

An IFC Reports Interview with

Sheikh Meshaal Jaber Al-Ahmed Al-Sabah, Chief, Kuwait Foreign Investment Bureau

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For our special report on Kuwait



IFC Reports: Kuwait has rapidly recovered from the economic crisis and GDP growth for 2011 is forecast at 4.7%. His Highness the Amir has repeatedly expressed his aspiration to diversify the Kuwaiti economy and position the country as a regional leader in financial and commercial services. What would you mainly attribute this rapid economic recovery to?

Sheikh Meshaal Jaber Al-Ahmed Al-Sabah: I strongly believe that the reason behind the quick recovery is our strong legal and financial system in Kuwait, as well as the timely and synchronized measures taken by both the monetary and fiscal authorities. The global financial crisis hit Kuwait like other countries in the world during the last quarter of 2008, causing a negative growth rate of -5.2% in 2009. However the country gradually absorbed the shock and started witnessing a shift towards positive growth, though at a moderate rate of around 2% in 2010, which is expected to rise to its pre-crisis level at 5.3% during the remainder of 2011. The Central Bank of Kuwait's rigorous supervision and oversight policy of the local banks, and financial institutions, along with several cash injection rescue packages passed by the Government of Kuwait, last of which the establishment of US\$ 3.6 billion property fund for a five year duration to support the real estate companies in Kuwait, that witnessed a loss of 40% of their market capitalization. Such measures have mitigated the severity of the impact of the crisis and controlled its encroachment into the real economy. Since the establishment of modern Kuwait, its prudent monetary and fiscal policies have always played a primary role in maintaining a strong macroeconomic performance.

IFC Reports: What do you consider are the main changes that need to occur in Kuwait in order to achieve the vision of H.H. the Amir?

Sheikh Meshaal Jaber Al-Ahmed Al-Sabah: One of the basic drivers needed in our country to fulfil the vision of H.H. the Amir, is to strengthen national resolve and citizens participation to actively pursue an innovative diversification policy of the economic and industrial base to reduce the dominance of oil revenues, and dependence on the financial returns on investments of our Sovereign Wealth Fund, the first SWF in the world since it was launched back in 1953. The current four-year development plan (2010/2011-2013/2014) with more than US\$ 102 billion expenditure is considered an ambitious blueprint that aims to achieve this vision by encouraging our domestic business community to competitively take the lead in new sectors and economic activities like the electricity generation and water desalination; added to that the tendency to forge *successful partnerships* with multinational investors through offering a host of mega PPP projects. From our side here at Kuwait Foreign Investment Bureau (KFIB), we are working to enhance our internal capabilities, utilizing incentives and guarantees provided by the current FDI law no. 8/2001 to attract more foreign investments into sectors like petrochemical industries, ICT, logistics, and the environment.

IFC Reports: Considering there are many agencies responsible for the attraction and retention of foreign investment, such as the Partnerships Technical Bureau (PTB) and the National Offset Company (NOC), what is the Kuwait Foreign Investment Bureau (KFIB) doing in terms of coordination with these entities to ensure an effective approach?

Sheikh Meshaal Jaber Al-Ahmed Al-Sabah: A Council of Ministers’ decision in 2005 has stated clearly the need to coordinate between the Offset program and KFIB, amongst other related government entities. A coordination committee was duly established with NOC to discuss matters of mutual concern and potential of Offset obligors benefiting from the incentives and guarantees provided under FDI Law no.8/2001 especially if the foreign obligor is interested in establishing a 100% owned closed shareholding company in Kuwait. We have recently established a similar coordination committee with the PTB in the hope of supporting their investment promotion efforts to target leading multinational companies to invest in a host of promising projects approved within the development plan. Such coordinating efforts with NOC and TPB aim to fulfil our mutual goals of ensuring the availability and development of modern technology, and supporting government efforts in creating job opportunities to absorb the increasing number of qualified Kuwaiti graduates. These goals are guided by the targets to be achieved at the end of the current development plan as seen in this table:

