

PalArch's Journal of Archaeology of Egypt / Egyptology

PARTNERSHIP BETWEEN THE PUBLIC AND PRIVATE SECTORS IS CRUCIAL: IS IT TRUE?

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Joud Rahimi, Tahar Tayachi. Partnership Between The Public And Private Sectors Is Crucial: Is It True?-- Palarch's Journal Of Archaeology Of Egypt/Egyptology 18(13), 612-621. ISSN 1567-214x

Keywords: Partnership; Public; Private; Saudi Arabia.

ABSTRACT

The effective co-operation between the private and public segment of KSA in term of infrastructure and energy areas is new phenomenon however, it is difficult for developing countries to establish successful relationship between public and private sector. There are several challenges which restrict effective partnership such as ineffective corporate governance, lack of resources and commercial opportunities. The main intention of this research paper is to understand the effectiveness of public private partnership (PPP) and role of PPP in in enhancing financial position of a nation. The case study on Kingdom of Saudi Arabia will also help to build-up effective understanding of financial situation and business environment of KSA. The case study on Kingdom of Saudi Arabia will also help to build-up effective understanding of financial situation and business environment of KSA. The investigation is restricted to the public and private professionals employed in different organizations in Saudi Arabia

INTRODUCTION

Public Private Partnership process cannot defined by a universally accepted statement or definition [1]. It has a broader aspect, which entails an arrangement between private and public sector with an agreement to provide services in healthcare system, traditional infrastructural segment, education, agriculture and in different others sector of a nation [2].

The various evolutions in financing structure have developed in low-income and emerging nations in recent years. Globalization and fluctuating economy are becoming a reason of worry for the counties in the GCC [3]. Apart from this, low oil price has resulted in the transformation in fiscal policies, which is

indicated by the initiative carried by the government of Saudi Arabia toward public private partnership [4]. The initiatives are undertaken to satisfy the immediate demand of energy and infrastructure. In the Kingdom of Saudi Arabia [5], the public financing on infrastructure is the leading source of investment, which is estimated that about two thirds of overall capital are derived from public sector and remaining is fulfilled by the private sector and official development aids [5]. The PPP initiatives in KSA is essential to diversify the economy and for developing potential market for the world business [6].

PPP is a long-standing predetermined procedure between a private sector organisation and a public sector organization through which the possessions and possibilities are shared mutually for a common objective of enhancement a public facility [7]. The PPP is a process of public sector procurement employing the financing ability of the public sector. The arrangement can involve in the processes such as design, financing, construction, maintenance and operation of the public structure and amenities [8].

PPP establishment induces problems in terms of complex negotiations, higher cost of tendering, cost restraints on creativity and conflicting or differing intentions of the stakeholders of the project [9].

The features that enhance to the attainment of finest value in PPP plans are mainly suitable risk apportionment, thorough risk evaluation, limitation in cost intensification, determination for quicker project accomplishment, inspiration for modernisation and conservation of expanses being sufficiently approved [10].

The Saudi Arabia is one of the largest country in population and area in the region of GCC. Therefore, the nation have the opportunity of immense investment and workforce. According to 2030 vision of the nation [11], the country aims to attain effective economic growth based on diversified and self-reliance economy. The strategy is to reduce subsidiaries through possible taxation and to enhance supply chain management domestically. These transformations of fiscal and monetary policies along with public private partnership initiatives can bring effective opportunities for long term investment in the KSA.

The main intention of this research paper is to understand the effectiveness of public private partnership (PPP) and role of PPP in in enhancing financial position of a nation. The case study on Kingdom of Saudi Arabia will also help to build-up effective understanding of financial situation and business environment of KSA.

METHODOLOGY

The main intention of this research paper is to understand the effectiveness of public private partnership (PPP) and role of PPP in in enhancing financial position of a nation. The case study on Kingdom of Saudi Arabia will also help to build-up effective understanding of financial situation and business environment of KSA. The investigation is restricted to the public and private

professionals employed in different organizations in Saudi Arabia. The participants are selected using random selection procedure. It is observed from literature review that lack of authorised PPP segment in KSA to assist and accomplish the different progressions is causing frustrating adjournments in the attainment of successful outcome in financing and growth of PPP plans.

