects planned or under way. Source: MEED Projects

GDP BY SECTOR, 2014



Source: Qatar Statistics Authority

Emir

Sheikh Tamim bin Hamad al-Thani

Finance Minister

Ali Sherif al-Emadi

Prime Minister

Sheikh Abdullah bin Nasser bin Khalifa al-Thani

Central Bank Governor

Sheikh Abdullah Saoud al-Thani

PHOTOGRAPHS: GALLO/GETTY IMAGES; REUTERS

Saudi Arabia

For more information and data on Saudi Arabia, go to:

www.meed.com/countries/saudi-arabia

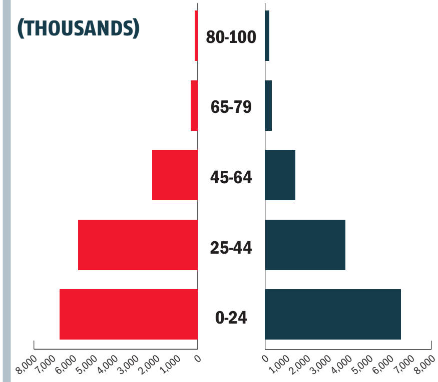
KEY INFORMATION

Full name Kingdom of Saudi Arabia
Capital Riyadh
Area 2,149,690 square kilometres
Population 31.4 million
Head of state King Salman bin Abdulaziz al-Saud (since January 2015)
Currency Saudi riyal

Source: MEED

LOCATION

POPULATION BY AGE GROUP



Source: MEED

KEY ECONOMIC INDICATORS

	2010	2011	2012	2013	2014	2015	2016
Nominal GDP ($bn)	526.8	669.5	734.0	744.3	746.2	632.1*	643.2
GDP per capita ($)	19,113	23,594*	25,139	24,816	24,252	20,139	20,093
Real GDP growth (annual change, %)	4.8	10.0	5.4	2.7	3.5	3.4*	2.2
General government gross debt (% of GDP)	8.4	5.4	3.6	2.2	1.6	6.7*	17.3
Current account balance (% of GDP)	12.7	23.7	22.4	18.2	10.3	-3.5*	-4.7
Inflation (%)	5.8	2.7	3.6	3.0	2.4	2.2*	2.3
Unemployment (%)	5.5	5.8	5.5	5.6	5.5*	na	na

*=Estimates start from; na=Not available. Sources: IMF; World Economic Outlook Database, October 2015

LARGEST LISTED COMPANIES BY MARKET CAPITALISATION*

	($bn)
Saudi Basic Industries Corporation	71.82
Saudi Telecom Company	35.67
National Commercial Bank	28.51
Al-Rajhi Bank	21.77
Saudi Electricity Company	17.27
Kingdom Holding Company	14.60
Samba Financial Group	12.04
Sabb	10.76
Riyad Bank	9.92
Saudi Arabian Fertiliser Company	9.47

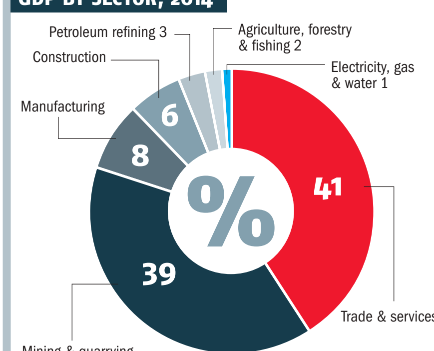
*=As of end of November 2015. Sources: Tadawul; Bloomberg

LARGEST PROJECTS BY VALUE*

Project	Budget ($m)	Status	Project owner	Due
King Abdullah Economic City	93,000	Execution	Emaar Economic City	2034
Nuclear power reactor	70,000	Study	King Abdullah City for Atomic & Renewable Energy	2040
Saudi housing project	68,000	Execution	Saudi Arabia Ministry of Housing	2031
Jeddah Public Transportation Programme	30,400	Main contract bid	Jeddah Metro Company	2033
Sustainable City	30,000	Study	King Abdullah City for Atomic & Renewable Energy	2036
Jeddah Economic City	30,000	Execution	Jeddah Economic Company	2031
Jizan Economic City	30,000	Execution	Saudi Industrial Property Authority	2034
Yanbu oil-to-chemicals complex	30,000	Study	Saudi Basic Industries Corporation	2020
King Abdulaziz International airport in Jeddah	28,000	Execution	Saudi Arabia General Authority for Civil Aviation	2035
Riyadh Light Rail Transit (Riyadh Metro)	23,000	Execution	Arriyadh Development Authority	2019

*=All projects planned or under way. Source: MEED Projects

GDP BY SECTOR, 2014



Sources: Saudi Arabian Monetary Agency; Bank Audi

Monarch

King Salman bin Abdulaziz al-Saud

Crown Prince

Prince Mohammed bin Nayef al-Saud

Deputy Crown Prince

Prince Mohammed bin Salman al-Saud

Oil Minister

Ali al-Naimi

PHOTOGRAPHS: GALLO/GETTY IMAGES; REUTERS

Syria

For more information and data on Syria, go to:
www.meed.com/countries/syria

KEY INFORMATION

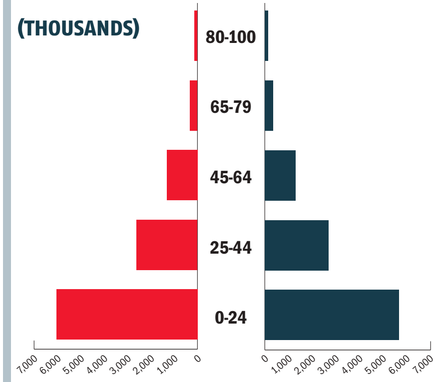
Full name Syrian Arab Republic
Capital Damascus
Area 185,180 square kilometres
Population 21.4 million (2010)
Head of state President Bashar al-Assad (since July 2000)
Currency Syrian pound

Source: MEED

LOCATION

POPULATION BY AGE GROUP

(THOUSANDS)



Source: MEED

KEY ECONOMIC INDICATORS

	2010	2011	2012	2013	2014	2015	2016
Nominal GDP ($bn)	60.0	na	na	na	na	na	na
GDP per capita ($)	2,807	na	na	na	na	na	na
Real GDP growth (annual change, %)	3.4	na	na	na	na	na	na
General government gross debt (% of GDP)	30.0*	na	na	na	na	na	na
Current account balance (% of GDP)	-2.8*	na	na	na	na	na	na
Inflation (%)	6.3	na	na	na	na	na	na
Unemployment (%)	8.6	na	na	na	na	na	na

*=Estimates start from; na=Not available. Sources: IMF; World Economic Outlook Database, October 2015

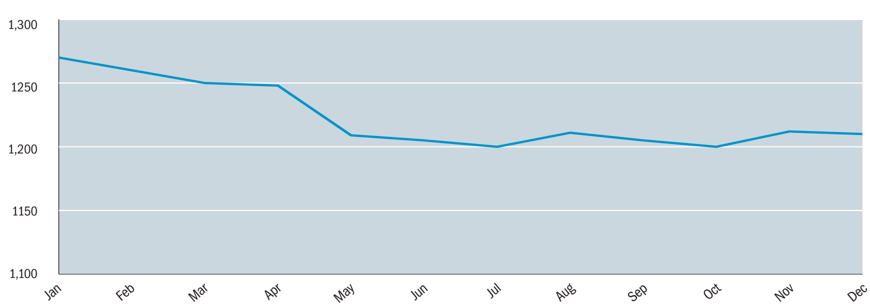
SIZE OF COMPANIES BY TOTAL ASSET VALUES

	($m)
Bank Bemo Saudi Faransi	698
Syrian International Islamic Bank	544
Syria Overseas Bank	589
Al-Baraka Bank	526
International Bank for Trade and Finance	335
Fransibank	322
Bank Al-Sham	322
Bank Audi Syria	285
QNB Syria	267

