

OBJECTIVE ONE: *ARTICULATION OF KUWAIT 2035 VISION AND CORRESPONDING OPPORTUNITIES*

25TH SEPTEMBER, 2016
UNDP AND GS-SCPD

IMPACT OF STATUS QUO IN KUWAIT

There is an urgent need to change in Kuwait, driven by declining GDP per capita, overdependence on oil and growth in public expenditure

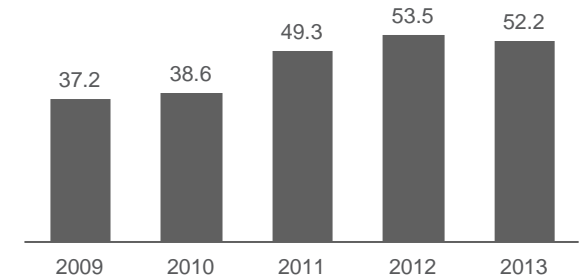
Key areas of urgent concern

- **Massive oil dependency** – oil revenues account for 95% of government revenues, and over 50% of GDP
- **Excessive growth in public expenditure** - Kuwait's budget has grown by 600% in the past 13 years, with 30% of budget dedicated to salary & wages and around 20% to subsidies
- **Political obstacles to development** – recent political instability has blocked or delayed crucial social and economic projects worth billions of KDs in urban development, infrastructure, health & education
- **Labor market imbalances** – Kuwait's struggling private sector cannot compete with a public sector that employs 80% of the national labor force
- **Acute public health challenges** - Kuwait is the 10th most obese country in the world, and has the 10th highest prevalence of diabetes, causing public health risks that could have tremendous social and economic costs medium-term
- **Growing real estate crisis** – demographic growth and restrictions on the real estate market are causing rising pressures on Kuwait's housing stock, with up to 20 years wait time for access to public housing

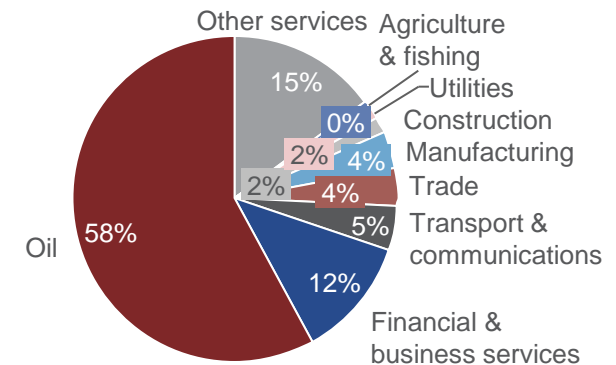
Source: TICG analysis, NBK, World Bank

Key economy metrics







GDP per capita
2009-13, current USD '000s



GDP by segment
2013



If the status quo continues, Kuwait will face crises in multiple sectors, including government reserves, subsidies and public wages

Dimension for urgency	Future scenario
Economy 	<ul style="list-style-type: none"> • With current expenditure growth and oil prices there will be an imminent deficit and risk of depletion of the general reserve • Deficit is expected to be reached in 2015 and the general reserve depleted by 2020
Health 	<ul style="list-style-type: none"> • Without reform in healthcare, the social crisis will worsen with strain on healthcare as diabetes prevalence spreads across population • Increasing diabetes will cause higher costs, with USD 3.3Bn diabetes-related spending by 2035
Unemployment 	<ul style="list-style-type: none"> • Unemployment will rise unless public or private sector job creation increases dramatically • Growing public sector employment to absorb new workers is not sustainable and there will be an increase in unemployment levels if non-oil growth levels remain constant
Subsidies 	<ul style="list-style-type: none"> • Without energy subsidy reforms there will be a dramatic rise in costs of energy subsidies • KWD 8Bn of electricity subsidies are expected to be paid in 2035, even if the growth in cost of production slows and market prices for electricity increase
Congestion 	<ul style="list-style-type: none"> • Current trends point to sharp rise in congestion in the nation's land, sea and air networks • Assuming the current trend in road building continues, congestion on the roads will increase 37% by 2035, even if the annual growth rate of number of vehicles halves
Public Wages 	<ul style="list-style-type: none"> • If the current public sector wage bill grows at the historic rate, it will reach KD 24Bn, more than three times the current bill, by 2025 • This includes promotions, wage increases and increase in number of employees

Source: TICG analysis

With current expenditure there will be an imminent deficit and risk of depletion of the general reserve



Estimated year of budget deficit based on different oil prices (USD / barrel)

Growth of expenditure (%)	40	45	60	70	80
7%	2015	2015	2015	2015	2019
5%	2015	2015	2015	2015	2021
2%	2015	2015	2015	2017	>2050
0%	2015	2015	2015	>2050	>2050

Estimated year of depletion of the General Reserve based on different oil prices (USD / barrel)

Growth of expenditure (%)	40	45	60	70	80
7%	2020	2021	2021	2023	2027
5%	2021	2022	2023	2025	2031
2%	2023	2025	2028	2038	>2050
0%	2029	>2050	>2050	>2050	>2050

Source: Kuwait Development Plan 2013/2014, Quarterly Follow-up Reports, Kuwait Times

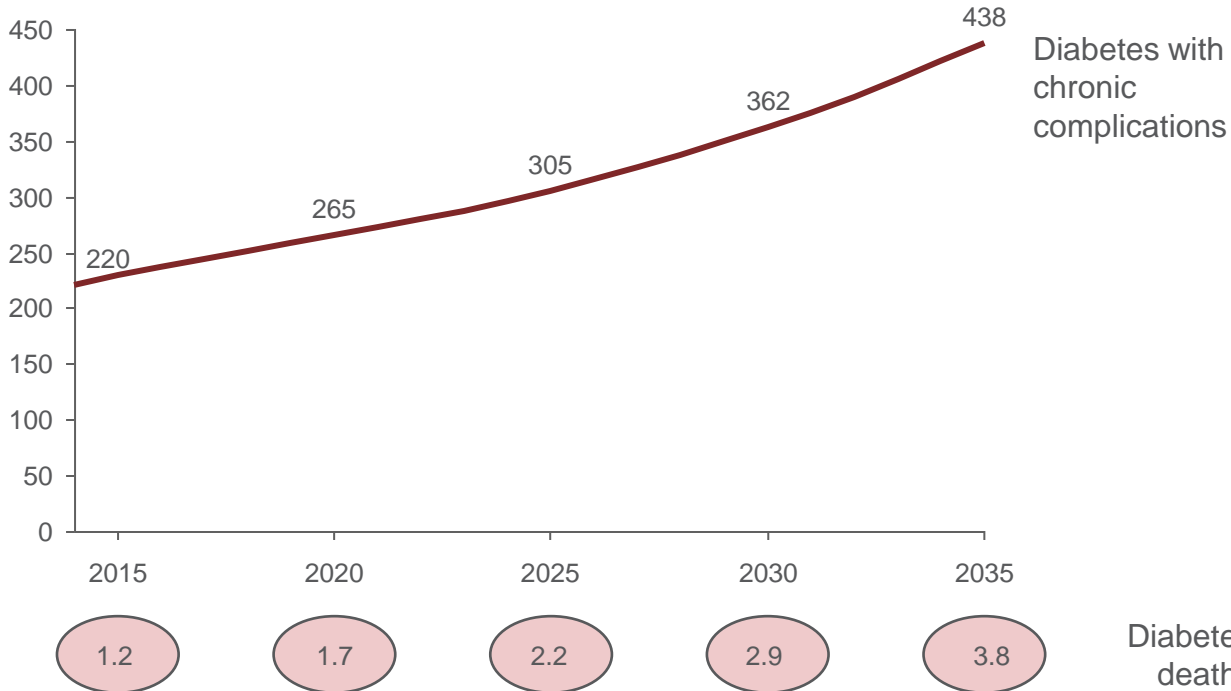
1. Assumes the continued growth of public spending at 7% p.a. and the growth of non-oil revenues at 5.5% p.a. and oil production by 3MM barrels / day; oil production growth is at 2% annually over the next period, note growth in public spending over the last three years has been 9.4%; 2. Investments are up to 31/-Dec-14 and have been pro-rated for full year

Without reform in healthcare, the social crisis with worsen



Key healthcare metrics based on status quo

Projected growth of diabetes related deaths and chronic complications In '000s



2035 outcome

3.8K
diabetes-related deaths
in 2035

Comments

- Strain on healthcare as diabetes prevalence spreads across population
- Increasing diabetes causes higher costs: USD 3.3Bn diabetes-related spending by 2035

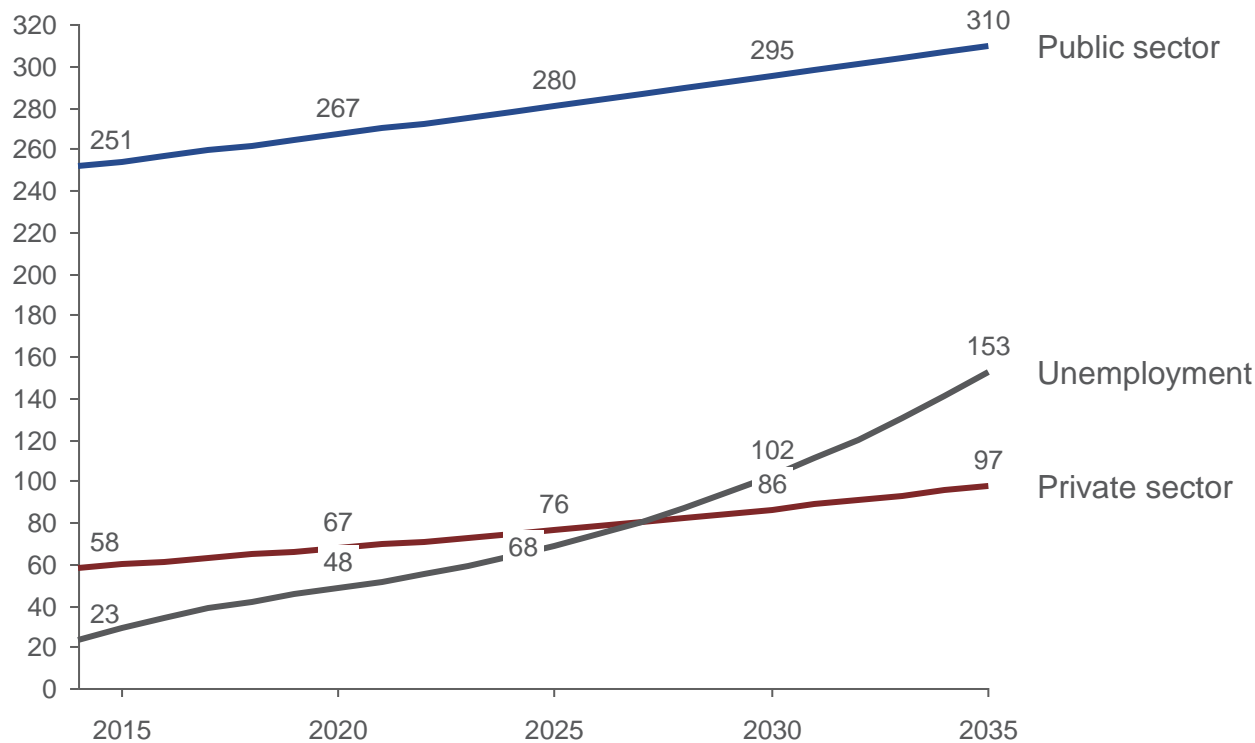
Notes: Assumed growth of diabetes prevalence rate as per growth in 2013-2014 and assumed small portion of undiagnosed cases being diagnosed in the future (0.5% up to 2025 and 1% up to 2035). Assumes mortality rate to grow based on growth 2011-2014 and chronic complication rates for diabetics to continue at historic levels (52%)
Source: World Bank, IDF, HQLO, TICG Analysis

Similarly unemployment will rise unless public or private sector job creation increases dramatically



Key employment metrics based on status quo

Projected growth of unemployment and public / private sector employment In '000s



2035 outcome

27%

of labor force
unemployed

Comments

- Growing public sector employment to absorb new workers not sustainable
- Rise in unemployment levels if non-oil growth levels remain constant

Notes: Covers all types of unemployment (<6 months, 6-11 months, >12 months). Assumes employment in the government sector to grow with 1% per year, steady growth of employment in the private sector, based on last 4 years (average ~2%) and overall labor force to grow at same pace as work force (population between 15-65)

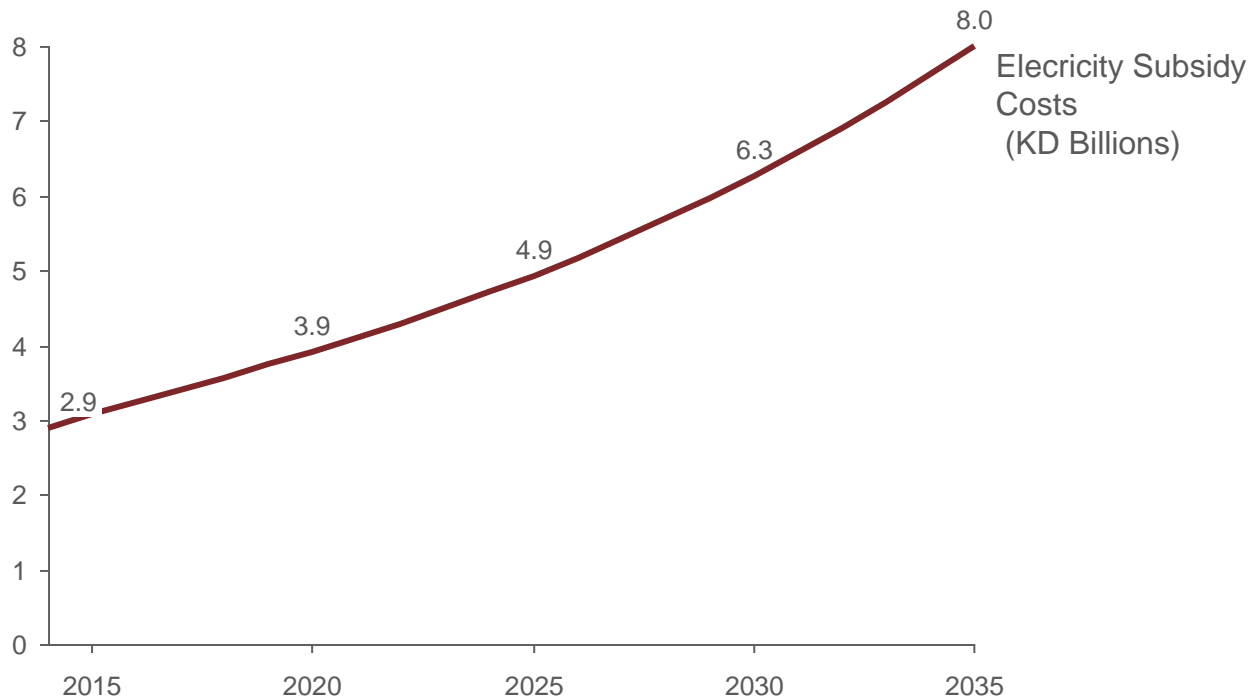
Source: World Bank, Central Statistical Bureau of Kuwait, TICG Analysis

Without energy subsidy reforms there will be a dramatic rise in costs of energy subsidies



Key electricity consumption metrics based on status quo

Projected growth in government spending on electricity subsidies In KD Billions



2035 outcome

8Bn

paid in electricity
subsidies in 2035

Comments

- Rise in costs of electricity production is assumed to slow down after 15% per year average 2005-2011
- Market prices for electricity are assumed to rise from 2 fils per kWh to 5 fils per kWh in 2035 to allow for limited subsidy reforms

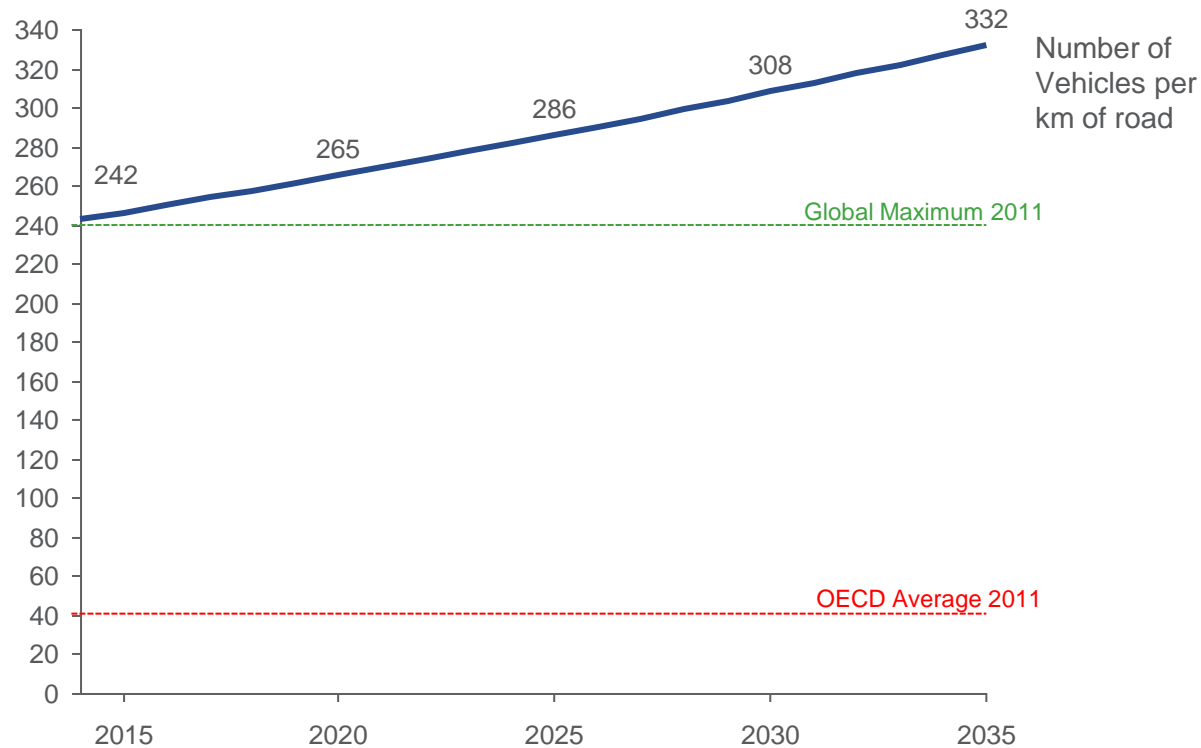
Notes: Assumed growth of electricity production costs set at a conservative 3%, compared to 15% avg annual growth (2005-2011). Market price for electricity assumed to grow at 10% per year, to account for any partial reforms on subsidies that would raise the price. The growth rate of electric power consumption per capita is set at 0% compared to -0.62% avg over period 2005-2013
Source: World Bank, Oxford Institute for Energy Studies, and TIGC Analysis

Current trends point to sharp rise in congestion in the nation's land, sea and air networks



Key infrastructure usage metrics based on status quo

Projected motor vehicle density per network length (vehicles/ km of road) 2015-2035



2035 outcome

37%

Increase in congestion
on roads

Comments

- Post-2014 annual growth rate of number of vehicles is assumed to be half of the average annual growth rate experienced 2003-2014

Notes: The assumed growth rate for Kuwait's road network (km's of road) is set at the average actual growth rate 2004-2013 (2.7%). The assumed growth rate for the number of vehicles is taken as the average of (1) the average actual growth rate 2004-2013 (5.9%) and (2) the projected average growth rate of Kuwait's population until 2035 (2.64%).

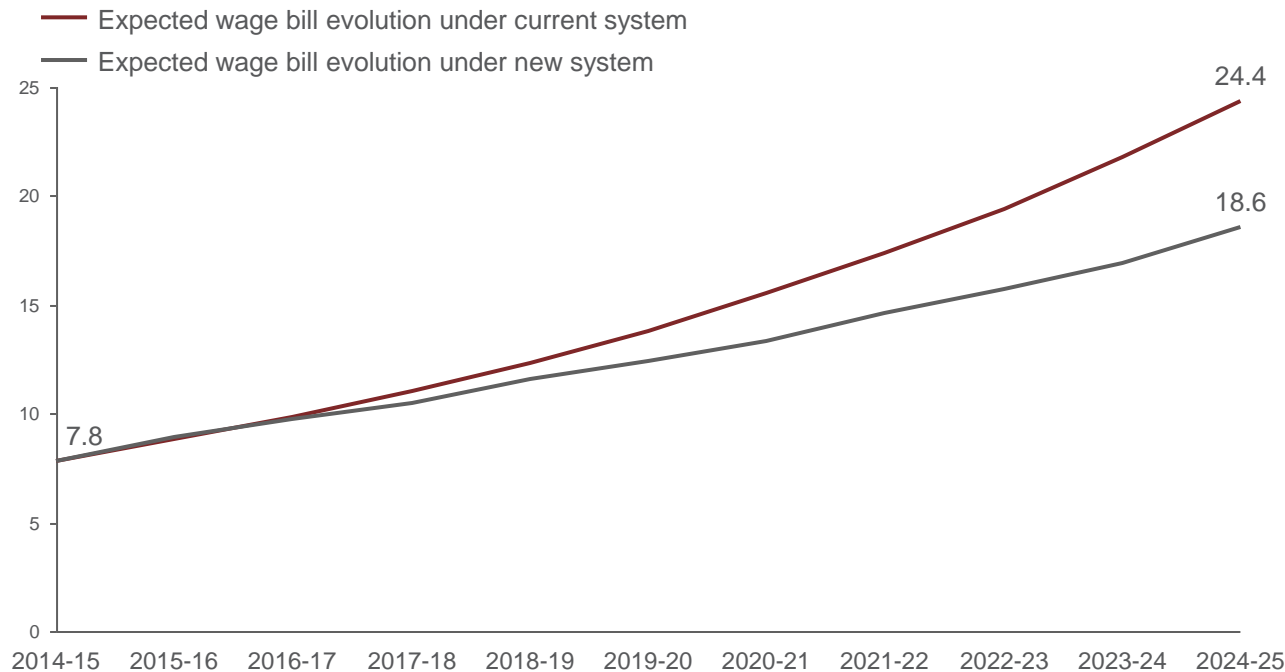
Source: World Bank, Central Statistical Bureau of Kuwait, TICG Analysis

If the public sector wage bill grows at same rate, it will reach KD 24Bn, more than three times the current bill, by 2025



Key public sector metrics based on status quo

Projected growth of public sector wage bill In KD Bn



2025 outcome

24 Bn

Public sector wage bill in 2025

Comments

- Assumes wage bill grows at historic rates
- Includes promotions, wage increases and increase in number of employees

Non-oil private economic development needs to be supported to pick up some of this burden through diversification, increasing competitiveness and lowering barriers to entry

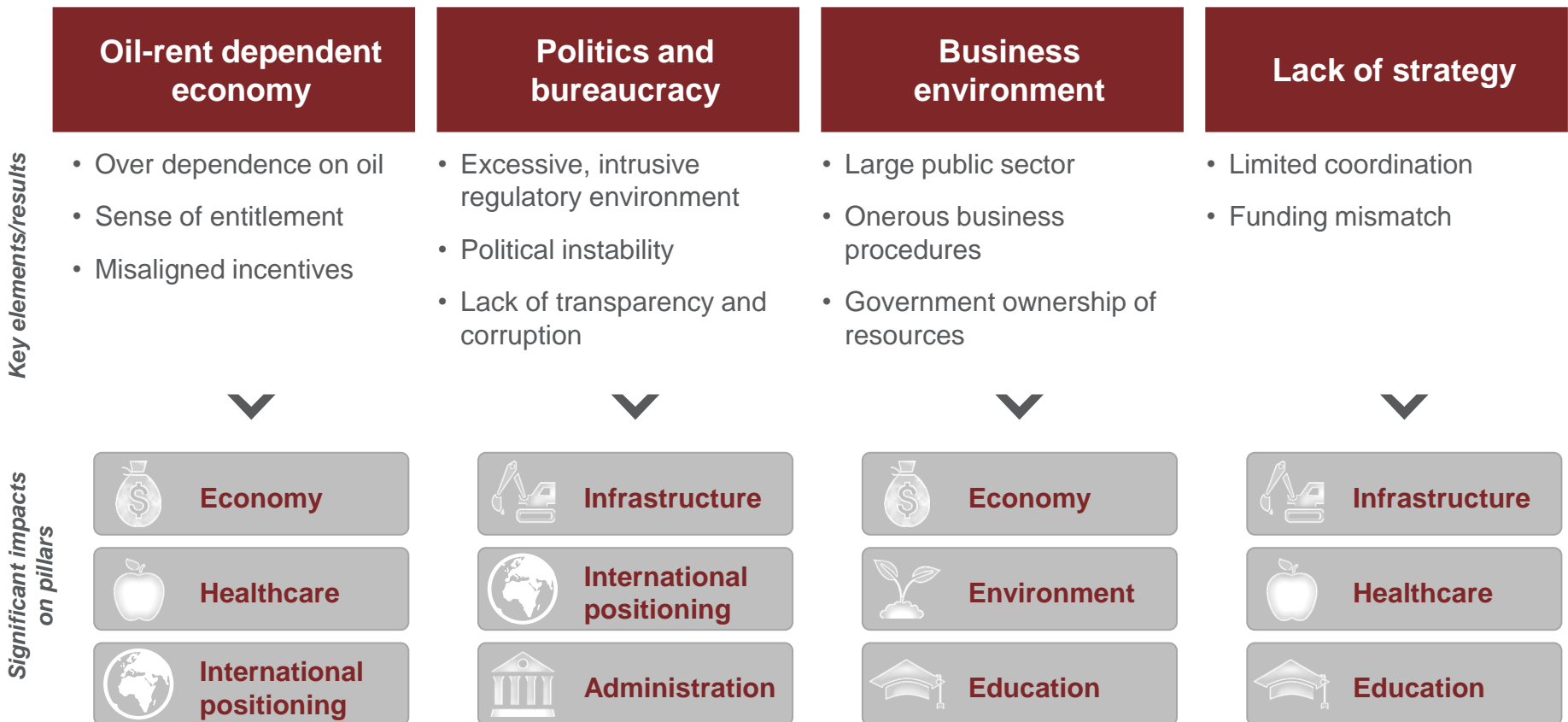
Notes: Assumes annual growth rate is the CAGR from 1990-2014 by employee type; includes promotions, wage increases and increase in number of employees

Source: Ministry of Finance wage bill historic data, TICG Analysis

CHALLENGES TO CHANGE

There are four major barriers to change which have impacts across the Kuwaiti economy

Major barriers to change in Kuwait



Source: Herb "Nation of bureaucrats"

Significant challenges & opportunities underpin the creation of a vision

 External factors

Unpredictable oil revenues*

- 50% of GDP
- 95% of government revenues
- 45% decrease in price



Governance & administrative issues

- *Project delivery is insufficient*
- *Lack of ownership and accountability*
- *Shortcomings of political systems and social contract*



Public employment growth

- *Government absorbs 80% of the Kuwaiti labor*
- *High salaries and benefits*



Regional & global challenges

- *Regional & global change in trade and security relationships*
- *Iraq & Iran are further isolated and need partner*



Dwindling private sector engagement

- *Not a diversified economy*
- *Business environment not conducive to private sector*



Slumping population health indicators

- *Top of the world rankings in obesity and diabetes.*
- *30% of Kuwaiti adults are considered obese*
- *15% of Kuwaitis have diabetes*



Sub-par educational offerings

- *Limited preparation for private sector*
- *Fails to produce advanced qualifications & skills*



Overarching perception challenge

- *Negative global perception*
- *Seen as "falling behind, the country of missed opportunities."*



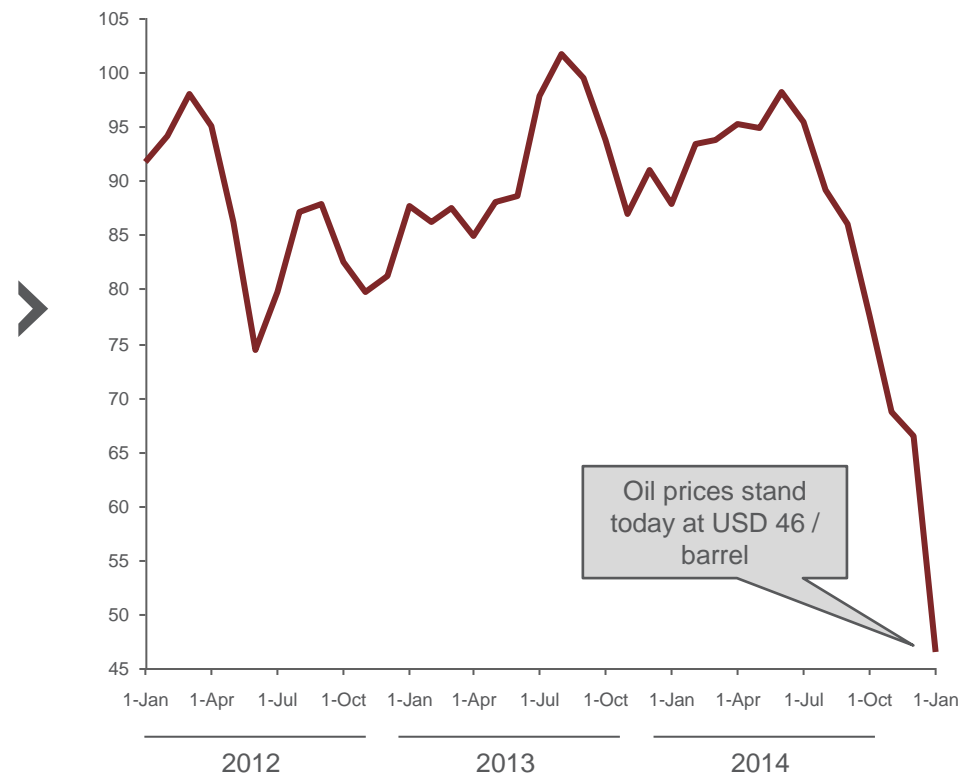
* as of 2014/15 budget

Contracting oil revenues and Kuwait's high dependency on it is putting a major pressure point on public spending and budgets



- Uncertainty in oil prices
 - Will continue to be a source of energy
 - Volatility is expected to maintain
 - Limited possibility of regaining old price
- Insecurity about expansion in oil capacity
 - No progress on planned expansion
 - Today's capacity at 2.9-3MM barrels per day
 - Planned capacity 4MM barrels per day
- Falling production per capita
 - 2014 stood at 750 barrels p.a. per capita
 - In 2035 will fall to 360-550 barrels p.a. per capita
 - Reflect reduction of wealth per citizen

Nominal oil prices
2012-2015



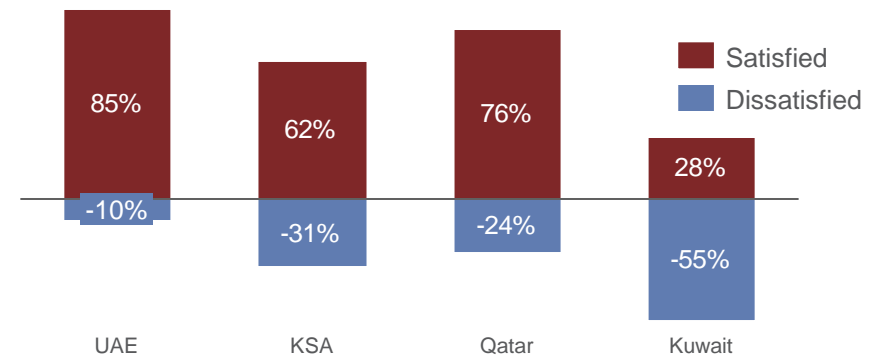
Source: OPEC Stat, EIA, TICG analysis

Kuwait lacks the ability to deliver due to internal governance issues, misalignment between different parties and no accountability

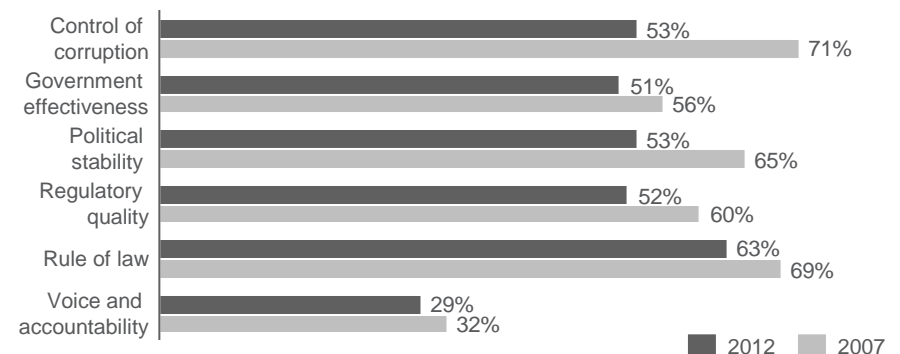


- Challenge not new
 - Historically identified multiple issues but no concrete action to resolve them
 - Actions plans developed but lacked delivery mechanisms
 - Overall system transparency increased corruption
 - Vested interests and “veto players” are hampering overall reform
- Suspected drivers are many
 - Kuwait’s democratic systems is not well balanced between benefits and responsibilities
 - Public officials don’t take ownership or are held accountable for results
 - Social contract current in place has multiple shortcomings
 - Weakness of overall administration driven by organization, procedures and resource allocation issues

How satisfied are you with your government’s response to economic challenges in your country?



