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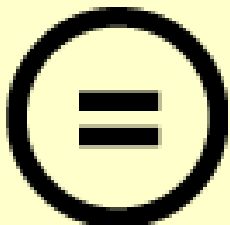
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CENTRAL TENDERING: AN EVALUATION OF THE KUWAIT EXPERIENCE

by

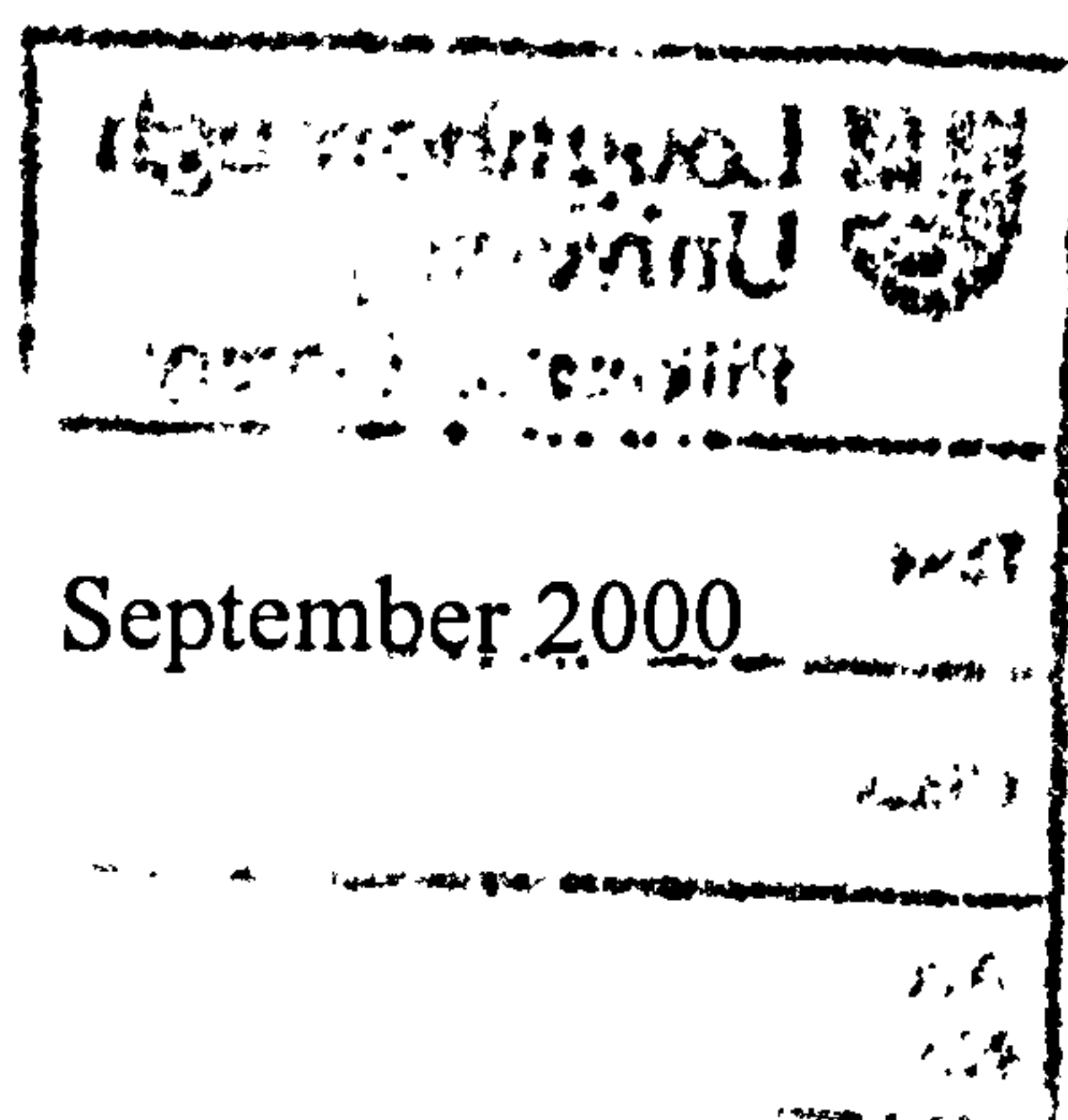
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A Doctoral Thesis

Submitted in partial fulfilment of the requirements for the award of

The Degree of Doctor of Philosophy of

Loughborough University



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Key Words

- Socio-political context of Kuwait
- Economic role of central tendering
- The Central Tenders Committee
- Formal model and reality
- Bureaucratic procedures
- Dynamic business culture
- Impact of central tendering on the state
- Future developments

Central Tendering: an Evaluation of the Kuwait Experience

ABSTRACT

In 1964 the government of Kuwait established the Central Tenders Committee (CTC). Its aims were fivefold:

1. to control the major areas of government spending on services and development projects;
2. to reduce the expenses of government departments when buying from private suppliers and to ensure the highest quality of provision;
3. to organise, standardise and unite all tendering procedures for all government departments through the CTC;
4. to avoid breach of trust between government departments and employees;
5. to treat all contractors who tender with fairness and avoid favouritism throughout the tender procedures.

The thesis evaluates the economic role of central tendering within a particular socio-political context: that of Kuwait, and highlights the organisational nature of the slow responding and highly bureaucratic CTC. The implications of this for a dynamic business culture are stressed, and the differences between the CTC as formal model and the reality are discussed.

Further attention is paid to the question of who benefits from this process of tendering. It is clear that the impact on the state of this system is variable, despite the initial hopes for the CTC, but there is no obvious pattern of advantage for particular types of companies or countries.

A questionnaire was circulated to a sample of CTC employees, clients, customers, and suppliers. Little has been attempted elsewhere to evaluate a CTC approach, leading to a lack of information and research. It was hoped that by the tool of the questionnaire method, light could be thrown on the relative advantages and ease of use of the CTC mechanism.

The five fold aims of the CTC are recognised as being worthy and relevant, with evidence that with some exceptions all are being met to a greater or lesser degree, but that simplification of the procedures and a speeding up of the process would release many more benefits.

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INTRODUCTION

All governments in the world are trying to satisfy human and community needs, within a particular context of political, economic and social structures.

To satisfy these needs and to increase the standard of living of a community will require spending by the government, and an assessment of the best distribution between public and private expenditure.

In Kuwait, this tension is made more acute as there is no direct taxation of incomes and the government relies heavily on oil revenues. Yet, after independence in 1961, the government of Kuwait started to provide free housing, health care, education and employment rights (social employment).

As the Kuwaiti economy completed its transformation from a very simple and elementary economy to a very high revenue earning and income generating one, it became apparent that something must be done to control, supervise, and monitor the expenditure of ministries and government departments.

In 1964 the Central Tenders Committee (CTC) was established to control the great majority of government expenditure on services, supplies and projects each year.

The thesis establishes the political, economic and social reasons for establishing the CTC, describes its organisational set up, and assesses its strengths and weaknesses in its operational attempts to meet its objectives.

Apart from books on the legal framework supporting the CTC, there appear to be no writings or studies on its operation and effectiveness over a period of thirty-five years. Yet this organisation appears to impact profoundly on the political, economic and social structures of Kuwait.

A questionnaire was used to elicit views from a small number of people who nevertheless were of high rank, working for the CTC, user departments or private sector contractors or suppliers, and therefore with direct experience of the CTC. The very sensitive nature of this study precluded a wider survey, and only the knowledge and contacts of the author made it possible for any questions to be answered at all.

The research was undertaken between 1995 and very early 2000, and any subsequent changes in the law or CTC rules are not reflected.

It is recognised that there is a certain amount of repetition between substantive chapters and the Conclusions, which is the convention, and also on occasion between substantive chapters – a reflection of the different research methods employed, including documentary analysis, system analysis and questionnaire based interviewing of key players.

The justification for the description of the society, economy and polity of Kuwait, which is to be found in the early chapters, is that without this a close examination of the Central Tenders Committee would be meaningless to scholars in the West.

CHAPTER ONE

THE STATE OF KUWAIT

Section One

General Information

Geography and location

Kuwait, situated in the northwest corner of the Arabian Gulf, between latitude 28-30 and longitude 46-48, shares the border in the north and west with Iraq which is 240 km long and in the south west and the south with Saudi Arabia which is 255 km long. It covers a land area of 17,800 square km (11,136 square miles).

The country is almost entirely flat, hard sand desert, with about 1% of the land under cultivation. Kuwait has 290 km (180 miles) of coastline, a large part being Kuwait bay, on which stands Kuwait city. There are also nine islands, the important islands being Failaka in Kuwait bay, the only inhabited island, and the large Bubiyan Island in the North. So the environment along with the location, climate, desert and the sea reflect on the Kuwaitis personality, as they face a very hard life and live with this dry and hard weather. There is also a shortage of sweet water resources and agricultural lands.

Language

Arabic is the official language in Kuwait and all communications are in Arabic, though most of the Kuwaitis understand and speak English.

Religions

Islam is the official religion in Kuwait. But it is a right, under the Kuwaiti constitution, for any religion to be practised and worshipped. ISLAM means total submission to the will of God. Islamic law -Shariah- is the major source of legislation. The basic tenet of Islam is that there is no God but Allah and Mohammed is the last messenger of Allah. Quraan is the holy book of Islam. It not only provides complete way of life and guidance for the whole of man kind but defines every aspect of life through social, commercial, political, and judicial set of rules.

There are 5 basic pillars of Islam:

1. Shahada or profession of faith - there is no God but Allah and Mohammed is his messenger.

2. Salat or prayers -a Muslim should pray 5 times a day at prescribed times.
3. Zakat or almsgiving - a Muslim has to pay 2.5% per annum on his annual saving.
4. Sum or fasting Ramadan month - total abstinence from food or drink from dawn to dusk.
5. Hajj or pilgrimage -every Muslim should at least once in a lifetime go on a pilgrimage.

Climate and Temperature

The weather ranges from cool in winter to very hot in summer, humidity is lower than in other countries in the Gulf and reaches 98% in August which is the highest humid period. In summer, especially during July, the temperature reaches 40C-58C. January and February are quite cold, when the average temperature is 15C.

Some time in December the temperature falls below 00C in the night. The annual average rainfall, which occurs in the winter months, is less than 10 cm (6 inches).

Water

The water resources of Kuwait are very poor as they have very few artesian wells. One hundred years ago the Kuwaitis took the brackish water from artesian wells inside the old Kuwait city. After that, in 1909, one of the Kuwaiti traders brought the sweet water from south of Iraq from Shatt Al Arab river by boat from Basra and they sold and distributed it to the Kuwaitis houses. After that Iraqi government tried to control and use this water supply to influence the Kuwaiti government. In 1913 the British government signed an agreement with Kuwaiti government to search for the confined aquifers and drill the artesian wells around Kuwait. So they brought the drilling equipment from a British company called Holmes. Water importing from Iraq continued and the government issued in 1938 tenders to import the water from Iraq till 1953. Kuwait built the first desalination plants in Showakh and started to increase these plants till today it has reached more than 50 million gallons desalinated to cover the consumption for Kuwait. Kuwait has the largest desalination plants in the world.

Section Two

The Demographic Structure and Population

Most of the original Kuwaitis are from the Arabian peninsula, Iraq and Iran. The old Kuwait had two environments sea and desert, similarly there are two types of people in Kuwait, one who live in tents in the desert (Bedouin), and the others who live in towns or villages and are mainly fishermen, farmers or traders.

Population before Iraqi invasion: (1920-1985)

There has been a significant change in the population after 1920. The first official population accounting (census) was done in 1957, the second in the year 1961 and after that there was a census every 5 years. But before 1957 there was no census and we have only some indications about the population and its growth. Population in the year 1920 was around 70,000 – 80,000 persons. A good number of this population had emigrated to Kuwait during the past 200 years, the first being from Arabian peninsula, then second one from Iraq, and the last from Iran. Later the immigration continued from all directions. The first official accounting (census) is presented in the following table which includes the Kuwaitis and non Kuwaitis:

Table 1.1 Population before Iraqi invasion

Census year	Population	The increment
1957	206 473	-----
1961	321 621	115 148
1965	467 339	145 718
1970	738 662	271 323
1975	994 838	256 176
1980	1 357 952	363 114
1985	1 697 301	339 349
1990	-----	invasion year

Source Ministry of Planning census 1957-1985

During the 20 years between 1965-1985, there was a phenomenal increase in population. The increase between 1965 and 1970, for example, reached more than 50% of the total population in 1965 and after that the increment percent was around 30% for every subsequent 5 year period.

Also note that the Kuwait population grew 8 times within 27 years period between 1957-1985, moreover the population increase between 1965 and 1970 was higher than the total population in 1957.

The increase in the population was mainly due to the non Kuwaitis population increase which is evident from following table .

Table 1.2 Kuwaiti and non Kuwaiti populations

Year	Kuwaiti	non Kuwaiti	Difference
1957	113 622	92 851	+ 20771
1961	161 909	159 712	+ 2197
1965	220 059	247 280	- 27221
1970	347 396	391 226	- 43830
1975	472 088	522 749	- 50661
1980	565 613	792 339	- 226 726
1985	681 288	1 016 013	- 334 725
* source Ministry of Planning census 1957-1985			

This increase of non Kuwaiti population was due to the fact that the local expertise was not available for building infrastructure in the area of oil, housing, administration, transportation and communication.

More over, the non Kuwaitis were paid excellent remuneration so they brought their families with them to Kuwait and they started feeling that Kuwait is a great country for them.

Non Kuwaitis from the neighbouring countries such as Palestine, Egypt, Syria and Iraq, come to Kuwait because Kuwait is a free country and its constitution allowed anybody to voice their concern about their government.

Moreover, they felt Kuwait is very near to their homeland and so they can be aware of all developments in their country.

This spurt in population meant the Kuwaiti government had to gear up the services such as electricity, sewage, water resources, food, housing, education, medical treatments, communications services, security, and social treatment which all needed very large government expenditures.

Most of the non Kuwaitis are from Arab countries like Egypt, Palestine, Iraq but also from Asian countries like India, Pakistan, Iran, Bangladesh, and the Philippines .

The following table shows the nationalities in Kuwait:

Table 1.3 Nationalities in Kuwait

Nationality	1975	1985
Arabian nationalities	419 187	642 814
Asian nationalities	97 813	355 947
European nationalities	4 280	11 908
American nationalities	814	3 142
Others	655	2 202
Totals	522 749	1 016 013

Source Ministry of Planning census 1975- 1985

Asian population numbers in Kuwait had grown three fold during the period 1975 to 1985.

This is mainly due to the economic situation in their country which results in low salaries.

Kuwait generally prefers to employ Asians, particularly Indians, because they would not bring with them their problems. Moreover, most of the Asian countries have freedom of speech. Hence they find Kuwait a better place for living since in Kuwait, too, a lot of freedom is exercised.

The following table gives a clear picture of the demarcation between male and female population:

Table 1.4 Male and female populations

Year	Male	Female	Total
	Kuwaitis & non Kuwaitis	Kuwaitis &non Kuwaitis	
1975	543 768	451 069	994 837
1980	776 639	581 313	1 357 952
1985	965 297	732 004	1697 301

Source Ministry of Planning census 1957-1985

The following table gives an understanding of the natural increase in the population among Kuwaitis, which is represented by the difference in the deaths and births. The Kuwaitis population increment is very stable.

Table 1.5 Births and deaths: Kuwaitis

Year	Births	Deaths	The Natural Increment
1975	22194	2808	19386
1980	25971	3027	22944
1985	30812	2853	27959

Source Ministry of Planning census 1957- 1985

The Kuwaiti population is a very young population as is evident from the following table for 1985 which shows that 55.1% of the population is of the 0- 19 age group. This clearly is a very good sign . Moreover, 41.2 % of the population is of the age group 20 - 60 which represents the working power, that means the population in Kuwait is very young and working . But this would mean that more than half of the population requires government services such as housing, jobs and loans, which would be a large burden for the exchequer.

Table 1.6 Population age groups: Kuwaitis

Age Group	Total	Percentage
0-19	348 475	55.1%
20-60	259 619	41.2%
Over 60	23 824	3.7%

Source The Public Authority for Civil Information

Population after Iraqi invasion (1990-1995)

The demographic structure of Kuwait’s population has experienced drastic changes since the invasion not only in terms of the total number of its inhabitants but also in the nationality and numbers of families present. The most fundamental issue facing Kuwait’s economic planners today is how to deal with this fast paced demographic change.

According to the first official study by government issued in June 1993, there was a large decrease in Kuwait population from 2,014,135 in 1989 (one year before invasion) to 1,484, 431 in 1993 (after the liberation). The following table will highlight the change:

Table 1.7 Population after Iraqi invasion

Year	Kuwaitis	%	Non Kuwaitis	%	Total	%
1989	550 181	(27.3%)	1 463 954	(72.7%)	2 014 135	(100%)
1993	642 596	(43.3%)	841 835	(56.7%)	1 484 431	(100%)
Changes	+92 415	(16.8%)	(-622 199)	(-42.5%)	(-529 704)	(-26.3%)

Source Public Authority for Civil Information

The Kuwaitis population increased by 16% while the non Kuwaitis population decreased by 42.5 % during 1989 - 1993. So the total population of Kuwait was reduced by 26.3% after liberation.

Kuwaiti population had increased naturally at rate of 4 % per year and non Kuwaitis population after liberation had decreased considerably. This decrease in non Kuwaitis population was due to fall in the population of Palestinians and Iraqis who were in large numbers prior to invasion.

Table 1.8 Nationalities in Kuwait

Nationalities	1989	%	1993	%
Arabs	966 614	(66%)	457533	(54.3%)
Asians	481 788	(32.9%)	374 632	(44.5%)
Europeans	9 604	(0.7%)	4 942	(0.6%)
Americans.	3 594	(0.2%)	3 574	(0.5%)
Total	1 463 954	100%	841 835	100%

Source Public Authority for Civil Information

The following table shows the age structure in Kuwait population prior to and after the liberation:

Table 1.9 Population age structure

Kuwaitis			Non Kuwaitis		
Age Group	1989	1993	Age Group	1989	1993
0-15	44.5%	44.3%	0-15	29.9%	18.7%
15-59	52%	52%	15-59	68.1%	79.9%
Over 60	3.5%	3.7%	over 60	2%	1.4%

Source Public Authority for Civil Information

There was not much difference in the Kuwait population except that there was a small drop in the age group 0-15 which reflected that some families had left Kuwait after liberation. After liberation, the non Kuwaitis came without their families and hence the fall in age group of 0-15 among non Kuwaitis.

CHAPTER TWO

THE POLITICAL SYSTEM AND LEGISLATIVE POWER

Section One

The Political System in Kuwait

Old Kuwait state political history

Between 1958-1963 an archaeologist discovered about 400 stamps which proved that Failaka island was known by Greeks as Iskander Macedonian before 3000 B.C. and they called Failaka ICHERECAPENS or IKAROS (1). Kuwait is also referred to in a lot of old books and Kuwait town found a place in maps drawn by the Portuguese traveler Laza Rolowyes, in 1563.

In the early eighteenth century, some Arabian tribes called al Khwaled built a small fort in north of Kuwait and named it “Koot” and later named it “Al-Qurain” (1672-1713)(2).

After a few years some more tribes came from the central and east Arabian peninsula and from Basra. After the Persians invasion of Basra in the year 1775, lots of families came to Kuwait and remained in this area. One of these tribes which came from Arabian peninsula was the Al Sabah family (3) who had a good reputation and influence. Subsequently, Al Sabah family in an agreement with two other families in Kuwait (1716-1756) agreed to take control of Kuwait, one family, the Al Khalifa family, was to control the land trading (now the governors of Bahrain), the second family, Al Jalahmah, to control the diving and sea trading (this family is still in Kuwait). The first governor for Kuwait was from Al Sabah family and his name was Sabah bin Jaber al Sabah (1756-1762). In the year 1756 the agreement between the families was made void by the Kuwaiti people and they selected Al Sabah family to rule them (4) under two main principles, first the family should function upon consultation with the Kuwaiti people, and second not to be arbitrary in ruling them. Since that time Al Sabah family ruled this area and called it ‘Kuwait’, the name came from the fort name ‘Koot’.

Kuwait Governors -The Al-Sabah Family

Al Sabah family ruled Kuwait since 1756 when the first ruler was chosen by the Kuwaitis and till now there were 13 rulers for Kuwait from Al Sabah family.

(1) Sheikh Sabah Bin Jaber (1756-1762)

First ruler of Kuwait, the Kuwaitis selected him as he was smart and wise and also very influential with the Kuwaitis. He started to build the first port in Kuwait which was the first point to the Gulf for the ships traveling from Shatt Al Arab in Iraq to the Gulf. Also he started to protect the land trading convoys from Iraq to the south from robbers. After that Kuwait started to take an important position in this area due to its important location.

(2) Sheikh Abdulla Bin Sabah (1762-1813)

He started to rule Kuwait when he was young and governed Kuwait for 51 years, in which time Kuwait developed and started relationships with the Turkish and the British especially when the Persians invaded Basra in 1776-1779. Kuwait was the point for the British mail which came from India to Europe and back to India through Kuwait, also it was trading point for the ships and convoys which came from the north. A lot of Iraqis came from Basra after the invasion by Persians, and increased the population to 10,000.

(5)

The big development during the years 1793-1795 was the shifting of the office of the British company 'The East India company' from Basra to Kuwait. Due to this in 1797, the Kuwaitis built a fence around the Kuwait town.(6)

(3) Sheikh Jaber Bin Abdullah Bin Sabah (1813-1859)

He was a very generous ruler and ruled for over 40 years. The population reached 22,000 and most of them were working on the sea. Also some of the British navy fleet visited Kuwait and with this developed the Kuwait relationship with Great Britain.(7)

(4) Sheikh Sabah Bin Jaber Bin Abdulla (1859-1866)

He ruled only for 7 years. The political British representative, Colonel Billy, was a very close friend of his and visited Kuwait more than twice and mentioned in his report that the Kuwaitis were peaceful and most of them were in trading.(8)

(5) Sheikh Abdulla Bin Jaber Bin Abdulla (2nd) (1866-1892)

During his regime the conflict between the Turkish and the British increased and he joined with the Turkish to support them. The conflict was between the period 1871-1873.

(6) Sheikh Mohammed Bin Sabah Bin Jaber (1892-1896)

He ruled for 4 years and he had two brothers, Mubarak & Jarah. Mubarak was very strong and he controlled this ruler.

(7) Sheikh Mubarak Bin Sabah Bin Jaber Al Sabah (1896-1915)

He is the most famous ruler in Kuwait history as he removed his two brothers from their positions and gave the ruling positions to himself and his progeny (9). He established the new Kuwait. During his time, there were a lot of changes in the Middle East and the First World War. He had a treaty with Great Britain in 1899 (10), also had first British representative in 1904. He introduced the telegram and started the mail service in 1912. Kuwait was chosen to be the end of the rail line from Berlin-Baghdad. Schools and hospitals were first established in 1912(11). In the year 1913 Kuwait discovered oil.

(8) Sheikh Jaber Bin Mubarak Al Sabah (1915-1917)

He ruled Kuwait for only two years but during this time he reduced the taxes and the trading activities grew. Kuwait was a major trade pass for trade to Istanbul.

(9) Sheikh Salem Bin Mubarak Al Sabah (1917-1921)

During the first world war the British started to blockade Kuwait to avoid any supply to the Turkish. He developed trading and reduced the import taxes to 4% and established the wireless contact with the outside world. He finished the Kuwait fence in 1920 to protect Kuwait from the other groups in the area. In the year 1920, there was the Al-Jahra battle between some strong tribes and the Kuwaitis. The Kuwaitis got the victory. This led to a conclusion about the loyalty of the tribes to Kuwaitis which was the main criterion for the difference between the first grade and second grade Kuwaiti nationalities.

(10) Sheikh Ahmad Al Jaber Al Sabah (1921-1950)

He ruled for 29 years and a lot of things happened during his life time, which are summarized as follows:

In politics:

Established first advisory council in 1921.

Second advisory council in 1938.

Third advisory council in 1939.

Fixed the borders with S.Arabia in 1922.

In education & culture:

Opened the High School in 1922.

CENTRAL TENDERS COMMITTEE

Opened the local library in 1922.

Sent the first group of exchange students.

Economy:

First oil concession to international companies in 1934.(12)

Discovered first oil well in 1936.

Started the Burqan oil field which is the largest oil field in Kuwait in 1938 and he started the first production of oil in 1946.

(11) Sheikh Abdulla Al Salem Al Sabah (1950-1965)

In his time Kuwait started developing in all spheres of life such as education and transportation. He started building the oil refineries in Kuwait. Kuwait became independent in 1961, after the cancellation of the treaty with Great Britain signed in 1899. The Kuwait constitution was approved on 11th November 1962.

During his time, health care was developed and Kuwait was enrolled in the United Nations and in the Arab Nations Council as an independent state. The first Parliament was opened after independence. Iraq tried to invade Kuwait during the Iraqi governor Abdulkarim Qasem's time, but the British government sent their forces and troops to protect Kuwait.

(12) Sheikh Sabah Al Salem Al Sabah (1965-1977)

He continued the developments in all core sectors. He opened the first University in 1966. He faced the first clash between Kuwait and Iraq in 1973 at Alsamtah in the north of Kuwait.(13)

(13) Sheikh Jaber Al Ahmad Al Sabah (1977)

He is the current ruler of Kuwait and developments continue in all walks of life. Kuwaitis had to face a lot of problems due to the Iran/Iraq war which went on for 8 long years and after which Kuwait had to face the Iraqi invasion in 1990.

Succession Systems and Ruling Seat

Since 1756, when the Kuwaitis accepted rule by the Al Sabah family, the succession system came into force not by law but by practice. The selecting process in the family, before independence, had two stages :

- First: The nomination of the candidate from Al Sabah family and they meet to vote for selecting the new ruler.
- Second: On installation of the new ruler after selecting, they announce their support for the new ruler. (14)

On November 11th, 1962, after the independence, during Sheikh Abdulla Al Salem Al Sabah's time, the Constitution approved the succession system, and issued amendments in 1964, which were approved by the Crown Prince Sheikh Sabah Al Salem Al Sabah which clarified this system. Kuwait was a succession Emirate-state and to be only for Sheikh Mubarak Al Sabah's sons and their heirs.

If the Amir's (the ruler of Kuwait) position is vacant due to death or due to incapacitation, they will call the Crown Prince to take over this position.

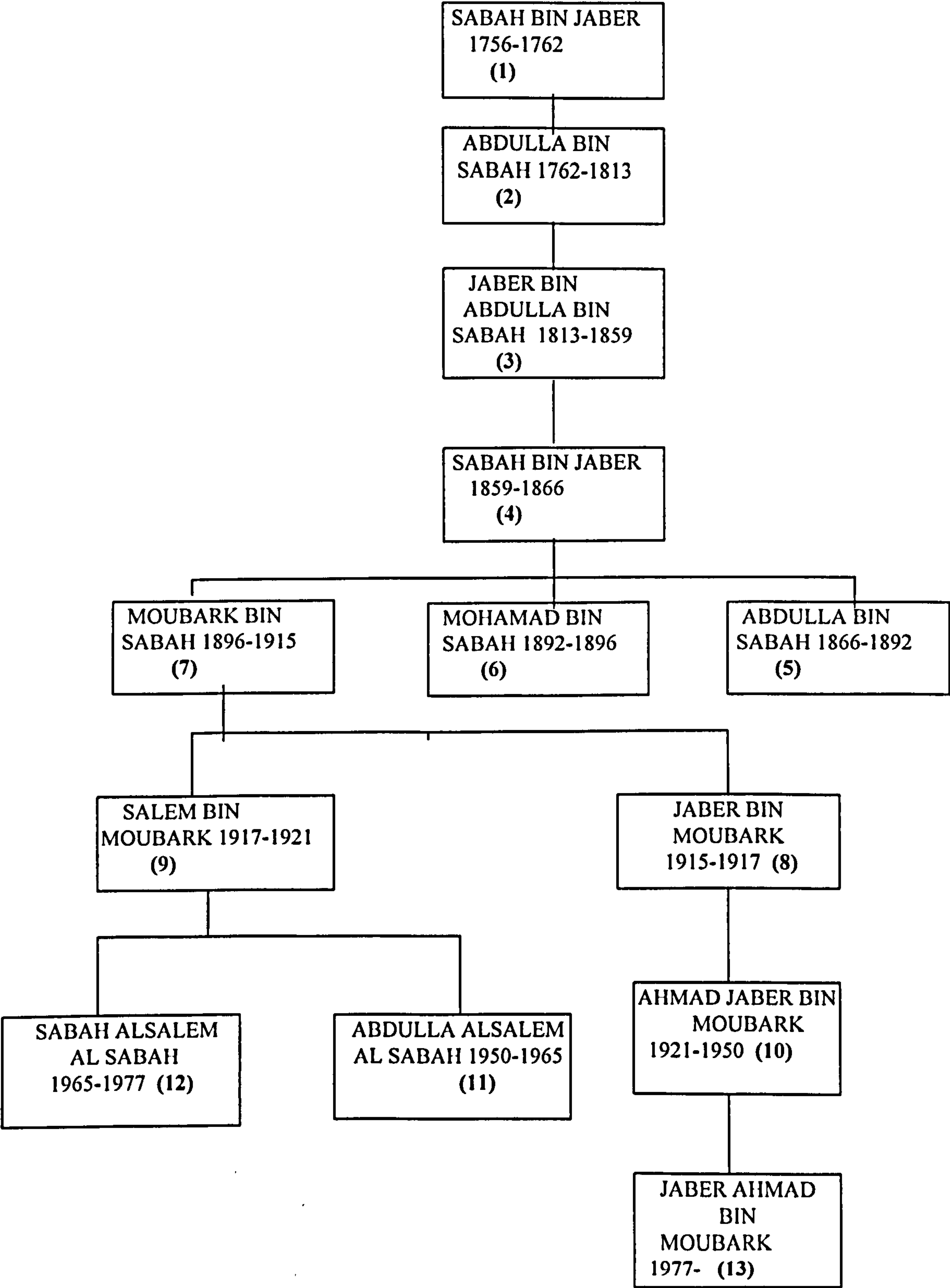
The other conditions for the candidate to take over the Crown prince position are as follows:-

1. He should be a rational person.
2. Muslim.
3. Legitimate son of Muslim parents.
4. Not to be under 30 years on the day of installation as Crown Prince.

In case the Crown Prince is not appointed and the Amir's position is already vacant, the ministers' council will continue their works and will also be responsible for the Crown Prince's work as he is the prime minister till the Al Sabah family, within 8 days, appoints the Amir and the Crown Prince.

As per the Kuwaiti Constitution condition, the Amir will practice his authority but if his health makes him unable to practice his authority, the Ministers council after confirming this case, will inform the parliament and after the confirmation, the parliament can decide with two thirds majority to transfer the Amir's authority to the Crown Prince on temporary basis or to transfer it on permanent basis. These same procedures are to be followed in case the Crown Prince becomes incapable and the Amir has the right to transfer this subject to the Ministers council after this to the parliament to follow the same procedures. (15)

Figure 2.1 Rulers of Kuwait



Section Two

The Democracy System in Kuwait and the Legislative Power

The democratic history of Kuwait dates back to the seventeenth century and has worked in different forms, but we can summarize in two stages, before independence and after independence.

We can consider Kuwait, now, as one of the nearest to the Western form of democracy in the Middle East in spite of the Arab and Gulf countries' influence. There are some differences from the western democracy, like Kuwait democracy is without the political parties as in the west, but Kuwait learned a lot from the western democracy and this has influenced all walks of life in Kuwait and human rights have a bright future .

First: Before Independence

In the 1920s when the Kuwaiti population was around 65,000, the life in Kuwait was very simple as was the political system due to the absence of the democratic system and the absence of the constitution in Kuwait. There were two principal teams, one advising the governor, and the other participating in the authority.

The country tried different attempts to introduce some standards and some rules to make the governor consult in making the political decisions for Kuwait, involving the Kuwaiti people in this process.

The advisory council in 1921

During this time Kuwait reflected the political movements in the Arab world and the Middle East in general with conflict between Al Sabah family members after the death of Sheikh Salem Mubarak Al Sabah and the weak management of the government .

Some of the Kuwaiti commercial families met Al Sabah family and discussed with the governor the Kuwaiti people's rights to participate in the political life of Kuwait, and agreed that before the installation of the new ruler, to link this subject with establishing an advisory council, to include some of the famous reputable Kuwaitis. The emphasis was to organize the government and allow participation in ruling Kuwait. (16)

In June 1921, Sheikh Ahmad Al Jaber Al Sabah, announced the first advisory council in Kuwait consisting of 12 members chosen by the governor by their fortunes and not by their qualifications.

The announcing of the advisory council in Kuwait was the first movement towards democracy.(17)

But after two months, due to the following reasons the advising council had to be abolished, (a) the conflict between the council members, (b) the majority policy not being followed in the council, (c) a letter from the British representative to the governor criticizing the performance of this council. (18)

The second attempt - the first legislative council - 1938

All the circumstances continued as before, due to the following reasons:-

- 1) The conflict in Al Sabah family.
- 2) The weak management of the government .

Because of this, 12 Kuwaitis joined together to establish a secret organization to solve the internal problems of Kuwait and also to create the Arab consciousness among the Kuwaitis. This was being tried through some publishing agents in Iraq which distributed leaflets in Kuwait. Even some of the Al Sabah family members joined this organization to enrich themselves with new ideas and attended presentations by the crown prince Sheikh Abdulla Al Salem Al Sabah . (19)

Three persons from this organization met the Governor and offered him the idea of establishing a legislative council.

On June 28th 1938, the government conducted a very small election involving only a few Kuwaiti families, and selected 14 members for the new council . The new council met on 2nd of July 1938 and selected the Crown Prince to be the chairman for this council.

This council made many changes and reformed a lot of laws especially the general law . The major changes were in the field of judiciary, security (establishing police force), health, and education (like building schools) .(20)

The major reforms were canceling of the export taxes, food stuff taxes, and the taxes on ships.

This council was in existence for only six months because it was not clear what this council's responsibilities were, and what the governor's responsibility was. The governor thought that all his authority was taken off him by the council.

The council also tried to involve itself in oil production agreements, and keep the weapons portfolio under its authority. The main reason for the scrapping of the council was when the governor requested the approval of the council for a payment to the oil company, controlled by the British. There were also some fights between some Kuwaitis and the governor's guards. Hence immediately after this fight, the governor canceled this council on 21st December 1938. (21)

The second council 1938

On 27/12/1938, an election was concluded involving 400 candidates and 20 members were appointed for the new council after the election. The governor was prepared to avoid the previous situation and tried to submit to the new constitution, which canceled the previous council, and legalized his authority to refuse any decision from this council, which was to be an advising council and not, as before, act as legislative council.

The council members refused this subject during the submission for voting, and tried to prepare a new constitution as the old one, which upset the governor especially after Iraqi propaganda against him.(22)

On the 7th of March 1939, the governor canceled this council which was resisted by the members of the council and this conflict developed into a big fight between the two sides. Finally the governor had to arrest and execute some of the members and the others escaped to Iraq.(23)

The advising council 1939

To avoid the Kuwaitis anger the governor established a new advisory council consisting of 14 members on 12/3/1939. Four members were from Al Sabah family, others from the Kuwaiti people. The chairman was the Crown Prince. The council was dead before it was born. This council neither had any program nor authority, and one by one the members withdrew from the council and finally the council was buried.(24)

Second: Kuwait Constitution

On 19th June 1961, Kuwait canceled the agreement with the British government which was agreed between the two countries in the year 1899 and which Sheikh Mubarak Al Sabah signed.

Sheikh Abdullah Al Salem Al Sabah - the new governor - issued a decree or ordinance on 26th August 1961, to conduct new election for the first constituent assembly. The new parliament in Kuwait was to prepare the new constitution for the country.

On 11th November 1962, the governor approved the new constitution for Kuwait after the parliament approval. The constitution is a document with 183 clauses followed by five chapters with the general rules relating to all powers of the governor of the country, and the legislative assembly, the Government, the judicial entity.

The main characteristics of the constitution

The first written constitution

All the previous rules in Kuwait history were not written, these were the first written rules in this country. They implemented the new constitution on 29/1/1963.(25)

The inflexible text

The text or the formula for the clauses is written in very solid text which makes the review of any clauses very difficult, especially the clauses relating to the governor or the succession systems, also for any amendment of any clause regarding right of the governor and of any member in the parliament which must get the governor and the majority 2/3 in the parliament to approve any amendment. (26)

The contractual aspect of the constitution

It was as an agreement or contract between the Governor of Kuwait and the people represented by the parliament members, to create this constitution.(27)

The Arabic and Islamic character in the constitution

The constitution named the country identity as an Arabian country which was mentioned in first clause of this constitution . It was also mentioned that the official language was Arabic. It was also mentioned that Kuwait was an Islamic country and the religion is Islam, and Islam will be a source of law in Kuwait.(28)

The ruling seat in the constitution

The constitution confirmed the succession system in Kuwait - as explained in the previous section - on the other hand it confirmed the democracy aspects in ruling the people. The constitution set out that the parliament will consist of members elected by the nation for a certain period.(29)

The economic system of the constitution

The constitution approved a capitalist economy for the country thereby emphasizing that ownership of property, investment in money market and job opportunities will be decided by the market forces. All these were individual rights recognized by the law. (30)

Third: The Parliament in Kuwait (Legislative Power)

The constitution specified the responsibility of the legislative power from clause no. 79 to clause no. 122, which were the main clauses which gave the parliament the authority to

approve or disapprove any law. After the approval of the law by the Parliament, it will be forwarded to the Governor for his approval .

