

## **Interview with KIPCO's Vice Chairman (Executive), Mr Faisal Al Ayyar**

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- **Let's begin with the deficit crisis. How do you evaluate the measures the government has announced to close the deficit gap in the State's general budget?**

Since the government announced a deficit in the State budget, we have not seen any comprehensive or clean plans to deal with the situation. Although there are many options, no decision has been taken to amend the path we are walking along. The government's behaves as if it is fearful or lacking, and the fear here is, in my opinion, of the political and social repercussions from these actions.

Many countries faced such circumstances before us, among them Jordan and Egypt, and they took measures to redirect matters despite their limited capabilities and resources. However, in Kuwait the matter of resources makes finding suitable solutions easier. The mistakes we committed over the past 40 years cannot be fixed in a day or two, and we have what it takes to place a comprehensive program that can be implemented over the course of ten years. The government needs to show that it is serious in dealing with the matter and putting things back on track.

From a procedural perspective, no clear decision has been taken to stop the hemorrhage in spending from the budget, with the exception of the decision to rationalize subsidies on diesel, which after all the segments exempted was stripped to become something on paper. There are fundamental matters that must be done, otherwise we will be like one who is cleaning his house but leaves the windows open for dust to accumulate.

The government sends out a test balloon every now and then to gauge people's reactions, and if it believes its decision will be well-received then this is indeed a difficult matter to achieve. There is no magic pill that will make citizens accept everything, and this is why a plan must be placed and implemented. It is only natural for there to be opposition and supporters, but in order to be convincing the government must first begin with its self and stop the wasteful spending, cut unnecessary costs, and then hold citizens accountable for waste. When the government walks along these two paths simultaneously, everyone will be convinced that it is serious.

Right now, everyone is talking about changing the spending trends by tightening belts, rationalizing and lifting subsidies from services the government provides. However, there are behaviors that have to be changed; you cannot talk about cutting spending when you continue to hire marginal labor such that it has now reached 88% in government entities, and have spending continue as if the oil barrel is still at US\$ 140 and the population number at 300,000. It is impossible to continue as such without restructuring the economy, strengthening it and diversifying revenue.

- **Is it best to cover the deficit with loans from local banks, or international markets, or withdrawing from the reserve?**

I believe that this is a historic opportunity to take out loans at the lowest rates, as the State can take out loans without much cost because its rating is excellent and interest rate is low, which makes loans important. It is also important to create a balance between withdrawing from reserves and taking loans from the international markets, which is much better than taking local loans alone.

Local banks, meanwhile, must play a leading role in development through financing mega projects that the State will put forth. If we depend solely on local banks for loans, there will no longer be available liquidity and as such the private sector will not have banks to finance its projects. Any bonds Kuwait will issue will be well-received thanks to Kuwait's AA rating, and the international market anticipates such issuance of guaranteed sovereign bonds from a country such as Kuwait.

- **According to statistics, around KD 9.6 billion was spent on tender projects in Kuwait during 2015, but this has not been reflected on the economy. Why is the impact so limited? And why don't we see a diversification of the economy so that we can get non-oil revenues?**

I believe the a diversified economy requires a strong infrastructure, coupled with a long-term program for the diversification of the economy based on this volume of spending, such that it includes a mechanism that grants the private sector a greater role. When the country lays down infrastructure without placing a plan that outlines the benefits that will be reaped from this infrastructure in terms of usage and investment, then there is no point in spending. This is why the impact remains limited and only a few sectors benefit, like contracts, basic material, construction and some importers.

What we need is for the government to place a clear plan for the optimal use of this infrastructure. For instance, in the case of Mubarak Al Kabeer Port, which is a pioneering concept; did the government discuss operational and investment matters with the private sector? This did not happen, and as such we only have an incomplete picture. We do not know what role the port will play, nor who it will provide services to, nor whether or not it will replace Shuwaikh Port, or if the purpose is purely environmental. What are the investment opportunities that will come from this project, and will a free trade zone be constructed to service Kuwait and neighboring countries? Unfortunately, the government has not announced many of the details that the private sector find important, bearing in mind that the private sector has a great opportunity to investment in logistic services and other matters related to the port. This is one of the unfortunate situations we find ourselves in when there is a mega project like this.