This research work will focus on the discussion and determination of PPP policies adopted and implemented in KSA. This particular work is interpretive in nature. Moreover, the measurement and determination of influence of PPP can be determined through the significant evaluation, analysis, and evaluation from the gathered information developed by the authors, freelancers, scholars, and other previous researchers. On the other hand, influence of PPP also can be identified and determined through the responses of people associated with particular project or organizations. Therefore, it can be considered and presented that this particular research works is interpretive in nature. Considering this act, it can be mentioned that the researcher will approve and execute qualitative research method for this particular research work in order to meet the developed research objectives. Moreover, it is also important to mention that qualitative research method are suitable for the interpretive research works as it helps the researcher to gain positive, expected and valuable research in limited time period. It is a cost and time effective research methodology approach that will motivate the researcher to adopt and implement this quite successfully.

The sample size for this particular research work is 100 as the researcher will select 100 senior as well as junior managers and leaders from public and private professionals employed in different organizations in Saudi Arabia. Moreover it is highly important to focus on all the aspects regarding public and private professionals of the small and medium scaled enterprises within the country. Therefore, it would be effective to select large number of population as the sample for this particular research work. A convenience sampling method or design can be adopted and implemented in this particular research work focusing on the interpretive nature. of the study. Alternatively, the research considered the chances and possibilities of skewed and differentiated results as it is unknown to the researcher about the number of male employees, female employees, and other important demographic variables of the respondents.

The research adopted and implemented both primary and secondary data collection process for this research work. The methodology of this research will show the data collected from all across the different sources showing out the development

Result And Discussion

According to the data and responses of the respondent participated in this questionnaire survey, effective co-operation between the private and public segment of KSA in term of financial requirements, upgrade network utility, to improve health facilities, education and other essential needs. The PPP plan meet numerous threats which resulted to withdrawals and substantial

renegotiations. It is observed that from developing nations like KSA, the actual or apparent upsurge macroeconomic fluctuations and tariffs in purchasing or currency power, insufficient controlling and established situations, communal dissatisfaction against the private agencies and radical defaulting are some of the crucial causes for the catastrophe of PPP plans. The responses the participants regarding the influence of public private partnership on financial position of the KSA are analysed Over the years, Saudi Arabia developed as a country with additional investment

According to the questionnaire survey regarding consideration of involving partnership between the public and private sectors, the more than half of the sample population have shown positive attitude. Based on Figure 1, about 51.06 % agrees and 25.53% strongly agrees with the given statement. In this context, only 3.75% disagrees with the circumstance i.e. 2.13 % strongly disagrees and 6.38 % disagrees with given statement. Therefore, it can be stated from the data of the survey, people wants effective partnership between private and public sector in order to attain overall development in Kingdom of Saudi Arabia. The effective PPP establishment is the capability of the private and public to deliver constructive long-term opportunities for the nation. The above graph will in understand the intension and perception of the respondent's consideration of involving partnership between the public and private sectors in more clarified way.

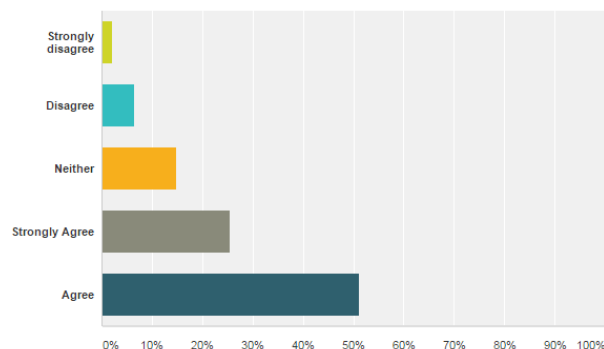


Figure 1 Consider the Partnership between the public and private sectors to be involving.

According to the survey, it is clear that trust plays vital role in the arrangement of public private partnership. Based on Figure 2, 38.30 % of the sample population strongly agrees and 55.32 % agrees with the given statement regarding role of trust in public private partnership process. Apart from this only 2.13 % strongly disagrees with the given statement. Therefore, it can be stated that trust between public and private sector in the process partnership plays vital role for successful outcome from the arrangement.

