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An IFC Reports Interview with

**Dr. Hussain Al Sayegh,
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Aknan Global Real Estate Company,
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IFC Reports: Last year Kuwait unanimously approved a \$104-125 billion development plan which has two main aims: firstly, to diversify the economy and reduce its dependence on the oil sector; and secondly to increase private sector participation. Given your experience and knowledge having been involved with many of the projects, what is your opinion on the overall effectiveness of the development plan in achieving the two aforementioned aims?

Dr Hussain Al-Sayegh: Thank you for choosing me as one of your interview candidates. I hope I can give you the information you need. Over the past few years you may have noticed that many of these projects have been developed and created, whether it is with government support or private sector innovation and all of these came without any laws or plans. This is the capability of the Kuwaiti private sector. Kuwait's private sector has proved its capability not only in the region but at the international level as well. The private sector has had an effect tremendously on the nearby countries by boosting up their real estate, investments, banking system and health care systems, whether it is in the GCC, Emirates, MENA region or in Europe and America.

Kuwaitis have historically very strong capability in investing in all kinds of sectors in different countries. That goes back to the days when Kuwait was incubated in the early 1900s, before oil production, when they were shouldering all the income of Kuwaitis through commerce with other countries by importing and exporting pearls and similar goods. That made Kuwait historically strong in ship manufacturing, and the trend of a strong private sector is historic. It didn't start yesterday or today or with the development plan. The development plan is a tool to ease and allow Kuwaitis to work smoothly and easily.

We are hoping that the government continues issuing laws for governance of the plan which will allow the plan to flourish and not hinder its potential. I was extremely happy when I saw Sheikh Ahmad Al-Fahd's announcement yesterday (27/04) that they agreed to back up all projects of privatization by buying the products with a minimum guarantee. This is another alternative method of allowing the financial backup of those projects. So, if you go to any bank in the world and tell them that this project, whether it is rail, or electricity, it is backed up by the government with a minimum guarantee, it will allow the private sector to innovate and obtain the maximum return from these projects. The most important pillar in privatization projects is the financial closure and the laws and governance.

I have read in newspapers that the council of ministers, the government, has agreed to back up all privatization projects, PPPs, BOTs with minimum income of 16 percent and this is a very shiny news for the private sector and allows us to attack. So, that is from one side.

From the other side, the development plan is supposed to be completed within four years, but we all know that there will be some deferring in the schedule; it will not finish in four years exactly. I am sure that a lot of backup, design and preliminary work has to be done and that will take more time to find a better solution and to execute. The final execution I am sure will take more than four years, there are lot of unforeseen things that come up and force you to defer. Very rarely plans are executed before time and that is when there is no government involvement in it, let us be very straight forward in this. But there is an intermediate and a short term plan that makes me very optimistic. This was the plan announced by the council of ministers and which is shiny, de-dusted and has been presented by Sheikh Ahmad Al-Fahad Al-Sabah, who very cleverly presented and has convinced the cabinet. He is the leader, the project manager of the plan, because nobody has the guts to present the way he did, the way he spoke

about it, how he forced everyone to comprehend the business plan and convinced them by showing how strong it was although the project was planned many months ago.

This plan is what I call the short term business plan and we have yet to introduce a long term strategy for long term development, as this doesn't come only with infrastructure, construction, concrete work, electricity etc. It comes with human capital, training Kuwaitis, enhancing human capabilities, systems, integrity of the systems of Kuwait and this is what we need to develop also, because we cannot develop one issue and leave the others.

The development strategy needs three things: to enhance this development plan internally; secondly, a figure to move this development plan forward; and lastly a system which facilitates such a figure to move the plan forward.

In reality we need two more development plans, one to develop our human capital and another for developing our systems. We hope Sheikh Ahmad Al-Fahad will look into this soon, shine and re-dust again. The systems have been studied and have been talked about for many years now; such as electronic systems for governments, de-bureaucratising the system, this is what we need. We can talk theoretically and scientifically, see designs on paper and all, but we need implementation and we hope we are allowed to help the government in this sector. We, the private sector, can help in the development of the other two sectors.

IFC Reports: What are your comments on the projects to be undertaken like the railway project and others? What would you highlight as the main opportunities in these projects?

