TIBR-16-017.R1- The prospect of infrastructure public-private partnerships in Kuwait, Saudi Arabia, and Qatar: Transforming challenges into opportunities

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The prospect of infrastructure public-private partnerships in Kuwait, Saudi Arabia, and Qatar: Transforming challenges into opportunities

Executive summary

This article examines the prospect of using infrastructure public-private partnerships (PPPs) within Kuwait, Saudi Arabia, and Qatar in light of the drastic drop in oil prices since mid-2014. It is argued that, while PPPs appear to be a strategic policy option for the three Gulf Cooperation Council (GCC) states to tackle growing fiscal deficits, these states are constrained by numerous governance-related, administrative, and regulatory challenges that make PPPs problematic. Effective implementation of the inherently complex and contractual PPP policy requires addressing the existing institutional, economic, bureaucratic, and cultural constraints within the three states. The article makes recommendations to mitigate these challenges, which will require serious political will and sufficient time to yield positive results, and to attract international investors and contractors to the Gulf region.

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Introduction

Modern governments are invariably put under pressure to reform their public sectors, which are often described as inefficient and unresponsive to their citizens' growing needs (Grossman, 2012; Sabry, 2015). Since the 1980s, the public administration literature has witnessed a mounting interest in public management reform and introduction of public private partnerships (PPPs) as an infrastructure delivery mechanism, particularly within the Anglo-Saxon context (Pollitt, 2015; Hodge & Greve, 2016). However, the experiences of the Gulf Cooperation Council (GCC) states, which comprise Bahrain, Oman, Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates, are often overlooked by international business and public administration scholars (Akoum, 2009). Investigation of the influence of tribal and Islamic heritages on the Gulf region's administrative practices (Rice, 2004; Kinsinger, 2007; Common, 2008) can potentially offer new perspectives for the theorization and development of public sector reforms.

A study of the PPP phenomenon within the context of the GCC states is timely, given the fluctuation of oil prices from approximately $110 a barrel in the first half of 2014 to less than $50 a barrel in 2016, with predictions that these low rates are unlikely to rise in the near future (IMF, 2015a). The decline in oil prices has cost the Middle Eastern oil-exporting countries over $360 billion in export revenues in 2015, and created an expected fiscal deficit of more than $1 trillion over the next five years (IMF, 2015a). Because privatization in the Gulf has been sluggish, and is regarded by the public as the sale of state assets to the private sector (Al-Husan & James, 2007; Akoum, 2009), PPPs provide a middle ground on which the

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needed financing, managerial, and technical skills of the private sector can be tapped into and transferred to the public sector without the full divestiture of assets.

This article situates three GCC states – Kuwait, Saudi Arabia, and Qatar – within the international debate on infrastructure PPPs and assesses the extent to which their administrative and regulatory structures form receptive environments for such a complex policy instrument. These particular states were selected for comparative analysis for three reasons. First, their economies are substantially dependent on oil and gas revenues (see Table 1), and the decline in these resources has had a considerable impact on their ability to finance future infrastructure projects under rising budget deficits.

Second, the three states have planned mega-infrastructure projects that are vital for their socioeconomic development over the next ten years. Qatar is under higher pressure to deliver large-scale infrastructure worth $220 billion for the 2022 FIFA World Cup, while Saudi Arabia has planned mega-infrastructure projects worth more than $1.2 trillion, including the King Abdullah Economic City, power plants, a metro system, and rail projects (The National, 2015; MEED Projects, 2015). Likewise, Kuwait has a pipeline of infrastructure projects that exceed $100 billion as part of its 2035 Economic Vision that aims to reduce its dependence on natural resources and transform its economy into a knowledge-based one. Since funding these projects through their budgets seems exceedingly difficult, the three states are exhibiting considerable political will to seek private finance as reflected in the recently published 'Kingdom of Saudi Arabia Vision 2030' (2016) which describes PPP as a vehicle for financing future infrastructure services. Third, although the three states are located in the same geographical region, they each have different sociopolitical dynamics that have

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shaped their institutional structures. Realizing this diversity is beneficial when examining the potential of infrastructure PPPs within each state, and in drawing lessons from them for other GCC states.