The two authorities, therefore, to issue laws are the governor and the parliament.

The main three responsibilities of the parliament are:

The legislative role

The legislative role of the parliament to issue law will pass the following steps:

a) The proposals & suggestions

The Government proposal and the Parliament proposal are of the same nature. If a parliament member proposes a bill and is refused by the parliament, he cannot introduce the same proposal again during that session ; while if the proposal is from the Government, this does not apply.

The issue/bill raised by the Parliament member will be transferred to a concerned committee which will draft out the suitable course of action regarding the bill.(31)

b) The discussion and the ratification

The ratification will be after the general discussion after which the parliament will vote by raising hands.

c) The review and reconsideration

The Amir can confirm and approve the draft law project within 30 days of the legislative formalities. The Amir has the authority to approve or disapprove any proposal. He has the power to request the parliament to review the proposal and the parliament will have to review it and amend accordingly or if the parliament insist that the draft bill must be passed in its original form, then the proposal should have an absolute majority, i.e. 2/3 vote, in the parliament after which the Amir will approve it within 30 days and in case the Amir does not approve even after 30 days, the bill will be passed by the Parliament and the law issued.(32)

d) The treaties

One of the main responsibilities of the Parliament is relating to the treaties signed by Kuwait with other countries involving land, wealth, trading, shipping etc. The parliament

normally accepts the treaty as it is or rejects it or postpones it till the Government makes the necessary/requested amendments, but will not itself amend any treaty.(33)

The financial authority of the parliament

In addition to the legislative authority of the parliament, there is financial authority to control the country's budget which can be discussed under the following heads :-

a) The taxes

The parliament has the right to propose new taxes or cancel them as well as government.
(34)

b) The loans

The parliament has the right to accept or refuse any loans to other countries or to get loans from other countries.(35)

c) The monopoly

The parliament can interfere in the activity of the Government such that the Government can not, on its own, agree with vested parties to manage any Government service, like oil companies, joint venture or by following any one party in awarding the contract for the Government services.(36)

d) The budget

The parliament has the right to approve/disapprove the government budget every year, and the government must submit two months before the financial year ends to get the approval.(37)

e) The final statement of account

The parliament has the authority to discuss the actual accounts for all the government departments, ministries and assembly. It can also control the income and expenses of the Government in general and for each department or ministry in particular. For this purpose, a new department called "Account Dewan" was set up and this department reported directly to the Parliament chairman, so that the Parliament will be able to control the Government's action.(38)

The political authority of the Parliament

The Parliament has the right to ask questions or discuss any subject not only relating to the Government's performance, but also about the economy and social matters of Kuwait.(39)

The Parliament can ask the concerned ministries to investigate any problem/event and to produce a report in the parliament.(40) The parliament has the right to use the following tools:

a) The questions right

The parliament member can ask for any clarifications, more information and any kind of question or to call or draw the attention of any of the government members about his role as a member.

This question or inquiry must be written and signed by the parliament member.

b) Asking to discuss one subject in the parliament

The parliament has the right to discuss one subject, on the request of five members of the parliament, regarding the government.(41)

c) Appoint investigation committees

The parliament has the right to appoint investigation committees involving parliament members to investigate any subject under parliament control. All the ministers and government employees must help the committee in providing any information or documents or to testify if they are asked to do so.

The request to appoint an investigation committee should be from at least five parliament members.(42)

d) Express to the Government wishes regarding public matters

The parliament has the right to show interest in considering some subjects and the government can accept it or refuse it. (43)

e) The interrogation or investigation

This tool is very strong, as they can call any of the ministers to account and investigate him regarding any default, which can lead to accusation and indictment of this minister. This is even applicable to the Prime Minister. This investigation starts after 8 days from the day of submitting the request from any one member or more. The 8 days limit can also be reduced on the approval of the minister. By this investigation, a no confidence vote can be moved only against this minister and not the Prime Minister(44).

f) The vote of no confidence

This is the political condemnation which must be submitted and requested by at least 10 parliament members. The parliament cannot decide before 7 days from the date of submission. This request must also get the parliament majority. The parliament has the right to claim that the Prime Minister is not co-operating in which case the Amir (Governor) will decide either to dismiss the Prime Minister or cancel the Parliament.

If the new parliament insists that the Prime Minister is still not co-operating, then the Prime Minister will be considered as if he was not in that position from the date of a new election. (45)

Fourth: The Parliament after the Independence 1961

Since independence in 1961, Kuwait has witnessed 9 elections and Parliaments and the last one was in 1992. Parliament has 50 members, including the 16 ministers of the Government.

Who has the right to vote in the Kuwaiti elections

As common through out the world, the Parliament represents the people of Kuwait. The following conditions should be satisfied to be eligible to vote for elections in Kuwait.

1. First grade Kuwaitis who were registered before 1920.
2. Male of over 21 years of age.
3. He should register in the jurisdiction of his residence.

4. Should not have record of crime
5. At the time of election, he should not be serving in the Military.

Parliament in Kuwait represents only 12.12% of the total Kuwaitis of 671,256 because most of the Kuwaitis are naturalized Kuwaitis, or second grade, and the number of first grade Kuwaitis is only 81,440. Second grade Kuwaitis have all the rights of the first grade Kuwaiti except for the right to vote in election.(46)

The parliament candidates and the election districts or zones in Kuwait

The constitution specifies that the Parliament candidate should be a first grade Kuwaiti and should fulfill all the conditions of a person who is eligible to vote except that he should be over 30 years and should know how to read, write and speak Arabic.(47)

Regarding the election zones, the Government has the right to select and divide Kuwait into election zones. Prior to 1961, they divided Kuwait into zones according to the geographical location of the areas.

Each zone/area will have to elect 5 members to the parliament. But this system of dividing Kuwait into 10 zones led big families and influential religious groups to concentrate in certain areas to enable them to win the election, leading to conclusion that certain group in certain zone is strong and will emerge as a successful group in the parliament.

To prevent this in 1981, Kuwait was divided into 25 zones and each zone will elect only 2 members to the parliament.(48)

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CHAPTER THREE

THE JUDICIARY POWER

Introduction

After discussing in detail the legislative and executive powers in our earlier chapters, we shall highlight the judiciary powers as laid down in the Kuwaiti constitution.

The Judiciary power can be explained under five categories:-

1. The old judiciary system in Kuwait history.
2. Sources of law in Kuwait.
3. Existing judiciary principles in Kuwait.
4. Relation with other powers like executive and legislative power.
5. Levels of court in Kuwait.

First: The old Judicial system in Kuwait history

In old Kuwait , as well as in the other Islamic countries, the Islamic Law - (The Shareyah) -in Arabic language- is the only source of the Judicial power.

In certain cases, reference has to be made to earlier judgments and custom to give a ruling on the current case. But in general, all judgments regarding the Personal Status law, which covers the social and personal life of Kuwaiti people, are as per the Islamic principle, following the Immam Malik School of thought.

Before the issuance of the governing law for the Judiciary system on 19th December 1959, there was no law governing the judicial system. However, there were some committees to settle the disputes in trading, commercial, general security and of municipality.

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The committees, before settling the dispute, would probe into the practices and convention of that particular field.

In general, prior to the issuance of the governing law in 1959, the following were the ruling courts under the old judicial system.

1. The Supreme executive court: the head of this court is the court director.
2. The Islamic court: the head of this court was the religious - Mufti or Sheikh and was the interpreter of Islamic law. This court is divided into the following courts.
 - a. The general Islamic court
 - b. The personal court for the general school of thought
 - c. The personal statutes court for the Sheyah school of thought

With regard to the committees, there were two main committees:

The commercial committee: to settle the problems between the traders in Kuwait

The temporary committees: which were formed according to the nature of the disputes, the members having specialized knowledge in the field of dispute.

In 1959 the Amir approved the new law to organize the Judiciary system in Kuwait which can be explained by analyzing the levels of the court.

The Kuwaiti constitution ,issued on 11th November 1962, lays down the general and the legislative principles governing the judiciary system, in section 5.

Second: Sources of law in Kuwait :

The legislation

The legislation is one of the main sources for the laws; legislation is a written law in the constitution to organize the state as a whole and this legislation is supported by the government and protected by the executive power.

The convention

The convention is non written law and refers to the practice of the people. These practices reach a level of habit and obliges to be referred to as Law. As such, the convention does not enjoy the same powers of the law.

The Islamic Law

The most important source for Kuwait Law is the Islamic Law. This importance is also derived from the fact that the second clause of the constitution refers “The Islam is the religion of the State, and Islamic Law is the main source for legislation”.

Islamic law is the most practiced source of law and forms the basis of relationship between the individuals and people in this community.

Third: The Judicial Principles in Kuwait

The main objectives of the judicial system in Kuwait are assurance of the fairness of trial, straightforwardness of the courts and independence of the judicial power. Broadly, these objectives can be summarized as follows:-

Independence of the Judicial power

The court levels are independent from other Government departments or any other authority backed by the executive power. The judge who is at the helm of the judicial power will not be influenced by any other authority.

The right to sue

The Kuwaiti constitution guarantees this right to all people to claim their right against the other parties in a law suit, even if the other party is the government authority. Hence the judicial system without any influence or hesitation will accept this claim of the people.

The openness or the publicness of the trial:

The constitution protects the rights of the judicial system by allowing the trial to be public and conducted in the open. This is also done to protect the rights of the people and the judge, whose position is sensitive. However, in some cases depending on the special nature of the case or the parties concerned in the case or involving secrets of the governments, the publicizing of the trial will be withdrawn according to the orders of the judge.

Fourth: The Judicial power and other powers

The relationship between the judicial power and other powers in Kuwait can be discussed as follows:

The relation with the executive power

The executive power supports the judicial power by acting as an arm to execute the

judgments. The executive power is also involved with regard to timing of budgets and appointment of the Minister of Justice. They also take care of the needs, or protection of the judges.

The relation with the legislative power

The judicial system applies all the law approved by the legislative and the executive powers and does not have any right to legislate any new law. The constitution gives the right to the legislative system to formulate the procedures to be followed by the Judicial system. But the legislative system cannot create new law or amend the existing law for any particular case.

Fifth: The levels of Court in Kuwait

Amir Decree No. 19 year 1959 & decree No. 12 of the year 1965 deal with organizing the courts and establishing the legislative and advisory department.

After organizing the courts and its affairs, the state security court was established in 1969 under the law decree No.26. The levels of court underwent a big change in the year 1990 under the decree No.23, and can now be discussed under the following categories.

Court of Cassation

Under law No. 40 of year 1972, this court is one of the main courts in Kuwait dealing with the appeals of all cases regarding court law no. 40 year 1972, 38 year 1980 in regard of the commercial, administration, personal and labor affairs.

The main purpose of this court is to explain and clarify the understanding of the law and to clear misunderstanding of law explanation. This court is divided into five advisory departments, each specialized in their department. The five advisory departments are:

1. Civil
2. Commercial
3. Administration
4. Personal
5. Labor

Court of Appeal

This court looks after the appeals coming from the Court of 1st Instances and has three advisors appointed by the general committee of the court. This court like the Court of

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Cassation, has the specialized five departments and this court will look into each cases as if it is going through the case for the first time regardless of any previous judgment.

Court of 1st Instances

It is the first degree court which looks into the case for the first time. The court is general and comprehensive and contains several departments as is required. In most case only one judge will preside over the case.

Court of Partial Instances

This court's functions are similar to those of Court of 1st Instances and handles all cases where the value involved does not exceed KD 5000/ and if the value of the cases exceed KD 5000/- it would be transferred to the Court of 1st Instance.

Administrative Court

According to clause No.169 of the Kuwait constitution, all administrative cases will be transferred to this specialized court.

As per the law no. 20 of the year 1980 and subsequent amendment No. 61 of the year 1982, this court was established and all the procedures were organized.

The Constitutional Court

Under clause 173 of Kuwait Constitution, a special court was formed and the authority given to appoint the judicial party to look into these constitutional cases. Law No. 14 of year 1973 classifies the constitutional cases as those including cases relating to the voting for parliament elections. The members of this court are primarily from the Court of Cassation and Court of Appeal.

Military Court

Clause No. 164 of the Kuwait Constitution deals with the special court to look into the crimes of the military. So far there has been no specific law for these courts but it is under review of parliament and they will approve it shortly.

The Martial Court

Clause No. 69 of the Kuwait Constitution empowers the Amir to declare martial law under circumstances of war or disturbances. The Law No. 22 year 1967 clarifies all aspects of the martial case, this law gives the authority to transfer any trouble maker or any person who disobeys the rules to the military courts. A member of 1st Instance will be the head of this court and the members of the military court would be the members of

the martial court. This Martial Court was formed after the Kuwait Liberation from Iraq in 1991.

The State Security Court

This court was established under decree No. 26 in year 1969 according to constitution clause No. 164 and the subsequent amendments to this law under law No. 30 in year 1970. This court looks after the State Security cases inside and outside Kuwait. Due to the nature of the cases handled by this court which involves the protection of the security and state authorities, this court has a special status.

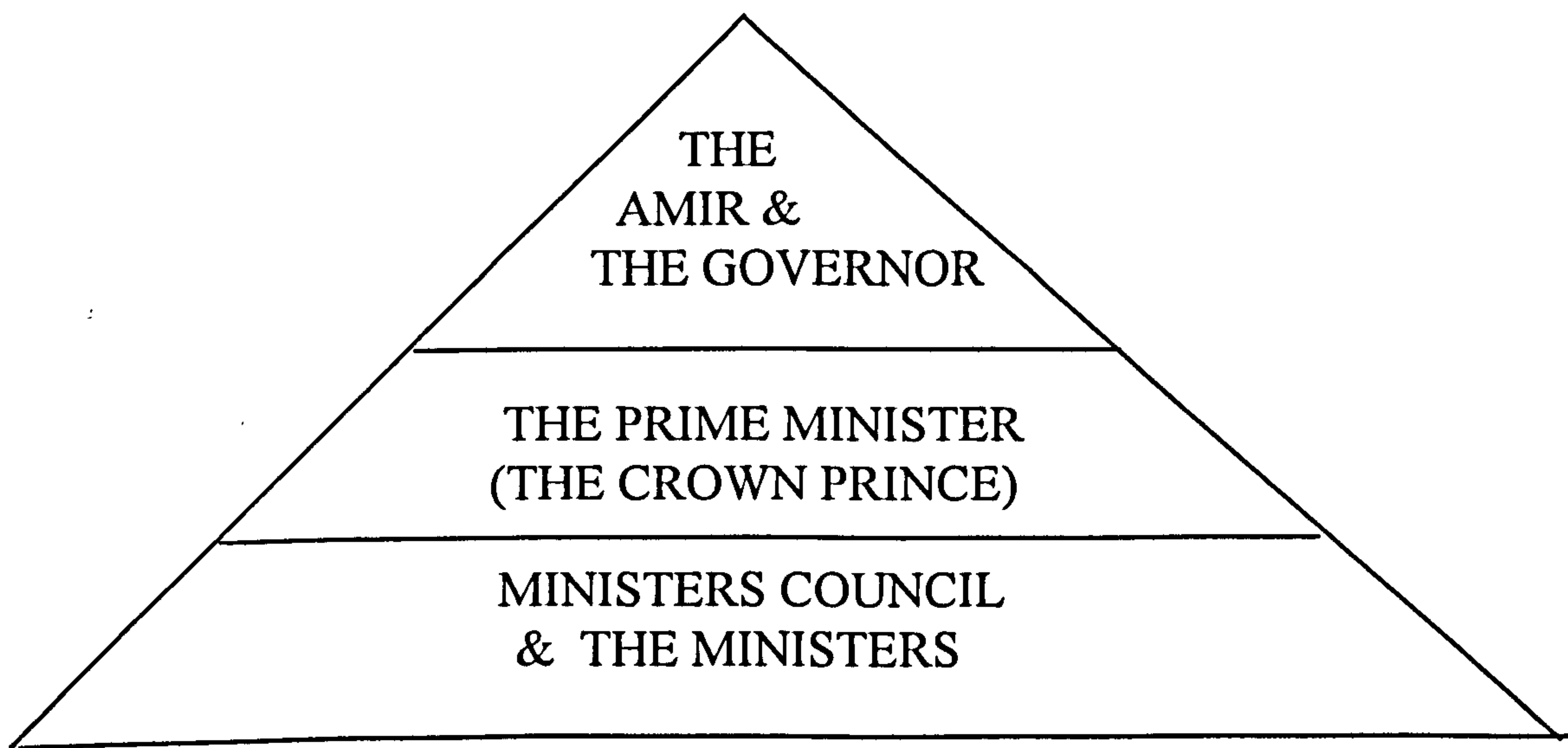
According to law No. 10 of 1991, the members of this court will be only three and they will be appointed by the Ministry of Justice.

CHAPTER FOUR

THE EXECUTIVE POWER

The executive power can be studied under three heads which are shown in the following Kuwait executive power triangle.

Figure 4.1 Kuwait executive power triangle



First: The Governor - The Amir Of Kuwait

The executive power headed by the Governor of Kuwait can be discussed under First: History of the Al Sabah family with relevance to the agreement reached by the three families to rule Kuwait and the succession system whereby the Al Sabah family ruled Kuwait as fathers, advisors, consultants, leaders of Kuwait. This has been explained and dealt with in detail in Chapter 2.

Second: New Kuwait after independence and implementation of the Kuwaiti constitution in 1962, which is dealt with in this chapter. The Kuwait constitution refers to the Amir's role, under 25 clauses reading from clause no. 54 to 78, as head of the executive power, legislative and judicial powers. The role of the Governor, as detailed in the Kuwait constitution is briefly as follows-:

The head of the Executive Power

He can select the new Prime Minister after consultation but without any interference from the parliament, thereby he can indirectly replace the Government of the Prime Minister. He can also select the new Government members by passing a decree.

The Highest Commander of the Kuwait Army

The constitution lays down the Amir to be the highest commander of the Kuwait army and he has the right to appoint, replace, dismiss any commanders of the army. He also has a right to declare a defensive war but not an offensive war.

The Amir has the right to issue martial laws so that the military power is under his control and can direct them according to the requirements.

He is the leading symbol of Kuwait

The Amir's personality symbolically represents the State of Kuwait. The Amir has the power to do such things that are necessary to preserve and protect the integrity and identity of the nation. No person or party has the right to question the Amir in

exercising his right. He also fixes the benefits that should accrue to the ruling family and the manner in which the allowances should be divided among family members. He will execute his responsibilities through the Prime Minister and other ministers.

Power to appoint diplomatic bodies

The Amir has the right to appoint diplomatic bodies or corporations to represent Kuwait internationally. He himself, on many occasions, represents Kuwait in dealings with international companies.

The Legislative Ruler

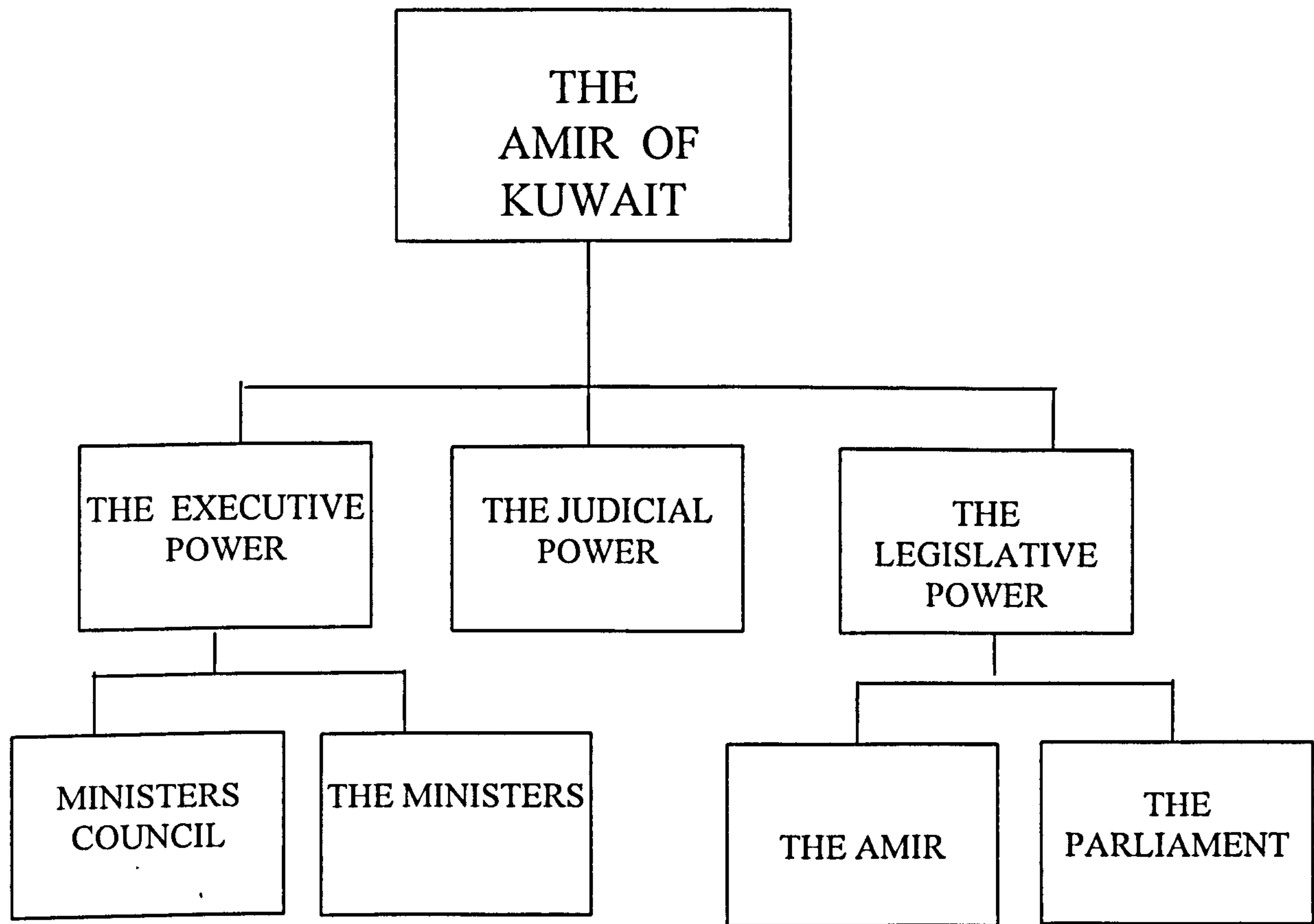
The Amir has the right to suggest any change in the law and can intervene to solve the differences between the Government and the parliament.

The Amir's judiciary role

All the rulings and decrees of the court come out under the Amir's name and he appoints the judges and prosecution members after their nomination by the Minister of Justice.

He has the power to reduce or cancel punishments or issue amnesty. Only the general amnesty needs a law to be approved by the Parliament also.

Figure 4.2 The Amir’s constitutional role



Second: The Crown Prince- The Prime Minister

As a tradition and practice, the Crown Prince is always the Prime Minister and head of the Government. We have discussed the appointing of the Crown Prince in Chapter 2 - under the succession system.

The Amir has the authority to select the Prime Minister and the Prime Minister will nominate the ministers for the new Government and after this the Amir will issue the decree to approve the new Government.

The Amir exercises his control on the Government and the ministries through the Prime Minister, and therefore the Prime Minister and the ministers carry out decisions and actions, thereby they are responsible and answerable to the Amir and the parliament.

Prime Minister's Assignments

1. To nominate the ministers of the Government, and request for the Amir's approval. Therefore, the Amir finally decides the new Government.
2. The Prime Minister will be responsible to the Amir and the Parliament.
3. Head the ministers council meetings and coordinate with the ministers to obtain and to achieve the government plans , government policies and goals.
4. Head other specialized councils which are similar to the ministers council or to authorize one of the ministers to head these specialized councils regarding defense, planning, security etc.

Third: The Old Government Departments in Kuwait's History

The first government department in Kuwait was the custom department in 1899 under the leadership of Sheikh Mubarak Al Sabah which was the only source of income for Kuwait state and for governors. After that the municipality was established in 1932 and the first election to appoint the municipality council members was held.

After this, followed the education department, and health & finance departments which were established in 1938 during Sheikh Ahmad Jaber Al Sabah's time . The infrastructure /construction department was established in 1952 to build the new projects.

When Kuwait started to produce oil and export to the international markets , there was a need to organize the whole economy because of the change in the life style from a simple one to a very complex one.

There arose a necessity to gear up the government services which was an important subject at that point of time. To confront this, the Government established 24 departments in 1954 such as the court department, police, health, Government properties, customs, printing, employees department, Islamic affairs, municipality, real-estate department, port department, security department, education department, finance, public works, social affairs, mail department, electricity and water department, housing department, passport department, broadcasting department.

On 7/2/1959 the government established by decree 10 government departments which were: police, water & electricity, social affairs, ports & customs, mail & telegrams, courts, education, public works and Islamic affairs.

All these department managers were appointed by the Governor from the Al Sabah family.

Fourth: The Ministers Council and the Ministers

After the independence on February 17th 1962, the Governor announced the first Government consisting of 14 ministers headed by the Crown Prince as Prime Minister, 11 from the Al Sabah family and 3 other Kuwaitis. The first Government to have only 4 ministers from the Al Sabah family is the current one with only the Ministers of Interior, Defense, Information and Foreign Affairs from the Al Sabah family.

The ministers council is the executive tool to implement the executive plans and follow up the assignments to control the country. The council also has the right to draw up the general policies for the Government, keeping in view the interest of the country. The Ministers and the Council act on behalf of the Governor. The ministers council also acts as the official contact between the Parliament and the Amir .

The recent ministers council (the sixteenth council from 1961) has 15 ministers holding portfolios of 18 ministers which means that some ministers have more than one portfolio.

The Kuwaiti constitution lays down that decisions taken in the meetings of the ministers council will be by majority vote and the Prime Minister will have a casting vote. All the ministers must abide by the rules and if any minister has any objection, he should raise it before the voting and not after. Still if the Minister is not satisfied after the vote, he can submit his resignation to the Prime Minister.

All decisions need a decree to be issued which must be shown to the Amir for his approval. If the Prime Minister resigns, the Government will fall automatically. Each minister will be responsible for his ministry and follow the government directions. The constitution clearly stipulates that a minister can either directly or indirectly hold any other occupation including being a board member of any company. He is also not allowed to sell, purchase or rent any property for the Government.

The ministers council's functions

1. Draw up the general policies for the Government, supervise the performance of all Government departments, whether each minister is managing his ministry according to the general policies framed by the ministers council.
2. The ministers council can negotiate and sign the international agreements as well as the treaties; ministers council can also suggest new law or amend the existing laws in order to implement the international agreement or treaties, after discussing it in the parliament. If no law is required , then the Amir will issue a decree.
3. The executive power can issue the regulations, procedures, designs to organize ministry procedures.

4. Employ, deploy and dismiss the employees.

The Ministries in Kuwait

1. Ministry of Defense.
2. Ministry of Interior.
3. Ministry of Foreign Affairs.
4. Ministry of Finance.
5. Ministry of Information.
6. Ministry of Public Works.
7. Ministry of Electricity & Water.
8. Ministry of Islamic Affairs.
9. Ministry of Social Affairs & Works.
10. Ministry of Planning.
11. Ministry of Oil.
12. Ministry of Health.
13. Ministry of Communication.
14. Ministry of Justice & Administration Affairs.
15. Ministry of Education.
16. Ministry of Housing Affairs.
17. Ministry of Commerce & Industries.
18. Ministry of High Education.

Figure 4.3 The Amir and the Ministries

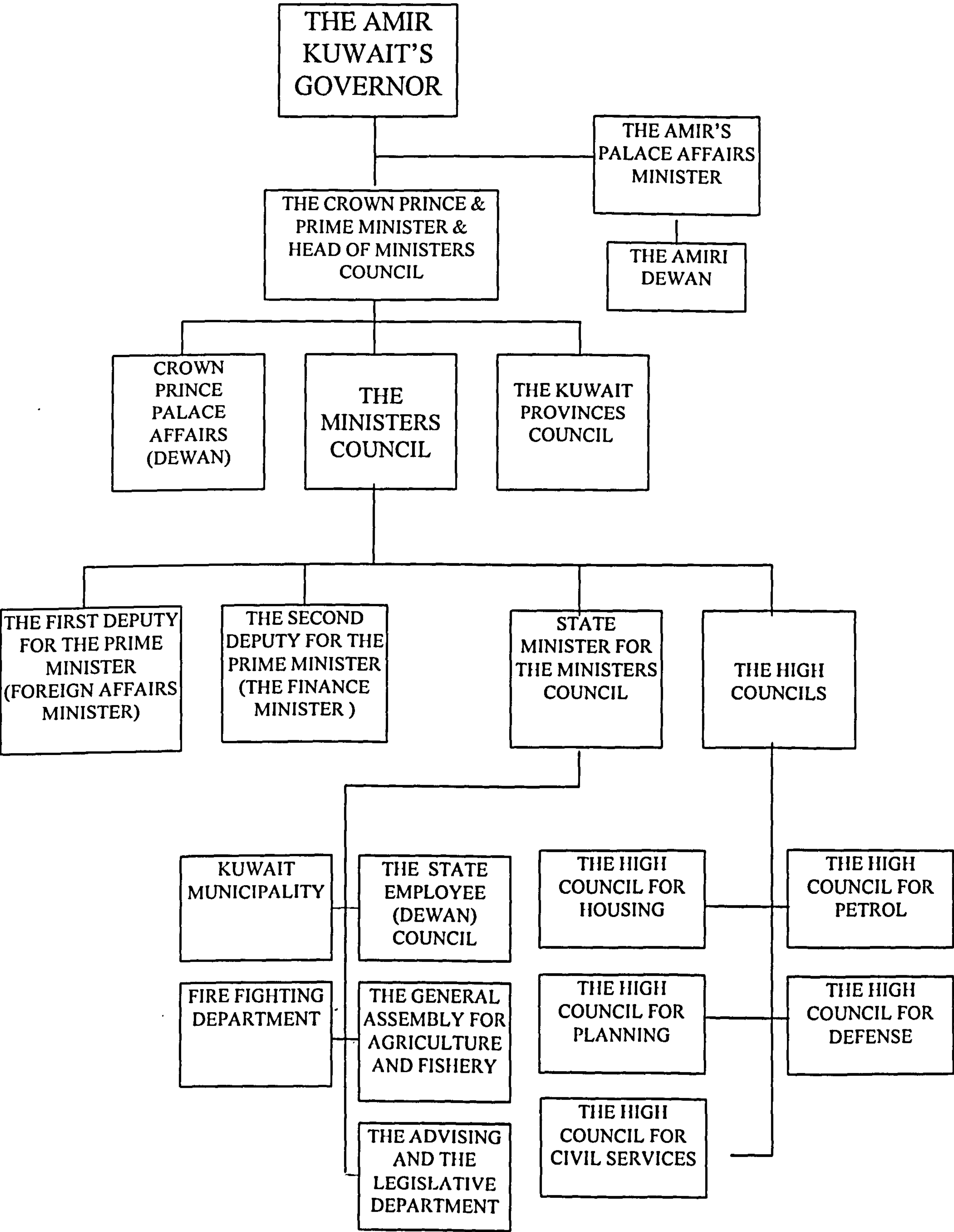


Figure 4.4 The Crown Prince and the Ministries (1)

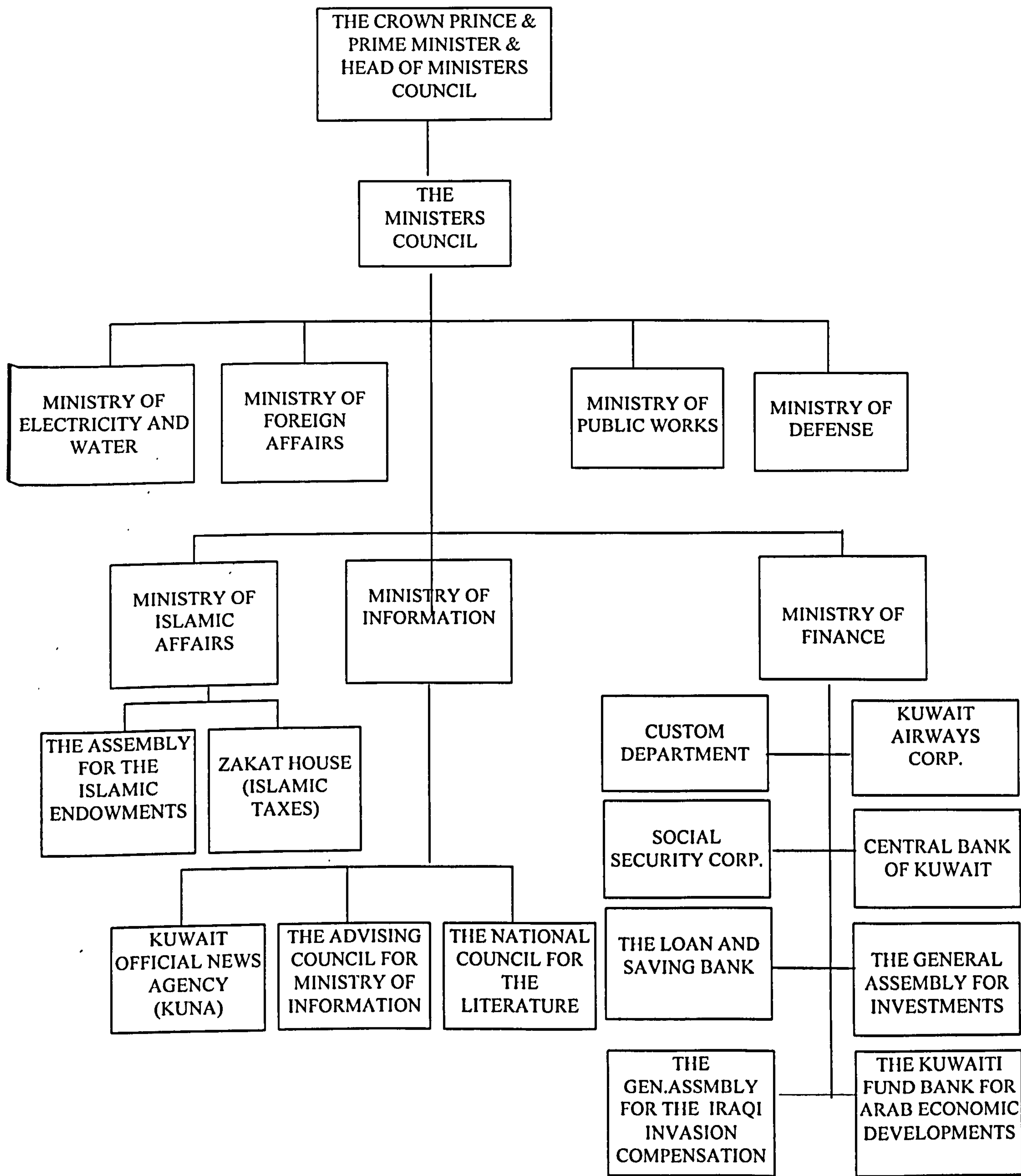
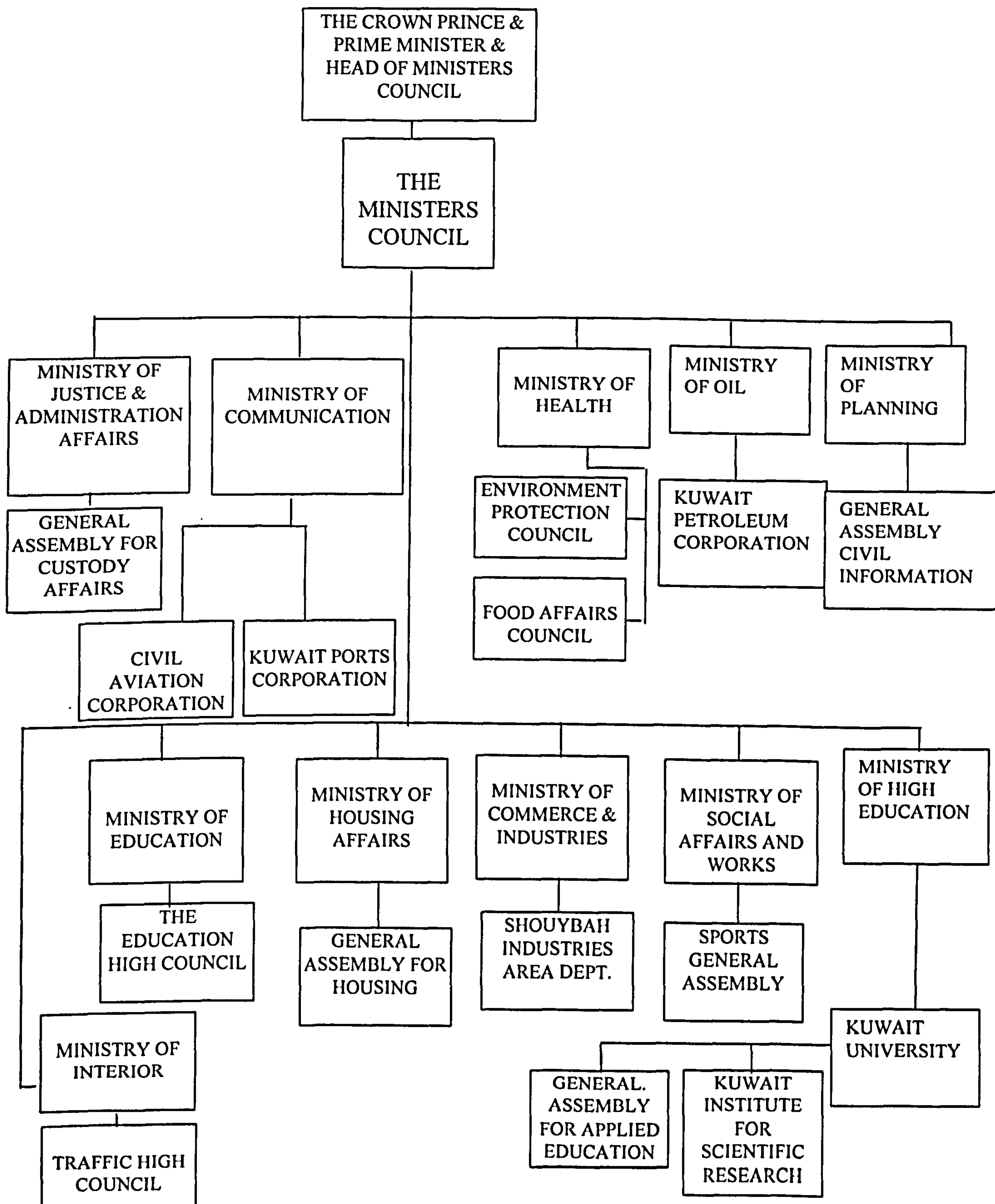


Figure 4.5 The Crown Prince and the Ministries (2)



CHAPTER FIVE

THE SOCIAL VALUES AND STRUCTURE IN KUWAIT

Section One

The Social Values and the Sources of these Values

The social values and their sources affected the Kuwaiti society and these values influenced the attitude and behavior of the individuals. These social values are unchangeable in spite of the dramatic changes in the Kuwait economy and society.

