



MENA HOLDING (K.S.C)

Opportunities for growth



June 12, 2016

Special report

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MENA Holding chief executive officer Mohamed Abdulsalam discusses the regional economic environment and where the company sees potential for greater prosperity

What have been the challenges of declining oil prices and how it has affected your business?

“Oil prices have fallen from record highs of \$140 a barrel to the current limits of \$40 a barrel and there have been loud calls for economic reform within all oil-exporting countries, including Kuwait, where we are based.

“These calls have urged action largely

focussed on the rationing of government spending, particularly on supporting items, as well as and adjustment to salaries and a review of state investment plans. "The region's private sector is, of course, influenced by such government steps because of spending cuts, with a consequent drop in demand in the economy and a decline in the size of projects and work required from the private sector. There are other knock-on effects, such as the payment of dues to the private sector and the potential financing of the government budget deficit, which in turn has an impact on liquidity levels. "The companies under our banner are many and varied and work across various different sectors, including the governments and private sectors of several countries. It is therefore difficult to measure the negative acceleration of administrative procedures in the light of global standards."

Which markets will MENA Holding look to enter in the coming months and years? Where does Iran figure, after the lifting of some sanctions?

"The company and its affiliated and associated companies continually study investment opportunities across the Middle East and North Africa, especially in emerging markets that still have chances to for major growth.

"In fact, we intend to expand across the world, but we prefer to concentrate on the MENA region due to our awareness and previous experience here, as well as the existence of alliances and cooperation agreements with many of its economic entities. "Although our focus is currently on expansion within the Gulf Cooperation Council, especially in Saudi Arabia and the United Arab Emirates, we are evaluating opportunities in some African countries specifically Ethiopia. While there are many opportunities in countries such as Iran and Djibouti, our studies look beyond the economic perspective alone, concentrating also on the nature of their international relations and future prospects."

Do you believe that young leaders are given good opportunities in the region?

"One of the positive consequences of the Arab Spring is that governments are giving more attention to young people, training them across the public and private sectors. "With many changes taking place across the Arab world, a wide variety of new opportunities are being afforded to young people. An example of this is lowering of the average ages of ministers and officials in many regional governments and the emergence of young leaders within ministries and their institutions. "But I must emphasise that ability and efficiency must continue to be the ruling element of choice, no matter what somebody's age is.

What is your evaluation of the plans for youth empowerment, especially in Kuwait and Egypt?

“Kuwait is seeing a qualitative and quantitative change in programmes designed to empower young people in both work and leadership. This is evident in the Ministry of Youth, which has allocated a sizable budget to its programmes and projects. The country and its leaders are encouraging young people in powerful positions, in both the public and the private sector, reinforcing their confidence in the new generation. “This is also the case in Egypt, where the Ministry of Youth – working with the rest of the government – runs programmes to encourage young people to work in a variety of roles, particularly in local administrations. It aims to take advantage of their potential and energy by providing access to knowledge and experience.” In Kuwait and Egypt we can see the result of these efforts. Educated and engaged young people now hold many important positions, using their ability and experience to not only keep up with management

trends, but become leaders in the modern era. effects of the oil prices and subsequent government action, though based on the performances of those companies I can confidently say that the effects have been limited so far.”

What is your assessment of the Kuwaiti government initiative to expand the circle of partnership with the private sector? How has this affected MENA Holding?

“Kuwait’s leadership has emphasised on more than one occasion that they are keen to encourage the private sector to regain its role in driving growth and development in the country, to the standard it was at before the discovery of oil. “Recently, the government has taken practical steps by giving more government projects to the private sector as part of a flurry of construction and reconstruction in the country. Taking place across various sectors, the government tendered projects worth \$34bn in 2015 to the private sector through the partnership commission initiative between the public and private sectors. Another \$26bn of projects are expected to be offered soon, further encouraging partnership between the public and private sectors for the implementation of development

projects offered by the state. “Of course, if we win the implementation of any of these project – whether directly or in cooperation with other companies – it will be reflected in the size of our business, whether we won the implementation of a number of these projects either directly or in partnership and cooperation with other companies.”

Have your investments in Egypt been affected by the Arab Spring?

“Our investments and the investments of many Kuwaiti, Arab and foreign companies, were affected by the events in Egypt as a result of big changes in the governance

and leadership in charge of economic issues. As well as this, there were popular pressures that prompted some officials to make decisions that proved to be illegal under

Egyptian law or international law. “This resulted in the suspension of our main project, El Mahroussa City, south of Giza, as a result of a dispute with a number of people in the Egyptian government concerning contractual obligations to us. “However, since the stabilisation of the political situation and the implementation of many of the political roadmap items, we are hopeful for a positive outcome to our negotiations with the authorities in Egypt. We hope to find a compromise that will ensure the interests of all parties are met in accordance with local and international investment law.”

How is the Egyptian government encouraging foreign investment from the Arab world?

“The Egyptian government has qualified leaders developing programmes, plans and mechanisms to restore Egypt’s attraction for foreign investment. It aims to return foreign direct investment to what it was in the five years before the Arab Spring; a total of \$45bn, with an average of \$9bn per year. In the five years that have followed the Arab Spring, FDI has fallen to about \$20bn, or an average of \$4bn annually.

“The most important things in order for this return to happen are political stability, law enforcement, contracts, the development of laws and the simplification and

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