Table 1: Demographic and macro-economic characteristics of Kuwait, Saudi Arabia and Qatar

States	Population (millions-2014)	Gross domestic product current prices (US$ billions-2014)	% of Oil as share of government total budget revenues (2015)	% of Oil as share of government's export earnings (2015)	% of nationals in total public sector employment	% of nationals in total private sector employment
Kuwait	3.99	171.95	89	94	86.6 (2015)	6.4 (2015)
Saudi Arabia	30.77	753.83	80	90	93.4 (2014)	22.1 (2014)
Qatar	2.23	210.10	62	92	84 (2012)	9 (2012)

Sources: World Bank (2014a); IMF (2014); Forbes (2015); Al-Monitor (2014); Saudi Ministry of Economy and Planning (2015); Kuwait's Central Statistical Bureau (2015)

This article begins by reviewing the academic and practitioner PPP literature in order to identify the key assumptions underlying the success of PPP contracts within developed and developing countries. Building upon this conceptual framework, it is argued that, while infrastructure PPPs appear to be a strategic policy option for GCC states and an attractive investment opportunity for international managers, the three states are shackled by significant constraints. These relate to governance and the rule of law, regulatory and legal structures, and the lack of a competitive private sector or professional capacity to effectively deliver mega-infrastructure projects through the PPP route.

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Particular attention is drawn to the Gulf's "traditional culture" that often undermines the official functions of the government bureaucracy and exacerbates the Gulf's already complicated business climate (Ali, 2010; Rice, 2004; Akoum, 2009). This is one of the factors leading to the conclusion that extending infrastructure PPPs to the GCC states will require substantive public administration and institutional reforms, as well as empowerment of the private sector's role in the economy. These reforms, albeit extensive and requiring committed political will and time to mature, can ultimately help to establish an attractive and competitive business environment for international businesses investors.

Empirical data for this article is based on the first author's six years of research and teaching within the GCC states, which provided access to interviews with senior government officials, business leaders, and academics. This experience also allowed direct observation and understanding of the factors that shape the administrative and business environments in the Gulf. Data from World Bank's Worldwide Governance Indicators and Doing Business database were relied upon to provide a picture of where the three GCC states stand comparatively in terms of key governance and business indicators, and also to support the article's conclusions.

The next section examines the ambiguity associated with the PPP phenomenon, its complexity, and the assumptions underlying the success of PPP projects based on international experience. This conceptual framework is then applied to the context of the three GCC states to inform an analysis of the constraints that limit the prospect of implementing infrastructure PPPs. This is followed by a section on the managerial

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implications of these limitations, and then a set of recommendations for policy reforms to address these shortcomings.

The concept and complexity of infrastructure PPPs

The PPP concept has been "contested" and "loosely" defined, encompassing many "approaches" (Weihe, 2008) and "families" (Greve & Hodge, 2013) with "overlapping" definitions that mean different things to different people (Linder, 1999). Scholars have also been divided between those who consider PPPs to be a type of language game (Teisman & Klijn, 2002), and those who view it as an emerging governance scheme for the delivery of public infrastructure services through new forms of institutional engagements (joint ventures) or contractual arrangements between the public and private sectors (Flinders, 2005).

This article focuses solely on infrastructure PPPs which are defined as "arrangements whereby private parties participate in, or support the provision of public infrastructure-based services" such as roads, bridges, airports, power stations, and railways (Grimsey & Lewis, 2004, p. 2). Although the PPP phenomenon is controversial (Petersen, 2010), and is believed to achieve mixed results (Hodge & Greve, 2007; 2016), tapping into the private sector's finances and expertise in delivering infrastructure promises value for money (Rondinelli & Priebjrivat, 2000), sharing of risk or its transfer to the party best qualified to handle it (Hodge, 2014), and delivery of projects in a timely fashion (Vining & Boradman, 2008).

Infrastructure PPPs are attractive in theory, but in practice their complexity renders most projects controversial, risky, and "less ideal than the idea" (Klijn & Teisman, 2003, p. 137). Complexity of PPPs is an outcome of the long-term nature of partnerships that can exceed 30-40 years, and the involvement of players from diverse sectors and networks with

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varying, and sometimes conflicting, interests (Kanter, 1994). The multiple layers of intricacy underlying PPPs involve engineering, design, and implementation risks (Grimsey & Lewis, 2004), the need for sophisticated legal structures (Evans & Bowman, 2005; Gerber and Mailman, 2005), and institutional and strategic barriers that resist the delivery of infrastructure outside traditional routes (Klijn & Teisman, 2003). Furthermore, technical impediments associated with calculating the Public Sector Comparator (PSC), risk evaluation, discount rates (Hodge, 2014), accountability and transparency mechanisms (Delmon, 2011), and difficulties in evaluating PPP projects' overall financial value and performance (Moore, 2000) add to the complexity of PPPs.