In this section, we will discuss the sources of social values in general (and not in detail since it itself is a vast subject and would take more chapters and time).

The sources of these social values are as follows:

The Religion

The Islamic religion is the fundamental basis for the life and system including political, judicial, social and ethical.

Islam is the major source of the value system in Kuwait. In Islam, Muslims have to practice and act upon Islam's teachings. Practice according to Islam is Discipline and Self-Control. Therefore, Muslims have to act according to Islam's teachings and instructions. In Islam there are duties to be performed which are as follows:-

The main duties of Islam

First: Pray (Salat)

Muslims have to pray five times a day at very specific times. Prayer (Salat) is the most important and basic obligation to God in Islam.

God said:

"For such prayers are enjoined on believers at stated times."

Mohammed Jamil mentioned, 1978:

"Prayer (Salat) with its five times daily prescription affords to the individual and

enforces upon him a regular course of physical cleanliness and purity of mind.....provides Muslim individuals and the whole Muslim community with a basic common timetable and basic structure of Muslim society on which to organize their lives.....by making this congregational salat prayer compulsory five times a day for every member of the faithful."

Second: Fasting of Ramadan month

It is the second most important obligation to God, and Muslims fast one month every year. A Muslim enjoys food and drink during Ramadan only from sunset to the moment before dawn (80-90 minutes before sunrise). The Holy Quraan says:

"And eat and drink, until the white thread of dawn appears to you, distinct from its black thread, then complete your fast, till the night appears."

Fasting requires patience, temper control, feeling for others and good wholehearted intention to fast. The prophet Mohammed (peace be upon him) said:

"Actions shall be judged by intention, a man shall get what he intends."

Third: Zakah, Welfare contribution

It is the third most important obligation to God, where Muslims have to pay Zakah for property at a specific time annually.

Fourth: The Haj

Pilgrimage to Islam's most Holy city, Mekkah, is also another time discipline, and the fourth most important obligation to God. Muslims have to visit Mekkah in order to perform the Haj once in their lives (only for those who have at least fair health and enough money to cover the cost of traveling and living). Haj is done on a specific day and has other obligations that must be done according to a specific time-table.

God said:

"They ask thee concerning the New Moons. Say: They are about signs to mark a fixed period of time in (the affairs of) men, and for pilgrimage."

In addition to the above for obligations to God, Islam highly encourages and instructs man for the following disciplines and self controls:

"Humility, patience, endurance, courage, thankfulness, brotherhood, greetings, helpfulness, co-operation, generosity, hospitality, hard work and so many other good behaviors and attitudes."

All of these values and good manners cannot be achieved without having good discipline and self control and timing one's activities (obligations). So, Muslims have to work towards punctuality and discipline, as it is essential for good character and necessary to put their belief into action.

The main underpinnings of Islamic Faith:-

The Islamic faith conditions are:

1. Belief in one God.
2. Belief in Angels.
3. Belief in divine books and other missions.
4. Belief in Gods, Messengers, Prophets.
5. Day of resurrection or dooms day.
6. Belief in good or bad fatalism.

It is a generally accepted fact that Muslim actions are fatalistic. It is wrong, however, to believe that this fatalism is caused by Islamic teachings. Professor Sania Hamady, 1960, said:

"The impact of fatalistic philosophy on the Arabs is therefore due not so much to religious doctrine of determination (though it does seem to encourage a fatalistic behavior) as to the nefarious influence of political subjugation, economic poverty, and social tyranny. The Arabs picked from the Quraan only the passages that can support significantly their improvement outlook on life and in which they can find a religious excuse for their inactivity and stagnation."

The Holy Quraan points out that God controls all human destinies, but he also wants people not to rely on this fact and to work hard for their life and survival.

The relation and the link with Arabian Culture

The geographical location of Kuwait is in the Arabian Peninsula and the Kuwaitis are of Arab origin. This is built in the Kuwaiti constitution, which also includes the generosity, sense of honor, trust, other values and principles.

The Family and Tribes

In Kuwait, the family or tribe is the center of the relationship and the focus of any relationship, unlike the individual in the Western Societies. The relationship is built keeping in mind the obligation, loyalties and duties/businesses of the family members to the family, and according to this, those members will be supported by the society.

The Customs

Most of the customs in Kuwait are based on the religion, roots of the community, and the environment. For example, the diving in the sea for pearls in the early days needed the co-operation from all the sailors in the ship to work as a team.

First: Hospitality and Generosity

Hospitality and generosity are some of the Arabs strong features. Islam encourages and supports these traits. However, many Muslims today have misinterpreted the meaning of generosity and have gone too far in being generous. To be generous and share some of your wealth is a good thing.

Islam has set certain rules for hospitality and generosity. For instance, hospitality for travelling guests should not exceed 3 days. Also, people should not force themselves on others as guests unless they are welcome. Islam has not set a specific cost, value or estimate on generosity. Islam admonishes us to give or share what we have and are able to share with guest, neighborhood, family or extended family, or whoever needs help.

Second: Top-man Syndrome

The top man syndrome refers to the insistence by clients and government officials on dealing only with the head of the organization.

There are three aspects to this problem. First, there is the feeling among outsiders that only the top man of an organization can get things done. The second aspect concerns the executives inability to escape from his many ceremonial duties, such as invitations to social events. The third one is caused because of top man centralization.

This top-man syndrome, in my opinion, is related to or caused by the sociological background of the society, especially tribes, e.g., tribal leaders are relied on to get things done for their men. In the tribal society the leader, 'Sheikh', or the Chief is responsible for all matters, big or small, of his group and he is supposed to help them. In addition the leader 'Sheikh' has to deal with his group's affairs, either important or unimportant. If he does not do these things his people would think that he was not interested in their lives and their affairs. In return for that the followers must be loyal and trust him as leader even if it leads to a centralization pattern of management.

Third: Nepotism

Nepotism is the family member's reliance on one of the family, because of his position, to help them and assist them financially or to find jobs or to get interests for them.

The Kuwaiti bureaucrats may be classified, in this regard, into two categories:

1. A relatively very tiny group of highly motivated people who have occasionally refused to conform to some of the normative patterns of bureaucratic behavior in regard to nepotism.
2. The main category which comprises the dualist, e.g., those whose behavior is characterized by a dual loyalty towards the family, kin and friends on one hand and the boss on the other.

The obligation to the family and kin is rooted in the leaders concept from his childhood, therefore, it has become very difficult for him to ignore nepotism. The individual's loyalty and devotion is to the interests of his family and kin. Nepotism serves the needs or interest of relatives, e.g., the leader and executive already has kin working in his organization or is recruiting them in the organization.

Many administrative functions which were once performed openly under the aegis of familial or kinship institutions continue to be performed on this basis but clandestinely. The new formal structures of an office are super imposed upon the family, and lip-service is paid to a new set of official norms. Overlapping of the family with the office occurs also in other aspects of the salat behavior. The formal rules of the salat prescribe universalistic forms for the administration of the law. However, family influence prevails, stringently against strangers.

However, nepotism is created because of family traditions and values which cause executives to use a part of their time resources and authority to meet their relatives and kin's needs and/or serve their interests.

Fourth: Social Gathering

Social gathering is another form of traditional association. In the past Arab associations were based on family relations, the neighborhood and the whole tribe, village or town. They used to gather for dinners, marriage parties and poetry readings. Evenings and nights used to be spent in social events. Today this tradition still exists, but in a smaller association gathering (except for marriage parties) and is based on business and intellectual interests. For instance, cliques or small societies of men based on similarities in regional affiliation and/or professional background, income and intellectual interest are a common phenomenon in Kuwait. The group usually gathers around one personality or two, e.g., a leader, to play cards in the evening and share social activities and/or meals together.

Fifth: The Open Door Tradition

The open-door tradition is the custom of allowing people, e.g., relatives or friends, to drop into the executive's office for a non-business meeting without any appointment being necessary. It is very difficult to avoid such courtesy because of the ties of family role, social influence and the conception of hospitality and generosity.

Nevertheless, the open-door tradition is a policy maintained by many officials, and is even a policy of the ruling family. Officials should allow specific access to their office so that the public can come at least one day a week.

Sixth: Favoritism

Like the previously mentioned customs, favoritism is strong in the Arab world. It has been so through the centuries and is a characteristic of Arabs. Favoritism in Arabia is a strong method for seeking affiliation. People enjoy helping each other, doing favors for others, either for affiliation or dominance. The Kuwaiti society doesn't encourage independence. From childhood to adulthood people rely heavily on each other, especially on their extended family. Favoritism in the practices of Kuwait executives can be put into three categories:

1. Doing favors for the extended family members and kin as an obligation in Kuwait society.
2. Doing favors for others than the extended family members and kin for the need of affiliation, and
3. Doing favors for others in order to have the others reciprocate in the future, or for dominance.

Section Two

The Government Social Policies and Residents of Kuwait

Kuwait established a welfare system which has been modified a few times without touching the free services for the Kuwaitis. Since then, all residents of Kuwait enjoyed unparalleled access to subsidized social services like the following:

Free Medical Care

All Kuwaiti citizens and the foreigners who live in Kuwait are able to obtain such services as free medical treatment , so in 1993 there was one hospital bed for every 347 persons and one doctor for every 551 persons. In addition, the overseas medical care can also be obtained, if the local medical treatment is not efficient, so they send the patient particularly to UK or USA medical centers.

Free Education

All Kuwaitis and some others who live in Kuwait can avail themselves of free education. Education is compulsory and free for persons between the age of six and 18. Even university education, the Kuwaiti government provides free.

Social Government Aids & Assistance

Cash gifts are made to defray the costs of weddings, for the handicapped and mentally retarded, and family aids. The government gives the family aid taking into consideration the age and assets of the old people who are not under the retirement systems, and assist also the non-working people.

Government Services

Domestic electricity and water are still supplied at negligible costs , telephones services and most of the administration services are without any charges. There is no taxation and there are no charges or fees for most government services.

Free Housing

Housing is one of the rights of the Kuwaiti citizen. The Government must provide every Kuwaiti family with a piece of land and loan facility for construction, which can be repaid over 20 years without interest. In case the family is a middle income family, it can buy ready made houses which can be repaid over 20 years, interest free.

Employment

Employment is also one of the rights of Kuwaiti citizens and the duty of government is to source a job that can earn a monthly salary for each Kuwaiti. Kuwaitis enjoy some of the most comprehensive benefits in the world but, after some years the government may be forced to withdraw all these benefits if the income for the country is reduced and the deficit continues.

Residents of Kuwait

The total population of Kuwait can be studied under four divisions/groups of people as discussed in chapter one. In this part we will clarify the main social structure for Kuwait today:

First: The Original Kuwaitis

They have the first grade of citizenship and they enjoy all rights as citizens as well as the free services.

Second: The Non-Kuwaitis

Non-Kuwaitis are the other nationalities and they are working and living in Kuwait, and they pay for some of the services.

Third: The Second Grade Kuwaitis

The second grade Kuwaitis are not original Kuwaitis and they enjoy all the rights and services except voting rights. Around 75% of the Kuwaitis are from this category. Most of them took the Kuwaiti nationality during the 1960's. From 1969, the government stopped all the applications as the Kuwait constitution gives second grade Kuwaitis the right to vote after 30 years from the Kuwaiti citizenship acquisition date.

Fourth: The Bedouin Problem

Bedouin are the people without any nationality, and mostly nomads from Syria, Jordan, and Iraq. Most of the Bedouin are working in the army and police forces.

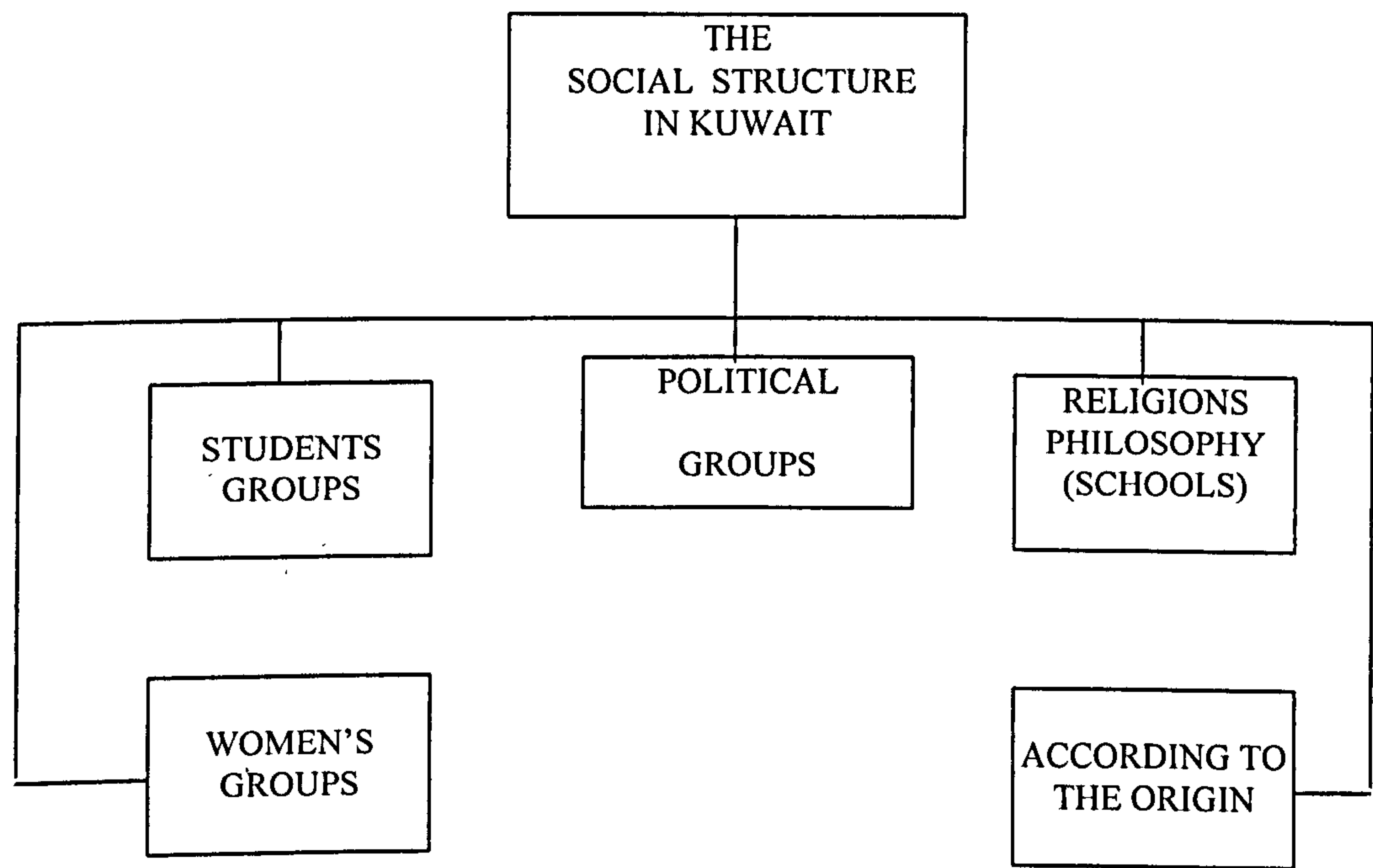
There is a growing demand for naturalization by this group. The Bedouin are a very big problem to the government as some non-Kuwaiti people receive free social services excluding nationality and voting, so a lot of other nationalities hide their nationality and use Bedouins title to take the Kuwaitis treatments and facilities. By 1990 this problem had reached 250 000 cases.

Section Three

The Social Structure in Kuwait

The social structure in Kuwait can be studied under the following categories:

Figure 5.1 The Social Structure in Kuwait



First: According To Origin

In this section we shall discuss from which country and regions the original Kuwaitis came from. There have been various groups and with a very close relation ship between the members of these groups so that they even affected the persons who are the decision makers as they created influence centers to get their interest.

In the early days there was no official documentation regarding the population and its origins, but there are figures for recent years.

First: The Immigration Between 1917-1937

Many people moved to Kuwait during this period for various reasons like searching for protection, finding new grassland , trading , diving for pearls. Lwymerg in his book estimates that in Kuwait around 10000 are originally from Iran and around 100 families from (Najed) central Arabia , and also 4000 blacks.

Second: 1938-1942

We notice that Iranians shifted to Kuwait in large numbers during this period.

Third: 1943-1947

During these years, the population of Kuwaitis increased mainly due to Iranians, around 37%, after these the Iraqis 32% and Oman’s 16% , Saudis 12% Indians 3%.

Fourth: 1948-1957

During this period , a lot of people came to Kuwait due to oil production.

Table 5.1 The immigration to Kuwait between 1917- 1957

Period	1917-1937	1938-1942	1943-1947	1948-1957
IRAQ	103	190	817	12612
OMAN	80	143	465	4732
SAUDI	124	103	204	824
SYRIA	1	4	8	1852
LEBANON	1	4	20	6006
PALESTINE	1	7	66	12488
EGYPT	1	1	2	1542
IRAN	285	337	622	2143
INDIA	6	24	144	3005
PAKISTAN	18	16	148	1931
BRITAIN	2	0	27	1854

Source: MINISTRY OF PUBLIC WORKS KUWAIT Census 1957 .

Second: The Political Groups

The Crown Family

The pattern of domestic politics in Kuwait is the product of four areas of tension. At the center of power and decision making lies the internal dynamic of the ruling family along dynastic lines. They have the power and can influence all political aspects according to their needs by offering what is needed to achieve the political goals. This is always seen in the parliament and in the nominations for the high positions in the government organizations. The loyalty to the crown family is the only base to give the candidate the chance to take these positions.

Merchant Families or Chamber of Commerce Group

These families have very good relationships with the ruling family, and before oil production these families supported the ruling family by providing finance and all other supports. The ruling family appreciated this and supported these families after the oil production by awarding them the contracts and other facilities to own lands without fees, to increase their wealth.

We can say it is an unwritten understanding between these families and the ruling family, so they increased their wealth very quickly and tried to increase their political influence by controlling the Chamber of Commerce and took this name as a cover to achieve their goals. These families became successful in controlling and influencing the government. For example they convinced the government to purchase the bad debts as well as guiding the government to make rules and regulations which secured their interest and kept their wealth growing.

The Islamic Fundamentalists (Sounah and Sheyah)

These groups are calling the people to return back to the Islamic rules and laws as they believe that it will return them to the glory and the correct way to live and to control the peoples life . There are lots of groups having the same principles and including both Sounah and the Sheyah. These groups succeeded in entering the parliament and they have very good role in showing up the illegal practices of the government.

So far these groups have a lot of support from the people as they believe in their honesty and because of their will to develop the country with the help of the parliament members.

These groups are peaceful and they believe in democracy as the best way to show the Islamic rules, and they do not believe in terrorism.

The Liberals or the Nationalists

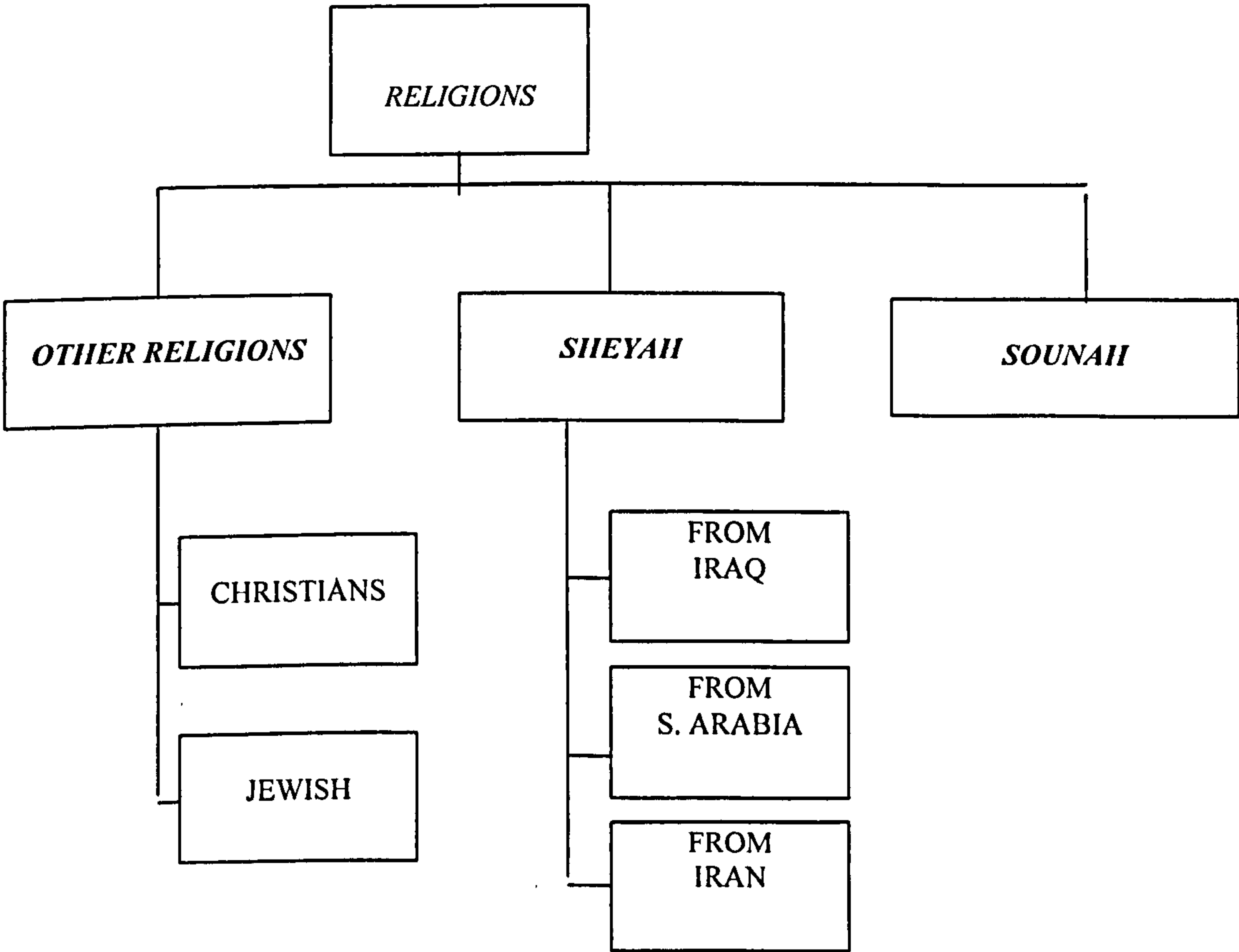
They believe in the liberal and democratic way to control the country. As every body had the freedom to do every thing, some of them opted for the western pattern to rule the country. Some of them worked with the communists during the former Soviet Union and after this state collapsed they joined these groups.

These groups were very successful during the 1960's when nationalist ideas were very popular. After the 1970's their support was reduced and changed to the Islamic ideas brought in by the Islamic groups also by the present weak situation for the Arabs and Muslims. Some of them now have very high positions in the government organizations.

Third: According to Religious Schools

There are two main religious schools in Kuwait as in the following structure:

Figure 5.2 Religions in Kuwait



In this section we will discuss the religious schools in Kuwait and some back ground about these schools.

Introduction

In Kuwait as well as in all the Arabian peninsula we have two main religious schools Sounah and Sheyah, each school divided in to different groups.

The Sounah

The Sounah are the most numerous in the Islamic world and majority of the countries do not have different divisions other than Sounah. Most of the Muslims are from this group.

The Sheyah

This group took different paths like the political directions to support their groups and their leaders. So in the middle ages the differences increased more and more between the sheyah and the rest of the Islamic world and it reached a point that divided the Islamic communities into a lot of groups, each having their own beliefs and religions.

The Sheyah in Kuwait

In general history reflects that the Sheyah have around 25-30% of the total Kuwaiti population.

This group has the power to influence government decisions in almost all fields. However the government respects their beliefs and builds the mosques and lets them have their own social courts according to their religion.

They also have good representation in the parliament to protect their rights. The roots of Sheyahs in Kuwait can be traced to Iraq, Iran, and east of Saudi Arabia. Also each Sheyah group has their residential area and they like to live very close to these areas.

The Other Religions in Kuwait

Other religions like Christianity and Judaism are also in Kuwait. There are some Christian Kuwaiti families who came from Lebanon and Syria and Palestine around 50 years ago. In early days, around sixty years ago, there were some Jewish families but later on, after 1950, they settled in Palestine and Israel.

Fourth: The Students Movements

The students' movements in the University reflect the future of the country and have a very important impact on the community. Prior to the establishment of Kuwait University students were sent to Egypt and Lebanon from 1940 to 1969. In 1969 Kuwait university was opened for students. Even after this opening the government sent students to the UK from 1955- 1986 but mostly for engineering studies. Also the government started to send students to the USA from 1962 till now but now only for special studies. This reflects the ideas, beliefs and thinking of the Kuwaiti students. Students movements can be summarized as follows:

The Nationalist Movements And Other Liberal Movements

These movements started in Egypt and other Arab countries at the beginning of this century to remove the Ottoman Empire's control, which happened after the 1st world war. This control was renewed with the British and French empires. Till most of these countries were liberated and given independence, students movements affected the Kuwaitis in Kuwait as well as their students in the other Arab countries. Nowadays this group is facing strong competition from the Islamic groups which have put this group into retreat.

The Islamic movements

The Islamic movements in Egypt affected the Kuwaiti students in 1940 through the Muslim Brothers Group and the other Islamic movements in the Islamic world, and also the revolt against the British empire. The Jewish invasion of Palestine brought a sea change of ideas and philosophies to Kuwait. The result was the Islamic movements which still, after 18 years, keep the Kuwaiti students united. The radical Muslim groups, now a days have much influence with the students.

The Sheyah Movement

This movement started after the Iranian Islamic revolution and secured around 99% of the total Sheyah students' votes. There are different divisions according to origin.

Fifth: The Womens Groups in Kuwait

Education of Kuwaiti women has changed many of the prevailing ideas about the role of women in the Kuwaiti community.

About half of the graduated students are women. They are around 40,000 in number and they have reached high positions in the government like the under secretary and dean of Kuwait university.

But still, women do not have the right to participate in the parliamentary elections. Women's groups are involved in social activities, which are supported by the Government. There are around 5 women's groups, most of them are liberal, and the others are Islamic women's groups. These Islamic women group's are more active with regard to providing services to Kuwait community.

Conclusion

These early chapters have now established that most of the customs of Kuwait are based on religion, the early roots of the community, the environment and the links with general Arabian culture. The obligation to family and kin is particularly deep rooted and the administrative developments associated with the advent of the CCT mean that many administrative functions are still performed on the basis of family or kinship, albeit clandestinely. Coupled with unparalleled access to subsidized social services and large scale immigration, the ability of the CCT to steer an independent course must always have been in doubt.

CHAPTER SIX

THE ECONOMIC SYSTEM

First: Kuwait Economy before the Discovery of Oil in 1936

As we discussed in the first chapter, the economy of Kuwait was dependent on fishing , pearl diving and trading .Trading was the main business, which the location and the nature of the Kuwaitis supported.

Second: Kuwait after Oil Production

After independence in 1961, the government started the unique treatment of Kuwaitis by providing free housing, health care, education, zero taxation, employment rights, and marriage loans which were discussed in detail in the fifth chapter.

We will show in this chapter economic activities in Kuwait and the difficulties facing the Kuwaiti economy.

The Currency in Kuwait

Till the year 1961, the Indian rupee was the currency in Kuwait. After 1961 the Kuwaiti dinar (KD) was introduced and 1000 Fils make a dinar. The Central Bank has set two exchange rates since April 1984. The value of the commercial exchange rate for the Kuwaiti dinar is linked to a basket of currencies in which the dollar has a large share ,and the financial rate was fixed according to actual supply and demand conditions prevailing in the local market.

The two rates have not diverged since August 1984. The exiled Kuwaiti government supported the KD during the occupation and restored it to its pre-war rate after liberation, although initially it had to be protected by limited capital controls in order to prevent capital leaving the country.(1)

Economic Planning

Until the mid -1980's Kuwait had no formal development plan, although five-year economic guidelines were set for 1967/68 - 1971/72 and 1976/77 - 1980/81 and for specific economic sectors such as electricity and water, housing, oil and gas and public health. Instead, Kuwait tended to rely mainly on annual programs with long -term objectives which are only loosely described. The increasing complexity of the economy, however, and the shock waves induced by the collapse of the unofficial stock market, prompted the government to elaborate a more comprehensive strategy, incorporated in a five year plan covering 1985/86 - 1989/90. (2)

The plan aimed to maximize local industries capacity by emphasizing maintenance programs and encouraging the private sector to play a greater role in development. After the Iraqi invasion a lot of damage was done in the oil, electrical, environment and private sectors which cost Kuwait huge amounts to rebuild after the liberation apart from the actual costs of liberation which include the cost of the allied forces. This delayed the plan after the liberation and no budget plan is yet decided by the government, which is now facing great financial problems due to no planning for the past 5 years. (3)

The National Accounts

Kuwait's GDP figures are dependent on oil revenue and therefore fluctuate considerably from year to year. The impact of the Iraqi invasion was particularly severe, involving, as it did, the effective cessation of oil output and exports and the destruction of infrastructure and production capacity. Official data on the war period give a surprising picture of GDP. 1993's GDP (in nominal terms) is 6% higher than average nominal GDP for the three pre war years of 1987-89, and only 5% below the all-time high of 1989.(4)

Employment

According to the 1985 census, 59.5% of Kuwaiti men and 13.8% of Kuwaiti women were economically active. There has been a marked increase in female participation in the labor force. In the 1980 census only 9.6% were economically active, and in 1965 the figure was 1.8%. Before the invasion, the labor force of Kuwait had grown rapidly. It more than doubled during the 1970's.

Wages and Prices

Before the invasion, wages were set by management, with instances of collective bargaining comparatively rare. There were typically wide variations between wage rates for Kuwaiti and non Kuwaiti workers, the former earning significantly more. There is no personal taxation in Kuwait, and 7.2% of the total male labor force described themselves as being either employers or self employed in 1985.

Finance and Banking

The financial sector in Kuwait consists of: the Central Bank (established in 1968), seven commercial banks; four specialized credit institutions; 18 investment companies, of which two are Government-controlled, although the Government has share holding in many of the others, and a large informal sector based on a network of merchants, moneylenders and money changers. (5) There have been casualties: the three big investment companies - Kuwait Investment Company (KIC), Kuwait Foreign Trading Contracting and Investment Company (KFTCIC), and Kuwait International Investment Company (KIIC)- suffered a veritable hemorrhage of losses after the stock market

collapse of 1982. After restructuring these companies still had losses, and now some of these companies have been sold or are to be sold in the market. (6)

In 1982 the stock market, Al Manakh, lost its glamour when the classic speculative bubble burst. Also the stock market was destroyed by the Iraqi invasion in 1990 but was re-opened in September 1992 and increased its activity day by day. (7)

Agriculture and Fishing

As a result of the massive environmental damage caused by the war ,including the pollution and mining of coastal waters, the burning of the oil fields and the breakup of delicate desert soils, the sector can be discussed under the following sections, covering the pre war and post war periods.

Agriculture

Only 0.4% of Kuwait land area was cultivated in 1985/86, about 4500 hectares being used for vegetables and 2200 hectares for fruit trees.

Livestock

Livestock numbers in 1990 were estimated at 25 000 cattle, 200 000 sheep, 25 000 goats and 21 million poultry. There were also about 6000 camels. Wool production has been encouraged and increased to 580 000 tons (greasy). Output of fresh cows milk was estimated at 25 000 tons in 1990, and egg production at 8 000 tons.

Fishing

In 1986 the annual catch was estimated at about 4000 tons. There had been rapid growth in the shrimp industry and the catch increased from 278 tons in 1981 to 484 tons in 1983. As a result of the war , and increasing levels of oil related pollution in coastal waters the Kuwaiti shrimp fishery has been permanently destroyed. 65 industrial vessels and 50 dhows worked the shrimp beds, for other fish there were some 120 hadra (stake nets) in operation , together with about 600 speed boats used for commercial fishing.

Imports And Exports

The most important export material is oil and petrochemical products. (8)

Manufacturing

Growth in value added in manufacturing was erratic during the 1980's, but this sector's share of non-oil GDP was rising prior to the Iraqi invasion, averaging 13.5% in 1982- 86 and reaching a peak of 24% in 1989. The economic slow down of 1985 caused serious

problems for some industrial companies and a scheme was introduced in 1986 whereby the Government bought out a total of 33 companies with the express purpose of closing most of them down. The Government's protection measures of mid 1985 together with the subsequent recovery of the domestic economy prevented any more failures in this sector. (9)

In foreign trade the major non oil export produced locally has been fertilizers, mainly exported to Asia and the Indian subcontinent. Others have included steel structures, prefabricated buildings, steel pipes, building materials and some chemicals. Traditionally some 80% of Kuwait's imports have been of manufactures and consequently the emirate's major suppliers have been the industrialized countries. (10)

Energy and Oil

Oil was discovered in 1938 by Kuwait Oil Company (KOC), then jointly owned by British Petroleum (BP) and Gulf Oil. The production started in 1946 and reached 1.83 million barrels/day in 1962. It peaked at 3.3 m b/day 1972 as the quota for OPEC. The Kuwaiti oil is heavier with higher sulphur content and the production costs in Kuwait were estimated at about \$ 0.15 per/barrel, before the war.

In 1980 Kuwait Petroleum Corporation (KPC) took over KOC after the various changes in profit sharing and ownership with the foreign companies like BP. Before that KOC was nationalized in 1975 and registered under KPC umbrella where KOC was responsible for the oil production and developing the oil reservoirs and all downstream services till the oil reaches the export ports or the refineries.

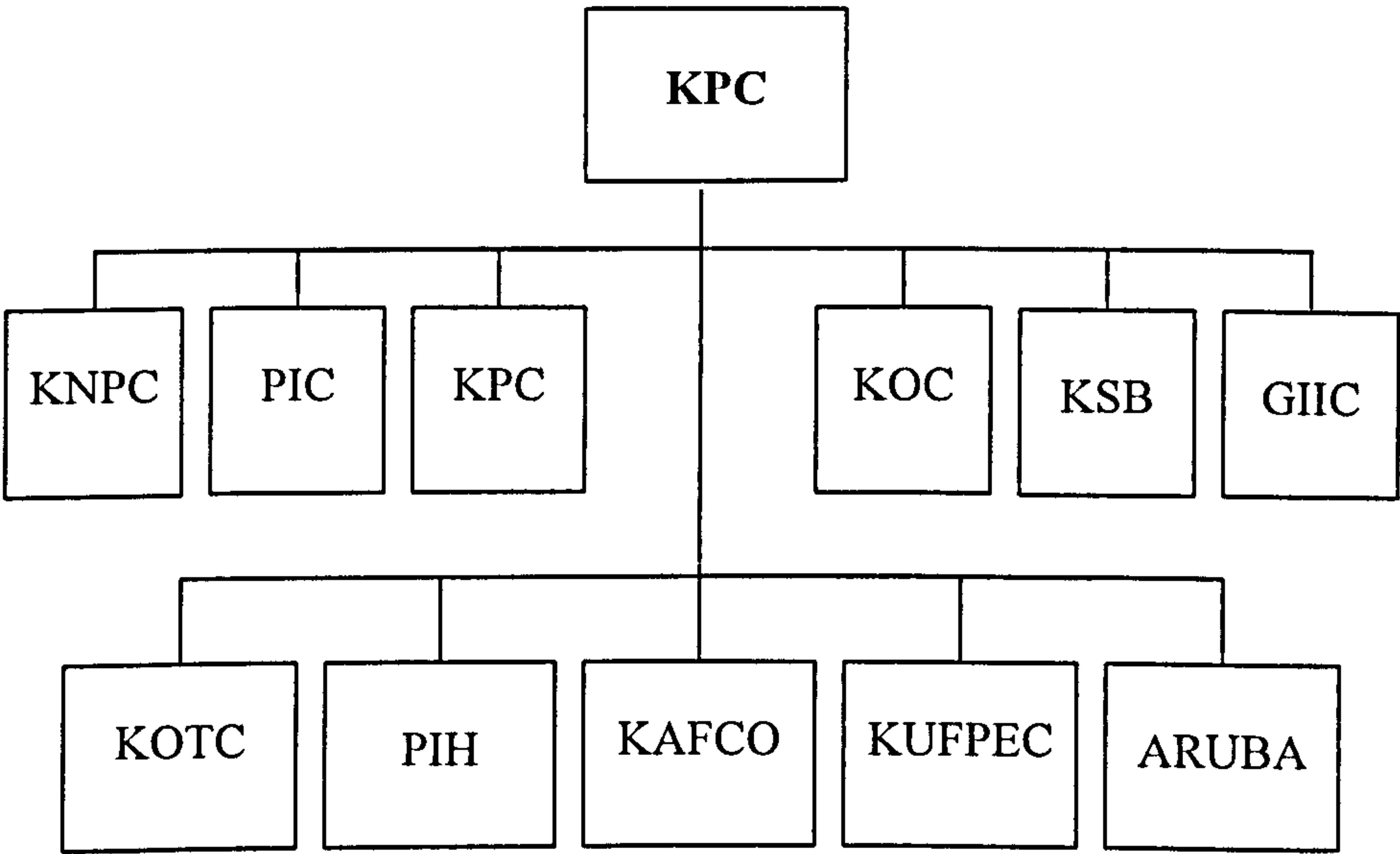
KPC also owns Kuwait's national petroleum company KNPC which is responsible for the oil refinery. Petrochemical Industries (PIC) manages domestic petrochemical and fertilizer production, Kuwait Oil Tankers Company (KOTC) is responsible for the transportation of crude oil, and there are a few other companies which work inside Kuwait for drilling of oil, exploration activities in overseas concessions, and running some refineries and petrochemical plants out of Kuwait. (11). After the October 1986 OPEC conference instituted strict production control, Kuwait accepted severe output cutbacks which kept its production below 1.25 m b/d.