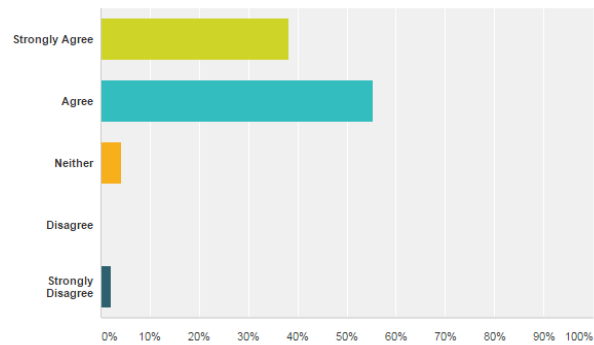


Figure 2 Trust would play a crucial role in enhancing Partnership between the public and private sectors.

According to questionnaire, the respondents are asked about the essential characteristics significant for successful partnership between the public and private sectors. The question involves set of characteristics essential for effective PPP outcome which are mainly competition, technological complexity, lower number of external stakeholders, cooperation and external conditions. Based on Figure 3, 51% of the respondents stated that effective cooperation is significant for successful PPP and 34.04 % of sample population said technological approaches is essential following with competition (25.53 %), lower number of external stakeholders (14.89 %) and external conditions (8.61 %). Furthermore, 4.26% of the participant said none of the above characteristics are vital for effective PPP outcome.

Therefore, it can be stated that all the above factors are essential to be developed in the arrangement of public private partnership for the enhancement of overall condition of KSA.

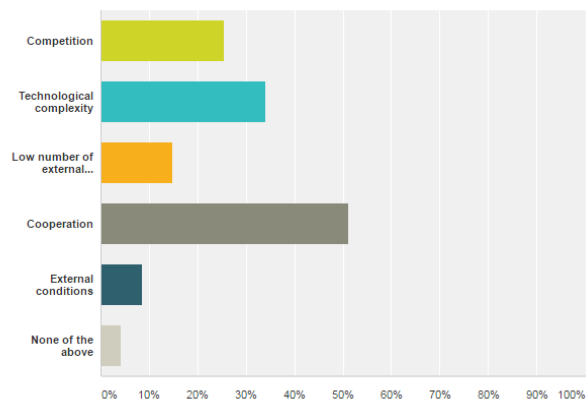


Figure 3 Main Characteristic of the Partnership between the public and private sectors?

When direct end question is asked about the gaining of contact where respondent's works, majority of the participants said their organization are not engaged with any organization in respect to PPP. Based on Figure 4, 56.52 % of the sample population said no and 43.48 % of respondent said yes. Therefore, it is clear that, maximum of the firms in KSA are not direct such

arrangement due to diverse restrictions such as legal, financial, operational or others. The government of KSA should take constructive initiative to engage firms for effective partnership process in order to gain overall development process in KSA. The above graphical presentation will help in clarifying the situation of their firms.

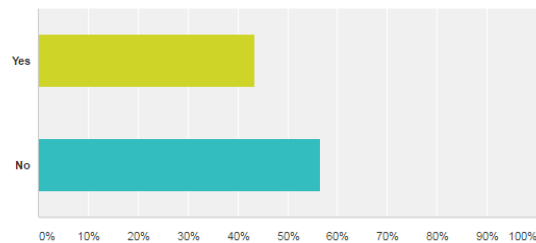


Figure 4 Firm having contract

Relational Governance plays vital role in the process of public private partnership. In the arrangement of PPP several factors should be considered to achieve effective Relational Governance i.e. level of trust, involvement, sharing of financial risks, alignment, organizational facilities and common long term and short term goals. Based on Figure 5, 51.06 % said level of sharing financial risk is vital for effective relational governance. 46.81 % said level of trust, 40.43 % level of involvement and followed by organizational facilities, alignment and common goals. Therefore, from the survey it is clear that sharing of financial risks, trust and involvement are major factors which define successful relational governance. Although each of the factors is essential for effective arrangement of PPP The public and private sector of KSA should evolve these characteristics to attain successful PPP outcome. The above graph will help in understanding the perspective of the respondents participated in the survey process.

