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FITCH CUTS OUTLOOK TO NEGATIVE ON DEBT GRIDLOCK

Kuwait affirms strength after rating

Day by Day

THERE is no government in the world that says the House of Representatives (The National Assembly in Kuwait) has rejected this or that project. If the law concerns with the national, economic, or security project that serves the interests of the citizens, these interests are not for political bargaining.

The Assemblies cannot reject the government's demands unless the latter is weak and unable to resolve issues. This is the reason why MPs trade in these popular issues.

... Yet, tomorrow is another day.

Zahed Matar

Other Voices

Utopia

CORRUPTION fills the country. Chaos pervades its distant and near streets and neighborhoods, as the law is being violated publicly during the day and the supervisory authorities that are entrusted with enforcing the law work on people (account to the people and others) as we live in an unprecedented stage of chaos and violation of the law ...

In order to avoid talking randomly, I will tell you this unpleasant story that I heard from the victims of selectivity and moodiness in the application of our laws, some of which are outdated.

The place is in a large, famous mall and the shop has a foreign name. It sells high-end and branded items. The time is 8:00 am and the store does not open until 10:00 am. The store manager saw a break in the routine of the salesmen and saleswomen – more than 10 employees – as she allowed them to exercise with decent music in the background. They diverged from each other and performed active movements with the music inside the store. None of the mall visitors arrived because it was too early.



Al-Baghli

Then a preacher passed by. It could be deduced from his appearance that he is an Imam or Muezzine or something similar. He was shocked at the sight of the employees of the foreign shop, so he filmed them using his mobile phone. After the Imam took a video of them, he immediately went to the law enforcement department at the Ministry of Interior and showed them the video. He asked them to punish those who practiced mixed sports, even though they did so in their own place and not in the mall or the street.

Although the law and morals prohibit violating the privacy of others by photographing or filming them, and even though that act is not criminalized by any law around the globe, the investigations men of internal integrity and peculiarity responded to the request of the protector of virtue "which is according to his size!" So, they arrested the employees of the shop and detained them for more than "three days" and threatened them with deportation, imprisonment, and the penalties in the brain of the "complainant" and the men of interior by selectively, and then they were released.

Here we have to say to the men of the Ministry of Interior that they committed what is considered a black mark on Kuwait's human rights record. They violated the highest articles of the Constitution.

This is in addition to the fact that the societies which exported to us this exaggeration and extremism for decades have opened up and migrated forever. The best example of this is our great sister, the Kingdom of Saudi Arabia, and many of the brotherly Gulf Cooperation Council countries which preceded it, not to mention the major Arab countries such as Egypt, Iraq, Morocco and others ...

Kuwait, where corruption and violation of laws have been seen in public while the police are watching, along with many other troubles ... Do you intend to turn it into Utopia? We hope to do that by punishing the corrupt and those who violate laws, regardless of their nationalities and origins.