Because of the perennial problems of over production by other OPEC members and Kuwait's desire to dampen any increase in the price of oil, Kuwait took an increasingly hard line in the cartel after 1987. Between June 1989 and January 1990 it formally repudiated its OPEC quota, and after the war it refused to abide by any OPEC production guidelines until September 1993. Since that date it has followed OPEC quotas.

The Kuwait Petroleum Corporation Organization

This corporation controls all oil sector companies and is managed by the Oil Minister:
(12)

Figure 6.1 Kuwait Petroleum Corporation Organization



Oil Production and Oilfields

Oil production in Kuwait is handled by Kuwait Oil Company with 6000 employees with contractors who are awarded the big new, maintenance contracts for all downstream heavy equipment and all other equipment related to the production of oil. The large oil fields are Burgan, Minagish and Sabiriyah. These company purchasing and contracting procedures come under C.T.C. which implements all C.T.C. rules and instructions. (for exports of crude oil by importing countries see (13)).

Oil Refining

Before the Iraqi invasion, Kuwait had the third largest refining capacity in OPEC after S.Arabia and Venezuela. It had undertaken a major modernization program at two of the three refineries, geared to making output suitable for the export market.

Total refinery capacity was increased from 520 000 b/d to 730 000 b/d at the end of 1989, comprising 330 000 b/d at Mina Ahmadi refinery, 200 000 b/d at Mina Abdulla and 200 000 b/d at Shouayba. By the end of 1995 total capacity in all refineries reached a maximum of 800 000 b/d. (14)

Petrochemical Industries

Kuwait had old fertilizer plants and also salt and caustic soda factories. Now as one of the privatization projects PIC signed a joint venture with Union Carbide USA, to build a petrochemical complex containing 7 plants. The first stage contains polypropylene, polyethylene, ethylene and ethylene glycol plants which started production in 1997. The second stage will contain 3 plants and the production will start in 1998-2000. After year 2000 Kuwait will be one of the largest petrochemicals suppliers in the world. (15)

Natural Gas

Kuwait's natural gas reserves at the beginning of 1992 were estimated at 48 000 bn. cubic feet , but are mainly in the form of associated gas. Production has therefore been dependent upon oil output and has fluctuated sharply in recent years. There is a liquefied petroleum gas (LPG) plant at Ahmadi which was opened in 1979 .

After the fall in oil prices in 1986 it severely affected the gas price. This reduced the attractiveness of investments to upgrade the country's gas utilization capacity. (16)

Overseas Oil Projects

KPC purchases of overseas interests began in 1981 when it acquired the US oil engineering and exploration firm, Santafe International. It also acquired Q8 fuel stations in Europe which has about 4800 stations, one refinery in Rotterdam, one in Naples and one each coming up in China, India and Thailand. (17)

Kuwait Investment Authority(KIA)

Prior to the invasion, over 90% of Kuwait's income was derived from oil. During this time, while the country was running a surplus, a fund was established to prepare for when the oil would no longer be the prime source of income. This was called the Fund for the Future Generations, (which at the time of the invasion stood at about \$ 90 billion). This fund was managed by the Kuwait Investment Authority.

In 1988 KIA bought 21.6% of the shares of BP on the open market. Also KIA owned 22% share in Mercedes Benz company and some other big companies in Europe, USA, Far East, Africa and Turkey. They had also incurred big losses (\$5 billion) in a Spanish property company called Group Torros in which they worked as partners.

Third - The Kuwaiti Economy Difficulties

The Deficit

The following are the main reasons for the deficit in the Kuwait economy: (18)

- 1. The Iraqi and Iranian war which continued for more than 8 years and was financed by the Gulf states in support of Iraq.
- 2. Costs of Kuwait liberation and the rebuilding of Kuwait after the liberation (around 12800 million kd.) which reduced the investment return by this amount as compared to before the invasion. Also the threatening movement of the Iraqi forces during October 1994 cost the Kuwaiti government around USD500 million.
- 3. The drop in oil prices during the last ten years which reached around \$10-\$12 per barrel and which now are around \$3 a barrel, at the time of writing.
- 4. The loans and bonds taken by Kuwait Government during the last 7 years outside Kuwait (around 1600 million kd).
- 5. The difficult loan problems of 1985 (4200 million kd) ,as a result of Souk Al Manakh crash (unofficial stock market) in 1982 which involved many banks and individuals. The government purchased the total amounts to avoid any crash in Kuwait economy. Now after 10 years still the Government did not solve this problem and the parliament issued a law that the Government will force the debtors to pay 46% of the balance over 12 years from end 1995.
- 6. The bonds which the government sold before and after liberation (2000 million kd).

The way to cut the deficit is always a debatable point between the Kuwait government and the parliament.

The Ministry of Finance plans that in the next five years the deficit will disappear.
(19)

Table 6.1 Kuwait financial deficit

Year	90-91	91-92	92-93	93-94	94-95
The deficit in M. KD	7390.7	5464.2	1572.6	1465.7	1417

Year	95-96	96-97	97-98	98-99	99-2000
The deficit in M KD	1558	1706	1874	2034	2225

The Government plans to reduce the deficits by KD250-300 million a year for the next 5 years till year 2000 by implementing the following:

Cutting Subsidies

The government spends kd 150 million a year subsidizing 90% of electricity costs, and kd 125 million subsidizing 75% of water costs. The government now wants to cut these subsidies. It also looks to reduce the subsidies for petrol, telephone services and to implement new fees for the government services like medical treatment, and is considering implementing private health insurance. (20)

Reform The Right To Free Housing

Kuwait has committed to build 5000 homes per year for Kuwaitis. Also there are 65000 housing application requests for the next 5-7 years. The Parliament is forcing the government to solve this problem by year 2000, hence the government has started to issue these projects on the international market to finance them. (21)

Taxation

The direct taxation is still politically unacceptable , so the government is planning to implement indirect taxation such as an increase in the import custom duties from 4% to 10% by year 2000. As well as some taxation of the trading companies on their yearly income, there will also be an increase in the government leasing programs such as the leasing of the government lands for private individuals. (22)

The Privatization Program

The privatization program is in two forms :the sale of government share holdings in local companies such as the telecommunication, power and water industries and through the sale of wholly state owned companies such as Kuwait Airways Corporation and 62 local companies in which the government owned part of the shares. It has already sold 15 companies. (23)

Public Sector Salaries

The government employment scheme costs the government more than KD 2000 million per year as salaries in the public sector. A lot of ideas to solve this major problem have been discussed and most of them lead to replacing non - Kuwaitis and employing graduates.

Restructuring the Banking and financial sector and creating larger and stronger units capable of improving their assets and strengthening their financial positions.

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CHAPTER SEVEN

PUBLIC ADMINISTRATION AND BUREAUCRACY AND POLITICAL , ECONOMIC AND SOCIAL REASONS TO ESTABLISH THE CENTRAL TENDERS COMMITTEE

Section One

Public Administration and Bureaucracy

We are discussing in this thesis the Central Tenders Committee (CTC) which is a tool used by the Kuwait Government to administer the public sector in regard of the government expenditure for projects, services and supply of materials. The Government issued C.T.C. law, which enforced the public tender procedures for tendering, bidding and the awarding of contracts. So CTC is one of the tools for public administration.

CTC as any other department in the government organization will be affected by the law, government directions and by the bureaucracy.

In this section we will define in general public administration, what is bureaucracy, what are the bureaucracy risks and how we can avoid these risks.

What is public administration?

Public administration definitions entertain contradictory views, which each scholar in one field of studies either in political science, economic science, legal science and social science tries to link to his research field. For example public administration for politics is the relation between the government organization and the executive power to implement law putting into effect the decisions of this power. Also we find with economists it is executing different economic options according to costs and efficiency.

The public administration definition according to our thesis must include the following three conditions as given by Dr. Merghany Abdulaal Hammour:

1. Administration operation or activity.
2. Administration department or organization.
3. To achieve by this operation government policies or goals.(1)

So we can specify or define public administration as a group of patterns interlocked and linked with management decision making with execution, which is performed by the administrative department members to achieve the public policy targeted by the government.(2)

Public administration is limited to the executive power activities only. Also it doesn't include technical, manual, office and routine activities. Public administration is all the activities of managers whatever their levels or goals since these goals flow into the general goal which the state attempts and seeks to achieve.

The Bureaucracy

Max Weber (3) is the most famous person who is known as one of the founders of public administration, and his name is linked with the concept of bureaucracy in government organization.

The original meaning of Bureaucracy has two parts, the first is BURRUS which is a Latin word meaning blackish or dark color and the other part is old French word LA BURE which means a type of textile used to cover the office tables around which gather the government members to govern the country.

The idea of the Bureaucrat is linked to the French Commerce Minister in the eighteenth century, Mr. Vincent De Gurnais and related to negative views. (4)

What are Bureaucracy concepts? (5)

Negative or disreputable concepts are:

1. One of the management diseases.
2. Any Government interference in the management operation.
3. Large Government.
4. Despotism and casteism.
5. Type of management that succumbs to or follows a lot of laws and rules.
6. Special type of organization.

The Bureaucracy pattern

Bureaucracy is the systematic organization of tasks and individuals into a pattern which can effectively attain the ends of group efforts. So we can measure this pattern against the following six standards (6):

1. Accurate specialism, or division of labour.
2. Routine, detailed and itemized procedures.
3. The authorities relationship with subordinates.
4. Rational behavior.
5. The obligation to the law.
6. Fix the salaries and the employees office hours.

So we can say the bureaucracy is an organization compatible with large works and efficiency so that the project will not reach a size which it cannot control or manage. (7)

We will explore in this thesis the central tenders committee's role since its establishment in the 1960's and how it reached now an unmanageable size due to the extra large responsibilities in the 1990's till date of this research.

Bureaucracy risk sources (8)

As we mentioned bureaucracy can perform according to the above patterns, but these patterns can be the sources of risks to the government organization. We will discuss in a simple way the bureaucracy risk sources:

Accurate specialism. It will be a risk if it:

- a) Considers the part instead of the whole.
- b) Becomes isolated in its specialty.
- c) Increases the employee numbers without need.

Routine, detailed and itemized procedures will be a risk if they lead to:

- a) Complicated procedures.
- b) Put without proportionality with operation.

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- c) Illogical fixing.
- d) Used in cases where these procedures are not required.
- e) Increase the steps without benefits.
- f) Linked with different management level.

The authorities relationship with subordinates will be a risk if it leads to:

- a) Concentrated power and authority in high management level.
- b) The subordinate management level losing responsibility.

Rational behavior will be a risk if it leads to:

- a) The passivity of the employees positively or negatively.
- b) When the employees feelings are ignored.

The obligation to the law will be a risk if it leads to:

- a) Increasing the law more than is acceptable.
- b) Covering a lot of details.
- c) Conflict between the laws.
- d) Changed a lot.
- e) Unsuitable with the recent life stage.
- f) Inactivity of law users.

Fix the salaries and the employees office hours will be a risk if it leads to:

- a) Employees laziness and sluggishness since they have secure salaries.
- b) Not mindful to obey orders.
- c) Look to private benefit instead of government benefit.

We can very well imagine the damage that could be caused to the departments if all these risks are put together, especially to government departments such as CTC which is not a profit center, rather providing a service to the public.

How to avoid the risks? (9)

As we mentioned before bureaucracy is not a disease, but with incorrect usage of the props which the bureaucratic structure depends on we will end up with a management catastrophe. To avoid such a thing happening to the bureaucratic organization we propose the following:

1. Reduce the size of the management setup as most of the problems will start from the large size of the setup. This can be done by decreasing the management positions and the management levels to the minimum, and by following the federal principle of organization structures.
2. Define the goals of the management departments in a very clear way, and link all connections for the department to serve these goals horizontally and vertically.
3. Decrease the supervision ranges to the minimum.
4. Select the managers according to the management need with managers suitable for the position.
5. Trust the department managers and give them more authority.

The centralization pattern for government organization: (10)

We find the government always follows this pattern of management to implement their strategies or plans because of the huge financial needs and risks of the governments large projects.

The downside of such a pattern will be reflected in:

1. The performance of the government departments.
2. The weak planning and coordination of the organizational structure.
3. Spending time and the government departments or branches efforts to just getting approvals and confirmations from higher management.
- 4) Ignoring the local needs of the departments, which will then be reflected in the performance of these departments.

In our study, we will demonstrate how CTC in Kuwait is one of the most effective tools available to the government to control state spending and yet has been affected by the negative features of the bureaucracy and the centralized structure of the country.

Section Two

The Political, Economic And Social Reasons To Establish The Central Tenders Committee

We will explain the circumstances which forced the government to establish the Central Tenders Committee in Kuwait.

First: Economic Reasons to Establish CTC

As we have discussed earlier, there was a drastic change in the nature of the Kuwait economy in the 1960's i.e. a shift from a much simpler and elementary economy to a very high revenue earning and income generating economy. In order to protect the resources the government established CTC to control the public expenditure.

The Government and Public Expenditure

Due to the high earning economy, the need was raised for a government structure and setup to administer, control and manage the country in a more efficient manner. Different styles and patterns of ministries and government departments had been setup. CTC was established to control, supervise, and monitor the expenditure of these ministries and government departments.

Distribution of Wealth from Oil Production to gain loyalty

The executive power started distributing the wealth to the local people by various methods to increase their financial income in order to gain loyalty from the local people. In this way, they can stop any rise in opposition and the executive power will be secured and can control the economy in the long run. The methods used by the executive power to distribute wealth are as follows:

i) Social Employment - The Government is obliged to provide employment to the Kuwaitis in the Ministries and Government departments regardless of the minimum qualification required for the job. The selection of candidates was based on relationships with top managers, affiliation to certain political, social or religious groups and their loyalty to the government.

These influences are mainly due to the powerful families and their relationships, their cultural aspects, and their power in the local structure, which strengthens and consolidates the hold of favoritism as a concept.

In Government departments or Ministries, if there is no financial monitoring or control, then the employees will resort to corrupt practices such as using their position to award orders or projects in their interest.

This policy of employment has revealed its impact on the economy, after around 40 years, by affecting government expenditure. The Government spends now about 60% to 65% of the yearly budget on government employees.

The law on employment, which controls government employees, was issued in 1963 and appointed a new government department to control the employment of local Kuwaiti employees in the public sector only.

ii) Purchasing of old land by the government: The main Government expenditure is purchasing of old land and houses by paying very high prices to the Kuwaiti owner and giving the family other land in residential areas. Also, the government will advance easy loans with pay back period of 25 years to construct houses for Kuwaitis. This policy was aimed mainly to gain loyalty of the Kuwaiti people to the executive power. But this policy has affected the wealth of the country by investing in unproductive sectors and also resulted in an increase in inflation in the economy.

The Administrative and Financial Corruption in the Government Sector

Just as there are lots of honest employees, so corruption is also well established in all corners of the government sector, particularly because of the acquisition of wealth in a very short time.

The three main reasons for corruption are:

1. The rapid changes in the economy.
2. The bureaucracy and centralization inherent in the government structure.
3. The families and favoritism in the social structure.

In the late 1950's, most of the senior government employees and the government appointed committee members were involved in corruption mainly in the purchasing of land or houses from the Kuwaitis by the government. They also inflated the appraisal value so that the commissions were high and, in one case, the appraised value was increased by 600 % to ensure high commission was paid to their interests. These government employees who knew the government plans also purchased land/houses at cheap prices and sold to government for very high prices. They also passed on such government plans and schedules to their relatives and friends.

In the sixties, the senior government managers indulged in corrupt practices by awarding the projects/contracts to their relatives. Hence, the establishment of a controlling agency like CTC was necessary.

In the seventies, the corruption had spread to other nationalities. In 1978, the government had unearthed a very large corruption network in the oil sector that resulted in the dismissal of the Oil Minister.

The Centralization of Management

One of the main reasons to establish CTC is the centralized nature of functions in the government departments. This centralization resulted in reducing the productivity of management and an increase in corruption.

Because of social and culture values, the head of the community or leader of a group is the only decision-maker and he is the only person who is responsible and aware of all the details, similar to a captain of a ship. Due to these cultural values, we still find people approaching the head of the department or undersecretary or even the Minister to solve a small problem or to get their needs met. They by-pass the department manager and concerned employees and assume that the head of the department has the answers to any problem. Also, in most cases, the head of the department is not able to pass on the authority and responsibility to lower employees because of the low education/illiteracy of the employees, which has increased the centralization of the power .

The Organization chart of the Government sector and Bureaucracy:

Due the size of the country and the economic boom, Kuwait had in a short span of time to establish and develop the economic structure and the governing system. Hence, as an easy alternative, they copied the governing laws, systems and hierarchical structure from Egypt and implemented them with use of scholars and experts from Egypt. But the laws and systems were implemented in Kuwait without making any adjustment regarding the difference in environment prevalent in Egypt and in Kuwait. For example, the commercial law in Kuwait is a replica of the Egyptian commercial law and some of the vocabulary and expressions used were never heard in Kuwait before. New laws and systems were being introduced without considering the existing environment in Kuwait. Factors such as favoritism due to strong social status of individuals and corruption were not given any thought before introducing these new laws.

The Kuwait Governor issued the form of government hierarchy in the year 1962 and subsequently the controlling laws of the government were issued in the year 1963. The Kuwait Employment law was issued to handle the employment of the Kuwait Citizens in 1963. Also, to control and monitor the government expenditure CTC was established in the year 1964.

The Merchants in Kuwait and their influence on Government Structure to design the system to serve their interest:

Before oil production, the Kuwait economy depended on the taxes collected from the rich families and from merchants. These merchants were mostly educated and were managing their business houses.

After the oil production, since the government wanted to control and manage the economy, the government was forced to take the advice of or even employ these merchants as high ranking officials in the government to help the government in running the economy and strengthen the nation. So, some of the businessmen were employed in the government during the day and yet had their own business being carried out. Unfortunately, at times of decision making, he had his own personal business interest in front and did not consider the nations interest. These merchants also grew in the society or social hierarchy. They became wealthier and grew in power. This situation prevailed due to the absence of a controlling and monitoring body and hence CTC was established.

Second: Social Reasons to Establish CTC

The social values and the sources of these values

The social values and their sources affected the Kuwaiti society and these values influenced the attitude and behavior of the individuals. These social values appear to be unchangeable in spite of the dramatic changes in the Kuwait economy and society.

The sources of these social values are as follows:

The Religion

The Islamic religion is the fundamental basis for the life and system including political, judicial, social and ethical values.

The relationship and the link with Arabian Culture

The geographical location of Kuwait is in the Arabian peninsula and the Kuwaitis are of Arab origin. This is built in the Kuwaiti constitution. Arabian culture also explains the generosity, sense of honor, trust, other values and principles.

The Family and Tribes

In Kuwait, the family or tribe is the center of the relationship and the focus of any relationship, unlike the individual in the Western Societies. The relationship is built keeping in mind the obligation, loyalties and duties/businesses of the family members to the family, and according to this those members will be supported by the society.

The Customs

Most of the customs in Kuwait are based on the religion, roots of the community, and the environment. For example, diving in the sea for pearls in the early days needed the co-operation of all the sailors in the ship to work as a team, now this has become a custom.

Social Loyalty and Favoritism

Strong loyalty has been sown in the social culture in Kuwait. This loyalty to any particular family arises from the power of the family or tribe. Any assistance to any member of such a powerful family will be more than an obligation or a duty of the relatives. This has affected the Government structure and managerial decisions.

Due to this social loyalty, favoritism prevailed as a duty of the concerned Government employee and it was difficult for him to follow work procedures or system and he would treat a request from a related family/tribe member on an exceptional basis, and would even break/bend any rules or system to achieve the need.

This situation created an unofficial parallel functioning which became stronger than the official rules and systems. This has negatively affected the administration and management and has created a deviation from the right system and procedures.

Competition between Kuwaitis and non-Kuwaitis

As discussed earlier, at the time of the creation/formation of the government organization, due to the lack of experts of Kuwaiti nationality, the government was forced to bring experts from other countries to run the government organization. This continued for more than 30 years, and after this the Kuwaitis started competing with non-Kuwaitis (from 1965). Also the Kuwaitis wanted to make decisions by themselves and run the country. Kuwaitisation (employ the Kuwaitis only) was a strong policy to replace the non-Kuwaitis with the Kuwaitis. This led to resistance by non-Kuwaitis because they would lose their jobs. This also led to a strained relationship and high tension between the Kuwaitis and non-Kuwaitis.

The non-Kuwaiti employees had just followed the rules and procedures of the system without any career development or any creativity in their work. Also, due to insecurity, some started corrupt practices.

Selection of Employees for Public Position

The loyalty to a particular family or tribe and favoritism were the main considerations for selection of employees for public position. As per a questionnaire in 1975, most of the managers opined that the social consideration such as tribes and family was the main reason for employing the Kuwaitis in the public sector.

Third: Political Reasons for Establishing CTC

The political developments in Kuwait had a direct impact on the government management. The Central Tenders Committee, being one of the government departments, reflected the political developments. This can be explained as follows:-

The outside security factor

Kuwait responds very quickly to any political changes in the world in general and in particular the Middle East. In the Middle East, the neighbors Saudi Arabia, Iran and Iraq play an important role and any impact of such political changes in the neighboring countries is absorbed immediately in Kuwait. One of the tools to respond to the changes in other countries is CTC. CTC is used as a tool to satisfy some countries, which have some strong/good relationships by awarding projects to companies from these countries. For example, most of the large contracts after liberation were awarded to the allied forces companies especially the Americans, followed by the British and French companies. In 1995 year end, CTC awarded the largest project in the oil sector to a Chinese company, to build a very large oil gathering center to the value of about \$500 Million. This Chinese company was the third lowest bidder and did not have any prior experience in such a field. Nevertheless, this company was awarded the contract to satisfy China so they would vote against Iraq in favor of sanctions in the United Nations.

The local security factor

The economic and social factors reflecting the government's decisions and policies have been discussed in detail earlier. Inside Kuwait, there were many small groups inside bigger groups, which wanted to be recognized as a major player. The government played smart by treating them fair and avoided any local problems between such groups like the merchant families (Chamber of Commerce), the tribes, the Sheyah, extreme Muslim groups and even the foreign work force. The Parliament and its members' influence on the CTC have been discussed in earlier chapters. The Royal family is also a major factor in keeping the local security balanced and strong in Kuwait.

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CHAPTER EIGHT

THE CENTRAL TENDERS COMMITTEE, LAW AND PROCEDURES

Central Tenders Committee

Introduction

All governments in the world are trying to satisfy the human, community and public needs. The satisfaction of these needs will depend on the nature of the systems , organizations, and the government's political , economic and social structures.

All these needs require public spending from the governments for the community interests to increase the standard of living in the country. In Kuwait where there is no system of taxes, there is no income for the government to subsidise the costs of services to the community, the government depends completely on the oil income so the government needs to get the best distribution for spending resources between public needs and private needs.

The Kuwaiti government wanted theoretically to get the best results with cheapest costs. As such they established one tool ,the Central Tenders Committee, to control all the government spending. By this, C.T.C. has attained a very important status of reflecting the expenditure of the public departments, administration, legal, social and political departments. So C.T.C. plays a very important controlling role in Kuwait.

First: The History Of Tendering Procedures

There were no specific procedures for the tendering and awarding for all the government contracts. What was the practice before was that in each ministry or government company one department acted as contracting department and would select what was required for all services, supplies and projects contracts .

The obligation or the condition was that where there were two offers the contract should be awarded to the lowest offer .

In 1964, law no 37 was issued and included all the details for tendering, submitting and awarding contracts, which is followed to this day.

Second: Central Tenders Committee As Government Tool

1. The main public expenditure in Kuwait is for providing services, supply projects, development projects and salaries. So the Kuwait government used this tool to control the spending.
2. CTC is used to reduce the expenses of the government departments and to use the best and cheapest offers from the private sector for public expenditures.
3. To organize and unite all procedures for all government departments for any tender through Central Tenders Committee's decisions.
4. To avoid breach of trust by the government departmental employees.
5. To put fairness into the procedures so as to treat all contractors from the private sector equally and to give each the same chance to get the contracts.

It should be remembered however that some times the government uses C.T.C. to reward some individual businessmen for their loyalty towards the government, some times the government uses this tool to prefer one contractor over others for their nationality or to satisfy the foreign contractor government .

The C.T.C. controls all tenders valued at more than KD 5000 without any higher limits. This privilege is given to C.T.C. through a law giving it full authorization to centralize all government contracts, tenders, government departments, ministries, government companies, oil sector companies, the assemblies and all other government authorities.

Third: Kuwaiti Public Expenditures

1. salaries and wages , which include all the government employees and the other government companies or assemblies, and all other allowances are not put through the C.T.C, but are directly linked to the employment contracts.
2. operations expenditures which cover all the materials which are consumed during the budgeted year like fuel and other materials will have contracts to supply these materials, and this has to be done through the C.T.C.
3. contracts for equipment and contracting will have to follow C.T.C. regulation and law .
4. all new projects and extensions have to be routed through the C.T.C.

5. other expenditures and transferable payments that cover the compensations and the social allowances for the poor are decided by the Government and do go through C.T.C.

During the writing of this research the Kuwaiti Parliament issued a law at the end of June 1998 to add new government departments which were not included before. These are known as the attached budgets departments and independent budgets departments. So to update the research we amended this chapter. Each government department is shown and how many tenders were issued through CTC in the financial year starting from July 1997 till end of June 1998.

Table 8.1 Government ministries and number of tenders

<u>GOVERNMENT DEPARTMENT</u>	<u>No's of tenders in the Financial year 1996-1997</u>
1) MINISTRY OF FOREIGN AFFAIRS	0
2) MINISTRY OF PUBLIC WORKS	62
3) MINISTRY OF ELECTRICITY AND WATER	172
4) MINISTRY OF FINANCE	7
5) MINISTRY OF PLANNING	5
6) MINISTRY OF OIL	1
7) MINISTRY OF PUBLIC HEALTH	66
8) MINISTRY OF COMMUNICATION	12
9) MINISTRY OF JUSTICE & ADMINISTRATION AFFAIRS	8
10) MINISTRY OF HIGH EDUCATION	1
11) MINISTRY OF SOCIAL AFFAIRS AND WORKS	27
12) MINISTRY OF COMMERCE & INDUSTRY	5
13) MINISTRY OF EDUCATION	26
14) MINISTRY OF INTERIOR	12
15) MINISTRY OF AWQAF AND ISLAMIC AFFAIRS	9
16) MINISTRY OF INFORMATION	7
17) MINISTRY OF COMMERCE AND INDUSTRY	5
18) MINISTRY OF DEFENCE	84
19) AMIRI DEWAN	0
20) AUDIT BUREAU	2
21) COUNCIL OF MINISTERS	3
22) CIVIL SERVICES COMMISSION	2
23) CUSTOMS DEPARTMENT	4
24) AWQAF PUBLIC ENDOWMENTS	0
25) FATWA & TASHRIE DEPARTMENT	0
26) DIRECTORATE GENERAL OF CIVIL AVIATION	6
27) NATIONAL COUNCIL FOR CULTURE,ARTS&LITERATURE	1
<u>TOTAL Government Ministries</u>	527

THE ATTACHED BUDGETS DEPARTMENTS

28) National Assembly	5
29) Kuwait Municipality	10
30) Kuwait University	N/A included in CTC in 1998
31) The Public Authority for Housing	N/A included in CTC in 1998
32)The Public Authority for Civil Information	4
33) General Fire Department	4
34) Kuwait Investment Authority	N/A included in CTC in 1998
35) The Public Authority for Applied Education	17
36) General Authority for Minors Affairs	1
37) The Public Authority for Agriculture & Fisheries	20
38)The Pub. Auth. Of compensation of Iraqi Invasion	1
39)The Public Authority for Youth & Sports	8

Total for the attached budgets departments 70

INDEPENDENT BUDGETS DEPARTMENTS

- 40) Central Bank Of Kuwait
- 41)Kuwait Fund for Arab Economic Development
- 42) Saving & Credit Bank
- 43) Kuwait Airways Corp.
- 44) Industrial Authority
- 45)Kuwait News Agency
- 46)The Public Institution for Social Security
- 47) Ports Authority
- 48) Kuwait Institute for Scientific Research
- 49) Zakat House

All the above departments included under CTC law in 1998 and figures not available.

CENTRAL TENDERS COMMITTEE

OTHER DEPARTMENTS & OIL SECTOR COMPANIES

50) Kuwait Petroleum Corporation	3
51)Kuwait Oil Company	160
52)Kuwait National Petroleum Corp.	178
53) Petrochemical Industries	20
54) National Guards	9
55) Shoaybah Area Authority	5
56) Environment Authority	1 (New department)

Total Oil sector Departments 376

Grand total: 973

The Central Tenders Committee Law

In year 1964 the Amir of Kuwait issued the Central Tenders Committee law no. 37/1964 and followed it by two amendments no. 18/70 in year 1970 and no. 18 /77 in year 1977.

The Public Tender Procedure

Public Tender

The public tender refers to a group of procedures and conditions which the government departments must follow, to get materials or work or services at the cheapest price and the best quality .

The Legal Basis For The Public Tender

The Mechanism of the Tender

C.T.C. must award the contract to the lowest bid for every tender if the bid complies with all conditions and specifications either in general or in particular.

Theoretically C.T.C. is a useful government mechanism by which the budget and actual spending of the government department can be monitored , because at the time of tendering , C.T.C. can check whether a budget is allocated for the contract.

There are some exceptions to awarding the contract to the lowest bid such as:-

1. If the total value of the tender is very low and it is very clear to the C.T.C. members that it is impossible to perform this contract with this value then the members will give their judgment in this regard .
2. If the C.T.C. members think that it is better to prefer some contractor other than the lowest contractor they can award the contract to the preferred contractor. Even if the government department objects, C.T.C. has the power to refuse and refer this matter to the Ministers Council.
3. If C.T.C. or the Ministers Council decides to cancel this tender.

Increasing Competition and Fairness

Increasing the numbers of bidders will lead to an increase in competition and should result in reducing the cost, but with improved quality .

The Confidentiality of the Tender

1. Before the announcement of the tender, the concerned government department sends the tender documents to C.T.C., having checked this tender with the legal department. After final checking in C.T.C., these documents will be ready for the bidders. All the bidders who purchase the documents are in a confidential list. After that the bidder will submit the offer without any marks in any documents. Any offer which does not follow these procedures will be rejected.
2. We find the confidentiality extends inside the C.T.C.: the offer box has three locks, the key to one is with the chairman of the committee, second with his deputy, third with committee secretary. The box will not be opened until the committee is meeting.

The Legal Position of the Bidders

When the offers are opened by the committee and the committee has registered the prices, then the bidders will have a new legal position, which is mentioned in the tender document. The prices quoted by each bidder will be declared and each bidder will hold their offer for 90 days and then usually the lowest bidder will get the contract. In case C.T.C. awards the contract to another bidder, other than the lowest bidder, the lowest bidder can complain to C.T.C. and C.T.C. can reply to this but most of the time will simply file the complaint.

Instructions To The Bidders

1. Any instruction given in the tender document should be followed, such as how to write the prices and giving the information needed. If that is not followed, the offer maybe rejected by C.T.C.
2. The bidder is not allowed to transfer or change the name of the bidder which should be the same as mentioned in the purchase invoice. Also the bid offer must be signed by the authorized person of the company which is bidding.
3. If the bidder would like to submit an alternative offer and this is allowed as per the tender documents then he can purchase a new set of documents and write the words "alternative offer".
4. The pricing must be in Kuwaiti Dinar ,otherwise the offer will be rejected.

CENTRAL TENDERS COMMITTEE

5. The total value must be calculated correctly and if there is a calculating mistake which results in more than 5% increase or decrease this will be enough reason to reject the offer. The item price and total price should be correct and the price in words should be correct and if there is a difference in price in numbers and in words, C.T.C. will choose the lower price .
6. Every offer must carry a bid bond from a Kuwait bank either by way of bank guarantee or attached check which shall be valid for 90 days from the submission date .
7. The offer in the bid is fixed and will not be allowed to change even if the price of raw materials change or international currencies fluctuate , or there is any change in international prices.
8. In some tenders they will ask for samples to be attached with the offer and the bidder must give the samples or the offer will be rejected.
9. The closing date and the time must be followed as mentioned in the tender and the C.T.C. box will close on time. The bidder is not allowed to put any mark on the offer envelope.
10. The successful contractor must sign the contract after receiving the letter of intent within 7 days. Any delay will cancel his offer and the C.T.C. will take the bid bond amount.
11. There are clauses with regard to any delay in the contractor's performance after signing the contract. These clauses clearly specify the penalties chargeable to the bidder after such delays .
12. If the tender allows participation both from local and international contractors as partners or as a joint venture, then when they submit their offer the bidder must attach the attested agreement between the local agent and international contractor, and the offer can be submitted in their joint names.
13. If there is any objection from any bidder, the bidder can write a letter of complaint to C.T.C. chairman about this and the chairman will discuss this in the next committee meeting. If half of the members accept this, they will take this complaint to the ministers council.

CHAPTER NINE

THE ORGANISATIONAL SET UP INSIDE

THE CENTRAL TENDERS COMMITTEE

In this chapter , we will explain and discuss in detail the organizational set up inside the CTC. This can be done by categorizing the organizational setup into the following subjects:

1. Board of directors of CTC and the Members of the Board
 - i) The board of directors of CTC.
 - ii) The Chairman.
 - iii) The Secretary.
2. The CTC board tasks, meetings, decisions, policies, and priorities.
3. Organization setup of CTC, departments, employees, and the goals for each department.

FIRST: The Board of CTC, The Members, Chairman, The Secretary

Board of CTC

The board of CTC consists of eleven members, who are as follows:

- (a) As per clause No 4 of CTC law, the Council of Ministers appoints six members who are popularly known in the community as “Honest Merchants “. This appointment is for a period of two years after which it can be renewed by the Council of Ministers.

The Council of Ministers appoints the Chairman and the Deputy Chairman of the board and fixes their remuneration.

- (b) Representative from Ministry of Finance.
- (c) Representative from Ministry of Planning.

CENTRAL TENDERS COMMITTEE

- (d) Representative from the Government Legal Advisory department.
- (e) Representative from the Ministry which issues the tender through CTC (the User Ministry).
- (f) Representative from the Ministry which will supervise the tender or the project.

The meetings of the CTC members are considered legal only on fulfilling the following two conditions:

first: at least six members should attend the CTC meeting .

second: the Chairman or his Deputy and the Government Legal Advisory Department representative should be present in the meeting.

The members of the board of CTC are not allowed, by the law, to deal directly with CTC or submit any offers for any tender. Any local company in which the CTC member is a partner, agent, commission agent, supplier, employee, or board member, also cannot deal with nor submit any offers for any tender.

The Chairman of CTC

The chairman has been the same person since the formation and establishment of CTC till the present. This is because he is a close friend of the Royal Family, especially the Governor, and he places great trust in this Chairman. As a reward for his loyalty, they gave him this position though he is not highly educated; he can read and write, possesses good knowledge about Arabian culture and poetry, and is also considered as a social public reformation advisor.

In spite of repeated efforts from every Parliament since the 1970's, to replace the Chairman with a qualified person, he has been successful in holding on to the chairman's seat.

The chairman runs the committee without a discernible management pattern and it is very susceptible to outside influence.

He even reverses decisions of the committee without going back and referring to the members.

The C.T.C. Secretary

Appointment of Secretary:

Under the clause no. 61 of CTC law, the Council of Ministers appointed the secretary without detailing his responsibilities. His responsibilities have been outlined in the CTC law to run the administration of the committee, and directly report to the state minister of the Council of Ministers. This position is on the payroll of the government employees structure unlike the other CTC members who get a premium for their performance.

Duties of Secretary:

The secretary arranges the meetings of the committee, schedules all meetings of the committee, attends the meetings, writes the minutes of the meetings including the committee decisions and implements the committees decisions. Being the administrator in charge of CTC, he holds the third key to the “offers box”, in which the bidders put their offers on the tender closing date and time. This “offers box” must be opened in front of the secretary. The secretary also appoints employees to run the CTC smoothly including safe keeping of the offers box.

