Building and Construction Sector in Qatar

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GENERAL PRESENTATION

Area
11,521 sq km.

Population
1.708 million (2011).

Population Density
148.16 per sq km.

Capital

Other cities:
Mesaieed and Ras Laffan (industrial cities)

Geography
Qatar shares borders only with Saudi Arabia. It is situated in the middle of the Persian Gulf. The landscape is predominantly desert plateau.

Basics of Qatar’s Economy:
• GDP (2011): $171.476 billion
• Real GDP growth rate (2011): 13%.
• GDP - per capita: $100,546 (2011)
• GDP - origin by sector: agriculture: 5.5% ; industry: 14% ; services: 11% (2011)
• Labor force: 1.347 million (2013; non-Qataris represent about 93.6% of the labor force)
• Unemployment rate: 0.4% (2011)
• Inflation rate (consumer prices): 2.6% (2012)

Budget:
• revenues: $75.23 billion (2012)
• expenditures: $48.29 billion (2012)

Foreign Reserves:
• $33.189 billion (2012)

Agriculture: products: practically no crops; fish

Industries: Petroleum, petrochemicals, cement, shipbuilding and repair, desalination, food processing, construction materials

Oil:
• production: 2.07 million bbl/day (2013)
• exports: 1.842 million bbl/day (2013)
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- proved reserves: 25.24 billion barrels (2013)

**Natural gas:**
- production: 5,523.25 billion cu f (2012)
- consumption: 1,256.53 billion cu f (2012)
- proven reserves: 885.29 trillion cu f (2012)

**Foreign trade:**
Current account balance: $61.6 billion (2013)

**Exports**
- Exports value: $132.9 billion (2012)
- Exports - commodities: oil and refined products, fertilizers
- Main partners: Japan 26.6%, South Korea 19%, India 12%, Singapore 6.7% (2012)

**Imports**
- Imports value: $30.8 billion (2012)
- Imports - commodities: food, construction materials, vehicles and parts, clothing
- Main partners: USA 34.2%, UAE 11%, Saudi Arabia 8.3%, UK 6.4% (2012)
Qatar construction industry in brief

- Construction of large-scale transport infrastructure projects is under way - a move that will ease the strain on existing infrastructure.
- A number of international companies operate in the country, which is open to international private sector involvements.
- Qatar is developing its non-oil sector, thereby supporting infrastructure development.
- Hosting the FIFA 2022 World Cup should yield considerable contracts across the construction and infrastructure sectors.
- There is just a single mode of overland transport (roads).
- Much of the transport infrastructure is nearing maximum capacity.
- Power generation infrastructure is strained.
- Demand for Qatar's luxury commercial and residential sectors is still weak as a result of the global downturn, which may in turn threaten existing and planned projects.
- Contract disputes between Ashghal and Bilfinger Berger may lead to the perception that there are regulatory uncertainties.
- Qatar's construction industry value is forecast at approximately USD 32.3 billion in FY14/15, representing a real value annual growth of 54%.
- MEED estimates the total value of projects planned or underway in Qatar at USD 222bn.
- Ahead of the 2022 FIFA World Cup, and in line with the country's 2030 Vision, Qatar's infrastructure spend is expected to reach US$150bn.
  - According to BMI, the long lead-times experienced by the majority of the awarded projects means the impact will not be notable on construction sector growth until 2013, and will only make a considerable impact by 2016 and beyond.
- A series of infrastructure projects are in the pipeline:
  - USD 20bn investment in roads.
  - USD 25bn to be invested in railways.
  - USD 15.5bn to be spent on a new airport.
  - USD 4bn to be invested in stadiums.
  - USD 8bn to be spent on a deepwater seaport.
  - USD 1bn transport corridor project in Doha.
- Commercial construction accounts for 23% of total construction spend:
  - Work has begun on the USD 1.37bn Doha Festival City project.
  - Lusail City when completed will cover an area of 35 square kilometers and will house 200,000 residents, 80,000 visitors and 170,000 workers.
- The Hamad Medical City, currently under construction, with a 2018 completion date, is set to become the largest hospital complex in the world.
- Transport construction accounts for 58% of total construction spend:
  - USD 20bn Doha Metro attracted more than 60 bids from international consortia competing for the US$7bn first phase of the contract.
- Reportedly 10 of the interested companies are Chinese, highlighting how Asian companies are increasingly looking to international markets amid a slowdown in their own.
1. General view: policy, future vision, needs

The FIFA 2022 World Cup and the Qatar National Vision 2030 (QNV) is dominating activity in the construction and project sector in Qatar. Successful delivery of the World Cup will require the Qatari government to complete the infrastructure development promised to FIFA. This will also help Qatar to meet the targets it has set itself in the QNV. Creating a world-class infrastructure in Qatar will ensure the continued success of the country’s powerhouse economy.

The main trends in the construction sector remain to:
- Develop Qatar’s transport infrastructure.
- Create a modern residential and hospitality environment to support the predicted increase in population.
- Create a range of world class sporting venues.