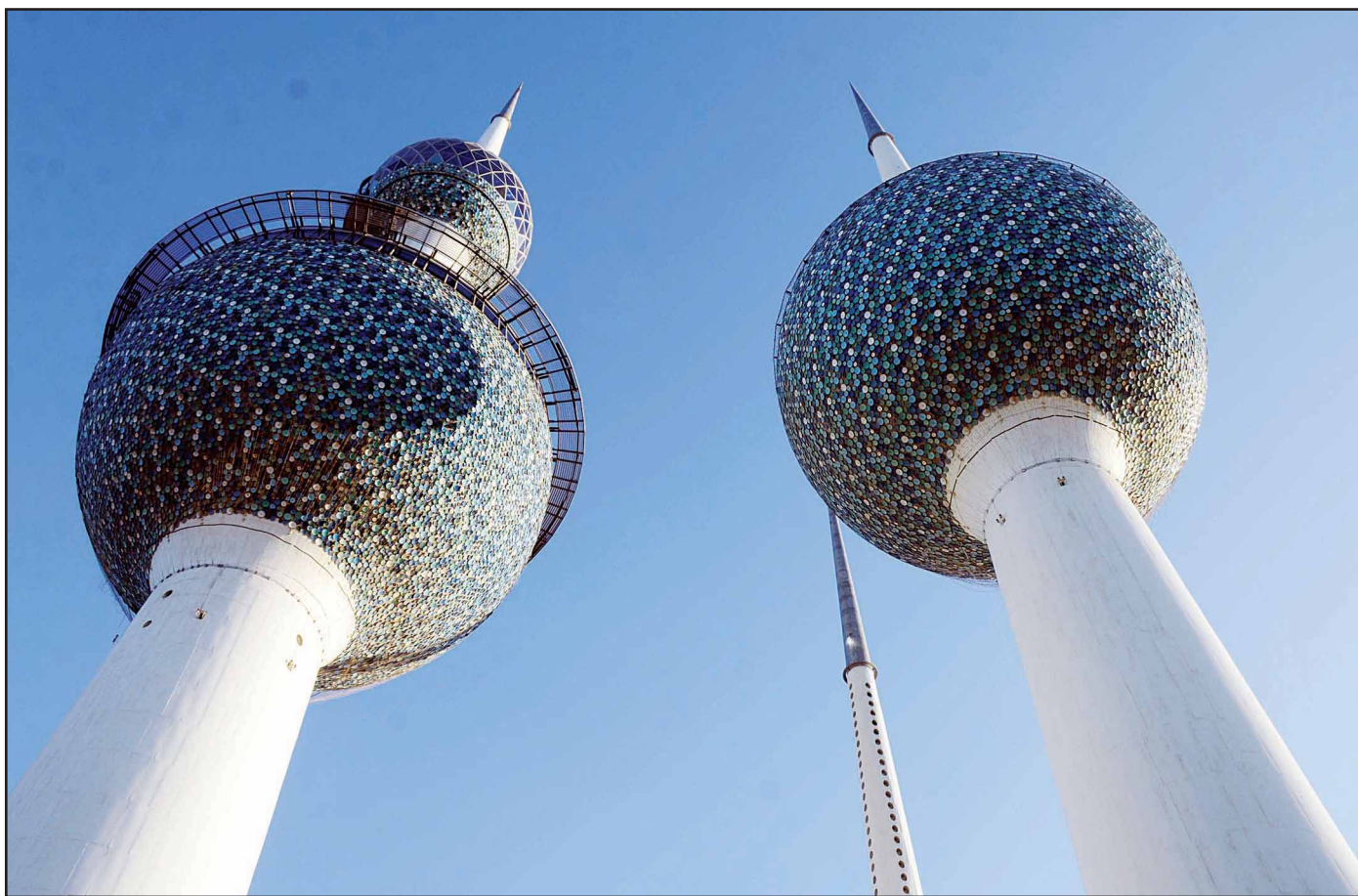
Email: ali-albaghli@hotmail.com

Malls, restaurants to shut from 8pm-5am

KUWAIT CITY, Feb 3: The Council of Ministers imposed stringent measures in their press briefing, stating that starting Sunday, clubs and salons are to completely remain shut, while commercial malls and restaurants are required to close from 8pm to 5 am.

The Council also said that ban on renting of halls, tents and gatherings on festive occasions are in effect. Moreover, expats are not allowed to enter Kuwait for two weeks.

The Ministry of Health urges the public to observe social distancing, wearing of protective masks and to refrain from going out if not necessary.



The majestic Kuwait Towers are seen on Feb 3. The 'Sixth Gulf Cancer Awareness Week' under the slogan 'The decision is yours', was launched at 'one of the most important landmarks in the State of Kuwait' and will continue until Feb 7. - See Page 5

'We trust UK courts'

KIO firm on London headquarters

NewsWatch

TEHRAN: IRAN's President Hassan Rouhani has vowed to fully recommit to nuclear deal obligations if the US carries out a similar move and shows "goodwill."

"Of course, if you (US) return, we will also honor our obligations completely, and this is very clear," he told a televised Cabinet meeting.

"We did not violate any resolution so that we would seek to amend it. We did not leave the JCPO so we would want to return to it," he added, in reference to the deal, better known as the Joint Comprehensive Plan of Action. (KUNA)

TEHRAN: Kuwait is ready to act as a go-between to deescalate tensions between Iran and Saudi Arabia when appropriate conditions are created, a TehranTimes.com reports quoting Andolu Agency

"Kuwait is ready to pursue its mediation between Saudi Arabia and Iran when the appropriate conditions are created," Andolu Agency quoted diplomatic sources familiar with the matter at Kuwait's Foreign Ministry as saying.

KUWAIT CITY: Spokesman for the Ministry of Health (MoH) Abdullah Al-Sanad on Tuesday said the rise in coronavirus cases and the number of patients at hospitals requires care and mutual cooperation from all segments in the society to keep achievements made in controlling the spread of the virus.