Governance indicators (percentile rank)



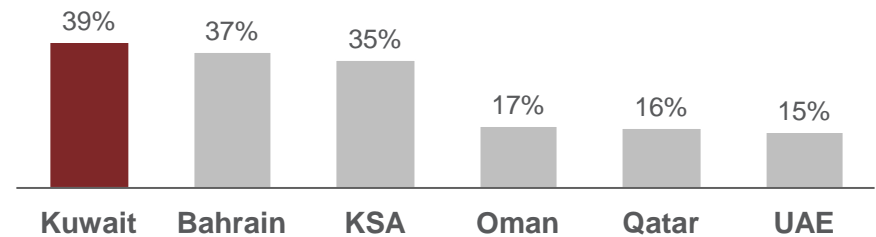
Source: Zogby/OW 9th GCC Business Confidence And Government Reform Survey Jan 2014, TIG analysis

A population whose 80% of the national workforce is employed by government in a quickly changing environment is not sustainable

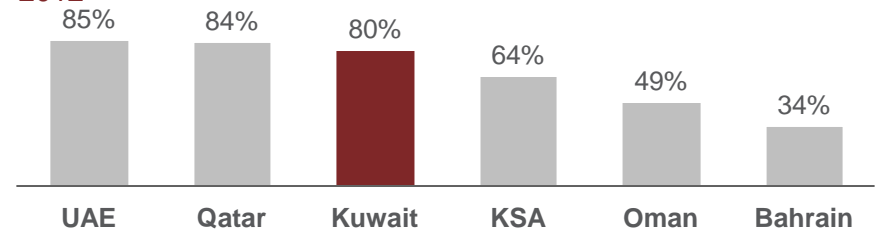


- High public sector employment
 - Top employer of nationals
 - Wage bill growing at 15-18% annually
- High salaries with a growing trend
 - Salaries increasing on average 12% annually driven by allowances and cadres
 - High level of transfers in the form of early pensions, welfare payments and subsidies are also triggering tremendous growth and are part of the overarching Kuwaiti social contract
- High risk on government budget
 - Workforce will double by 2035
 - Oil production is expected to increase by 50% by 2035
 - Avoiding political chaos strife would become the number one priority in case of deficit

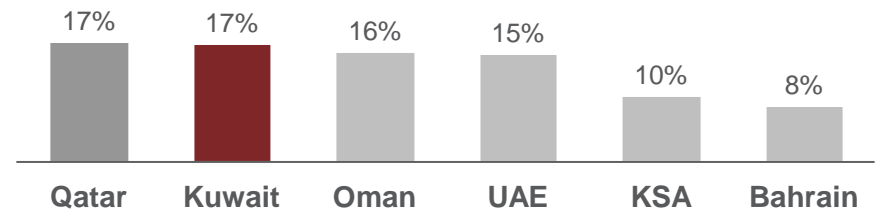
Government wage bill as % total government expenditure 2012



% of local workforce employed by the public sector 2012



Annual growth rate of the wage bill (last three years)



Source: TICG Analysis

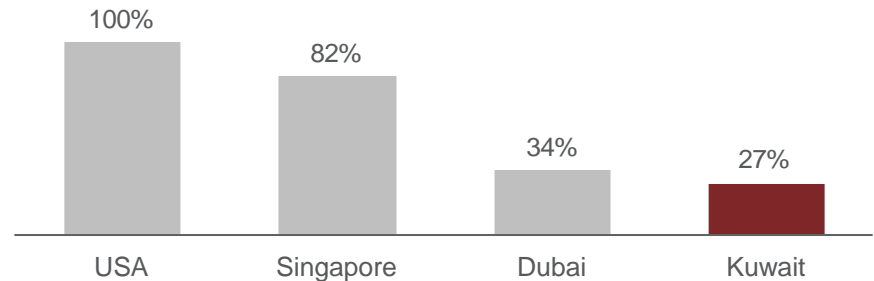
Slowing down of the entrepreneurial spirit in the private sector is increasing the risk of a highly oil-dependent and un-diversified economy



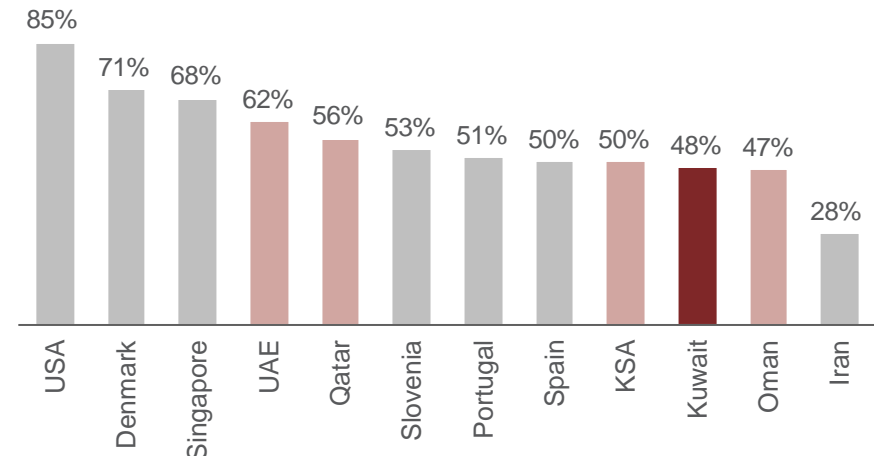
- Diversification
 - Non oil diversification not achieved
 - Non oil revenues constitute >80% of government budget
- Ease of doing business
 - Kuwait ranks 86th in global doing business
 - Kuwait ranks 150th in starting a business
 - Kuwait ranks 130th in enforcing contracts
 - Environment not conducive for private sector
- Foreign ownership & investment
 - Still restricted, although liberal on paper
 - Lacks implementation and enforcement mechanism



Productivity by country
Indexed on US productivity



Global Entrepreneurship Index 2015



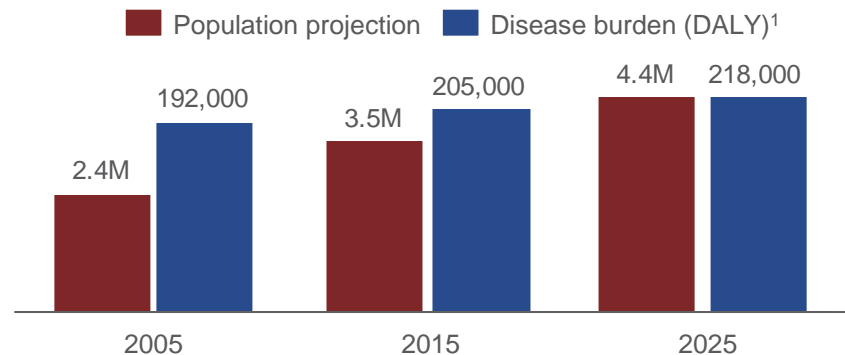
Source: OPEC Stat, EIA , GEDI, TICG analysis

Kuwait health indicators are plummeting and may be the biggest risk for the nation's overall future economic & social development

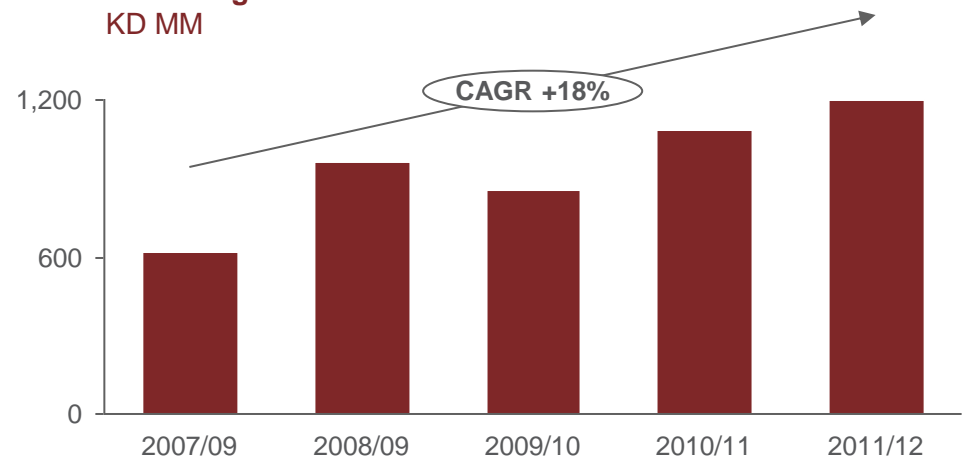


- Skyrocketing diabetes prevalence
 - Prevalence rate is expected to be between 18-25%
 - Expected to grow by 30% over the next 2 decades
- Significant increase in hypertension & cardiovascular disease
 - 38.4% of the population show raised blood pressure
 - Driven by bad diet and limited exercise
- Epidemic rate of comorbidity
 - BMI indicators over 30 is at 42.8%
 - BMI of overweight covers 79.3% of the population

Disease burden and population growth



MoH budget KD MM



Note 1: DALY= disability-adjusted life years according to BMI

Source: WHO, UNICEF, ESCWA, Kuwait stats, TIMSS, UNDP Development Indicator , American Diabetes association, TIGC analysis

Kuwait educational performance is preventing the true economic potential of the nation from being realized

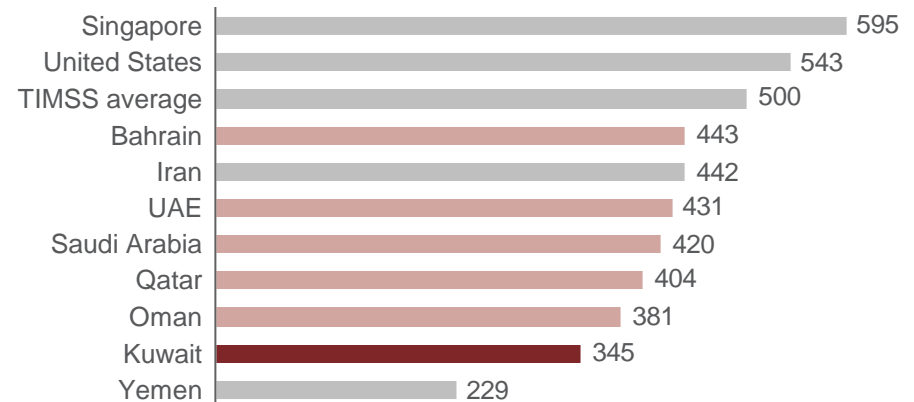


- Falling basic standards
 - TIMSS¹ scores 1995 and 2007 shows no significant improvement
 - Average scores fall in the last quartile compared to global averages
- Weak outlook
 - Low university enrolment rate in Kuwait (27% as opposed to 84% in Korea)
 - Labor market structure does not provide incentives for most Kuwaitis to pursue a higher education.

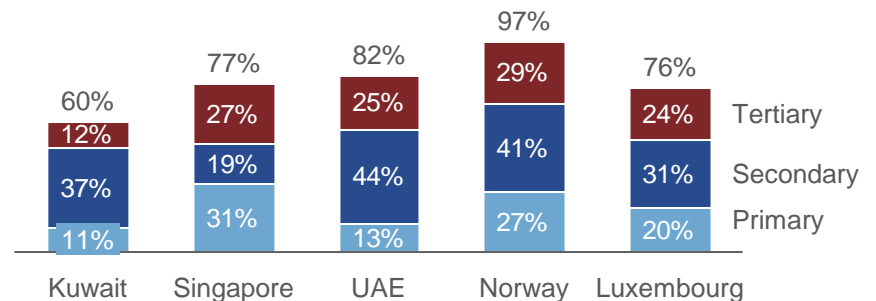


TIMSS scoring

2011, Average of 4th grade mathematics and science scores



Population by educational status²



Note 1: Trends in International Mathematics and Science Study

Note 2: Latest available data used: Kuwait 2005, Singapore 2013, UAE 2009, Norway 2012, Luxembourg 2011

Source: IEA, TICG analysis, BMI

Kuwait is in a midst of regional and global storm, with quickly changing geo-political borders and economic powers which may present a better positioning opportunity



- Regional & global changes
 - Turbulent Levant region
 - Growing Islamic state in Syria
 - Unrest in Yemen & Libya
 - Power struggle between Russian, USA, China & Iran
- Biggest opportunity with neighbors
 - Constraints on neighbors opens an opportunity for Kuwait
 - Collective population within 1.5 hours of flight equivalent to ~ 150 million
- Best positioned to maneuver
 - Historic peace-making role
 - Diplomatic ties not severed
 - Historical and cultural ties with Iraq, Iran & Saudi Arabia position Kuwait well



Kuwait suffers from an internal & external perception challenge that has limited its ability to compete on the international scene

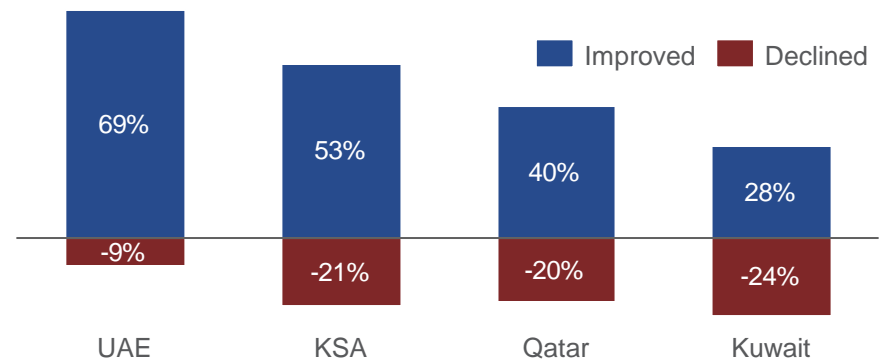


- Perception challenge persistent
 - Seen as detrimental to Kuwait
 - Lead to being marginalized by companies, institutions, business men and others
 - This perception, if sustained, negative impact on the nation will only be multiplied

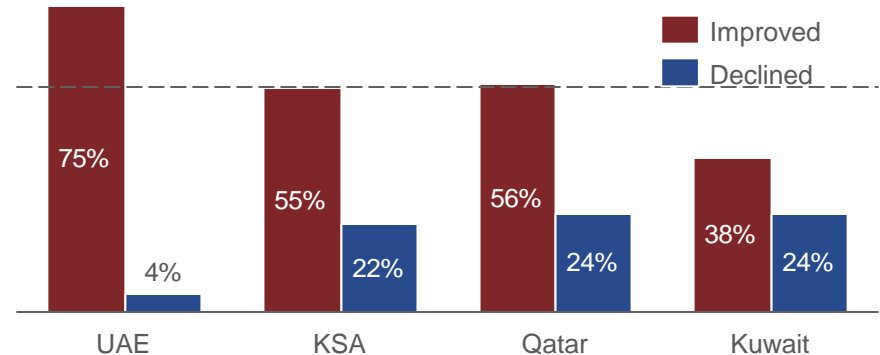
“While others in the Gulf have powered ahead, attracting foreign investment and developing infrastructure, Kuwait has stagnated, frustrating the people of a country once seen as a Middle East trailblazer.” ~ Reuters 2014



How has business confidence in government institutions changed over the last year? (2014)



What is your view of the current business conditions in your country versus what they were a year ago?



Source: Press search, Zogby/OW 9th GCC Business Confidence And Government Reform Survey Jan 2014, TICG analysis

Collectively these challenges provide a platform of opportunities to tackle as we rollout vision 2035

 External factors

Unpredictable oil revenues

- Focus on diversifying the economy into non oil revenues
- Improve government sources of revenue



Governance & administrative issues

- Improve overall transparency and processes in operations
- Resolve national gridlock in policy setting and delivery



Public employment growth

- Incentivize employees to move to the private sector
- Deploy constraints on public budget & improve productivity



Regional & global challenges

- Develop strong links with neighbors on the economic and political levels
- Adopt role of peacemaker



Dwindling private sector engagement

- Focus on key sectors with targeted supportive regulation, policy and incentive
- Encourage entrepreneurial activity by improving env.



Slumping population health indicators

- Invest in preventive medicine for all citizens
- Improve lifestyle, medical venues and overall happiness



Sub-par educational offerings

- Develop the correct skills required in the public & private sectors



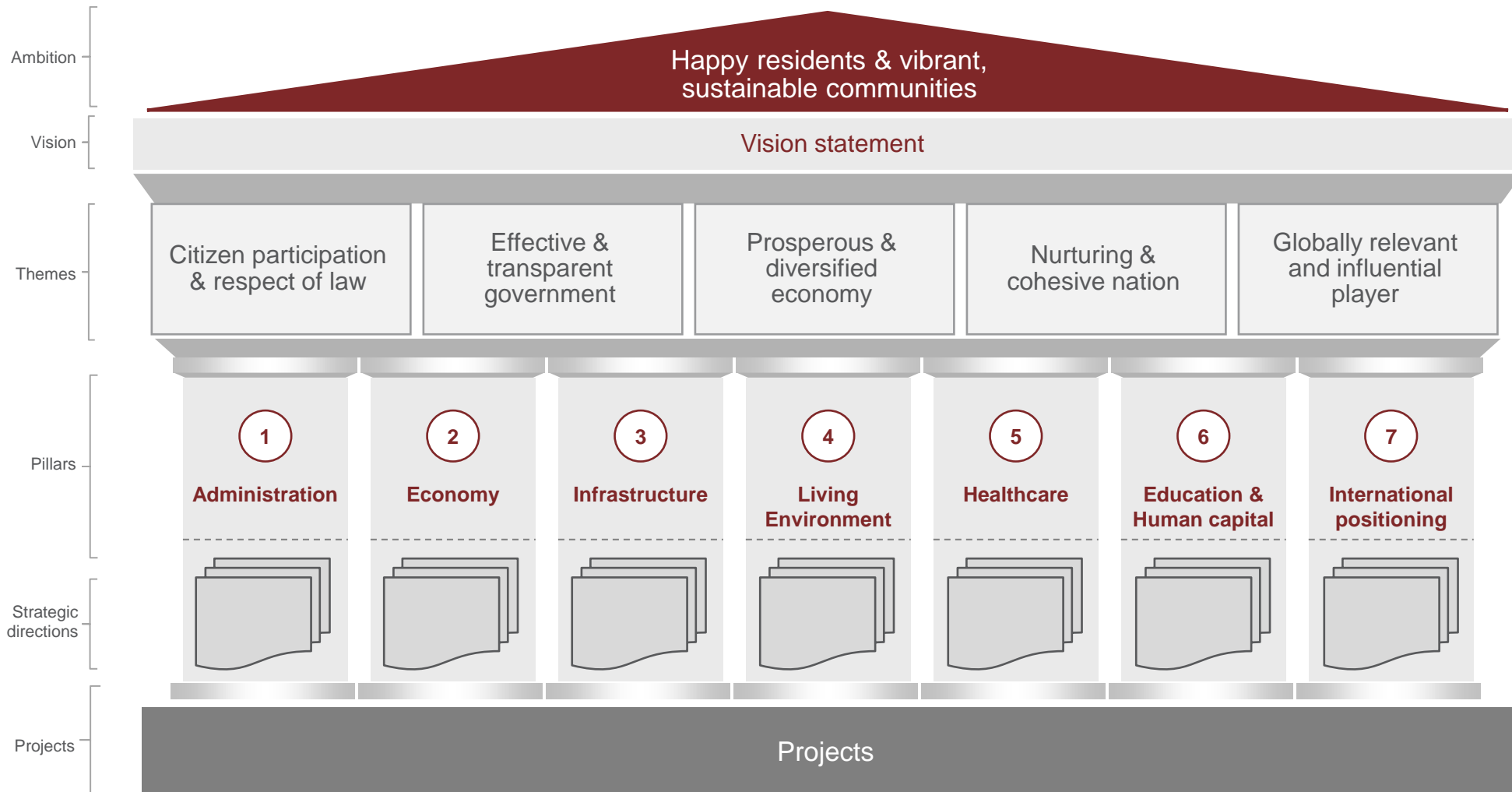
Overarching perception challenge

- Re-brand Kuwait with distinctive projects
- Rollout communication & PR program to lift overall image

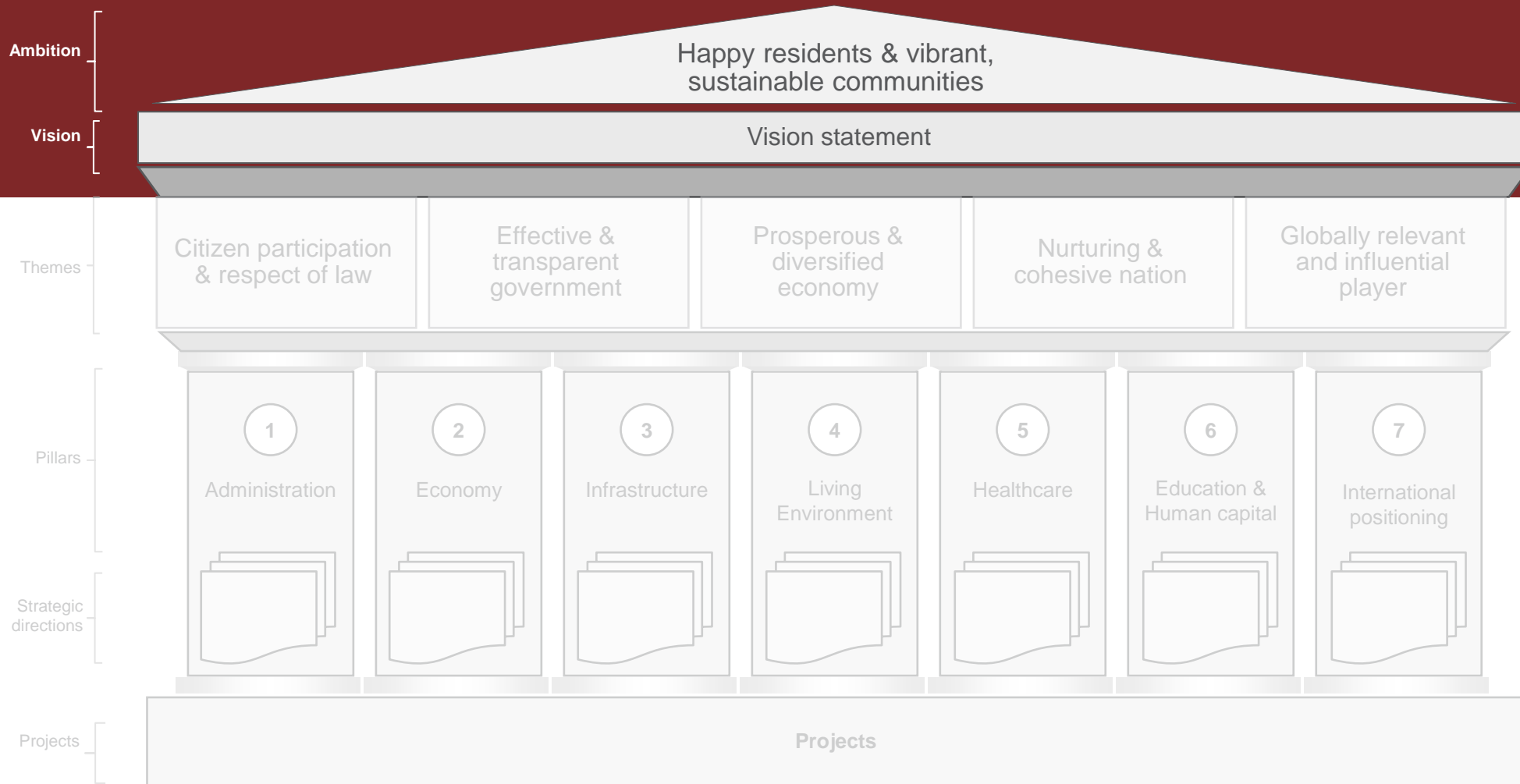


ARTICULATION OF KUWAIT'S VISION

The vision for Kuwait 2035 project will be developed across a scheme composed of multiple layers



The Vision Scheme



Kuwait's overarching ambition is what the nation's leadership will seek to achieve in the future

Happy residents & vibrant, sustainable communities

People are at the core of the Vision 2035, they come first



The supportive environment they live in is equally important



Today's adopted vision has been positioned to align with a set of themes that help better define the implications

Kuwait's Vision

"Transforming Kuwait into a financial and trade center, attractive to investors, where the private sector leads the economy, creating competition and promoting production efficiency, under the umbrella of enabling government institutions, which accentuates values, safeguards social identity, and achieve human resource development as well as balanced development, providing adequate infrastructure, advanced legislation and inspiring business environment."

Five themes

Citizen participation & respect of the law - Creating a respected rule of law through controlling corruption, building confidence in and respect of rules of society and improving citizen participation in government

Effective & transparent government - Creating a transparent government through improving fairness and responsibility in policymaking, formalizing rules and regulations and the proper implementation of formulated policies

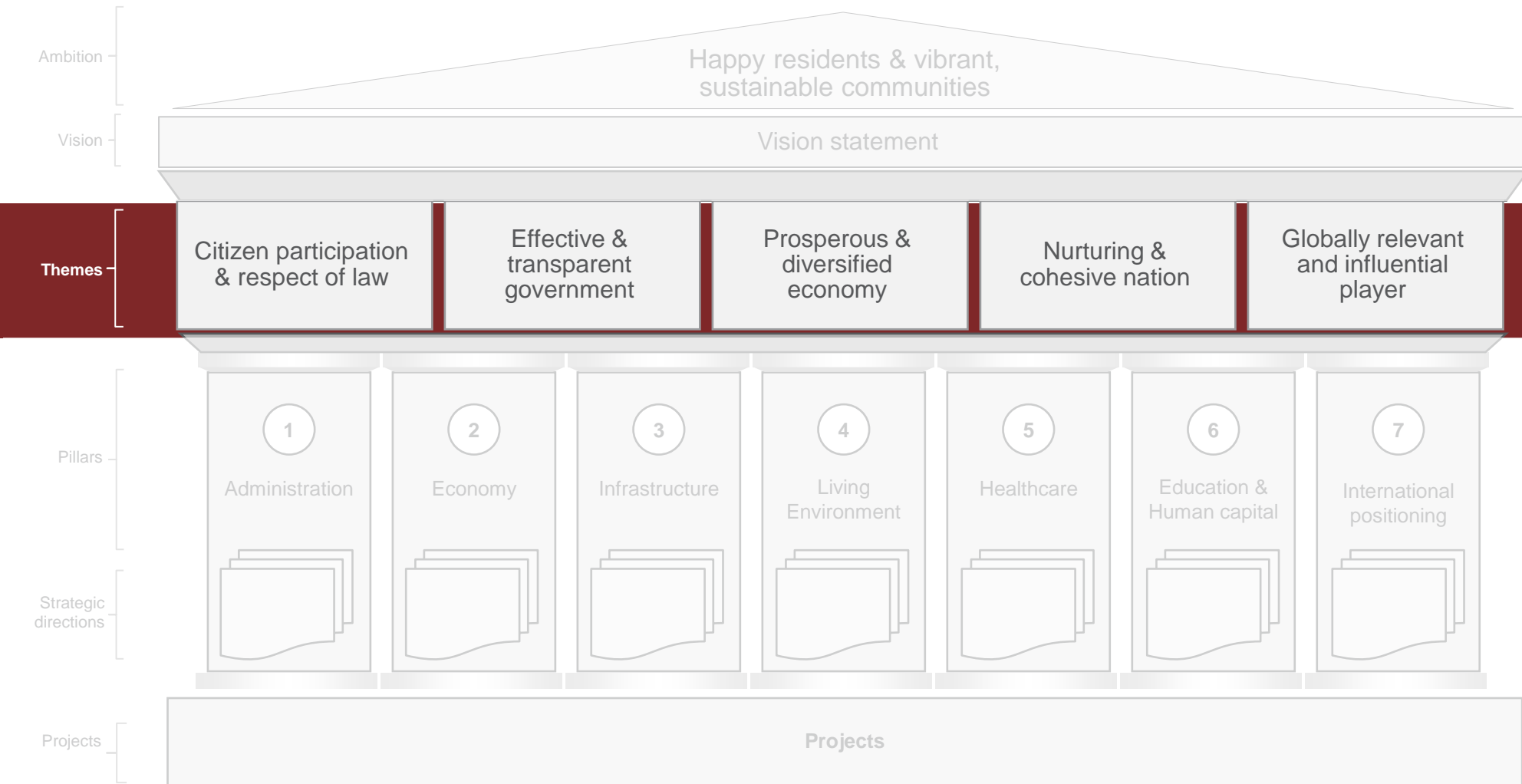
Prosperous & diversified economy - Developing a prosperous & diversified economy through ensuring growth in the economy other than from oil production and developing a strong presence in a variety of industries

Nurturing & cohesive nation - Developing a nurturing & cohesive nation through providing high quality healthcare and education and ensuring the economy, infrastructure provides a good quality of life for residents

Globally relevant and influential player - Acting as a globally relevant and effective partner through maintaining strong political, economical, trade and diplomatic influence internationally

Source: TICG Analysis

The Vision Scheme



The 'five' top themes have a 20 year time frame and are measured by a set of indicators over that period

	Description	Indicator
1 Citizen participation & respect of the law	<ul style="list-style-type: none"> • Control of corruption • Confidence in and respect of rules of society • Citizen participation in government 	Citizen participation and respect of rule of law index <i>Source: World Bank</i>
2 Effective & transparent govt.	<ul style="list-style-type: none"> • Fairness and responsibility in policymaking • Formalized rules and regulations • Proper implementation of formulated policies 	Government effectiveness index <i>Source: World Bank</i>
3 Prosperous & diversified economy	<ul style="list-style-type: none"> • Ensuring growth in the economy other than from oil production • Developing a strong presence in a variety of industries 	GDP without oil and government spending per capita <i>Source: World Bank</i>
4 Nurturing & cohesive society	<ul style="list-style-type: none"> • Providing high quality healthcare and education for all residents, at a sustainable cost to the government • Ensuring the economy, infrastructure and habitat provide good quality of life for residents 	Human development index <i>Source: UNDP</i>
5 Globally relevant & influential player	<ul style="list-style-type: none"> • Maintaining strong political and diplomatic influence internationally • Developing significant economic influence internationally, through investment abroad 	Global influence index <i>Source: TICG / OW Index</i>

Theme 1: Citizen participation & respect of the law

Towards a corrupt free and trust driven relationship with public institutions

Today 2015 ...

- Relatively low respect for the law, leading to high levels of policing
- Mis-incentivized government causing delays in policy implementation



Future 2035...

- Confidence in and respect of the rules of society, driven by an appropriately incentivized political system



Theme 1: Citizen participation is the key metric to be tracked for effective and transparent government

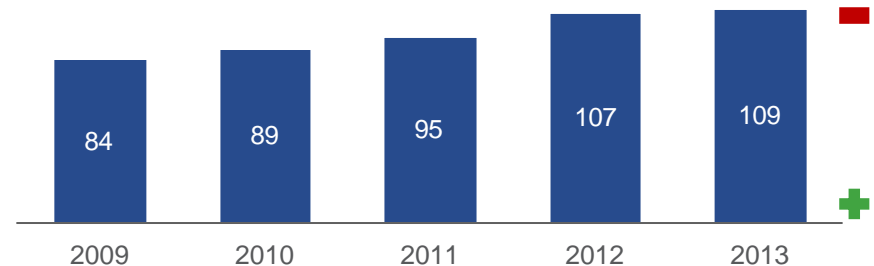
Citizen participation and respect of rule of law

Description	<p>Creating a respected rule of law requires:</p> <ul style="list-style-type: none">• Control of corruption• Confidence in and respect of rules of society• Citizen participation in government
KPI	<p>Citizen participation and respect of rule of law index</p> <p><i>Measures perceptions of extent to which country is free from corruption, rules are abided by and citizens are able to voice their opinions and participate in selecting their government</i></p>
Pillar impact	<ul style="list-style-type: none">• Ethical government index• Global peace index

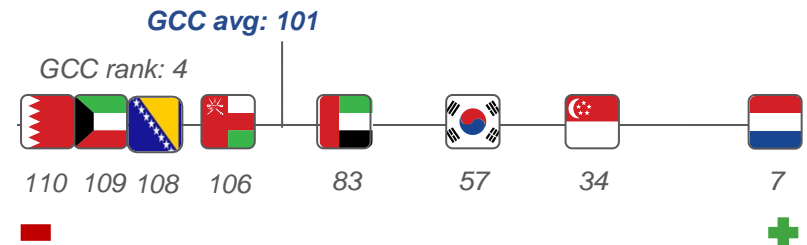
Citizen participation and respect of rule of law index

Source: World Bank

Kuwait historical evolution



Peer benchmarks (2013)



Source: TICG analysis, World Bank

Theme 2: Effective & transparent government

Towards a transparent, efficient and participatory government

Today 2015 ...

- Wastefulness in public spending, including high energy and wage subsidies, leading to deficit
- High levels of bureaucracy leading to limited implementation of policies
- Challenges in e-government and e-participation



Future 2035...

- More strategic and directed use of public funds
- Streamlined administrative processes, supported by comprehensive ICT infrastructure

Source: TICG analysis

Theme 2: Government effectiveness is the key metric to be tracked for effective and transparent government

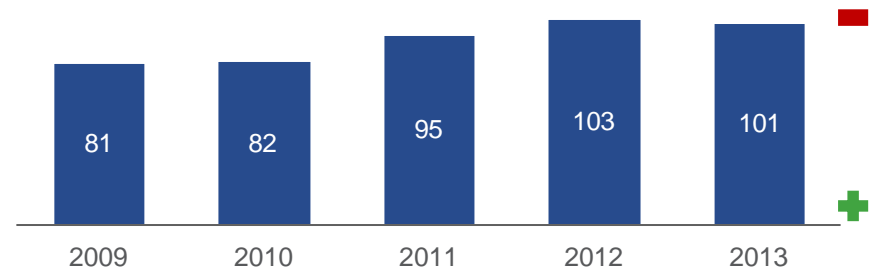
Effective and transparent government

Description	<p>Creating a transparent government requires:</p> <ul style="list-style-type: none"> • Fairness and responsibility in policymaking • Formalized rules and regulations • Proper implementation of formulated policies
KPI	<p>Government effectiveness index <i>Measures perceptions of quality of public services, degree of independence from political pressures, quality of policy formulation and implementation</i></p>
Pillar impact	<ul style="list-style-type: none"> • Effective policymaking index • Government spending index • Government ICT usage • Resource & energy use

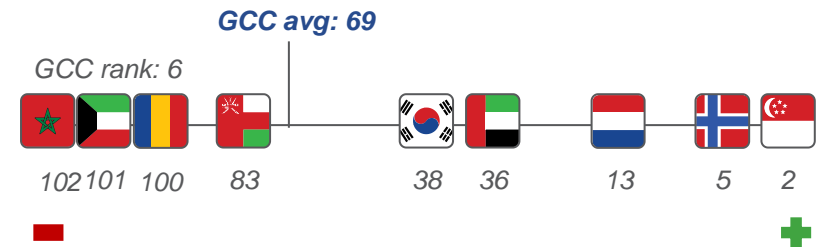
Government effectiveness index

Source: World Bank

Kuwait historical evolution



Peer benchmarks (2013)



Theme 3: Prosperous & diversified economy

Towards a prosperous, diversified and inclusive economy

Today 2015 ...

- High dependency on oil leading to over-reliance on oil prices
- Regulatory burdens stymieing growth of public sector
- Local workforce poorly prepared to support economic needs of country



Future 2035...