Dr Hussein Al-Sayegh: The electricity, infrastructure and services are the major issue at least to ease the government's budget as much as possible. Currently the government subsidises the electricity and water, but it's bleeding the budget, they are using so much gas, it is a waste of money, but people don't realize how expensive it is. The private sector needs to get involved, the government can back it up but in a different way, the private sector can provide service and the government can support it, like the law they issued recently. This is the first thing I am very optimistic about.

We should look at things Kuwait is suffering from today, which need private sector's participation in order to provide an alternative, a solution parallel with the international and developed world. For example, we are suffering from the roads and transport system for some time now. The roads have a certain capacity and so rails are extremely important as Kuwait needs to reduce pollution, crowding and jamming of the road system. When people don't reach the office at a certain time, they delay many other works. It is important to have a convenient commuting system to reach from point to point, not only for people but also for infrastructure, for environment and for the government budget, as the wear and tear for the road is becoming very expensive for the government. We have plans to do maintenance work once in ten years, but we have to do it every three-four years. Who is paying for this?

Gasoline, which is very cheap here, is used excessively by those rugged old cars which are allowed to be on the roads. They consume more gasoline due to the age of the vehicle and their starter systems. Those things have to be looked into. You should also look into the licenses issue. Anybody can get a license here in Kuwait, any worker can enter the country and if he has a valid visa or the Iqama, which is the permanent work visa, he can immediately get a license and drive. They should have certain criteria for issuing licenses like a certain level of income,

certain calibre, and certain specifications. A cleaner, for example, borrows a couple of dinars and buys a second hand car, a very rugged car, and takes other workers along. They use it as transportation. This is actually jamming the roads. Although there are buses, they don't use them. So, they have to rectify regulations and traffic rules. Trains by themselves won't help, we need regulations.

There are two proposed systems of rail. One is the metropolitan with four tracks that can ease commuting of all intermediate and low level workers and people who can use this commuting system to go from door to door. The other is the rail road that crosses from the north of the country to the south and west to Salmi, Saudi Arabia and that would be used for borders, for passengers travelling from one country to another. It will connect the Gulf Cooperation Council countries to Eurasia. That's the master plan of the world's rail industry. There are three main rail projects: Europe-Asia, Mishref and the GCC.

Europe-Asia connects Europe to Japan, Mishref complements Eurasia and the GCC complements Mishref which is in the Middle East. These three plans are authenticated by the United Nations and also Kuwait. Kuwait is moving forward with that plan to confine it to the GCC. Of course, if you cut one of the countries, you jeopardize the plan. Kuwait is in the centre of the plan, it is extremely important. In fact, one of the main depots is in Kuwait, so the private sector and the government is looking forward to it as it will be an indirect way of increasing revenue.

IFC Reports: What benefits do you think foreign companies can provide to Kuwait to help sustain this development plan in terms of technology and knowledge, specifically from the US?

Dr Hussain Al-Sayegh: There are many contractors in the US that we can use; they are already talking to some. The Canadian rolling stock is one of the most famous systems or wagons that are used. The Calf, one of the most important rolling stock, which is the carts and rails, is manufactured in Illinois or Chicago, they are Europeans but have the main unit in America and there are many other manufacturing companies.

Rail is divided into rolling stock, infrastructure and the civil, which is the rail, gauges and the track, and the electromechanical which is the electrification, signal and communication system. We need to be parallel with the world, with Europe and America in that system. So, we start from the upper level, not the lower level, because the rail network needs a very strong signalling and communication system. And that's how you complement the language of rail. If you don't have the same signal system, you cannot use the rail elsewhere in the world, you have to be parallel with that system. Like when you fly, you cannot fly your aircraft without talking to other navigation towers; you have to speak their language. It is one international language. In rails also, you have to speak that language. And US-based companies have been doing this for many years, so we will import their language and their knowledge from them and implement it in Kuwait, the four tracks for metropolitan use and one track for our international network.

IFC Reports: Looking now at real estate, when we look back at the height of the boom in 2007, the construction sector contributed 1.8 percent to GDP, while in the UAE it registered 9 percent. Of course, the global economic downturn affected the construction sector all over the world with reduced financing, and Kuwait was no exception to that. What is your assessment of the situation now?