Perusing a decisive aim to translate the programs and projects of the Qatar National Development Strategy 2011-2016 into reality, Qatar issued a record budget of $62 billion (QR225.7 billion) for the 2014-2015 fiscal year, up 3.5% from last year and accordingly, the largest-ever for the country. The first budget plan passed by the Emir contains three main pillars: infrastructure and transport, education and the public health system. The budget expects that Qatar’s GDP will grow at about 6% in 2014.

With expenditure at $60 billion (QR218.4 billion), a surplus of $2 billion (QR7.3 billion) is projected. The budget for the Qatari fiscal year which runs from April 1 to March 31 was based on an oil price of $65 per barrel even though the current price is more than $100.

Actually, $182.5 billion worth of projects (QR664 billion) are anticipated to be implemented in Qatar during the next five years.

The large allocations for development projects will open the door to investors, noting that the adoption of a budget of this magnitude will spur the Qatari economy to diversify its income sources in order to create a dynamic economy.

Already effective as of April 1, the budget allocates a 54% share to education, health, infrastructure and transportation. A whopping QR87.5 billion ($24 billion) is allocated for key projects, which represents a huge 16.8% increase in allocation for infrastructure projects over 2013-14 to enable the completion of major infrastructure expansion and to start building the 2022 FIFA World Cup stadiums.

Allocations have been made for work on seven out of eight stadiums at Lusail, Al Wakrah, Al Khor, Al Rayyan, New Airport, Khalifa Stadium, and Qatar Foundation Stadium.
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With the transportation sector constituting a key pillar of the infrastructure required to enhance sustainable development, allocations are made for the completion of Hamad International Airport and New Doha Port as well as for the rail, metro and various road projects. In addition, electricity, water, and sewerage networks will be expanded to cater to the growth in urban areas in the country.

The combined share of total expenditure on education, health, infrastructure, and the transportation sectors is increased to 54% to 32.3 billion (QR 117.6 billion) in 2014-15 as compared to $27.6 billion (QR100.5 billion) in 2013-14.

The allocation for education is $7.22 billion (QR26.3 billion), a 7.3% increase over the previous year. This increase will help boost the spending on education projects in line with the strategic plan for the sector. The education sector allocations are made for expansion in facilities of Qatar Foundation For Education, Science and Community Development and for Qatar University. Funds will also go into the building of 85 new schools in Doha and the rest of Qatar 29 of which are currently under construction. Fifteen kindergartens are also under construction out of 21 planned. Most of these facilities are expected to be completed within 18 months.

The health sector has also seen an increase (12.5%) in allocation over the previous year with $4.31 billion (QR 15.7 billion) to be spent on the implementation of a set of advanced strategic programs. The funds will go towards the completion of the Sidra Medical and Research Center, expand facilities at Hamad General Hospital and For the Hamad Medical Corporation to establish a dedicated hospital for workers, and build new health centres. This is as part of a plan to set up 19 new health centres, six of which are under construction in Al Karaana, Al Ghuwariyah, Al Rawda, Al Nuaim, Al Muntazah and Umm Slal.

Funds allocated to provide housing for Qataris is increased to $906 million (QR3.3bn), up 18% from the previous fiscal budget. These funds will be used to complete some 3,700 housing units currently under construction and to build 2,300 new homes benefiting 6,000 nationals, ensuring that there is no further waiting list for citizens' housing.

Here are some tables comparing the government spending on the construction sector within the GCC:
### GCC Building Construction Project Completions in Retail Sector by Country

<table>
<thead>
<tr>
<th>Country</th>
<th>2013</th>
<th>Rank</th>
<th>2014</th>
<th>Rank</th>
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</thead>
<tbody>
<tr>
<td>KSA</td>
<td>US$458 m</td>
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<td>US$267 m</td>
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<tr>
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<td>US$400 m</td>
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<tr>
<td>Qatar</td>
<td>US$47 m</td>
<td>5</td>
<td>US$522 m</td>
<td>1</td>
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<tr>
<td>Kuwait</td>
<td>US$138 m</td>
<td>3</td>
<td>US$72 m</td>
<td>5</td>
</tr>
<tr>
<td>Oman</td>
<td>US$133 m</td>
<td>4</td>
<td>US$87 m</td>
<td>4</td>
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<tr>
<td>Bahrain</td>
<td>US$46 m</td>
<td>6</td>
<td>US$50 m</td>
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### GCC Building Construction Project Completions in Hospitality Sector by Country

<table>
<thead>
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<th>Country</th>
<th>2013</th>
<th>Rank</th>
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<th>Rank</th>
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<tbody>
<tr>
<td>KSA</td>
<td>US$1.46 bn</td>
<td>2</td>
<td>US$3.85 bn</td>
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<tr>
<td>UAE</td>
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<td>US$2.61 bn</td>
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<tr>
<td>Qatar</td>
<td>US$300 m</td>
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<tr>
<td>Kuwait</td>
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<tr>
<td>Oman</td>
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<td>US$516 m</td>
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<tr>
<td>Bahrain</td>
<td>US$27 m</td>
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<td>US$252 m</td>
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### GCC Building Construction Project Completions in Commercial Sector by Country

