

Summary

Manama, Bahrain 8-10 May 2018

Investment Outlook for the GCC

10 May

Key points

- The GCC's investment outlook reflects the changing role of the region's governments from 'operators' to 'facilitators'.
- This change offers significant new opportunities for public-private partnerships, particularly in the construction sector.
- When making decisions, investors need to consider the localisation requirements, governments' strategic priorities and the potential for co-investment with sovereign wealth funds.

Synopsis

The investment outlook for the GCC is significantly affected by continuing fiscal consolidation. The decline in oil prices, particularly from June 2014, has given extra urgency to governments' transition from being business operators to merely regulating and facilitating business. Instead of taking the driver's seat in major projects, governments are increasingly looking to create public-private partnerships (PPPs) where they have less direct involvement.

The numerous PPPs planned in the GCC represent a huge opportunity for investors. To take just two sectors, forthcoming PPPs could be worth \$454 billion in transport and \$224 in power. PPPs in the construction sector could amount to \$1,459 billion, with Saudi Arabia's NEOM project accounting for a significant proportion.

In total, the planned and still-to-be-awarded projects in the GCC could total more than \$2.4 trillion. This reflects the work required to upgrade the quality of roads, hospitals, housing, water treatment works and desalination plants, as well as the development of such new sectors as nuclear power.

Investors in the GCC should be aware that PPPs are not just about completing projects. The clear expectation is that PPPs will serve the wider needs of the country and help build the nation.

In particular, investors should take account of the localisation agenda. Governments want investments to create opportunities for their citizens. This could mean training and jobs related to the project, and also wider activities that stimulate the local ecosystem encompassing suppliers, start-ups and other businesses.

Some examples of forthcoming projects in Bahrain include schemes related to tourism, which is a central strategy in the country's diversification agenda. Interest is strong also in developing capacity in the business process outsourcing industry as well as in fintech and other technology-related areas.

Examples of projects in Saudi Arabia include the NEOM megacity (\$500 billion), the Red Sea tourism project (\$38 billion), New Jeddah Downtown (\$4.8 billion) and the Al Qiddiya entertainment city project (\$4 billion).

Looking at the future investment landscape, it is likely that the region's sovereign wealth funds will develop a higher profile as co-investors in regional projects. Saudi Arabia is planning to raise large amounts of money by partially privatising Saudi Aramco and through the activities of its National Centre for Privatisation. Some of this money will be available for co-investment, helping to share the risk and ensure sufficient liquidity across the entire life cycle of projects.

Session panellist

Richard Thompson, Editorial Director, MEED, United Arab Emirates

Disclosures

This summary was produced by the Bahrain Economic Development Board. The views expressed are those of certain participants in the discussion and do not necessarily reflect the views of all participants or of the Gateway Gulf Investor Forum.

Copyright 2018 Gateway Gulf Investor Forum

This material may be copied, photocopied, duplicated and shared, provided that it is clearly attributed to the Gateway Gulf Investor Forum. This material may not be used for commercial purposes.