

Preparation Critical Success Factors for Public Private Partnership (PPP) Projects in Palestine

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Abstract—Public Private Partnership (PPP) is a well-established method for incorporating the private sector to deliver a service or implement a project. PPP projects are a new concept in Palestine. The aim of this study is to explore the critical success factors (CSFs) for PPP projects in Palestine. A structured questionnaire was distributed to 45 experts from different sectors to identify and rank the critical success factors of PPP projects. The CSFs of PPP projects are stability of political situation, clear and detailed contract, existence of a sound economic policy, reliable delivery of service, analysis and allocation of risks, suitable legal framework, experienced private sector, profitability to the private sector, and accepted level of toll / tariff for a project. This study recommended that the government have to create a legal PPP framework and should establish PPP standard guidelines and processes to guide the implementation of PPP projects by stakeholders.

Keywords- Public Private Partnership, Critical Success Factors, Palestine

I INTRODUCTION

Undeveloped infrastructure; and limited funding are constraints to the government in developing infrastructure in Palestine. This led Palestinian National Authority (PNA) to privatize some of infrastructure projects and public services. There has been a growing public interest in finding alternative solutions to infrastructure development and improvement of service delivery through partnerships with the private sector. The PNA, like many other developing countries is under increased pressure to accelerate the development of infrastructure and provide much needed social services to its population such as potable water, sanitation systems, transportation and electricity. Future development plans emphasize enhancing private sector participation in infrastructure development. This, however requires a more scientific approach in order to identify key issues of concern.

Various partnership initiatives have emerged following the establishment of the PNA in 1994, to provide public services. Significant amounts of money have been invested in such projects. Poor performance, unauthorized competition, and overall weak governance and regulation characterize most of these partnership projects. This is notable, in current partnership projects that there is a perception that service delivery in most parts of the country is still of a low standard and the price for such services is high, which influence the community satisfaction. Current laws and regulations don't encourage investing in partnership projects.

Public Private Partnership (PPP) projects are a new con-

cept in Palestine and to date there has been little serious investigation into such projects. A thorough literature review revealed to the moment, no recorded studies have been conducted in order to establish key principles concerning PPP development and application in Palestine. This study will help in understanding and identification the issues and success factors involved in the implementation of PPP system.

II SUCCESS FACTORS OF PPP

In order to achieve successful projects, some suggestions have been reported in literature. Number of success factors of PPP projects were indicated by different researchers to explore what characterizes a successful partnership or alliance.

Successful PPP implementation requires a stable political and social environment, which in turn relies on the stability and capability of the host government [1]. Lambert et al. [2] identify the following components for establishing a successful partnership: mutual trust and commitment, joint planning, joint operating controls, effective communication, risk/reward sharing, style of contract, scope of the activities and the extent to which financial resources are shared.

Li and Akintoye [3] have identified some CSFs based on the UK PPP/PFI study that shows that effective procurement, project implementability, government guarantee, favorable economic conditions, and available financial market are essential for PPP to thrive. Ozdoganm and Birgonal [4] have developed a category of success factors that can be used as a method for success of BOT projects. The success factors have been divided into four main groups as follow: (1) Financial and commercial factors; (2) Political and legal factors; (3) Technical factors; and (4) Social factors.

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The key to a successful implementation of a BOT infrastructure project is in depth analysis of all aspects related to economic, environmental, social, political, legal, and financial feasibility of the project. For these reasons, the analysis of project feasibility decision needs a technique to include the qualitative decision factors that have the strong impact on the project [5].

Jütting [6] has identified macro level conditions in favor of setting up of a PPP. These include a political environment supporting the involvement of the private sector, an economic and financial crisis leading to pressure for the public sector to think of new ways of service provision, and a legal framework which guarantees a transparent and credible relationship between the different actors. At the micro level, the capacities of the actors, e.g. their personal interest, skills and organizational and management structure are identified as being important.