<table>
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<th>2014</th>
<th>Rank</th>
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<tr>
<td>Qatar</td>
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<td>US$2.27 bn</td>
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<tr>
<td>Kuwait</td>
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<tr>
<td>Oman</td>
<td>US$507 m</td>
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<td>US$340 m</td>
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<tr>
<td>Bahrain</td>
<td>US$144 m</td>
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<td>US$223 m</td>
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### GCC Building Construction Project Completions in Educational Sector by Country

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<th>2014</th>
<th>Rank</th>
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<tr>
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<td>US$1.81 bn</td>
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<tr>
<td>UAE</td>
<td>US$489 m</td>
<td>3</td>
<td>US$987 m</td>
<td>3</td>
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<tr>
<td>Kuwait</td>
<td>US$313 m</td>
<td>4</td>
<td>US$218 m</td>
<td>4</td>
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<tr>
<td>Bahrain</td>
<td>US$179 m</td>
<td>5</td>
<td>US$123 m</td>
<td>5</td>
</tr>
<tr>
<td>Oman</td>
<td>US$115 m</td>
<td>6</td>
<td>US$20 m</td>
<td>6</td>
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The Public Works Authority (ASHGHAL)
The Public Works Authority ‘Ashghal’ has an important role to play in the delivery of Qatar’s National Vision 2030. From state-of-the-art public buildings, health and education facilities and other social enrichment projects, to new highways, roads and drainage systems, Ashghal’s mandate is being executed to transform the physical infrastructure of Qatar with projects that positively impact the community.

With huge aspirations for the future, Ashghal is undertaking a major infrastructure development that will support the future growth of the country. These efforts focus not only on the upgrade and maintenance of existing national assets, but also on the development of major new infrastructure projects across Qatar.

Adhering to the Qatar National Vision 2030, the Authority contributes to the economic and social development of the State of Qatar with projects covering roads, drainage, sewerage and buildings valued at QR 100 billion to be delivered within the next five to seven years.

Ashghal’s key infrastructure programmes include:

- The Expressway Programme
- The local Roads and Drainage Programme
- The Inner-Doha Re-Sewerage Implementation Strategy

The Expressway Programme will provide vital transportation links across Qatar connecting key cities, towns and villages with high quality national freeways and urban arterial routes.

Qatar’s entire network of expressways, highways and local roads has been reviewed as part of this Programme. Fundamental improvements and enhancements at existing projects have been planned. Ashghal’s strategy is to develop a road network that benefits all communities and provides sustainable traffic management solutions that match those available in advanced countries.

The Programme is a nationwide road infrastructure scheme that will improve the way people and places are connected across the city of Doha and wider Qatar. It will deliver over 900 kms of new roads and an array of underpasses, flyovers and multi-level interchanges to enable free-flowing traffic and
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improved journey times. Ashghal is responsible for the design, construction, delivery and maintenance of all expressways and major roads that cater to current and future traffic demands in Qatar.

Ashghal aims to enable greater mobility, and shorten travel times and improve public safety on the roads.

Programme Highlights

- Delivers approximately 240 major interchanges ranging from conventional traffic lights, to four level interchanges with tunnels and flyover.
- More than 30 major projects to be delivered.
- Kellogg Brown & Root Pty Ltd (KBR) appointed as the Programme Manager.
- New and upgraded freeways, expressways and arterial roads across Qatar.
- The Expressway Programme will provide a national roads network capable of sustaining the future development and expansion of a world-class infrastructure within Qatar.

Construction work began in 2012 on six expressway projects bringing the total number of projects under construction to ten. The Expressway Programme contract value of all projects currently under construction is estimated at QR 16 billion.

The Local Roads and Drainage Programme is a nationwide programme that includes the development of roads, drainage and new infrastructure in all areas of Qatar to raise the standard of living for all the citizens and residents.

The Programme is designed to upgrade and maintain the roads and drainage network across the country’s five regions (Qatar North, Qatar South, Doha North, Doha South and Doha West areas).

The Authority has partnered with leading international consultant Parsons Brinckerhoff as chief project consultant to efficiently oversee the implementation of the programme in a safe and sustainable manner using innovative and cutting edge approaches.

As part of the programme, more than 200 projects will be delivered in the next 5 to 7 years.

Programme Highlights

- A five to seven year programme.
- Qatar was divided into 5 areas: Qatar North, Qatar South, Doha North, Doha South and Doha West.
- Five design and supervision consultants have been appointed to supervise the quality delivery of the programme: Qatar North (Khatib &
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Alami WSP), Qatar South (Aecom), Doha North (Hyder), Doha South (Parsons), Doha West (Atkins).
- Total estimated cost is: QR 50 billion.
- Parsons Brinkerhoff (PB) appointed as Programme Management Consultant.

The Inner Doha Re-sewerage Implementation Strategy or IDRIS provides vital drainage infrastructure for the southern part of Doha. This scheme will include a major deep tunnel sewer network and advanced sewage treatment works.

The Programme will provide a long-term wastewater treatment solution to serve the needs of Doha, Al Wakra and Messaieed. IDRIS is developed to upgrade and expand the sewerage infrastructure, and to accommodate the projected population growth of an additional one million people in Doha’s oldest area –the south catchment.

The major tunneled interceptor sewer and advanced sewage treatment works scheme will meet the long-term demands of the Doha South Catchment for the next 50 years, eliminate the hydraulically overloaded conditions, and remove over 35 existing pump stations. The Programme Management Consultant is CH2M HILL International.