*=As of July 2015. Source: Damascus Stock Exchange

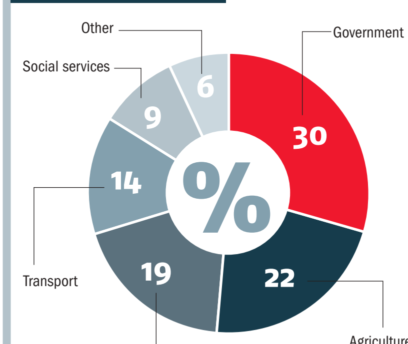
DAMASCUS SECURITIES INDEX, 2015

(POINTS)



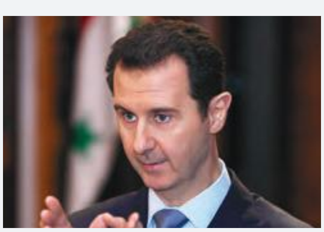
Source: Bloomberg

GDP BY SECTOR, 2013



Source: Syrian Centre for Policy Research

President

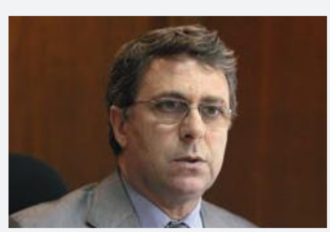


Bashar al-Assad

Prime Minister

Wael Nader al-Halqi

Central Bank Governor



Adib Mayaleh

Syrian National Coalition President

Khaled Khoja

PHOTOGRAPH: GALLO/GETTY IAMGES; REUTERS

For more information and data on Tunisia, go to:

www.meed.com/countries/tunisia

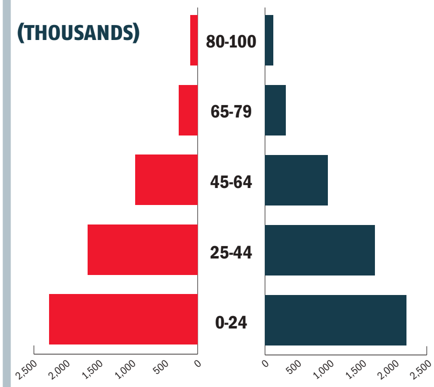
KEY INFORMATION

Full name Tunisian Republic
Capital Tunis
Area 163,610 square kilometres
Population 11.1 million
Head of state Beji Caid Essebsi
Currency Tunisian dinar

Source: MEED

LOCATION

POPULATION BY AGE GROUP



Source: MEED

KEY ECONOMIC INDICATORS

	2010	2011	2012	2013	2014	2015	2016
Nominal GDP ($bn)	44.1	46.0	45.2	47.0	48.6	44.3*	44.6
GDP per capita ($)	4,177	4,305*	4,198	4,317	4,422	3,985	3,972
Real GDP growth (annual change, %)	2.6	-1.9	3.7	2.3	2.3	1.0*	3.0
General government gross debt (% of GDP)	40.7	44.5	44.5	44.3	50.0	54.0*	56.3
Current account balance (% of GDP)	-4.8	-7.5	-8.2	-8.3	-8.8	-8.4*	-7.0
Inflation (%)	3.3	3.9	5.9	5.7	4.8	4.4*	4.0
Unemployment (%)	13.0	18.9	16.7	15.3*	15.3	15.0	14.0

*=Estimates start from. Sources: IMF; World Economic Outlook Database, October 2015

LARGEST LISTED COMPANIES BY MARKET CAPITALISATION*

	($m)
Societe Frigorifique et Brasserie de Tunis	1,170
Banque de Tunisie	854
Banque Internationale Arabe de Tunisie	744
Banque Attijari de Tunisie	550
Poulina Group Holding	537
Societe Tunisienne de Banque	509
Amen Bank	354
Union Bancaire pour le Commerce et l'Industrie	302
Union Internationale de Banques	288
Societe d'Articles Hygieniques	254

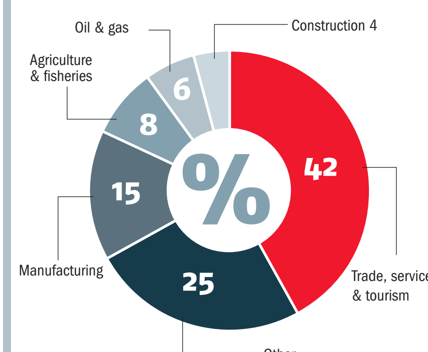
*=As of end of November 2015. Source: Kamco

LARGEST PROJECTS BY VALUE*

Project	Budget ($m)	Status	Project owner	Due
Tunis Sports City	5,000	Design	Bukhatir Group	2020
Housing project (4,650 units)	4,500	Main contract bid	Ministry of Equipment, Housing & Land Management	2018
Tunis Financial Harbour	3,000	Execution	Gulf Finance House/Demtas Group JV	2020
Nuclear power plant	2,500	Study	Tunisian Company of Electricity & Gas	2023
Nawara gas field development	800	Execution	Etap/OMV	2017
Gabes-Medenine-Ras Jedir highway	570	Execution	Societe Tunisie Autoroutes	2018
Sousse D combined-cycle power plant expansion	400	Execution	Tunisian Company of Electricity & Gas	2016
Rapid rail network	400	Execution	Tunisian Railways	2017
Mornaguia gas turbine power plant	382	Main contract bid	Tunisian Company of Electricity & Gas	2017
Oued Zarga-Bou Salem highway	269	Execution	Societe Tunisie Autoroutes	2016

*=All projects planned or under way; Etap=L'Entreprise Tunisienne d'Activites Petrolieres; JV=Joint venture. Source: MEED Projects

GDP BY SECTOR, 2014



Source: National Institute of Statistics

President

Beji Caid Essebsi

Prime Minister

Habib Essid

Leader of Ennahda Party

Rachid Ghannouchi

General Secretary of Tunisian General Labour Union

Hassine Abassi

PHOTOGRAPHS: GALLO/GETTY IMAGES; REUTERS

For more information and data on UAE, go to:
www.meed.com/countries/uae

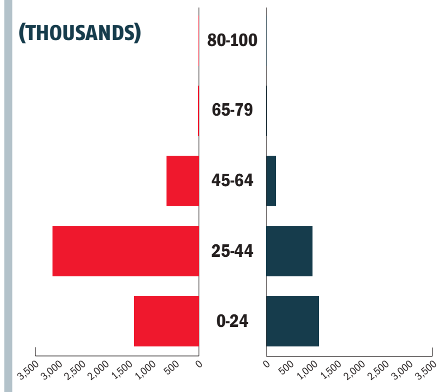
KEY INFORMATION

Full name United Arab Emirates
Capital Abu Dhabi
Area 83,600 square kilometres
Population 9.6 million
Head of state President Sheikh Khalifa bin Zayed al-Nahyan (since November 2004)
Currency Emirati dirham