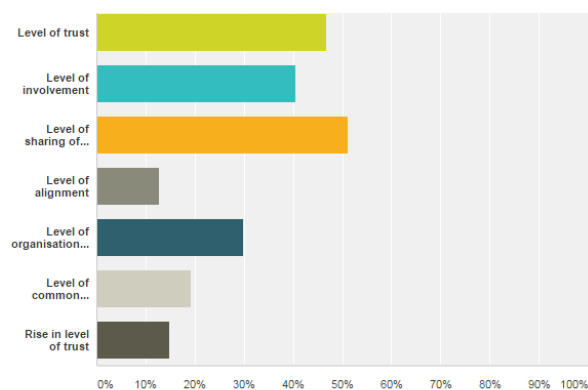


Figure 5 Relational Governance

According to the survey regarding, contact between the public and private parties the maximum of the respondents said contacts happen at least once in every six months, followed by once a year, once in three months, one month, two weeks and in one week. Based on figure 6, 8.51 % said contract never happens in their organization. Therefore, summarizing the information,

contacts appears majorly once or twice in a years. The public and private agencies should look forward towards increasing number of contacts which is essential in fastening the process of PPP for all round development.

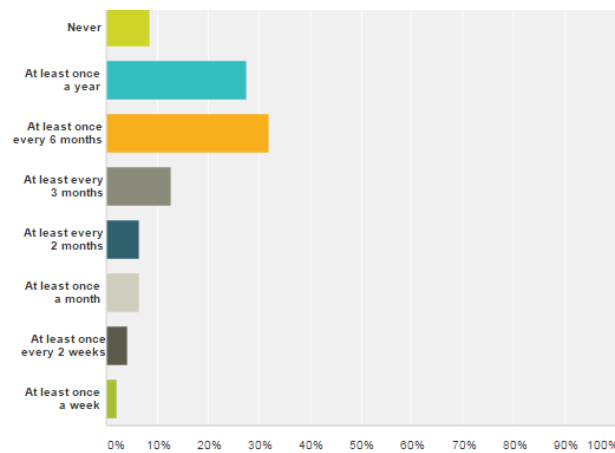


Figure 6.Contact between the public and private parties

Based on Figure 7, Out of 47 respondents, 40 participants said PPP effectively helps in the overall development a region and 14.89 % it does not influence the region or area. The environmental circumstances that frame out the venture are mainly the situation of the economy, regulation that influences the project, governmental constancy and other which are often direct to modification over the lifespan of a venture. Therefore, the government of KSA should enhance their approaches to strengthening the partnership between public and private sector to enhance the outcome. The above graph will help in understanding the perspective of the respondents participated in the survey process.

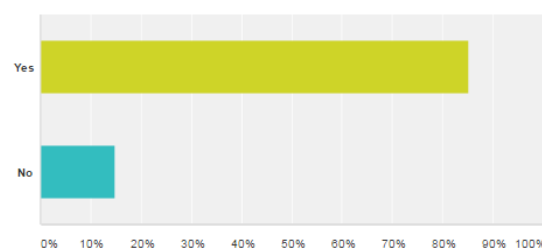


Figure 7.Partnership between Public and private sector help in overall development of a region

The partnership is employed as the approach is cost-effective which helps in overcoming the threat from costs linked with the maintenance and provision of infrastructure. The partnership between public and private agencies helps organization in extending their brand value, value chain development, extending their opportunities, strategic implementations and valuing performance management. According to the survey, a majority of respondent said PPP helps in their strategic implementation and gaining equal opportunities for effective business performance. Effective PPP arrangement

helps the organization in several ways although the private organization in KSA requires more strategic approaches in order to extend the opportunities from PPP as shown in Figure 8.