Not all projects can be undertaken successfully using BOT type schemes. A particularly cooperative PPP is a precondition for successful procurement using BOT. Both successful and unsuccessful BOT based projects testify to the truism that appropriate political, legal, and economical environments are a prerequisite for the initiation of such schemes. The host government must foster such environments[7]. In Pakistan, BOT contracts may be complicated due to its long-term contractual obligations, multiparty involvement, moreover legal, economical, and technical framework need to be developed on large scale for successful execution of the project [8].

III PPP IN DEVELOPING COUNTRIES

It is probably fair to characterize PPPs as high-risk, high-reward propositions for governments, the more so as one moves across the PPP spectrum from management contracts to leases-affermages and then to concessions. PPP projects are complex arrangements; they are difficult to implement in the context of developing countries' weak institutional capacity and economic volatility and involve significant transaction costs. They are vulnerable to vested interests and, unfortunately, can make easy targets for opportunistic politicians, especially during the early years when the population often still does not perceive tangible improvements in service. And finally, the fact that private operators do not always deliver must not be overlooked [9].

PPP experience is modest in the Middle East and North Africa (MENA). Morocco and Jordan are most advanced compared with other countries in the region[10].

A Privatization Policy in Palestine

From the time of the establishment PNA in 1994, PNA has started to adopt the strategy of private sector partnership in development programs. The tensions in the relationship between the public and private sectors became apparent. Since

1994, the national economy has witnessed increasing levels of interference by the Palestinian bureaucracy into the activities of the private sector through different forms including regulation, taxation, monopolies of certain services and others. This interference seems to have had an adverse effect on the growth and development of the private sector from the viewpoint of the business community [11].

B PPP Experience in Palestine

The Palestinian private sector was encouraged to participate in infrastructure investment, particularly in the energy and communications sectors. PNA has contracted with the private sector in some vital and strategic projects such as electrical power plant, telecommunication sector and Palestinian Industrial Estate and Free Zone Authority (PIEFZA) which may be considered similar to PPPs in some aspects since it involves the financing of public infrastructure by the private sector.

The local authorities (municipalities) especially in the West Bank have adopted the partnership contracts in its projects. They have some kind of small scale PPP with local business. These PPP projects are invariably management contracts.

El-Bireh and Bethlehem municipalities have individually entered into PPP projects with a real estate development company on a BOT basis. The projects are a multistory service taxi station in El-Bireh and a bus station in Bethlehem. Both projects are in operation but both municipalities are facing difficulties with the PPP partner [12].

IV RESEARCH OBJECTIVES AND METHODOLOGY

The aim of the research is to assess the CSFs for PPP projects in Palestine. The research was exploratory in nature. A structured questionnaire survey was used as a main tool to achieve the objectives. Baseline study was carried out, since the study is exploratory to gain an adequate understanding of the existing relationship between the public and private sectors in Palestine. That included a number of informal contacts with businessmen, local entrepreneurs and experts. It also involved a review of available literature and other secondary data gleaned from books, previous studies, and official documents relevant to the issue of study.

After reviewing the literature and interviewing experts who were dealing with the subject at different levels, all the information that could help in achieving the study objectives were collected, reviewed, and finalized to be suitable for the survey. The questionnaire design was based on identified success factors categorized under main groups. In order to accomplish the aim of the research, respondents were asked to rate the degree of importance of the factors influencing the success of PPP projects from their own perspectives. The 5-point Likert scale was used to calculate the mean score of importance. The targeted group was selected from individuals in public and private sector. The public sector covers

officers and engineers with experience and knowledge of PPP projects. The private sector covers practitioners including contractors, consultants and investors. 45 experts of different backgrounds were purposely selected to compare the similarities and differences within different sectors. This would make the findings more representable. The selected sample composed of senior engineers, project managers, and general directors. This means that the data given by respondents of high rank positions is considered more accountable and credible than that provided by lower ranking officials.