- More diversified, prosperous economy, driven in large part by private sector growth
- Educational and logistical environment adapted to support needs of diversified economy

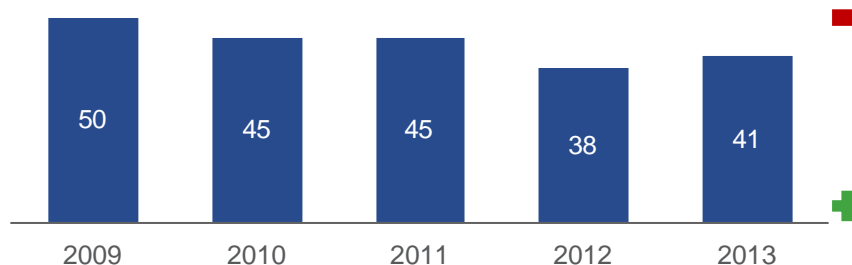
Theme 3: For a prosperous & diversified economy, Kuwait must target a high share of GDP coming from non-oil or government sources

Prosperous & diversified economy

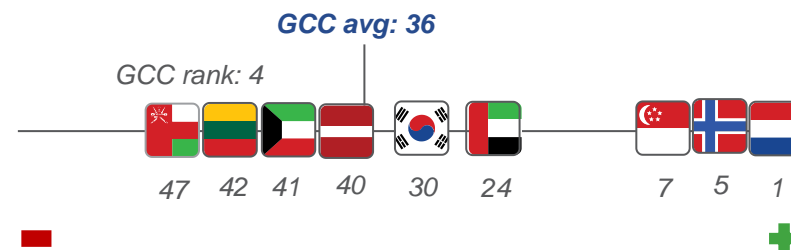
Description	<p>Developing a prosperous & diversified economy requires:</p> <ul style="list-style-type: none">Ensuring growth in the economy other than from oil productionDeveloping a strong presence in a variety of industries
KPI	<p>GDP without oil and government spending per capita <i>Rank of GDP - oil rents - government expenditure divided by population</i></p>
Pillar impact	<ul style="list-style-type: none">Ease of doing businessBusiness sophisticationLogistics performance indexTime to receive public housingWorkforce readiness indexNet inflows of FDIs

GDP without oil and government spending per capita
Global rank of 225; Source: World Bank

Kuwait historical evolution



Peer benchmarks (2013)



Note 1: South Korean growth shown for 2008-2013
Source: TICG analysis, World Bank, BMI, IMF, Oxford Economics

Theme 4: Nurturing & cohesive nation

Towards a health, well education and competitive population



Today 2015 ...

- Poor healthcare and education, as seen in high rate of diabetes and bad test scores
- Economy, infrastructure and environment which aren't 'future-proofed'



Future 2035...

- High quality healthcare and education provided for all residents, at a sustainable cost to the government
- A good quality of life for residents, supported by the economy, infrastructure and environment

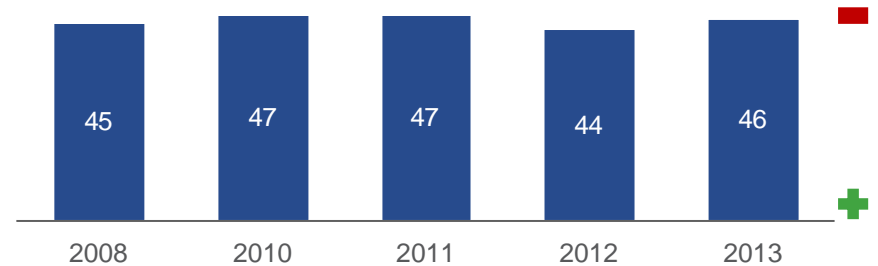
Theme 4: The Human development index is the key indicator of success in developing a nurturing & cohesive nation

Nurturing & cohesive nation

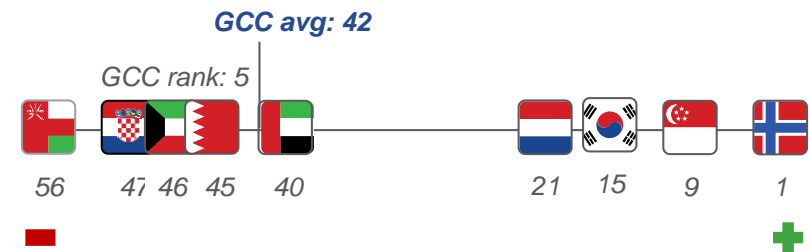
Description	<p>Developing a nurturing & cohesive nation requires:</p> <ul style="list-style-type: none">• Providing high quality healthcare and education for all residents, at a sustainable cost to the government• Ensuring the economy, infrastructure and habitat provide good quality of life for residents
KPI	<p>Global rank in Human development index <i>Index published by the UN Development Program ranking countries based on development. Key components are:</i></p> <ul style="list-style-type: none">• Life expectancy at birth• Mean and expected years of schooling• Gross national income (GNI)
Pillar impact	<ul style="list-style-type: none">• Labor market performance index• Quality of infrastructure• Environment performance index• Healthcare quality index• Education quality

Human development index Global rank of 187; Source: UNDP

Kuwait historical evolution



Peer benchmarks (2013)



Source: TIGC analysis, United Nations Development Program (UNDP)

Theme 5: Globally relevant and influential player

Towards a strong nation that impacts political, economical and trade decisions

Today 2015 ...

- International influence based on oil and regional diplomacy, at risk due to oil price fluctuations and depleting reserves
- Lack of true international brand or sustainable influential presence

Future 2035...

- Relevant international player, based on investment abroad and diversified economy
- True international brand developed to support economy
- Strong relations with key regional and global players



Theme 5: Tracking the global influence index will allow Kuwait to assess progress towards becoming a globally relevant and influential player

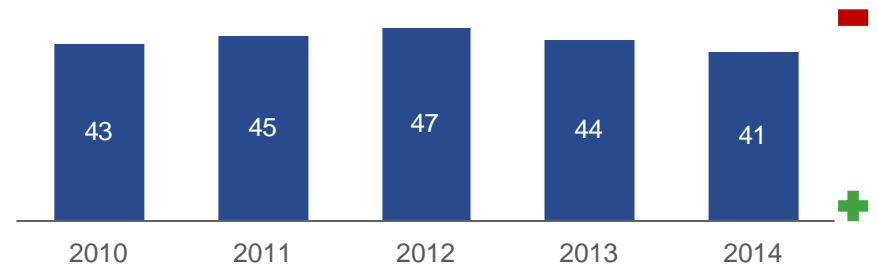
Globally relevant and influential player

Description	<p>Acting as a globally relevant and effective partner requires:</p> <ul style="list-style-type: none"> • Maintaining strong political and diplomatic influence internationally • Developing significant economic influence internationally, through investment abroad
KPI	<p>Global influence index Basket index created from:</p> <ul style="list-style-type: none"> • <i>FDI outflows index from UNCTAD</i> • <i>Visa requirements index from Henley & Partners</i> • <i>Country brand index from Future Brand</i> • <i>Exports of goods & services from World Bank</i>
Pillar impact	<ul style="list-style-type: none"> • Exports and goods & services • Cross-border traffic flow index • International relations index

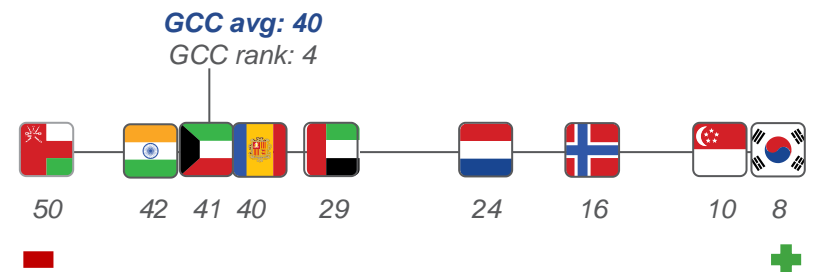
Global influence index

Global rank out of 192; Source: TICG analysis

Kuwait historical evolution

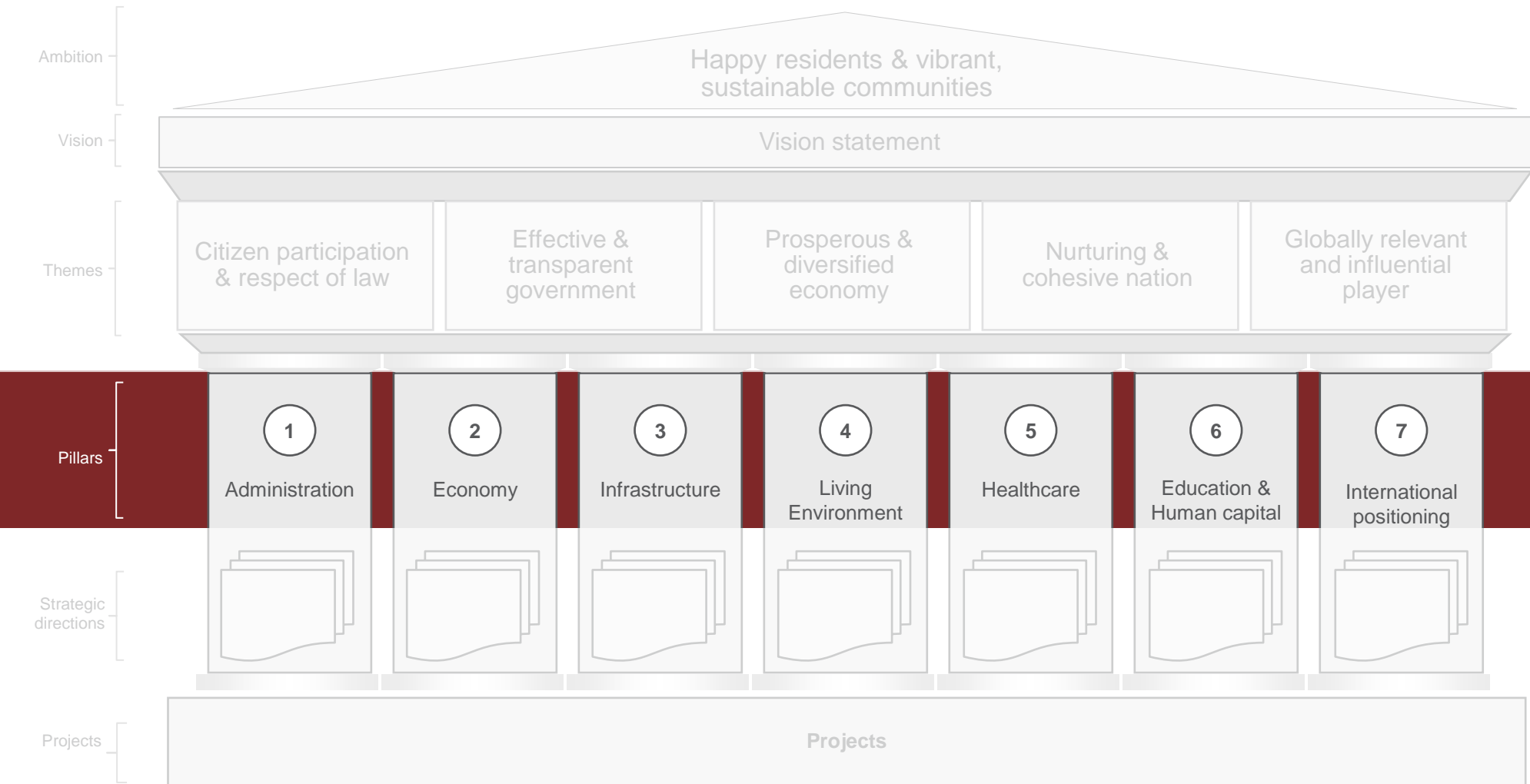


Peer benchmarks (2013)



Source: TICG analysis, Henley & Partners

The Vision Scheme



These pillars are also fully aligned and positioned to deliver against Kuwait's vision

Kuwait's Vision

"Transforming Kuwait into a financial and trade center, attractive to investors, where the private sector leads the economy, creating competition and promoting production efficiency, under the umbrella of enabling government institutions, which accentuates values, safeguards social identity, and achieve human resource development as well as balanced development, providing adequate infrastructure, advanced legislation and inspiring business environment."



Seven pillars



Selecting the pillars

These potential pillars emerged when taking into account all dimensions of society that can be included within a vision

List of potential pillars

Theme impacted  Retained pillars 

Objectives	Themes	Citizen participation & respect of the law	Effective & transparent govt.	Prosperous & diversified economy	Nurturing & cohesive society	Globally relevant & influential player
Administration						
Economy						
Infrastructure						
Living Environment						
Healthcare						
Education & Human capital						
International positioning						
Defense						
Tourism						
Financial services						
Youth						

Seven pillars will be adopted for the next 20 years to achieve the five identified themes

Focus areas

Pillars	Themes	Citizen participation & respect of the law	Effective & transparent govt.	Prosperous & diversified economy	Nurturing & cohesive society	Globally relevant & influential player
1 Administration		Formalized & fair laws will boost govt. accountability	Streamlined govt. with clear roles will enhance policymaking Controlling public spending is key to sustainable finances	Better regulation will allow for increased private sector participation		
2 Economy				Moving away from oil revenue will help keep Kuwait's prosperity	Economy must support reasonable jobs & income for all residents	A strong economy will support Kuwait's international position
3 Infrastructure			Improved ICT usage will support transparency	Performing infrastructure will boost growth of economy	Population will have access to first-class facilities & transport	Growth of air traffic will create stronger global links
4 Living environment			Reduced subsidies will allow for sustainable govt. finances	An efficient public housing scheme will support the economy	Housing, utilities & supplies will enhance population well-being	
5 Healthcare					Citizens will lead longer & healthier lives with upgraded medical system	
6 Education & Human capital				Education will enable availability of qualified workforce	Enhanced education system will allow society to develop knowledge & skills	
7 International positioning		Ensuring peace and security will support respect of the law		Foreign investment will encourage the economy		International influence is key to developing economic & political ties

20 KPIs has been identified for each intersection that will be used to identify the strategic directions for each focus area

Focus area – Key KPIs

Pillars	Themes	Citizen participation & respect of the law	Effective & transparent govt.	Prosperous & diversified economy	Nurturing & cohesive society	Globally relevant & influential player
		Citizen participation and respect of rule of law index	Government effectiveness index	GDP without oil and government spending per capita	Human development index	Global influence index
Pillars	1 Administration	1 Ethical government index	2 Effective policymaking index 20 Government spending index	3 Ease of doing business		
	2 Economy			4 Business sophistication	5 Labor market performance index	6 Exports of goods & services
	3 Infrastructure		7 Government ICT usage	8 Logistics Performance Index	9 Quality of infrastructure (air / port / rail / roads)	10 Cross-border traffic flow index
	4 Living environment		11 Resource & energy use	12 Time to receive public housing	13 Environment performance index	
	5 Healthcare				14 Healthcare quality index	
	6 Education & Human capital			15 Workforce readiness index	16 Education quality	
	7 International positioning	17 Global peace index		18 Net inflows of FDIs		19 International relations index

All intersection indicators have significant impact on the theme level indices they fall under

Key Indicators – Level of impact on theme level indicators

Level of correlation: ■ High ■ Medium ■ Low

Pillars	Themes	Citizen participation & respect of the law	Effective & transparent govt.	Prosperous & diversified economy	Nurturing & cohesive society	Globally relevant & influential player
		Citizen participation and respect of rule of law index	Government effectiveness index	GDP without oil and government spending per capita	Human development index	Global influence index
1 Administration		1 Ethical government	2 Effective policymaking	3 Ease of doing business		
			20 Government spending	4 Business sophistication	5 Labor market performance	6 Exports of goods & services
2 Economy			7 Government ICT usage	8 Logistics Performance	9 Quality of infrastructure (air / port / rail / roads)	10 Cross-border traffic flow
			11 Resource & energy use	12 Time to receive public housing	13 Environment performance	
3 Infrastructure					14 Healthcare quality	
					15 Workforce readiness	16 Education quality
4 Living environment						17 Global peace
						18 Net inflows of FDIs
5 Healthcare						19 International relations
6 Education & Human capital						
7 International positioning						

DEFINING PRIORITIES BASED ON VISION

Setting targets is crucial in order to develop well-defined and tangible aspirational goals that will guide the implementation of the strategic vision

Benefits of target setting

- 1 Establish clear and quantifiable criteria for success
- 2 Help to translate the broader goals of the national strategic vision into specific objectives
- 3 Foster a commitment to achieving the high performance levels



Global benchmark strategies also set targets



Malaysia

- 30 year vision (1990-2020) – with 10 year phase plans
- 50 page document across the pillars, with targets, indicators & methods




UAE – Dubai

- 6 Year plan (2014-2021)
- 30 page descriptive document, with ~50 indicators with clear targets & ownership for each
- Supporting video

Source: TICG analysis

Of the four main approaches to target setting, the comparative approach is the preferred approach for this exercise

Approach type	Description	Pros	Cons	 Selected approach
Comparative Approach	➤ Define country(s) Kuwait wants to emulate & set targets based on performance of selected benchmarks	✓ Tangible expected outcomes if targets are met	✗ Comparison with different context given selected country(s)	
Bracket Approach	➤ Target specific bracket(s) based on Kuwait's position relative to other countries in GCC / world	✓ Performance evaluated relative to several diverse countries for more accuracy	✗ Reduced focus on local context & specificities	
Position Approach	➤ Apply a flat rate of 50% improvement across all indicators	✓ Consistent & simple to adjust ✓ Easy to communicate	✗ Generic approach: lacks specificity for each indicator	
Historical Approach	➤ Set targets for each indicator based on Kuwait, GCC & best performers' historical trends & forecasts	✓ Targets set in line with Kuwait's national context	✗ Inaccurate predictions ✗ Complicated process	

Targets have been set for theme-level indicators relative to rankings of other GCC countries over the next 10 and 20 years

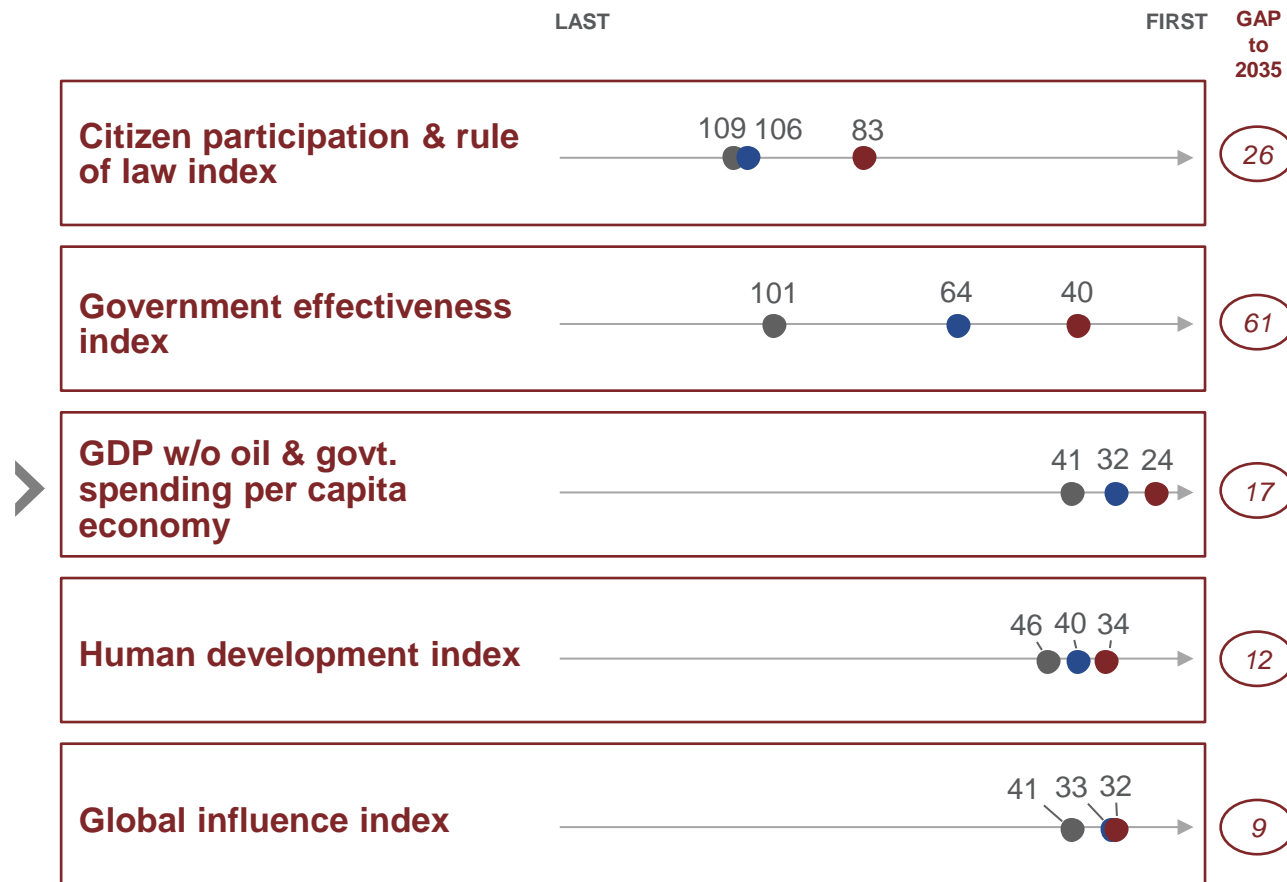
Targets defined for Kuwait

Global rankings to meet targets

● Current ● Target 2025 ● Target 2035

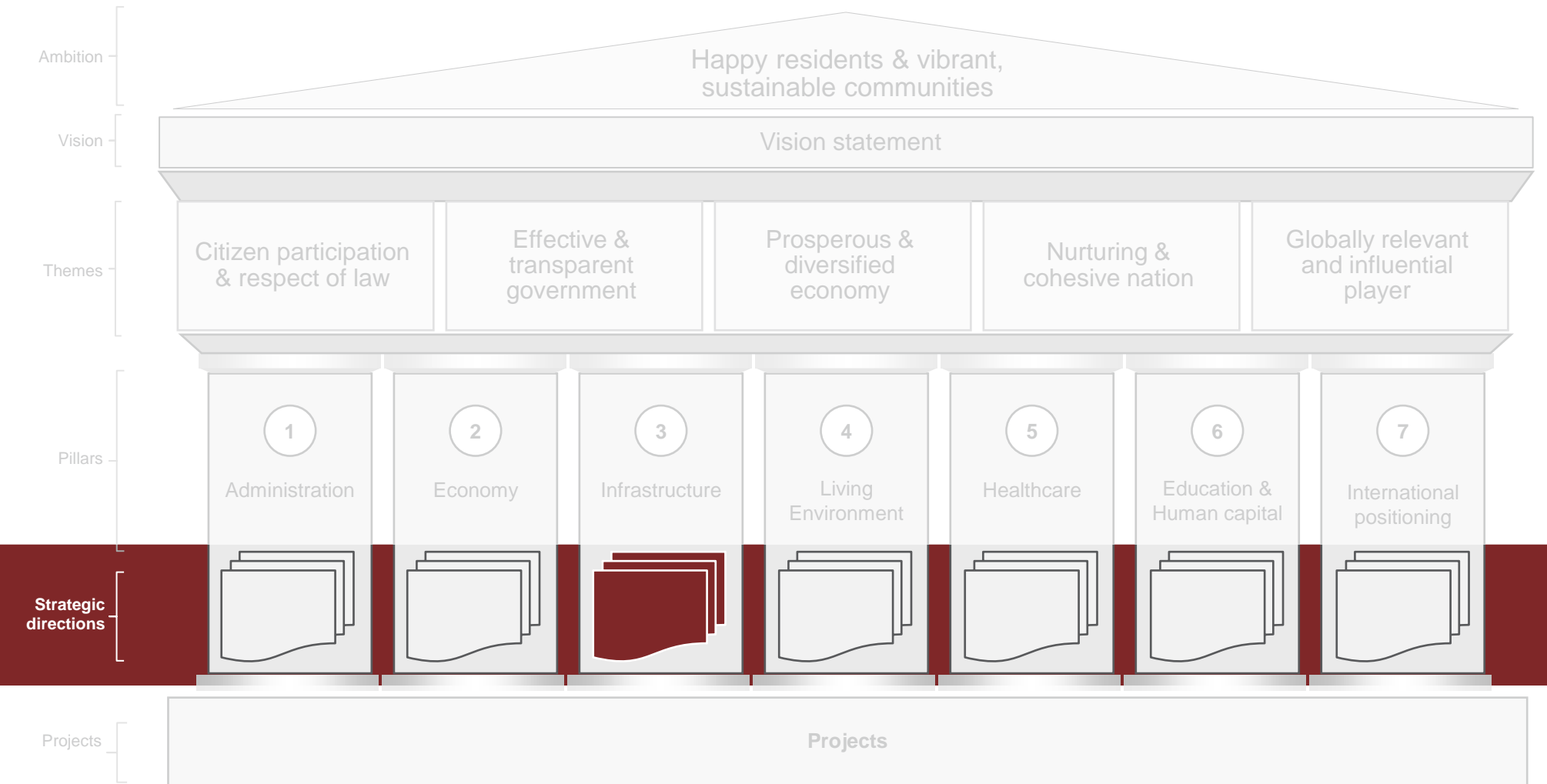
#3 in GCC
by 2025

#2 in GCC
by 2035



Source: TICG analysis

The Vision Scheme



Now we identify the methods to improve the identified KPIs, this is called ‘strategic direction’ identification

Pillars	Themes	Citizen participation & respect of the law	Effective & transparent govt.	Prosperous & diversified economy	Nurturing & cohesive society	Globally relevant & influential player
		Citizen participation and respect of rule of law index	Government effectiveness index	GDP without oil and government spending per capita	Human development index	Global influence index
1 Administration		1 Ethical government index	2 Effective policymaking index	3 Ease of doing business		
2 Economy				4 Business sophistication	5 Labour market performance index	6 Exports of goods & services
3 Infrastructure			7 Government ICT usage	8 Logistics Performance Index	9 Quality of infrastructure (air / port / rail / roads)	10 Cross-border trade & services index
4 Living environment			11 Resource & energy use	12 Time to receive public housing	13 Environment performance index	
5 Healthcare			14 Healthcare wastage index			
6 Education & Human capital			16 Education spending	17 Workforce readiness index		
7 International positioning		19 Global peace index		20 Net inflows of FDI		

Strategic direction identification process

KPI drivers breakdown and assessment

High impact area identification

Strategic direction identification

Preliminary initiative assessment

- Indicator make-up identification
- Sub-drivers of indicators identification

- Identification of high impact levers to pull
- Prioritizing between high impact options








- Crystallizing priority strategic directions
- Ensure identified directions are actionable

- Identify initial set of drivers around each strategic direction

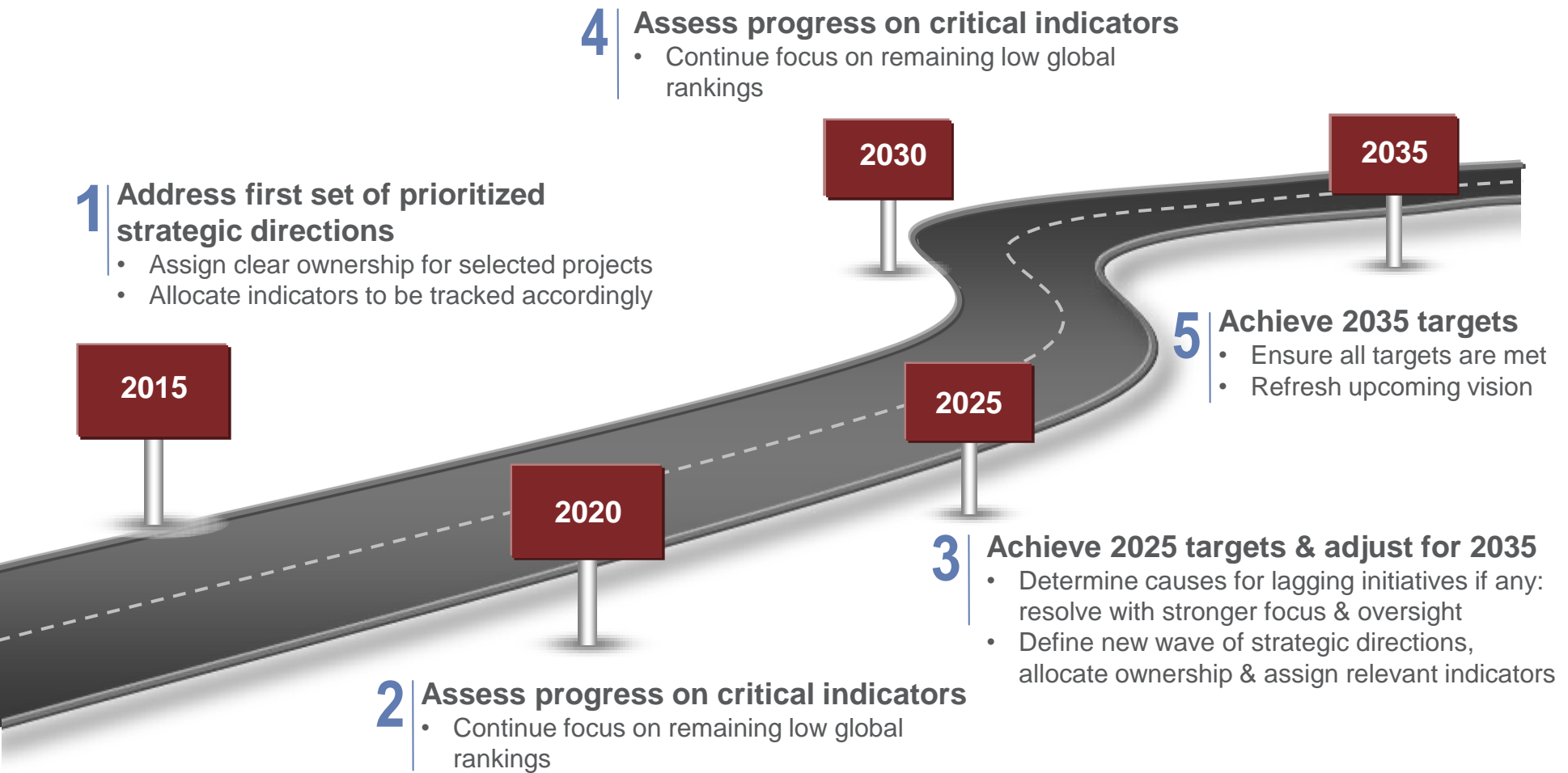
Source: TICG Analysis

This analysis has generated 64 strategic directions that will be the basis of our action plans to achieve Kuwait's ambition

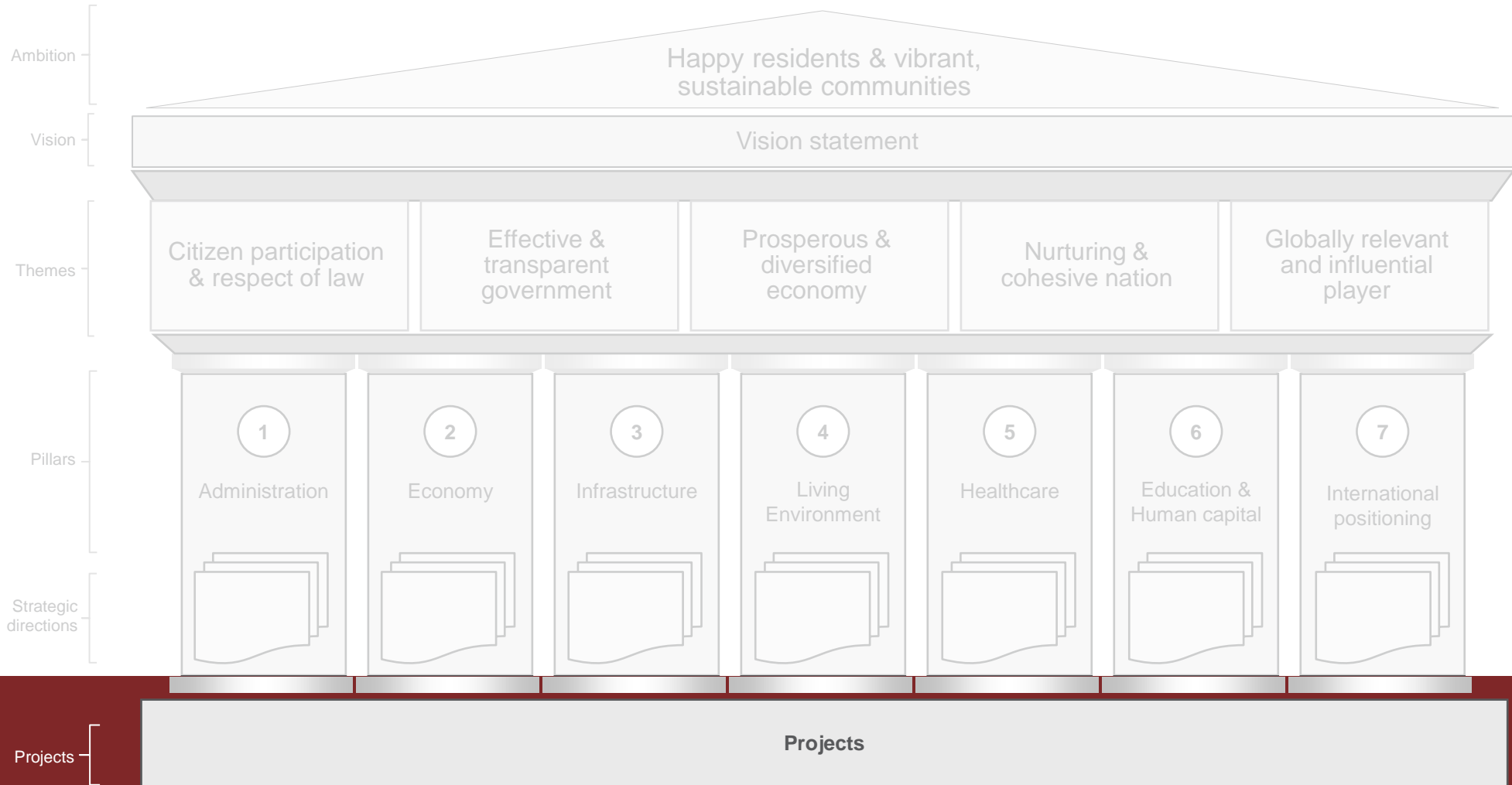
Strategic directions by pillar

Administration 	<ul style="list-style-type: none"> Enhance accountability regarding funds Improve fairness in government decision-making Curtail illegitimate payments & bribes Strengthen ethical conduct of public officials Optimize public expenditures 	<ul style="list-style-type: none"> Minimize red-tape burden Enhance government transparency Allow for legal counteractions Improve speed of dispute settlement Improve business setup process Streamline procedures to build warehouses Facilitate electricity procurement 	<ul style="list-style-type: none"> Speed up property-related transactions Increase business credit availability Optimize cross border trade Increase enforceability of contracts Improve insolvency recovery Optimize education spending Optimize public salaries spending
Economy 	<ul style="list-style-type: none"> Enhance quantity and quality of local suppliers Encourage increased business sophistication Promote innovative approach to business 	<ul style="list-style-type: none"> Develop local business marketing capabilities Enlarge & improve cluster development Increase female employment 	<ul style="list-style-type: none"> Improve talent retention capabilities Improve relations between employers and employees Diversify exports
Infrastructure 	<ul style="list-style-type: none"> Promote enabling environment for ICT Develop national ICT strategy Develop user-friendly e-government platform Improve efficiency of customs Reduce goods transit time Develop international shipment flows 	<ul style="list-style-type: none"> Improve logistics coordination capability Enhance logistical tracking accuracy Develop rail transportation Improve port infrastructure quality Improve airport infrastructure quality 	<ul style="list-style-type: none"> Improve road infrastructure quality Enhance airport capacity Expand airline passenger volume Enhance connectivity to global shipping networks Expand container port trade flows
Living Environment 	<ul style="list-style-type: none"> Increase land availability for housing Reduce levels of oil consumption Reduce electricity usage 	<ul style="list-style-type: none"> Minimize water & resource consumption Strengthen environmental standards Improve level of air quality 	<ul style="list-style-type: none"> Enhance use of clean energy Protect local fisheries
Healthcare 	<ul style="list-style-type: none"> Reduce rate of diabetes and other lifestyle-related non-communicable diseases 	<ul style="list-style-type: none"> Increase life expectancy of population 	
Education & Human Capital 	<ul style="list-style-type: none"> Improve workforce training availability Align workforce skillsets to job requirements 	<ul style="list-style-type: none"> Increase proportion of workforce with tertiary education Improve quality of primary education 	<ul style="list-style-type: none"> Better align education system to competitive economy Improve math and science education Improve quality of tertiary education
International positioning 	<ul style="list-style-type: none"> Increase positive influx of FDIs Improve international branding 	<ul style="list-style-type: none"> Improve diplomatic relations 	