Source: MEED

LOCATION

POPULATION BY AGE GROUP



Source: MEED

KEY ECONOMIC INDICATORS

	2010	2011	2012	2013	2014	2015	2016
Nominal GDP ($bn)	286.0	347.5	373.4	387.2	399.5	339.1*	356.2
GDP per capita ($)	34,612	40,817*	42,591	42,875	42,944	35,392	36,142
Real GDP growth (annual change, %)	1.6	4.9	7.2	4.3	4.6	3.0*	3.1
General government gross debt (% of GDP)	22.2	17.6	17.0	15.9	15.7	18.9*	18.3
Current account balance (% of GDP)	2.5	14.7	21.3	18.4	13.7	2.9*	3.1
Inflation (%)	0.9	0.8	0.9	1.7	3.0	3.3*	3.0
Unemployment (%)	na	na	na	na	na	na	na

*=Estimates start from; na=Not available. Sources: IMF; World Economic Outlook Database, October 2015

LARGEST LISTED COMPANIES BY MARKET CAPITALISATION*

ABU DHABI	($bn)
Etisalat	37.9
First Gulf Bank	14.0
National Bank of Abu Dhabi	11.2
Abu Dhabi Commercial Bank	8.7
Ooredoo	6.5
DUBAI	
Emirates NBD	11.3
Emaar Properties	10.5
Emaar Malls Group	9.1
Emirates Integrated Telecommunications Company	6.2
Dubai Islamic Bank	6.1

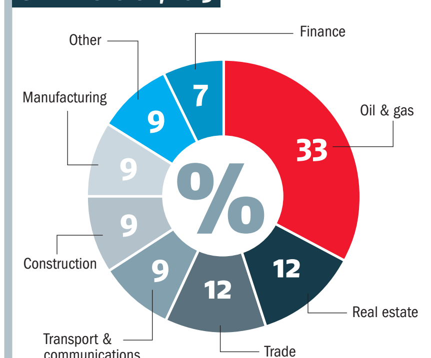
*=As of December 2015. Source: Arab Stock Market Analysis

LARGEST PROJECTS BY VALUE*

Project	Budget ($m)	Status	Project owner	Due
Dubailand	146,855	Execution	Dubai Holding	2030
Mohammed bin Rashid City	55,000	Execution	Dubai Holding/Emaar Properties JV	2025
Dubai South	55,000	Execution	Dubai World Central	2030
Barakah nuclear power plant	40,000	Execution	Emirates Nuclear Energy Corporation	2025
Capital District	40,000	Execution	Musanada	2030
Yas Island development	37,000	Execution	Aldar Properties	2030
Al-Reem Island	37,000	Execution	Bunya	2023
Business Bay	30,000	Execution	Dubai Holding	2025
Saadiyat Island	27,000	Execution	Tourism Development & Investment Company	2030
Masdar City	22,000	Execution	Abu Dhabi Future Energy Company	2026

*=All projects planned or under way; JV=Joint venture. Source: MEED Projects

GDP BY SECTOR, 2013



Source: Emirates NBD

President

Sheikh Khalifa bin Zayed al-Nahyan

Crown Prince

Sheikh Mohammed bin Zayed al-Nahyan

Vice-President and Prime Minister

Sheikh Mohammed bin Rashid al-Maktoum

Energy Minister

Suhail Mohamed al-Mazrouei

PHOTOGRAPHS: SUPPLIED; REUTERS

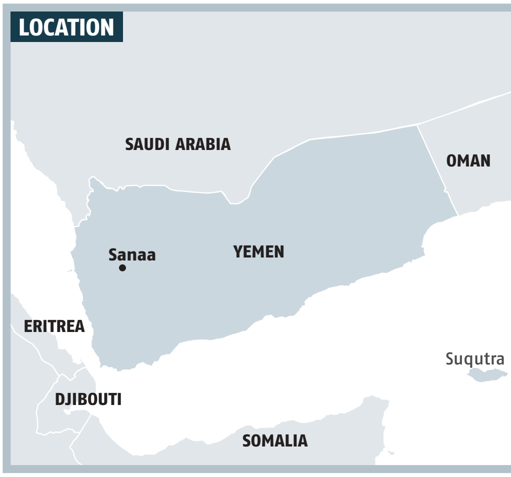
For more information and data on Yemen, go to:
www.meed.com/countries/yemen

KEY INFORMATION

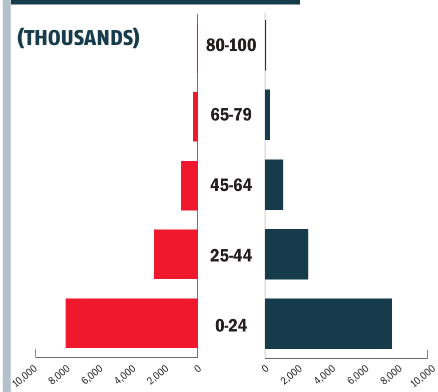
Full name Republic of Yemen
Capital Sanaa
Area 527,970 square kilometres
Population 28.3 million
Head of state President Abdrabbu Mansour al-Hadi (since February 2012)
Currency Yemeni rial

Source: MEED

LOCATION



POPULATION BY AGE GROUP



Source: MEED

KEY ECONOMIC INDICATORS

	2010	2011	2012	2013	2014	2015	2016
Nominal GDP ($bn)	30.9	32.7	35.4	40.4	43.2	34.9	41.9
GDP per capita ($)	1,267	1,302	1,368	1,516	1,574	1,235	1,438
Real GDP growth (annual change, %)	7.7	-12.7	2.4	4.8	-0.2	-28.1	11.6
General government gross debt (% of GDP)	42.4	45.7	47.3	48.2	48.7*	67.0	60.6
Current account balance (% of GDP)	-3.4	-3.0	-1.7	-3.1	-1.7	-5.3	-5.4
Inflation (%)	12.5*	23.2	5.8	8.1	10.0	20.0	12.0

*=Estimates start from; na=Not available. Sources: IMF; World Economic Outlook Database, October 2015

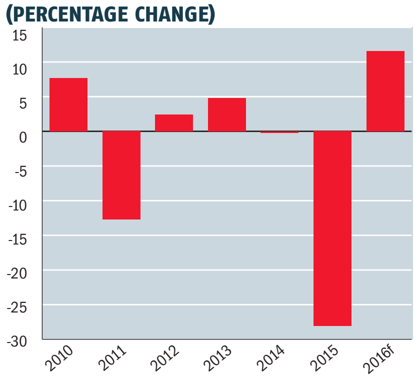
BANKS IN YEMEN

- Central Bank of Yemen
- Calyon Credit Agricole
- Arab Bank
- Cooperative and Agricultural Credit Bank
- Housing Bank
- International Bank of Yemen
- Islamic Bank of Yemen for Finance and Investment
- National Bank of Yemen
- Qatar National Bank
- Saba Islamic Bank
- Shamil Bank of Yemen and Bahrain
- Tadhamon International Islamic Bank
- Yemen Bank for Reconstruction and Development
- United Bank
- Yemen Commercial Bank
- Yemen Gulf Bank
- Yemen Kuwait Bank for Trade and Investment

Source: MEED

GDP GROWTH

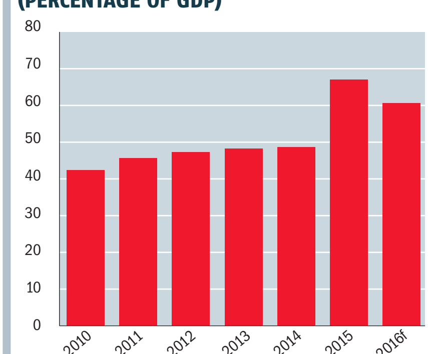
(PERCENTAGE CHANGE)



f=Forecast. Source: IMF

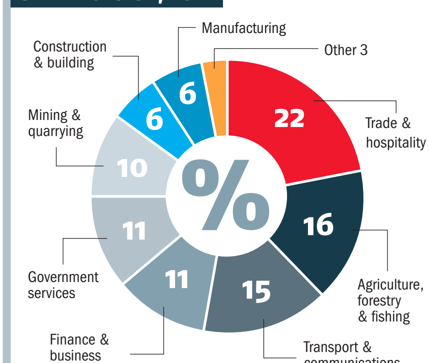
GOVERNMENT DEBT

(PERCENTAGE OF GDP)