V RESULTS AND DISCUSSION

The distribution of respondent's post representing different sectors is shown in Figure 1. General Engineer have the highest participation in the survey.

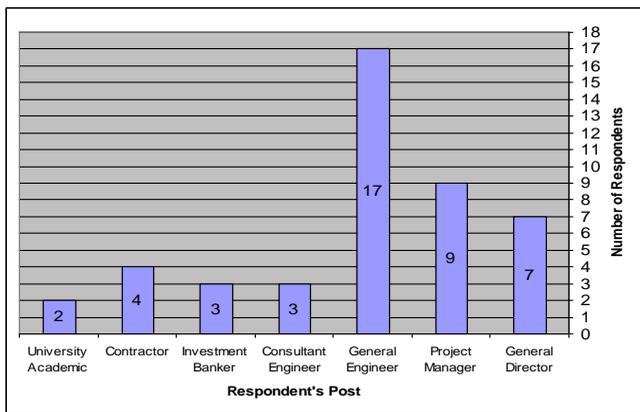


Figure 1 Respondent's post

The total number of organizations for the experts is 19 organizations. The distribution of organization name for respondents representing public, private, and other sectors is shown in Figure 2. The governmental department have the highest participation in the survey.

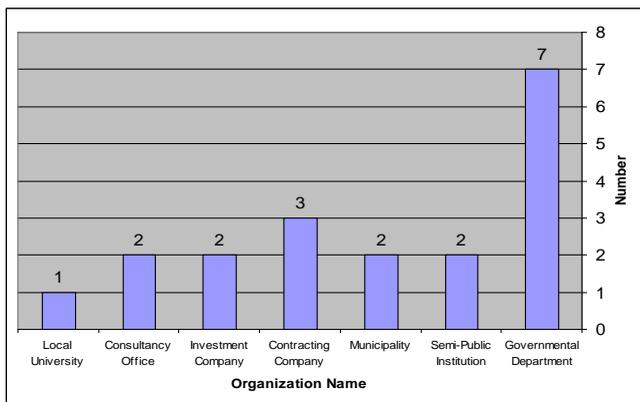


Figure 2 Organization name for respondents

According to the respondent's experience, Table 1 illustrates that most of respondents have more than (5-10) years experience

which shows the validity of the obtained data which can lead to accurate results.

TABLE 1
Respondent's Experience

Experience years	Number	Percent (%)
Less than 5 years	2	4.4
(5-10) years	15	33.3
(11-15) years	10	22.2
More than 15 years	18	40

A total of 38 influential factors were collected to determine the CSFs of the project. These factors have been identified by a detailed review of the literature, previous studies of the same or similar subjects and consulting with experts on this topic. These factors were listed after conducting pilot study to coincide with the local market.

The factors were consolidated and categorized under five main groups of factors as follows: (1) technical factors; (2) financial and economic factors; (3) social factors; (4) political and legal factors; and (5) other factors.

The study outlines the mean value and ranking of overall success factors for CSFs for PPP projects in Palestine. In general, results shows that all factors have a mean rating higher than midpoint 3 of the 5-point Likert scale, indicating the importance of the identified factors to ensure the success of PPP.

Table 2 shows the summary of the mean value and ranking of each group. According to the mean values it can be inferred that the five groups have somehow similar means.

TABLE 2
Overall factors groups

Group	Mean	Rank	Weight Ratio%
Political and Legal Factors	4.226	1	84.52
Technical Factors	4.137	2	82.74
Financial and Economic Factors	4.119	3	82.37
Social Factors	4.115	4	82.30
Other Factors	4.079	5	81.58

A Political and Legal Factors

The most critical group was political and legal factors group with a mean value of 4.226 and ranked in the first position between groups. This group includes three CSFs from the heights success factor as illustrated in Table 3. This indicates that the political and legal instability remained as a serious hurdle in the formulation of various infrastructure development reforms of PPP. The following challenges represent the major political and legal constraints of PPP projects faced by the stakeholders in Palestine: Israeli occupation foreign policies, tension at borders and crossings, and legal aspects.