Five-year strategic reviews will ensure progress towards 2035 is properly tracked



The Vision Scheme



Strategic priorities will be translated into projects that will go into implementation with the support of the installed delivery mechanism

Illustrative projects to support

Better align education to economic needs

(Illustrative example of strategic priority)

Scholarship Program in Higher Education

- Scholarship programs for undergraduate & post-graduate degrees to support HC development aligned with Kuwait's social & economic goals

Future leaders of Kuwait

- Introduce programs to nurture future national leaders, preparing pre-university students for tertiary education

Innovative approaches to school education

- Provide childhood education and enrichment programs with an innovative approach to education & training

Centre for ICT in education

- Centre in collaboration with educational institutions aiming to develop digital competence & use of technology for learning

The success of Kuwait's national reforms faces numerous risks which need to be analyzed and understood in order to be anticipated and overcome

Distribution & intensity of different risks across the seven pillars

		High Risk			Medium Risk		Low Risk	
Pillars	Pillars	Political Risks	Economic Risks	Fiscal Risks	Social Risks			
	1 Administration	High	Medium	Low	Medium			
	2 Economy	High	High	High	Medium			
	3 Infrastructure	Medium	Medium	High	Medium			
	4 Living Environment	High	Low	Low	High			
	5 Healthcare	Low	Low	Medium	High			
	6 Education	Medium	Low	Medium	High			
	7 International positioning	High	Medium	Very limited	High			

OPPORTUNITIES IN ADMINISTRATION

Status quo

Heavy administrative regulations & procedures, as well as distorted public spending, act as a hurdle to local businesses and foreign firms

Current situation

Description

Significant public spending



- Government expenditure is currently excessive and distorts incentives
 - Budget grown six fold in the past 13 years (23.2 Bn budget for 2014/15)
 - 30% of 2009 budget dedicated to salary & wages and around 20% for subsidies
- Generous wages and unemployment benefits reduce entrepreneurship incentive

Regulatory environment that does not foster competition



- High parliamentary intervention and trade privileges in Kuwait generate a lack of political effort to stimulate growth of FDI & local businesses
 - Lowest recipient of FDI among Arab nations in 2007 with only USD 123 million
 - 15% taxation on foreign ownership & lack of competition policies that enhance economic growth (e.g. suspension of Free Trade Zone)

Cumbersome administrative procedures for business



- Some business-friendly incentives put in place such as tax holidays, land grants and duty-free equipment imports but procedures remain burdensome
 - Kuwait ranks 150th in starting a business, requiring up to 31 days
 - Getting through procedures for imports can take up to 20 days

Low availability of e-services & support



- Lack of transparency in regulation, accessibility to information and online support services also hinders attractiveness of doing business in Kuwait
 - Few e-services to assist firms in complying with processes & regulations
 - Human interaction for govt. service transactions facilitate use of “wasta”

Source: TIGG analysis

Key trends

Future Kuwaiti public administration should focus on improving efficiency and allowing greater interaction in policy-making

Key Trends



Enhancing administrative efficiency through service consolidation

- Reduction of red-tape would enhance efficiency of Kuwait's public sector: streamlined procedures, elimination of siloes & reduced size of civil service are crucial
 - Service Canada merged 70 agencies into a unified organization to generate savings of USD 280 MM
 - Joint purchasing of supplies across govt. agencies in New Zealand should save up to USD 300 MM



Boosting economic growth through favorable policies

- Legislative reforms & regulations that attract investment, (favorable tax & business policies) would enhance Kuwait's ease of doing business & boost local industries
 - UAE creation of 32 free zones allowing foreign ownership, tax holidays, no import duties, etc.
 - Australia set to streamline approvals through one-stop shop to attract FDI & reduce red tape costs by USD 1 Bn per year



Increasing transparency & communication through e-government

- Enhanced two-way communication will help improve responsiveness regarding Kuwaitis' expectations & allow for coordination across agencies
 - Dubai's Smart Government program allows customers to give instant feedback on government services
 - Vital.org platform in Singapore allows for shared public services which have reduced govt. costs



Improving business admin procedures & services through digitalization

- Development of online tools that facilitate access to information & e-services would establish a more business-friendly environment in Kuwait
 - More than 50 million forms submitted electronically by businesses through Altinn portal in Norway
 - National e-Governance Plan in India allows electronic governance for banking, land records & taxes

Source: TICG analysis, WEF, KPMG, Accenture, PwC

Pillar requirements for overall vision

The administration pillar affects citizen participation & respect of the law, effective & transparent government, and prosperous & diversified economy

Pillars	Themes	Citizen participation & respect of the law	Effective & transparent govt.	Prosperous & diversified economy	Nurturing & cohesive society	Globally relevant & influential player
1 Administration		Formalized & fair laws will boost govt. accountability	Streamlined govt. with clear roles will enhance policymaking Controlling public spending is key to sustainable finances	Better regulation will allow for increased private sector participation		
2 Economy				Moving away from oil	Economy must support sustainable jobs & for all residents	A strong economy will support Kuwait's international position
3 Infrastructure			Improved transparency	Growth of economy	Infrastructure will have to first-class facilities & transport	Growth of air traffic will create stronger global links
4 Living environment			Reduced subsidies will allow for sustainable govt. finances	An efficient public housing scheme will support the economy	Housing, utilities & supplies will enhance population well-being	
5 Healthcare					Citizens will lead longer & healthier lives with upgraded medical system	
6 Education & Human capital				Education will enable availability of qualified workforce	Enhanced education system will allow society to develop knowledge & skills	
7 International positioning		Ensuring peace and security will support respect of the law		Foreign investment will encourage the economy		International influence is key to developing economic & political ties

Measured by the Ethical government index, Government spending index, the Effective policymaking index and the Ease of doing business index

Previous vision work

Creating an administrative environment with business-friendly regulations and processes is a prerequisite for attracting foreign firms and entrepreneurs

Assessment of administration priorities from previous work

Focus area / priority	Included in previous work?		
	McKinsey ¹	Monitor ¹	Tony Blair ¹
Control govt. expenditures through privatization & reduced subsidies	~	~	✓
Fight corruption in the market	✓	✓	✓
Develop laws that protect competition & SMEs	~	✓	✓
Reduce rules & regulations to start a business for SMEs & entrepreneurs	✓	✓	✓
Reduce time and costs for doing business	✓	✓	✓
Improve transparency and efficiency of processes	✓	✓	✓
Develop e-government services	✗	✓	✗
Reduce government intervention in markets	✓	✗	✓
Enhance public-private cooperation	✗	✓	✗

■ Priorities that align with objective

Citizen participation & respect of law	Effective & transparent govt.	Prosperous & diversified economy	Nurturing & cohesive society	Globally relevant & influential player

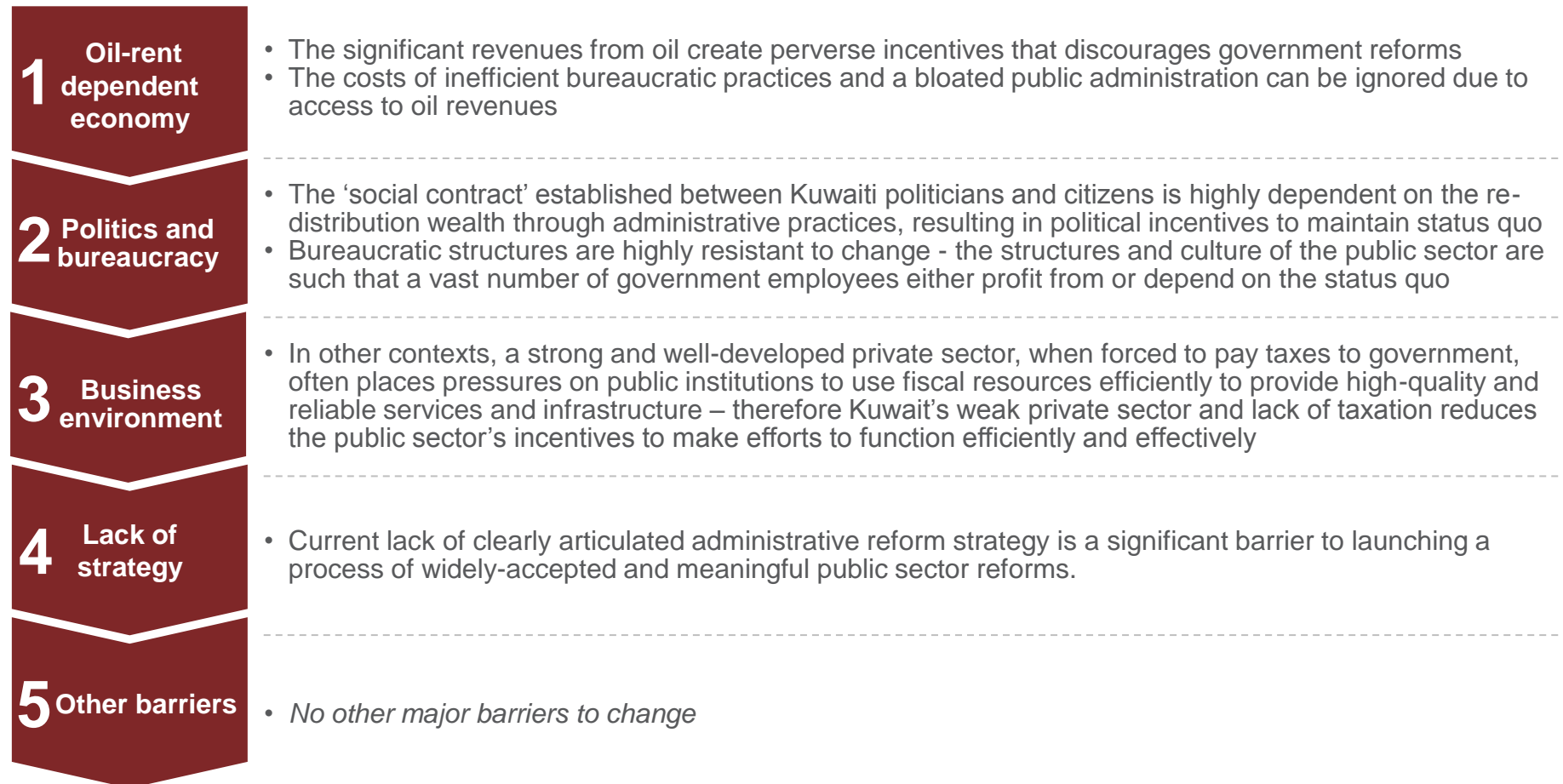
Source: TICG analysis

1. Refers to McKinsey's "Unleashing Kuwait's Potential", Monitor's "MRP prioritization" and Tony Blair's "Vision Kuwait 2035" documents respectively.

Barriers to change

The bureaucracy and political situation have been the major barriers to change in administration

Barriers to change in administration



Source: TICG analysis

Hypotheses & opportunities

Going forward, the Kuwaiti government should cut public spending and establish a business-friendly environment for both local & foreign firms

Hypotheses and opportunities in administration

i

Rationalize public spending

- Enhance oversight over budget while introducing and enforcing guidelines and caps on spending
- Gradually reduce subsidies and public service wages
- Restructure government agencies to reduce duplications and break down organizational siloes
- Outsource projects and service delivery to cost-efficient private contractors through competitive bidding

ii

Upgrade regulatory frameworks to improve market competition and judicial independence

- Establish fair and independent dispute settlement and IP protection mechanisms
- Reform and formalize legislation to increase transparency & accessibility
- Introduce regulation in favor of competition and growth of SMEs

iii

Enhance efficiency of administrative processes for doing business

- Simplify and streamline regulatory procedures & eliminate all unnecessary bureaucracy for businesses
- Attract FDI through lower barriers to entry (access to credit, regulatory hurdles) and strong incentives (ownership, tax, etc.)

iv

Expand e-government and support services

- Increase efficiency and user-friendliness of public services, especially by making e-services available and accessible
- Ensure bilingual electronic access to all laws and public information

Source: TICG analysis

Indicators

Public administration should focus on reinforcing ethical standards, transparency, optimal spending and processes conducive to business activity

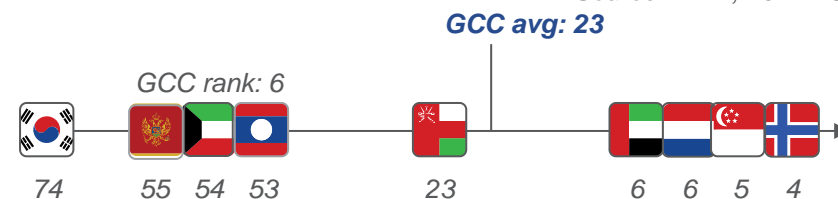
Indicators

1

**Ethical government index**

Measures country ranking of government's ethical standards, control of corruption, favoritism in decision-making & judicial independence (1= best)

Source: WEF, 2014-15

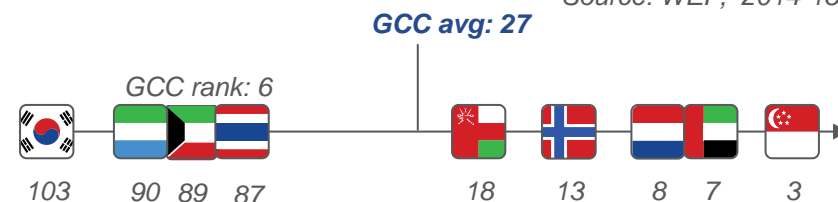


2

**Effective policymaking index**

Measures country ranking in efficiency of public spending, ease of obtaining information regarding policies, burden of complying with administrative regulation & strength of legal system (1= best)

Source: WEF, 2014-15

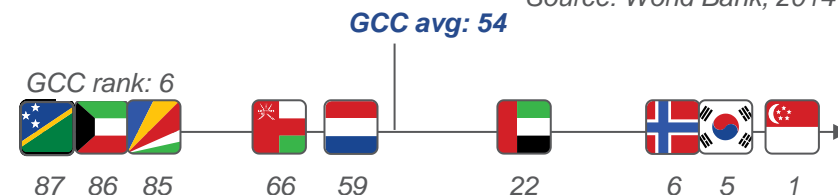


3

**Ease of doing business index**

Measures country ranking in how conducive is regulatory environment to business operations (1= best)

Source: World Bank, 2014



20

**Government spending index**

Measures country ranking in terms of government spending against total GDP (optimal spending) (1= best)

Source: Heritage Foundation, 2014



Source: WEF, World Bank, Heritage Foundation, TICG analysis

Note: In future calculations, the indicator rankings are calculated as the averages of their sub-indicators

Strategic Direction

A solid legal framework with strong judiciary oversight and law enforcement capabilities is critical to enhance ethical behavior of government

①



Ethical government index

Percentiles of index sub-indicators and strategic directions (2014-15)



Worst score



Best score



Prioritized focus areas

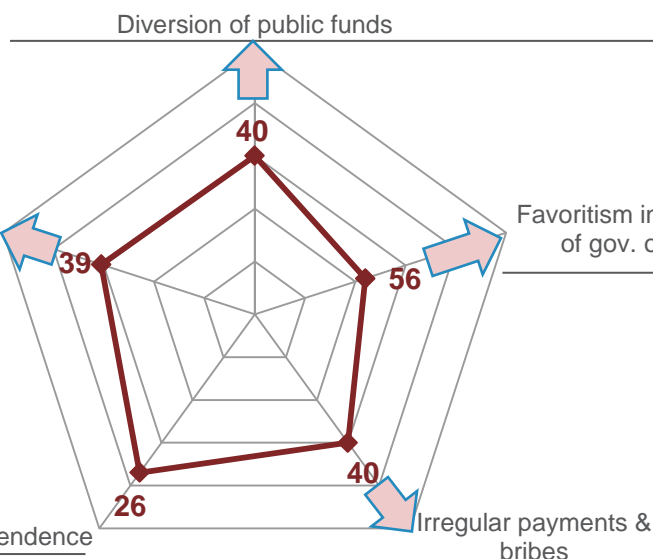
Current percentile: 40th

Strengthen ethical conduct of public officials

- Enforce judiciary action or resignation in case of misconduct

Strengthen judicial independence

- Enforce separation of judiciary and legislative powers



Enhance accountability regarding funds

- Introduce mandatory regular audit of public expenditures
- Require public reporting of fund allocation and use

Improve fairness in decision-making

- Enforce non-discriminatory standards: remove rules that favor elite
- Reduce “wasta” practice: automate processes & applications when possible

Curtail illegitimate payments & bribes

- Reduce attractiveness of bribes: law change to make bribery an illegal act
- Strengthen oversight : law change with greater judiciary enforcement capability

Source: TIGG analysis, World Economic Forum (2014-15)

Project example

A solid legal framework with strong judiciary oversight and law enforcement capabilities is critical to enhance ethical behavior of government



Illustrative Example
Kuwaiti Anti Corruption Agency
(Kuwaiti ACA)

Source: <http://en.alkuwaityah.com/ArticleImages/45701e1c-a5ab-41c7-99b2-c035bc9e8692.gif>

Strategic Direction

Transparency and efficiency of regulation as well as public spending are key enablers for a more effective policymaking process

②



Effective policymaking index

Percentiles of index sub-indicators and strategic directions (2014-15)



Worst score



Best score



Prioritized focus areas

Current percentile: 61st

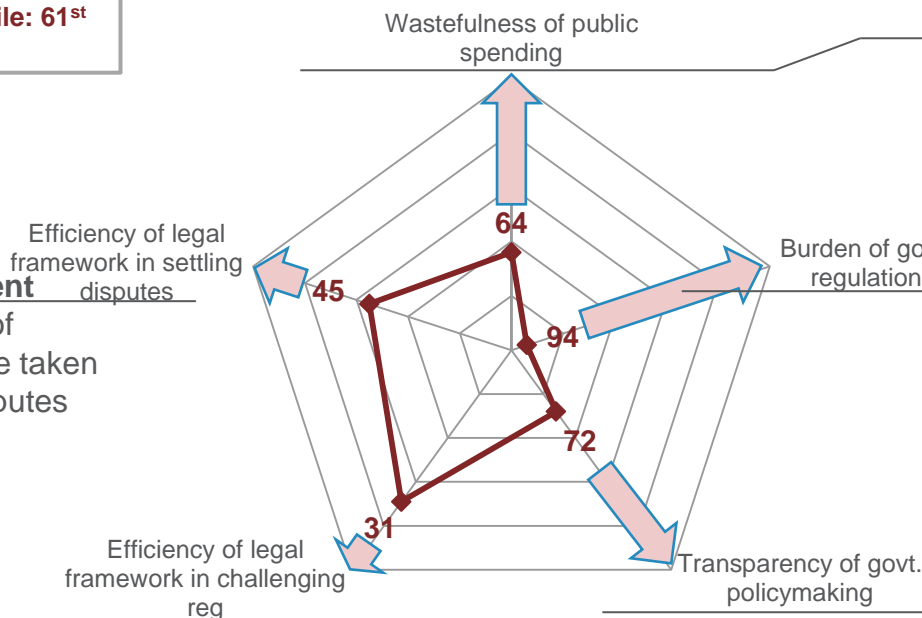
Improve speed of dispute settlement

- Reduce number of procedures & time taken to settle legal disputes

Allow for legal counteractions

- Enable businesses to contest governmental regulation & decisions

Source: TICG analysis, World Economic Forum (2014-15)



Optimize public expenditures

- Reduce inefficient government spending: lower wages and subsidies
- Formalize yearly budget: link expenditures to identified projects that drive revenues

Minimize red-tape burden

- Streamline procedures for businesses to comply with admin. requirements: faster process to obtain permits and simpler reporting rules
- Upgrade judicial system to properly enforce rules & settle business disputes: law change

Enhance government transparency

- Establish coordination within government structure: comm. platform across agencies
- Improve participation & accessibility to policies in place: develop e-government services

Project example

Transparency and efficiency of regulation as well as public spending are key enablers for a more effective policymaking process



**Illustrative Example
Kuwait Red Tape & Transparency
Task Force**

Source: http://www.hestongroup.net/JD/109-0903_IMG.JPG

Strategic Direction

Procedures for setting up start-ups and engaging in trade require streamlining to improve ease of doing business

③



Ease of doing business

Percentiles of index sub-indicators and strategic directions (2014)



Worst score



Best score



Prioritized focus areas

Current percentile: 51st

Facilitate electricity procurement

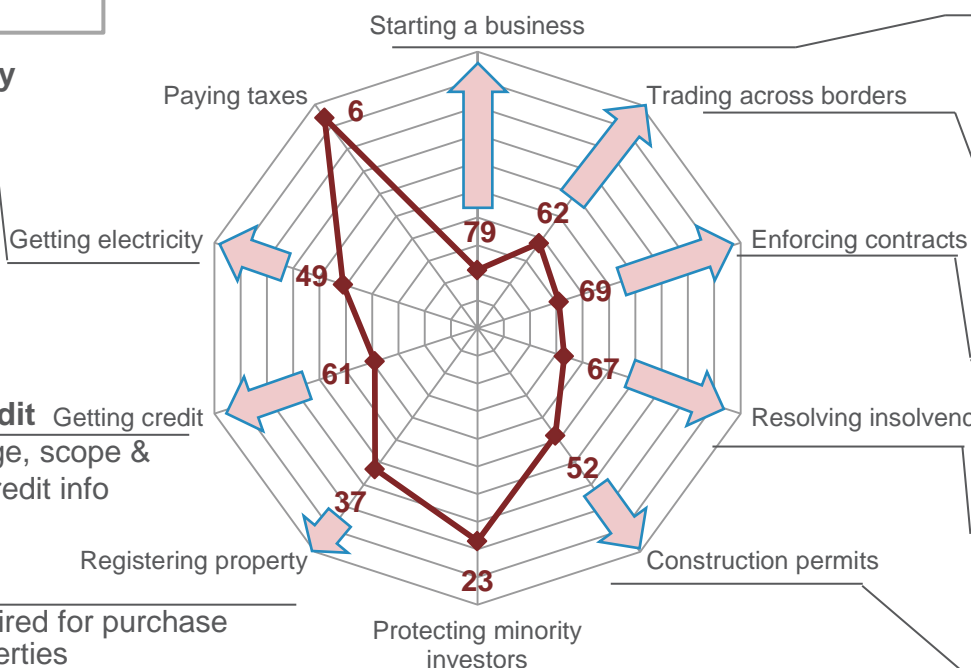
- Reduce cost of inspections, connection works & time to finalize contracts with electricity utilities

Foster secure credit

- Increase coverage, scope & accessibility of credit info

Speed up property transactions

- Reduce time required for purchase & transfer of properties



Improve business setup process

- Procedure re-engineering and automation: one stop shop & full e-services program
- Minimum capital reduction for setup

Optimize cross border trade

- Simplify procedures and cross-border waiting time (with a focus on import): Mega-Border processing center

Upgrade judicial contract enforcement

- Reduce wait time & efficiency of judicial follow up by introducing business-express court system

Improve insolvency recovery

- Introduce improved auditing regulations with reduced insolvency recovery rates

Streamline procedures to build warehouses

- Speed up process to submit documents, undergo inspection & receive permits

Source: TICG analysis, World Bank (2014)

Project example

Procedures for setting up start-ups and engaging in trade require streamlining to improve ease of doing business

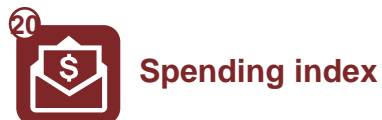


**Illustrative Example
Kuwait Business Start-up &
Investor Center**

Source: <http://www.jetairways.com/EN/IN/Uploads/JetPrivilege/LH3.JPG>

Strategic Direction

Spending should be directed towards the most impactful uses in terms of education and public salaries for long-term financial sustainability



Spending index

Percentiles of index sub-indicators and strategic directions



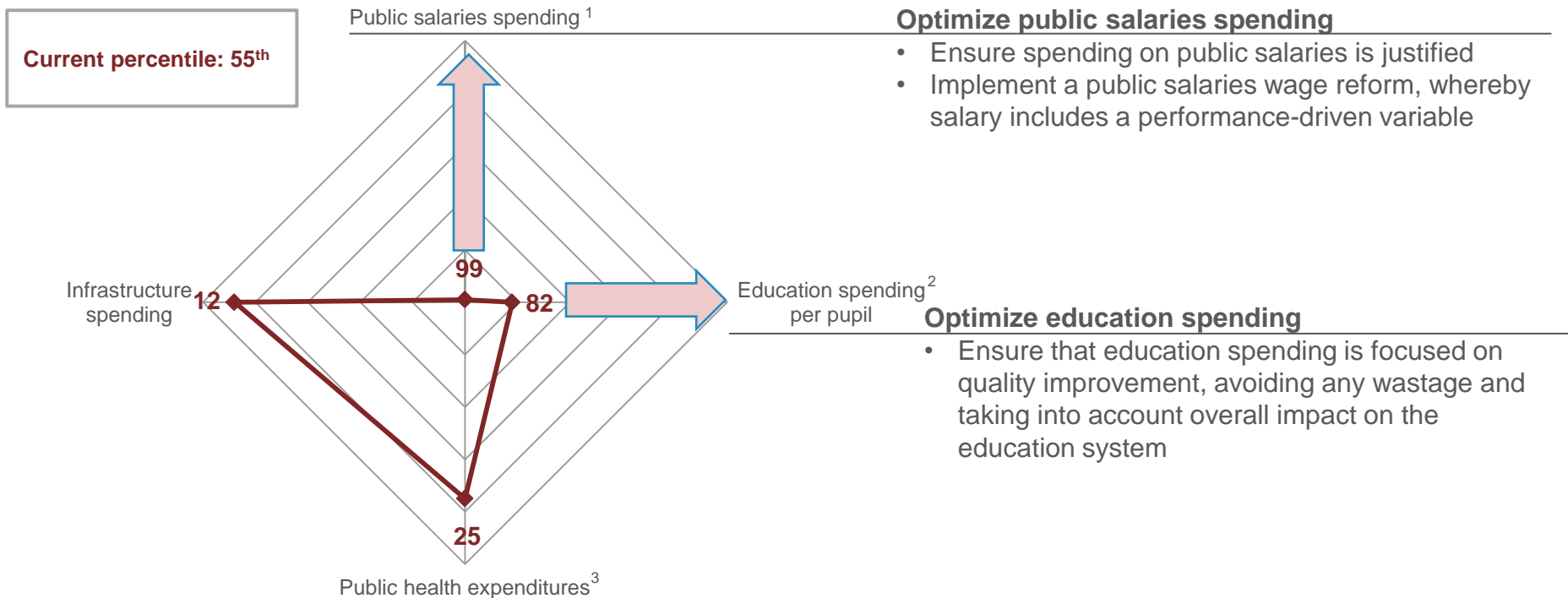
Worst score



Best score



Prioritized focus areas



1. 2012 value; 2. 2011 value; 2013 value

Source: TICG analysis, World Bank and Business Monitor International

Project example

Spending should be directed towards the most impactful uses in terms of education and public salaries for long-term financial sustainability



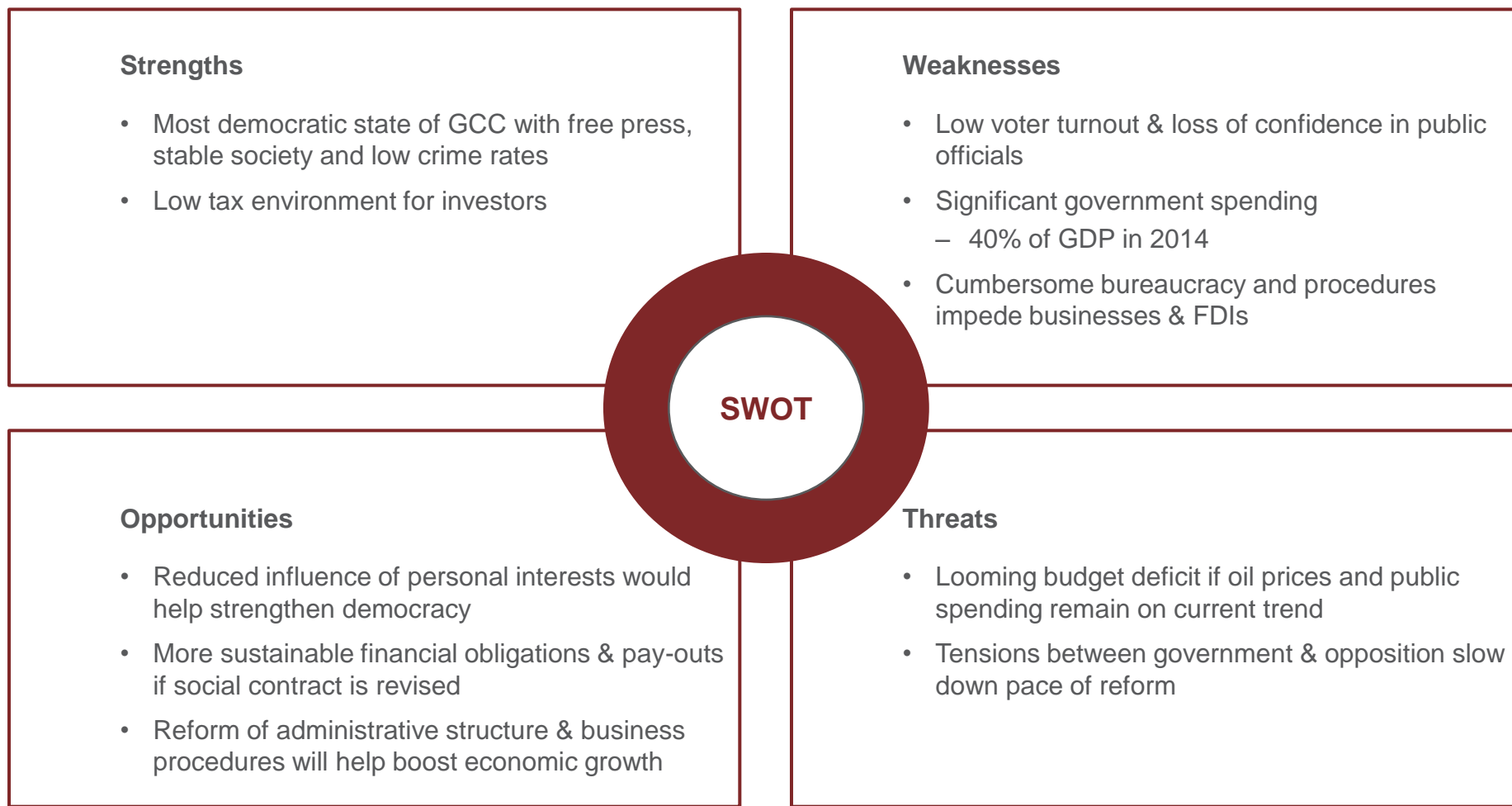
**Illustrative Example
Education City**

Source: <http://www.pbcchicago.com/images/pics/CPS.jpg>

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SWOT analysis

The democratic and tax environment are strengths in administration, while low voter turnout and high government spending are significant weaknesses



Source: BMI, TICG analysis

Risks

Political obstacles and social resistance to change will be key challenges to administrative reform in Kuwait's public sector

Detailed break-down of the expected risks to successful implementation

		<div>High Risk</div> <div>Medium Risk</div> <div>Low Risk</div>			
Pillars	Pillar	Political Risks	Economic Risks	Fiscal Risks	Social Risks
	1 Administration	<ul style="list-style-type: none"> Resistance to change from powerful individuals or vested interest groups who could lose political privileges or control 	<ul style="list-style-type: none"> Short-term economic growth imperatives could create reticence to pursue destabilizing & sensitive administrative reforms & spending cuts 	<ul style="list-style-type: none"> Will be a challenge to develop and institutionalize a more efficient taxation system Dropping public revenue could deepen spending cuts and spark increased opposition 	<ul style="list-style-type: none"> Resistance expected from citizens whose lives depend on the public sector and its current privileges

OPPORTUNITIES IN THE ECONOMY

Status Quo

Kuwait's economy is dominated by oil revenues and the public sector, though there has been a move towards diversification

Current situation

Description

Focus on oil revenues



- Oil accounts for 95% of Kuwaiti government income, making Kuwait highly sensitive to oil price volatility, and contributing to the slow GDP growth in Kuwait compared to the rest of the GCC
- However, production is lower in comparison to reserves than in other countries and Kuwait is not strong in downstream oil operations

Move to diversification of GDP



- The concentration of the economy in oil, which accounts for at least 50% of GDP, and the prevailing growth model have resulted in declining productivity, crowding out of the non-oil tradable sector
- There has been a push away from oil using economic clusters since 2007, but this has had no visible impact on economic development

Unexplored strength in financial services



- Kuwait has traditionally been strong in wealth management and capital markets
- Islamic banking is now very important to the Kuwaiti financial services market, accounting for around 33% of the financial system's assets