Programme Highlights

- Duration: 8 years (2012 – 2019).
- Conveyance system consists of more than 40 km of deep main trunk sewer and over 70 km of lateral interceptor sewers.
- One large and approximately 70 meter (m) deep terminal pump station.
- New Doha South advanced sewage treatment works with an initial capacity of 500 thousand litres per day (M$^3$/Day).
- More than 70 km of treated sewage effluent return mains and pump stations.
- Estimated cost: In excess of QR 10 billion.

2. Current Major projects In Qatar

The impending World Cup in Qatar is generating lots of attention, but the delivery of the QNV may be more significant in the long run. The QNV has four pillars, two of them relate to human and social development. This is reflected in significant museum and library projects, and the continuing development of Education City and Qatar University. A few of the high-profile projects underway or announced are as follows.

More details on the projects are given in the document “Projects in Qatar”.

Prepared by Mounif Kilani, ECC Kuwait
• **Qatar Rail and Metro Project.** This is thought to be the world's largest civil engineering project underway in 2013. Four multi-billion contracts have been awarded in 2013 (with a fifth to follow) for the design and construction of the tunnels and stations of the initial phase of the Doha Metro. These contracts relate to the first 130 kilometres of the railway, of which 99 kilometres will be underground. The major systems and rolling stock tender have also been issued.

Doha metro is an 85-KM railway network in Qatar. The railway will include an east coast link, a high-speed link, a freight link and a light rail system. The railway will serve suburb of Doha and developments such as Lusail, Education city and West Bay.

A consolidated railway network will be based on state-of-the-art, safe and environment-friendly design technology that will fit the needs of Qatar while ensuring a close link with the local culture.

• **Hamad International Airport (HIA).** Previously known as New Doha International Airport (NDIA), has opened in May 2014 and it includes: a passenger terminal, capable of handling up to 50 million passengers per year, a 750,000-tonnes-per-year cargo terminal, a free trade zone, a business park.

• **New Doha Port Development Project (New Port).** A major new sea port to the south of Doha, with annual capacity to accommodate six million 20-foot equivalent units as well as a naval component.

• **Doha Bay Crossing.** Work on the $5bn Sharq Crossing project, previously known as the Doha Bay crossing and expressway project, is advancing with the US-based Fluor Corporation winning the contract. The company has been awarded a $185m contract with Qatar Public Works Authority (Ashghal) to provide project management and construction supervision services for the Sharq Crossing.

The project will navigate Doha Bay and will comprise bridge sections interconnected by an immersed tube tunnel to create a new passageway beneath the waters of Doha Bay.

Completion of the project is expected by 2020 to support the run-up to the World Cup event. The project is being led from Fluor’s Doha office with support from the Abu Dhabi and Greenville, South Carolina, offices

• **Qatar-Bahrain Causeway.** The Qatar Bahrain Causeway (also referred to as the Qatar Bahrain Friendship Bridge) is an often announced, often delayed planned causeway between the two Arab states of Qatar and Bahrain. It was announced on the 13th of December 2008 that construction would start in early 2009, and would cost approximately US$2.3 billion to complete. As of November 2010, construction had not started, and the Qatar-Bahrain Causeway project was on hold, while the contracting consortium involved with the project was said to be demobilizing, according to a source at the Qatar Bahrain Causeway Foundation (QBCF).

Overview: The link between the two countries would be approximately 40 km (25 mi) in length, and support both a road and a railway. The link is expected to consist of a number of bridges and will be a natural
extension of the King Fahd Causeway that connects Bahrain and Saudi Arabia, thus linking the entire region.

Plans for its construction were first made in September 2001, when the Danish consultancy COWI signed a DKK 60 million contract for the first phase of the project with the Ministry of Municipal Affairs and Agriculture in Qatar. Together with Sund & Bælt Partner Ltd., DHI Water & Environment and the architects of Dissing Weitling and COWI conducted pre-studies of the link.

- **Lusail Real Estate Development.** Lusail is a new coastal city under construction north of Doha and will cover 35km². The project will contain 18 different districts and will include a lagoon with two marinas, 25,000 residential units, high and low-rise buildings, commercial districts and mixed-use areas, retail areas, two golf courses, 22 schools, and a hospital.

- **Energy City.** An integrated energy hub to enhance the Gulf region’s ability to capture critical revenue streams from hydrocarbons and act as a nucleus for the Middle East’s oil and gas industry.

- **Musheireb Downtown Doha.** A large urban regeneration complex by Musheireb Properties in central Doha, designed to reflect the architectural heritage of Qatar.

- **Qatar Entertainment City.** This project shall be built at Lusail City covering 180,000 square meters allotted to entertainment activities. The city shall include Aqua Park, Game Parks, Theater, Hotels, Residential Area and Snow Dome.

  Qatar Entertainment City is the first of its kind in the region, fully integrated family destination which has been master planned with people in mind to deliver a ‘Live, Work, Play’ lifestyle.