The debates surrounding infrastructure PPPs' complexity prove how problematic their implementation is even within the political and economic environments of Western states where the PPP concept originated. The literature on PPPs is rife with cases of disputes between the public and private sectors over contractual disagreements (Bloomfield 2006), attempts to renegotiate contracts after commencement (Jooste, Levitt, & Scott, 2011), premature termination of multibillion-dollar contracts (Marin, 2009), scandalous cases of corruption leading to lawsuits against high-level government officials (Greve, 2003), and even legal action by the private sector against the government for breach of contract (Evans & Bowman, 2005). This is why Flinders (2005) describes the complexity of the PPP phenomenon as "changing both the nature and structure of the British state and its governance frameworks within which it operates" (p. 218). The increasing involvement of the private sector in long-term infrastructure projects "further complicates the structure of the

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modern state" (p. 227) by creating extra autonomous entities within the state's administrative landscape to monitor the governance and progress of PPP projects.

In spite of these complexities, it did not take long for PPP ideas to travel from Western jurisdictions to developing countries (Pessoa, 2009; Pollitt, 2015). International governmental organizations and consultancy firms have urged developing countries to embark on market liberalization-driven policies like PPPs, propounding their promise to deliver infrastructure projects with more value for money and superior levels of efficiency (Rondinelli & Priebjrivat, 2000; Petersen, 2010). Nonetheless, the failure of numerous PPP projects in developed and developing countries, along with their sluggish progress in many others, underscores the inherently complex nature of PPPs and the importance of first getting the governance and institutional "fundamentals right" (Awortwi, 2004). It is essential, therefore, to regard the PPP phenomenon not simply as an infrastructure delivery tool, but as a governance mechanism that necessitates an enabling environment in order to achieve the desired goals (Sabry, 2015; Hodge & Greve, 2016).

Informed by the above, the following section revisits the assumptions that are fundamental to the success of international PPP experiences, which serve as a framework to test the PPP readiness of Kuwait, Saudi Arabia, and Qatar.

Assumptions underlying successful infrastructure PPPs

Good governance and rule of law **–**PPPs are essentially contractual agreements that necessitate sophisticated institutional, legal, and legislative capacity to ensure the legitimacy, transparency, and accountability of PPP contracts (Jooste et al., 2011). As Figure 1 illustrates, the government should be "subject to the ordinary laws of the contract [that] formalizes

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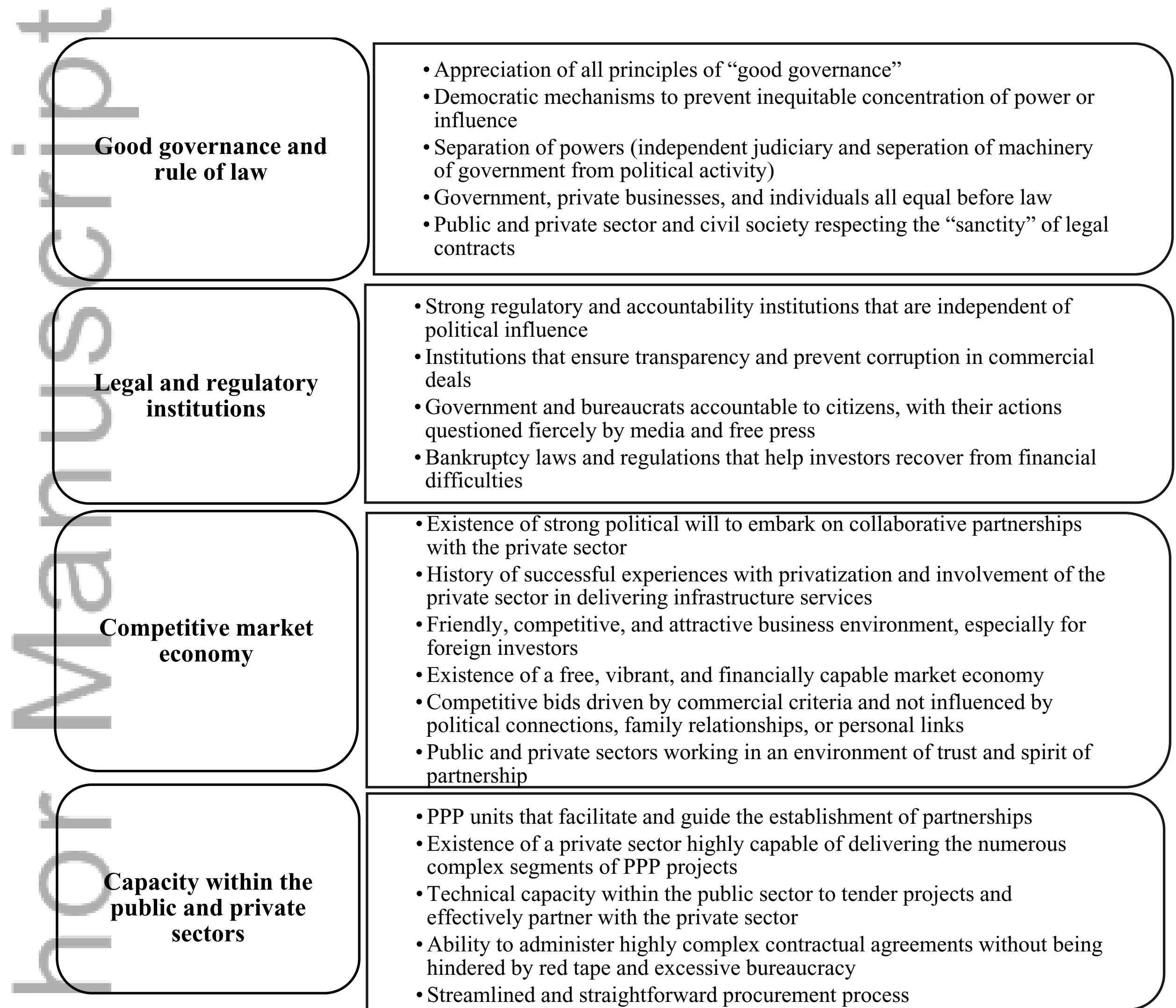
commercial agreements and provides both public and private parties with clearly defined boundaries of their rights and obligations, while ensuring comprehensive avenues of redress for breaches” (Hodge and Bowman, 2004, p. 26).