The factor "Stability of political situation" is rated as the

most CSF with a mean value of 4.533. The political situation in Palestine is complex. The Palestine has been living throughout the past period under an Israeli occupation. The political situation influences the development of PPP projects according to the occupation restrictions such as Israel control over the crossings and closures. The international agreements of PNA cause political sensitivity for restrictions on promotion and implementation of infrastructure projects. This discourage private sector on investing in PPP projects. "Clear and detailed contract that accommodate changes in the project requirements over concession period" is rated highly by respondents with a mean value of 4.4. This emphasizes that the contracts of some current projects are not clear nor fair to the parties. Contracts that include all details of legal, finance and service aspects with flexibility according to the changes contribute to continuity of project. "Suitable legal and regulatory framework" is rated an important legal factor with a mean value of 4.311. The general description to the legislative and regulatory practice for the private sector will range between the absence of a legislative policy and regulatory agenda for the government, in addition to the ambiguity, overlap, and lack of legislative harmonization. Establishing legal framework can help both the public and private sectors understand the core value for a PPP project and minimize the disputes between the project parties. Lack of laws and regulations do not encourage the private sector to participate in partnership projects.

TABLE 3
Political and Legal Factors

Success Factors		Mean	Rank	Weight Ratio%
P1	Stability of political situation	4.533	1*	90.67
P2	Government support for the project	4.156	17	83.11
P3	Suitable legal and regulatory framework	4.311	6*	86.22
P4	Sufficient legislative authority to enter the project	3.867	36	77.33
P5	The project is compatible to the local regulations	4.089	24	81.78
P6	Clear and detailed contract that accommodate changes in the project requirements over concession period	4.400	2*	88.00

B Technical Factors

The second group is technical factors group with a mean value of 4.137. This group includes one factor as CSF from the heights success factor (Table 4). "Strong and experienced private sector" is rated as CSF. This

indicates that selection of the project partner should have the required technical and financial qualification of the project. This factor is the greatest determinant of the success or failure of PPP projects.

TABLE 4
Technical Factors

Success Factors		Mean	Rank	Weight Ratio%
T1	Well organized and committed public sector	4.178	13	83.56
T2	Availability of government experience	4.067	26	81.33
T3	Private sector technical innovation and creative solutions	3.911	32	78.22
T4	Strong and experienced private sector	4.289	7*	85.78
T5	Determining the service specifications and standards	4.178	14	83.56
T6	Nature and size of project	4.200	11	84

C Financial and Economic Factors

The third group is financial and economic factors group with a mean value of 4.119. It includes two factors as CSFs from have high ranks as illustrated in Table 5.

"Existence of a sound governmental economic policy" is rated as the economic important factor with a mean value of 4.356. The national economy has witnessed increasing levels of interference from the government by the bureaucracy into the activities of the private sector. Therefore, the issue needs to be critically examined to determine whether it has been a major cause behind the deterioration of this sector. A high ranking of this factor leads that the government should adopt economic policies to maintain a stable and growing economic environment, where the private sector can operate with confidence.

Profitability to the private sector" is rated as CSF. Private sector has different interest from the government and community to the public facilities and services. Private sector is concerned with the financial aspect in assessing the PPP project.