  1. Located at the heart of Lusail next to the Fox Hill Reserve Nature Park
  2. 2.1 million sqm of development
  3. 180,000 sqm of international leisure, retail entertainment and restaurants
  4. Waterfront Living
  5. Five Distinct Districts
  6. Twelve Five Star Hotels
  7. Theme Park
  8. Multi-purpose Arena
  9. Pedestrian Walkways
  10. Water Taxis
  11. 4,500 residential units including themed villas and sea view apartments
  12. Community Facilities

- **The Amphibious 1000.** Plans are afoot to build a semi-submerged extravagant resort project on the Qatar Coast, that will cost a massive $500 million.

  The Amphibious 1000, which will be built in the middle of a marine reserve, is designed by the Italian firm Giancarlo Zema Design Group. The project will feature both land and sea developments including four giant hotels with underwater rooms that resemble super-yachts. There will also be 80 “jellyfish” self-contained floating suites, with each having
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four floors and an underwater “aquarium lounge”. Hydrogen-powered 20 meter aluminum yachts with underwater viewing areas will transport guests around the resort.

It will extend horizontally for one kilometer and it has a striking similarity to Dubai’s Palm Island. On land there will be a museum, floating walkways, a restaurant with panoramic views, exhibitions, aquariums and a glass tunnel that will lead to the underwater observatory in the centre of the marine park. The resort is designed to be “in harmony with nature”.

• **Urjuan Project.** Urjuan project is an integrated high end city that will be developed by BARWA Group at Al Khor City. It will cover an area of 5.5 million square meters. The estimated construction cost is USD 35 billion on completion.

Located along the Al Khor Corniche, the project will have the capability to accommodate about 63,000 residents.

Designed by Cansult Maunsell of Canada, the iconic development will comprise 24,500 housing units, a beachfront luxury hotel and resort featuring terraced townhouses, private chalets and luxury apartments. Shopping malls, leisure amenities, open gardens and other tourist attractions such as 18-hole specialty golf course, a business hotel and private villa golf estate, will all form a part of the development.

The project, owned by Barwa Al Khor (joint venture between Barwa Real Estate and Alimtiaz Investment of Kuwait), will be sold phase by phase offering residential and commercial options and properties to customers.

Al Khor is hoped to be the upcoming hotspot for businesses and residence in Qatar. Currently the area is witnessing major constructions as a part of the ‘Qatar 2025’ plans established by the Urban Planning and Development Authority

• **Sports facilities.** In preparation of the World Cup 2022 and to complete the local sport infrastructure, 10 stadiums will be built or rehabilitated: Khalifa International stadium, Lusail Iconic stadium, Doha port stadium, Education City stadium, AlGharrafa stadium, AlWakrah stadium, AlShamal stadium, AlRayyan stadium, AlKhor stadium, Umm Slal stadium

• **Healthcare facilities.** Five primary healthcare centres across Doha, plus four hospitals at Hamad Medical City.
3. Rules and Regulations

Procurement arrangements tend to vary according to the size of the project rather than its parties. Most small and medium to large projects tend to be:

- Turnkey, either by way of Engineer, procure and construct (EPC) or Design and build (D&B).
- “Traditional” procurement with the design pre-arranged by the client.
- Build-only contracts with a single contractor.

On very large and major projects, other arrangements are considered. For example, Hamad International Airport (HIA) has been procured on a construction management basis. This means that the Steering Committee as the client, directly engages a construction manager. The large number of contractors and consultants carrying out the works and design packages are then each engaged separately under a direct contract with the client.

Local projects

Clients are often single entity government departments or public sector related entities (including subsidiary entities and project-specific companies established for the procurement of the project). For smaller projects, local contractors and consultants have the technical and volume capacity to transact alone as single legal entities.

International projects

For mid-size and larger projects, where international capacity and expertise are required, non-Qatari contractors and consultants are required to form partnerships with Qatari partners if they wish to be free to bid for work generally. Vehicles for contracting parties are therefore usually joint ventures, which can be either incorporated to become a single company (LLC), or based on a contractual joint venture agreement.

Where the public sector engages contractors who have formed a contractual joint venture arrangement, “joint and several” liability will be required from the joint venture partners to the public sector entity. Additionally, enquiries may be made by the public sector client into the contractual arrangements and risk-sharing between the joint venture partners. This can include full disclosure of (and sometimes the client’s approval of) the joint venture agreement. Parent company guarantees will usually be required from all joint venture partners that are subsidiaries.

Public sector entities governed by Law No (26) of 2005 establishing a Law Organizing Tenders and Auctions (Public Tender Law) must, amongst other things, obtain tender bonds from bidders. Clients often require an on-demand performance bond (usually amounting to 10% of the contract price) from the successful bidder.

Advance payments are common, and are made against on-demand bank guarantees. Retentions of up to 10% of the contract price and robust forms of parent company guarantees are also commonly required as performance security.
Collateral warranties, whether from main contractors and consultants in favour of third parties, or from sub-contractors and sub-consultants in favour of the client, were traditionally uncommon in the Qatar market and are seen as onerous by contractors and consultants. However, on public works projects (for example, Qatar Rail and the Public Works Authority (Ashghal) they are often required to be entered into by sub-contractors and sub-consultants.