Figure 1: List of some assumptions underpinning infrastructure PPP projects



Source: Compiled by the authors from Hodge, 2014; UN, 2007; UNECE, 2008; OECD, 2013; World Bank, 2014b; IMF 2006.

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Infrastructure PPP projects have considerable upfront costs, which force international investors and managers to thoroughly examine the hosting countries' governance climates (Pongsiri, 2002; IMF, 2006). The existence of sound governance mechanisms is crucial to protect international investors' rights and businesses against the commercial risks incurred at the construction phase of a PPP, or during its life cycle that typically lasts up to 30 years (UNECE, 2008). Independence of the judiciary system from political influence enables international investors to use arbitration or local courts' systems in the event of disputes that often arise in construction and contractual agreements (Gerber & Ong, 2013).

Legal and regulatory institutions –The intricate networks linking actors from the public and private sectors that operate with competing, and often conflicting, interests require "a strong democratic state using its financial, institutional, or legislative muscle to level the playing field for all partners by regulating unequal power relationships" (Miraftab, 2004, p. 93; Balasooriya, Alam and Coghill, 2010).

Savas (2000) argues that the greatest inhibitor of private participation in delivery of services is uncertainty about the regulatory environment and the existence of transparent and accountable institutions that can monitor the conduct of bureaucrats and hold them accountable for their actions. Political will, however, remains a vital foundation upon which institutional effectiveness can be built, because international investors give more weight to the quality of legal and regulatory institutions than to mere laws on paper (Pistor, Raiser, & Gelfer, 2000). If the institutional preconditions do not exist, or do not function properly, PPPs are likely to fail to deliver their promised value for money (Awortwi, 2004). Such situations

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allow opportunities for rent-seeking and corruption, especially in environments where patronage and patron-client relationships are rampant (Beh, 2010).

Sound and well-defined legal and regulatory frameworks that clarify conditions for ownership of the private sector's projects, specify the types of PPP models that are authorized, and allow access to land are factors that demonstrate the public sector's commitment to attracting, retaining, and partnering with foreign businesses (Abdel-Aziz, 2007; UN, 2007; OECD, 2013). International managers and investors require certainty and protection from expropriation or unexpected political or economic changes that could jeopardize a PPP agreement or infrastructure project (Pongsiri, 2002; Gerber & Ong, 2013). Additionally, investors pay attention to how a country's institutions regulate issues related to investment laws, contract enforcement, ownership rights, and bankruptcy (IMF, 2006; UNECE, 2008). All of these elements are factored in when international companies calculate a country's risk ratio.

Competition-driven market economies –The acclaimed efficiency of PPP projects is principally derived from the market's competitive forces that empower the private sector to deliver high-quality services with fewer resources (OECD, 2013). For the private sector to achieve this, many mechanisms have to be in place.