TABLE 5
Financial and Economic Factors

Success Factors		Mean	Rank	Weight Ratio%
F1	Project can attract foreign capital	3.844	37	76.89
F2	Profitability to the private sector	4.267	8*	85.33
F3	Stimulating the Banks to offer long financing for the project	4.044	29	80.89
F4	Stable economic environment	4.222	10	84.44
F5	Project is more cost effective than traditional forms of project delivery	4.044	30	80.89
F6	Existence of a sound governmental economic policy	4.356	3*	87.11
F7	Thorough and realistic cost/benefit assessment	4.111	19	82.22
F8	The project should achieve better value for money which leads to low project life cycle cost	4.067	27	81.33
F9	Investors and lenders are seeking safe returns	4.111	20	82.22

D Social Factors

The fourth group is social factors group with a mean value of 4.115. It includes two factors as CSFs from the heights success factor (Table 6). "Delivery of service is stable and reliable" is rated a CSF with a mean value of 4.356. The program of community-based projects should be an important vehicle for ensuring timely and efficient implementation of essential improvements in service delivery.

TABLE 6
Social Factors

Success Factors		Mean	Rank	Weight Ratio%
S1	Social acceptance and awareness	4.111	21	82.22
S2	Level of toll / tariff for a project is acceptable	4.267	9*	85.33
S3	Creation more job opportunities	3.711	38	74.22
S4	Delivery of service is stable and reliable	4.356	4*	87.11
S5	There is a long-term demand of the service in the community	4.089	23	81.78
S6	Project is an environmentally sustainable	4.156	16	83.11

The community interest of PPP project is to have a good service. Continuing success of a PPP project depends on a sustainable and reliable service delivery. "Level of toll/tariff for a project is acceptable" is rated as CSF. To ensure that benefits of the project are realized, design of a tariff should be suitable for community.

E Other Factors

The last group is other factors group with a mean value of 4.079 and ranked in the fifth position. It includes one factor as CSF from the heights success factor as illustrated in Table 7.

TABLE 7
Other Factors

Success Factors		Mean	Rank	Weight Ratio%
O1	Providing guarantee from the government for the project	3.889	34	77.78
O2	Shared authority between public and private sector	3.889	35	77.78
O3	A detailed analysis and appropriate allocation of risks	4.333	5*	86.67
O4	Satisfying the integrity between resources in society	4.067	28	81.33
O5	Long term monitoring and control mechanism over the private sector	4.178	15	83.56
O6	Existing of institutional policy framework for partnership projects	4.111	22	82.22
O7	Reduction in disputes, claims and litigation	3.911	33	78.22
O8	Capacity building and offering counseling for governmental institutions	4.200	12	84.00
O9	Management skill of private sector	4.044	31	80.89
O10	Government transparency in contracting with private sector	4.156	18	83.11
O11	Existing of relationship management and coordination between public and private sectors	4.089	25	81.78

"A detailed analysis and appropriate allocation of risks" is rated as important factor with a mean value of 4.333. Palestinian situation is linked with high risks, since the political and commercial risks are not stable. The key to successful PPP contracting is analysis and fair allocation between public and private sector partners of project risks.

VI CONCLUSION

It is important to investigate the factors that contribute directly to the successful application of PPP in Palestine. Structured questionnaire was conducted to explore the local practices relating to the success factors for PPP projects.

The study findings indicate that the political and legal factors group is considered the most important group that influences the success of PPP projects. The most important factor to be considered by the government is "stability of political situation". This influences investment in PPP projects. The political situation remains as a serious hurdle in the formulation of various infrastructure development reforms of PPP. The political situation in terms of Israeli occupation practices and restrictions has in general a direct effect on investment in projects and on PPP projects in particular. The main precondition for PPP projects is stable political in view of the long period implementation and duration of PPP projects.

Other CSFs should be considered at the planning stage by the government to ensure successful application. These CSFs are stability of political situation, clear and detailed contract, existence of a sound economic policy, reliable delivery of service, analysis and allocation of risks, suitable legal framework, experienced private sector, profitability to the private sector, and accepted level of toll/tariff for the project.

Setting up a framework that promotes the PPP activities and protects the rights of those involved in the project.

PPP guidelines and implementation process should be standardized to be used by various PPP stakeholders.

Policy makers and planners should analyze the PPP acts and transfer knowledge and skills from other countries which has successful system of PPP and adopt plans for PPP projects.

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