**Forms of contracts**

**Local projects**
Small and private sector projects have no universal standard form of contract, and often use untailored agreements, which may have been “carried forwards” from previous projects. The quality of contract documentation is often poor. Older versions of standard form contracts issued by Qatar Petroleum are sometimes amended and used.

**International projects**
Medium to large public works projects procured by Qatar’s public works authority (Ashghal) tend to use Ashghal’s own bespoke forms.

Public sector projects (other than those procured by Ashghal) often use their own bespoke forms of contract which have been prepared either by in-house lawyers or external law firms. These may be amended versions of the International Federation of Consulting Engineers (FIDIC) Yellow, Silver or Red Book contracts, but other forms are also used. On major projects, bespoke and “project specific” forms are prepared.

On public sector projects of all sizes, contract terms with the client are rarely negotiable for main contractors and consultants. Sub-contractors and sub-consultants will typically be required to accept “back-to-back” terms, including “pay-when-paid” clauses.

**Risks**

Contracts in Qatar commonly provide for a high level of risk transfer to contractors and consultants. However, the full extent of risk transfer is often unclear due to the poor drafting of contract amendments or particular conditions. The key categories of risk are:

- **Time** Tight deadlines are often set in the contracts, and provisions for granting extensions of time are often vague or discretionary. Where extensions of time are allowed, they usually only provide for relief from liquidated damages and may not allow claims for associated loss and expense. Provisions relating to client obligations to respond to requests for approvals or instructions can also allow extensive discretion for the client or engineer. Time-bar clauses for contractors challenging client decisions can be very tight, and missing the deadline often expressly excludes any further rights.
• **Quality** Specifications and requirements can be vague and subject to client instructions which are deemed within the agreed scope. Specifications often allow a wide discretion to the engineer regarding testing and approvals.

• **Cost** Pricing can be difficult when time and quality provisions are unclear in the legal terms and conditions, and where tendering is highly competitive. Delays in certification of applications and payment of invoices are also very common.

Contractors and consultants can sometimes help to mitigate these risks by preparing and incorporating a detailed programme into the contract, showing not only the time for each phase of works or services, but the time allowed in the programme for:
- Issue of client information/design.
- Site access requirements.
- Consultations and approvals.

**Payment**

Payments are commonly “milestone” based. Advance payments for contractors and consultants are common though these are always subject to an on-demand bank guarantee. Problems can arise with provisions in the guarantees and in the associated contracts concerning how the outstanding balance of the guarantee reduces as the advance payment is repaid, particularly where that reduction relies on some action by the employer. These provisions should be checked carefully.

Payments to contractors and consultants are usually made directly into a bank account, which must be in Qatar.

Although there are a few provisions in the law that may assist with securing payment, they are vague and difficult to enforce in the courts. These cannot therefore be relied upon with certainty. Long delays in payment are common on most types of projects.

Public sector entities often rely on cash-flow from the Ministry of Economy and Finance and contracts sometimes contain provisions making payment dependent upon receipt of the client entity’s cash-flow from the MoEF. Failure by the client to pay invoices (even if certified) will sometimes expressly prohibit the contractor or consultant from suspending work. Due to the general concept of freedom of contract, clear express terms of this nature, even if potentially onerous on the contractor or consultant, are likely to be binding and enforceable.

In public sector contracts, interest for late payment is sometimes provided for. However, it is often expressly provided in the agreement that interest is not payable where the reason for late payment is a delay in funding from the MoEF to the client.
Tax

Construction companies are not subject to any specific taxes particular to the industry sector. Article (11) of Law No. (21) of 2009 (Income Tax Law) provides for a withholding tax of 7% on non-resident interest income, commissions, brokerage fees and other payments made to non-residents for services carried out partly or wholly in the State of Qatar. A rate of 5% applies to “technical fees” which is understood to include fees for design consultancy services.

Consultants and Contractors

On public sector projects, selection is usually by tender. A prequalification tender is usually published for local and international consultants and contractors related to each project.

On private sector commercial projects, selection and appointment is commonly the result of:
- Personal contacts.
- Pre-existing relationships.
- Recommendations.
- Local and international reputation.

In these cases, terms and conditions are more negotiable than on public sector projects.

On public sector projects of all sizes, contract terms with the client are rarely negotiable for consultants. The terms of consultants’ appointments are often far more onerous than a consultant might be used to in Europe. A high degree of risk is generally passed down to consultants and partnering is almost unheard of in Qatar outside of the oil and gas sector. Limited negotiation can sometimes take place with public sector entities. This usually only happens where there is very little competition in the international market. Slightly wider negotiation may take place for private commercial projects.

Subcontractors

Sub-contracts and sub-consultancy agreements are typically wholly “back-to-back” with the main agreement, with full risk pass-down and “pay-when-paid” clauses.

Sub-contractors and sub-consultants must usually comply with the main agreement. Indemnities to the main contractor/consultant are sometimes incorporated in connection with this obligation.

Sub-contract agreements are more frequently negotiated than main agreements, particularly in terms of:
Building and Construction Sector in Qatar

- Liability caps.
- Levels of liquidated damages for delay.
- The general allocation of the share of liability.

Licensing

All entities carrying on business in Qatar must be properly registered with the Ministry of Business and Trade.