- **2016 had a difficult start, and the drop was counter to predictions. What is your assessment of the situation?**

What occurred may be a natural reaction driven by surrounding circumstances. The region is tense and oil prices are at their lowest, and the government has taken no action despite the graveness of the situation. Right now, major economies are facing the pressure of a slowdown. The case is much more than raising the price of petrol and other products. We require a comprehensive plan, and the government needs to be clear and outline the amount it wishes to cut from overall spending.

In light of these circumstances, the government must explain to people transparently the decisions it is making and explain to them the expected results. It must treat us as adults and place a plan to within a set timeline and communicate it to us. Around 65% of Kuwaitis are under the age of 30 and can understand the measures the government will take, provided that it places a comprehensive program to guarantee their participation in supporting the decision instead of fighting it. When the government speaks rationally, everyone will understand and accept the matter.

- **What are the most important measures that can be taken as a step to come out of the bottleneck?**

I do not have the information and data available to the government, but I believe it must cut spending and start a phase of cleaning up the mess, and looking to implement small changes that can save a lot of money. Among them are:

Kuwait needs 400,000 barrels to produce electricity and water, and the cost of this is very high. The alternative is gas, and the cheapest way to import it is through pipes, but for political reasons we have chosen the more expensive alternative of liquefied gas. Liquefied gas is transported by sea in liquid form and then transformed to gas here in Kuwait once again. Why don't we convince our older sister, Saudi Arabia, to allow for the laying of a gas pipe across its territories from Qatar? This step will save us a tremendous amount of money. Iraq and Iran are within proximity and also have gas reserves.

The government must start reforming itself from the inside before asking others to do the same, and must make this clear to citizens. Then, it can raise prices for those who overspend. If you choose to turn on all the lights in your home and turn it into a theme park, then you must bear the price. There are houses where the family is made up of four people, and have ten others as domestic helpers. The cost of these helpers must be borne by the house owner and not be subsidized.

Saving and restructuring require thinking unconventionally. In Kuwait there are 140,000 houses. Why not allow the son to own part of the family house? Why don't we encourage people to own apartments in closer districts, even if in smaller areas? Those who accept can be given the KD 70,000 loan and the KD 30,000 support for basic material after setting regulations. This way the government can cover the piles of housing requests and save money on infrastructure for new cities – another burden taken off its shoulders.

There are so many things the government can do if it thinks outside the box. There is no point in reform if you do not first stop the bleeding and high spending.

- **Do you believe that applying taxes on the private sector is an option for the government?**

Companies already pay taxes; we pay 2% for supporting the national workforce, 1% for KFAS and a percentage for Zakat. I believe the VAT must be applied in the GCC because the region has a consumer population. Imposing the VAT in Kuwait will bring in an additional revenue for the government, and educate people on the importance of saving. It may negatively impact purchases, but on the long run it will have its advantages.

- **These ideas have been in the drawers for years. Why have decisions been delayed, in your opinion?**

Sometimes not taking a decision stems from fear of the decision itself, and I believe postponement and spending is a crime being done to the future generations. The parliament may look at the matter from a political angle and say it only has a year or so in session and so postpones reform decisions. On the side, the government may be betting on a balance in oil prices, and so on. Bear in mind that Norway, for instance, saves all its oil revenue for the future and it does not factor into its budget.

We are always in the forefront when it comes to outing forth ideas and analyzing problems, and we have often given the solutions. However, no one has stepped up to take on the responsibility and make the decisions. In Kuwait, we are great at writing catchy headlines, but the devil is in the details and the issue here is in implementation.

- **Investment companies have suffered since the beginning of the crisis. When do you think their suffering will end?**

We cannot blame the government alone, for the private sector and especially investment companies must bear some of the responsibility for their woes. The private sector hurt itself and is responsible for part of the mistakes. I believe that no one will learn from this harsh lesson, because greed makes one forget fast. Even in the US, no one learns from crisis and history is a testament to that.

For instance, the mistakes that some investment companies have made have caused the whole sector to suffer, and with the first hint of recovery everyone will forget the period of stagnation.

- **How do you assess KIPCO's performance 8 years from the financial crisis?**

The Group's roots are deep and we primarily depend on operational companies, which are not linked to the fluctuating performance of the stock market. We have a geographically diverse banking group, a pioneering insurance network, unique presence in the media sector through OSN, distinguished petrochemical operations through QPIC, and a food production operation through SADAFCO in Saudi Arabia.