Public sector bias



- Kuwait has a fast growing workforce, but only 64% of working age Kuwaitis are employed, 80% of whom work in the public sector

Source: TICG analysis

Key trends

Kuwait should thrive to diversify its sources of revenue due to a potentially sustained decline in oil prices

Key Trends



Controlling public spending due to declining oil prices

- Kuwait must control expenditures to avoid looming budget deficit
 - Long term oil is likely to stay around USD 50 a barrel as large consumer markets, USA & China, become self-sufficient and market becomes more regional



Reducing reliance on oil industry through diversification

- Kuwait will need to diversify its economy away from oil and into other industries
 - Other oil producers push to compete in the full value chain (e.g. petrochemicals as well as exploration) to take advantage of cheaper access to feedstock
 - UAE has successfully diversified its economy by growing other sectors such as tourism, construction & banking



Boosting economy through enhanced financial services

- Islamic finance industry will continue to grow, which can have a positive impact on Kuwait given their strong position in this market
- Access to credit will help local businesses
 - Countries in the region will invest in SME & retail banking, an area where Kuwait must invest to keep up



Increasing economic interconnectedness

- Kuwait will have to develop trade relationships and enhance capital flows, which call for looser barriers to trade as well as high-end labor and skills
- Growing use of technology & automation in numerous sectors (such as science, health & transportation) will transform industries and require large investments in innovation and R&D

Source: TICG analysis, OECD

Pillar requirements for overall vision

The economy pillar affects the prosperous & diversified economy, nurturing & cohesive society and globally relevant & influential player themes

Focus areas

Pillars	Themes	Citizen participation & respect of the law	Effective & transparent govt.	Prosperous & diversified economy	Nurturing & cohesive society	Globally relevant & influential player
1 Administration		Formalized & fair laws will boost govt. accountability	Streamlined govt. with clear roles will enhance policymaking Controlling public spending is key to sustainable finances	Better regulation will allow for increased private sector participation		
2 Economy				Moving away from oil revenue will help keep Kuwait's prosperity	Economy must support reasonable jobs & income for all residents	A strong economy will support Kuwait's international position
3 Infrastructure			Improved ICT usage will support trans	Performing ructure will boost	Population will have access to first-class transport	Growth of air traffic will create stronger global links
4 Living environment			Reduced allow for govt.	Measured by the Business sophistication index, Labor market performance index and by Exports of goods & services		utilities & ll enhance well-being
5 Healthcare					Citizens will lead longer & healthier lives with upgraded medical system	
6 Education & Human capital				Education will enable availability of qualified workforce	Enhanced education system will allow society to develop knowledge & skills	
7 International positioning		Ensuring peace and security will support respect of the law		Foreign investment will encourage the economy		International influence is key to developing economic & political ties

Previous vision work

Encouraging private investment, optimizing energy revenues and diversifying government receipts are included in all previous vision work

Assessment of economy priorities from previous work

■ Priorities that align with objective

Focus area / priority	Included in previous work?			Citizen participation & respect of law	Effective & transparent govt.	Prosperous & diversified economy	Nurturing & cohesive society	Globally relevant & influential player
	McKinsey ¹	Monitor ¹	Tony Blair ¹					
Lift restrictions on foreign investors & promote FDI	✓	✓	✓					
Diversify government income through taxes & fees	✗	✗	✓					
Increase labor market flexibility	✓	✓	✓					
Expanding & empowering the energy sector into the premier regional energy hub for northern Gulf	✓	~	✓					
Optimize the usage of oil reserves & entering the petrochemicals industry	✓	~	✓					
Expand & modernize Kuwaiti refining capacity	✓	✓	✓					
Develop a financial hub by empowering capital markets	✓	✓	✓					
Develop a commercial hub with upgraded logistics infrastructure	✓	✓	✓					

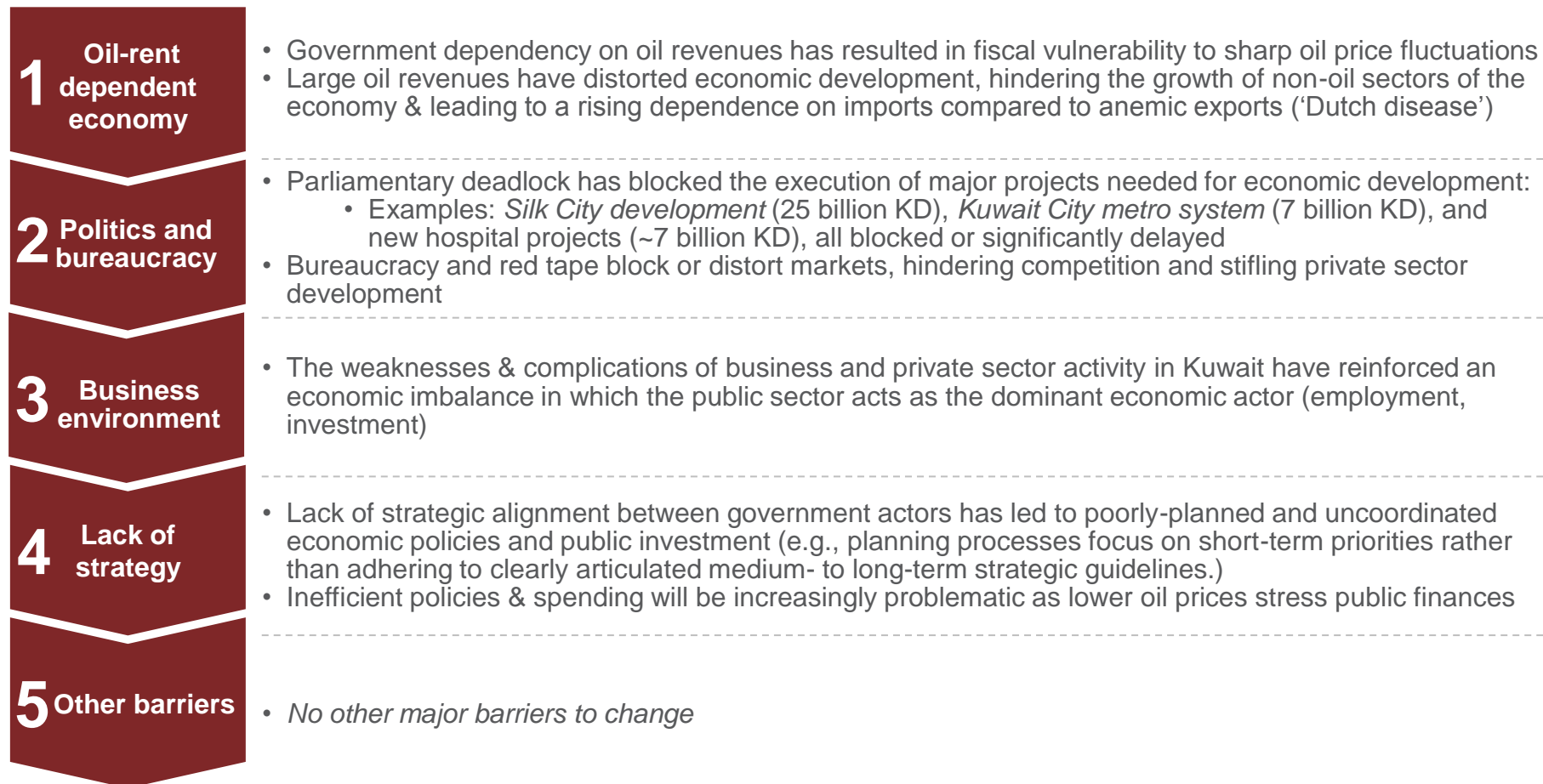
Source: TICG analysis

1. Refers to McKinsey's "Unleashing Kuwait's Potential", Monitor's "MRP prioritization" and Tony Blair's "Vision Kuwait 2035" documents respectively.

Barriers to change

Dependency on oil production has been the main barrier to change in the economy

Barriers to change in economy



Source: TICG analysis

Hypotheses and opportunities

Kuwait should optimize its oil wealth & support rapid and diversified economic growth, while continuing to safeguard societal well-being

Hypotheses and opportunities in economic development



Optimize utilization of oil reserves

- Optimize the utilization of natural resources through improved **up-stream (exploration & production) process** and developed **down-stream (refining & petrochemicals)** activities
- Enhance Kuwaiti involvement in the Iraqi oil industry, including establishing a major crude oil terminal in Kuwait



Pursue targeted and private sector-led diversification

- Incentivize and facilitate local and foreign private investments
- Support growth of local business, especially with exports and expansion into foreign markets
- Ensure Kuwait's strategic and comparative-advantage industries are prioritized (e.g. financial services)



Adopt governance and regulatory reforms to support public interests and safeguard societal well-being

- Strengthen governance of the oil industry to reduce politicized interventions that divert oil revenue
- Design measures to ensure Kuwaiti society benefits from positive externalities tied to private sector growth, including improved labor market regulation
- Reinforce taxation to institutionalize the positive link between growing economic activity and public revenues

Source: TICG analysis

Indicators

Business sophistication, strength of labor market and exports are key dimensions driving economic development

Indicators

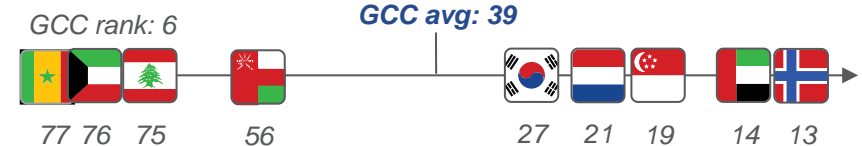
Source: WEF, 2014-15



4

Business sophistication

Metric calculated by WEF, covering 10 topics including local support quantity & quality, cluster development, value chain breadth – rank used



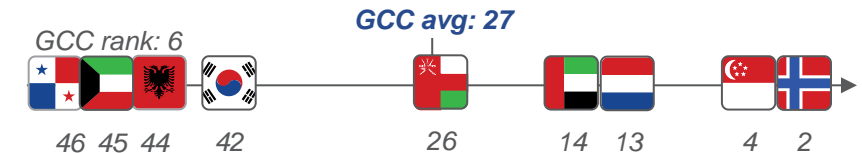
Source: WEF, 2013



5

Labor market performance index

Measures extent to which labor market supports the economy through capacity to retain talent, gender equality and level of cooperation in labor-employer relations



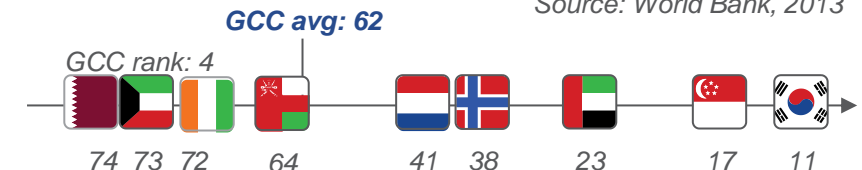
Source: World Bank, 2013



6

Exports of goods & services

Measures revenue from volume and price of exports of goods & services divided by population as well as level of diversification of exports



Source: TICG analysis, WEF, World Bank

Note: In future calculations, the indicator rankings are calculated as the averages of their sub-indicators

Strategic Direction

Increasingly innovative and varied businesses, and enlarged cluster development will improve Kuwait's score on business sophistication

④



Business sophistication index

Percentiles of index sub-indicators and strategic directions (2014-15)



Worst score



Best score



Prioritized focus areas

Current percentile: 53rd

Develop senior mgmt.

- Expand training to improve white collar managerial skills

Increase local distributors

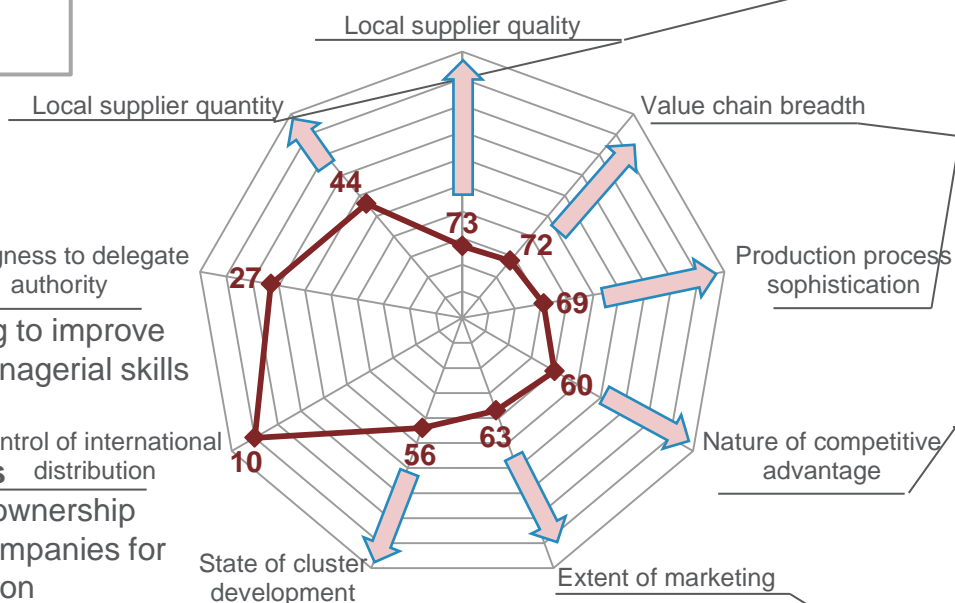
- Promote local ownership by domestic companies for global distribution

Enlarge & improve cluster dev.

- Increase number of economic clusters, focusing on logistics & media
- Develop logistics hub near Iraqi border to support international positioning as 'gateway' to Iraq

Source: TIGC analysis, World Economic Forum (2014-15)

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Enhance local suppliers

- Promote growth of local supply through procurement partnerships & supply chain integration

Encourage increased business sophistication

- Improve breadth of involvement in the energy value chain
- Encourage increasingly sophisticated production processes, using knowledge-intensive processes as opposed to oil technology or labor-intensive processes

Promote innovative approach to business

- Move towards a knowledge economy in Kuwait
- Promote more unique and innovative products and processes, as opposed to relying on low-cost labor or natural resources

Develop marketing capabilities

- Promote more sophisticated approach to marketing & commercial orientation of businesses

Project example

Increasingly innovative and varied businesses, and enlarged cluster development will improve Kuwait's score on business sophistication



**Illustrative Example
Kuwait Media City**

Source: <http://www.smartdestinations.com/blog/wp-content/uploads/2011/11/universal-studios.png>

Strategic Direction

Increasing female participation in the workforce will help boost labor market



Labor market performance index

Percentiles of index sub-indicators and strategic directions (2014)

Current percentile: 40th



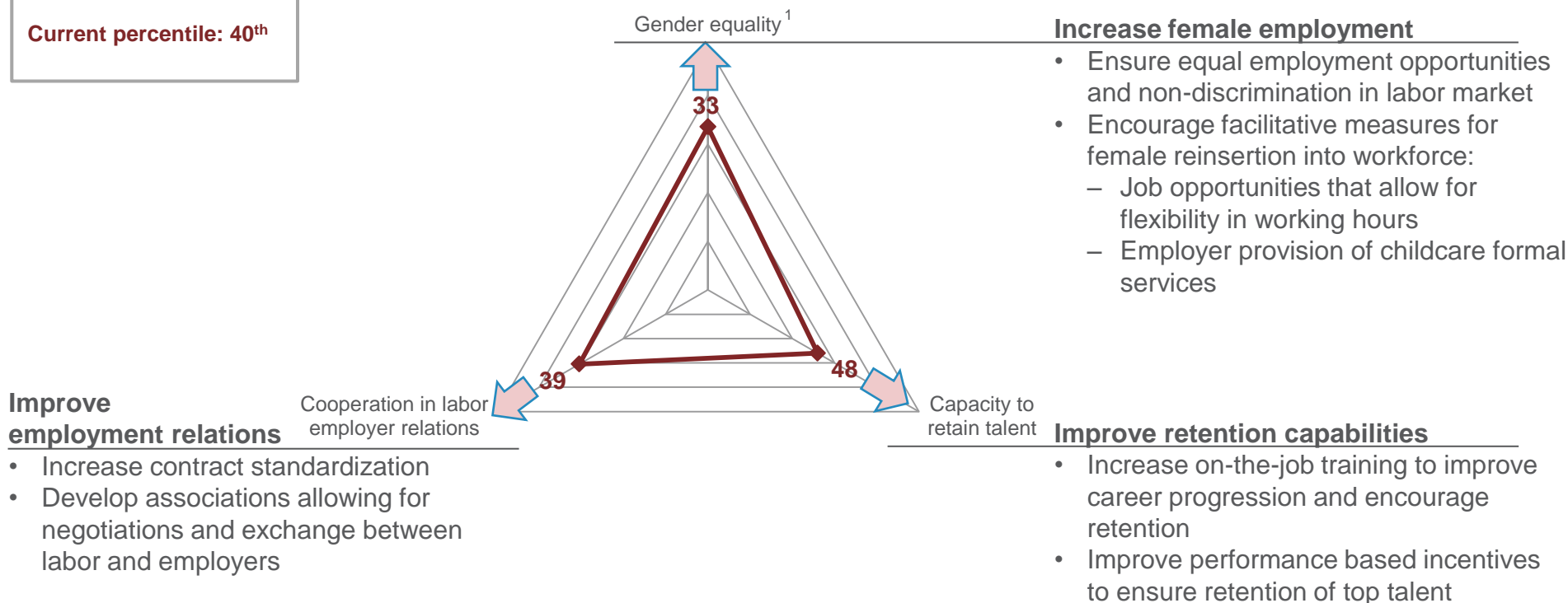
Worst score



Best score



Prioritized focus areas



1. Gender inequality index – 2013 value

Source: TICG analysis, World Economic Forum (2014-15), UNDP (2013)

Project example

Increasing female participation in the workforce will help boost labor market



Illustrative Example
Project Ignite (On the job training accelerator)

Source: http://al-shorfa.com/shared/images/2013/06/08/kuwait-er-medics-650_416.jpg

Strategic Direction

Diversifying to more sophisticated and varied goods & services will increase the revenue from exports

⑥



Exports of goods & services

Percentiles of index sub-indicators and strategic directions (2014)

Current percentile: 49th



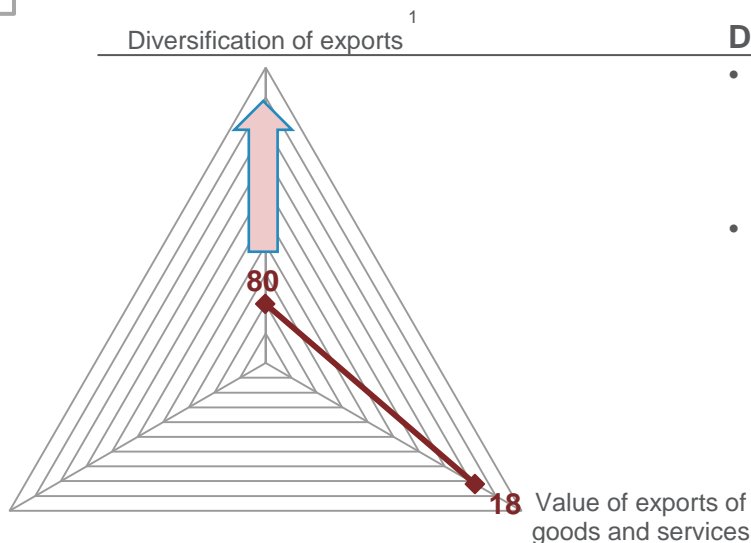
Worst score



Best score



Prioritized focus areas



Diversify exports

- Increase the diversification of exports away from crude oil by participating in more of the oil value chain and encouraging the expansion of manufacturing in other areas
- Encourage expansion of knowledge economy to increase the export of services and more advanced goods. Development of more unique economic clusters, such as the media city, will help this

1. Diversification of exports – 2013 value
Source: TICG analysis, UNCTAD (2013-14)

Project example

Diversifying to more sophisticated and varied goods & services will increase the revenue from exports

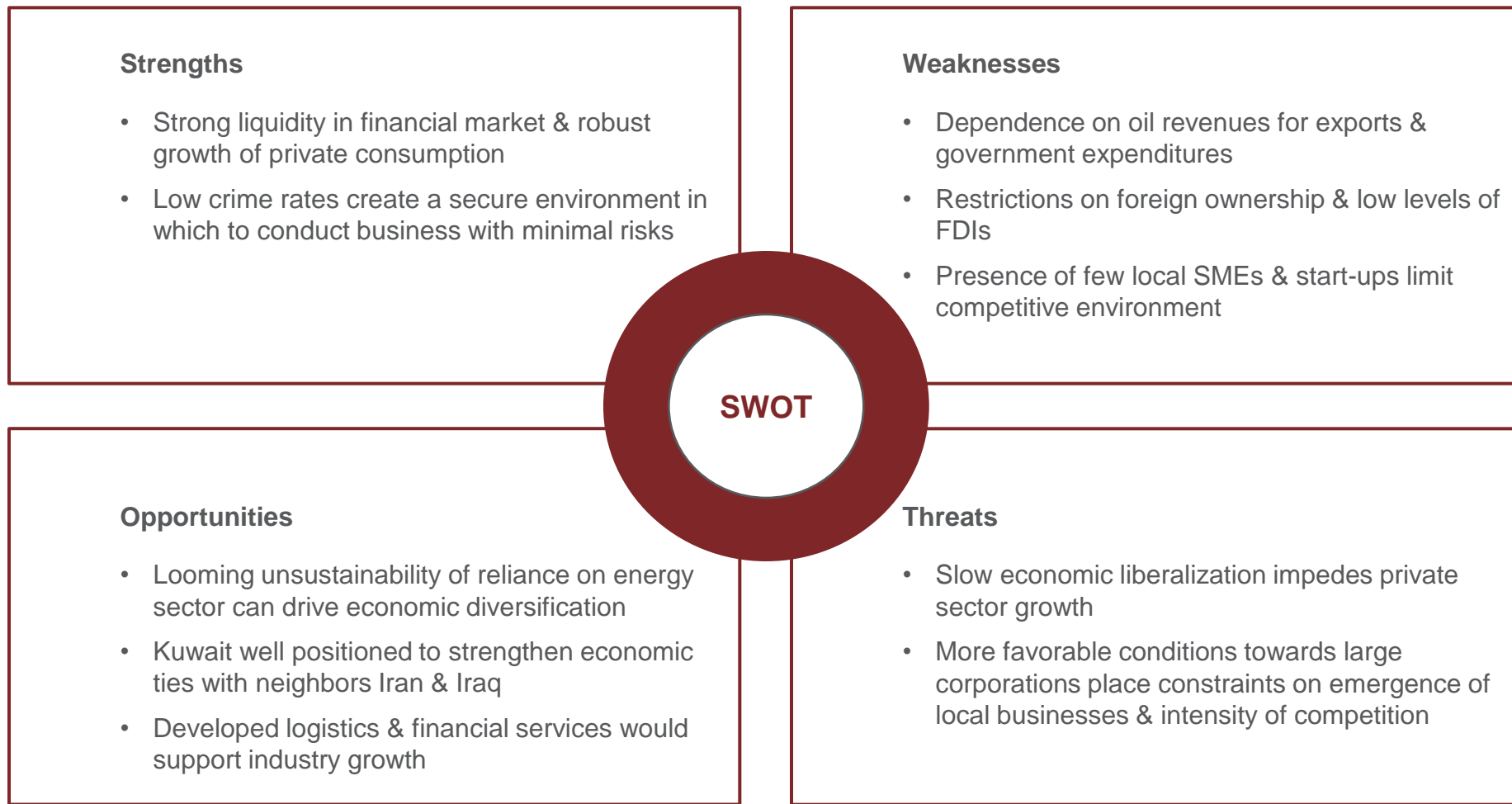


Illustrative Example
KOICC (Kuwait Oil Innovation & Commercialization Center)

Source: http://www.sdge.com/sites/default/files/styles/newsroom_high/public/EIC_0.jpg?itok=0gXP5FIF

SWOT analysis

Strong liquidity in the financial market is a key strength in the economy, while dependence on oil and restrictions on foreign ownership are weaknesses



Source: BMI, TICG analysis

Risks

Economic reform will require overcoming resistance from political and commercial interests

Detailed break-down of the expected risks to successful implementation

		High Risk		Medium Risk	Low Risk
Pillar		Political Risks	Economic Risks	Fiscal Risks	Social Risks
Pillars	2 Economy	<ul style="list-style-type: none"> Powerful commercial actors could oppose reform towards freer competition & subsidy cuts Political interests could distort private sector assistance & reduce its effectiveness 	<ul style="list-style-type: none"> Economic diversification & expansion of exports will be very difficult without exchange rate reform, access to credit and technology 	<ul style="list-style-type: none"> Budget restrictions could limit capacity to subsidize diversification and labor market reforms 	<ul style="list-style-type: none"> Transition to long-term governance model would require social groups accept short-term sacrifices Vulnerable social groups could protest structural reforms & privatization if compensation schemes are not offered

OPPORTUNITIES IN INFRASTRUCTURE

Status quo

Most current investments are dedicated towards infrastructure projects, so far generating mixed results and still requiring progress to reach targeted levels

Current situation

Description

Growing road congestion



- Few alternative means of transport as well as limited number of roads:
 - Limited road density (0.07km per km² of territory) starting to cause congestion: Kuwait ranks 4th in number of vehicles/km of road
 - Lead to declining quality of infrastructure due to overuse

Stalled rail development plans



- National Rail Road System & Kuwait Metro Rail System construction have yet to be launched
- Railway system crucial for transport as roads cause delays & higher costs
 - Capacity to transport 2.3 MM passengers per year & reduce freight costs by 30%

Lagging port efficiency and quality



- 3 ports currently exist with a 4th one being built to expand capacity and meet increasing demand
- Specialized facilities avoid delays but efficiency in customs can be enhanced

Expansion of air traffic



- Growth of air traffic at Kuwait international Airport for both freight and passengers (182K tones of cargo in 2012)
- Airport quality still requires upgrades and expansion is crucial to improve efficiency and extend capacity

Source: UNDP, TICG analysis

Key trends

Significant expenditures will be required for infrastructure, which will help drive Kuwait's international connectivity

Key Trends



Growing scale of investments due to need for connectivity

- Kuwait will likely need to dedicate investments to building infrastructure capacity and performance as connectivity becomes a key enabler for society
 - USD 57 trillion expected to be needed in 2013-2030 for global infrastructure investment



Developing transport infrastructure to meet increased traffic flows

- Kuwait should focus on its airport, port and railroad infrastructure to meet growing traffic flows
 - Air passenger traffic expected to double in 15 years, air freight to triple in 20 years & worldwide port traffic to quadruple by 2030



Improving project delivery through private sector participation

- Constrained funding capacity from Kuwait's public sector will require increased private sector involvement through privatizations & PPPs
 - Half of infrastructure investment in Australia is already contributed from private sector
 - Improved project selection and cost/benefit approach could save up to USD 200 Bn globally per year



Emerging models for innovative infrastructure provision

- Implementation of new concepts and technologies would allow for greater traffic efficiency and cost control
 - Total ownership approach to reduce 30% of road maintenance costs in Denmark
 - Congestion charging scheme implemented in Sweden
 - Integration of new technologies for Intelligent Transport Systems in Singapore

Source: TICG analysis, MGI, OECD

Pillar requirements for overall vision

The infrastructure pillar affects the prosperous & diversified economy, nurturing & cohesive society and globally relevant & influential player themes

Pillars	Themes	Citizen participation & respect of the law	Effective & transparent govt.	Prosperous & diversified economy	Nurturing & cohesive society	Globally relevant & influential player
1 Administration		Formalized & fair laws will boost govt. accountability	Streamlined govt. with clear roles will enhance policymaking Controlling public spending is key to sustainable finances	Better regulation will allow for increased private sector participation		
2 Economy				Moving away from oil revenue will help keep Kuwait's prosperity	Economy must support reasonable jobs & income for all residents	A strong economy will support Kuwait's international position
3 Infrastructure			Improved ICT usage will support transparency	Performing infrastructure will boost growth of economy	Population will have access to first-class facilities & transport	Growth of air traffic will create stronger global links
4 Living environment			Reduced subsidies will allow for sustainable govt.	Efficient public housing scheme will	Housing, utilities & supplies will enhance well-being	
5 Healthcare					will lead healthier lives ed medical em	
6 Education & Human capital				Education will enable availability of qualified workforce	Enhanced education system will allow society to develop knowledge & skills	
7 International positioning		Ensuring peace and security will support respect of the law		Foreign investment will encourage the economy		International influence is key to developing economic & political ties

Measured by the Government ICT index, logistics performance index, Quality of transport infrastructure and Cross-border traffic flow index

Previous vision work

Investments in building new infrastructure and updating what is currently in place need to target specific areas to resolve issues of high priority

Assessment of infrastructure priorities from previous work

Focus area / priority	Included in previous work?		
	McKinsey ¹	Monitor ¹	Tony Blair ¹
Upgrade quality of existing infrastructure	✓	✓	✓
Build world-class logistics hub	✓	✗	✓
Build Kuwait metro and rail system	~	✓	~
Review plans for clusters & develop multi-country involvement	✗	✗	✓
Leverage e-government & ICT to drive efficiency	~	✓	✓
Reduce capex on infrastructure & development projects	✗	✗	✓
Involve private sector for future infrastructure provision	✓	✓	✓
Develop cultural and leisure infrastructure	✗	~	✓



■ Priorities that align with objective

Citizen participation & respect of law	Effective & transparent govt.	Prosperous & diversified economy	Nurturing & cohesive society	Globally relevant & influential player

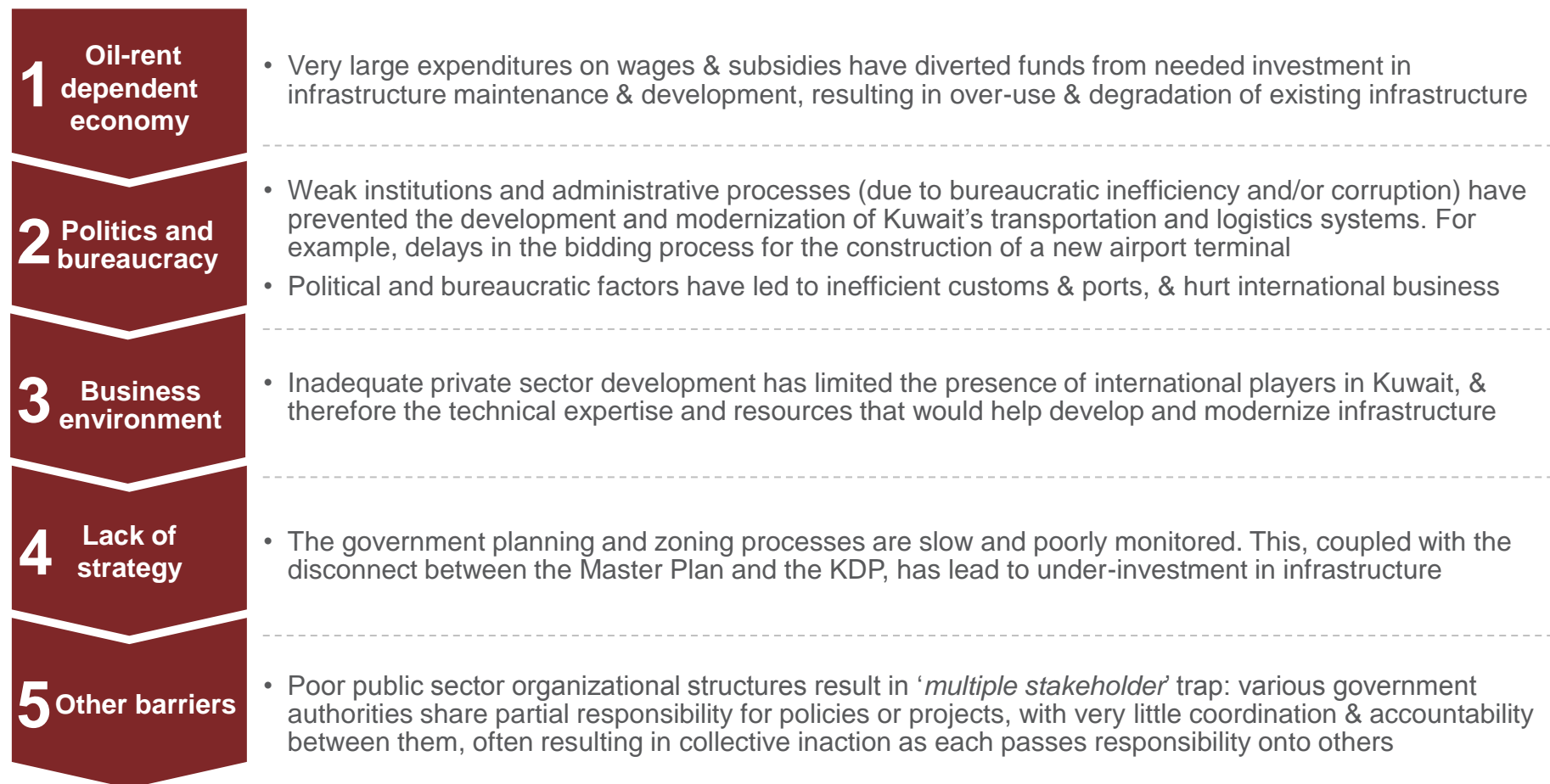
Source: TIGC analysis

1. Refers to McKinsey's "Unleashing Kuwait's Potential", Monitor's "MRP prioritization" and Tony Blair's "Vision Kuwait 2035" documents respectively.

Barriers to change

Lack of defined strategy and funding in infrastructure has caused Kuwait to lag behind its peers

Barriers to change in infrastructure



Source: TICG analysis

Hypotheses and opportunities

Kuwait must stimulate investment to build the modern and sustainable infrastructure needed to support a growing economy and vibrant society

Hypotheses and opportunities in infrastructure



Increase network connectivity and efficiency through investments into existing and new infrastructure

- Increase port capacity and operations
- Expand and improve quality of current airport terminal
- Launch construction of metro public transportation in Kuwait City for increased urban mobility & sustainability
- Build rail road network allowing to decrease in emissions & reduce costs in shipment transportation



Reform infrastructure development processes to increase private sector involvement

- Encourage & multiply Public-Private Partnership initiatives (contract auctions) to harness private expertise and capital
- Incentivize broader and more active private sector involvement in project delivery through clearer regulation regarding financing, ownership and subsidies



Develop infrastructure to support growth of Kuwaiti culture

- Establish programs that support of the growth of the culture sector and that prioritize needs
- Build adequate cultural and recreational facilities (public libraries, museums, etc.)