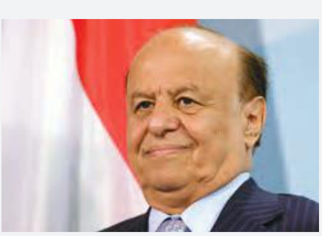
f=Forecast. Source: IMF

GDP BY SECTOR, 2012



Source: Central Statistical Organisation

President



Abdrabbu Mansour al-Hadi

Prime Minister

Khaled Bahah

Head of Houthi rebels

Abdul Malik al-Houthi

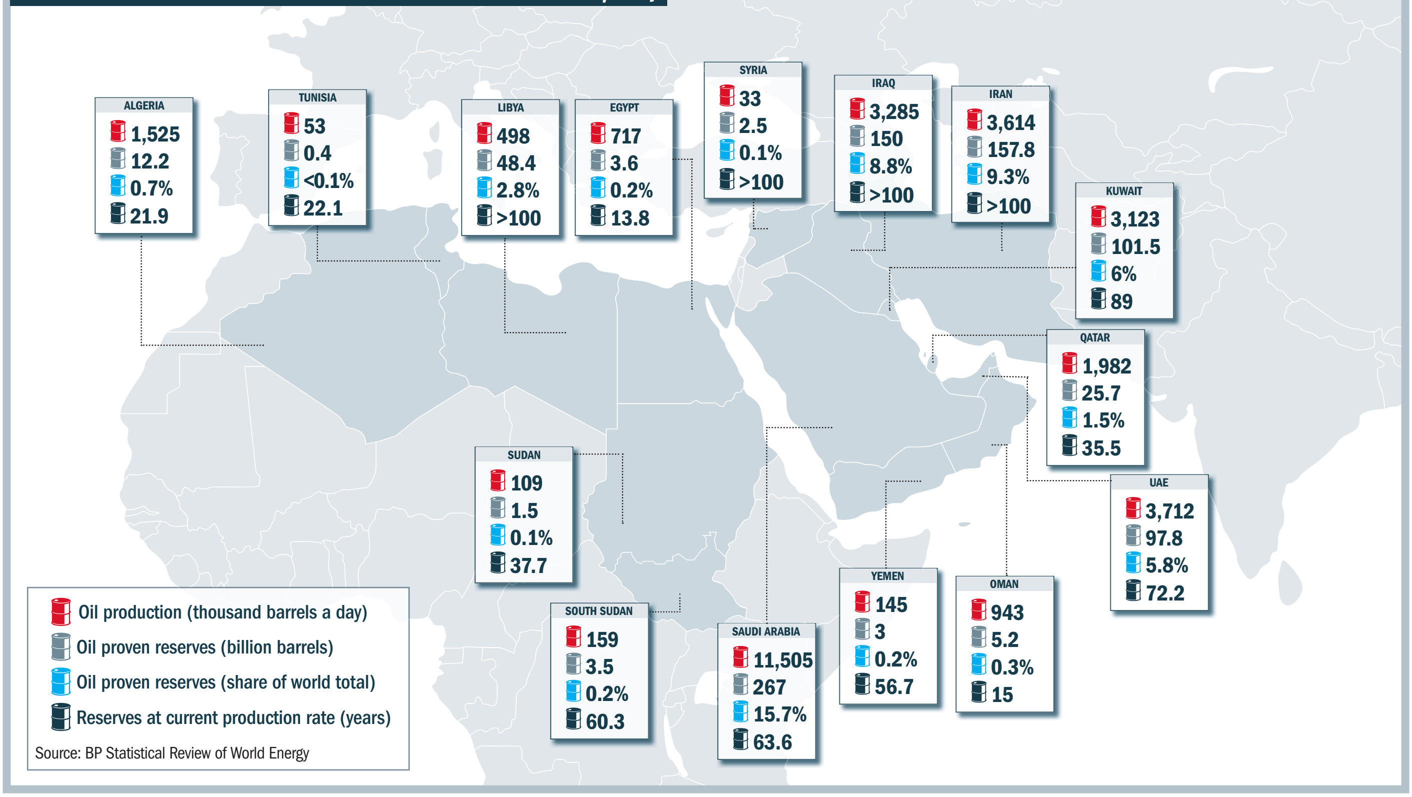
Central Bank Governor

Mohamed Awad bin Humam

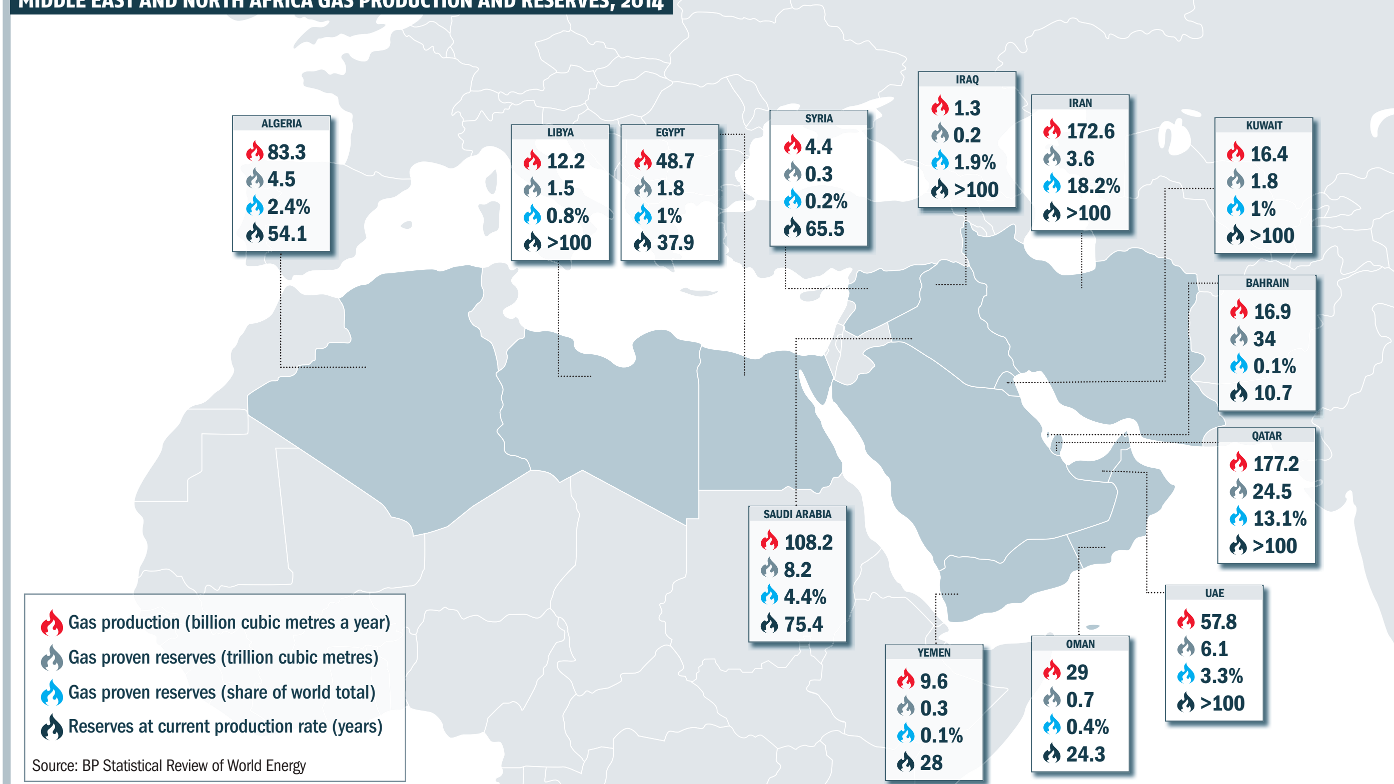
PHOTOGRAPHS: GALLO/GETTY IMAGES; REUTERS; ISLAMICINVITATIONTURKEY.COM

ENERGY

MIDDLE EAST AND NORTH AFRICA OIL PRODUCTION AND RESERVES, 2014



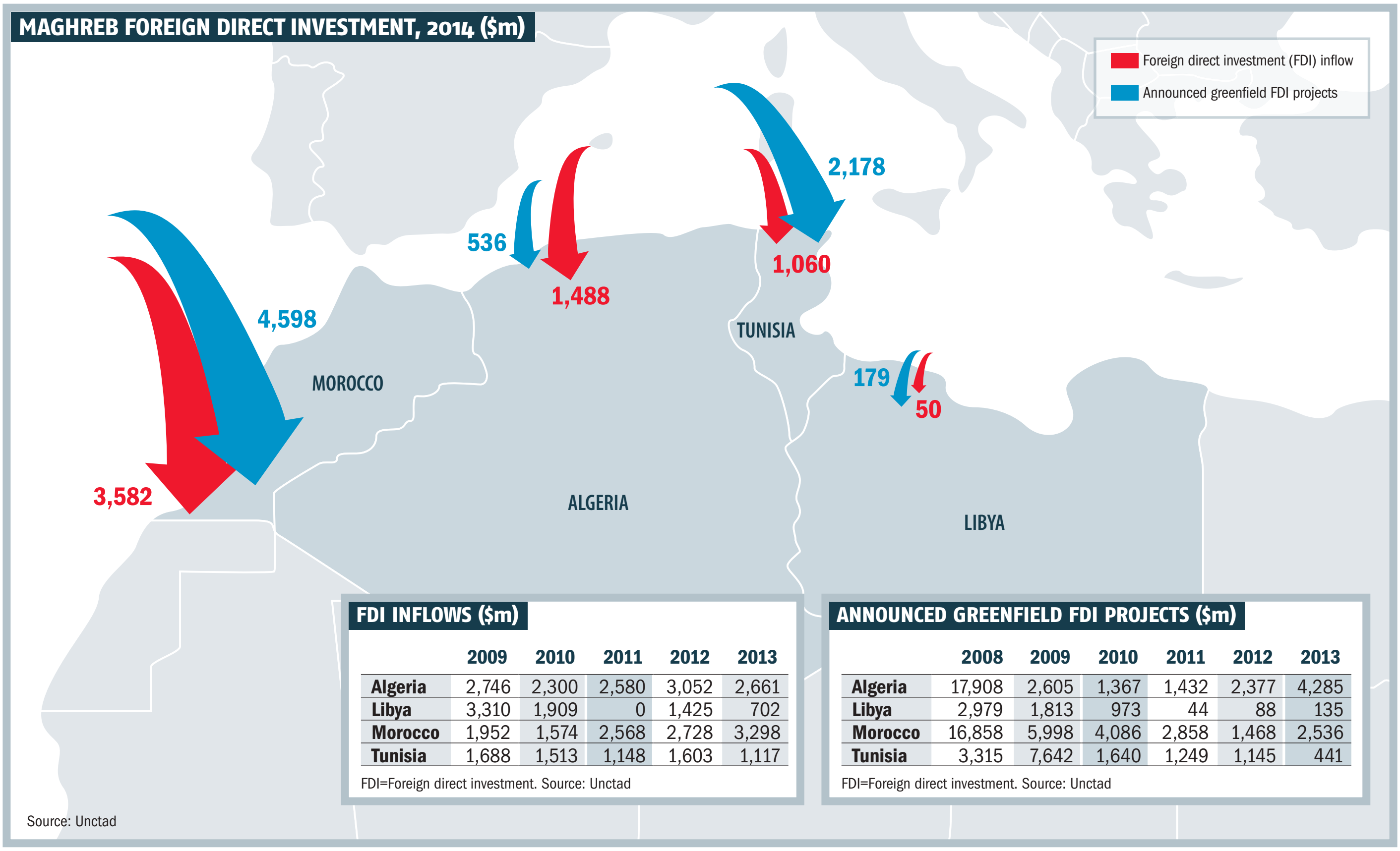
MIDDLE EAST AND NORTH AFRICA GAS PRODUCTION AND RESERVES, 2014



Data file

ECONOMY

MAGHREB FOREIGN DIRECT INVESTMENT, 2014 ($m)



Source: Unctad

FDI INFLOWS ($m)

	2009	2010	2011	2012	2013
Algeria	2,746	2,300	2,580	3,052	2,661
Libya	3,310	1,909	0	1,425	702
Morocco	1,952	1,574	2,568	2,728	3,298
Tunisia	1,688	1,513	1,148	1,603	1,117

FDI=Foreign direct investment. Source: Unctad