KAMCO, which operates in asset management, is affected by the market like all its peers but is in good standing. TAKAUD is our hope for the future, and URC is the most distinguished locally and regionally in the real estate sector.

Based on this, I affirm that KIPCO is strong and we will continue with our operational activities as we have never stopped regardless of the consecutive challenges and crises. We just repaid a KD 80 million loan, and this year's results will reflect growth and profitability compared to 2014.

Also, no entity under KIPCO has suffered a deficit and our companies are strong, stable and stepping forward firmly.

- **What is KIPCO's gem right now in terms of importance and revenue making?**

There are many gems in the Group, but Burgan Bank remains our largest investment and our largest revenue maker, followed by our other companies in terms of size.

- **Will you be distributing cash dividends this year or bonus shares?**

The age of bonus shares is over; they satisfy the shareholder for a short time, increase the load on the management, reduce book value, and have negative repercussions at this time.

KIPCO will continue to distribute cash dividends as it has for years, as all our companies are profitable and performing well.

- **Do you not fear another crisis harsher than that of 2008?**

The current crisis is linked to oil prices and State budgets, but cannot be greater than the 2008 crisis. 2008 was stronger and more dangerous, while what we have today is a reflection of the reality of the private sector.

- **Do you believe that the current crisis could bring you a fair price should you decide to sell OSN?**

We have no intention of exiting from OSN at this time, and we will not do so unless we get a purchase offer at a very tempting price. In such a case, we will evaluate the offer like we did with Wataniya Telecom and make the decision to sell.

With regards to OSN's performance, we received around US\$ 100 million in profit from the company last year, and we expect making another US\$ 100 million the next year. The company is growing well and is achieving good results. It is the number one entertainment company in the region and has exclusive programs for the next five years. Its profit continue to grow in the double digits. 2015 was the year of smallest growth due to some restructuring actions, but despite that it has grown by 13%.

- **Has TAKAUD achieved the success you aspired for?**

TAKAUD is not a short-term investment, but a long-term project. We mentioned from the very start that its results will only start to show after five years. However, its results exceeded our expectations in the first operational year. We expect TAKAUD to achieve even better results this year, and that US\$ 300 million will come under its management in 2016. The company is now present in Bahrain, Kuwait and Egypt, and is preparing to enter the Saudi and Emirati markets. We are building TAKAUD for the future, and it will take a place similar to that of OSN in the Group.

- **Do you intend to list TAKAUD on any stock exchange in the coming period?**

We delisted Manafae, UIC and UGB because of market circumstances. There is no point in being listed when strong stocks are being traded at below their book price.

The stock market only brings headaches and bureaucracy, which is why liquidity is at a low. Expectations are that improvement in market value and performance may take a long time, and by this we do not mean the fluctuations, because the true trading values indicate danger.

- **What are the developments with regards to the Daiya project?**

We are ready to commence work, but the project has been stuck in the maze of the Municipality for two years and the final document has yet to be obtained. It is unbelievable that this would be the fate of a real estate development project of this size. Apart from the lengthy procedures, not one person has approached us from any entity to encourage us or offer to facilitate procedures.

The project will bring confidence to the market in light of the current circumstances. We believe in Kuwait and in its future, and what we say in criticism stems from our love because we want Kuwait to be the best. Intentions are good and everyone wants to accomplish something, but the complications come with the decision-making.

- **KIPCO Group is envied for its access to decision-makers. How is it possible that your business is delayed?**

When we succeed they say its because of our influence, and that is a grave problem. Let me assure you that we have not once received anything outside of what is outlined by the law. How can we be envied for something that we do not have? Even a Municipality employee can stop our work.

- **What is the overall cost of the Daiya project, now that you have done your studies?**

After completing the feasibility study, we now have a clearer picture of the numbers. The overall cost is expected to be between US\$ 2.5 and 3 billion. The project will be the largest and most prominent in Kuwait, and will reflect the capabilities and efficiency of the private sector in developing whole districts. We will be laying the infrastructure, including streets, parks, and other services.

We will be signing a contract for clearing the location and placing the hording fence around it within the next two weeks, and in the current quarter we will sign the infrastructure contract. You can say that work has started.