Source: TICG analysis

Indicators

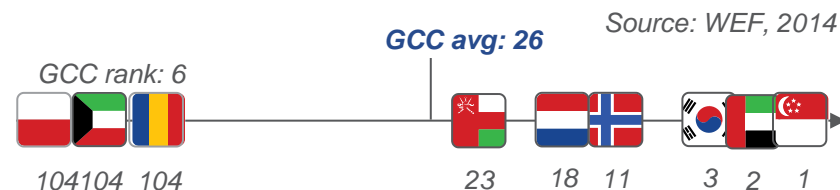
Kuwait should target enhancing quality & performance of its transport infrastructure to enhance traffic flows

Indicators

7

**Government ICT usage**

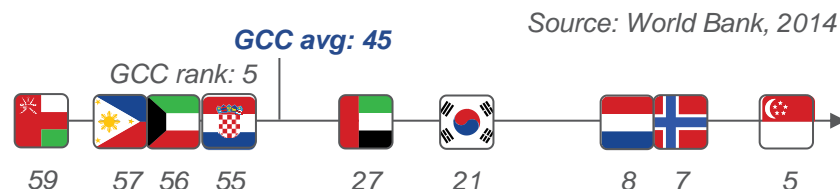
Measures country ranking on government online services, government success in ICT promotion, e-participation and the importance of ICT to government vision of the future



8

**Logistics performance index**

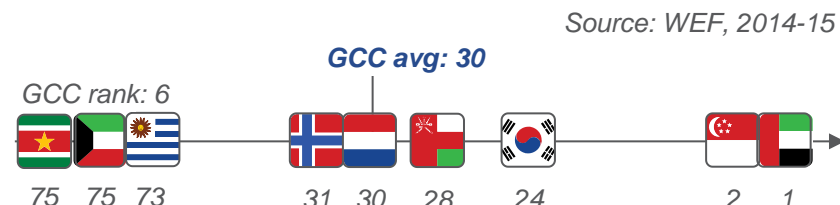
Measures country ranking on performance along transport logistics supply chain



9

**Quality of transport infrastructure**

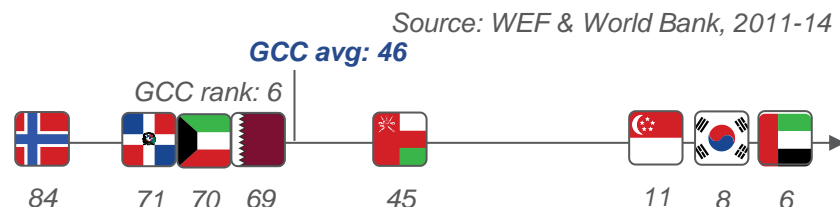
Measures country ranking in quality, efficiency and extensiveness of road, port and air transport infrastructure



10

**Cross-border traffic flow index**

Measures country ranking in air and port traffic as well as traffic handling connectivity and capacity



Source: WEF, World Bank, TICG analysis

Note: In future calculations, the indicator rankings are calculated as the averages of their sub-indicators

Strategic Direction

Promoting an enabling environment, developing an ICT strategy and developing e-government will improve government ICT usage



Government ICT usage

Percentiles of index sub-indicators and strategic directions (2014)



Worst score



Best score



Prioritized focus areas

Current percentile: 67th

Government success
in ICT promotion

Promote enabling environment for ICT

- Provide funding for ICT R&D programs
- Strengthen governance & regulation to boost quality of ICT infrastructure

Government Online
Service Index

37

Importance of ICTs
on government vision
of the future

89

Develop national ICT strategy

- Set up government body in charge of ICT strategy
- Create a dedicated ICT fund to support national vision & priorities

E-Participation index

53

Develop user-friendly e-government platform

- Develop quality & services of e-government platform
 - Make public databases accessible electronically
 - Enable two-way communication & submission of feedback

Source: TICG analysis, WEF Global world technology report (2014)

Project example

Promoting an enabling environment, developing an ICT strategy and developing e-government will improve government ICT usage



Illustrative Example
Improved e-government platform

Strategic Direction

An easier and more efficient logistics process acts as a key support for developing transport infrastructure and trade

⑧



Logistics performance index

Percentiles of index sub-indicators and strategic directions (2014)



Worst score

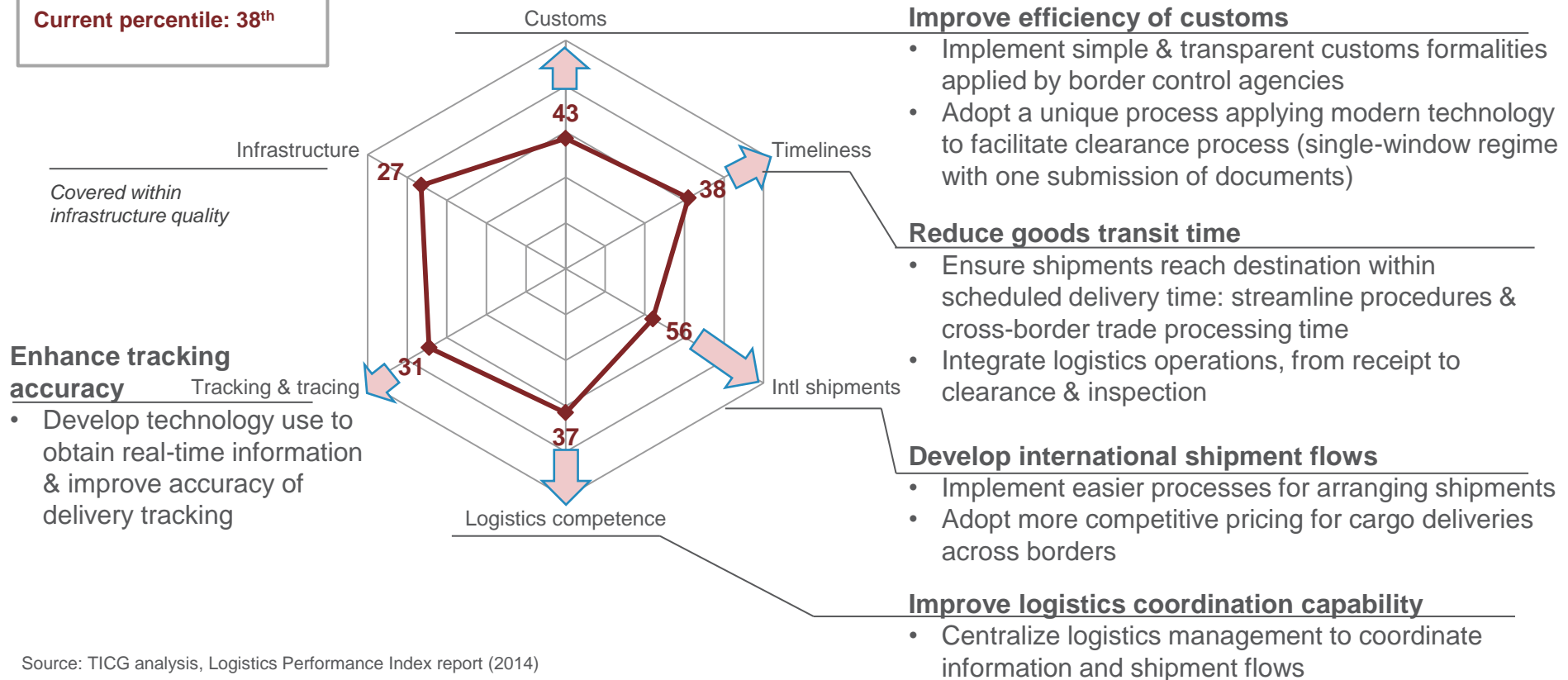


Best score



Prioritized focus areas

Current percentile: 38th



Source: TIGC analysis, Logistics Performance Index report (2014)

Project example

An easier and more efficient logistics process acts as a key support for developing transport infrastructure and trade



© Geoff Robinson

**Illustrative Example
Port, warehouse & trade
facilitation Northern Hub**

Source: http://i.dailymail.co.uk/i/pix/2013/11/07/article-0-1940A7DF00000578-855_964x643.jpg

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Strategic Direction

Current national infrastructure requires improvements in quality and private sector involvement to enhance Kuwait's international standing

9



Quality of infrastructure

Percentiles of index sub-indicators and strategic directions (2014-15)



Worst score

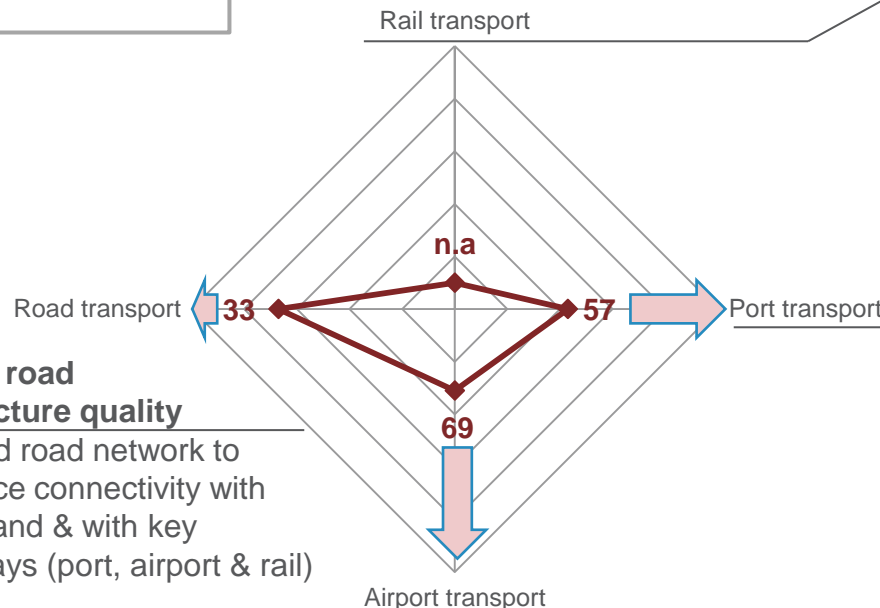


Best score



Prioritized focus areas

Current percentile: 53rd



Improve road infrastructure quality

- Expand road network to enhance connectivity with hinterland & with key gateways (port, airport & rail)

Develop rail transportation

- Speed up construction process of metro and of rail road with link to port & neighboring countries:
 - Accelerate permit process for mega infrastructure projects and refine project planning: capital cost estimates, passenger & revenue forecasts; financial viability and options for financing & governance

Improve port infrastructure quality

- Centralize & set up PPPs for pilotage, mooring & towage activities
- Enhance services through availability of infrastructure: build sufficient quay space & storage space
- Upgrade supportive infrastructure: cranes, docks & digital equipment

Improve airport infrastructure quality

- Streamline transit process of passengers & shipments and develop greater offer of commercial services
- Boost quality of local airline fleet and service

Source: TICG analysis, World Economic Forum (2014-15)

Project example

Current national infrastructure requires improvements in quality and private sector involvement to enhance Kuwait's international standing



**Illustrative Example
Kuwait National Metro**

Source: http://www.wallpapersdb.org/wallpapers/trains/train_in_japan_1920x1200.jpg

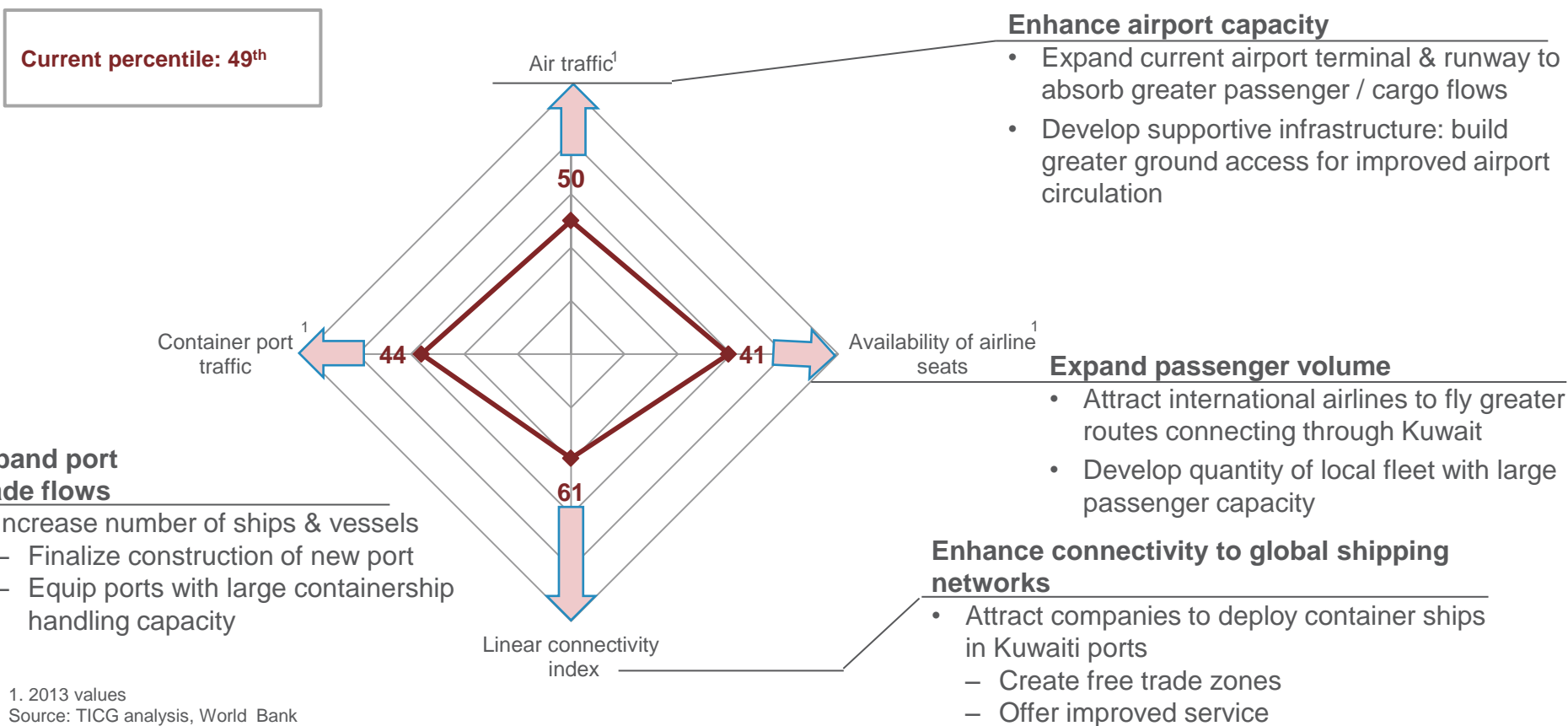
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Strategic Direction

Investments in port and airport infrastructure capacity will be necessary to increase traffic flows through Kuwait



Percentiles of index sub-indicators and strategic directions



Project example

Investments in port and airport infrastructure capacity will be necessary to increase traffic flows through Kuwait

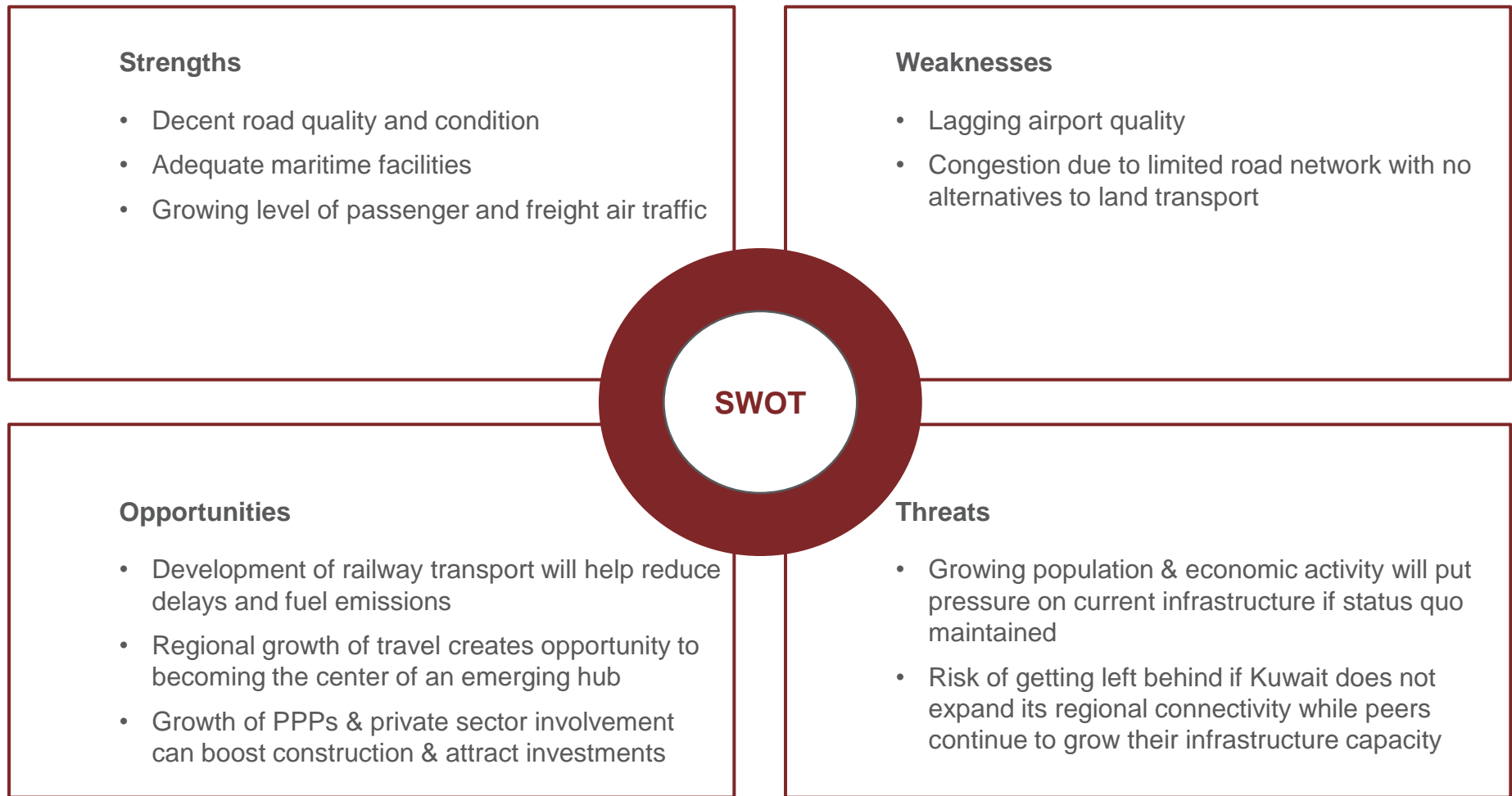


**Illustrative Example
Kuwait National Airport**

Source: <http://www.airtransportpubs.com/ckeditor/ckfinder/userfiles/images/new%20mumbai%20airport,%20SOM.jpg>

SWOT analysis

Road quality and maritime facilities are key strengths in infrastructure while airport quality and congestion are significant weaknesses



Source: BMI, TICG analysis

Risks

Fiscal and political challenges will be the main obstacles to successful investments in infrastructure development and modernization

Detailed break-down of the expected risks to successful implementation

		<div>High Risk</div> <div>Medium Risk</div> <div>Low Risk</div>			
Pillar		Political Risks	Economic Risks	Fiscal Risks	Social Risks
Pillars	3 Infrastructure	<ul style="list-style-type: none"> Competitive bidding for projects might threaten interest groups Lack of short-term political gains from infrastructure development can make it a low political priority Political infighting might continue to delay execution of projects 	<ul style="list-style-type: none"> Successful ROI of infrastructure projects will depend on economic activity to create utilization of infrastructure 	<ul style="list-style-type: none"> Budget restrictions will limit expensive infrastructure investments, especially in the short term with lower oil revenues Government spending , budget execution and project implementation will have to become more efficient 	<ul style="list-style-type: none"> Tensions and competition between social groups could paralyze spending Social protests could arise against expensive infrastructure while cost-cutting is imposed in other areas

OPPORTUNITIES IN LIVING ENVIRONMENT

Status quo

The current shortage in affordable housing and a growing population mean residential development is fast becoming a key issue to be resolved

Current situation

Description

Scarcity in housing supply



- Booming population vs. limited supply create a shortage in residential housing and lead to excessive prices
- Results in long wait times, of up to 20 years, for government housing

Cumbersome regulation



- Heavy restrictions on land ownership and building permits
- Political process slows down supply as new housing requires parliament approval
- Lack of facilitating legislation to provide Kuwaiti nationals with access to housing loans and reduce demand for subsidized housing

Nascent private sector involvement



- Large-scale residential housing projects only recently being undertaken by private sector
- Lack of secondary market limits private sector opportunities for housing development

Modernized & cleaner utilities in process



- Water treatment projects have had most success in being accomplished
- Subsidized electricity creates no incentive to reduce consumption
- However, solar power as well as waste-to-energy facility projects are being developed to generate electricity

Source: TICG analysis

Key trends

A growing population and a trend towards urbanization will lead to more flexible models for residential housing provision and resource usage

Key trends



Increasing need for resources due to accelerated urbanization

- Growing population and rising demand for food & energy will increase pressure on Kuwait to provide resources & housing infrastructure
 - 60% of global population will live in cities
 - USD 1 trillion investment needed to meet future resource demands



Meeting housing demand through proactive & rapid expansion of land supply

- Land should be set aside for future housing needs with detailed plans for town development
 - Enough land to build 700K homes by 2030 prepared in Singapore
- Streamlining of approval & land acquisition process in Kuwait is crucial to speed up construction
 - e.g. One-stop permit process in UK



Facilitating construction process with the help of private sector involvement

- Increase in types of private sector involvement will help boost construction & housing supply in Kuwait
 - New South Wales Boarding House Financial Assistance Program offers up to USD 10K per room for development of affordable housing
- It will also drive innovation in providing wider range of housing options to suit different needs: elderly, couples, large families, etc.



Developing sustainability through greener urban planning & utilities

- Kuwait must move towards a removal of costly resource subsidies and develop utilities that address environmental challenges: water recycling, solar power energy, etc.
 - Doubling of solar photovoltaic (PV) installed capacity could lead to unit cost reductions of around 20%
 - Masdar city in Abu Dhabi pilot project to create a city with zero waste and zero carbon ecology

Pillar requirements for overall vision

The living environment pillar affects the effective & transparent government and nurturing & cohesive society themes

Pillars	Themes	Citizen participation & respect of the law	Effective & transparent govt.	Prosperous & diversified economy	Nurturing & cohesive society	Globally relevant & influential player
1 Administration		Formalized & fair laws will boost govt. accountability	Streamlined govt. with clear roles will enhance policymaking Controlling public spending is key to sustainable finances	Better regulation will allow for increased private sector participation		
2 Economy				Moving away from oil revenue will help keep Kuwait's prosperity	Economy must support reasonable jobs & income for all residents	A strong economy will support Kuwait's international position
3 Infrastructure			Improved ICT usage will support transparency	Performing infrastructure will boost growth of economy	Population will have access to first-class facilities & transport	Growth of air traffic will create stronger global links
4 Living environment			Reduced subsidies will allow for sustainable govt. finances	An efficient public housing scheme will support the economy	Housing, utilities & supplies will enhance population well-being	
5 Healthcare					Citizens will lead longer & healthier lives with upgraded medical system	
6 Education & Human capital				able availability of qualified workforce	Enhanced education system will allow society to develop knowledge & skills	
7 International positioning		Ensuring peace and security will support respect of the law		Foreign investment will encourage the economy		International influence is key to developing economic & political ties

Measured by the environment performance index, time to receive public housing and resource & energy use

Previous vision work

Improving land regulation, increasing private sector involvement and introducing proper loans are key ideas to bring from previous vision work

Assessment of living environment priorities from previous work

Focus area / priority	Included in previous work?		
	McKinsey ¹	Monitor ¹	Tony Blair ¹
Establish Central Land Authority	✓	✗	✓
Auction government land	✗	✓	✗
Reform construction permit process	✗	✓	✗
Leveraging private sector to develop land and housing	✓	✓	✓
Establish secondary market for land	✓	✓	✓
Stop subsidizing energy and use natural resources more effectively	✓	✓	✓
Set strict environmental regulations & monitoring authority	✓	✓	✓
Become an renowned investor in clean energy & waste mgmt.	~	✓	✓



■ Priorities that align with objective

Citizen participation & respect of law	Effective & transparent govt.	Prosperous & diversified economy	Nurturing & cohesive society	Globally relevant & influential player

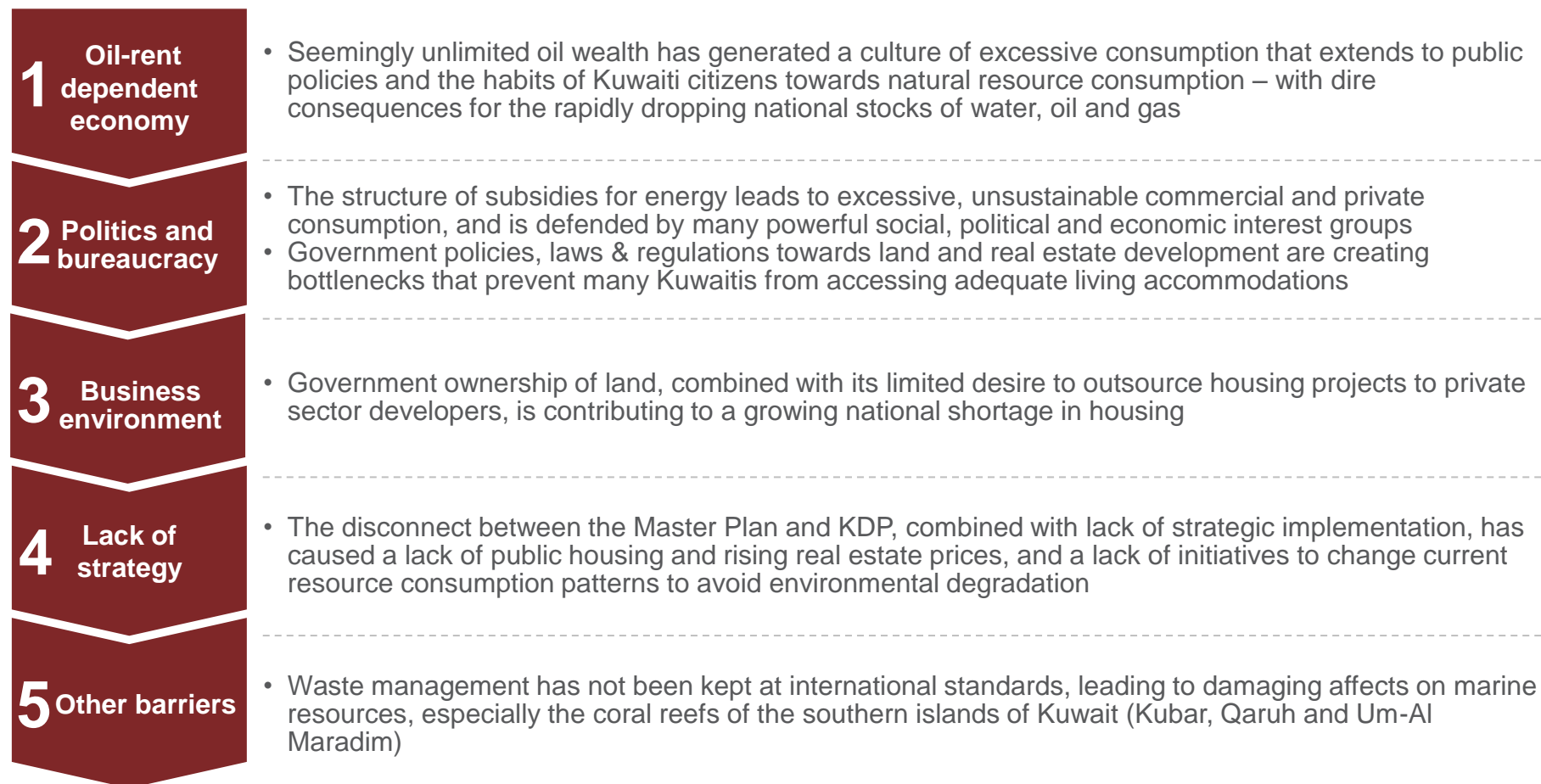
Source: TICG analysis

1. Refers to McKinsey's "Unleashing Kuwait's Potential", Monitor's "MRP prioritization" and Tony Blair's "Vision Kuwait 2035" documents respectively.

Barriers to change

Government control of the public housing sector and subsidies in energy are negatively impacting the environment

Barriers to change in environment



Source: TICG analysis

Hypotheses and opportunities in habitat and ecosystem

- Establish solid legal framework for private ownership and property rights to loosen restrictions on ownership and increase access to land
- Improve market infrastructure & mechanisms such as access to mortgages and a secondary housing market
- Grant subsidies or specific financing schemes for low income families

- Centralize land allocation and ensure fairness and transparency of process
- Build accessible, centralized and comprehensive housing database
- Monitor progress and deadlines of construction, and respect of building standards and regulations
- Design and enforce a sound credit rating system to properly predict default probabilities

- Decrease subsidies and implement initiatives to reduce energy and water consumption
- Increase public awareness about Kuwait's environmental challenges (natural resource depletion)
- Launch and fund programs which encourage sustainability and diversification of energy use, such as solar renewables, and waste-to-energy
- Enforce strict environmental standards for new housing developments

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Indicators: Living environment

Enhancing availability of land for housing and environmental as well as reducing energy usage will help improve current living standards

Indicators

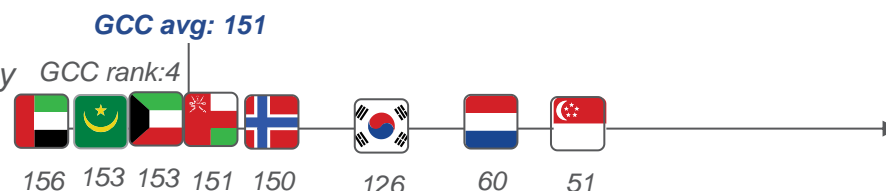
Source: World Bank, 2011

11



Resource & energy use

Measures country ranking in use of primary oil energy and electricity per capita, as well as rate of natural resource depletion as % of GNI (1 = best)



12



Average time to obtain public housing

Measures waiting time in years between application for a house and date of approval for Kuwaiti nationals

No international benchmarks – to be tracked nationally

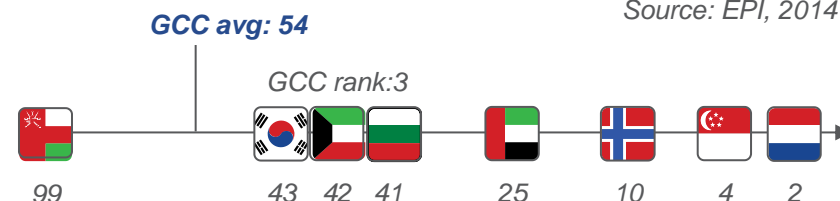


13



Environment performance index

Measures country ranking in impact on health, air quality, water resources & sanitation, agriculture & fisheries, biodiversity and climate (1= best)



Source: EPI, 2014

Source: Yale Center for Environmental Law & Policy, World Bank, TICG analysis

Note: In future calculations, the indicator rankings are calculated as the averages of their sub-indicators

Strategic Direction

To achieve sustainability of its environment, Kuwait will have to reduce its levels of oil, electricity and natural resource consumption

11



Resource & energy use

Percentiles of index sub-indicators and strategic directions



Worst score

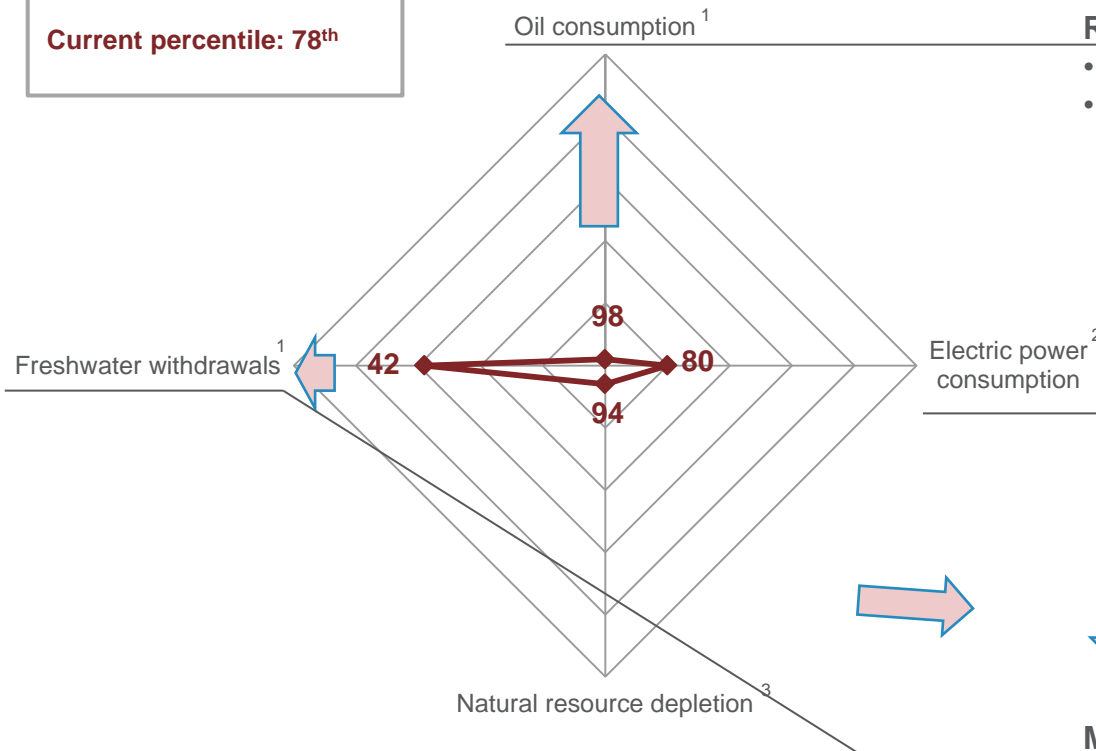


Best score



Prioritized focus areas

Current percentile: 78th



Reduce levels of oil consumption

- Promote use of biofuels & renewable fuels
- Implement fuel efficiency requirements, (such as corporate average fuel economy standards) & regulatory policies that demand energy efficient technology adoption

Reduce electricity usage

- Restructure or gradually eliminate subsidies for electricity use

Minimize water & resource consumption

- Implement mandatory sustainability codes, which reduce average water & resource depletion

1. 2013 values, 2012 values, 2011 values

Source: TIGC analysis, World Oil & Gas (2013), International Energy Stats (2012), World Bank (2011-13)