Each individual or each firm performing engineering works in Qatar must obtain a licence from the Engineering Committee of the Urban Planning and Building Development General Authority (Engineering Committee). The requirements for obtaining an engineering licence are extensive and include:
- Minimum numbers of staff.
- Levels of qualifications.
- Years of experience.
- Size of office space.

Engineering consultancy works are widely defined as works involving the following matters:
- Preparation of architectural, construction, survey and planning drawings.
- Preparation of plans and designs.
- Supervision of execution.
- Rendering of advice.
- Conducting of feasibility studies.
- Cost estimation.
- Cost accounting.
- Management of projects.

A firm can register as an International Engineering Consultancy or Local Engineering Consultancy.

Exceptionally, exemptions are available to the above engineering licensing requirements. International engineering offices may be exempt if they are contracted to provide certain distinct technical specialities that either:
- Are not available in Qatar.
- Require particular technical experience for development purposes.

A further possible exemption may apply under the Foreign Investment Law. This allows a branch of a foreign company to be registered in Qatar if it has been awarded a contract in Qatar to render a service of public benefit. If the entity is deemed to be an engineering consultant, the Engineering Committee can grant an exemption from acquiring a full licence.

Drawings submitted for approval by municipal authorities must be signed by local registered engineering practices.

Project licences and consents
The required licences and consents will vary according to the nature of the project, its location, and so on. Below is an indicative, but non-exhaustive, list of permits that may be required:

- Planning permission from the Municipality.
- Preliminary approval by the concerned Municipality to open a file.
- Fire safety clearance from the Civil Defense Department (CDD).
- Clearance for road design and access from the road construction department at the Urban Planning and Development Authority (UPDA).
- Clearance for power and water service delivery from the Qatar General Electricity and Water Corporation (Kahramaa).
- Clearance for telecom service delivery from Qatar Telecom (QTEL).
- Clearance from the building permit department of the UPDA.
- Final building permit approval from the Municipality.
- Public announcement of the construction project at the Municipality.
- Fire safety approval from the CDD.
- Certificate of completion from the Municipality.
- Registration of the building at the Municipality.

Projects insurance

An engineering office is required to have certain insurances, particularly professional indemnity insurance, in order to be registered as an engineering office in Qatar. Vehicles must also be insured.

Other insurances which a commercially prudent consultant or contractor will carry, and which are commonly required in contracts, are as follows:

- Employer’s liability insurance.
- Third party liability insurance.
- Contractor’s all risks insurance.

Labour law

Local workers
Qatari nationals are to be given priority over non-Qatari nationals when an employer is seeking to fill a role. This practice is known as “Qatarisation”. There are no particular requirements for hiring a Qatari national.

Foreign workers
As a result of the practice of Qatarisation, an employer must obtain permission from the recruitment committee at the labour department of the Ministry of Labour and Social Affairs before employing foreign employees. Once obtained, the employer must apply for a work visa so that the employee can enter Qatar. Within seven days of the employee’s arrival into Qatar, the residence permit procedure must be commenced so that the employee can work and reside in Qatar.

Society of Construction Law (Gulf) (SCLG)
One of the main organisations of interest to western contractors or consultants is the Society of Construction Law (Gulf) (SCLG).
The Public Works Authority (Ashghal)

How to participate in Ashghal’s tenders?

The following steps are required:

1. Review the tender details on the Ashghal website.
2. Review the tender documents in the specified area located on the ground floor in Ashghal’s headquarters and ensure that the company is in accord with the conditions of participation.
3. Deposit the correct tender fee into Ashghal’s bank account at Qatar National Bank (QNB).
4. Submit the deposit receipt to Finance Affairs in Ashghal (Tower 2) and receive an official receipt.
5. Submit to the Contracts Department a copy from the CR attached, with an authorisation letter for receiving the tender documents.

Currently, registration is not required to participate in tenders. However, registration of the company on the website is important for companies to receive alerts and notifications regarding tender as well as being updated on Ashghal news and updates.

According to participation conditions in the general tenders, the CR is considered one of the main requirements, but in case of specified tenders or tenders limited to consultancy offices, this condition may not always apply.

Consultancy offices are eligible to participate in Ashghal tenders if they have an adoption certificate from the consultant offices classification committee, before or after the awarding of the project to the consultant office.

Registration certificate issuance in this regard is performed by the Registration and Control of Companies Department in the Ministry of Business and Trade.

Participation terms

Companies Eligible to Tender:

(1) Qatari Companies Only.
(2) Joint Venture (JV) Companies which includes a Qatari Company having a minimum of 51% shareholding of the JV.
(3) Non-Qatari Companies.
(4) Not Applicable.

Full Documents for the Tender can be obtained from Contracts Department (CD) against a Non–refundable fee paid to PWA Account No. (0013-001813-
Project document may be examined at Al-Faisal Tower, Ground Floor, Al Corniche before purchasing from PWA.

Each Tender must be accompanied by a Tender Bond, either in the form of a “Certified Check” or a “Tender Bond” issued by a Bank acceptable to the PWA in the amount mentioned above valid for (120 days). Any Tender received without the proper guarantee will not be considered.