- **Will financing the Daiya project be through the issuance of binds or self-financing? And how to you gauge the concerns about a correction trend in the real estate sector?**

The Daiya project will be self-financed and the current circumstances will not stop us from proceeding despite concerns about a correction in the real estate sector. The project is simply unique, and the stock market is not very attractive, making the alternative investment that of real estate. Also, the real estate sector's most concern is if interest rates increase, or marginal labor numbers are reduced. There are some 500,000 laborers, and if they leave that could have an impact on the real estate sector but would not lead to a collapse.

- **Who are the owners of the project?**

There are a group of investors who are interested in the idea and its feasibility and share our vision. This district is a gem, and in all countries of the world such affluent locations are not affected by market fluctuations. The Daiya land plot overlooks the sea and is outlined by four main roads – Gulf Road, Istqlal road, Embassies Road and the Second Ring Road. It will include luxurious apartments which will be marketed and sold through our companies.

- **How do you view URC now?**

URC is the only company that has a high standards of projects across the region, and it is unique in Kuwait. It has presence in Oman, Qatar, Egypt, Morocco and Jordan where the Abdali Mall is. URC is rich in assets.

- **Is URC at the level KIPCO aspires for?**

While URC has not achieved good revenue in some years, it has never suffered a loss. The company faced some challenges but it is now on the right track and will play a large role in the Daiya project. It will make good revenue from this project.

- **You predicted that the oil crisis may continue for 10 years. Do you still believe that the impact will be that long?**

I predict that we will not see the oil barrel at US\$ 100 for many years. The higher the price of the oil, the more the drive for consuming countries that have technology means to seek to find alternative energy sources in order to bring down the cost on them.

I believe that in order for us to maintain reasonable revenue and keep our oil share, the price of the barrel should be at US\$50-60. This would give us the security we need and the sense of continuity, without that necessarily being related to fair pricing. Also, this price would be reasonable for consuming

countries, especially now that the fight is over market share. The drop in prices makes you sell more for less.

- **What, in your opinion, are alternative sources of revenue for Kuwait, away from oil?**

Kuwait's location is a strategic one; it sits between the three largest countries in the Gulf – Saudi Arabia, Iraq and Iran. I believe that this is a golden opportunity for Kuwait to play a role in the region's logistics sector. There are millions of people living in this area, and the southern part of Iraq is rich in oil and people. Why not use this location and build the right base to use these resources and partner with the private sector? This would create jobs and revenue at the same time. Once you have placed the right infrastructure, the neighboring countries will come to you to benefit from the services you are offering.

I also believe we have a great opportunity to make revenue from tourism like Dubai did. We own the best beaches and islands and we can be the best. The matter requires removing obstacles, laying down the necessary infrastructure, and having a little bit more freedom socially.

- **What is your view on slow implementation of strategic projects and halting others?**

Everyone remembers how the Abdali project, which KIPCO won, was withdrawn. The project included warehouses, a free trade zone and logistical services. If this project hadn't been obstructed by the parliament ten years ago, the area would be a city today and would have attracted 70-80% of the Iraqi companies – their operations and activities. This would have become an attractive place for the national workforce and a source of revenue. But we were unfortunately not given the opportunity to execute the project, nor others, and this is how we fall back!

If the parliament had let this ambitious project see the light years ago, banks would have benefitted from the financing side, and the insurance, transport and logistical businesses would have all done well.

- **We notice that the role of the parliament has been small when it comes to mega projects and pushing forth economic development as a priority?**

The term corruption is often used to hinder development. This does not mean that there is no corruption, but it is unrealistic to stop development and building a stronger economy on grounds of fearing corruption.

The government must place its guidelines and regulations, and on the other had place grave penalties, and then push forth with development projects. Making profit is the right of any businessman, and profit is not corruption and must not be labeled as such. In Kuwait, we have the Audit Bureau and 20 other supervisory entities and we still have corruption.

Why don't we change the way we think in order to fight this matter. When the government announces a project and investors makes 100% profit, the government benefits because when the project is announced some 20 investors will be involved and their profits may not exceed 20%. This competition is good for the country. This is the difference between dynamic thinking in management.