He performs his duties and responsibilities with the assistance of the legal department, offer checking department, and the offers issuing department and he can increase or decrease the numbers of employees.

The secretary, under clause No 6 of the CTC law, is also responsible for the preparation of the registration of approved vendors and contractors list.

Second: The C.T.C. Board Tasks, Meetings and Decisions

The CTC board tasks: These tasks will serve the CTC goals which we can discuss in the following sections:

The CTC meetings

- a) As per the CTC law the CTC members meetings can be considered as legal meetings if they satisfy two conditions:
 - The numbers to attend the CTC meeting are at least six.
 - The meeting must include the Chairman or his Deputy and the Government Legal Advisory Department representative.

Unless these two conditions are satisfied, the meeting will not be legal and all decisions will be invalid.

CENTRAL TENDERS COMMITTEE

- b) CTC committee has two meetings every week - on Sundays and Thursdays - to open the tenders box which closes on every Sunday and Thursday and to decide the tenders.

CTC decisions

Clause no. 42 of CTC law states that the CTC decisions must be decided and accepted by the majority of CTC members, which is half of the members plus one. In some cases, the decisions require the acceptance of all the members or two thirds of the total members, which we will discuss later.

The policies and the priorities for CTC

- a) Awarding the tender and the contract to the lowest qualified bidder according to the tender specifications.
- b) If the offer is very low, which can be noted by the members of CTC, the members can disqualify this offer and exclude it.
- c) The local (Kuwaiti) products get a preference by around 10% from the foreign products. The other Arabian Gulf countries get preference by 5%.
- d) CTC has the right to check with the clients about the allocated budget for this tender.

Committees attached to the CTC

According to clause no 7 of CTC law, CTC can establish and create committees according to the needs:

Pre-qualification and categorizing

To categorizing and qualifying the local contractors, after this pre-qualification stage, these contractors can bid for the tenders according to the related categories list of qualified approved companies for example, contracting, constructions, maintenance, and other small or large projects.

For evaluation of the offers

CTC can also appoint a committee to evaluate the offers if there arises a conflict between the bidders and the end user - the client - in this case, or between the user and CTC. CTC has the right to appoint any department or local or international consultant or advisor to solve that problem or conflict.

The general conditions for all tenders from CTC

Under Clause no. 63 of the law, CTC has the right to prepare and decide the general conditions for all tenders issued through CTC.

CTC has the right to ask the Ministry, which asked to issue this tender, to add the general conditions prepared by the CTC alongwith the special conditions for the Ministry 's requirement or contract .

After looking into the condition, the Ministry will send all tender documents to the Government Legal Advisory Department to check the legal aspects of the special conditions before sending it to CTC and before issuing the tender documents. After all this, CTC will again check thoroughly to avoid any mistakes.

Acceptable amendments, by the ministry or CTC, till signing of the contract

A Ministry which issued the tender may attempt to add a special condition clause for this tender to give the Ministry the right to increase or decrease the contract value. If CTC gave only the right to vary by 5% from the total value of this contract, or by the special approval from CTC if it is more than this percentage, then without this approval from CTC this variation will be not acceptable legally.

Opening the tenders and the offers envelopes

As per clause no.32, the CTC tenders box will close on the closing day and as per the time mentioned in the tender documents. After the attendance quorum of CTC meeting is satisfied, (6 members plus chairman and legal advisory representative) the box will be opened.

In case the quorum is not met, the box will not be opened until the next meeting. No bids brought after the closing date and time will be accepted based on the fair treatment of all bidders .

On the opening of the CTC box, CTC will list all tenders, tender prices, and the names of bidder companies. CTC will also detail the following:

- a) whether all required documents, like the bid bond are attached.
- b) whether the bid is signed by the authorized person of the bidders.
- c) whether the bid has time validity as required (mostly it is around 3 months).
- d) whether any signs or symbols or marks are put on the envelope to distinguish the bidder's envelope from others.

- e) whether any unclear information is given in the documents, in which case CTC has the right to accept, after correction, or reject the offer.

The transference from CTC for technical evaluation to the users or to the Council of Ministers

- a) To the Government department (client or user): according to the clause no. 38 of CTC law, all accepted offers for the tender must be transferred to the clients -the Ministry or the user - for technical evaluation which will be done by the technical departments in the government departments. These departments will put their comments and recommendations to CTC about the lowest offers.

In some cases the tenders need not be transferred to the government, such as general items, where CTC has the right to award these tenders.

Also CTC has the right to appoint a committee to share with the client their technical evaluation. These committee members will be appointed by CTC from any government employees.

Also CTC has the right to appoint an international consultant to evaluate the offer along with the concerned Ministry or the user, if the tender requires very detailed evaluations, and to submit their recommendations to CTC.

Even if the technical evaluation or the recommendations recommend one of the offers, CTC has the right to reject this and can decide according to CTC members' opinions wherever they suspect any vested interest in a technical evaluation recommendation.

- b) Transferring to the Council of Ministers: if CTC feels that the lowest offer is not according to the CTC instruction then CTC has the right to reject this offer and go for the next lowest if the majority of CTC members so decide.

If the offer is not preferred by CTC for some other reason, even if this offer is the lowest and complies with all specifications, requirements and follows all legal terms, CTC has the right to transfer this to the Council of Ministers to make the decision either to reject this offer or go for the next lowest bidder for this tender.

In case the Ministry prefers to deal with the second or third lowest bidder due to some interest or benefit to the Ministry, for example the second lowest has another contract related to this tender, then the Ministry for these valuable reasons can recommend technically the second or third lowest offer to the CTC and the Council of Ministers.

The Council of Ministers will have two options, either to decide according to CTC recommendations and follow the law to award this contract to the lowest bidder or to take a different decision if the user or client is benefited technically or otherwise.

The awarding of contracts by CTC

According to clause no. 51 of CTC law, after the technical evaluation from the Ministry and after the decision from CTC or the Council of Ministers, CTC will send the letter of intent to the selected contractor or supplier, (a copy of this letter will be sent to the concerned Ministry), and request the awarded bidder to contact the concerned Ministry to sign the contract with the Ministry within seven days from the letter date, along with the performance bond. In case the contractor does not sign within this period, CTC has the right to take the bid bond which was submitted to CTC along with the tender. In such cases, CTC and the concerned Ministry will have three options:

- 1) to award the contract to the second lowest contractor.
- 2) to cancel the tender.
- 3) to re-tender the contract.

If the letter of intent has already been issued to one of the bidders and the Council of Ministers wants to change the decision and award the contract to another bidder for some reason, and if the earlier awarded contractor has signed the contract, then the contract will be valid and no authority can change it.

CTC penalties for bidders

There are two types of bidders:

(i) *suppliers*

In the case of suppliers, CTC can penalise them in the following ways:

- a) delay in the delivery of the contract material attracts a penalty of around 0.1% of the total value for each week of delay till the penalty reaches 10% of the total contract value.
- b) if the supplier's delays in delivery, even after the penalty, reach 10% of the total contract value, then the CTC has the right to charge the suppliers all additional costs incurred to get the same material from another supplier.
- c) the bid bond, which is around 2.5% - 5% of the contract value, can be revoked and the supplier's name removed from the CTC approved vendors lists for an indefinite period or for a certain period.

(ii) contractors

The same penalties as discussed above would also apply to the contractors as well as the following:

If the contractor stops the work on site, the CTC can appoint a new contractor to complete the work and follow this up with the following:

- i) Warn the original contractor.
- ii) Reduce / remove the category of the contractor in / from the CTC approved contractors list.
- iii) Suspend the contractor's registration for an indefinite period or for a certain period.
- iv) Charge the contractor with the price difference.

The above penalties will be given by CTC only after getting an explanation from the contractor and only if CTC feels that the explanation or reason given by the contractor was not acceptable.

Third:Organizational Set Up Of CTC

In this section we will explain the internal CTC organizational set up.

CTC departments and tasks

CTC has ten departments to assist the CTC Secretary to carry out his responsibilities of running and managing the entire organization. Each of these departments is responsible for one of the CTC secretary's missions - as explained in CTC secretary's responsibilities.

The meeting preparation department

This department is responsible for the preparation of CTC meetings which are held twice every week .The preparation will include the following :

- 1) To establish contacts with other departments in CTC for information .
- 2) To liaise with other ministries so as to have all documents ready for the meeting.
- 3) To arrange and keep all information relating to the awarding approvals, issuing of tenders from CTC, the negotiation with vendors or contractors and have it ready for this meeting.

- 4) To take down the minutes of the meeting including the points discussed and decisions reached.

Bid bond and follow up department

This department is responsible for keeping the offers from the vendors and contractors valid - by keeping the bid bond validity up to date till CTC make their decisions in regard to the tenders, because the offer will not be accepted or even considered in the CTC meeting if the bid bond is not valid.

For this purpose the secretary of CTC established this department to ensure that until the decision is made, the bid bond remains valid. If not this department will contact all the bidders and ensure that the validity is extended until the bid comes up for discussion in the CTC meeting.

The checking department

This department is responsible for checking the offers, and confirming that they meet the CTC requirements, like the company name, the offer prices, and the bid bond.

After ensuring that the offers meet the requirements, they fill in a form, required for the CTC meeting, for every tender, which contains all information required by CTC like the company name, the offer prices, the bid bond's validity, and any other internal information required for CTC to make the decision.

The awarding and auction department

This department is responsible for the awarding process after CTC has made its decision to award the contract. This department will take the necessary approval and will prepare the letter of intent and send it to the contractor asking him to contact the user ministry to sign the contract.

An auction tender is a type of tender which is different from the general one. The CTC gives approval to the user Ministry to issue a tender and they announce the closing date. The Ministry will report all the offers to CTC attaching the evaluation report of the user with his recommendations with regard to the award.

Most times the Ministry will call all bidders to an auction in one place. The lowest offer will be awarded the contract after three auction attempts or circles for all the bidders.

After the user department has reported this to CTC, the department will award the contract to the successful bidder.

The records department

This department was established to keep all records in CTC building and to keep files up to date for every tender for each ministry or government department.

In this department, there is an “incoming” section and “outgoing” section and finally the “main records sections”.

The tenders issuing department

This department is responsible for receiving the tender and the specifications from the user ministry and will check these and will make sure the general conditions and the special conditions attached to the tenders are met, and also all stamps or attestations are present according to the rules. If this tender is for limited bidders, then this department must be sure that the tender will be sold to approved bidders by submitting a letter to bidders wishing to purchase this tender.

The accounts department

This department collects the fees for the tender documents and maintains and controls all accounts systems, as in any other organization. This department is the biggest department. Bidders contact CTC through this department for purchase and collection of tender documents.

The computer and microfilm department

For fast reference to the records for CTC meetings, CTC established this department to keep all the minutes of all CTC meetings and decisions in this microfilm system. It can be used, if needed, during the CTC meetings.

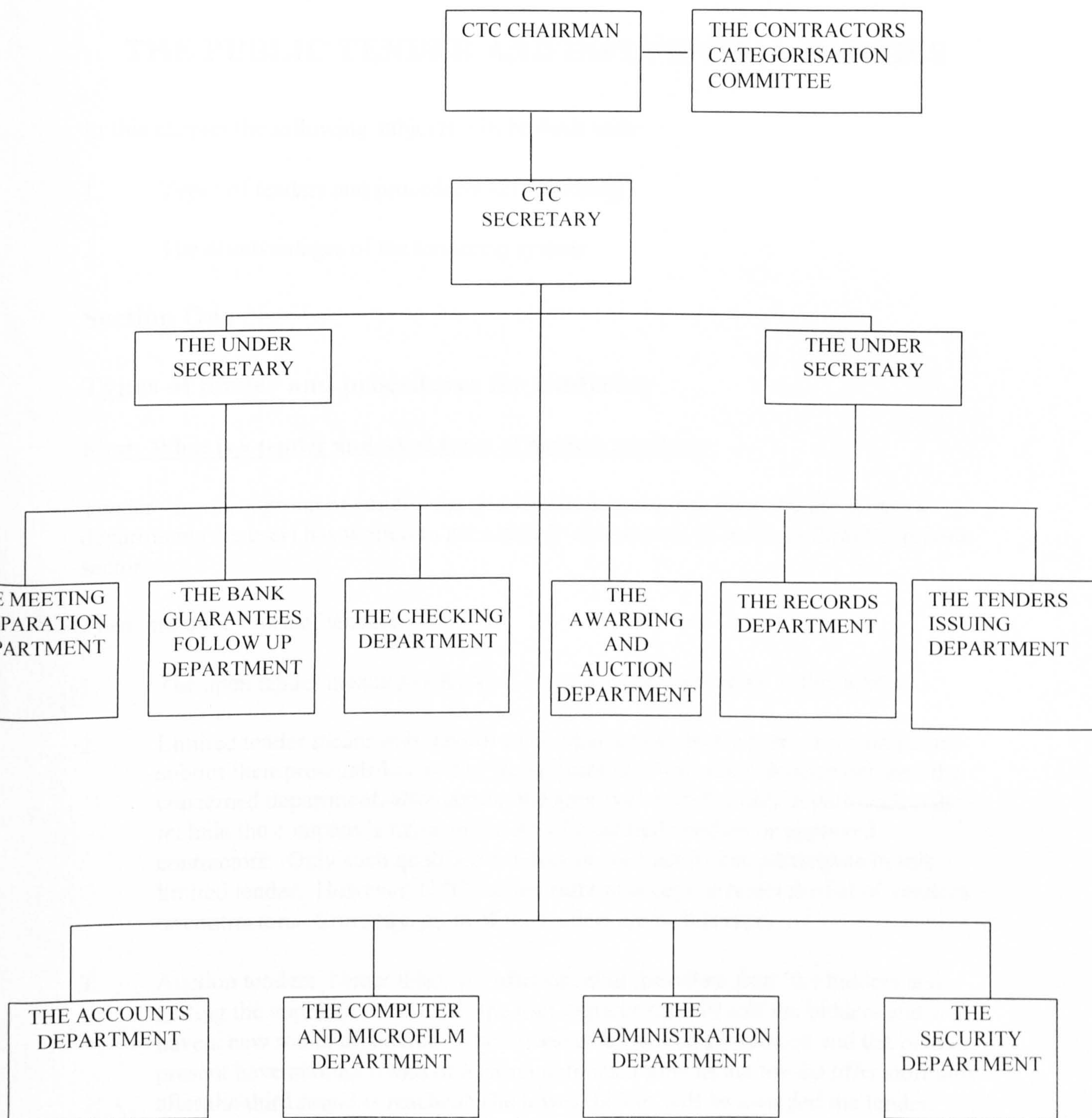
The administration department

This department controls and manages the CTC employees.

The security department

This department looks after the security of the building and safety of the occupants.

Figure 9.1 Organizational set up of CTC



CHAPTER TEN

THE PUBLIC TENDER AND INFLUENTIAL PARTIES

In this chapter the following subjects will be dealt with:

1. Types of tenders and procedures for tendering.
2. The disadvantages of the tendering system.

Section One

Types of tender and procedures for tendering

First: What is a tender and what types of tenders are there

Tender - means a group of conditions, specifications and procedures the government department (the user) has written to get a supply of materials or services from the private sector.

There are three types of tenders:

1. The open tender means any Kuwaiti company can participate in this tender.
2. Limited tender means only approved companies can participate. The companies submit their pre-qualifications to the concerned government department, and the concerned department, after getting the approval from the user department, will include the company's name in the list of qualified vendors or approved contractors. Only such qualified vendors or contractors can participate in this limited tender. However, CTC has the right to accept or reject the list of vendors or contractors. Currently, most of the tenders are of this type.
3. Auction tenders. Under this type, after opening the offers from the bidders and getting the approval from CTC the user department will call the bidders and will have a new round of auction. The lowest offer will be announced and the bidders present have another round of auction until such time as the lowest offer-normally after the third round is reached. The lowest bidder will be awarded the tender.

Second: who has the right to participate in the CTC tenders

Only the following companies have the right to participate in CTC tenders:

CENTRAL TENDERS COMMITTEE

- a) Kuwaiti company or traders having valid commercial registrations with Ministry of Commerce, and registered in Kuwaiti chamber of commerce.
- b) Any foreign company or manufacturer or contractor which has Kuwaiti partners or Kuwaiti agent with official agency agreement registered with Ministry of Commerce.
- c) The company must be registered with the client or user department as an approved vendor or contractor.

Third : Preparation to be made by the client or user department and CTC

The client or user department which wants to issue a tender for supply or services, needs to prepare detailed specifications and get the approved standards from the standards department along with the quantity required, and all possible drawings and instructions. Against each item the date or duration to supply or start the services must also be given. *(Normally it takes - according to the tender type - between 3-6 months at least).*

After preparation, these documents are sent to the commercial department to study and review the tender and the penalties, in case of delay in supply or providing services as per the contract. They may also amend or add new clauses to the contract terms and conditions. In the case of new legal conditions being added to the contract, the documents will be referred to the legal department of the client or the user or the government legal advisory department which controls or handles all legal matters relating to the government sector.

After finalizing the legal aspects of this tender, they will include the special conditions along with the general conditions and will make the number of copies required as per the list of approved vendors or contractors. These copies will be sent by the CTC who will in turn announce and issue this tender. *(If it is an ordinary tender , it would take about one to two months to issue the tender . If it involves other departments such as legal department it would take not less than four months to issue the tender).*

After receiving the copies of the tender, the CTC will review the legal aspects and will include all CTC general conditions on each copy of the tender. *(It normally takes not less than 3 weeks from the date CTC receives the tender documents from the client or user department to have the documents ready for announcing the tender).*

Fourth: Announcement of tenders by CTC

After the previous stage, CTC will announce tenders through the official Kuwaiti Gazette, published every week. The announcement text will mention the tender number, subject, short description regarding the required works or materials, document fees, and closing date and time to receive offers. *(Normally the closing date will be at least six weeks from*

the date of the announcement). The bid bond percentage of the offer value which is valid for 90 days from the closing date will also be mentioned in the documents.

Each approved vendor/contractor or bidder will receive two copies of the tender documents from CTC.

Fifth: Offers from bidders

1. The bidder must use the same tender documents received from CTC, following the conditions mentioned on the tender.
2. The tender documents must be signed by the authorized person of the bidder as registered by the CTC. If there is any correction or any figures over written, it must be approved by signing in red ink by the authorized person of the bidder.
3. Each tender document must be attached to the original document fee receipt of CTC, to avoid a different bidder bidding for the tender.
4. All tender documents must be accompanied by a bid bond from the bank or a certified cheque.
5. All the documents referred to above should be put in a large envelope mentioning the clients name, tender number and the tender subject.
6. This large envelope containing these documents should be put in the box kept in the CTC before the closing date and time.
7. The offer price must be in Kuwaiti Dinar , unless the tender specifically requires the bid in another currency.

Sixth: Opening the offers box and checking the offers in CTC

CTC will open the offers box on the attendance of a quorum of members (discussed earlier)and will check the documents along with the bid bond bank guarantee and will record all the information. One set of the tender and the offer from the bidder will be kept with CTC, the other copy will be sent to the client and the user. *(This whole process normally takes between 14- 30 days from the date of receipt of offers from the bidders)*

Seventh: Transferring the offers from CTC to the client or user department for evaluation

CTC will transfer one set of the offer and tender document for every bidder to the client's commercial department, which will in turn forward it to the user department for evaluation. The user department will prepare a report for the selected offers which

comply with all the tender specifications, including requirements of additional information or clarification required from the selected bidder. This report is forwarded to the commercial department, which will write officially to the bidders requesting any additional information or clarifications. The reply from the selected bidder will be sent to the user department. The user department is not allowed to get in direct contact with the bidder. *(The commercial department has to finish the evaluation within the offer validity date of 90 days from the closing date).*

On evaluation of the offers, if the user department wants to award the tender to a bidder who is not the lowest bidder, then a detailed explanation has to be given to the commercial department. The explanation will then be forwarded to the CTC after checking and attaching a recommendation by the commercial department.

Eighth: Awarding the tender

If the CTC is convinced, and as matter of policy, it will award the contract to the selected lowest bidder. If the CTC is not convinced then it will award it to another bidder who is second or third lowest bidder. CTC will request the client or the user representatives to meet CTC and discuss this.

CTC will send a letter of intent to the successful contractor or supplier to contact the client and sign the contract for the tender within 7 days.

Ninth : Cancellation or re-tendering

CTC can offer for re-tender the issued tender under the following circumstances :

1. If only one offer or bid is received for the tender .
2. If the lowest offer is above the budgeted amounts, the client can request CTC to re- tender.
3. If the client reviews the need for the tender and requests CTC to re- tender.

(The re-tender will take more than two months to announce in the official Gazette)

Tenth: Delivery time

If the awarded contract is for the supply of goods, then the successful supplier should supply the materials within 2 months of the date of signing, allowing for sea transportation time and given that the material does not need manufacturing time. If the awarded contract is for contracting , then the contractor will be given at least 3 months for the mobilization of his works.

Section Two

The disadvantages of the tender system

First: The time from the initial idea till the supply of the materials or start of work on the contract

The gestation period is too long. The time taken from the date of the initial idea till the supply of the materials or commencement of work for a contract takes around at least one year for a new tender or around four to nine months for reissuing an existing tender. The period can be analysed as follows:

- 1) Three to nine months to detail the specifications and write the tender.
- 2) Two to three months to prepare the tender documents by the commercial department till they are transferred to CTC.
- 3) Three weeks for CTC to announce the tender.
- 4) Not less than six weeks from the date of announcing the tender to receiving offers from bidders.
- 5) Two weeks for checking the tender offers by CTC.
- 6) Two to three months evaluation time by the user.
- 7) Two weeks for awarding and signing the contract .
- 8) Two to three months to supply materials or commence work on the contract.
- 9) If the decision is to re-tender, it will take at least two months - not considered in the above gestation period .

Second: The complicated procedures for tendering

The special and general instructions issued and amended by the user, the commercial department and the CTC complicate and lengthen the procedures of tendering, for example:

1. The tender's special instruction such as specifications, delivery, validity of the offer and related requirements for materials.
2. The tender's general instructions and conditions such as filling in the offer, the bid bond, the signing of the documents, stamping the documents, using national

companies for transportation, the required attachments such as the receipt for the tender lengthen and complicate the whole procedure.

3. Even putting the tender in an envelope, and in the box before the closing time and date complicates the procedures.

Third: One price - one offer

CTC agrees one price and sticks to that price without considering the gestation period influence, currency exchange rates (since contracts are in Kuwaiti Dinar), and the difficulty of forecasting certain markets such as the metals markets for steel and copper where the availability of the materials is also not predictable.

All over the world there are negotiations around an offer. In the case of CTC, there are no negotiations. This leads to the supplier/ contractor taking high risks to keep the cost low or even failing to recover some costs or else to keep a very high margin to cover all types of risks. This affects the country's budget.

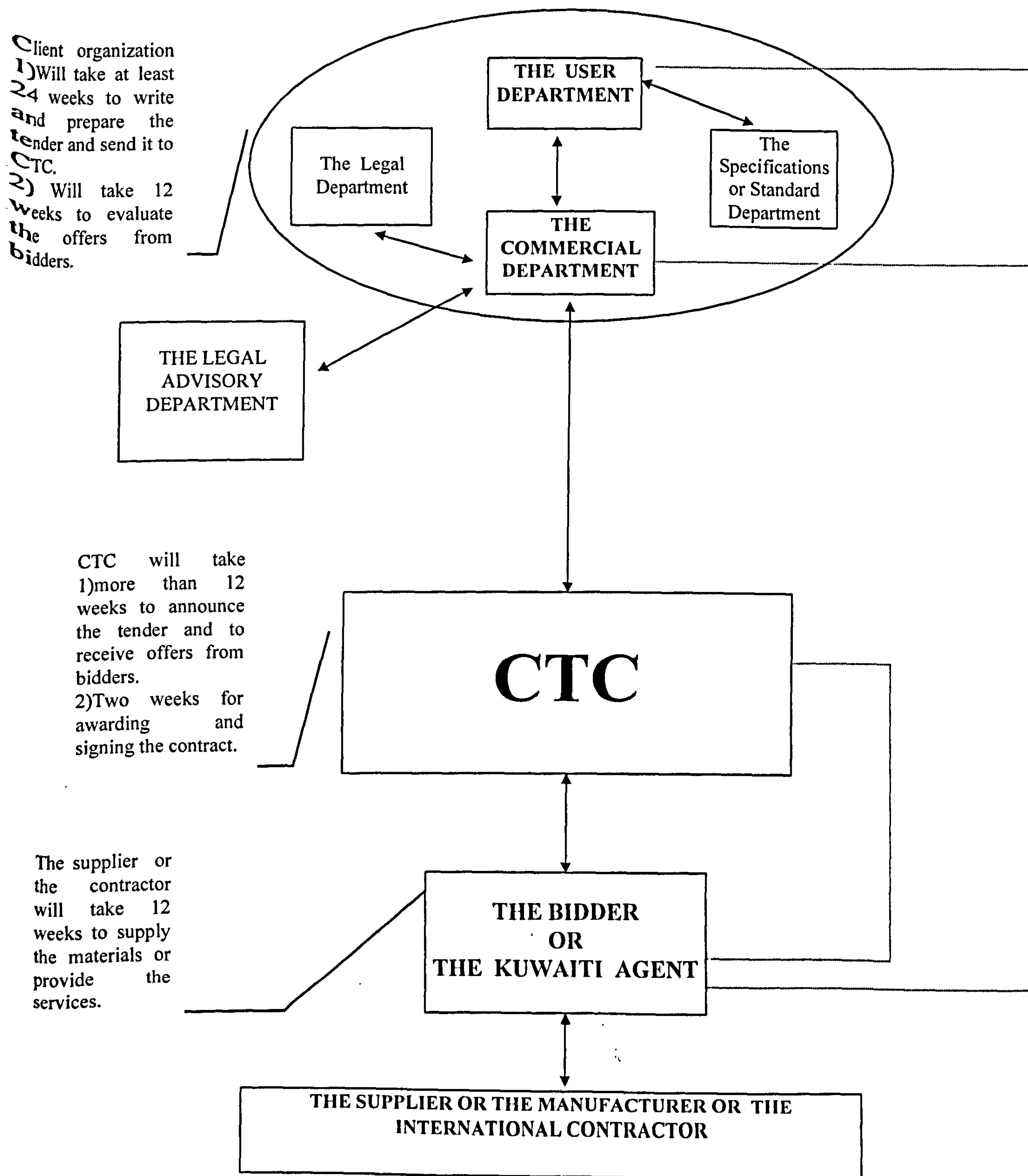
Fourth: The bidder or agents role and influence

The entire fairness of the functioning of the CTC will be affected by the bidder or agent who plays a very important role in this whole cycle of tendering.

The bidder or the agent can influence the decision to his own advantage by following the under mentioned steps with each department in the cycle of tendering.

1. Influence the user department: the user department can be approached by the agent and can write all the specifications according to the agent's manufacturers catalogues. This is done a lot with process equipment or when the user wants specific products or a design to be unique to the factory. Some occasions the client asks for specific dimensions with very specific sizes or specific color for specific products and avoids the evaluation of other agents products.
2. Influence the standard department in the client organization: for example when the employees write the standards for each product they can use the special standard which matches the favored products or they can write some or one special specification for this product. These standards will be forwarded to the user department to write in the tender.
3. The agent can influence the CTC by trying to find any reason to disqualify any rival bids or affect the results to suit his own products.

Figure 10.1 The dynamics of the tender system



CHAPTER ELEVEN

CTC AS A TOOL FOR REWARD AND SANCTION

We will discuss in this chapter how the authorities and/or the Government can use CTC as tool to reward some and sanction others.

First: The legal justifications/procedures to use CTC as tool for reward and sanction

The registration with the CTC (before the tender)

- a) Every company which wants to participate in any tender from CTC, must register with CTC providing them with all statutory documents of the company, the trade licence and the authorized signatory with specimen signatures. CTC has the right to accept or refuse to register a company without giving reasons (clause no. 5, 6 of CTC law).
- b) Even if the user department has approved a vendor and included the name in the vendor list, the CTC has the right to refuse any of the vendors (clause no.2, 18 of CTC law).
- c) Every contractor, before tendering, should be pre-qualified by CTC for small or large projects. For this purpose, CTC has set up a committee to qualify the contractors, which looks into the contractors according to their experience and share capital and categorizes them. But this categorization ultimately is done by the committee and depends 100% on the CTC chairman's decision, his opinion, and also according to the chairman's relationship with the owner of this company or by higher authorities recommendation and their support for this contractor and his loyalty to them (clause no. 8,9,10,11, and 12 of CTC law).

Influence of CTC at the bidding stage and after the submission of the tender offers

- a) Even if a company or contractor passes the above hurdle, CTC can sanction the contractors for a minor/small mistake even after the bidding stage. The following are some examples of simple mistakes by the bidders which resulted in disqualification:
 - i) Submitting the bid bond from the bank in English and not in Arabic language. In fact, there was a large project for international companies and one bidder was disqualified for the above reason.

- i) Miscalculation of the validity of the bid bond - normally should be valid for 90 days and by mistake if it is done for less than this period, it would result in disqualification (clause no. 27 CTC law).
- iii) If any corrections or amendments are made in the offer, then the authorized signatory should sign against the amendments/mistakes in red ink. Even if he signs it in blue or black ink it may result in disqualification. The offer should be in a sealed envelope without marking anything on this envelope (clause no. 22,24,26, CTC law).
- iv) Any other deviations in CTC procedures, like submitting the offer in a different currency or putting different amounts other than lumpsum prices, or submitting one original and one copy instead of submitting the tender offer with two original documents as per the law, and not attaching the samples with the offer can lead to disqualification (clause no. 25 ,29, CTC law). In general CTC has the right to disqualify any bidder for any small mistake (clause no. 37, CTC law).
- b) After the offers are submitted by the bidder, if the CTC feels that the offer prices are more than the market prices, or more than the previous orders, or more than the prices estimated by the members of CTC (who go by their experience and not by any scientific method), then CTC may cancel the tender. If the CTC may desire they can request the minister's council to re tender or transfer the tender to auction (clause no. 47). Till date, the minister's council has not refused any of the CTC's requests.
- c) CTC also has a right to re-tender if there is only a single offer or if the other offer does not comply with the tender specification or follow tender procedures (clause no 48).
- d) As per clause no 38 of the CTC law, CTC has the right to transfer all offers from bidders to the concerned user for technical evaluation. CTC can award a tender to any of the bidders without technical evaluation from the user department .
- e) As per the CTC law (clause no.39), CTC has the right to appoint and select the technical committee or consultants to evaluate the offer for the tender with or without the participation of the user department.
- f) Any recommendations from the user department or the technical committee or any other local/international consultant can affect CTC's decision. CTC has the right either to accept or reject these recommendations (clause no. 41).
- g) As per clause no 44 of CTC law , even if the bidder's price is not the lowest offer and even without considering any technical evaluation, CTC has the right -after

the Minister's council approval- to award this bidder the tender without assigning any reason for awarding it to that particular bidder.

- h) According to clause no. 52 of CTC law, the CTC can cancel the tender even after sending the official letter of intent to the lowest bidder. And this bidder does not have any right to compensation if CTC does this. But he has full rights if he has signed the contract with the user department.

CTC involvement even after signing the contract with the user department

- a) According to clause no. 57 of CTC law , CTC has the right to impose penalties as mentioned in the tender documents if the awarded vendor or contractor does not fulfill the obligations under the contract.
- b) If the awarded vendor or contractor continues to breach the contract or tender condition, CTC may give a warning and if even after that they still violate , then CTC may penalize them by any of the following:
 - i) Reduce the category classification of the contractor.
 - ii) Remove the vendor or contractor's name from the approved list of vendors or contractors for ever or for a certain period of time.
 - iii) Black list the vendor or contractor.

To conclude, CTC has the overall power to decide the following :

- i) To whom the contract should be awarded.
- ii) How it is to be awarded.
- iii) When it should be awarded.
- iv) At what price or value it should be awarded.

The vendor or the contractor is left with no option but to accept the decision of the CTC. Even if he wants to claim against CTC to the minister's council, past experience shows that he will not be successful or, in most cases, the matter will not be taken up by the minister's council.

Second: The management pattern or style of the CTC chairman

The management pattern of the CTC chairman has clearly reflected his influence in preferring one contractor or vendor against another. The following are some of the examples of CTC chairman's influence:

- 1). CTC chairman has the power to nominate and appoint the members of subcommittees. The following are some of the subcommittees appointed by the CTC chairman.
 - a) Contractors categorization committee: all contractors should be allotted a category or class for submitting an offer for any tender in that category issued by CTC.

To get the category from CTC, the contractor should submit an application requesting CTC to approve his company in the required category. The CTC chairman must place this request on the agenda before the subcommittee meeting. This categorization method and the evaluation procedures are very clear as per the CTC law.

But by past experience, the problem we note is that this committee will not discuss any submission for any categorization application unless the chairman puts the contractor's name on the agenda of this committee meeting, and it is very well known to any contractor who wants to get the categorization he must have direct access to the chairman or should be close friends of the chairman. If the contractor or the vendor does not have any contacts with the CTC chairman he may find his application in the filing room after one month from the submission date of his application. Even if the contractor tries to object or raise a voice against CTC, it will be in vain. Even if they request a lower categorization CTC has the final word whether to accept or reject such requests (please note the clause no 9 in CTC law).

- b) Offer evaluation committee: the chairman is the only authority able to appoint and nominate a committee for evaluation of offer for tender. Even the appointment of a consultant, either local or foreign, for evaluating an offer is made by the CTC chairman only.
- 2) CTC chairman can easily influence the decision regarding the award of the contract to a particular vendor or contractor or to penalize and reject any vendor or contractor, as dealt with earlier in this chapter.
 - 3) Through the representatives of the Ministries or Government companies who attend the CTC weekly meetings, we learnt that CTC chairman likes to centralize all activities and prefer a one man show pattern in all CTC meetings. Even if there is a different opinion from another member he will just ask it to be minuted but will not entertain further discussion on that opinion. His opinion will rule and the others opinion will just be minuted and go in to the records but not in action.

We have observed the influence of the Chairman of CTC, and this makes him for sure the target for many groups.

- a) Political groups like the government groups which support the government. CTC chairman is loyal and amenable to the influence and the reflection of these groups. In one instance he has gone to the extent of awarding a tender for some vendor who in turn was a candidate for Parliament just before the elections so that the candidate will have enough wealth to contest the election and to cover campaigning costs. CTC chairman shows loyalty by preferring any vendor or contractor who is close to the chairman. He does not prefer the liberal group.
- b) CTC chairman prefers the Islamic Sounah and does not like the Sheyah groups and other religious groups like Moslem brothers and the radical Moslems.
- c) CTC chairman's influence depends on the wealth and economic factors. So he responds positively to the interests of rich and powerful families.

CHAPTER TWELVE

THE QUESTIONNAIRE

As discussed earlier, the Kuwait Government theoretically wanted to get the best results at cheapest cost. The authorities established CTC by law, and it had an impact in all walks of life. To recap, the CTC was established for the following reasons:

1. To control the public expenditure of the government in providing services, supplies, projects including development projects, and salaries.
2. To reduce the expenditure of government departments by obtaining better and cheaper offers from the private sector for supplies, services and projects.
3. To organize and unify all procedures for the government departments for any tender through CTC.
4. To avoid breach of trust with the government department employees.
5. To ensure fairness in the procedures for awarding the contracts, projects and to treat all the contractors equally and give the same chance for all to obtain and perform the contracts.

The above are the intended objectives and benefits for which the legislators and lawmakers drafted the CTC law.

In the following study, we will compare these intentions with the actual performance of the CTC.

The performance of the CTC over the past 35 years can be evaluated by the following 3 tools:

1. Using the questionnaire method and by requesting the people who are in contact with CTC on a daily basis to give their views.
2. By providing examples to show outcomes.
3. By analyzing some of the results of the questionnaire.

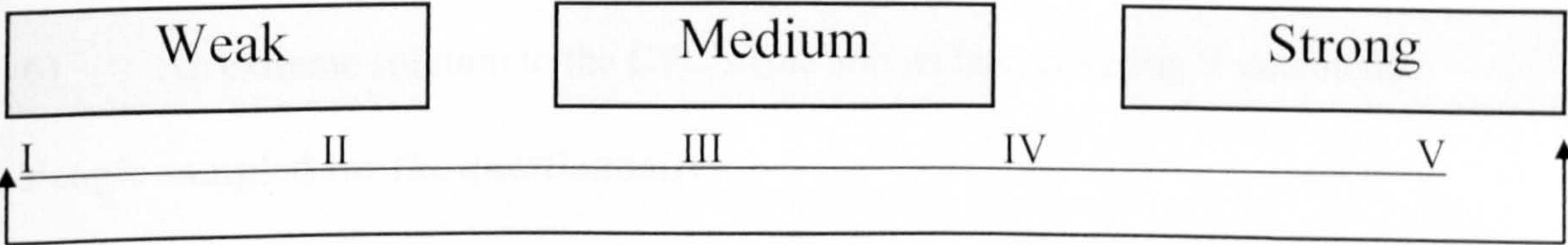
Using the questionnaire method

Reasons for selecting questionnaire method:

- i) Due to the lack of actual information, previous researchers or clear analysis and evaluation of CTC law & performance and its impact on the social, political and economical life in Kuwait, the questionnaire method is adopted.
- ii) No official written book or research material is available on the CTC. Hence, we are forced to adopt the questionnaire method.
- iii) The only way to know the disadvantage/difficulties of CTC would be to personally get the opinion of the people dealing with CTC in a routine manner.