Speaking at a news conference today, Al-Sanad said increased coronavirus cases caused by travel, social gatherings and wedding parties. (KUNA)

RIYADH: Saudi Arabia's Ministry of Interior announced on Tuesday temporary suspension for entry of 20 countries to the Saudi lands starting Wednesday, Feb 3.

"Ministry of Interior announced that a temporary suspension for entry to the Kingdom of Saudi Arabia has been enforced on non-citizens, diplomats, health practitioners and their families coming from each of Argentina, Brazil, Egypt, France, Germany, India, Indonesia, Ireland, Italy, Japan, Lebanon, Pakistan, Portugal, Republic of South Africa, Sweden, Swiss Confederation, Turkey, United Arab Emirates, United Kingdom and the United States of America," a source at the Ministry of Interior said in a statement. (KUNA)

KUWAIT CITY, Feb 3: Kuwait Investment Office (KIO) intends to retain its headquarters in London regardless of its legal dispute with former managers accused of involvement in financial anomalies – unauthorized salary and bonus increments.

According to news published on Bloomberg.com, Kuwait Investment Authority (KIA) – the parent organization of (KIO) – affirmed that it has no intention to relocate the office as London is considered a major global financial hub. The authority also believes the office will recover public funds in the midst of a legal dispute with the former managers.

The authority was quoted as saying, "We place our trust in the UK courts to recover the public funds, and to honor the reputation of our colleagues who call Kuwait Investment Office their home."

In 2018, three former managers in the London office allegedly conspired to obtain unlawful salary and bonus increments. The State Audit Bureau (SAB) started investigating the alleged irregularities in January 2019, then KIA filed a claim for damages amounting to more than £1 million, which is equivalent to around \$1.4 million, in the beginning of last year. All of the accused denied the allegations.

In accordance with the Public Funds Protection Law, KIA decided to file a case as the law stipulates that embezzled public funds must

be recovered through "all legal measures, in any jurisdiction." The accused were given the option to return the misappropriated funds, but they did not take such step.

Instead, the accused filed a case at the employment tribunal, which will focus on disclosure of KIO documents. For KIA, the former employees' claims are "retaliatory in nature." The authority also asserted diplomatic immunity to avoid handing over "sensitive" documents from its records.

KIA confirmed that the dispute has no effect on the recruitment of British nationals in the future, pointing out the office is a place where employees from various backgrounds "help grow the assets of Kuwait's Future Generations Fund together with their Kuwaiti colleagues."

The authority manages the General Reserve Fund, which is the government's main source of budget financing; as well as the Future Generations Fund – an estimated \$600 billion vehicle designed as a buffer for a time after oil. KIA is known as the world's oldest sovereign fund and has stakes in ports, airports and power distribution systems around the world.

It started in 1953 as a Bank of England account for depositing oil money. Its high-profile investments include a stake in Daimler AG, in addition to 5.2 percent passive stake in BlackRock Inc.



Turkish police officers fire rubber bullets at students of the Bogazici University protesting the appointment of a government loyalist to head their university, during clashes in Istanbul, Feb 2. For weeks, students and faculty at Istanbul's prestigious Bogazici University have been protesting President Recep Tayyip Erdogan's appointment of Melih Bulu, a figure who has links to his ruling party, as the university's rector. They have been calling for Bulu's resignation and for the university to be allowed to elect its own president. (AP)

AA affirmed

KUWAIT CITY, Feb 3, (Agencies): Interim Minister of Finance Khalifa Mu-saed Hamada has confirmed that the financial position of the country is strong, while stressing the need for hard work to change the outlook which will pave way for the implementation of reforms concerning public funds.

In a statement released by the Media Center of the ministry, Hamada reacted to Fitch's AA rating for Kuwait; particularly the change of outlook from 'stable' to 'negative'. He said the financial position of the country remains strong and solid, owing to the support of the Future Generations Fund. He affirmed the fund is growing continuously and attributed this growth to the tremendous efforts being exerted by those tasked to manage the fund.

He admitted there are structural imbalances in public funds related to annual revenues and expenditures; such that the liquidity of the General Reserve Fund has been on the verge of depletion. He added: "One of our most important priorities in the executive authority in the next stage is to enhance the liquidity of the treasury. As we emphasized previously, this needs the concerted efforts of all parties which should work as one team to guarantee the sustainability of public funds."

Key rating drivers

The revision of the Outlook reflects near-term liquidity risk associated with the imminent depletion of liquid assets in the General Reserve Fund (GRF) in the absence of parliamentary authorisation for the government to borrow. This risk is rooted in political and institutional gridlock that also explains the lack of meaningful reforms to tackle double-digit fiscal deficits and the expected weakening of Kuwait's fiscal and external balance sheets, although these will remain among the strongest of Fitch-rated sovereigns.