- **How do you evaluate the CMA and its interaction with the financial sector now?**

There is no government entity that is not a nuisance. However, I assume you that the CMA is less harsh in dealing with us, but continues to move at the pace of a turtle. When we apply for the issuance of

bonds it takes two months to obtain approvals. The bond market can close in a week, and interest rates can shift within a day.

The CMA must place the right measures and regulations and then penalize those who do not abide.

- **So you believe that post-supervision is more feasible than pre-supervision?**

Pre-approvals are no doubt a very big problem. In all countries of the world investors do not wait for approvals. We see them making announcements in international markets about huge mergers at values of up to US\$ 70 billion, and then they wait for approvals. Here it is the opposite; we have unrealistic requirements like market studies and then we wait for a month or two to get the pre-approval!

There are many who still believe they know more than everyone else, bearing in mind that there can be no one more interested in protecting their interests and money than shareholders and investors.

As for the CMA bylaws and the 1610 articles, we are not against the law and for abiding to it. We deal with international rating agencies that request a lot more information and details, and KIPCO Group deals transparently with other parties and announce our numbers and expectations and provide authorities with the information they need.

The challenge is not to hinder our work. Time is of essence and markets shift very quickly. Again I say, we are ready to provide any information needed, but in return we expect a swift process.

- **Why have you not continued the initiative of purchasing in assets to provide liquidity and an opportunity for exiting from faltering companies?**

We proposed this initiative during the crisis and put forth restructuring plans for companies and gave them the opportunity to exit from some assets. We were ready to enter some partnerships in companies that had problems or debts, and we proposed solutions. However, when they saw that it was KIPCO some got scared and we faced some challenges.

We then came up with a successful alternative and it was to raise our stakes in Group companies, since we know our companies well and the market had not valued them fairly. For instance, we purchased URC's share at 100 fils when its book value is 200 fils – where can I get a better investment deal?

- **How do you rate the success of the banks in overcoming the financial crisis?**

No government entity played any role in helping the banks overcome the financial crisis; it was the banks themselves and their shareholders who paid the price. I consider some of the supervisory authorities part of the financial crisis, as there are some KD 1300 million investment proxies and no one understands how they were allowed to pass by authorities. As for those who say the government provided liquidity, I say that they received better returns on their money than what is provided by foreign banks.

- **How important is it that the Kuwaiti banking sector was the first to implement Basel III?**

Yes, Kuwaiti banks implemented Basel III before any other country, and we are proud to be the first worldwide. However, it is also important to assess the economic situation first, because this is not a matter of pride. Big countries have not fully implemented Basel III yet. The question is, why have we been in a hurry to implement? All banks finance real estate and this sector gets half of the banks'



operations. Why then, in light of these circumstances, should real estate turn into a burden on the capital of banks? I believe that such decision should be better thought out before implementation.

- **Is there fear that the banking sector will have over-withdrawals due to the financial market situation?**

Some banks may need to put aside additional provisions and restructure. The current situation is a reflection of the state of private sector, as well as that of the State's political and financial circumstances. All of these are unhealthy and the reaction to them can sometimes be exaggerated, but again they are a reflection of the circumstances in the country and the private sector at large. Overall, required restructuring or rescheduling are normal affairs and can be overcome.

- **Is there any concern of a debt crisis?**

The sector's position is a reassuring one, as extraordinary efforts have been exerted over the years. We do not fear any leakage in the banking sector due to the crisis nor guarantees or others. For seven years, the banks have been cleaning up and putting aside provisions, distributing profits, and all of this means that the sector is well-enabled.

Burgan has a portfolio of assets of KD 6.8 billion, and will continue to grow and work well. We are not worried about it.

- **Will Burgan Bank continue to take out provisions?**

I am almost sure that Burgan does not need any additional provisions. On the contrary, what it has is in excess of the required level. However, we must follow the instructions of the supervisory authorities, and there is much talk between us and the Central Bank over this matter. The stock market drop may have an impact, and could drive the Central Bank to be more cautious. However, based on the internal audit we conducted, the impact will be minimal and provisions will recede.

- **How are you financing the purchase of Burgan's stake in JKB, and what is the long-term goal?**

The purchase was self-financed, and is a step that reflects our ability as KIPCO to support our banking activities in adhering to Basel III. It will lead to raising the capital adequacy of Burgan to levels exceeding those required under Basel III. This will give Burgan the opportunity to continue to implement its strategies with high flexibility. This step also reflects the support that KIPCO offers its companies and its ability to utilize its resources.