Dr Hussain Al-Sayegh: Historically, Kuwaitis love real estate; just like some old ladies who love gold, keep it under their pillow and sleep. Kuwaitis are like that; they buy real estate and put it under their pillow. This is a fact, Kuwaitis don't bother about two dinars here and there; they just buy real estate, that's the first thing they buy. So, for that portion of the nation, not the government, we feel the companies, the private sector has to build Kuwait when the government is not building.

When you see the civilization of any country, you see the infrastructure and buildings, you say 'wow, the airport is nice, there are towers'. That is how humans evaluate a civilization of the country. 'Oh, they have bridges, suspension bridge, split bridges, they have good roads and all.' The private sector has built all this and this is how important they are for them, they use innovative ways to assimilate with international markets, they come with architectural schemes and something new to remain parallel with international trends.

I don't want to criticize any country, but you don't create a space program until you have a need or have niche for it. You cannot build for nothing. Kuwait really builds what it needs, may be little less than what is needed, but that's how development comes.

When you compare our GDP with others, it may be lower, but in Kuwait is not like that, we are interested in sustained development. For example, when you think your house is becoming small, and you have kids, your daughter does not want to sleep with her sister in the same room, you need two bedrooms, and then you have to start working more, making more money and building a bigger house to accommodate everyone or find a house that you all fit in. This is the norm.

The private sector had started building. The government came with the money later; it has served as a father for everyone and took care of everything. But before that, the private companies did everything, built everything. We started first, the government came later after oil and with money and said guys, I have the money, we will do everything, we will take care of education, health, infrastructure and all. Then they relaxed and we have had the problems in recent years with bureaucracy, thus there has been little innovation in recent years.

We want to tell the government to please give it back to us, we can do better, innovate, assimilate and all. That's why we present initiatives to the government, and why they created PTB (Partnerships Technical Bureau), because they created a door to present initiatives and ideas to the government. PTB was created because many initiatives were being presented, I, myself, presented more than 25 initiatives, and that's when the government said let us make it fair and created the PTB.

In terms of the housing, hospitals, buildings and towers if you measure, you will find that there is little space. Let's not talk about commercial construction; it is drastic due to the impact of the credit crunch. Let's talk about the housing, there is very little housing for the nation, there is need for more housing and I criticize the government for being the only developer. It should allow the private sector to become a partner in building. We are telling them this and we are going to fight for them to allow us. If my son has more financial capability than others, he doesn't want to wait 10-12 years to get a government house or national housing as it is called here. My son can buy something if he has resources immediately and preferably in a better locality with better facilities and better technology. There is a need for more housing units and even investment buildings as there is very little space here and it is mostly occupied, and the

industrial real estate is also full. They are building three major cities to absorb this- Shigaya, Shahdadiya and Maiham.

Shigaya will have 1,000 units and will have 1,000-10,000 square meters of industrial zone. Then there is Shahdidiya and Maiham where they are building a scrap park. I am most optimistic about this as a very top level technological park for scrap yard for heavy industry and light industry is being built, it has a very good master plan and they already started construction.

There is a shortage of industrial real estate and there is lack of residential real estate for families and expatriates. Real estate for others like hospitals is also needed and they are working on it, because civilization is also measured by the number of beds in the country. There should be enough beds for the people.

There is a need for hospitals too and the government has decided to work on two schemes, but not with the private sector unfortunately. They are nine hospital extensions and eight new hospitals to be built. The Ministry of Health (MoH) is tendering the extension of nine hospitals, including the Amiri, Mubarak, Sabah, Adan hospitals and others, while the MPW is building eight hospitals, including a maternity hospital with a 1,200 bed capacity and Sheikh Jaber Hospital which also has a 1,200 bed capacity. So, we will have 7,000 beds from MPW and another 3,000 from MoH. This will really help development, because we cannot focus on one aspect and leave the others. Infrastructure is a complementary sector. You cannot focus on health and forget infrastructure. For building a hospital, for example, you need water, electricity. For water, you need desalination, sewage treatment and a purifier. You cannot build a hospital without a disinfectant system, because it will have a lot of waste from sick people and all. And all that polluted waste has to be discarded. You cannot build hospitals without considering the environment and the disinfectants require. They need services to enhance, and I hope Kuwait has thought of that complementary solution. I am sure it is coming.