Project example

To achieve sustainability of its environment, Kuwait will have to reduce its levels of oil, electricity and natural resource consumption



**Illustrative Example
Eco Kuwait – A Greener City
Initiative**

Strategic Direction

Improvements in air quality and local fisheries are key dimensions to enhancing Kuwait's environmental standards



Environment Performance Index

Percentiles of index sub-indicators and strategic directions (2014)

Current percentile: 43rd



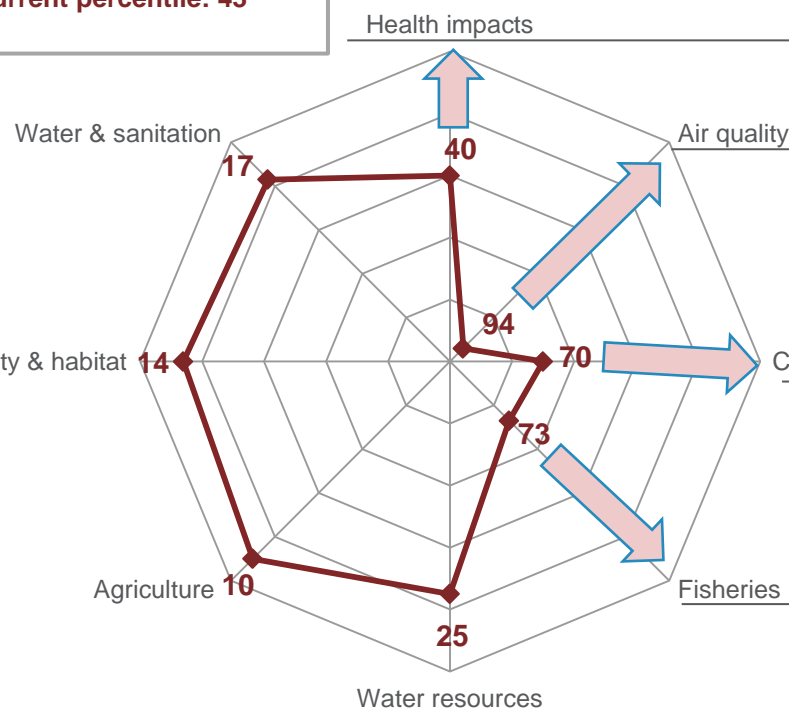
Worst score



Best score



Prioritized focus areas



Strengthen environmental standards

- Impose stricter standards & regulation to limit negative impact of water & air pollution on health

Improve level of air quality

- Reduce level of pollutants from burning fossil fuels:
 - Promote standards that limit household use of fuel
 - Implement air-conditioning performance standards

Enhance use of clean energy

- Promote adoption of renewables through green taxation
- Support funding of renewable energy development projects

Protect local fisheries

- Develop sustainability in fishing: introduce environmental standards which outlaw over exploitation of fish stock

Project example

Improvements in air quality and local fisheries are key dimensions to enhancing Kuwait's environmental standards

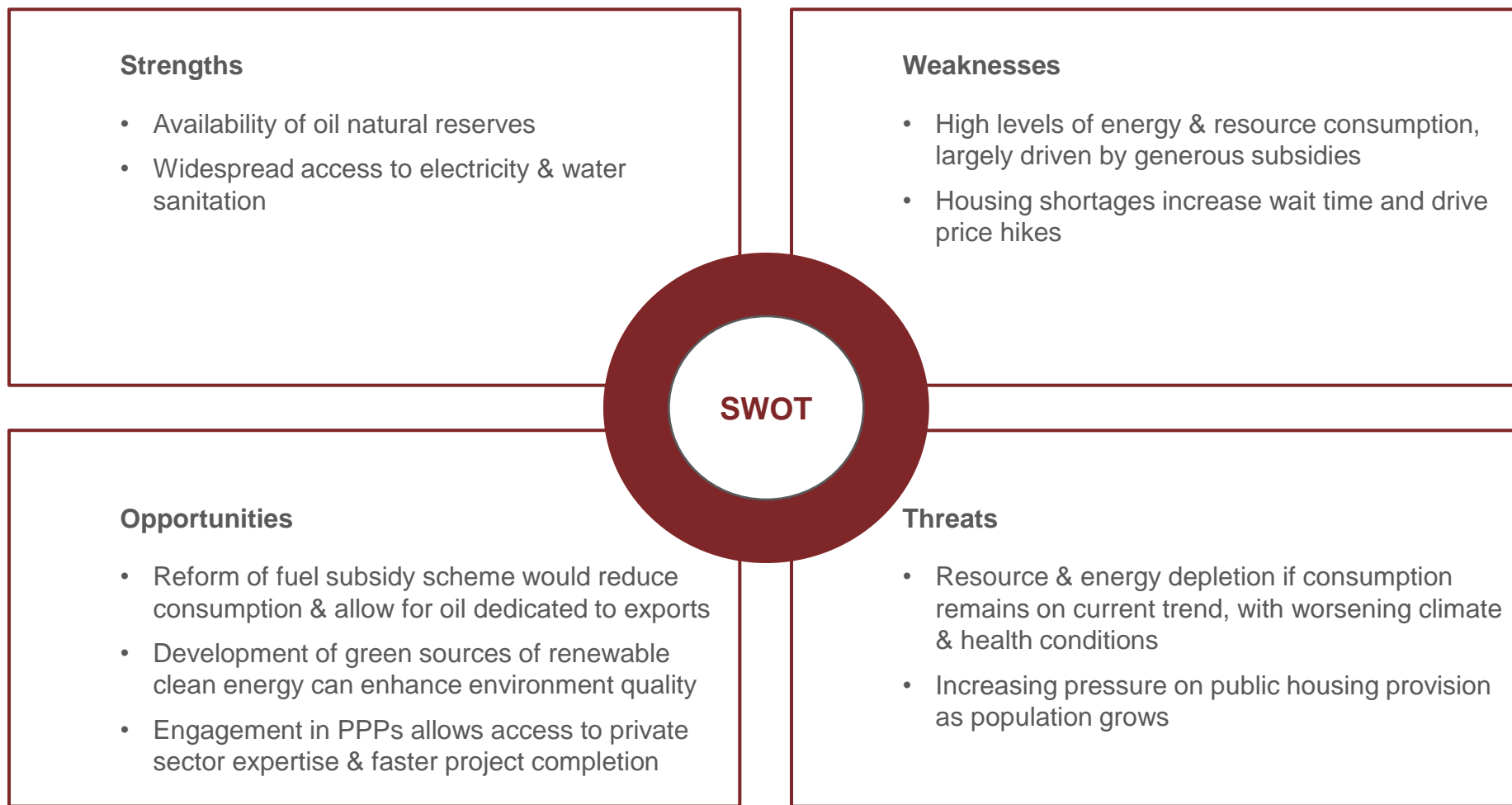


Source: https://www.capetown.gov.za/en/Water/PublishingImages/AQM_4L.jpg

**Illustrative Example
Kuwait National Air Quality
Program**

SWOT analysis

Availability of oil reserves is a key strength in living environment while high levels of consumption and housing shortages are significant weaknesses



Source: BMI, TICG analysis

Risks

Addressing Kuwait's current ecosystem and living accommodation challenges will require overcoming significant political and social risks

Detailed break-down of the expected risks to successful implementation

		High Risk		Medium Risk	Low Risk
Pillar		Political Risks	Economic Risks	Fiscal Risks	Social Risks
Pillars	4 Living Environment	<ul style="list-style-type: none"> It can be very hard to inspire collection action to protect environment resources (public goods) Land reform will require relinquishing a lot of centralized socio-political control 	<ul style="list-style-type: none"> In the absence of economic diversification, it will be very hard/impossible to reduce dependence on oil There are few incentives to invest in more environmentally friendly extractive industries 	<ul style="list-style-type: none"> Well-established fiscal practices related to subsidization will be difficult to reform / re-structure 	<ul style="list-style-type: none"> Deeply ingrained lifestyle & cultural norms fuel energy consumption and a lack of concern with long-term environmental issues Increased private housing ownership, if fueled by easier access to credit, must be monitored closely

OPPORTUNITIES IN HEALTHCARE

Status quo

Kuwait has considerable public health issues which the current healthcare system is not well positioned to address

Current situation

Description

Public health time bomb

- Kuwait has a growing population and projected disease burden, which will create growing demand in the healthcare sector
- Kuwait is the 10th most obese country in the world, and has the 10th highest prevalence of diabetes. Additionally, the proportion of Kuwaiti males who smoke is at 35%

Provider space dominated by public sector

- Public sector is the main hospital service provider in Kuwait (>80% of services). Currently there are 6 general hospitals and 9 specialized hospitals with plans to build 9 more
- Private sector share in Kuwaiti hospital services is only 15-20%, and the majority are family owned. There are 13 private hospitals with capacity of 964 beds

Poor quality and access

- Kuwait 's healthcare system is significantly behind international best practice in terms of quality and cost efficiency. The network has not kept up with population movement, leading to some communities being significantly underserved
- Lack of patient trust and transparency on quality suggest that public hospitals are not consistently delivering high quality and reliable care

Rising healthcare costs for government

- The Ministry of Health budget has annual growth of 18% 2007-12, but there is a lack of clarity on the return on investment that public hospitals provide
- Kuwait is a large and growing consumer of costly medical treatment abroad (MTA)
- Issues with waiting times and congestion suggest consumers aren't able to access timely and appropriate care at public hospitals

Source: TICG Analysis, Cleos Healthcare, BMI , CIA factbook, International Diabetes Foundation

Key trends

National healthcare will need to become more patient-centered, with a focus on engagement and prevention and a shift to specialization

Key Trends



Developing integrated care & health systems

- Kuwait's health provider space should adapt to cover full care continuum, with hospitals stratifying by specialization & being embedded within a network of alternate care facilities, allowing for targeted care across varied disease profiles
- Integrated health systems will improve care for chronic cases & case management by coordinating across national providers



Enhancing innovation through competition in the provider space

- Breaking up healthcare systems from monopolistic public providers into smaller entities, with a mixture of public & private ownership, will introduce competition to drive innovation, reduce wastage & improve customer satisfaction
- Improved data measurement, for example through a national register for health data, will codify competition & further encourage innovation



Moving from 'break & fix' to preventative medicine

- Kuwait's healthcare system should move towards more preventative medicine, encouraging better lifestyle choices through public health campaigns & possibly co-pay insurance policies
- Widespread preventative analytics around genomic predisposition of individuals would help identify diseases early to prevent progression & deterioration of health status

Source: TICG analysis

Pillar requirements for overall vision

The healthcare pillar affects the effective & transparent government and nurturing & cohesive society themes

Pillars	Themes	Citizen participation & respect of the law	Effective & transparent govt.	Prosperous & diversified economy	Nurturing & cohesive society	Globally relevant & influential player
1 Administration		Formalized & fair laws will boost govt. accountability	Streamlined govt. with clear roles will enhance policymaking Controlling public spending is key to sustainable finances	Better regulation will allow for increased private sector participation		
2 Economy				Moving away from oil revenue will help keep Kuwait's prosperity	Economy must support reasonable jobs & income for all residents	A strong economy will support Kuwait's international position
3 Infrastructure			Improved ICT usage will support transparency	Performing infrastructure will boost growth of economy	Population will have access to first-class facilities & transport	Growth of air traffic will create stronger global links
4 Living environment			Reduced subsidies will allow for sustainable govt. finances	An efficient housing scheme will support the economy	Population well-being	
5 Healthcare					Citizens will lead longer & healthier lives with upgraded medical system	
6 Education & Human capital				Education will enable availability of qualified workforce	Enhanced education system will allow society to develop knowledge & skills	
7 International positioning		Ensuring peace and security will support respect of the law		Foreign investment will encourage the economy		International influence is key to developing economic & political ties

Measured by the Healthcare quality index

Previous vision work

A focus on prevention and increased private sector participation are key elements of all previous visions for the healthcare industry

Assessment of healthcare priorities from previous work

■ Priorities that align with objective

Focus area / priority	Included in previous work?				Citizen participation & respect of law	Effective & transparent govt.	Prosperous & diversified economy	Nurturing & cohesive society	Globally relevant & influential player
	McKinsey ¹	Monitor ¹	Tony Blair ¹						
Emphasis on prevention with public health campaigns and taxation	~	✓	✓			■		■	
Increase number of local doctors, nurses and professionals	✓	✓	✓				■	■	
Restructure the health system to increase private sector participation	✓	✓	✓				■	■	
Attract major investment from international healthcare management institutions	✗	✓	✗	➤			■		■
Establish centers of excellence for treatment and research, as opposed to one-stop-shops	✗	✓	✓				■	■	
Reduce costs from Medical Treatment Abroad program	✗	✗	✓			■	■		

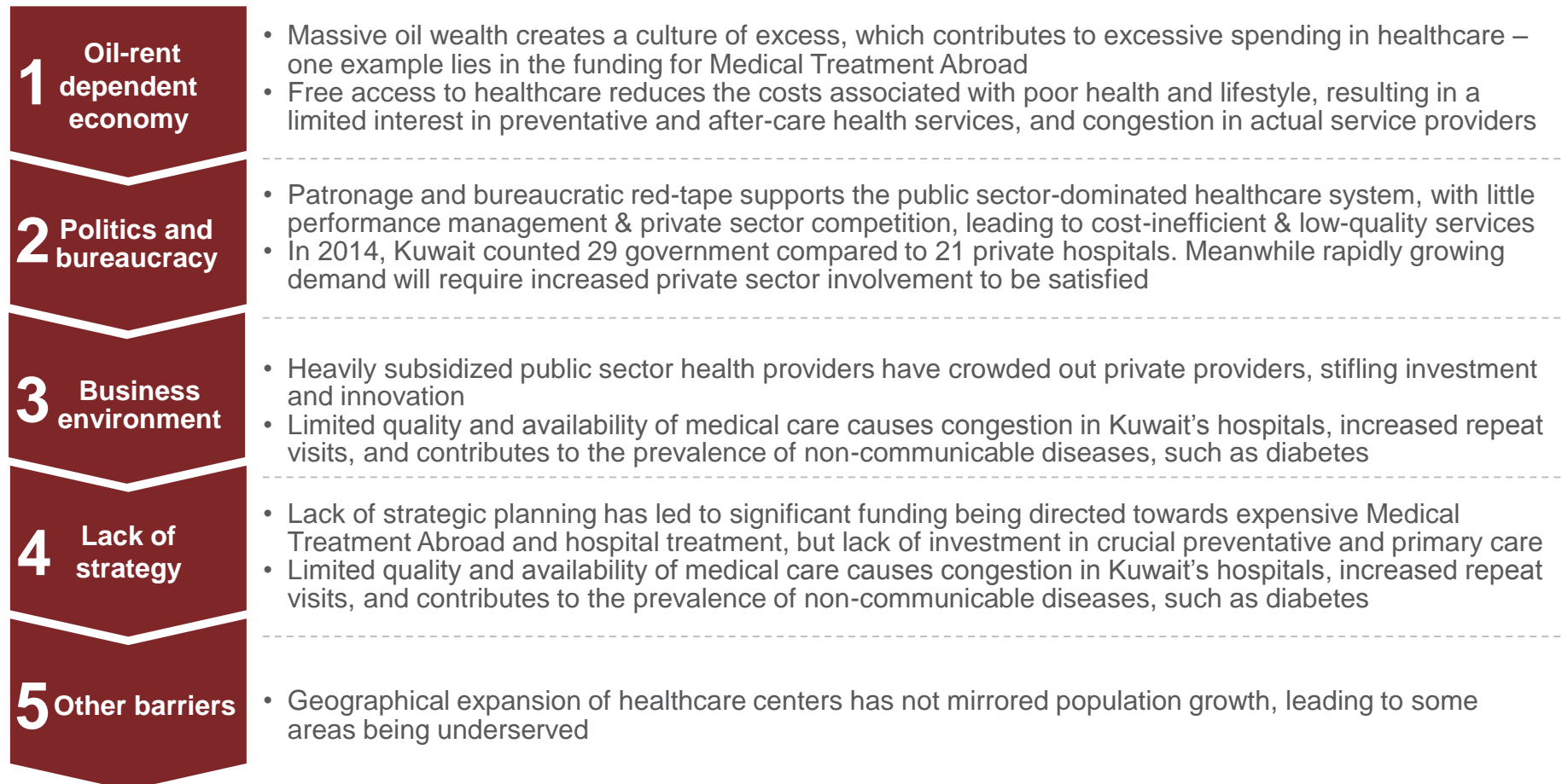
Source: TICG analysis

1. Refers to McKinsey's "Unleashing Kuwait's Potential", Monitor's "MRP prioritization" and Tony Blair's "Vision Kuwait 2035" documents respectively.

Barriers to change

Current public health policies and practices have proven to be inefficient and inadequate, creating an urgent need for reform to face rising health challenges

Barriers to change in healthcare



Source: TICG analysis

Hypotheses and opportunities

Kuwait should focus on improving public health through a modernized and cost-efficient healthcare system

Hypotheses and opportunities in healthcare & lifestyle improvement



Increase focus on preventative care

- Increase public awareness regarding crucial health and nutrition issues (such as diabetes and obesity) through dedicated campaigns and initiatives
- Discourage consumption of unhealthy products through tax hikes and other price-based incentives



Modernize healthcare system to improve quality of healthcare delivery

- Move beyond the “general hospital model” towards a holistic model of patient-centered care
- Increase electronic systems: performance management, centralized patient/client database, and patient satisfaction surveys
- Improve geographic distribution of centers and hospitals to eliminate mismatch between demand and capacity
- Apply international standards, obtain international accreditation and host international experts
- Continue efforts to raise training of national medical workforce to international standards



Reform healthcare systems and services to increase cost-efficiency

- Regulate overseas medical treatment of nationals
- Increase private engagement and outsourcing of healthcare management to private sector
- Develop partnerships with international private medical organizations to increase FDI in medicine

Source: TICG analysis

Indicators

A focus on quality and wastage is necessary for health & lifestyle improvement

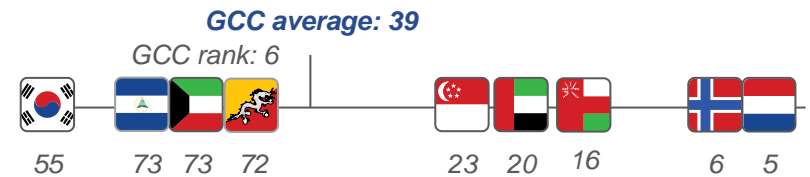
Indicator



Healthcare quality index

Indicator that measures countries' performance in terms of health outcomes across mortality rates, diabetes prevalence and years of life lost to cancer

Source: World Bank, IDF, WHO, 2014-15



Source: TICG analysis, World Bank, IDF, WHO

Note: In future calculations, the indicator rankings are calculated as the averages of their sub-indicators

Strategic Direction

Increase preventative care and a more comprehensive, competitive healthcare system will improve healthcare results

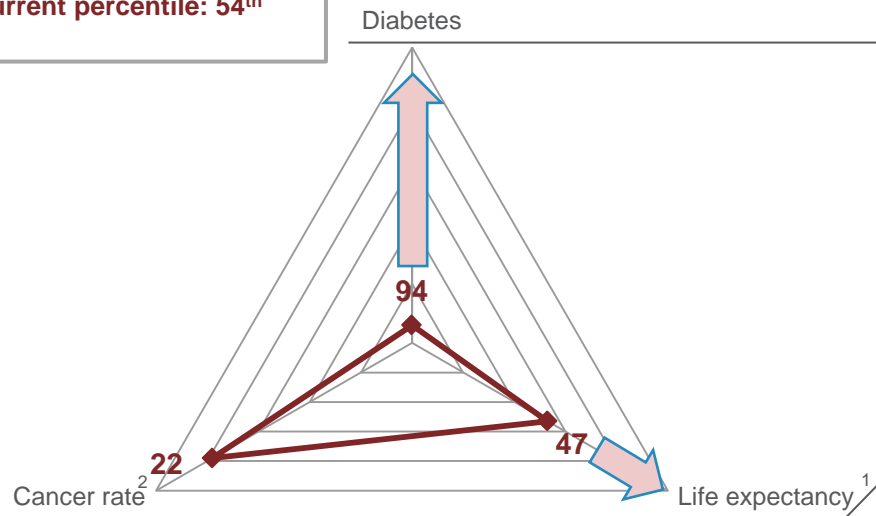
14



Healthcare quality index

Percentiles of index sub-indicators and strategic directions

Current percentile: 54th



Worst score



Best score



Prioritized focus areas

Reduce rate of diabetes and other lifestyle-related non-communicable diseases

- Improve preventative healthcare through a more integrated healthcare system and encouraging increasingly healthy lifestyle choices. Focus should be on obesity and diabetes
- Increase public health campaigns and introduce regulations to target smoking and unhealthy foods

Increase life expectancy of population

- Introduce modern continuum of care to ensure better healthcare, with a particular focus on improving primary healthcare provisions
- Develop a more competitive healthcare system through improved data tracking and increased private involvement
- Better attract and retain healthcare talent by providing favorable working conditions and improved training

1. 2013 values, 2012 values

Source: TICG analysis, International Diabetes Federation (Atlas-2014), WEF (2014-15), Globocan WHO (2012)

Project example

Increase preventative care and a more comprehensive, competitive healthcare system will improve healthcare results



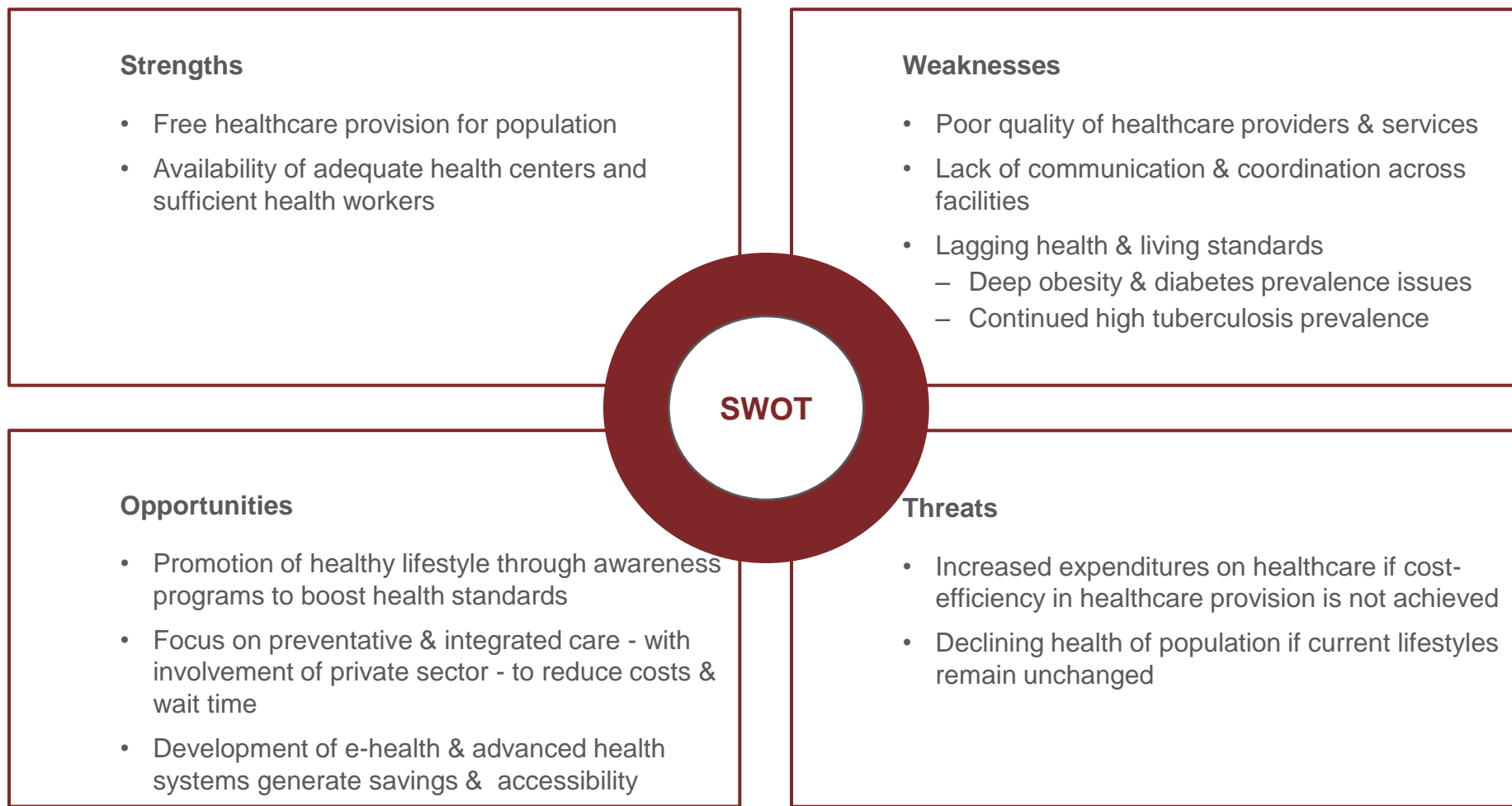
**Illustrative Example
Kuwait Geriatrics Center**

Source: http://www.east-centricarch.eu/eca/wp-content/gallery/hodos-centre-for-the-elderly/5_1_hodos-03_mk-copy-medium.jpg

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SWOT analysis

Free healthcare provision is a key strength in the healthcare sector while poor quality and lack of preventative care are significant weaknesses



Source: BMI, TICG analysis

Risks

Kuwait's public health reforms will face risks from lifestyles and health habits

Detailed break-down of the expected risks to successful implementation

		<div>High Risk</div> <div>Medium Risk</div> <div>Low Risk</div>			
Pillar		Political Risks	Economic Risks	Fiscal Risks	Social Risks
Pillars	5 Healthcare	<ul style="list-style-type: none"> Reforming public health privileges will be hugely unpopular and require levels of political commitment and unity often elusive in Kuwait 	<ul style="list-style-type: none"> Privatization of healthcare will require economic reforms to ensure freer market competition and efficient pricing mechanisms, incentives to invest into innovation 	<ul style="list-style-type: none"> Government intervention needs to be reformed to stimulate competition Budget restrictions will limit capacity to finance equipment, and training staff 	<ul style="list-style-type: none"> Deeply ingrained lifestyles, habits, even cultural norms, around nutrition and health and use of medicine will create resistance to change

OPPORTUNITIES IN EDUCATION AND HUMAN CAPITAL

Status Quo

Kuwait's education has a long way to go to provide the workforce required for growth and economic expansion

Current situation

Description

Poor academic performance



- Kuwait performs poorly in international tests (48/50 in TIMSS in 2011), possibly driven by a shortage of good quality teachers
- There are plans to introduce a new National Curriculum Framework to define national education standards

Low enrolment in tertiary education



- Kuwait's gross enrolment rate for tertiary education is 22.9%, low compared to the GCC average of 42.3%
- There are very few students studying engineering, medical and other scientific disciplines in higher education

High spending on education



- Kuwait has high spending on education (~7% GDP, compared to 3.1% in Singapore). The Kuwait University City project is the largest of its kind in the GCC
- There are unrealized plans to outsource certain functions, such as schools admin, to private partners, as well as to pass regulation to encourage private players

Lack of varied training



- There are currently very few vocational training and skill improvement programs, which are needed to support economic diversification
- Kuwait is ranked only 97th by the WEF in terms of extent of staff training and 100th in terms of local availability of specialized research and training services

Source: TICG analysis, Alpen, Al Masah, Oxford Business Group, WEF

Key trends

Technology and private sector involvement in education and the workplace are key dimensions for Kuwait

Key Trends



Growing digitalization & use of technology for learning

- Kuwait's use of technology can have a significant impact on education, and be a core differentiator for attracting students, teachers & corporate partners: greater accessibility to content, interactive teaching, etc.
- Additionally, the drive towards technology in the workplace will mean employees should be able to demonstrate creative & social intelligence, and leverage artificial intelligence



Leveraging corporate-academic partnerships for greater efficiency

- Kuwaiti universities should seek to form corporate partnerships to increase funding and help to control costs
- Globalization will affect education of Kuwaiti nationals through both overseas campuses of educational institutions and distance learning, helped by technological improvements



Developing quality of education in the GCC through private involvement

- Kuwait should focus on developing private schools offering a wide range of international curriculums and high quality programmes as well as faculty training to improve teaching abilities
 - UAE and Qatar increasingly attract students from across the MENA region and 65% of schools in Dubai are private



Increasing flexibility & performance in workplace

- More flexible working environments should be developed in Kuwait, allowing employees to work from anywhere, including at home and in the office
 - Where this has already been introduced, it has improved individual and team effectiveness and overall workplace satisfaction, as well as enhanced female participation in the labor force

Source: TICG analysis, OECD, Economist Intelligence Unit, Alpen, Genesis

Pillar requirements for overall vision

The education & HC pillar affects the effective & transparent government, prosperous & diversified economy and nurturing & cohesive society themes

Pillars	Themes	Citizen participation & respect of the law	Effective & transparent govt.	Prosperous & diversified economy	Nurturing & cohesive society	Globally relevant & influential player
1 Administration		Formalized & fair laws will boost govt. accountability	Streamlined govt. with clear roles will enhance policymaking Controlling public spending is key to sustainable finances	Better regulation will allow for increased private sector participation		
2 Economy				Moving away from oil revenue will help keep Kuwait's prosperity	Economy must support reasonable jobs & income for all residents	A strong economy will support Kuwait's international position
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4 Living environment			Reduced subsidies will allow for sustainable govt. finances	An efficient public housing scheme will support	Housing, utilities & supplies will enhance	
5 Healthcare					Enhanced medical system	
6 Education & Human capital				Education will enable availability of qualified workforce	Enhanced education system will allow society to develop knowledge & skills	
7 International positioning		Ensuring peace and security will support respect of the law		Foreign investment will encourage the economy		International influence is key to developing economic & political ties

Measured by the Workforce readiness index and the Education quality index

Previous vision work

All previous visions align on the need for improved academic standards, private sector involvement and additional vocational training

Assessment of education & HC priorities from previous work

■ Priorities that align with objective

Focus area / priority	Included in previous work?		
	McKinsey ¹	Monitor ¹	Tony Blair ¹
Introduce system of national comparative examinations	✓	✓	✓
Establish an independent monitoring & evaluation unit and unify system for examinations and inspections	✓	✓	✓
Tie international scholarships & level of starting salaries with GPA	✗	✗	✓
Improve practical training of teachers during university and on-the-job	✓	✓	✓
Improve teachers social status & their salaries	✗	✓	✓
Prepare for private sector employment through improved vocational training and matchmaking	✓	✓	✓
Recruit corporate sponsors to supplement public investment, including setting curricula	✗	~	✓
Upgrade school infrastructure	✓	✓	✗



Citizen participation & respect of law	Effective & transparent govt.	Prosperous & diversified economy	Nurturing & cohesive society	Globally relevant & influential player
	■		■	
	■		■	
		■	■	■
			■	■
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		■	■	
	■	■		■
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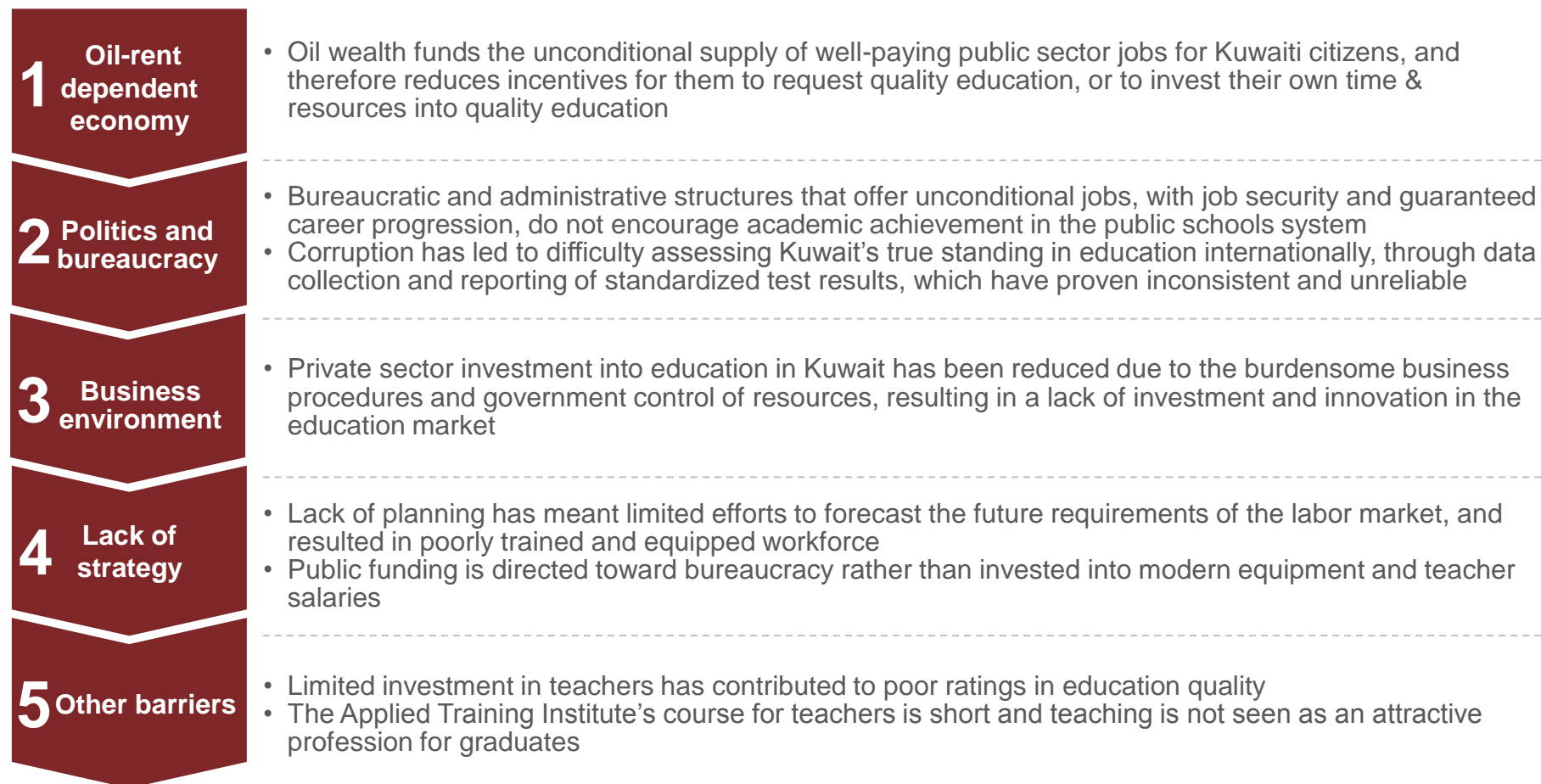
Source: TICG analysis

1. Refers to McKinsey's "Unleashing Kuwait's Potential", Monitor's "MRP prioritization" and Tony Blair's "Vision Kuwait 2035" documents respectively.