Kuwait Development Plan Targets (2010/2011 – 2013/2014)

| Technology | Jobs | Training | Private sector support | Streamline doing business | Support SMEs BOT projects |
|--|--|---|--|---|---|
| Raise R&D from 0.2% of GDP to 1.0% of GDP and to 2% afterwards | Raise share of nationals in the total workforce from 15.5% to 21% And in the private sector from 4.8% to 8% | Train a minimum of 3000 nationals annually to acquire needed skills | Raise share of private sector from 37% to 44% of GDP | Reduce procedures to establish a company from 13 to 4 and days from 35 to 6 And concerned parties from 6-18 to one stop shop | Support establishment of 150 SMEs and link to major projects + 50 BOT projects |

Base year 2008/2009

End Year
2013/2014

IFC Reports: What specific efforts could you highlight to us?

Sheikh Meshaal Jaber Al-Ahmed Al-Sabah: We are concentrating our efforts on streamlining the current procedures, for example in registering a company or issuing a construction permit, by eliminating existing barriers, and addressing artificial constraints to ensure a more

conducive business climate favourable for both domestic and foreign investments, whether these investments come through KFIB, NOC, PTB, or others.

IFC Reports: Talking about other changes occurring in the country such as the Privatization Law in 2010, there has been a divided consensus on the effect this could have on Kuwaiti employment, despite the benefits of creating more efficient companies. What is your opinion on this?

Sheikh Meshaal Jaber Al-Ahmed Al-Sabah: The government of Kuwait and the Parliament have spent elaborate time to assess the privatization process to avoid criticism, until a practical base was established and this legislation (Law no. 37/2010) was issued and put into implementation. In general the most serious concern remains the expected loss of employment. I can understand the fears of public employees of losing their jobs, and benefits. However the new privatization law provides guarantees in this regard. Furthermore, through privatization, Kuwaiti citizens will be partly owners of the privatized public entities. This is further supported by the expected auctioning for the first time of several companies under the development plan through the PTB, whereby 50% will be put as initial public offering (IPO) for underwriting by the Kuwaiti public, allowing the winning private investor (foreign or domestic) a share of 26% minimum, and the government a share of 24% maximum. There has always been a controversial stance between opponents and proponents of the feasibility of privatization programs worldwide. I personally believe privatization benefits in terms of efficiency and productivity gains exceed the social or economic costs.

IFC Reports: Another law passed is the Capital Market Law, which will introduce a Capital Markets Authority and the aim is to increase investor confidence and raise Kuwait's stock exchange to international standards. Do you think it will be effective in doing this?

Sheikh Meshaal Jaber Al-Ahmed Al-Sabah The approval in February 2010 of the Capital Markets legislation is perceived as a positive signal that has been long awaited to ensure greater transparency and regulation of the Kuwait Stock Exchange. This is also a welcome step to compliment the needed financial infrastructure that supports H.H. the Amir's vision to foresee Kuwait as a leading financial and commercial hub. Under this law, a Capital Markets Authority will be founded and it is expected to start operations shortly adhering to international standards. Kuwait is the first GCC country with a proper stock exchange (SE) and has enjoyed the status of being the most active or dynamic Arab stock market in terms of shares traded until 2010 when Saudi Arabia took over. It also hovers between second and third place in terms of stock market capitalization, following Saudi Arabia SE and alternating with Doha SE

IFC Reports: Speaking more specifically about Kuwait Foreign Investment Bureau, it was established by Amiri Decree in 2001 and then became operational in 2003. Could you please describe how important the bureau is to attracting foreign investment into Kuwait?

Sheikh Meshaal Jaber Al-Ahmed Al-Sabah: KFIB serves as the first entry point for foreign investors in the country. It assumes the role of an investment promotion agency with a clear mandate to market Kuwait as an investment location, attract quality foreign direct investment (FDI) into Kuwait, and facilitate the process of issuing investment licenses for FDI projects approved by the Higher Investment Committee headed by the Minister of Commerce and

Industry himself. As part of the Ministry of Commerce and Industry, KFIB works closely with the Ministry and other concerned government entities to streamline the business environment and reduce bureaucracy. KFIB has approved US\$ 1.2 billion investments, 90% of which are in the manufacturing industries especially petrochemicals, 7% in services mainly branches of major international banks (Citibank, BNP Paribas, HSBC).