These days, the Environment Public Authority (EPA) does not accept and approve the building of hospitals until you tell them how you will take the waste out and discard it and what kind of system you will use to dispose of it in order to ensure that the environment is not harmed. This is very good as we need a complementary solution. The health sector is doing very well, but we need to work on the commuting system. We need and we have to encourage a lot of people to come to Kuwait.

We hope development does not go on for just four years, we need factories and machines for these projects which are very expensive, but what are you going to do with it after four years, make them redundant? We have to think about this, and I will talk to Sheikh Ahmed Al-Fahad about this. You have to think because the redundancy will create a void and it will create a problem. At the end of the day, development in Kuwait is a beautiful thing for us; there are many of alternatives to pick from as investors for real estate. Private-private, private shareholding or public-private partnerships, we can work in PPP system or by ourselves, so there are lot of alternatives that we can juggle and determine which is the best.

IFC Reports: Moving on to Aknan Global now, the company over the years has gone from strength to strength and diversified into health care, education and all and even your geographical presence has increased. Can you give us a quick introduction and some background to the company?

Dr Hussian Al-Sayegh: Aknan incubated from our knowledge and experience, and we cover three major sectors. Aknan itself is the main holder and owner of real estate. We have a very strong sector in engineering which is my speciality, it is represented by a project management company and today, it is listed as one of the top companies in Kuwait in the field of project management. They are working with Kuwaiti airport management, they will soon hopefully sign a contract with MPW to manage a global project, they are working on industrial zones and they also have a lot of private sector projects handled by Kuwait United Development (KUD) which is led by my wife and established in early 2000. This company is the right hand for the owner to implement their idea. They take the idea, create a better model, do a program for it, work with a designer who is mostly chosen from abroad. That's how they work.

For example, if they are working on an industrial zone and they feel this industrial system is good, they put little tips and spices on it, they need a company that can think of that system and they bring a company that has done such an industrial area and cover with it a local company to help the Kuwaiti, that is what KUD does here. They give an offer to two-three consultants and do evaluations and present them to the owner. They will say, 'see, we have a couple of Americans, couple of English and a Singaporean,' and the owner chooses one based on the budget and the final look. They start working on the final design and after its completion; they do the same with the contractors.

For example, the cost is 200 million KD which a Kuwaiti contractor cannot do. So, they invite international companies and put them along with a local infrastructure company specialized in this field. And invite 15 and present to the CTC, they go through CTC and invite who they want. They are working as an honour whether government or private sector, it can be company or a person and they do all the engineering things to reach the target. This is what they did for the airport with me. This is my speciality but I give them the work. I am an engineer, not a project manager. I had a lot of people who participated; I said I don't want the same system, so they brought international designers to help, including a German designer. This is how they work and this is how KUD satisfies my engineering ego and satisfies my wife. She is an engineer and we have always worked together ever since she graduated. I felt like creating a company for her and she has been doing well.

They are always in search. They have lot of people from England and the US and from Asia, they have almost 110 engineers, they have worked in San Francisco and Los Angeles. It all depends on the client, depends on what the client wants. They go to Egypt, Asia, England America wherever it takes them, it is a system, if the client needs them to go there and have a look they will go. The client is comfortable with it. They built a port here, a factory there. It depends, their presence is not as aggressive as others in terms of marketing, but they do satisfy the client's needs.

We are concentrating on our country now. That is my decision. I don't want to go outside, I feel our government and country needs us more than others and they do appreciate what we do. If I do something, my name is there, while outside, I am just a number. We are focussing more on Kuwait and believe that we need to focus on development a lot more. This is my decision and I took it after the credit crisis. With due respect to all other countries, we need to develop our country before developing others. This is my decision and I am enforcing it with my people.

