GBSA Kuwait Debt Capital Market Conference, Address of Mr. Manaf Abdulaziz Al Hajeri, CEO of Kuwait Financial Centre, Markaz- 14/2/2016

Ladies and Gentlemen,

The Kuwait 2016 Gulf Bond and Sukuk association conference cannot find a place, a time, and circumstances better than Kuwait, the year 2016, and post parliamentarian elections still-embryonic choices. The Gulf countries have been facing unprecedented challenges in in their policy options transforming the very political and business model the region has enjoyed for decades, i.e. the model reliant on oil revenues. Unless this region changes the previous economic model with a model that is more in tune with the new risks and realties, the stakes can indeed be dear on the political, social, and financial stability the region has enjoyed over the years, and the role it played in the broader stability of the region.

Kuwait is the last comer the GCC international bond market, and is at the time in the midst of a wave of reforms. Some reforms are fiscal having to do with tax introduction, lifting subsidies, and deregulating power tariffs, but some are not financial yet equally critical if not more, having to do with human capital, institutional excellence, and the foremost 2 requisites for reforms; trust and partnership between the public and the private.

Perhaps the key paradox for reforms Kuwait is that this country is one of the last GCC countries to be affected by oil price volatility, yet it faces serious shortcomings in terms of its long term economic stability. The recurrent nonproductive spending in the budget is untenably high; institutional efficiency is unsustainably low, and the ease of doing business is one of the GCC's lowest.

For all the above I dare define the startup risk of Kuwait to enter the international sovereign market as the key risk that should be discussed and debated throughout this conference to bring clarity to crucial questions such as;

- What are the financing needs?
- How productive should the needs be to make the cost of funding feasible?
- Will we continue to see the same budget anomalies in the post debt budget?
- How can we use the scrutiny of international capital markets to address our anomalies? And through what governance framework?
- Last but not least, how can we use the emergence of this new investment instrument, i.e. sovereign bonds, as a factor of stability and investment diversification, not as a crowd out threat to the private sector?

Once a governance framework is put together involving the relevant national and international stakeholders, I strongly believe that issuing a sovereign bond at controlled level can be an excellent opportunity for Kuwait to introduce a new type of scrutiny from international capital markets to the sustainability of our budget.

While the issue of sovereign bond issuance becoming more and more academic and standardized, the risks involved from a Kuwait learning curve's perspective cannot be overestimated. The prime risk can potentially be institutional excellence and human capital that is going to manage the process and its strict timeline. Such process can undoubtedly be highly critical for the branding of our country and its prestige it has achieved over the years, culminating in mature institutions such as the Kuwait Investment Authority and the Central Bank of Kuwait.

Patriotic rhetoric aside, I strongly believe that the Kuwaiti financial sector can have a unique role to mitigate many of the above risks, given the experience of this sector on the back of the various crises it has undergone due to the volatility of our economy, its highest regulation and scrutiny outperforming in regulation by far all other sectors, the undeniable innovation it has consistently shown to introduce new instruments to the market, and the strong governance framework it enjoys.

That is why I do believe that an interesting partnership between the Kuwaiti financial sector and the concerned public agencies can be forged not only in terms of managing the issue itself, but also in dealing with the various challenges such as governance, decision support, and organization, let alone in acting as an excellent intermediation agent to disseminate bonds to investors- retail and institutions- thirsty for new instruments and hungry for yields.

With this I conclude my take and wish you all a productive conference.