I have framed the sentences/questions in the questionnaire in such a way as to establish the hypothetical reasons for establishing CTC & CTC law, with its advantages and disadvantages.

I tried in this questionnaire to put some very strong statements and asked the person who answered this questionnaire to give his opinion about this statement to give the level of the strength of their acceptance and to get the scale in this way.



A statement was read out to people/employees and the strength of their answer in accepting or rejecting the statement would be plotted as a percentage:

- I. 0% - 20 %
- II. 21 % - 40%
- III. 41% - 60 %
- IV. 61 %- 80 %
- V. 81%-100%

To elaborate, if an employee rejected the statement totally, then his answer would be plotted under 0 – 20 % and if he agrees totally with the statement, his answer would be plotted under 81 – 100 %.

The questionnaire is divided into 6 sections covering 74 statements:

- 1) Certain hypothetical questions about CTC and its role as per the CTC law, covering 12 statements.
- 2) The political reflection, covering 8 statements. These statements have been framed bearing in mind that the employees of CTC should continue to answer the remainder of the questionnaire and hence they are not as harsh/strong as they could be.
- 3) The social reflection, covering 13 statements. The impact of CTC on the social life has been dealt with in this section.
- 4) The economic reflection covering 27 statements. This section extensively covers the economic impact of the CTC and is the largest section of the questionnaire.
- 5) The suggested solutions covering 5 statements.
- 6) An extreme solution to the CTC's role and its law, covering 9 statements.

People sampled for the questionnaire

- 1) The sampling method used was not the random method as in the case of a normal questionnaire, because the subject is very sensitive and the people involved are very few in number. This point was referred to explicitly in the Introduction (page viii). It is extremely unlikely that an outsider would have obtained such expression of views from senior people so connected with the Committee.
- 2) The sample was therefore highly selective and covered the employees working in CTC, User Departments, Ministries, Procurement Departments and Government Departments, because these employees were in the position to provide opinions and comments based on their direct experience of CTC.
- 3) The sample also covered the private sector dealing with CTC and selected two contractors and one supplier.
- 4) The sample covered also depended on the relationship I had with the concerned employee, and these employees had to be of high rank, to enable me to get the information required. However, I realised that it was a difficult mission since these high-ranking employees were not prepared to discuss such sensitive

subjects. One employee tried to postpone the meeting after just discussing the first page of the questionnaire. I spent around 45-60 minutes discussing with each of the concerned employees the main ideas of the research, and after that I got the opinions/answers to the questions.

- 5) I received responses to a total of 10 questionnaires, seven from the government sector and three from the private sector, as follows:
 - a) Three employees from CTC- two of them were department managers and the other was a member of the CTC committee.
 - b) Four employees from the Government Ministries – one each from Ministry of Public Works, Ministry of Electricity and Water, Kuwait National Petroleum Company and Kuwait Oil Company.
 - c) Three owners from the private sector – two contractors who have contracts with the government sector, through CTC, and the third owner of the supplying house and commission agent supplying materials mainly to the oil sector, through tendering to CTC.

The Questionnaire

Introduction

The main goal in establishing CTC was to save and protect the national wealth by providing services to the Public Sector and buying the materials required at their lowest price. CTC controls the expenditures of the Government by making it mandatory to issue tenders for all amounts above KD 5,000/-. After ensuring the lowest bidder the CTC will award the contract.

This subject of highlighting the importance, goals, the advantages, disadvantages, the impact on the economy and the society can be studied by a questionnaire with the following scales:-

I - agree 0 - 20 %

II - agree 21 - 40 %

III - agree 41 - 60 %

IV - agree 61 - 80 %

V - agree 81 - 100 %

Description/Details

Central Tender Committee

1. The main goal in establishing CTC was to protect the Government wealth from unnecessary spending on purchase of goods , services , materials for the government departments .
2. One of the goals is also to purchase the best materials and services according to
 - a) best prices considering the quality.
 - b) cheapest prices without considering the quality.
3. CTC law gave the committee full control and centralization of the Government decisions in regard of buying, and contracting for all Government projects.

4. The main purpose of issuing the CTC law was to stop the Government's high level employees influence in favouring some of the competitors for the supply of services.
5. Since there is no tax system and the main income of the country is from the oil sector, the Government tried to be fair with all, by issuing the CTC law to ensure proper systems and control of Government purchasing.
6. CTC controls more than 90%-95% of the Government's purchasing.
7. In your opinion did CTC achieve the required goals over the past 30 years according to the following:
 - a) Reduce the Government expenditure in the short and long term.
 - b) Control, unite and organize the procedures to issue tenders for all the government departments.
 - c) Avoid illegal ways to award the tender and expose corruption.
 - d) Show fairness in procedures for all the companies that submit offers.
8. The central management of this committee supported the control on all government purchasing for services and materials .

The political reflection

1. The government used CTC as a tool to implement its international interest of awarding big contracts to international contractors and to avoid others.
2. The government used CTC as a tool to follow the government's local interest by awarding the contracts to favored local companies because of loyalties to members of the ruling family or the supporters of the ruling family.
3. CTC can be used as political influence on a group (political or social) by controlling one of their income channels .
4. Since CTC members are controlling the decisions, groups target CTC members to influence them.

5. CTC can affect negatively or positively any group by:
 - a) Qualifying or not qualifying them for projects.
 - b) Registering them in the tender bidders approved list.
 - c) Awarding the tender to the preferred groups or not awarding to others.
6. Reflect favoritism in the society and use it to favour the interest of influential people.

The social reflection

1. CTC reflected the social structures and the population of the country in the following manner :
 - a) Nationality: the manpower working in Kuwait is recruited from about 110 countries but mainly from India, Pakistan and Egypt and is mainly employed in the private sector.
 - b) Population: the non-Kuwaiti workforce exceeds the Kuwaiti population.
 - c) Qualification of the workforce: most of the foreign workforce are unskilled and unprofessional and are employed in the public and private sector, according to market requirements.
 - d) The poor class: this reflects a new foreign poor class in the community from the unskilled labor force.
 - e) Sex: most of the foreign work force are male.
2. The social loyalty: CTC supports loyalty by preferring contractors/ companies according to the family background, tribe and nationality.
3. Since the CTC's main aim is to award the contract to the lowest bidder, the private sector is forced to reduce their bid which in turn affects the wages to laborers, which is the main cause of disputes between the employers and employees, creating strikes, disorder and security problems.

4. Due to the poor wages, the employees resort to corrupt practices and get involved in receiving bribes.
5. The foreign worker is employed for a limited period, say two years, and, after receiving bribes, he will return to his country without having any concern for any damage caused by him to the country.
6. The workforce resides in specific areas, and due to this there has been a considerable increase in security and social problems like robbery, drug smuggling, kidnapping and attacks.
7. The ministries and Government companies depend completely on the foreign manpower, as the Kuwaiti employees presence is insignificant.
8. The unemployment among Kuwaitis is because of the high wages demanded by them inspite of their low experience.
9. The reduction of the expenditure budget by the Government forced government departments to discharge some of the non-Kuwaiti employees and hire them again through contractors to reduce the cost, and avoid Kuwaitis due to the high salaries demanded by them.

The economic reflection

1. The lowest pricing policy and its impact on the private sector.
 - a) This policy affected the interest of the private sector especially the industrial sector with no consideration.
 - b) The private sector depends completely on importing products from outside Kuwait.
 - c) This policy increased the idea of not investing or taking risk in local industries, and supported the foreign industries even with the 5%-10% favoring the local products.
 - d) The private sector concentrates on trading activities which do not develop the industrial base of the country.
 - e) The private sector completely depends on foreign manpower and employs only about 2.7 % of the Kuwaitis.

- f) The Kuwaitis are not employed because of their low productivity and high salaries.
 - g) The Kuwaiti market loses every year around \$ 2 billion due to the transfer out of funds.
 - h) The foreign manpower is considered now as a problem and the country is searching for ways to solve this.
2. CTC lowest pricing policy affected the quality and work levels of the projects and the country's supplies:
- a) The lowest pricing policy made the contractors compromise on the quality of work which would definitely increase the cost for the country in the long run.
 - b) Ignoring the quality will cost huge amounts to the country in the long run. For example, purchasing electrical cables at a cost of KD 5 Million with 7 year guarantee will be a big loss compared to buying the same cables at KD 5.2 Million with 20 years guarantee. In the long run, the second offer could even save upto KD 10 Million over the guarantee period.
3. The lowest price policy causes unreasonable and strong competition which results in big losses due to wrong pricing.
4. A lot of foreign and large international companies with good experience and reputation left the Kuwait market due to this policy .
5. This policy put government departments in difficulty because of ignoring the quality and going by the lower price, and departments wish that they had not followed the CTC.
6. This policy affects the time schedule of the plan to execute the government projects due to delay by the contractor, due to the contractor's loss from wrong pricing.
7. This policy forces the government departments to give most of the delayed contractors a variation order to compensate their loss by wrong pricing to finish the project on time which causes more loss to the government.
8. The government department which wants the project knows the budget for the project and awards this project to a contractor whose offer is less than this budget. This puts the contractor and this department in trouble for the future with unseen losses.

9. The long procedures which have to be followed for the tender till the awarding:
- a) The procedures will take at least more than one year from the requisition till the date of receiving the materials.
 - b) The Government departments are forced to buy the materials at higher cost during emergency requirements, because the CTC procedure takes a long time to procure the materials.
 - c) The department will purchase both needed and unneeded materials to avoid any emergency shortfall of these materials.
 - d) The flexibility in the case of emergency requirements is lost because of the lengthy procedures of the CTC.
 - e) Due to the lengthy procedures of CTC, the Government departments are sometimes forced to air lift the materials at higher cost instead of bringing them by sea.
 - f) CTC is rendered ineffective, particularly because of the long delays involved and unnecessary procedures.
 - g) The complicated CTC tender and procedures like signatures, stamps and envelopes are merely procedural and do not avoid cheating.
10. The CTC law is not flexible and has long procedures, instructions, and conditions without any benefits.
11. The fundamental idea of CTC is that Government departments and employees are not to be trusted which is unfair because they are ultimately responsible for their work.
12. The lengthy and complicated procedures help corrupt employees to find ways to gain from this situation and serve the interests of influential people.
13. The one price policy without negotiation is not of benefit to the department which loses any chance to get a lower price.

Suggested Solutions

A) Suggestions to reduce the procedural and lead time of an order:

1. To provide CTC with a technical division which can evaluate the offer technically by professional employees under CTC organization. By this, CTC can stop sending the offers to the user department for evaluation.
2. To find a consultant either from a local or an international company, to evaluate the offer and avoid sending it to the user departments.
3. CTC could employ, in each Government Ministry, an employee to work for this ministry to open the offers and retain the commercial offer and save it in a safe box and transfer the technical offer to the user department for evaluation. After the evaluation, CTC will have the right to award the contract to the lowest price with good quality .

B) Suggestions to consider the quality factors:

1. To split the technical offer and commercial offer and send only the technical offer to the department for technical evaluation and ranking of the offers technically. After this CTC can strike a balance between the lowest price and quality .
2. The government department can issue the tender directly and the technical offer and the price will be sent to CTC by the contractor . After that CTC will send the technical offer to the user department for evaluation according to the quality.

An Extreme Solution : Discard the CTC, its role and the law

1. CTC is useless unless it is de-centralized, with fewer procedures and quicker decisions.
2. CTC does not show trust in the departmental employees.
3. CTC procedures are very complicated and so are the conditions and instructions
4. The high cost of running the CTC is without much benefit.

CENTRAL TENDERS COMMITTEE

5. Unqualified management of CTC is not able to find the best and most suitable material with regard to price and quality.
6. There is no need for CTC in the Government setup.
7. The CTC's existing centralized way of functioning and the exercise of plenipotentiary power outweighs its capability and efficiency.
8. De-centralize the pattern to replace the existing centralized way of functioning.
9. CTC has become a symbol of the government bureaucracy.

CHAPTER THIRTEEN

QUESTIONNAIRE ANALYSIS

In this chapter we will analyse categories in the questionnaire according to political, social and economic factors and also consider suggestions for evaluating the results of the study.

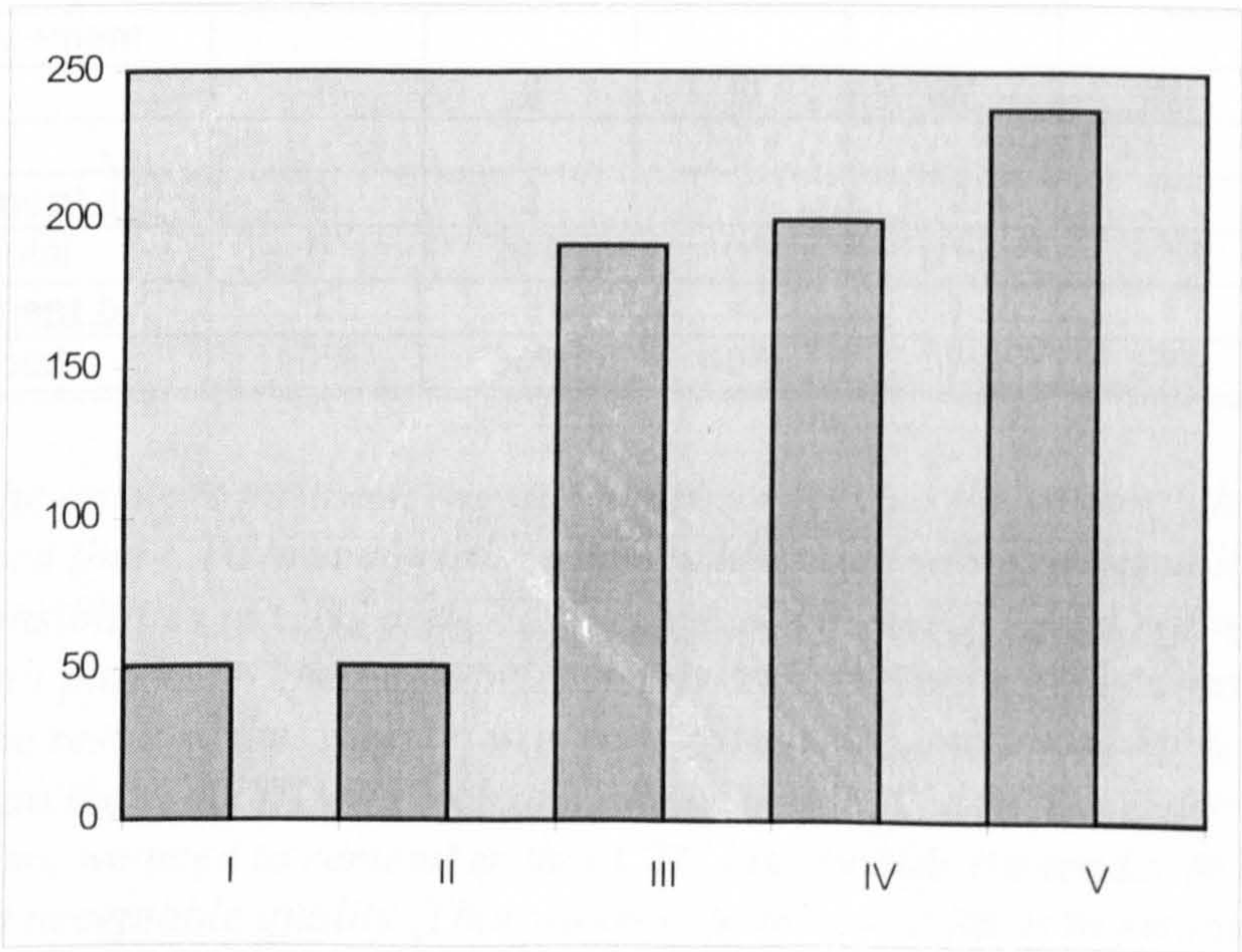
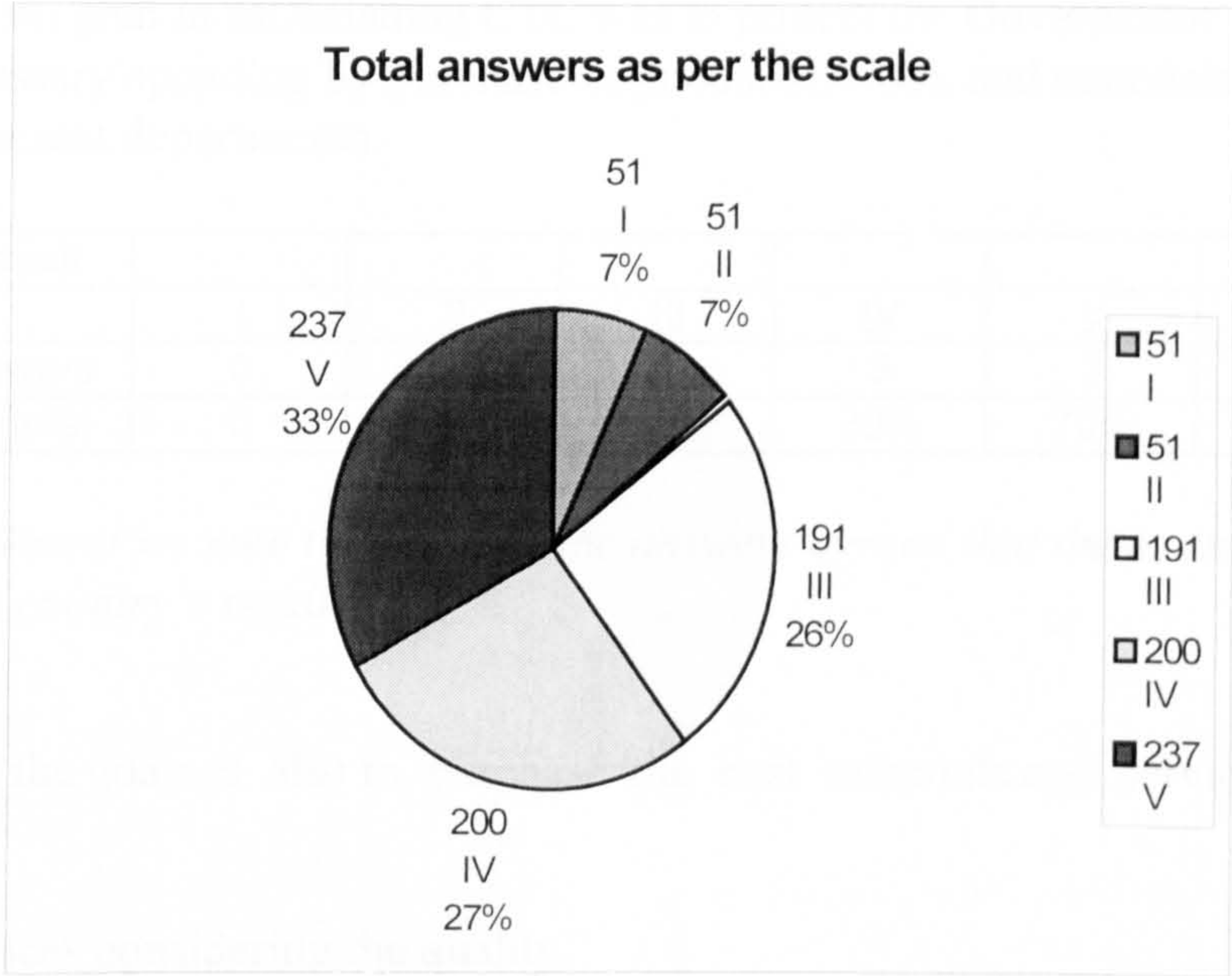
The results of the responses to the statements in the questionnaire are as follows :

- 1) Scale no. (V) is 32% - meaning 32% of the persons agreed totally with the statement.
- 2) Scale no.(IV) is 27%.
- 3) Scale no.(III) is 26% .

This give a total of 86% who are in agreement with the statements in the questionnaire. Scale no. (I) is 7% and scale (II) got another 7%, together adds up to only 14%, and even if we include the scale no.(III) the total adds up only to 41% as against 59% for scale (IV) +(V).

Total answers as per the scale :						
scale	I	II	III	IV	V	total
No's answers	51	51	191	200	237	730
% from total	7%	7%	26%	27%	33%	100%

Figure 13.1 Total answers by strength of response



First: General ideas about CTC

We started the questionnaire with the following statements to evaluate the answers about CTC and to put some of the main reasons for establishing CTC and also the main purpose of issuing the CTC law.

1. The main goal in establishing CTC was to protect the Government wealth from unnecessary spending by purchase of goods, services, and materials for the government departments.

First Statement						
Scale	I	II	III	IV	V	total
No's of answers	0	0	0	3	7	10
% from the total	0	0	0	30%	70%	100%

In this statement we note that most of the answers agreed that the main role for CTC is to protect the country's wealth.

2. One of the goals is also to purchase the best materials and services according to:

- a. Best prices considering the quality.
- b. Cheapest prices without considering the quality.

Second Statement						
Scale	I	II	III	IV	V	Total
Answers						
Statement a	0	2	1	0	7	10
% Total	0	20%	10%	0%	70%	100%
Statement b	1	3	4	1	1	10
%Total	10%	30%	40%	10%	10%	100%

We noted the answers for these two questions considered the value of the quality:
1a mentioned that CTC will consider the suitable price with good quality as one of the main responsibilities of CTC and 70% accepted this and 30% did not agree.
2b) CTC will purchase cheapest price goods and services without considering the quality. The result of the sample was very diversified and about 80% of the sample was less than the scale III which clearly shows that CTC does not compromise on quality. Also, we need to remember that CTC law awards the tender to the lowest bidder with acceptable quality. That was one of the main ideas in establishing CTC law.

3. CTC law gave this committee full control and centralization for Government

decisions in regard to the buying and contracting for all Government projects .

Third Statement						
scale	I	II	III	IV	V	total
answers	0	3	2	1	4	10
% total	0	30%	20%	10%	40%	100%

We note from the answers that CTC has full control of government expenditures as 70% from the sample (the scale from III and above) were in agreement with this statement. As we explained in chapter seven the government departments and ministers expenditures are controlled by CTC and in the year 1998 Kuwaiti parliament passed a law to include all other government organizations also under the control of CTC.

4. The main purpose to issue the CTC law is to stop the Government’s high position employees influencing and favoring some of the competitors for the supply of services, and keeping just one policy awarding to the lowest offer.

Fourth Statement						
scale	I	II	III	IV	V	TOTAL
Answers	0	0	0	2	8	10
% total	0	0	0	20%	80%	100%

In this statement we note that 100% as total of scale no. IV and V confirmed that CTC is established to protect the fairness between the competitors in front of the influence of the high position employees.

5. Since there is no tax system and the main income of the country is from the oil sector, the Government tried to be fair to all, by issuing CTC law to ensure proper systems and control of the Government purchasing.

Fifth Statement						
scale	I	II	III	IV	V	TOTAL
answers	0	0	2	1	7	10
% Total	0	0	20%	10%	70%	100%

We note the answers from III in the scale and above agreed 100%, that means the main purpose of CTC is to control the government purchasing.

6. CTC controls 90%-95% of the Government purchasing.

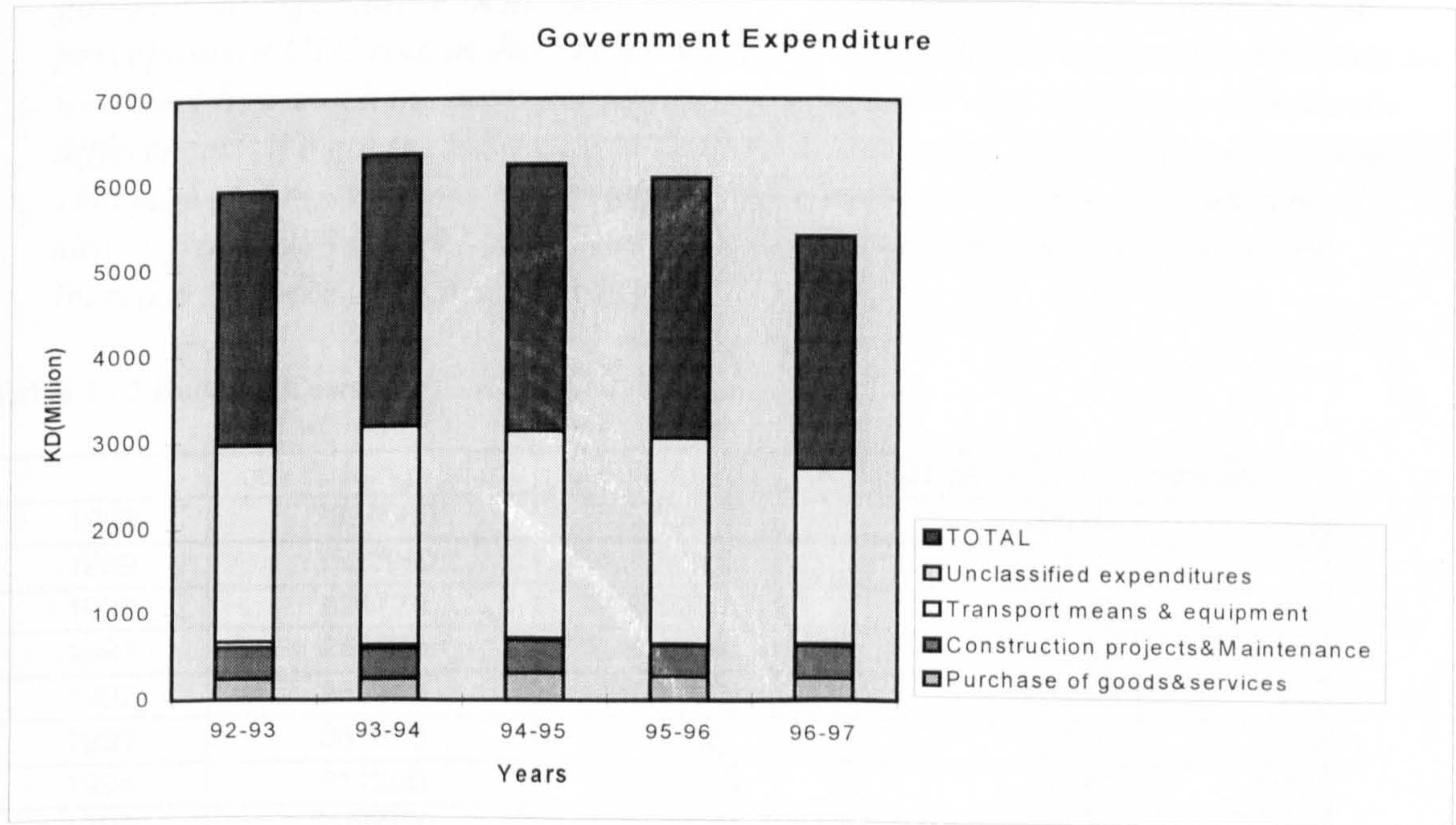
Sixth Statement						
Scale	I	II	III	IV	V	total
answer	0	1	2	4	3	10
% total	0	10%	20%	40%	30%	100%

We get from this statement that 90% (scale III and above) of the sample agreed that CTC controls 90%-95% of government purchasing. As per the following table, we note that out of the total value of the total government spending on the goods and services, construction and maintenance of the projects, transport means and equipment, and other unclassified expenditure, CTC handles and controls around 90%-95% of the government expenditure (please note that CTC is not handling all the Unclassified expenditure, but has a good percentage of this expenditure (values in KD - million).

Table 13.1 Government expenditure

	92-93	93-94	94-95	95-96	96-97
Purchase of goods&services	250.7	248.8	293.7	255.6	253.3
Construction projects&Maintenance	345.8	340.4	383.5	360.6	393.7
Transport means & equipment	65.7	34.7	28	25.6	19.4
Unclassified expenditures	2306.1	2553.4	2409.7	2394.2	2030.6
TOTAL	2968.3	3177.3	3114.9	3036	2697
The State budget	3936.3	4240.8	4193.1	4126.5	3888.6
From the Total Budget %	75%	75%	74%	74%	69%
CTC controlling 92% as an average	2730.836	2923.116	2865.708	2793.12	2481.24
From the total budget CTC control	69%	69%	68%	68%	64%

Figure 13.2 Government expenditure



7. In your opinion did CTC achieve the required goals in the past 30 years according to the following:

- A) Reduce the Government expenditure in the short and long term.
- B) Control, unite and organize the procedures to issue tenders for all the government departments.
- C) Avoid illegal ways to award the tender and seek out corruption.
- D) Fairness in procedures for all the companies to submit the offers.

Seventh Statement						
Scale	I	II	III	IV	V	TOTAL
Answer (A)	0	2	1	4	3	10
% Total A	0	20%	10%	40%	30%	100%
Answer (B)	0	1	0	4	5	10
% Total B	0	10%	0	40%	50%	100%
Answer (C)	1	1	2	1	5	10
total (C)	10%	10%	20%	10%	50%	100%
Answer (D)	0	2	1	1	6	10
% Total (D)	0	20%	10%	10%	60%	100%

We note from the answers the following:

A) Per scale (III), (IV)and (V), around 80% of the sample agreed that CTC reduced the government expenditure in the past 30 years. To demonstrate this statement and perception of CTC role in this regard we find a way or factor to measure the costs so we select how much the costs per square meter to build any building and study the differences. We got the following table (from Kuwait Annual Statistical Abstract for year 1994 page 85 -87+ 1997 page 75). From this table we found that the costs increased slowly from 1988 to 1997. Also note the differences column which explains the increase from the 1988 prices as base.

Table 13.2 Building Costs

	total buildings sq./m	total costs KD	the cost per sq./Mt.	differences
1988	3820060	369275000	96.67	0
1989	3522960	342474000	97.21	1%
1990	621720	65421000	105.23	9%
1991	263170	29811000	113.28	17%
1992	950910	95971000	100.93	4%
1993	857600	109116000	127.23	32%
1994	817200	102170000	125.02	29%
1995	2159800	227876000	105.51	9%
1996	3168600	376185000	118.72	23%
1997	3122600	382219000	122.40	27%

- B) *Per scale (III) , (IV)and (V) , around 90% of the sample agreed that CTC controls and unites the tender procedures in all government departments.*
- C) *Per scale (III), (IV)and (V), around 80% of the sample agreed that CTC protected the awarding of the tender and avoided the illegal ways, on the other hand 20% did not agree about this role for CTC and 10% did not agree at all about this role.*
- D) *Per scale (III), (IV)and (V),around 80% agreed that CTC controls the fairness among all bidders for tender procedures.*
8. The central management of this committee supported the control on all government purchasing for services and materials.

Eighth Statement						
scale	I	II	III	IV	V	TOTAL
answers	0	0	1	5	4	10
% totals	0	0	10%	50%	40%	100%

Per scale (III), (IV) and (V), 100% of the sample agreed that the centralized management pattern of this committee supported the power to control the government purchasing.

Second: Political reflections

1. The government used CTC as a tool to implement its international interest of awarding big contracts to international contractors and to avoid others.

Statement One :						
Scale	I	II	III	IV	V	TOTAL
Answers	0	1	2	4	3	10
% Total	0	10%	20%	40%	30%	100%

Per scale (III), (IV)and (V) we note that 90% of the sample agreed that CTC is a tool for the government to award the international companies according to the foreign interest of the government.

For example Kuwait Oil Company(KOC) was awarded a very large contract for a “gathering centers” project - costing around USD500m - for unknown foreign company in this type of contracts , China Petroleum Company (CPECC), a Chinese Government owned company. This decision was influenced by Chinese vote in United Nations during the Iraqi boycott. This project was vital for the oil sector industries and the duration to build it was 28 months. But since signing the contract in 1996, only engineering works and purchasing of heavy machines has been completed and yet the construction works are not commenced and the hope is to complete the project by year 2000 only. KOC has penalized the contractor for the delay (10% of the contract value) and KOC found

another new project as an alternative for the oil industry development at an additional cost of about USD 150 M.

2. The government used CTC as a tool to follow the government’s local interest like awarding the contracts to favored local companies because of the loyalties to members of the ruling family or the supporters of the ruling family.

Statement Two:						
Scale	I	II	III	IV	V	Total
Answer	1	1	3	3	2	10
%Total	10%	10%	30%	30%	20%	100%

Per scale (IV)and (V), we note that 50% of the sample agreed with the statement and about 30% in scale III, which gives a total of 80%.

There are lots of cases where CTC has awarded some of the tenders to companies whose prices are higher than the lowest bidder price because of the influence of such companies. To highlight this, we give below three examples which have occurred recently.

Example No.1: CTC minutes of meeting (Kuwait Official Gazette Issue no.300, page 53) (1), which prove that CTC awarded the tender to the second lowest bidder even setting aside the user ministry's request to award it to the lowest bidder.

Example No.2: CTC minutes of meeting (Kuwait Official Gazette Issue no.371, page 81) (2) also, the second lowest bidder was awarded the contract and when the lowest bidder questioned CTC, the CTC just replied that the CTC can decide without any need for legal explanation to support the decision.

Example No.3: CTC minutes of meeting (Kuwait Official Gazette Issue no.322, page 41)(3.) CTC had awarded the contract to one company by specifying the company name and even after the user Ministry asked CTC to cancel the tender. The same had happened in another case in CTC minutes of meeting(Kuwait Official Gazette Issue no.318, page 106)(4). The Minutes as detailed above are attached.

Also, as per CTC law, if there is only one offer for a tender then CTC must cancel the tender and go for re-tendering. But there are many cases in which CTC has awarded the tenders to a single offer. Example - CTC minutes of meeting (Kuwait Official Gazette Issue no.335, page 99(5), Issue no.285 page 76(6), page 91 (7), Issue no.318 page 68(8), Issue no. 315(9)).

3. CTC can be used as political pressure on one of the groups (political or social) by controlling one of the income channels.

Statement Three						
Scale	I	II	III	IV	V	total
Answers	0	1	3	4	2	10
% Total	0	10%	30%	40%	20%	100%

Per scale (IV)and (V), we note that 60% of the sample agreed with this statement and if we include the middle scale (III), we will get 90% of the sample accepting this statement. CTC can play directly this role as we discussed before or it can come directly from the government department or the Ministry especially high rank position in the ministry who will recommend CTC award the tender for the favorite contractor. CTC has the right to clarify this recommendation or leave it as it is. Or some time they follow the Client recommendation to award the contract directly to one of the contractors without competition, where there is no logical reason other than the preference for this contractor. As example, please note the attached (CTC minutes of meetings)(2),(3),(9).

4. Since CTC members are controlling the decisions, groups target CTC members to influence them.

Statement Four						
Scale	I	II	III	IV	V	Total
Answers	0	1	3	1	5	10
% Total	0	10%	30%	10%	50%	100%

Per scale (III), (IV)and (V), more than 90% agreed that the CTC members are a target for groups to influence the CTC to serve their interests.

5. CTC can affect negatively or positively any group by:
- a) Qualifying or not qualifying them for the projects.
 - b) Registering them in the tender bidders approved list.
 - c) Awarding the tender to the preferred groups or not awarding to others.

Statement Five :						
Scale	I	II	III	IV	V	Total
Answer (a)	0	0	4	2	4	10
% Total	0	0	40%	20%	40%	100%
Answer (b)	0	0	4	2	4	10
% Total	0	0	40%	20%	40%	100%
Answer (c)	0	0	5	2	3	10
% Total	0	0	50%	20%	30%	100%

a) *For (III), (IV) and (V), we note that 100% from the answers agreed that only CTC has the right to qualify or dis qualify any company from participating in any tender or projects without any reasons or explanations, for example Kuwait Oil Company*

asked CTC to stop one company bidding for any future tenders due to non-compliance of safety standards, but in spite of KOC's valid request, CTC held about 6 meetings to discuss this subject and finally CTC agreed to disqualify the company only from KOC tenders and allowed the company to participate in other tenders. (Kuwait Official Gazette Issue no.300 ,page 39(10),45(11),52(12),67(13)). We also note similar cases, for example CTC removed the company name from the CTC records and disqualify them in various tenders (Kuwait Official Gazette Issue no.322, page 75(14),84(15)). To register a contractor under the CTC contractor list, the procedures are so difficult that in the black market, a registered contractor will sell his CTC registration a long with the license for about KD 100000 for the class I , KD 75000 for class II and the class III for KD 50000.

- b) Per (III), (IV)and (V), we note that 100% agree that the CTC has the authority to qualify a company under the vendors list . Only companies qualified under the vendors list can tender for any project but CTC has the authority to add any company to the approved list. For example in one instance, KOC refused a particular company to bid for a project but CTC forced KOC to accept this company offer for the tender (refer to the CTC minutes of meeting Kuwait Official Gazette Issue no.294, page 19(16)). In another instance, the Ministry of Electricity and Water requested CTC to add Bristol Babcock to one maintenance tender which was refused by the CTC. (CTC minutes of meeting Kuwait Official Gazette Issue no.322, page 60 (17)).*
- c) Per (III), (IV)and (V), we note 100% of the sample agree that CTC awards tenders to preferred groups. We discussed this before in previous chapters.*

6. Reflections of favoritism in the society and using it to favor the interest of influential people.

Statement six:						
Scale	I	II	III	IV	V	Total
Answers	0	0	3	3	4	10
% Total	0	0	30%	30%	40%	100%

Per (III), (IV)and (V), we note that 100% accepted this statement that CTC as one of the government departments is affected by the political and social environment of Kuwait society.

Third: Social reflections

- 1. CTC reflects the social structures and the population of the country in the following manner:
 - a) Nationality: The manpower working in Kuwait is recruited from about 110 countries but mainly from India, Pakistan, and Egypt and is mostly employed in the private sector, which affects the local traditions and behaviors.