ANNOUNCED GREENFIELD FDI PROJECTS ($m)

	2008	2009	2010	2011	2012	2013
Algeria	17,908	2,605	1,367	1,432	2,377	4,285
Libya	2,979	1,813	973	44	88	135
Morocco	16,858	5,998	4,086	2,858	1,468	2,536
Tunisia	3,315	7,642	1,640	1,249	1,145	441

FDI=Foreign direct investment. Source: Unctad

COMMERCIAL BANK BRANCHES IN MENA REGION IN 2013 (PER 100,000 ADULTS)

Note: No data available for Bahrain; Mena=Middle East and North Africa; *=2012 figures. Source: World Bank

NEW VEHICLE SALES IN MIDDLE EAST AND NORTH AFRICA, 2014

Country	Car sales	Commercial vehicle sales
IRAN	1,106,700	26,700
SAUDI ARABIA	632,700	195,500
EGYPT	273,500	75,600
UAE	206,700	56,400
OMAN	138,600	69,800
KUWAIT	126,300	26,000
MOROCCO	109,649	12,411
QATAR	71,500	21,400
IRAQ	61,000	180,900
BAHRAIN	49,600	11,500
ALGERIA	47,700	54,800
LEBANON	38,300	2,000
TUNISIA	37,100	13,800
SYRIA	33,400	6,300
LIBYA	30,000	15,000
GAZA/WEST BANK	21,100	14,700
JORDAN	15,700	8,100
YEMEN	2,100	2,100
SUDAN	1,800	1,200