In order to achieve the goals of technology transfer, jobs creation, training, and support of the domestic private sector, the Bureau is entrusted with powers to grant several incentives to investors including tax holidays for ten years, full or partial customs exemptions, opportunity to set up a Kuwaiti company without a local partner with up to 100% foreign ownership, help with obtaining land, facilitating procedures, allowing hiring of needed foreign employees for the project, providing guarantees against expropriation, protecting freedom to transfer capital and earnings, and preserving proprietary project information. Furthermore, KFIB is taking positive strides to consolidate its position to provide these services by opening “ a one stop shop” with proper e-links to serve as a focal point for investors to improve the overall doing business environment. It is in the process of preparing the country’s first “Investment Map”, and engaging in developing 3 Economic Zones in *Abdali, Wafra, and Shagaya*. KFIB is undertaking intensive capacity building to enhance its internal capabilities by automating its operational processes and seeking high-end staff training, to be able to perform its image building, investor targeting, and investor servicing activities more efficiently, with professionalism and transparency.

IFC Reports: Considering our report will be initially published in the United States of America, what opportunities for growth and further cooperation do you envisage between these two countries?

Sheikh Meshaal Jaber Al-Ahmed Al-Sabah: There are several opportunities that present themselves for the American companies in widespread activities relating to utilities, environment, renewable energy, R&D, electronics industries, metro, railway, airport / ports development, health care, logistics, among others. I would particularly refer to an existing success story with *Dow Chemical Company* tripartite partnership in the multi-billion dollar *Equate Company* in Kuwait, producing over 5 million tons of petrochemicals annually. This exemplary project has contributed to lay the ground to eventually develop a full-fledged thriving and competitive petrochemicals cluster in the country. It could not have been done without the support of our American partner who provided technology transfer, settlement of advanced knowhow, adoption of state of the art managerial and administrative practises.

IFC Reports: Kuwait is competing with Qatar, UAE, Saudi Arabia and others for FDI. What would you say are Kuwait's competitive advantages?

Sheikh Meshaal Jaber Al-Ahmed Al-Sabah: Why Kuwait? Well in simple terms Kuwait enjoys several attributes when compared with other GCC countries that make its unique value proposition as a favoured destination for investment and modern living, despite the hot months of the summer.

The GCC countries enjoy several common features, nevertheless Kuwait has more of a track record and extensive experience long before others in the region acquired it that it can always capitalize on and revive.

These competitive attributes include location, access to neighbouring and hinterland markets of one billion people, well-rooted democracy, political stability, law enforcement, deep integration, a favorable regulatory system, highly educated manpower, rising entrepreneurial practices amongst Kuwaiti youth, prominent role of women in economic, social, and political affairs, developed healthcare services, adequate infrastructure, extensive relations through bilateral and multilateral agreements, rich oil resources especially utilizing oil as feedstock for industrial purposes, and a rich cultured life.

On the soft factors side, Kuwait has always been an open economy with strong historical commercial links to almost all major world markets. The Kuwaiti people enjoy a welcoming disposition, and friendly nature with appreciation to various cultures, and religions. There are a lot of firsts that Kuwait enjoyed once. Kuwait used to be named the *Pearl of the Gulf*. We are all now working hard to regain this pioneer status and live up to that reputation.

IFC Reports: Do you have any final comments or message you would like to send to our readers concerning the celebrations underway this year, the Development plan or even about the Kuwait Foreign Investment Bureau?

Sheikh Meshaal Jaber Al-Ahmed Al-Sabah: I would like to extend a hearty invitation to our friends in the USA to venture into exploring the lucrative chance that presents itself in Kuwait, blessed with stability and democracy, to take advantage of its unprecedented multi-billion dollar development plan, with hundreds of viable projects and investment opportunities covering crucial sectors. The USA is a close friend of Kuwait and a major trading partner, whom we can benefit from its leading position, not only in size of its GDP, but by the driving force of entrepreneurship and innovation it nurtures and disseminates into the global economy. We have adopted the slogan at KFIB: *A Better tomorrow...starts today*, so come and be part of the enunciation of this leap forward.

IFC REPORTS: Sheikh Meshaal, it has been an absolute pleasure, thank you very much.