Barriers to change

Education quality has been damaged by lack of strategy and the difficulty of doing business

Barriers to change in education



Source: TICG analysis

Hypotheses and opportunities

Education quality standards must be raised and a competitive workforce created through incentives schemes and performance management

Hypotheses and opportunities in education & human capital



Reform & develop education system to drive human capital and workforce development

- Equip young Kuwaitis to enter a newly competitive workforce by establishing high standards of quality in teaching and improving enrolment in higher level education
- Create vocational programs and encourage science tracks in higher education to ensure that Kuwaitis develop the right skills to meet labor market demand
- Increase number of private education providers to make education market more dynamic & competitive



Increase linkages with private sector to better match labor supply & demand

- Improve linkages between education institutions and private sector employers, through support to internships, trainings, recruitment processes and timely communication of private sector needs
- Ensure that promising and competitive private sector opportunities are publicized in order to incentivize students to invest time & resources into adequate higher education



Reform civil service to adopt more limited & selective public sector employment processes

- Modernize working conditions in the public sector by enhancing performance management, standardizing wages and stabilizing headcount

Source: TIGC analysis

Indicators

The KPIs for Education focus on academic achievement, training for employment and the level of education spending

Indicators

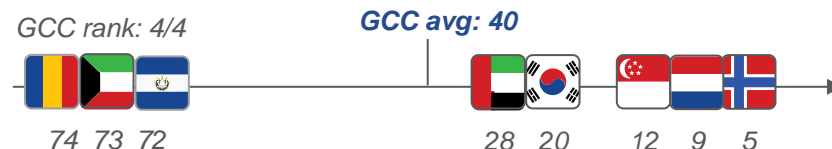
15



Workforce readiness index¹

Composite index covering local availability of specialized training, extent of staff training and proportion of labor force with tertiary education

Source : WEF & World Bank, 2010-14



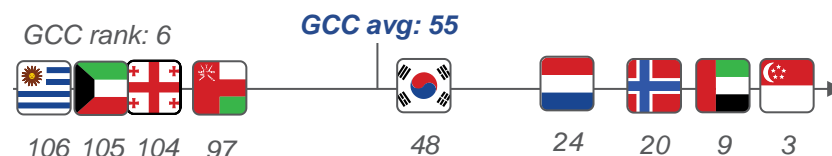
16



Education quality index

Composite index covering quality of primary education, the education system, mathematics and science education & business schools

Source: WEF, 2014-15



Source: TICG analysis, WEF, World Bank

Score for Oman excludes proportion of labor force with tertiary education rank due to unavailable data.

Note: In future calculations, the indicator rankings are calculated as the averages of their sub-indicators

Strategic Direction

Improving levels of tertiary education and availability of professional training are crucial measures to equipping workforce with required skillsets

15



Workforce readiness index

Percentiles of index sub-indicators and strategic directions

Current percentile: 65th



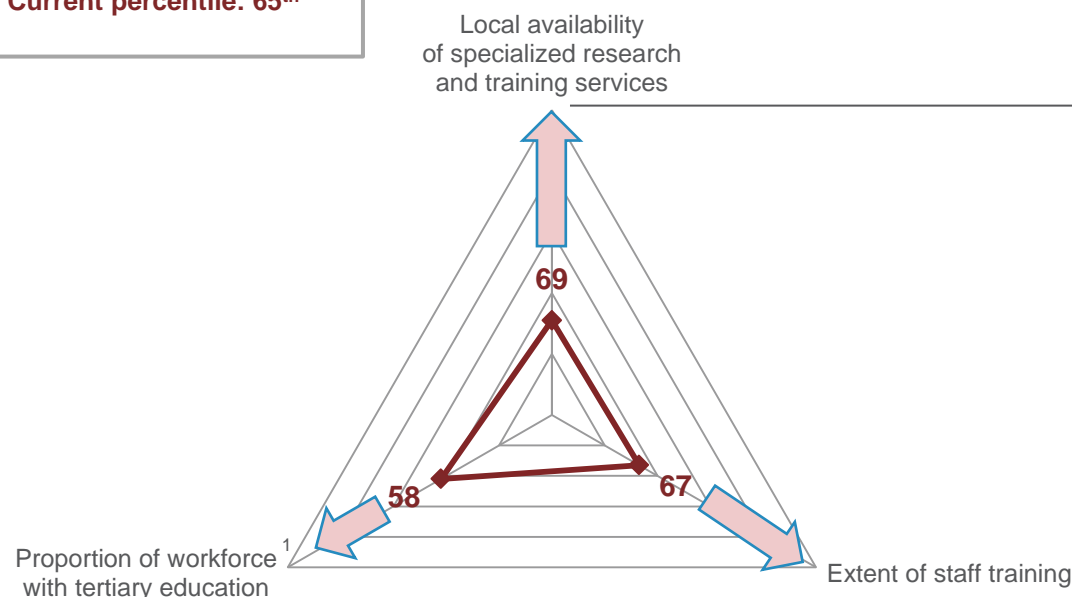
Worst score



Best score



Prioritized focus areas



Improve workforce training availability

- Increase vocational training and 'matchmaking' to help Kuwaitis find jobs & encourage employment in the private sector

Align skillsets to job requirements

- Require local private sector companies to include extensive & adapted training programs for their employees to help boost necessary skillsets

Develop number of university graduates

- Offer local university scholarships for top students & government loans

1. 2013 values

Source: TICG analysis, World Economic Forum (2014-15) Human Capital Report (2013)

Project example

Improving levels of tertiary education and availability of professional training are crucial measures to equipping workforce with required skillsets

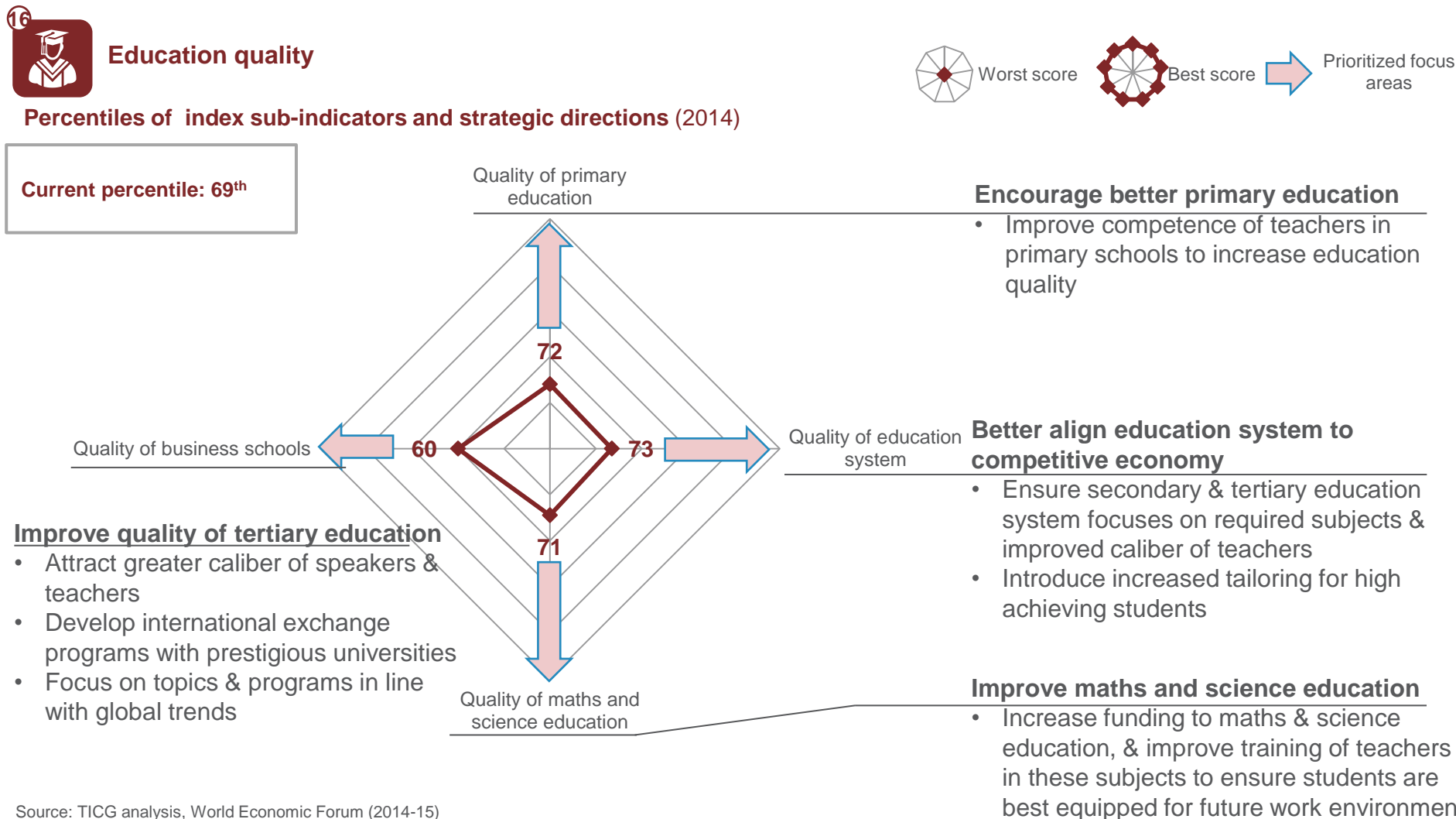


Illustrative Example
Project Catapult, Lets get to work

Source: <https://blog.epa.gov/greeningtheapple/wp-content/uploads/2012/02/Per-Scholas-training.jpg>

Strategic Direction

Improving quality in all levels of education, with a focus on mathematics and science, is key to ensuring Kuwait's youth are equipped for the future



Source: TICG analysis, World Economic Forum (2014-15)

Project example

Improving quality in all levels of education, with a focus on mathematics and science, is key to ensuring Kuwait's youth are equipped for the future

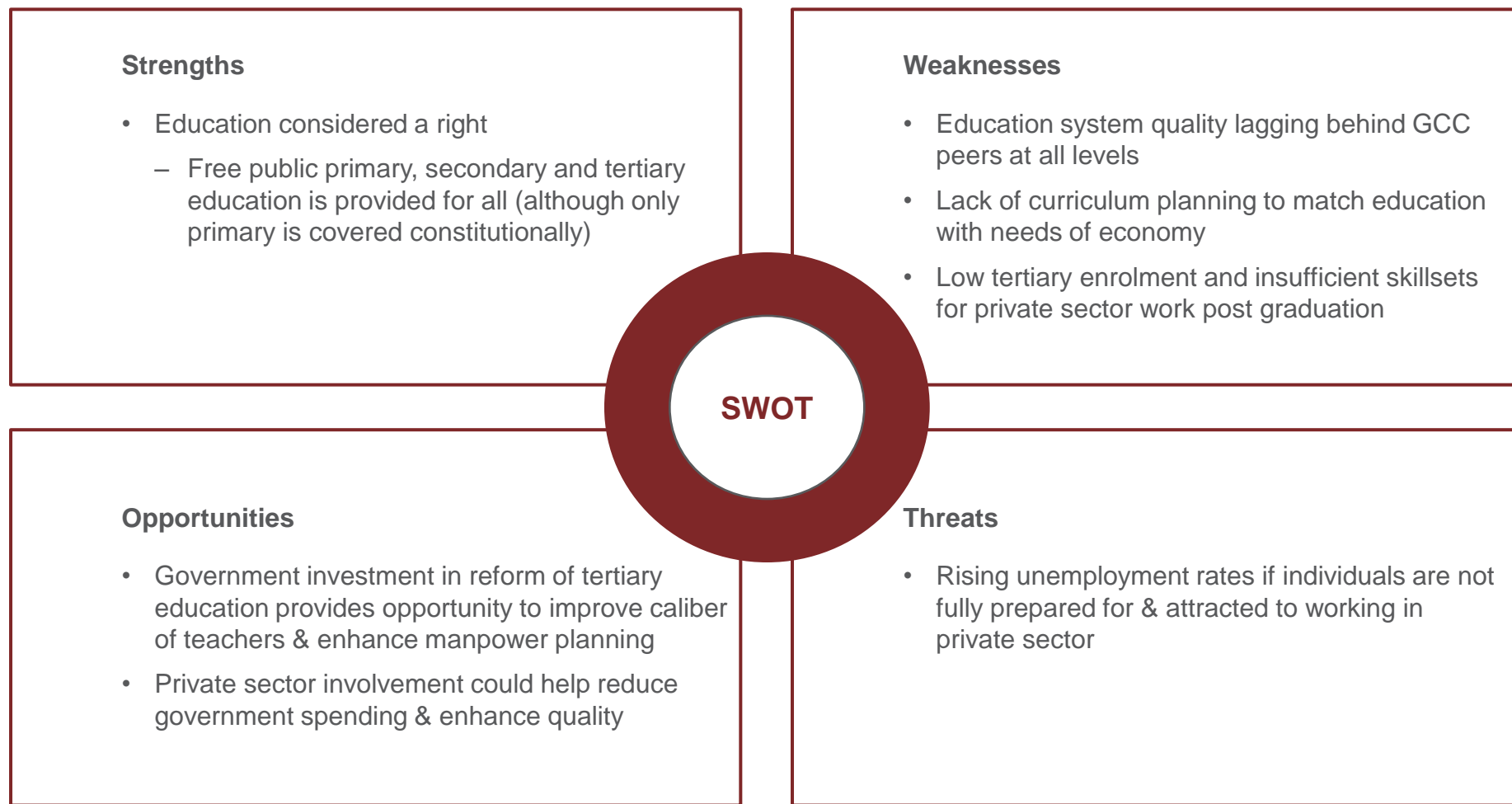


**Illustrative Example
Arab Teacher's Academy**

Source: http://ww1.prweb.com/prfiles/2012/10/04/9980278/CA_OR_FordAlumniCtr_29-1600.jpg

SWOT analysis

Education quality is a serious weakness in Kuwait, as is the lack of coordination between curriculum planning and the economic strategy



Source: BMI, TICG analysis

Risks

Improving education and human capital will require a change in values and attitudes across Kuwaiti society

Detailed break-down of the expected risks to successful implementation

		<div>High Risk</div> <div>Medium Risk</div> <div>Low Risk</div>			
Pillar		Political Risks	Economic Risks	Fiscal Risks	Social Risks
Pillars	6 Education	<ul style="list-style-type: none"> Government might be reluctant to relinquish control over education 	<ul style="list-style-type: none"> Private investors must be convinced that private education will grow Private sector opportunities are needed to incentivize hard work and studies 	<ul style="list-style-type: none"> Current government spending on education needs to be diverted away from bureaucracy and towards investments into equipment, training & attracting high quality teachers 	<ul style="list-style-type: none"> Kuwaiti youth will be reticent to invest in education as long as proper incentives are not offered Current perceptions of certain academic and professional tracks will act as big obstacle
			<p>: Education & Human capital</p>		

OPPORTUNITIES IN INTERNATIONAL POSITIONING

Status Quo

Kuwait is well positioned to work with Saudi Arabia, Iran and Iraq. However, they currently have a poor brand

Current situation

Description

Poor international brand and global positioning



- Kuwait has a strong voice in certain global economic forums due to its position as a major oil producer
- However, Kuwait does not currently have a strong global positioning or brand, and is generally not included in global reputation rankings

Strong Kuwaiti-Saudi relations



- As mutual members of the GCC and OPEC, Saudi Arabia and Kuwait are allies with strong bilateral relations
- Saudi and Kuwait jointly run several oil fields in the Neutral Zone, such as Khafji and Wafra

Relationship with Iran and Iraq



- It is geographically and socially well positioned to serve the large markets to the North, Iran and Iraq
- Relations with Iran have been improving recently, as shown by the Emir's trip to Tehran in 2014 and the MoU signed between Kuwait University and Tehran University of Medical Sciences in Iran

Global trading partners



- Kuwait has strong ties with the United States and other Western allies, with 4 US Army bases in Kuwait
- Additionally, they trade with the major Eastern economies of China and India

Source: TICG analysis

Key trends

Increasing globalization, the shift to the East and increasing relevance of branding will all pose challenges to Kuwait going forwards

Key Trends



Enhancing influence through regional ties & alliances

- Move towards a more global economy will continue, with events in one country having an increasing impact on other parts of the world
- This move will make it even more important for Kuwait to strengthen bonds with neighboring countries, such as Iran, Iraq and the GCC



Repositioning due to shifting powers towards the East

- Kuwait can play a greater role as a regional partner since global economics will continue to shift to the East, as seen China's projected 6% annual growth in GDP per capita, compared to 2% for the USA
 - China and India will increasingly become more involved in the political and security situation in the Middle East, as well as economic involvement



Transforming into hub through attractive economic conditions

- Kuwait must turn itself into a hub by providing a favorable regulatory environment, ease of business and facilitating logistics
 - Smaller countries such as Luxembourg and Singapore have, and will continue to, position themselves as 'entry points' for other countries / businesses to trade with their larger neighbors



Improving positive image through country branding

- Kuwait's branding and reputation management, will become increasingly important in a more competitive, globalized environment
 - People are 30% more likely to recommend a country with a strong brand as good to do business with

Source: TIGC analysis, FutureBrand, IMF, Reuters

Pillar requirements for overall vision

The international positioning pillar affects the citizen participation, prosperous & diversified economy and globally relevant & influential player themes

Pillars	Themes	Citizen participation & respect of the law	Effective & transparent govt.	Prosperous & diversified economy	Nurturing & cohesive society	Globally relevant & influential player
1 Administration		Formalized & fair laws will boost govt. accountability	Streamlined govt. with clear roles will enhance policymaking Controlling public spending is key to sustainable finances	Better regulation will allow for increased private sector participation		
2 Economy				Moving away from oil revenue will help keep Kuwait's prosperity	Economy must support reasonable jobs & income for all residents	A strong economy will support Kuwait's international position
3 Infrastructure			Improved ICT usage will support transparency	Performing infrastructure will boost growth of economy	Population will have access to first-class facilities & transport	Growth of air traffic will create stronger global links
4 Living environment			Reduced subsidies will allow for sustainable govt. finances	An efficient public housing scheme will support the economy	Housing, utilities & supplies will enhance population well-being	
5 Healthcare					Citizens will lead longer & healthier lives	
6 Education & Human capital				Educational availability of quality workforce	Society to develop knowledge & skills	
7 International positioning		Ensuring peace and security will support respect of the law		Foreign investment will encourage the economy		International influence is key to developing economic & political ties

Measured by the Global peace index, Net FDI inflows and the International influence index

Previous vision work

Building strong ties locally, in the West and with China and India is highlighted along with developing a strong brand in previous vision work

Assessment of international positioning priorities from previous work

■ Priorities that align with objective

Focus area / priority	Included in previous work?			Citizen participation & respect of law	Effective & transparent govt.	Prosperous & diversified economy	Nurturing & cohesive society	Globally relevant & influential player
	McKinsey ¹	Monitor ¹	Tony Blair ¹					
Strengthen GCC economic and security ties	✓	~	✓					
Build strong ties with Iraq and Iran in an effort to strengthen Kuwait's natural hinterland	✓	✗	✓					
Building stronger ties with the emerging powers of Asia	✗	✗	✓					
Leverage free trade zones	✓	✓	✓					
Develop a plan for “Brand Kuwait” a democratic & modernized system	✓	✓	✓					
Continuing the alliance with US while expanding cooperation with NATO	✗	✗	✓					
Support regional peace initiatives	✗	✗	✓					

Source: TICG analysis

1. Refers to McKinsey's “Unleashing Kuwait's Potential”, Monitor's “MRP prioritization” and Tony Blair's “Vision Kuwait 2035” documents respectively.

Barriers to change

The rentier economy and political instability have been major barriers to change for Kuwait's international positioning

Barriers to change in international positioning



Source: TICG analysis

Hypotheses and opportunities

Kuwait can restore its international position through a unique country brand & stronger relationships with neighboring countries and global powers

Hypotheses and opportunities in international positioning

i

Kuwait's global positioning and country brand should be adopted and actively projected by all government actors in a unified and consistent way

- A thorough, professional positioning and brand strategy should be developed. The themes and values of this brand should be deeply embedded in all aspects of Kuwaiti government's policies and messaging
- The role of Islam should be emphasized as a foundational part of Kuwaiti identity. Kuwait could be promoted as a model and center of modern Islamic thought and dialogue

ii

Kuwait should leverage cultural and historical strengths, as well as regional positioning, to work with Iran & Iraq in relevant industries and act as a mediator for global partners entering this region

- Leverage the Mubarak Al Kabeer Port project, and other such endeavors in the energy, transport and logistics, and financial services industries to promote strong relations with Iran & Iraq
- Establish free trade zones with both Iran & Iraq, and develop strong capabilities to facilitate access for the large Western and Eastern economies (e.g. US and China)

Indicators

International relations and net inflows of FDIs are the key areas where Kuwait must improve in international positioning

Indicators

17



Global peace index

Measure of global peace using three broad themes: the level of safety and security in society; the extent of domestic or international conflict; and the degree of militarization

Source: Institute for Economics and Peace, 2014

GCC avg: 58



18

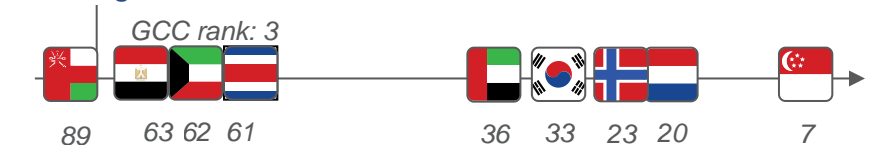


Net inflows of FDIs

Measure of net inflows of investment (new inflows less disinvestment) to acquire a lasting management interest (10% or more of voting stock) in an enterprise from foreign investors in current USD

Source: World Bank, 2013

GCC avg: 86



19



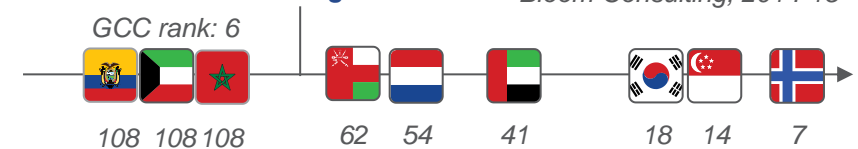
International relations index

The international relations index is a basket index created from:

- Visa requirements index from Henley & Partners
- Country brand index from Bloom Consulting

Source: Henley & Partners and Bloom Consulting, 2014-15

GCC average: 65



Source: WEF, World Bank, Institute for Economics and Peace, Henley & Partners, Bloom Consulting, TICG Analysis

Note: In future calculations, the indicator rankings are calculated as the averages of their sub-indicators

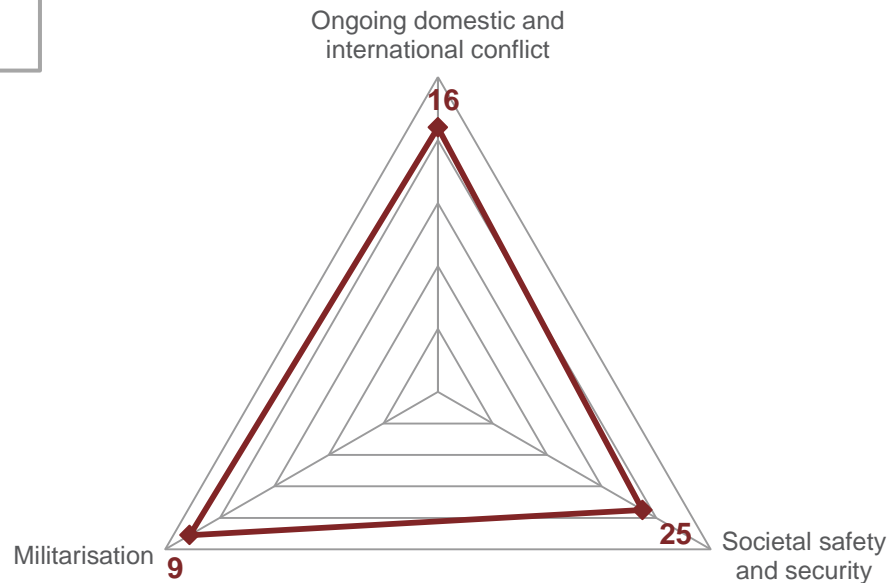
Strategic Direction

Reducing political instability and level of policing, and improving relations with neighboring countries are important to improve peacefulness



Ranking on index sub-indicators and strategic directions (2014)

Current percentile: 17th



Source: TICG analysis, Institute for Economics and Peace (2014)

Project example

Improving country Global Peace Index will focus on internal peace keeping forces



Source: <http://www.peterson.af.mil/shared/media/photodb/photos/090513-F-0863H-004.jpg>

Illustrative Example
The Arab Police Institute

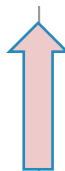
Strategic Direction

Encouraging inflows of foreign investments will enhance Kuwait's visibility and economic relevance on a global stage



Current percentile: 36th

Net inflow of FDIs



36



Increase positive influx of FDIs

- Speed up trade liberalization with neighboring countries to expand market size & enhance investment paybacks
- Foster proactive investment ties with target countries
- Enhance FDI regulatory environment by loosening restrictions on foreign ownership and adopting investment-friendly incentives and rules that enhance investor protection
- *Also impacted by quality of infrastructure and ease of doing business*

Project example

Encouraging inflows of foreign investments will enhance Kuwait's visibility and economic relevance on a global stage

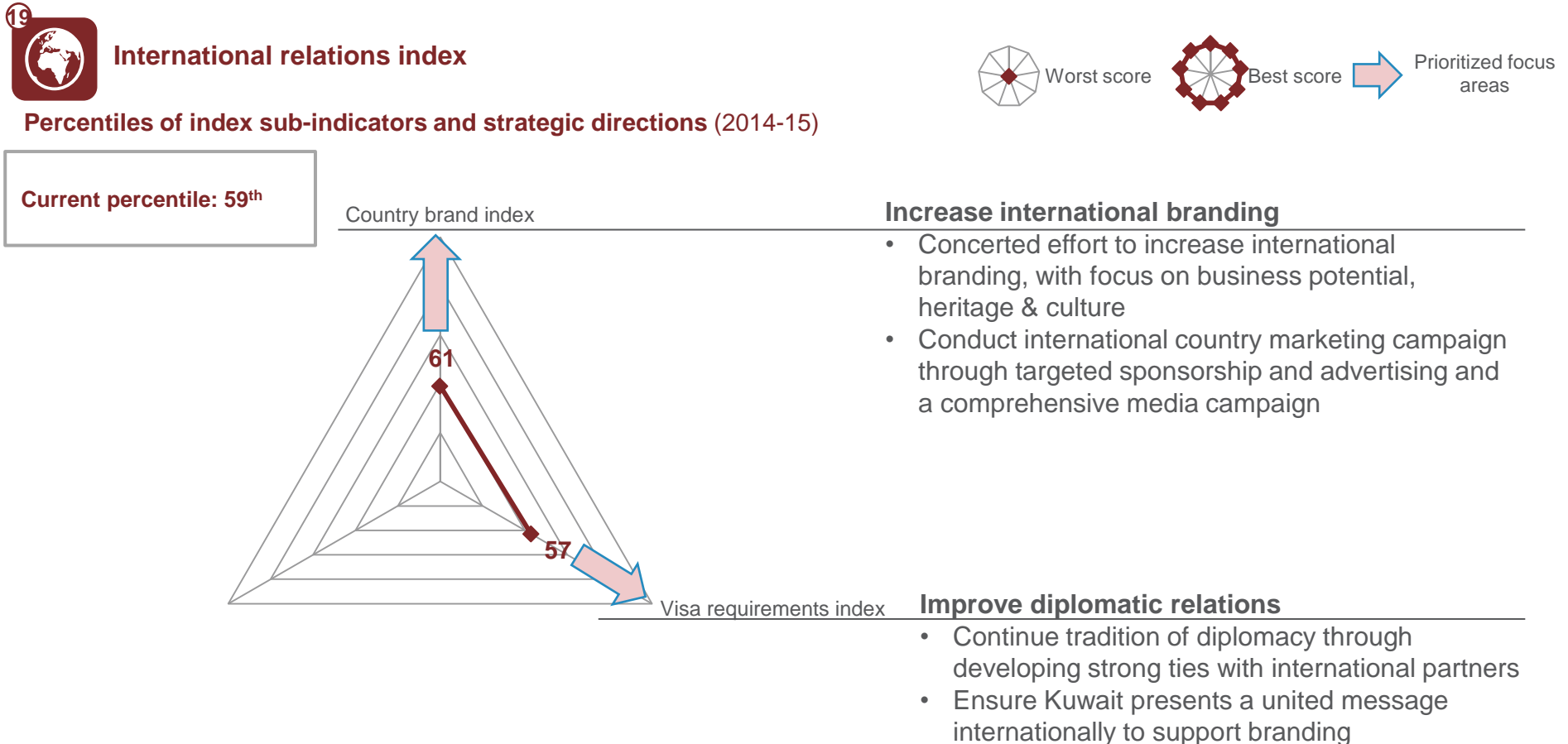


Source: http://media.columbian.com/img/croppedphotos/2013/10/25/370458_Northwest_Packing_31.jpg

**Illustrative Example
Kuwait Investment Board**

Strategic Direction

Improving country branding and international ties will increase Kuwait's position in the international relations index



Source: TICG analysis, Henley & Partners (2014), Bloom Consulting (2014)

Project example

Improving country branding and international ties will increase Kuwait's position in the international relations index

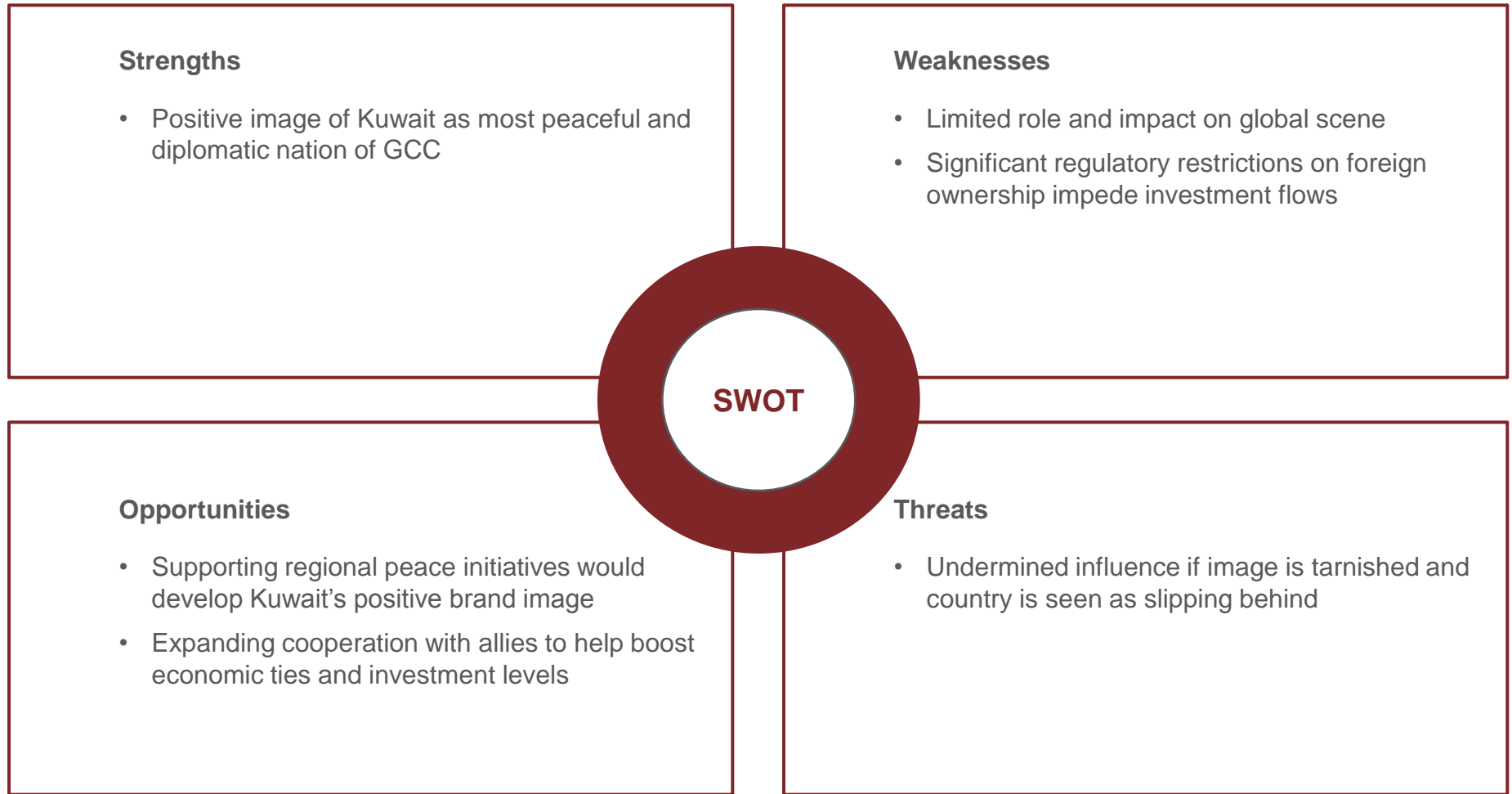


Source: http://www.moveoneinc.com/blog/wp-content/uploads/2009/10/kuwait_towers.jpg

**Illustrative Example
“Kuwait Exposed”**

SWOT analysis

Kuwait's diplomatic history is a strength in international positioning, while its limited global impact and high regulatory restrictions are weaknesses



Source: BMI, TICG analysis

Risks

Kuwait's efforts to improve in international influence and recognition will face significant political and social challenges

Detailed break-down of the expected risks to successful implementation

		High Risk		Medium Risk		Low Risk	
Pillar		Political Risks	Economic Risks	Fiscal Risks	Social Risks		
7	International positioning	<ul style="list-style-type: none">Kuwait must achieve national unity to collectively embrace and project a shared national identity and country brandKuwait lacks political clout to easily impose itself on global scene	<ul style="list-style-type: none">Increased external trade will require economic reforms to increase competitivenessDomination of oil sector gives Kuwait little leverage over other countries in other sectors	Very limited	<ul style="list-style-type: none">Internal social divisions might affect capacity to project country brandOil wealth may contribute to sense of complacency, lack of need or desire to struggle for international recognition		