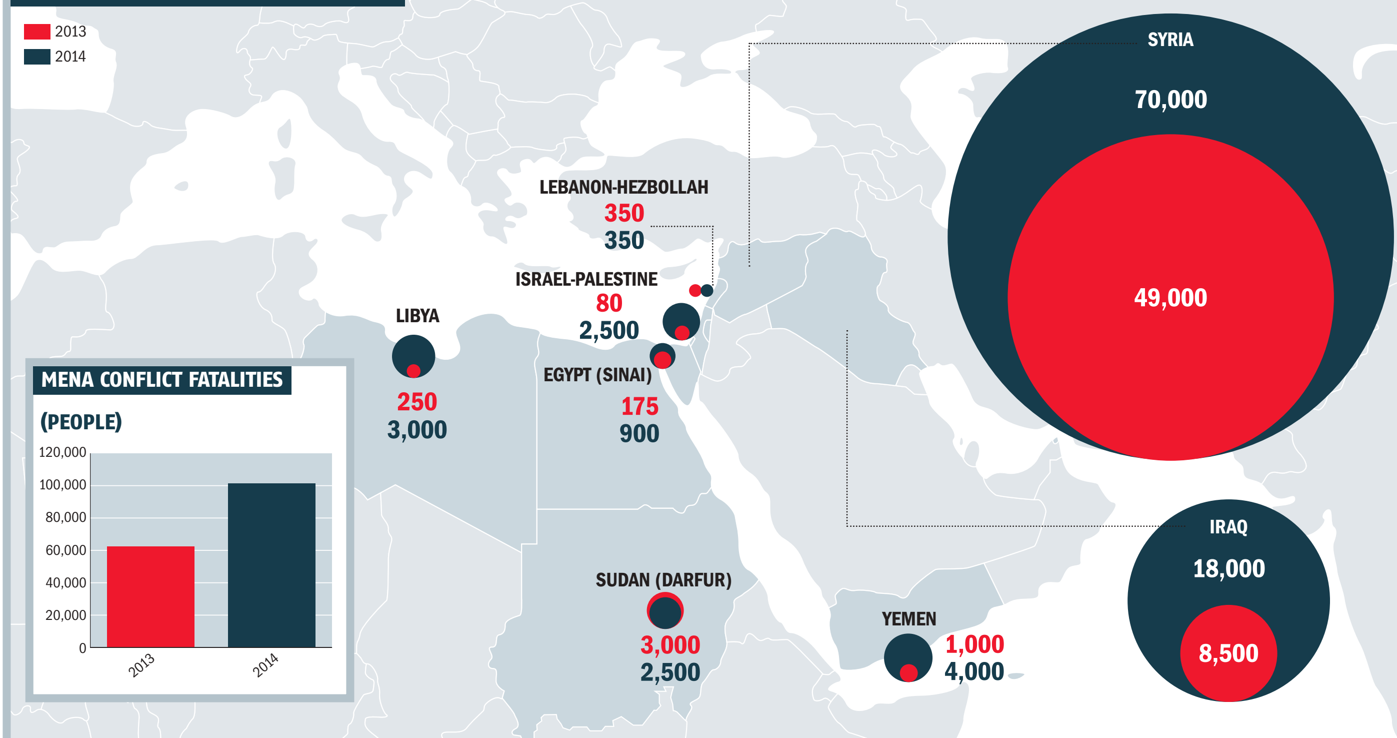
Car sales · Commercial vehicle sales

Sources: OICA; MarkLines

Data file

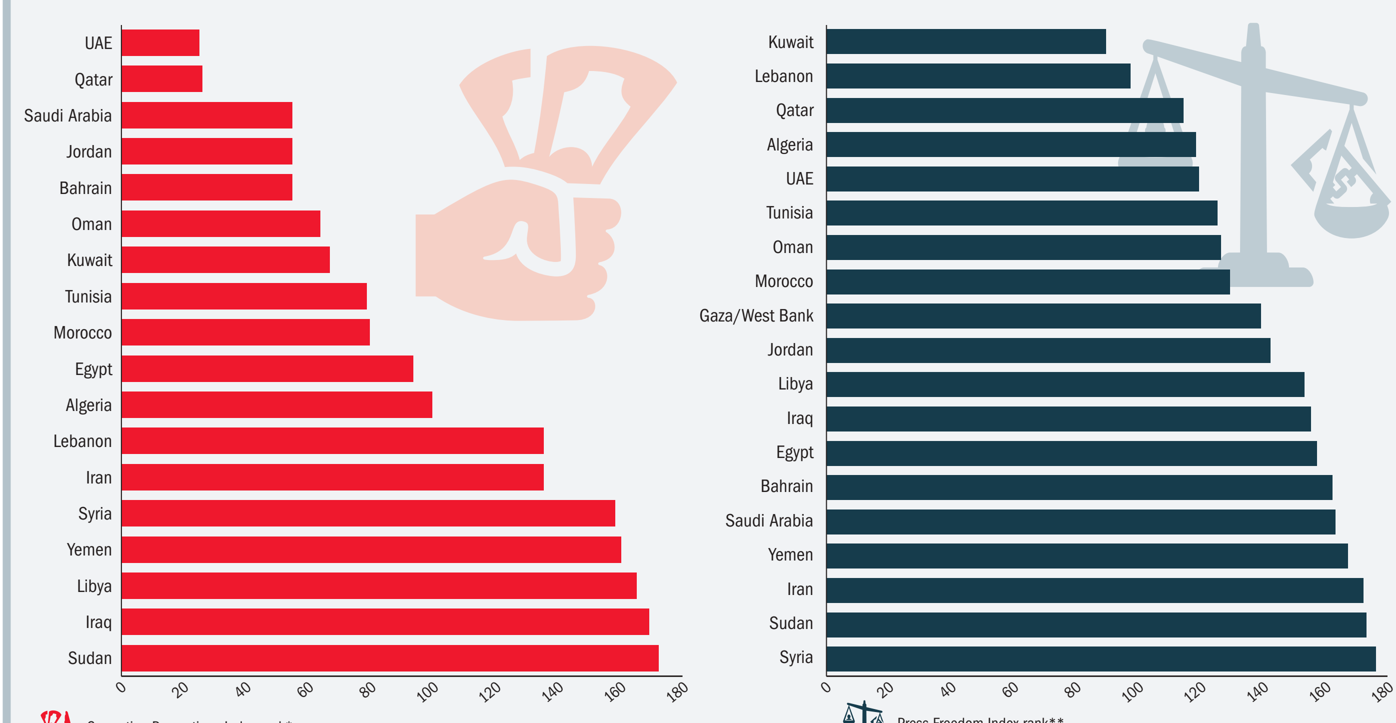
GOVERNANCE

CONFLICT FATALITIES IN MENA REGION

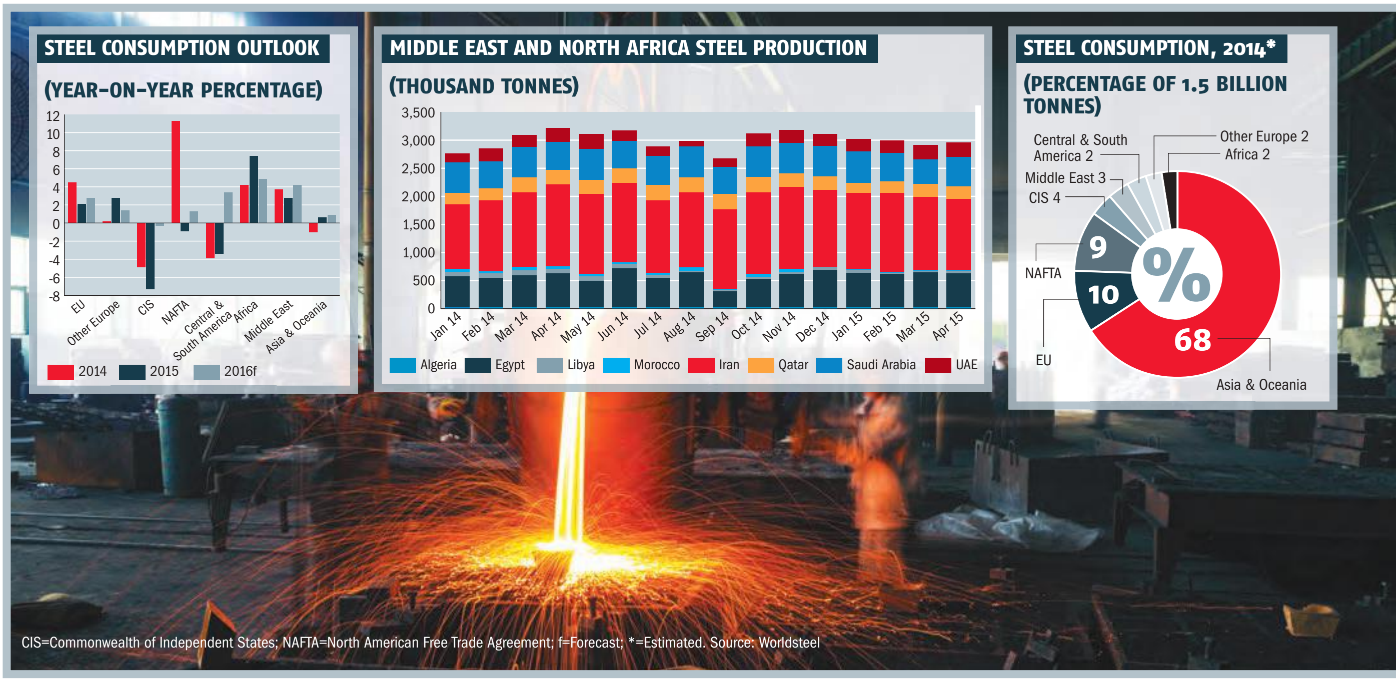


Mena=Middle East and North Africa. Source: International Institute for Strategic Studies

CORRUPTION PERCEPTIONS AND PRESS FREEDOM IN THE MIDDLE EAST AND NORTH AFRICA



*=Ranking is out of 175 countries; **=Ranking is out of 180 countries. Sources: Transparency International; Reporters Without Borders


STEEL CONSUMPTION OUTLOOK
(YEAR-ON-YEAR PERCENTAGE)
12
10
8
6
4
2
0
-2
-4
-6
-8
EU
Other Europe
CIS
NAFTA
Central & South America
Africa
Middle East
Asia & Oceania