Overall, the move will allow for continued growth in markets that have growth potential. JKB was taking up a large percentage of Burgan's capital adequacy. JKB is one of the best assets under KIPCO Group and makes good revenue.

With regards to liquidity, we are strong and at the same time we are able to go out to international markets and issue bonds within two weeks. KIPCO has an excellent track record worldwide and its reputation is unique. In Kuwait, we are the only ones able to do this.

As for raising Burgan's capital to KD 120 million through the issuance of perpetual bonds, we were the first to do this and had to engage in negotiations with the Central Bank and the CMA for a whole year to convince them of the idea and educate them on the matter. When we finally obtained the approval, other banks followed in our steps.

- **How do you view the future of KSE in light of privatization? Will this have an impact on the technical side?**

Maybe if we had wanted to send a rocket to Mars it would have been easier than privatizing KSE. The stock exchange is a trading system that brings together the seller and the buyer on a platform that guarantees assets and sums of money. Transactions are executed on this basis, which is why the privatization process must not be given more than what its worth.

Overall, based on currently dealings, I do not see it as encouraging or bringing any positive additional to investors. Any stock market in the world is a reflection of the economy and mirrors the private sector. What is left in KSE today other than the banks, insurance companies, and some industrial and service providers?

- **What are the latest developments with your investments in Algeria under North Africa Holding?**

KIPCO Group's experience in Algeria has been very successful, and we have large investments in the banking and insurance sectors, as well as several operational investment that are diverse geographically under North Africa Holding. These include a glass factory in Egypt, a pharmaceutical factory that it is about to exit from, as well as low-income housing in Morocco. In Tunisia, there is an electricity cables factory that exports heavily to Libya. North Africa Holding is a promising company with profitable investments.

- **How would you rate KIPCO's investments in the Arab world?**

KIPCO's experience in the Arab world has been excellent and very deep. Our investments have been ongoing for 20-25 years, and all political crises have had a manageable impact. For instance, in Iraq we have a bank that is performing very well and is profitable, and has 50 branches. Across KIPCO Group, we are fortunate to have an amazing team that can be depended on.

- **Are there any updates on Burgan Bank Turkey?**

We have overcome the difficulties that came with the Turkish market at the time of our entry, and last year the bank was profitable and its performance was enhanced, with its operational position is excellent.

- **After the Daiya project, what is KIPCO eying?**

We are working according to a comprehensive investment vision, and we have not stopped developing our operations and expanding. In the insurance sector, every 18 months or so we acquire a new company. URC's projects are all very large in scale and high in quality and are continuing in Kuwait and abroad. In April we will be inaugurating the Abdali Mall in Jordan, and before that we put into operation a mall in Salalah. In Egypt, we have entered the housing sector. We are successful in what we do and our projects have continued despite the circumstances.

- **What about KIPCO's geography – where is the greater concentration?**

The greatest operations are in the Arab countries of course, and they are diverse in sectors and operations. This is besides our investments in the USA and Europe, which are also diverse.

- **Does the private sector feel reassured about the continuation of investment spending? And how do you think oil prices will affect this?**

The oil price crisis will have an impact, unless there is a magical solution. I believe that the State's reserve fund is the government's alternative. However, how long will it sustain us? In five years the reserves will all be spent if we continue with the current policies. Again I warn against wasteful spending.

We require a decision, and the greatest mistakes come from haste decisions. It is as if time has no value. Today we still don't have a comprehensive plan. They do not master the use of resources, nor do they know how to use the private sector as a means to diversify the economy and revenue. Even the positive actions that they are taking and the mega projects that the government is implementing are not being marketed in the right way.

There are mega projects under construction or that have been completed about which we know very little. How can this be an investment if we cannot explain these details to investors to attract them?

- **Do you find the islands project convincing, and will it satisfy the ambitions of the private sector?**

I have taken a look at the available information, and up to this point the looks good but is very much on paper. They state that one of the islands will be home to high quality health care services. As the private sector, we are interested in numbers and statistics about who these facilities will be targeting, whether or not we have enough doctors to staff the hospitals, the operational plan, and other details.