- b) Population: The non-Kuwaiti workforce exceeds the Kuwaiti population.
- c) Qualification of the workforce : Most of the foreign work force are unskilled and unprofessional and are employed in the public and private sector, according to the market requirement.
- d) The poor class: This reflects the new foreign poor class in the community due to low labor pay scales.
- e) Sex: Most of the foreign work force are unmarried males.

Statement One :						
Scale	I	II	III	IV	V	Total
Answer (a)		1	2	3	4	10
total%		10%	20%	30%	40%	100%
Answer (b)		1	4	3	2	10
total%		10%	40%	30%	20%	100%
Answer (c)			4	2	4	10
total%			40%	20%	40%	100%
Answer (d)			6	3	1	10
total%			60%	30%	10%	100%
Answer (e)			4	5	1	10
total%			40%	50%	10%	100%

The above 5 statements were asked to confirm certain apparent facts in the Kuwaiti society. Please note that we have dealt with these matters extensively in earlier chapters of this research.

- a) Per (III), (IV)and (V) ,90% of the sample agreed with this statement.
 - b) Per (III), (IV)and (V) ,90% of the sample agreed with this statement.
 - c) Per (III), (IV)and (V) ,100% of the sample agreed with this statement.
 - d) Per (III), (IV)and (V) ,100% of the sample agreed with this statement.
 - e) Per (III), (IV)and (V) ,100% of the sample agreed with this statement.
2. The social loyalty : CTC proves its loyalty by preferring certain contractors/companies according to their family background , tribe and nationality.

Statement Two:						
Scale	I	II	III	IV	V	total
Answers			4	3	4	10
total %			40%	30%	40%	100%

Per (III), (IV) and (V), we found that 100% of the sample agreed with this statement. This subject of loyalty was dealt with in the second section of this chapter.

- Since the CTC's main aim is to award the contract to the lowest bidder, the private sector is forced to reduce their bid which in turn affects the wages to laborers, which is the main cause of disputes between the employers and employees, leading to strikes, disorder and security problems.

Statement Three						
Scale	I	II	III	IV	V	total
Answer			3	4	3	10
total%			30%	40%	30%	100%

Per (III), (IV) and (V), 100% of the sample agreed with this statement. The Census published in 1983 showed that the non Kuwaiti average monthly salary / wages for an average of the occupation divisions was KD 239 for around 339771 employees at that time but in the last Census published in 1997, for the year 1988 the average monthly salary / wages was KD 218 for around 604894 employees, reflecting a reduction of around 9.63%. (Annual Statistical Abstract for 25 years 1990 page 101, and same for year 1997, 1994 by Ministry of Planning, Kuwait) Not only is this reduction in average salary / wages the main cause of the recent strikes and labor disorder against the employers but also some of the employers delay paying the salary to their employees by more than 3-6 months which causes large troubles for the country's security by increasing crime.

- Due to the poor wages, the employees resort to corrupt practices and get involved in receiving bribes.

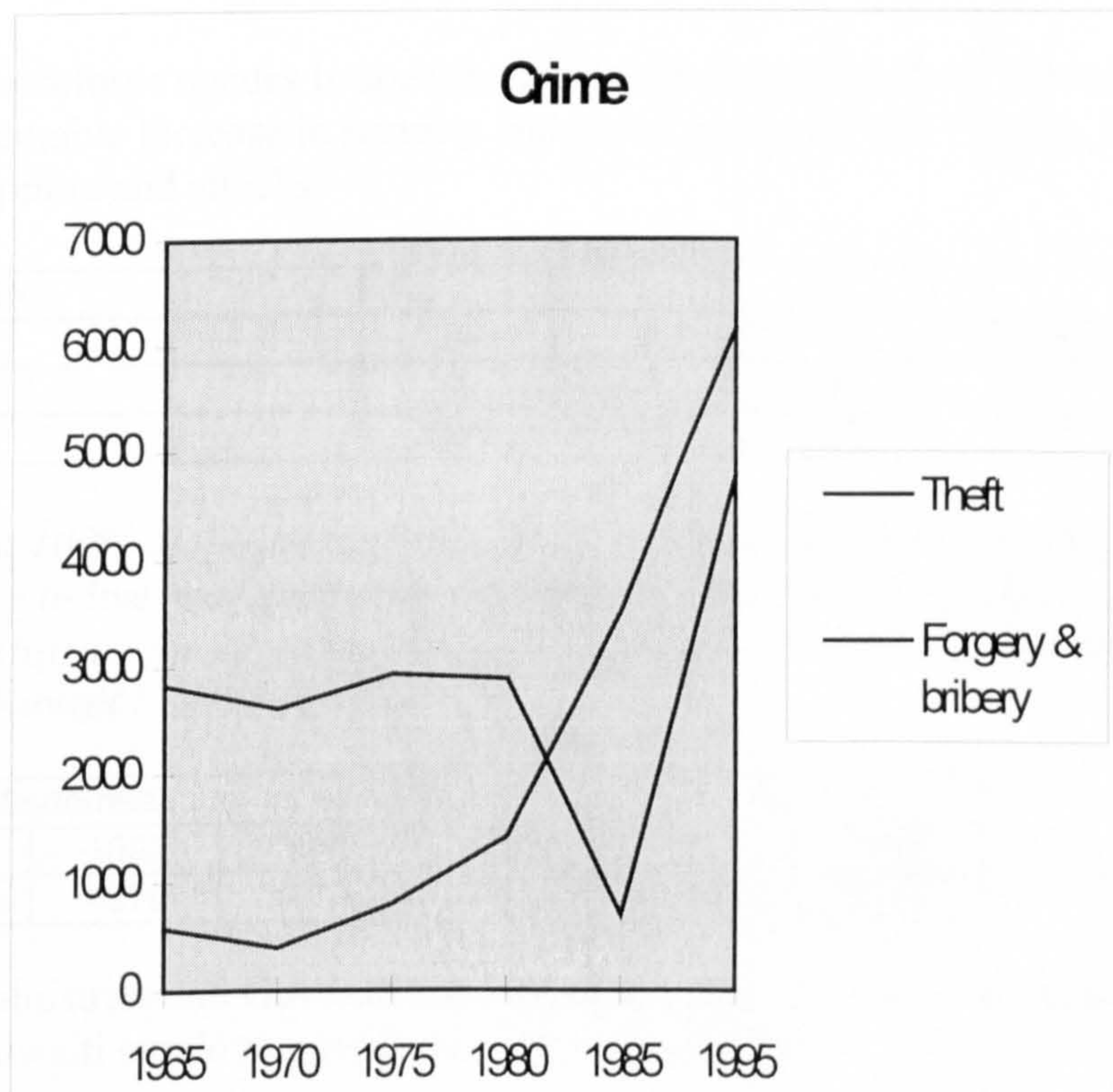
Statement Four						
Scale	I	II	III	IV	V	Total
Answers			3	2	5	10
total%			30%	20%	50%	100%

We have plotted the Theft, Bribery and Forgery crimes during the last 30 years and the increase in such cases up to 1995. (Annual Statistical Abstract for 25 years 1990 and Static report from Ministry of Interior for year 1996, Kuwait)

Table 13.3 Felonies and misdemeanours

Felonies & Misdemeanours offences

	1965	1970	1975	1980	1985	1995
Theft	2829	2608	2944	2908	704	4764
Forgery & bribery	582	399	803	1429	3527	6153



It is evident that there has been a sharp increase in theft and forgery and bribery since 1985.

5. The foreign employee is employed for a limited period, say two years, and after receiving bribes, he will return to his country without having any concern for the damage caused by him to the country.

Statement Five:						
Scale	I	II	III	IV	V	total
Answers			3	3	4	10
total%			30%	30%	40%	100%

Per (III), (IV) and (V), we note that 100% of the sample agreed with this statement. The main cause of this is the inexperience of the Kuwaitis in the technical field. So foreign technical manpower is employed and took these important responsibilities like project design or project management. So this expert tries to sell his influence or his ideas to the related trading or contracting companies for money to secure these companies interest and leaves the country within a short time after finishing his mission without any consideration for the country's future interest or loss by specifying the wrong or weak quality materials or designs.

6. The workforce resides in specific areas, and due to this there has been a considerable increase in security and social problems like robbery, drug smuggling, kidnapping and attacks.

Statement Six:						
Scale	I	II	III	IV	V	Total
Answers			4	3	3	10
total%			40%	30%	30%	100%

We note that 100% of the answers are for the scale III , IV and V. Usually the local Kuwaitis like to live near each other and they call those areas examples areas. (Annual Statistical Abstract for 25 years 1990 and same for year 1997,1994 by Ministry of Planning , Kuwait)

Felonies & Misdemeanours for Non Kuwaitis					
	1992	1993	1994	1995	1996
Total crimes	4270	5619	7106	6965	8137

7. The ministries and Government companies depend mostly on foreign manpower, as the Kuwaiti employees performance is insignificant.

Statement Seven						
Scale	I	II	III	IV	V	Total
Answers			4	5	1	10
total%			40%	50%	10%	100%

Per (III), (IV)and (V) ,100% of the sample agreed with this statement. If we compare the performance of the Kuwaitis and Non Kuwaitis in regard of the working hours we find that the average weekly working hours for the Kuwaitis is 39 hours per week and the Non Kuwaitis is around 52 hours per week . (Annual Statistical Abstract for 25 years 1990 and Statistical Report from Ministry of Interior for year 1996, Kuwait). But the main problem

regarding the Kuwaiti employees is that some of them appear to work only between 2-3 hours per day as per some studies conducted about the local work force in Kuwait and the other GCC countries.

8. The unemployment among Kuwaitis is because of the high wages demanded by the Kuwaitis inspite of their low experience.

Statement Eight:						
Scale	I	II	III	IV	V	Total
answers			4	2	4	10
total%			40%	20%	40%	100%

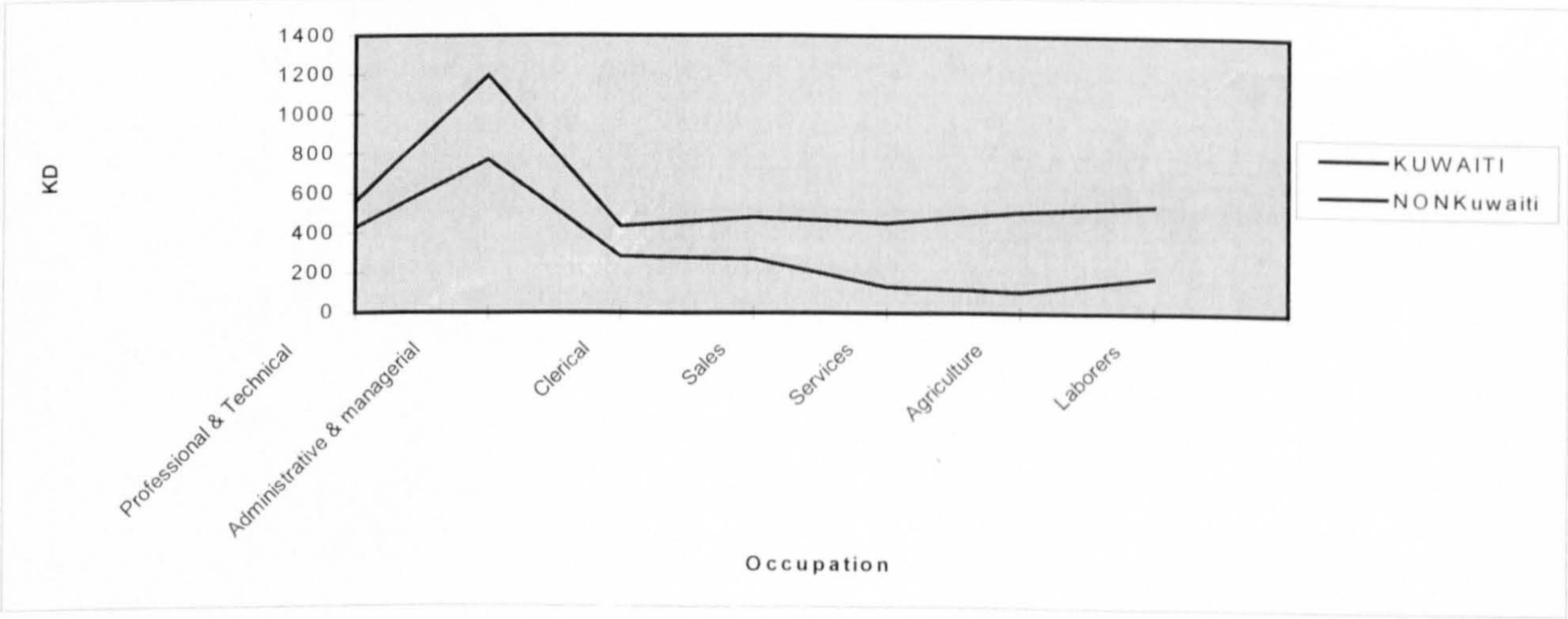
Per (III), (IV)and (V) ,100% of the sample agreed with this statement. The following table gives a clear picture regarding the wages for the Kuwaiti and Non Kuwaitis workforce. Annual Statistical Abstract for 25 years 1990 and Statistical Report from Ministry of Interior for year 1996, Kuwait)

Table 13.4 Kuwaiti and non Kuwaiti workforce wages

Monthly Averages(KD)

Occupation Divisions

	KUWAITI	NONKuwaiti	differences
Professional & Technical	560	430	30 %
Administrative & managerial	1194	771	55 %
Clerical	434	282	54 %
Sales	478	270	77 %
Services	451	130	247 %
Agriculture	506	106	377 %
Laborers	538	179	201 %



9. The reduction of expenditure budget by the Government forced the Government departments to discharge/terminate some of the non-Kuwaiti employees and hire them again through contractors to reduce the cost and to avoid Kuwaitis due to high salaries demanded by them.

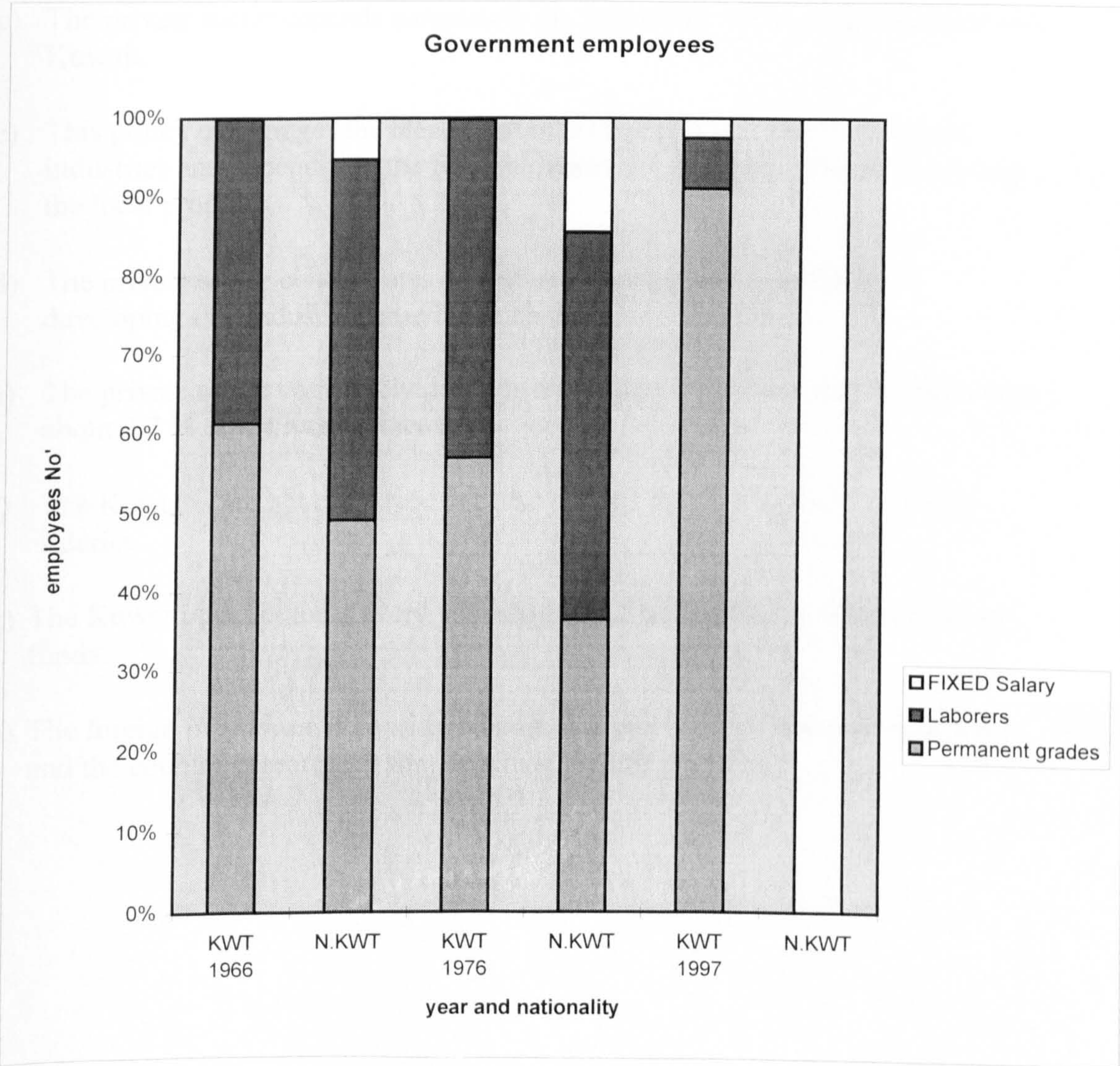
Statement Nine:						
Scale	I	II	III	IV	V	total
answers			4	4	2	10
total%			40%	40%	20%	100%

Per (III), (IV)and (V), 100% of the sample agreed with this statement. We found that vast experience and low salaries are the key and very important to the Government companies especially the Oil sector companies, so they resorted to avoid losing the experience by terminating the foreign employees. Also they generate interest to fill the government grades or positions by new Kuwaiti employees. The managers achieve both by employing the Kuwaitis in the company grades, and employing the foreigner by service contracts or on fixed salary contract. The following table will illustrate this: (Annual Statistical Abstract for 25 years 1990 and Statistical Report from Ministry of Interior for year 1996, Kuwait).

Table 13.5 Civil Service employees by grades

Government Civil Service employees by Grades:

Year	1966		1976		1997	
Nationality	KWT	N.KWT	KWT	N.KWT	KWT	N.KWT
Permanent grades	15293	13234	26607	25488	89881	1
Laborers	9668	12281	20097	34115	6325	0
FIXED Salary	18	1434	65	10079	2486	38373
TOTAL	24979	26949	46769	69682	98692	38374



Fourth: Economic reflections

CTC has a great impact, directly or indirectly, on the private and public sectors .

1. The lowest pricing policy and its impact on private sector.
 - a) This policy affects the interest of the private sector especially the industrial sector with no consideration.
 - b) The private sector depends completely on importing the products from outside Kuwait.
 - c) This policy encourages the idea of not investing or taking risk in the local industries and depends on the foreign industries with only 5%-10% favoring the local products.
 - d) The private sector concentrates on different trading activities far from developing the industrial base in the country.
 - e) The private sector completely depends on foreign manpower and employs only about 2.7 % of the local citizens .
 - f) The Kuwaitis are not employed because of their low productivity and high salaries.
 - g) The Kuwaiti market loses every year around \$ 2 billion due to transfer out of funds.
 - h) The foreign manpower is considered now as a problem and not as a work force and the country is searching for ways to solve this problem.

Statement One:						
Scale	I	II	III	IV	V	Total
Answers (a)			5	4	1	10
total%			50%	40%	10%	100%
Answers (b)			4	2	4	10
total%			40%	20%	40%	100%
Answers (c)			3	3	4	10
total%			30%	30%	40%	100%
Answers (d)			3	3	4	10
total%			30%	30%	40%	100%
Answers (e)			2	3	5	10
total%			20%	30%	50%	100%
Answers (f)		1	3	2	4	10
total%		10%	30%	20%	40%	100%
Answers (g)			1	3	6	10
total%			10%	30%	60%	100%
Answers (h)			1	5	4	10
total%			10%	50%	40%	100%

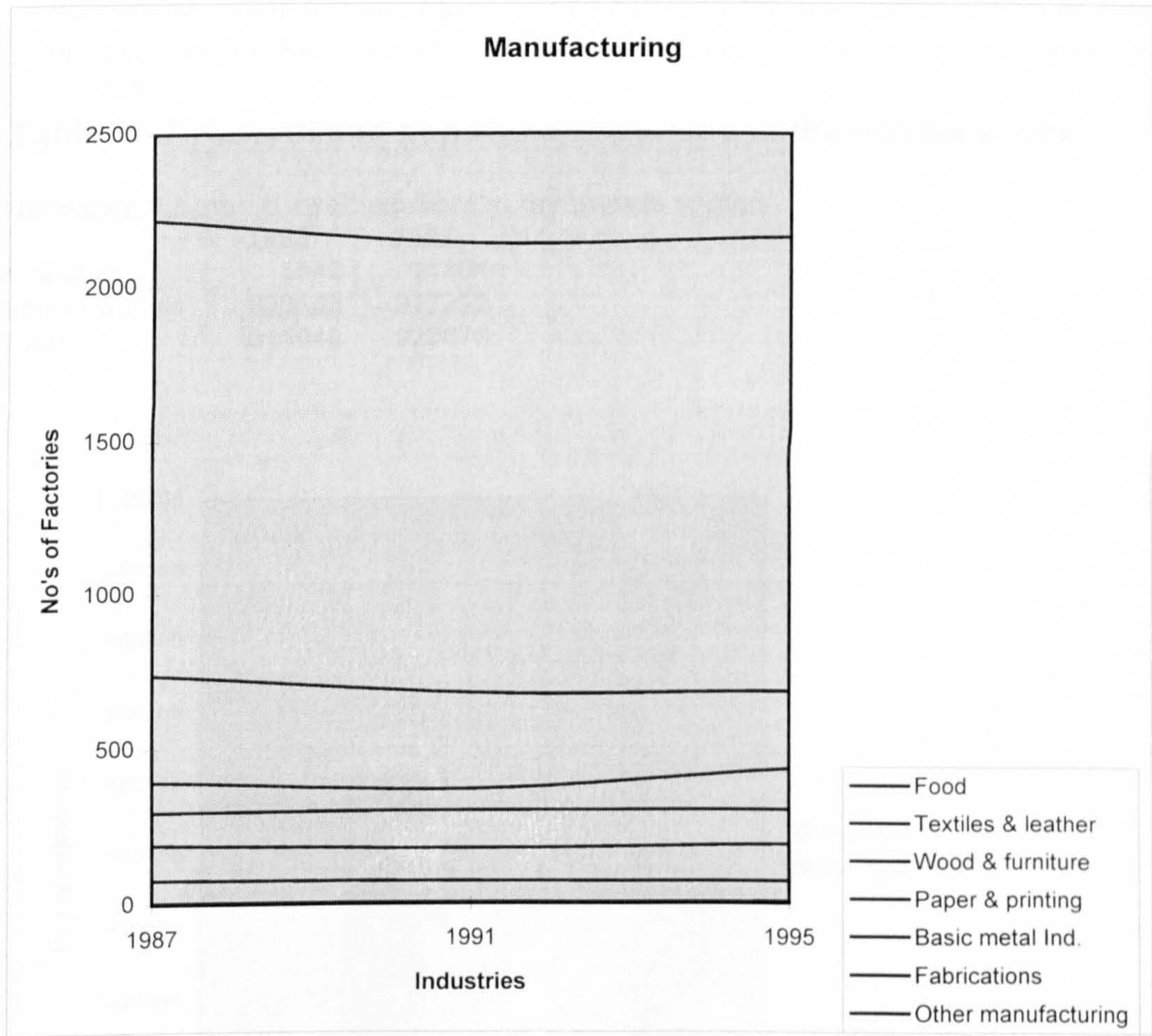
a) *Per (III), (IV)and (V) ,100% of the sample agreed with this statement. The main reason for this result is that the lowest price policy will win and this is a disadvantage for such an industry where it seeks support from the government Also we found very little change in the industry base since 1987 as per the following (Annual Statistical Abstract for 25 years 1990 and same for year 1997,1994 by Ministry of Planning , Kuwait)*

Table 13.6 Numbers of manufacturing factories

Numbers of factories:

MANUFACTURING

	1987	1991	1995
Food	296	299	300
Textiles & leather	2221	2142	2162
Wood & furniture	395	370	432
Paper & printing	79	73	72
Basic metal Ind.	4	4	6
Fabrications	738	678	678
Other manufacturing	192	178	189

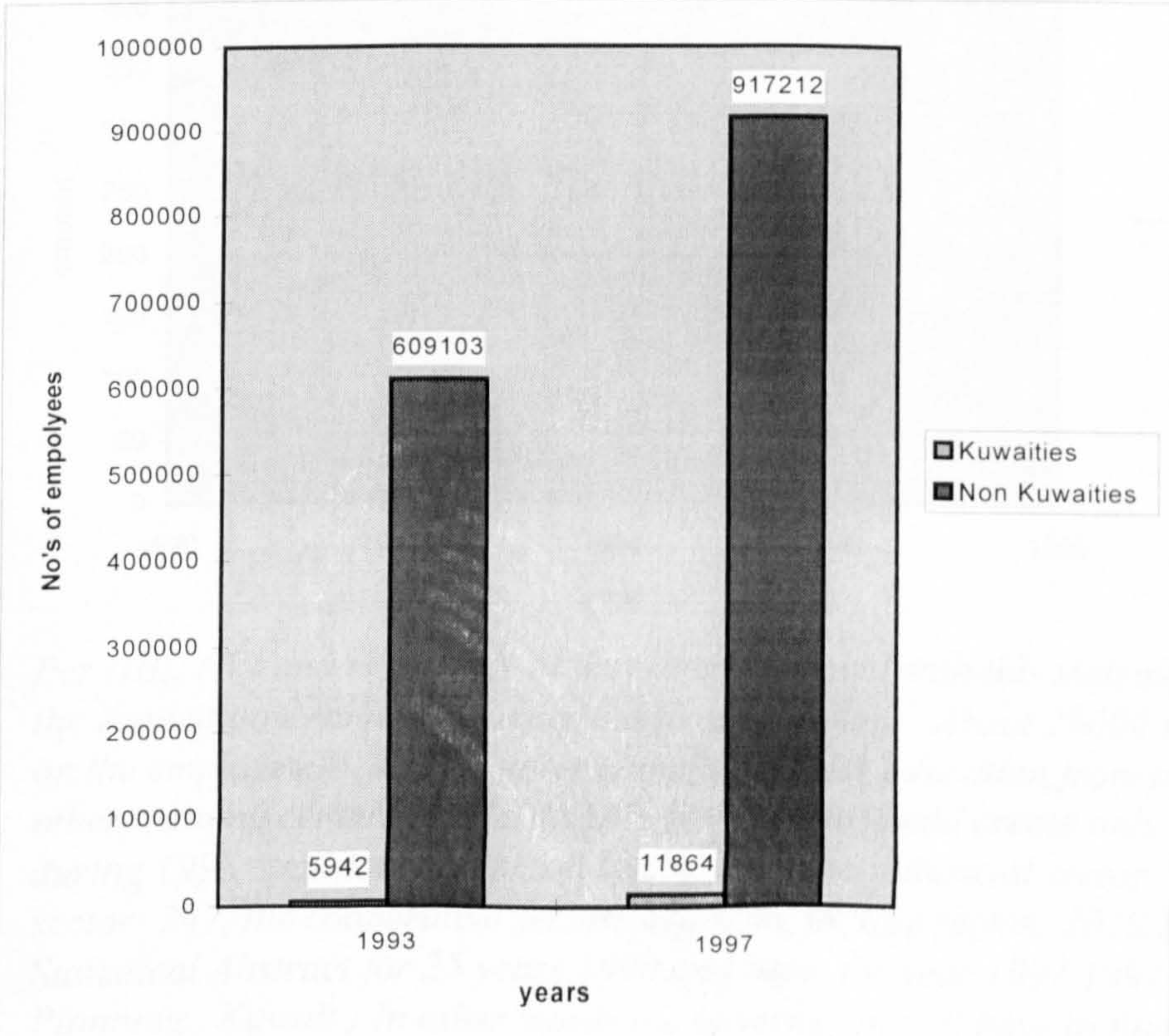


- b) Per (III), (IV) and (V), 100% of the sample agreed with this statement and we found that most of the supply tenders are imported from out side Kuwait.
- c) Per (III), (IV) and (V), 100% of the sample agreed with this statement. (Refer to details in first statement).
- d) Per (III), (IV) and (V), 100% of the sample agreed with this statement. We found from the answers to statement one in this section that the investors did not increase the numbers of the factories and they found other investment activities mainly outside Kuwait.
- e) Per (III), (IV) and (V), 100% of the sample agreed with this statement. We found that the private sector has less than 2.7% of Kuwaitis (even less than 1.27% in 1997) of the total employment. (Gulf Center for Strategic Studies)Al Qabas newspaper issue no 8905 dated 5/4/1998)

Table 13.7 Kuwaiti and non Kuwaiti workers in the private sector

The Kuwaiti & non Kuwait workers in the private sector:

	1993	1997
Kuwaities	5942	11864
Non Kuwaities	609103	917212
Total	615045	929076

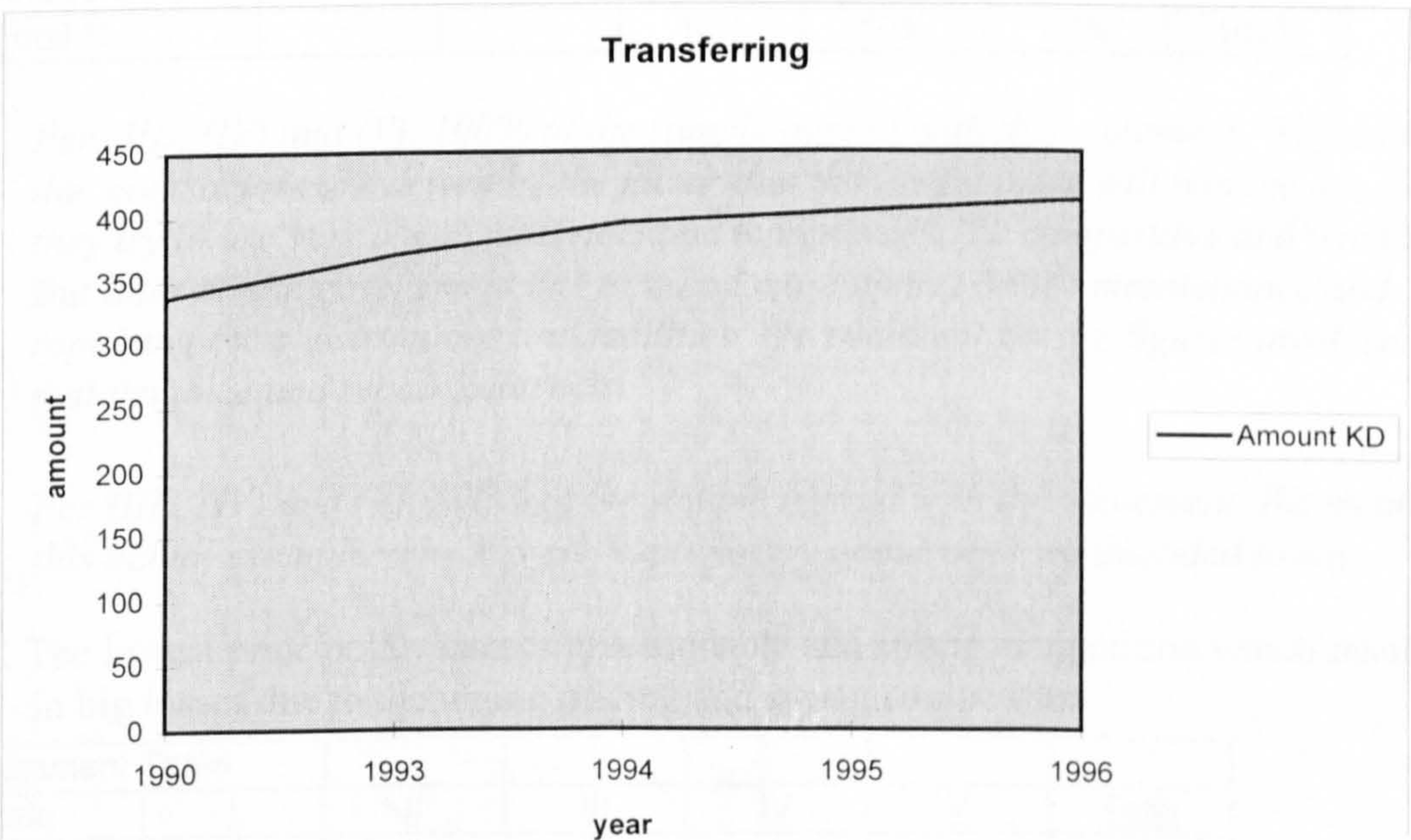


- f) Per (III), (IV) and (V) , 90% of the sample agreed with this statement (refer to details in previous statement).
- g) Per (III), (IV) and (V), 100% of the sample agreed with this statement. We note that every year Kuwait's economy loses a large amount of funds due to the fact that foreign manpower transfers these funds to their own countries.

During 1990 KD337 million equivalent to \$1256 million was transferred. During 1993 it reached KD371 million = \$1236.6 million. During 1994 it reached KD 395 million = \$1316.66 million. During 1995 it reached KD404 million = \$ 1346.66 million. During 1996 it reached KD 412 million=\$ 1373.33 million. (Annual Statistical Abstract for 25 years 1990 and same for year 1997,1994 by Ministry of Planning , Kuwait)

Table 13.8 Transfer of funds outside Kuwait

Transferring the funds outside country					
Year	1990	1993	1994	1995	1996
Amount KD	337	371	395	404	412



- h) Per (III), (IV) and (V) ,100% of the sample agreed with this statement. We note that the Kuwait government is facing a difficult problem. About 29000 Kuwaitis will be on the employment market after completing their education from the universities and other training centers. But Kuwait's government could create only about 11300 jobs during 1998: {military: 3700, oil sector: 299, the industrial sector: 275, the banking sector: 247, the cooperative sector: 4748, the private sector: 2020.}((Annual Statistical Abstract for 25 years 1990 and same for year 1997,1994 by Ministry of Planning , Kuwait) In other words the government will have to find 20000 jobs for

the Kuwaitis by 1998. So the Kuwait government has to take serious steps to find employment opportunities for this balance.

2. CTC lowest price affected the quality and work levels of the projects and the country’s supplies.

- a) The lowest pricing policy made the contractors compromise on the quality of work which would definitely increase the cost for the country in the long run.
- b) Ignoring the quality will cost a huge amount to the country in the long run. For example, purchasing electrical cables at a cost of KD 5 Million with 7 year guarantee will be a big loss compared to buying the same cables at KD 5.2 Million with 20 years guarantee. In the long run, the second offer could even save up to KD 10 Million going by the guarantee cover period.

Statement Two						
Scale	I	II	III	IV	V	total
Answers (a)			1	5	4	10
Total %			10%	50%	40%	100%
Answers (b)			1	5	4	10
Total %			10%	50%	40%	100%

- a) *Per (III), (IV) and (V), 100% of the sample agreed with this statement. We found that the contractors are driven by the factor that the lowest price will win the job. So, they try to use very cheap materials and manpower to be competitive and win the job . But later on the government has to spend more money on the maintenance and repairing the constructions and facilities .We could not get the figures involved in the maintenance and repair contracts.*
- b) *Per (III), (IV) and (V), 100% of the sample agreed with this statement. We mentioned this actual example which is self explanatory about what we intended to say.*

3. The lowest price policy causes unreasonable and strong competition which results in big losses due to the wrong pricing and strong competition.

Statement Three						
Scale	<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>	<u>V</u>	<u>Total</u>
Answers		1	3	2	4	10
total%		10%	30%	20%	40%	100%

Per (III), (IV) and (V),90% of the sample agreed with this statement. As we discussed before, since the lowest price always gets the contract the contractors always think how to reduce their costs to bid and make the cheapest offer. By keeping to this spirit , we found that the contractors will have bad pricing or estimates which result in lower prices and in the end they face loss from this contract .

4. A lot of foreign and large international companies with good experience and reputation left Kuwait market due to this policy.

Statement Four						
Scale	I	II	III	IV	V	Total
Answers		1	1	4	4	10
total%		10%	10%	40%	40%	100%

Per (III), (IV) and (V), 90% of the sample agreed with this statement. According to this policy we noted that the international companies especially the American and the European ones avoid the Kuwait market because of this policy of ignoring the quality. These companies are interested in projects or contracts , either consultancy or direct orders, where CTC has no control.

5. This policy put the government departments in difficulty because of not considering the quality and going by the lower price, and departments wish that they had not followed the CTC.

Statement Five						
Scale	I	II	III	IV	V	Total
Answers		1	2	5	2	10
Total%		10%	20%	50%	20%	100%

Per (III), (IV) and (V), 90% of the sample agreed with this statement. The client user department wants the project to perform for a long time without any problems and without any additional costs for maintenance. All require the project to be built to reasonable quality. But the actual and real situation is that the client has to follow the CTC polices, such as lowest price thus making the situation difficult.

6. This policy affects the time schedule or the plan to execute the government projects due to delay by the contractor due to the contractor’s loss or wrong pricing.