2014
2015
2016f
MIDDLE EAST AND NORTH AFRICA STEEL PRODUCTION
(THOUSAND TONNES)
3,500
3,000
2,500
2,000
1,500
1,000
500
0
Jan 14
Feb 14
Mar 14
Apr 14
May 14
Jun 14
Jul 14
Aug 14
Sep 14
Oct 14
Nov 14
Dec 14
Jan 15
Feb 15
Mar 15
Apr 15
Algeria
Egypt
Libya
Morocco
Iran
Qatar
Saudi Arabia
UAE
STEEL CONSUMPTION, 2014*
(PERCENTAGE OF 1.5 BILLION TONNES)
Central & South America 2
Other Europe 2
Africa 2
Middle East 3
CIS 4
NAFTA
9
10
%
68
EU
Asia & Oceania
CIS=Commonwealth of Independent States; NAFTA=North American Free Trade Agreement; f=Forecast; *=Estimated. Source: Worldsteel

Data file

DEMOGRAPHICS

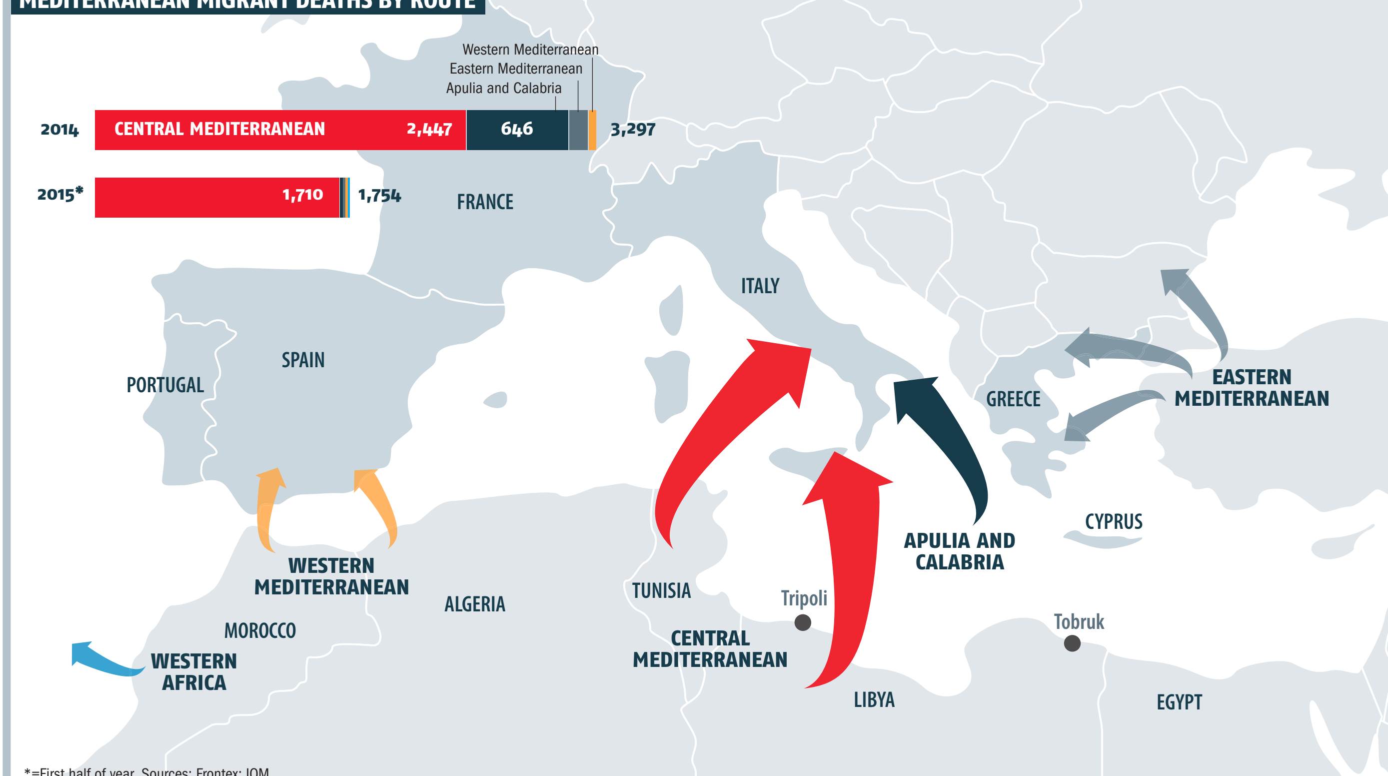
MIDDLE EAST AND NORTH AFRICA MIGRANT REMITTANCE FLOWS, 2014 ($m)