It is a dream and a vision, and we need a good base upon which to build our decision. Investors are getting prepared, and you cannot build on soft ground.

- **How do you view the delay in offering for tender to the private sector the operational facilities managed by the government at high costs?**

It is clear to everyone that the service facilities are being operated by the government at a high cost, with low quality and low revenue. Many international companies and consultants have advised to at least privatize the electricity plants and the communications sector, so that they can be managed professionally. This will bring in profit and minimize the spending that is now a burden on the State. The ministry can continue to a supervisory entity, but operational facilities such as electricity, water, landline phones and others must be managed in a more efficient manner. Now is the best time to do this, given the deficit. If this is done professionally, it will open up new opportunities for citizens provided that it is run like the private sector. This would be a great step towards bringing in revenue for the government.

Private universities, for example, were opened up for investment and have offered options for citizens. Why not apply the same model to the healthcare sector? Privatizing government hospitals and giving citizens health insurance will cost less than having the government manage these facilities. Just look at the amounts spent on treatment abroad. At the end of the day, this is a great investment opportunity for the private sector and good for the government as well.

Health and education are fundamental for the society, and privatizing these two sectors will enhance on many other areas.

- **Historically, the government's privatization decisions are slow and come too late. Isn't that the case?**

Let the government at least begin to privatize some sectors where there is great financial hemorrhage and spending, like education, that costs the government so much and the graduates are not up to standards. If the government were to give public schools to the private sector it will invest heavily and the quality of education will improve.

The government should encourage the private sector towards this, because the cost of education will drop and the quality will be higher, resulting in savings and also giving citizens better education and more options to choose from.

- **Why, in your opinion, does the government insist on bringing in external consultants that charge a lot of money, when we have leading banks that can provide better consultation given their knowledge of the country's culture and affairs?**

Kuwait is the country with the most consultants and committees. There are many recommendations locked away in cabinets. We have no shortage in studies, but in implementing the recommendations.

- **What is the percentage growth expected for KIPCO?**

We always place our estimations at 10-20%. I am optimistic and our position is strong despite the circumstances and the bad start to 2016. Like I said, our businesses are mostly operational.

- **Will the public private partnership initiative be a qualitative leap and satisfy the private sector?**

The experience is not complete in order for us to assess it. However, we feel that we have been done a great injustice over the BOT law that has not included those who executed projects before the law was issued. We are investors were believed in investing in our own country with no law to protect us.

Despite this, we have ideas and an ambition to invest and expand these projects, but bureaucracy stands in our way. Let the government give us approval and take revenue from the expanded area. For instance, Marina Hotel has 110 rooms and the infrastructure can take up to 150 rooms. Why aren't we allowed to expand and for the government to take more money in return?

#### **Amiri Diwan projects moving**

Mr Al Ayyar says that everyone wonders why projects under the Amiri Diwan are progressing. The answer, in his opinion, is related to taking decisions. Taking a decision to implement is important, and I wish that that the government would increase penalties and apply them to those who break the law or don't abide by the regulations.

### **We need a mentality that matches that of the private sector**

Mr Al Ayyar says very clearly that we are in need on the government side of someone who thinks like the private sector does. When ideas and visions meet, there will be much achievements made and the economy will flourish. The government needs this kind of thinking to reduce spending and boost profits and revenue.

### **If asked to join the government, I will head the other way**

We asked Mr Al Ayyar if he would take on a ministerial post and what decisions he would made. He said he would prepare his 'bisht' and get into his car. If the ministry is North, he would head South as fast as he can. He added that he would be ready to give consultation and opinion at any time, but said that it was quite unfortunate that this was never requested of him. The matter is simple; give the private sector the chance to play its role, and let it implement its projects in due course.

### **What is required from the financial ministers**

To completely restructure the economy and give a larger role to the private sector, and this is critical before we fall into spending from the reserves. This would be a crime committed against the future generations, and it is unforgiveable.

### **Faisal Jr.**

When Al Jarida called to request this interview, Mr Al Ayyar was in a moment of great pleasure, as he has just received news of the birth of his grandson, Faisal Jr. Mr Al Ayyar says that his grandson is still young and doesn't get much of the attention yet. However, he says that he is attached to his granddaughter and picks her up from school every Thursday and drives her to the farm where she enjoys riding horses.