The Tender shall be submitted in two separate sealed envelopes (technical and financial offer). In addition to that, the Tenderer shall separately submit an original and duplicate copy of Tender Guarantee signed and stamped plus the documents mentioned in Tender checklist in instructions to Tenders.

All Tenders shall be submitted in original and one copy or they will not be acceptance.

Tenders shall be delivered at or sent to arrive not later than 1.00pm local Doha time on the closing date and deposited in the relevant Tender Box of concerned Tenders Committee’s Chairman at PWA.

The successful Tenderer shall provide a Performance Bond in amount of ten (10%) percent of the Contract Price endorsed by an approved local bank in Qatar.

(Source: [www.ashghal.gov.qa](http://www.ashghal.gov.qa))

**Central Tenders Committee**

Central Tenders Committee (CTC) has been established under dependency of the minister of Economy and Finance, and appointed by an Amiri decree.

CTC function is releasing and receiving tenders, opening envelopes and awarding tenders and auctions for government's entities, in addition to meeting government's entities requests for limited practice and direct agreements as per the law clauses.

CTC includes technical affairs department and supplies department. Also, CTC has three specialized committees:
- Local Tenders Committee carries out tenders, and auctions as per the law financial ceilings
- Auction’s committee carries out inspection and valuation of items, rental of real estate, and movables intended for sale or leasing
- Classification of contractors committee for classifying and re-classifying contactors into various grades and categories.

Source: [www.ctc.gov.qa](http://www.ctc.gov.qa)
Qatar Society of Engineers

Qatar Society of Engineers is a non-profit professional organization; it was established and registered on 27/01/2007 at the Ministry of Social Affairs. Before registration it was conducting its activities under “the Forum of Qatari Engineers”

QSE mission includes:
- promoting and supporting the engineering profession
- Raising technical standards of the Qatari Engineer
- Regulating the engineering profession
- Protecting the rights of engineers and fulfilling their obligations with others
- Representing engineers locally and outside the country

As per the law of QSE engineers shall have the following to requirement to become members:
- Qatari National
- Shall not be under 18 years old
- Shall be registered in QSE Books indicating his engineering discipline
- Submit Police Clearance Certificate

(Source: www.qatarse.org)
4. How to approach the market?

A. Services (consultants & contractors): In the public projects field, depending on the type and value of each project, the local authority may precise if the project is open to local (local tender) or international consultants or contractors (international tender). By definition, an international consultant or contractor is a company based outside Qatar and having realised some projects outside its own country. In most situations, joint-venture between local and international consultant or contractor is requested. Local companies are in charge of general work as well as the administrative coverage, while international expertise is required for some specific matters in the project. All the mega projects in Qatar are awarded to consortia between local and international companies. In this regards, it is highly recommended to establish a partnership with local company in order to explore the market and manage the eventual awarded projects.

In the private sector, projects are managed on tenders’ basis but the choice is more open and free. The owner (promoter) of the project can decide whether he will charge a foreign or local consultant/contractor. In many cases the local company will sub-contract part of the project to a foreign or international company when needed. In any case, the foreign company needs a have a local sponsor to cover administratively its engineers and workers during the realisation of the project.

B. Goods: Building and construction material and equipment are more limited. Any import of goods to Qatar should be done by a local company having licence as trading company. The customer can import the goods if is registered as trading company (which is the case in most of the situations), otherwise he should do it through a local agent/importer. Once again, a partnership with a local agent/distributor is the easiest way to penetrate the Qatari market, either on the legal and commercial sides.
5. Main contacts and sources

Public Works Authority
Tel: +974 44950000
Fax: +974 44950999
Website: www.ashghal.gov.qa

Ministry of Economy & Commerce
Tel: +974 44945555
Fax: +974 44930992
Website: www.mec.gov.qa

General Secretariat for Development Planning
Tel: +974 44958888
Fax: +974 44838429
Website: www.gsdp.gov.qa

Qatar Investment Authority
Tel: +974 44995900
Fax: +974 44995997
Website: www.qia.qa

Qatar Chamber of Commerce & Industry
Tel: +974 44559111
Fax: +974 44661693
Website: www.qatarchamber.com

Qatar General electricity & Water Corp
Tel: +974 44845555
Fax: +974 44845464
Website: www.km.com.qa

Qatar Ports Management Company
Tel: +974 44030333
Fax: +974 44414528
Website: www.mawani.com.qa

Civil Aviation Authority
Tel: +974 44557333
Fax: +974 44552233
Website: www.caa.gov.qa

Qatar Olympic Committee
Tel: +974 44944444
Fax: +974 44944479
Website: www.olympic.qa
Qatar Foundation
Tel: +974 4454 0000
Fax: +974 4454 1047
Website: www.qf.org.qa

Qatar Society of Engineers
Tel: +974 44081472
Fax: +974 44081734
Website: www.qatarse.org

Central tenders Committee
Tel: +974 44378111/44378132
Fax: +974 44439360/44430250
Website: www.ctc.gov.qa

**Websites**
www.constructarabia.com
www.constructionweekonline.com
www.meed.com
www.zawya.com
www.bigprojectme.com
www.metenders.com
www.qc-sites.com
www.whyqatar.me
www.ashghal.gov.qa
www.ctc.gov.qa
www.almeezan.qa

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