Country	Inflow	Outflow
ALGERIA	2,020	191
BAHRAIN	na	2,552
EGYPT	19,612	387
IRAN	1,382	356
IRAQ	271	188
JORDAN	3,757	2,901
KUWAIT	4	11,893
LEBANON	8,899	1,181
LIBYA	na	1,015
MAURITANIA	na	177
MOROCCO	6,962	100
OMAN	39	4,752
QATAR	496	10,009
SAUDI ARABIA	272	44,519
SUDAN	432	322
SYRIA	1,623	191
TUNISIA	2,314	68
UAE	na	29,253
GAZA/WEST BANK	2,294	796
YEMEN	3,455	60
MENA	53,831	110,917

na=Not available; Mena=Middle East and North Africa. Source: World Bank

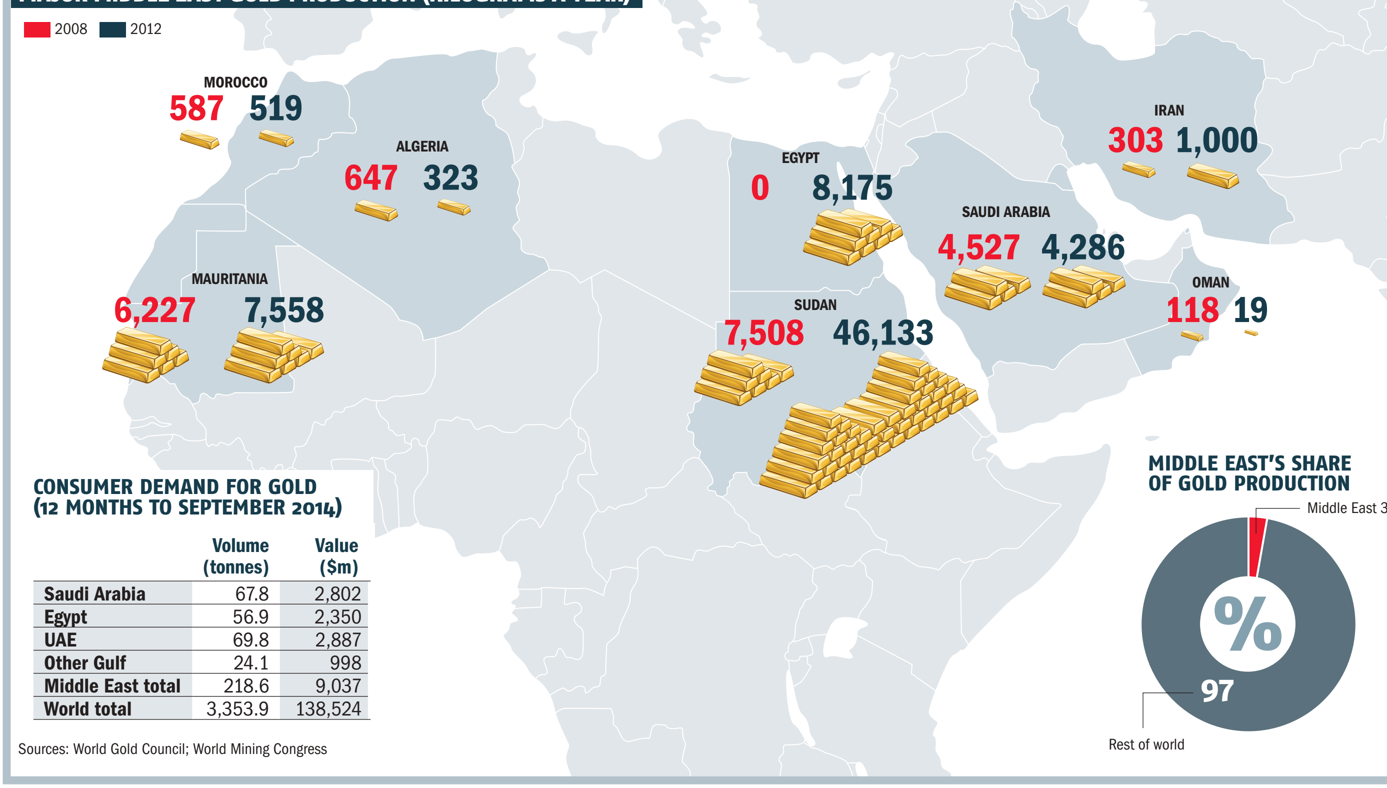
Inflow Outflow

MEDITERRANEAN MIGRANT DEATHS BY ROUTE



*=First half of year. Sources: Frontex; IOM

MAJOR MIDDLE EAST GOLD PRODUCTION (KILOGRAMS A YEAR)



CONSUMER DEMAND FOR GOLD (12 MONTHS TO SEPTEMBER 2014)

	Volume (tonnes)	Value ($m)
Saudi Arabia	67.8	2,802
Egypt	56.9	2,350
UAE	69.8	2,887
Other Gulf	24.1	998
Middle East total	218.6	9,037
World total	3,353.9	138,524

MIDDLE EAST'S SHARE OF GOLD PRODUCTION

Sources: World Gold Council; World Mining Congress

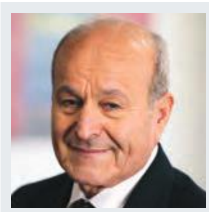
RICHEST MENA BILLIONAIRES

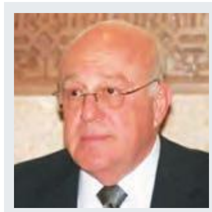

1
$20.4bn
Prince Alwaleed bin Talal al-Saud

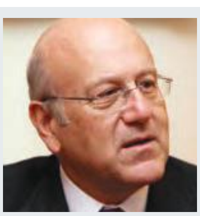

2
$15.3bn
Mohammed al-Amoudi


3
$4.8bn
Abdul Aziz al-Ghurair


4
$4.5bn
Majid al-Futtaim


5
$3.2bn
Issad Rebrab

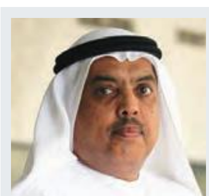

6=
$3.1bn
Taha Mikati


6=
$3.1bn
Najib Mikati


6=
$3.1bn
Mohamed Mansour


6=
$3.1bn
Mohammed al-Issa


10=
$2.8bn
Naguib Sawiris


10=
$2.8bn
Saif al-Ghurair


10=
$2.8bn
Othman Benjelloun

Mena=Middle East and North Africa. Source: Peterson Institute

Events Diary 2016

Conference	Date	Location
World Architecture Festival Dubai	10-11 February	Dubai
Destination Dubai 2020	23-24 February	Dubai
Qatar Projects	15-16 March	Doha
Iraq Energy	20-22 March	Dubai
Financing Projects in New Oil Era	23-24 March	Dubai
Saudi Arabia Patient Safety & Quality Congress	28-30 March	Riyadh
Abu Dhabi Energy, Industry & Infrastructure	29-30 March	Abu Dhabi
Arabian Hotel Investment Conference	27-28 April	Dubai
Middle East Patient Safety & Quality Conference	9-11 May	Abu Dhabi
Medina Mega Projects	15-16 May	Medina
MEED Construction Leadership Summit	25 May	Dubai
MEED Quality Awards for Projects	25 May	Dubai
Qatar Transport	3-5 October	Doha
Saudi Projects	11-13 October	Riyadh
Oman Projects	24-26 October	Muscat
Gulf Capital SME Awards	26 October	Dubai
Daman Corporate Health Awards	2 November	Dubai
Egypt Mega Projects	7-9 November	Cairo
Mena Rail & Metro Summit	14-16 November	Dubai
Kuwait Projects	22-23 November	Kuwait City
Saudi Talent in Construction	6 December	Riyadh

For details on available sponsorship opportunities, please email our sponsorship team **sponsorship@meed.com** or call **+971 (0)4 390 0971**

Events subject to change. For further information on MEED Events, go to **www.meed.com/events**


SULB COMPANY شركة صلب
WE BUILD
WONDERS
www.sulb.com