Statement Six						
Scale	I	II	III	IV	V	Total
Answers		2	2	3	3	10
total%		20%	20%	30%	30%	100%

Per (III), (IV) and (V), 80% % of the sample agreed with this statement.. We linked the contractor’s delay of the execution of any project with the lowest price policy in CTC , as the contractors priced the contract under-estimating the work, and the size of the project and when they discover the losses (mainly from the man power costs or materials costs), so the only way for the contractors to avoid the loss is by reducing the man power numbers. For example if the maintenance contract needs 100 workers , the contractor will start with 100 workers and in the middle will have 75 and in the end will have only 50 workers to save the money and at the same time delay the

project to the maximum. For example if each worker gets as an average KD 100 salary per month then the total manpower cost for 100 workers will be KD 10000 per month . For one year, it will cost around KD120000. Normally these contracts are for 2 years and the contract value for 2 years would be KD 500000 . Even if the contractor has to pay a penalty, he will be penalized up to 10% of the total contract value which is equal to KD 50000 in this example. But if he has only 75 workers, then the contractor's cost will be (75X100X24= 180000) as against the original cost of KD 240000 thereby resulting in a saving of KD 60000 Even if he pays KD 50000, he will save KD 10000.

7. This policy forces the government departments to give most of the delayed contractors a variation order to compensate their loss by the wrong pricing to finish the project in time which causes more loss to the government.

Statement Seven						
Scale	I	II	III	IV	V	Total
Answers		2	2	4	2	10
total%		20%	20%	40%	20%	100%

Per (III), (IV) and (V),80% of the sample agreed with this statement. As we mentioned in the above point (no.6) the client user department understands the contractor's problems but has only one solution called a variation order to compensate the contractor or just to avoid the losses and give the benefit to the contractor, if he did the work in a professional way and finished it in time. Also it is worth a mention that the variation orders are usually given for new orders or to add additional work to the same project to compensate the contractors for any losses incurred (please see (18) which shows one of the articles in the news paper explaining the variation orders and CTC attitude in this regard).

The client user department benefits from completion of the contract with good performance record. The user department and the contractor are hand in glove and become corrupt, which is bad for the economy.

8. The government department which wants the project knows the budget for the project and awards this project to a contractor whose offer is less than this budget, and this puts the contractor and the department in trouble for the future with unseen losses.

Statement Eight:						
Scale	I	II	III	IV	V	Total
Answers		2	1	5	2	10
Total %		20%	10%	50%	20%	100%

Per (III), (IV) and (V), 80% of the sample agreed with this statement. Because of the CTC lowest price policy, with the need to quote a very low price to get the order, after

awarding the contract, the client user department faces all the difficulties, headaches and the problems in future, with the contractor in the execution of the contract.

9. The long procedures which have to be followed for the tender till the awarding:

- a) The procedures will take more than one year at least from the date of requisition till the date of receiving the materials.
- b) The Government departments are forced to buy the materials at higher cost during emergency requirements, because the CTC procedure takes a long time to procure the materials.
- c) The department will purchase the needed and unnecessary materials to avoid any emergency shortfall of these materials.
- d) The flexibility, in case of emergency requirements, is lost because of the lengthy procedures of the CTC.
- e) Due to the lengthy procedures of CTC, the Government departments are sometimes forced to air lift the materials at higher costs instead of bringing them by sea.
- f) CTC is rendered ineffective, particularly because of the long delays involved and unnecessary procedures because of CTC's law and policies.
- g) The complicated CTC tender, procedures like signatures, stamps and envelopes etc. are merely procedural and do not avoid cheating.

Statement Nine						
Scale	<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>	<u>V</u>	<u>Total</u>
Answers(a)	1	0	3	2	4	10
Total%	10%	0	30%	20%	40%	100%
Answers(b)	1		4	2	3	10
Total%	10%		40%	20%	30%	100%
Answers (c)	1	1	3	3	2	10
Total%	10%	10%	30%	30%	20%	100%
Answers(d)	1		3	3	3	10
Total%	10%		30%	30%	30%	100%
Answers(e)	1		4	3	2	10
Total%	10%		40%	30%	20%	100%
Answers(f)	2	1	4	2	1	10
Total%	20%	10%	40%	20%	10%	100%
Answers(g)	1		4	4	1	10
Total%	10%		40%	40%	10%	100%

- a) *Per (III), (IV) and (V), 90% of the sample agreed with this statement. We clarified this subject in one of the previous chapters and we agreed that the CTC delay leads only to bureaucracy and government officialism or routine (Please note (19) where the education ministry claim delay of the maintenance contracts for the schools and the school managers can not work in the schools without the maintenance. Also see (20) where the under secretary of education ministry asked to cancel CTC law because of the suffering from the delay in awarding the contracts. So we can imagine the difficulties for the students without repairs and maintenance.)*
- b) *Per (III), (IV) and (V), 90% of the sample agreed with this statement. In case of emergency need especially for the vital industries or services such as electricity, we find that the user department in the ministry needs this equipment or materials for repairs but the user department would prefer to buy new equipment at high cost just to avoid the CTC procedures and delays . For example , a government oil company needed emergency repair for its pipeline and wanted a specific pipeline so they requested the existing contractor to buy the pipes and supply to the oil company at cost plus 15%. This was done just to avoid CTC procedures and delay. Also, the ministries follow many other ways (see (21) which clarifies one of the permissions to get the materials by airfreight) to avoid CTC delay.*
- c) *Per (III), (IV) and (V) ,80% of the sample agreed with this statement. As we explained in point b) the ministries found an easy way to avoid CTC procedures without involving third party. This way is to book high budget for purchasing and keep all the needed and unnecessary materials or equipment in their stores. In some cases we found unused materials kept in the stores for more than 20 years .*
- d) *Per (III), (IV) and (V) ,90% of the sample agreed with this statement. CTC is not using the priority policies to approve the emergency cases. Once CTC tried to avoid these lengthy procedures by giving the client the right to take the permission to issue the tender directly by the client and later issued by law and included in CTC law. The results were the same as before with just a little improvement. This is for low budget tenders not exceeding KD 50000.*
- e) *Per (III), (IV) and (V), 90% of the sample agreed with this statement. One of the unnecessary categories of the government expenditure is emergency requirements, which follows CTC procedures, and due to these lengthy procedures for example, one of the oil companies asked the supplier to supply 350 tons of chemicals by airfreight due to an emergency. So we can imagine the high transportation costs which would occur, sometimes more than the material cost.*

- f) *Per (III), (IV)and (V), 70% of the sample agreed with this statement. We put this statement in to measure the opinion against CTC.*
- g) *Per (III), (IV) and (V), 90% of the sample agreed with this statement. We put this statement in to measure the opinion and reflections against the complicated procedures of CTC, without any clear benefit worthy of mention.*

10. The CTC law is not flexible and has long procedures, instructions, and conditions without any benefits.

Statement Ten						
Scale	<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>	<u>V</u>	<u>Total</u>
Answers	1		4	3	2	10
Total%	10%		40%	30%	20%	100%

Per scale (IV)and (V), we note that 90% of the sample agreed with this statement as we tried to get the opinion about the CTC law and its flexibility in regard to the time, procedures, instructions and conditions compared to its benefits.

11. The fundamental idea of CTC is that Government departments and their employees are not to be trusted which is unfair because they are ultimately responsible for their works.

Statement Eleven						
Scale	<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>	<u>V</u>	<u>Total</u>
Answers	1	1	2	3	3	10
Total%	10%	10%	20%	30%	30%	100%

Per scale (III), (IV) and (V), we note that 80% of the sample agreed with this statement. We tried to add a new factor to this subject (the trust of the employer) as this factor is very important from the human side. As CTC was established to avoid corruption among the employees, by this they treated all employees the same. But the right way is to trust good employees and punish the corrupt employees.

12. The lengthy and complicated procedures help the corrupt employees to find ways to gain from this situation and serve the interests of influential people.

Statement Twelve						
Scale	<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>	<u>V</u>	<u>Total</u>
Answers	1	0	4	3	2	10
Total %	10%	0	40%	30%	20%	100%

Per scale (III), (IV) and (V), we note that 90% of the sample agreed with this statement by experience. It shows that if more employees are involved then the

possibility of corruption is less. Also, I believe that if the concerned employees are professionals such as engineers or doctors then the possibility of corruption is even less. But in CTC, the user department employee prepares the tender requirements, studies the proposal and carries out the project . Hence , the whole procedures are centered among few employees leading to more corruption .

13. The one price policy without negotiations is a loss to the department and loss of a chance to get a lower price.

Statement Thirteen						
Scale	I	II	III	IV	V	Total
Answers	1	0	3	2	4	10
Total%	10%	0	30%	20%	40%	100%

Per scale (III), (IV)and (V) , we note that 90% of the sample agreed with this statement. All over the world we found that negotiation is the main tool to get the supplier and the client in front of each other and by negotiations both will reach an understanding to execute the contract with best conditions for both parties . In our case CTC will give only one chance to submit the offer and thereafter no negotiations.

Fifth: Suggested Solutions

I present below some suggestions to amend the policies and procedures to ensure the drawbacks of CTC are reduced.

A) Suggestions to reduce the procedural delays and lead time of an order :

1. To provide CTC with a technical division which can evaluate the offer technically by professional employees under CTC organization. By this, CTC can stop sending the offers to the user department for evaluation.
2. To find a consultant, either a local company or an international company, to evaluate the offers and avoid sending them to the user departments.
3. CTC could employ, in each Government Ministry, an employee to work for this ministry who can open the offers and get the commercial details and save them in a safe box and transfer the technical details of the offer to the user department for evaluation . After the evaluation, CTC would have the right to award the contract for the lowest price with good quality .

Statement A						
Scale	I	II	III	IV	V	total
Answer 1	1	3	2	1	3	10
Total%	10%	30%	20%	10%	30%	100%
Answer 2	3	1	2	2	2	10
Total%	30%	10%	20%	20%	20%	100%
Answer 3	2	3	2	1	2	10
Total%	20%	30%	20%	10%	20%	100%

- 1) *Per scale (III), (IV) and (V) , we note that 60% of the sample agreed that one of the solutions to reduce the lead time is by establishing a technical division under CTC. This will also reduce the corruption among the employees at the user department. On the other hand , this will centralize the whole procedures under CTC and will increase the number of staff and bureaucracy under CTC.*
- 2) *Per scale (III), (IV)and (V), we note that 60% of the sample agreed with this statement. In this option, the consultant will slowly take over the job of the CTC which will lead to certain other types of problems such as concerned interests in the consultants.*
- 3) *Per scale (III), (IV)and (V), we note that 50% of the sample agreed with this statement. I think the sample does not trust this way of giving control to one authority.*

B) Suggestions to consider quality factors:

1. To split the details of the technical offer and commercial offer and send only the technical offer to the department for technical evaluation and rank the offers technically, after this CTC can make a balance between the lowest price and quality.
2. The government department can issue the tender directly, and the technical offer and the prices will be sent to the CTC by the contractor . After that CTC will send the technical offer to the user department for evaluation according to the quality.

Statement B						
Scale	I	II	III	IV	V	total
Answer 1	1	1	1	2	5	10
total%	10%	10%	10%	20%	50%	100%
Answer 2		1	2	3	4	10
total%		10%	20%	30%	40%	100%

- 1) *Per scale (III), (IV)and (V), we note that 80% of the sample agreed with this statement. I think this is maybe one of the best alternatives to solve this problem*

and it has been used and tested in other countries . The main idea is to simplify the whole procedure. The tender will have two sections , one section having commercial details and the other part the technical details . The CTC will receive both sections of the tender. But they will retain the commercial section and forward the technical section of the offer to the user department for evaluation. They will receive the technical evaluation and ranking of the bidders technically. After studying the commercial details separately , then they can fix a meeting to select the best offer . I feel if this is implemented, the lead time will be reduced , efforts saved and better quality at less cost will be obtained .

- 2) *Per scale (III), (IV) and (V), we note that 90% of the sample agreed with this statement. The idea behind this was to reduce the time taken by the CTC to issue the tender. If the user department directly issues the tender , it will save a lot of time. The bidders will submit their bids to CTC and CTC will forward the technical details to the user department and retain the commercial details. After receiving the technical evaluation , CTC will choose the best offer .By this system, good quality is secured at cheap prices and most importantly it avoids corruption among employees*

Sixth: A further suggestion

Discard the CTC, its role and the law.

1. CTC is useless in our present modern life unless it is de-centralized, with fewer procedures and quicker decisions.
2. CTC implies a lack of trust in the department employees.
3. CTC procedures are very complicated and so are the conditions and instructions without any benefit.
4. High cost of running the CTC by the government , without any major benefit.
5. Unqualified management of CTC is not able to find the best and most suitable material with regard to price and quality.
6. There is no need for CTC in the Government setup.
7. The CTC existing centralized way of functioning and exercise of power impair CTC's capability and efficiency.
8. De-centralized pattern should replace the existing centralized way of functioning.
9. CTC is a symbol of the government bureaucracy.

Further Suggestion						
Scale	I	II	III	IV	V	total
Answer 1	4	4		1	1	10
total%	40%	40%	0%	10%	10%	100%
Answer 2	2	1	5	1	1	10
total%	20%	10%	50%	10%	10%	100%
Answer 3	4	1	2	3		10
total%	40%	10%	20%	30%		100%
Answer 4	4	1	2	2	1	10
total%	40%	10%	20%	20%	10%	100%
Answer 5	3	1	1		5	10
total%	30%	10%	10%	0	50%	100%
Answer 6	6		2	1	1	10
total%	60%		20%	10%	10%	100%
Answer 7	3		1	2	4	10
total%	30%		10%	20%	40%	100%
Answer 8	3		1	2	4	10
total%	30%		10%	20%	40%	100%
Answer 9	3		3	3	1	10
total%	30%		30%	30%	10%	100%

- 1) *Per scale (III), (IV) and (V), we note that only 20% of the sample agreed with this statement. May be they do not know any other way than CTC to control these issues, which I think is the right analysis.*
- 2) *Per scale (III), (IV) and (V), we note that 70% of the sample agreed with this statement. As we mentioned before this is very important from the human side of this subject which the sample confirms .*
- 3) *Per scale (III) and (IV), we note that 50% of the sample agreed but none of the sample fell under class (V) meaning that the sample clearly wants CTC but to play a positive role.*
- 4) *Per scale (III), (IV) and (V), we note that 50% of the sample agreed with this statement. Only half of the sample agreed that CTC is being run with high cost but without much gain or use .*
- 5) *Per scale (III), (IV) and (V), we note that 60% of the sample agreed with this statement.*
- 6) *Per scale (III), (IV) and (V), we note that 40% of the sample agreed with this statement .This means that 60% believes there is a need for CTC and it has a good role in Kuwait economy.*

- 7) *Per scale (III), (IV) and (V), we note that 70% of the sample agreed with this statement , which supports one of the main issues of this thesis .*
- 8) *Per scale (III), (IV) and (V), we note that 70% of the sample agreed with this statement. This confirms that decentralization is an important and immediate need to help CTC perform better .*
- 9) *Per scale (III), (IV) and (V), we note that 70% of the sample agreed with this statement that CTC represents government bureaucracy.*

Chapter Thirteen - References

Translation of the examples mentioned in the questionnaire analyses from the CTC minutes of meeting from Arabic to English

- (1) CTC minutes of meeting (Kuwait Official Gazette Issue no.300, page 53 -) (1), [Ministry of Information , Re-discuss the awarding of tender no. w.a.t.v. 96-97 - supply two electrical cranes for Ms Klodmidia - the lowest offer-]CTC decision is to study the second lowest].
- (2) CTC minutes of meeting (Kuwait Official Gazette Issue no.371, page 81) (2), [Ministry of High education , M/s Al Jurassiy Co. (the lowest bidder) complaint and object to award tender no. bbh/9618- 96-97 to supply furniture for communication tower to M/s Kufouma Co.] CTC decision is to inform the lowest bidder that CTC awarded this tender according to CTC conviction.
- (3) CTC minutes of meeting (Kuwait Official Gazette Issue no.322, page 41-) (3), [Ministry of awqaf, re- discuss the request from the ministry to cancel the tender]CTC decision to award this tender to the single offer.
- (4) CTC minutes of meeting(Kuwait Official Gazette Issue no.318, page 106-) (4), [Ministry of Defense, which discussed the acceptance of the 3rd lowest offer for construct and erect the doors for two airbase hangers] CTC agreed and transferred it to Ministers council for approval.
- (5) CTC minutes of meeting (Kuwait Official Gazette Issue no.335, page 99 -) (5), [KNPC, awarding the supply of pressure vessel for value of KD106920] CTC approved.
- (6) CTC minutes of meeting(Kuwait Official Gazette Issue no.285, page 76 -) (6), [Ministry of electricity and water, single source] CTC approved.
- (7) CTC minutes of meeting (Kuwait Official Gazette Issue no. 285, page 91 -) (7), [Ministry of electricity and water , ordered a contractor to one project without tender.
- (8) CTC minutes of meeting(Kuwait Official Gazette Issue no.318, page 68 -) (7), [Ministry of health, CTC decided to award tender 35/ 96-96 to supply patients files as single source for KD 62565].
- (9) CTC minutes of meeting(Kuwait Official Gazette Issue no.285, page 91 -) (9), [Amiri Dewan (Governor Affairs Department) ordered one contractor as single source to replace water pipe line in Bayan palace value 1,098,353] CTC agreed.
- (10,11,12,13) CTC minutes of meeting(Kuwait Official Gazette Issue no.300, page 39,45,52,67 this Issue has 7 minutes of meetings-), [Kuwait Oil Company, asked

CTC to exclude M/s oqab Co. from the future tenders due to non compliance with the safety standards] CTC asked KOC to send more clarifications, (10). [CTC asked KOC to postpone this request till CTC meet the company owner] (11). [CTC asked KOC again to postponed this subject till next meeting] (12). [CTC agreed for KOC request to exclude this company to bid for only KOC tenders.(13).

(14), (15) CTC minutes of meeting(Kuwait Official Gazette Issue no.322 ,page 75, 84), [Ministry of Social Affairs, asked CTC to M/s alwadi company to bid for this ministry tenders due to non compliance with working law. CTC asked to call the owner for this company to meet CTC] (14). [after one meeting CTC decided to blacklist this company from all the CTC tenders] (15).

(16) *CTC minutes of meeting (Kuwait Official Gazette Issue no.294, page 19-)* (16), [KOC apology to accept M/s house of developments *request to include them in koc* tender no. 59/1996].CTC decision to include them in KOC tender.

(17) CTC minutes of meeting(Kuwait Official Gazette Issue no.322, page 60 -) (17), [MEW asked CTC to include Bristol Babcock for the maintenance of the power stations] CTC refused.

(18) Alwatan newspaper issue no7706 year 36 dated 31 July 1997 [As a brief translation for this article, he refer that the reasons for the variation orders from the client to the contractor are : The wrong design, the changes in the client needs after the awarding and in end the changes of the manager and change his ideas about the contract because of the un flexibility of CTC and the lowest price policy the country pay more.

(19) Alanba newspaper issue no.8031 dated 24th spt 1998. Page 4. The minister of education met the principals of all government schools to discuss the air-conditioning maintenance which is always the main problem in summertime , as the minister blame CTC as they delayed by their long procedures to award the maintenance contracts for the A/C as the offers gone to CTC since November 1997 , which resulted to keep the students under 40-50 C degree in without air-conditioning.

(20) Al anba newspaper issue no.8048 11th Oct.1998 page 6. Interview with the Undersecretary of Ministry of Education, which she mentioned that CTC law is one of the main law which the country and the ministry suffer ,and she indicate that if the government accept to deal directly with the contractors the ministry can save 70% from the CTC awarding prices as CTC will give the contracts to classified companies and the ministry can do this with small qualified companies. as they did the work by Kd3000 which came from CTC by kd 17000.

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- (21) CTC minutes of meeting(Kuwait Official Gazette Issue no.383, page 41 -) (21),
[KNPC, asked CTC to increase the order value by kd 850 for small spare part just to ship it by air instead of sea.] CTC agreed.

CHAPTER FOURTEEN

CONCLUSIONS

In this chapter we would like to conclude the study by discussing the pros and cons of CTC's directives towards the economic, political and social divisions of the country. We have explained these subjects in detail in the previous chapter (The questionnaire analysis). Again briefly we outline the pros and cons of CTC's directives and suggestions to improve their role.

We think the foundation of the CTC law and the requirements to establish CTC department at that time were correct. This was a viable solution when the ministry employees and the contractors controlled the government spending. This effectively curtailed the expenditure of the country which had reached in some cases the contract cost plus 60% profits without any interference from the client. So the only solution from the patriotic government and the parliament at that time was to establish CTC to protect and control government spending.

CTC was successful then because the government structure and set up was small in size and the employees were far fewer in number. But CTC nowadays perform a role which is much larger than their ability and capacity. The present structure of the government set up is much larger than the setup back in 1960's. If CTC does not change its law to face the new developments, then we are certain that the system will fail due to ineffectiveness and loopholes in the law to control the policies, which is evidenced by the complaints received by CTC.

CTC law was a realistic solution then as most of the employees were foreigners and not Kuwaitis, where most of them came to live short term and leave the country with some savings and some of them fell in to corruption to earn more saving. But now it is a different situation completely as 60%-70% or even more are local employees and most of them are patriots and loyal to their country.

CTC was a successful tool for the Government influence to control the groups then to serve their interest. But now we think their role is reduced significantly as the competition between these groups mainly is how to get influence in the parliament.

Reducing the government spending for the projects and the supplies was one of the main objectives of CTC by following the lowest price policy for awarding contracts and they were very successful in curtailing the excessive expenditure.

CTC law gave this committee full control and centralization of the Government decisions in regard to the buying and contracting for all Government projects and avoided corruption and breach of trust in the public sector. This was acceptable for 40 years, but now how can this goal be achieved with the increased responsibility of 70% of the

buying and contracting budget of the country which is around KD 3000 million per year (equal to one billion US Dollar)?

In the long term CTC law kept the cost and price levels without changes for a long time. We showed this in our questionnaire at question no. 7 point (a) as the cost of construction per sq./mt. changed only by 27% in the past 10 years. However, that has happened elsewhere, for example if we compare our neighbour Saudi Arabia we find same price level changes, or even lower than these levels, so we do not think it is only a result of CTC.

CTC centralized and controlled the tendering procedures of all government departments which was considered to be one of the positives of CTC, but on the contrary each tender takes more than 12 months before the contract is awarded due to the said procedures. As we explained before, CTC handle around 1000 tenders every year and each tender goes through long procedures.

We think it is imperative that changes are made to the existing law or else CTC and Kuwait will sink in bureaucracy.

CTC as a bureaucratic department

CTC as a department is a clear example of the need for bureaucracy, for as we mentioned earlier the bureaucratic organization is compatible with big works and can perform its role sufficiently and efficiently so that the project will not reach a size which cannot be controlled and become unmanageable.

We have explained earlier with evidence that since the establishment of CTC in 1960's and its handling increased responsibilities in the 1990's CTC is now handling a very large mission which is beyond its ability to handle and obviously reflects negatively on the country's interest.

As an application or as a practice of bureaucracy, we will now discuss CTC and see how it has matched and dealt with the risks of bureaucracy.

The accurate specialism, or division of labour

It will be a source of risk if CTC department considers the part instead of the whole. CTC considers only the implementation of CTC law and practice. Also CTC is well known for isolationism in their specialty. This leads to the increase in employees without practical skills.

Routine, detailed and itemized procedures

It will be a source of risk as CTC department changed to work with complicated procedures. Also CTC's procedures are often not for practical purposes for the procedures are not required. One of the main defects is that the increase in procedures for tendering, quoting and awarding do not bring many benefits.

The authorities relationship with subordinates

It will be a source of risk as CTC department concentrates the power and authority at a high level like Chairman of CTC and leaves the subordinate management to perform their responsibility.

The obligation to the law

It will be a source of risk as CTC law changes and increases the procedures and conditions much more than the acceptable level. Also CTC's law conflicts with other laws of the government which are taking care of government interests like encouragement of local industries and employment. CTC's low price policy is a real hurdle for these developments. CTC's law is not able to cope with the present changes which need fast and short line of decisions.

Fix the salaries and the employees office hours

Some of the Government departments' employees tend to be lazy and sluggish since they have secure salaries and are unmindful to obey orders. Ultimately they see their own benefit rather than the government benefit.

We can very well imagine the damage caused to the departments if all these risks are put together with a government department such as CTC which is not a profit center, rather providing a service to the public.

How to avoid the sources of risk

As we mentioned earlier bureaucracy is not a disease, but due to the incorrect usage of the props which the bureaucratic structure depends on we will end up with misadministration or management catastrophe. To minimise such risks we propose the following:

Define the goals of the management department in a very clear way, and link all policies for this department to serve the government goals to develop the country.

Decrease the supervision range to the minimum for the CTC in regard of purchasing of services and materials.

Select the managers and CTC members according to the management needs and to their suitability for the position.

Trust the department managers and give them more authority to control their department's needs.

The positives and the negatives of CTC

As we clarified in the previous chapter CTC was founded to achieve the required goals at that time which it has achieved to a certain extent. Now after four decades we think the achievements of CTC are decreasing as the pace of development is too quick for CTC.

First: Political Reflections

- A) CTC is a tool for the government to award the international companies according to the foreign interest of the government.
- B) The government uses CTC as a tool to take care of the government's local interest like awarding the contracts to favored local companies because of their loyalty.
- C) CTC can act negatively or positively towards any group by qualifying or not qualifying them for the projects, and registering them in the bidders approved list and awarding the tender to preferred groups and not to others.
- D) Reflections of favoritism in society using the CTC to serve the interests of influential people.

Second: Social Reflections

- A) The manpower working in Kuwait are recruited from about 110 countries and are mostly employed in the private sector, which affects the local traditions and behaviors.
- B) Most of the foreign work force is unskilled and unprofessional and is employed in the public and private sector, due to the market requirement and low wages. Also most of the foreign work force is unmarried or can not afford financially to get their families to Kuwait. Lots of crimes and social problems are caused due to the absence of their families.
- C) CTC, in some cases, proves its loyalty by preferring certain contractors/companies according to their family background, tribe and nationality which supports favoritism and patronage in the country.

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- D) The private sector is forced to reduce their bid value which in turn affects the wages of labor, which is the main cause of disputes between the employer and employees, leading to strikes, disorder, lock-out and security problems.
- E) Some of the foreign manpower is employed for a limited period and after making hush money, they will return to their country without having any concern for the damage caused by them to the country.
- F) The ministries and Government departments depend mostly on the foreign manpower, as the Kuwaiti employees performance is unproductive.
- G) One of the reasons for unemployment among Kuwaitis is because of the high wages demanded by the Kuwaitis inspite of their low experience.
- H) CTC law assumed that the government employees were untrustworthy and unreliable.
- I) CTC withdraw the authority and jurisdiction from the government employees to have their own control for their departments projects and supplies.

Third: Economic Reflections

- A) In aiming to reduce the expenditure for the country, we noted from the research that CTC have succeeded, by having the lowest price policy and implementing this policy very strongly without considering the policy of quality which is vital to extend the life of the project and save the country expenditure in the long run. CTC save expenditure in the short run and increase the expenditure in the long run by spending more money to maintain the projects because CTC ignore the quality during the construction of a project. There is a saying in Kuwait that every project built in Kuwait is only for a short life.
- B) Due to CTC's lowest price policy the contractors and the suppliers are forced to employ foreign low skilled workers and give them a unique chance to build adequate skills. Still the Kuwaitis depend on them, and the local employees are left with less opportunity to gain experience on the technical side. The impact of this as we mentioned in the questionnaire, affected the economy by transferring the money outside Kuwait, lost the experience by terminating these foreign workers, and this was gained by companies in their home country.
- C) As we mentioned in the questionnaire, CTC's policy has a negative impact on the private sector in the direction of development as there is no encouragement or strategy worked-out to build local industries. This forced the investors to leave this line of business and import all the countries needs from abroad as CTC always award the supply contract to the lowest price. The Kuwait government tried developing private sector to build some industries but the effort was in vain

as these industries were not economically viable since the main purchaser in the country is the government which is controlled by CTC.

- D) CTC's lowest price policy has a negative impact on technology as the bidders try not to put in the latest technology or use it since the bidder will be evaluated on a price basis not according to the new technology or advanced methods which cost more even if they reduce the costs in the long run. So we find Kuwaiti projects are well behind as far as the technology is concerned, unless the concerned user department has specified this technology, and this is very rare as we know the government employee is reserved and self-restrained towards any new technology.
- E) The procedures of CTC take a long time to award the contractors the contract due to unnecessary procedures by the user department to finalise.
- F) We note that every year Kuwait's economy loses a large amount of funds due to the fact that foreign manpower transfer these funds to their own countries.
- G) There is high unemployment of the Kuwaiti's in the private sector, as we mentioned in the questionnaire analysis. The Kuwaiti's are only just around 2% of the total work force in the private sector as this sector cannot absorb the cost of their wages and compete with the low price awarding policy of CTC. This policy has left the government with not many options to solve the unemployment problems of their own nationals.

The continuation of CTC

As we mentioned at the end of the questionnaire, we asked if CTC should be abolished as it is an old tool and has not brought any major advantage to the country. Also as an alternative we outlined some of the suggestions and solutions to amend the CTC law to suit the new changes which have taken place over the past 40 years since the establishment of CTC. We realised that most of the answers want CTC to continue its role actively with required changes in the existing law to allow development.

In view of the above, instead of abolishing CTC, the best and the viable solution would be to keep CTC. Also the country's structure and government departments have become very familiar with CTC laws over the past 40 years even though no consideration was given to the effects of CTC on the country. The government employees and the others concerned favour keeping the role of CTC but after making required modifications to the existing system.

We outline some of the attempts to show the importance of CTC and yet the need to amend CTC law.

First attempt

We will mention first the Council of Ministers draft law (1998-1999) which is still under study and was expected to be approved by April 1999. Upon approval it will be sent to parliament for their review and final approval with modifications, if any. We think these changes are not sufficient to tackle the existing problems and minimise the drawbacks. The main differences are:

- 1) The CTC members are to be nominated by the Ministers of Cabinet and not by the Council of Ministers as before.
- 2) The CTC members must be specialized in engineering, economic and legal fields for at least four years.
- 3) The new proposed law increased the limit of the direct orders from the government department without involving CTC from KD 5000 to KD 15000.
- 4) For every government department there will be the right to get permission from CTC to give direct orders for an amount not more than KD 100000.
- 5) Fix the variation order with maximum percentage of 5% of the contract value with CTC's approval and if the value exceeds KD 100000 needs to be approved by the Ministers Council.
- 6) Support the local products by giving 10 to 15% preference on price.
- 7) In case CTC feel that the offered bids for tender are high in value, CTC have the right to cancel the tender. The proposed law fixed a ceiling for this authority at KD 1 million. Over this value needs the approval of Ministers Council.
- 8) The Ministers Council will decide, based on CTC suggestions, to fix the percentage of Kuwaitis who will be employed by the awarded contractor for each tender.(I do not know whether that will be before the bidding or before awarding which makes a huge difference).
- 9) When a project/supply contract is awarded, the concerned contractor must purchase the materials for his project at around 30% from the local market or through local companies and also subcontract 30% of the project work to local contractors for whom CTC have the categories. The Ministers Council has the right to reduce the percentage.

The second attempt

This was an attempt as draft law from five parliament members submitted to the parliament chairman in February 1999. This draft will wait in turn with 200 other draft

laws. In any case we believe that this will not reduce the drawbacks substantially enough to face the upcoming challenges. The differences are:

Seven members appointed by the concerned ministry only for 2 years and renewable for another 2 years only. Also the CTC members must have adequate technical knowledge and in economic and legal fields.

The new proposed law increased the limit of the direct orders issued by the concerned government departments without consulting CTC from KD 5000 to KD 15000.

The proposed law includes the renting of buildings for the government departments which will be an additional task for CTC.

When CTC attempt to fix limits on the list of contractors or suppliers for any tender, justification must be given and this is to be published at least 30 days before the issuance of tender. CTC have the right to add or delete any vendor's name from the list.

For every government department the right to get the permission from CTC to give direct orders for an amount not exceeding KD 100000.

Fix the variation order with maximum percentage of 5% of the contract value with CTC's approval. If the value exceeds KD 100000 then it will be subject to the approval of Ministers Council..

Any complaint received from any company on any CTC decision will be replied to by CTC within one month after submitting the claim, giving the reasons for rejecting the complaint. If CTC have not replied within the stipulated period, then the claim has to be treated as null and void.

The categorization committee in CTC has members from MPW, MEW, MOO, MOF and MOC. The proposed law added MOC, PAHC, Municipality, the Kuwait Engineers Society, the Contractors Union and the Chamber of Commerce.

The categorization committee will follow the standards which will be set by the Ministers Council based on CTC's recommendations.

The categorization list will be issued within two months from submitting the request by the contractor and if CTC have not replied within the stipulated period, the contractor may consider their request is rejected.

It is not allowed for any contractor to get a project or contract over the set limits.

It is not allowed for any contractor or supplier to register more than one company. If he owns some shares then it will be acceptable.

Renewal of contractor categories will take place every 4 years.

CTC will propose a system which allows the foreign companies to participate in large tenders directly, without involving the local agents.

It includes a clause to forbid a consultant from participating in any tender.

It is allowable to bid for a tender with more than one bid if the supplier can show in documents that the other bids are from different manufacturers.

CTC will not open the tender box if the committee quorum is not met.

It supports local products by giving 10% to 15% preference.

The Ministers Council will decide according to CTC suggestions to fix a percentage for the Kuwaitis employees who will be employed by the awarded contractor for each tender. (I do not know if that will be before the bidding or before the awarding, which makes a huge difference).

When a project/supply contract is awarded, the concerned contractor must purchase the materials for his project by around 30% from the local market or through local companies, and subcontract 30% of the project works to local contractors for whom CTC have the categories. The Ministers Council have the right to reduce the percentage.

Other countries experience

We here suggest new forms and methods to evaluate the tenders and also other ways to award the tenders. We obtained some of these ideas from countries around the world, so we can say it's others experience of the same subject. However there appears to be no substantial research literature available on competitive tendering at a national level. (The UK has a very limited and recent experience of compulsory competitive tendering at a local authority level.) Countries have either allocated national resources through very formal state planning or allowed market forces to determine the outcomes. As pointed out in the Introduction (page viii), even in Kuwait after thirty-five years of operation there appear to be no substantial writings or research studies on the effectiveness of the CCT.

- 1) Award the tender to the nearest offer to the budget of the tender not to the lowest price offered.
- 2) Disqualify the lowest bidder and the highest bidder and after that make a calculation to get the average from the balance and award the contract to the nearest to this average.

- 3) Split the contract according to the following percentage: to the lowest bidder 35% , second lowest 25%, to the third lowest 15%, and we will end with a balance of 25% which is to be awarded to the best bidder considering their quality.
- 4) Establish more than one CTC department to deal with the huge work load.
- 5) Split the technical and commercial offers from each bidder and send the technical part for evaluation. After that take the best technical offer and consideration is then given to price as well as quality.

What are the solutions?

If we review the two attempts, we find it is very difficult to accept these attempts to solve the CTC problems as clarified in this thesis. So we can answer this question by suggesting the following options:

Option One

It will be a temporary option and according to the speed of movements in the international economy we may need to amend the CTC law at a later date.

As we mentioned in the questionnaire, we would provide CTC with a technical division or a consultant (either local company or international company), to evaluate the offers. Also we suggested some ideas to consider the quality factor during the evaluation of the offers. All of these suggestions and ideas play a key part in developing CTC's role.

In general we can define and demarcate the factors and the framework to modify, convert and change the CTC law to comply with the following:

- 1) Develop and renew the CTC law according to reality and actuality of the size of the country, life changes and government needs.
- 2) Change the CTC law on the basis and on the foundation of the loyalty, honesty and confidence of the government employees.
- 3) Change the rewarding and punishment base for the employees and the axis of trust.
- 4) Reduce the procedures and simplify them to reduce the time for the tender evaluation.
- 5) Increase the flexibility in issuing the tender by issuing either through CTC or government departments.

- 6) Calling to account prior to the issuance of the tender and after it in case of any suspicions of any corrupt actions.
- 7) Taking into consideration or account the other economic activities in the country like how to develop and support industries to boost the national economy.
- 8) Create new patterns or types of tenders through which the country gets benefits as first priority and as second priority gets the experience and investment in the country to serve either the clients or the contractors to build the projects in the country. By doing that the government will save time and reduce the costs.
- 9) To increase CTC influence in regard of the financial and accounting control before and after issuing the tender, but reducing the power of CTC for the organizational and regulative procedures to issue the tenders.
- 10) Qualify and categorize the contractors in CTC according to new classifications and with new basis of evaluation by canceling the value of the grades in each category and replacing them for example with the specialty. This will be followed with periodic re-evaluations.
- 11) Avoiding political influence and favoritism by replacing nationalism and patriotism as symbols.
- 12) Avoiding the lowest price policy by categorizing the material in to two divisions. One is standard materials with similar quality where we can use the lowest price policy. The second division is for the balance of the materials where we can ask the supplier to offer suitable quality first and second evaluate the prices.

Option Two

This is a big question to answer and I insist on abolishing CTC law and start trusting the employees and give flexibility and independence to the government department employees to make their own decisions. Also we need to make a large survey and need assessments to put the future challenges for the country in the next century, such as:

- ❖ Globalization.
- ❖ The privatization of the public services and the reduction of state costs.
- ❖ The reorganization of international trade which will cancel the custom duties and be specialized in the country's major fields of trade or production and a lot of changes to make Kuwait ready for the new international economic world.

- ❖ And in the end, start raising income taxes from the individuals to give more improvements in the state services.

Option Three

We suggest gathering the above options together and consider the first option as the first phase to prepare the market before abolition of CTC. Also in the light of implementing other countries experienced methods to award the tenders, say for 10-20 years, till the new international economy helps the country forward. After that for sure will result in abolition of CTC law.

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