The other company is in the health and wellness industry. It started in 1991 after the invasion and within one of my father's premises. It was very well received in the market because my younger brother Khaled, brought an American system with American trainers. The US

Ambassador who came after Kuwait's liberation inaugurated it and it was a new era of clubs. It was received very well by the nation. There was a great demand to expand, the members and business requested for expansion, so in 2000, after 10 years, we thought we have to listen to the demand or we will miss the train, so we started expanding and began thinking about ladies and created tailor made centres for Kuwaiti ladies and other ladies with families, children, mothers and grandmothers to come together and do various activities. We kept expanding and now we have eight clubs. We have also exported the system to Qatar, Saudi Arabia and Lebanon so far and they are negotiating with Oman and the UK. Health and wellness is an important segment of human life. When we opened in 1991, we were accused of being arrogant; they said 'who goes to a club.' Today, the intellectual will think of training before his house, he will first chose work, training and then house, he will chose his house after work and club. This is a measure of civilization; this is a preventive step. Health and wellness, I think, is one step before hospitals, because if you create a strong healthy nation, you don't need many beds and many hospitals. This is a preventive step; this is how you address it to the nation, when you do marketing. You talk of how to get rid of heart problems, cholesterol, diabetes; we have the one of the highest diabetes and blood pressure cases per capita in the world, we are almost 16 percent diabetics.

Historically, heart diseases, blood pressure, all those come from the lazy nations. If they move, they will not have even obesity in kids. That is why training is created with all kinds of entertainment and education in sports, so that there is more enjoyment like making kids eat chocolate but healthy chocolate. This is how they are convincing the nation, it is moving along very well. The company has been listed in the stock market for the last four years now, it needs some more time, we have profits, but its share is less than its value. People don't understand these services, but anyway, we are doing fine, the stock market is something and the operation is something else. They are not related at all.

When we started the clubs and began expanding, we thought there was shortage of trainers and staff. Our graduates here in Kuwait go to engineering, business administration and linguistics universities but that's it. There is no second layer; such as sports management, entertainment management, exercise management, health science, food science, those issues are not there. That gave us the idea, why beg people from all over the world to come here. So, we thought we should start educating part of the nation in that segment to serve us and enjoy here. That's how the education idea started three years ago.

We want to build a university for sports, management and food. We got the preliminary approval from the Private Universities Council (PUC). We have reached to the final feasibility study and the next step is to start designing. We started thinking of universities that were ranked as the top 100 universities in the world and decided to choose one English university where I studied. This is where we started, and we are working with them today.

This is to educate the nation to think about doing the right things for their health. We need graduates to work and educate the nation from childhood to adulthood. We do lack such an entity and so, we need to produce an education sector to create a healthy nation to complement other sectors of society.

IFC Reports: You seem to be a very entrepreneurial character given what you've discussed and your company's journey of evolution. What would you say is the main secret to your success?

Dr Hussain Al-Sayegh: There is a saying ‘Necessity is the mother of all inventions,’ so when you need some something, you have to think, think and think until you get it. When I established the Discovery Centre, which is on the First Ring Road, my daughter Saba, was very small. This is before the war. I used to take her to play so that she comes back nice, calm and educated, but she used to come back screaming and going bananas. She would go round and round, come back and still cry. You spend money and the child still comes back and cries, so I thought let us create an entity for educational entertainment for kids. I presented a proposal to take on the theme style of centre for kids, and called it Discovery in 1994. I went around until the Touristic Enterprises Company (TEC) accepted the idea. I had the idea, made a design and TEC accepted, that is how Discovery came about.

I brought an entity from Canada to design the centre which is a mall for kids and it has a special area, exhibit centre, to learn and play with. For example, use power to generate electricity, get them thinking about astronomy, calculate speed, and use skills to build a house in a small construction field and so on. Kids come out with knowledge. It interests them and they come without screaming, sulking and moaning. We sold this company.

I also asked for a banking system for kids where they can open bank accounts. They agreed with Gulf Bank, Zainah and Mansoura and others. I think the main point is if you produce an idea you have to implement it right. It generally goes wrong because of infrastructure, people, training and all these three pillars need to be active, otherwise the platform crashes. This is why our current development plan is so important and needs to concentrate on the other two aspects, not just infrastructure.

IFC Reports: Mr. Al Sayegh it has been an absolute pleasure, thank you very much for you time.