Without passage of a law permitting new debt issuance, the GRF could run out of liquidity in the coming months without further measures to replenish it. Depletion of GRF liquidity would sharply limit the government's ability to make good on its spending obligations and could result in significant economic disruption. Our base case is that government will replenish the GRF to avoid depletion even without any new legislation by parliament, and that debt service (about KWD400 million or 1% of GDP in 2021) would in any case continue in a timely manner. Nevertheless, a degree of uncertainty remains.

The authorities have shown commitment to avoiding a liquidity crisis and have flexibility to take extraordinary measures, but the timing of a sustainable funding solution remains unclear. In August, parliament passed legislation removing the automatic requirement to transfer 10% of revenue from the GRF into the much larger Future Generations Fund (FGF). This allowed for the reversal of the transfer for the fiscal year ending March 2019 (FY18), and followed the purchase of liquid assets from the GRF by the FGF. The GRF still has a broad range of illiquid assets that could also be transferred to the FGF, including the Kuwait Petroleum Corporation (KPC). The GRF could also borrow from the FGF, as it did during the Iraqi invasion in 1990-1991, although this is not an option that the government is considering at this stage. Under Kuwait's constitution, the Amir could issue decrees with the force of law, although this option would be politically contentious, in our view.

Debt law

Passage of the debt law, deficit reduction and fiscal reform continue to be beset by entrenched political divisions and fiscal rigidities, with over 70% of government spending consisting of salaries and subsidies and about 80% of Kuwaiti nationals employed in the public sector. With political parties banned, members of parliament (MPs) tend to be elected on narrow, populist platforms and frequently conflict with an appointed government. This trend is likely to continue after gains by the opposition in the December 2020 elections. In January 2021, the government resigned after opposition MPs moved to "grill" the prime minister, although the Amir swiftly re-appointed him. The prime minister, a senior royal family member, was appointed after the last government resignation in November 2019. Another no-confidence motion in October 2020 was forestalled by the passing of the late Amir.

We expect the general government deficit to widen to about KWD6.7 billion (20% of GDP) in FY20, including in revenue the estimated investment income of the Kuwait Investment Authority (KIA), which is not officially disclosed and mostly relates to the FGF. We expect revenues to fall 33% to a little over KWD14 billion (42% of GDP), driven by lower oil prices and production. Spending will be in line with the previous fiscal year at KWD21 billion (62% of GDP), slightly below the final budget. The government allocated a total of KWD740 million (less than 2% of GDP) in additional spending to fight the coronavirus and support the private sector, which was offset by savings elsewhere, including lower subsidies, which vary with oil prices.

MP amends thieves bill

By Saeed Mahmoud Saleh
Arab Times Staff

KUWAIT CITY, Feb 3: MPs Mehalhal Al-Mudaf, Abdullah Al-Mudaf, Hamad Rouhaldeen, Muhannad Al-Sayer and Hassan Jawhar have submitted a bill on amending Public Funds Protection Law number 1/1993 to toughen penalties for those who steal public money.

The bill stipulates that if the stolen money is more than KD 100,000; the perpetrator will be sentenced to 10 years in prison up to life imprisonment.

If a public sector employee assigned in a department involved in contracting, supply and other related procedures is convicted of gaining illegal public money for himself or for others, he will be imprisoned for a period ranging from 15 years to a lifetime.

If the abovementioned public sector employee is convicted of leaking confidential information in the interest of an individual or company, he will be imprisoned for a period ranging from five years to a lifetime and fined KD 10,000 maximum or any of these two penalties. Any employee with access to confidential information is prohibited from leaking such information during and after employment.

Those convicted of the abovementioned crimes are subject to penalties stated in Article 81 of the Penal Code unless they pay double the stolen money before the concerned court issues a verdict against them.

The concerned court has the authority to impose light penalties on those convicted of any of the abovementioned crimes – maximum three years imprisonment and maximum fine of KD 3,000 – only if the violation is minor and the stolen money is lower than KD 10,000.

The Public Prosecution must implement the penalty and collect the stolen money and fine within six months after the concerned court issues its final decision.

On the other hand, MP Badr Al-Dahoum forwarded queries to interim Minister of Oil, Electricity and Water Muhammad Abdulatif Al-Fares about the contracts signed by Kuwait Oil Company (KOC) for the construction and maintenance of roads.