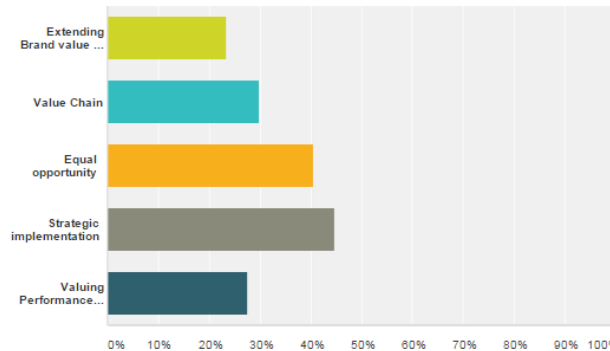


Figure 8 Partnership between the public and private in enhancing performance of businesses

Based on Figure 9,, it is clear that partnership between Public and Private sectors helps in ensuring effective and efficient use of the available resources. 48.94 % agrees and 36.17 % of the sample population strongly agrees with statement of the questionnaire. Furthermore, on average 2.13 % of the total respondents disagrees with the statement that PPP helps in ensuring the effective use of available resources. The PPP initiatives in KSA is essential to diversify the economy and for developing potential market for the world business.

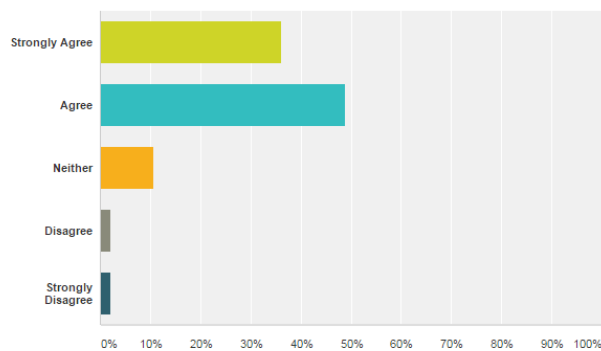


Figure 9.PPP ensures effective use of available resources.

Based on Figure 10, according to the questionnaire about involvement of large industries in PPP process, the majority of the sample population i.e. 48.94 % agreed and 34.04% strongly agreed with the given statement. Only 6.38 % strongly disagreed with the given statement

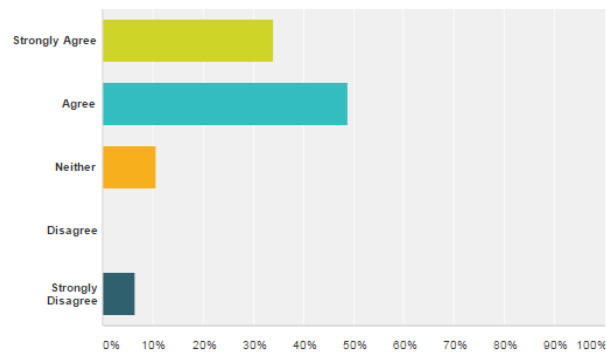


Figure 10 PPP enhances better involvement of large industries

CONCLUSION

From the survey it is clear that, people wants effective partnership between private and public sector in order to attain overall development in Kingdom of Saudi Arabia. It can be stated that effective PPP establishment helps in enhancing the capability of the private and public to deliver constructive long-term opportunities for the nation. As discussed above, neither domestic nor local administrations of KSA have necessary financial possessions to extend facilities and arrangement or to promote inefficient state organizations or agencies. The present and expected income is insufficient for investment in the enhancements financial position of KSA. Apart from this, large liability requirements leave little space for main new financial requirements.

Therefore, the government of KSA should adopt policies to extend the opportunities through PPP. According to survey questionnaire it is clear successful PPP will helps to achieve effective Relational Governance i.e. level of trust, involvement, sharing of financial risks, alignment, organizational facilities and common long term and short term goals. The environmental circumstances that frame out the venture are mainly the situation of the economy, regulation that influences the project, governmental constancy and other which are often direct to modification over the lifespan of a venture. Therefore, the government of KSA should enhance their approaches to strengthening the partnership between public and private sector to enhance the outcome. However in order to achieve the same, both private and public agencies should look forward to enhance their capabilities to with stand the risk factors such competition, technological complexity, number of external stakeholders and external conditions

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