First, there should be strong political will to involve the private sector in delivering services that have traditionally been the sole responsibility of the public sector (IMF, 2006; UNECE, 2008; OECD, 2013). This eases the legislative and bureaucratic barriers that usually hamper the private sector, and offers a friendly business environment for international investors (Al-Shareem, Yusof, & Kamal, 2015). In countries where "civil society and/or the

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private sector are discriminated, the government remains the dominant supplier of social goods" (Pessoa, 2009, p. 20). The existence of such political will is reflected in a country's involvement with the private sector either through outsourcing of infrastructure services or, on a larger scale, through successful privatization programs (Al-Husan & James, 2007; Akoum, 2009). Governments need to allow an "exchange of information between actors and [have] a willingness to look for solutions on a mutual basis" (Teisman & Klijn, 2002), which then builds a culture of mutual trust between the two sectors and allows a true spirit of partnership to develop.

Second, free market economies require the adoption of transparent tendering processes that are based on the quality and experience of the bidders, rather than favoritism, corruption, or patronage (Beh, 2010; Hayllar, 2010). Such practices, which are commonly the result of ineffective regulatory institutions, have severely undermined the performance of numerous infrastructure PPP projects and ultimately led to their failure (Jamali, 2004; Awortwi, 2004; Beh, 2010). Competition over contracts should be safeguarded by independent institutions that base the decision to award projects on the merit of each proposal and the capacity of the private sector entity to deliver within the required budget and timeframe (UNECE, 2008).

Professional capacity within the public and private sectors – The technical capacity of the government and private sector to deliver infrastructure projects through PPPs is one of the issues commonly taken for granted when considering this delivery method (Hodge, 2014). It is important, therefore, to carefully match the capacity of governments with the complexity of PPPs (Gestel, Voets & Verhoest, 2012). The public sector needs to operate at levels of

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efficiency and effectiveness closer to those of the private sector, endeavor to enhance the quality of administrative systems, and minimize red tape and other bureaucratic processes surrounding the procurement of permits (Mouraviev & Kakabadse, 2015). Development of internal capacity and resources within the public sector, such as a dedicated PPP unit, help to efficaciously "manage, monitor and enforce [PPP] contracts" more strategically (Bloomfield, 2006, p. 410).

Equally important to such technical capacity is the financial and practical capability of the local private sector to deliver the desired services with the promised quality, or at least the possibility of tapping into international experience in the provision of such services (Kanter, 1994). Zhang (2005) undertook an extensive survey that covered the public and private sectors in China and the UK, and identified a lack of mature financial markets and engineering techniques and "unfavorable economic and commercial conditions" among the principle barriers for PPPs. However, it is imperative to note that, despite considerable efforts to deliver infrastructure services through the PPP method, some projects nevertheless still fail to deliver on time or achieve the promised value for money (Dunleavy & Carrera, 2013).

To summarize, infrastructure PPPs involve highly complex contractual mechanisms. The quality of governance and regulatory structures and the capacity within the public and private sectors determine the outcome of PPP contracts. With these factors in mind, it is appropriate to critically evaluate the characteristics underlying the governance, administrative, and private sector structures of Kuwait, Saudi Arabia, and Qatar. Such analysis provides an understanding of the contextual factors that affect the implementation and performance of infrastructure PPP projects within each of the three states.

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Kuwait

Kuwait possesses a unique political system among the dominantly autocratic GCC states. In 1961, it established the first constitution and parliament in the GCC (Al-Sabah, 1980). However, political parties are still banned in Kuwait, and the Emir maintains the power to dismiss the parliament – which he did five times between 2006 and 2012 (BBC, 2012). The Emir also appoints the prime minister, who invariably comes from the ruling family and forms the government after receiving the Emir's approval. Kuwait's ranking in the World Bank's "Voice and Accountability" indicator declined from 44% in 1996 to 29% in 2014 (Table 2), demonstrating the marginal role that parliament plays in Kuwait's semi-democratic political model.

The role of the parliament as an arbiter dividing power between the Emir and Kuwaiti citizens has resulted in long-lasting political crises that have hamstrung the business climate since the 1980s (Kinninmont, 2012). MPs have repeatedly voted against the government's investment plans and proposals, which they see as benefiting the traditional merchant classes, and voted for direct distribution of oil revenues to Kuwaiti citizens (Herb, 2014). This makes "the legislative branch … over the past eight years ... the most important factor hampering reform and disabling the role of the private sector" (Al-Monitor, 2014). It was not until 2013 that a pro-government policy parliament was elected, but its impact on improvement of the private sector has yet to materialize.

Table 2: Selected indicators of governance (1% = worst, 100% = best)

Country	Voice and Accountability	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption

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	1996	2004	2014	1996	2004	2014	1996	2004	2014	1996	2004	2014	1996	2004	2014
Kuwait	44	39	29	60	61	47	55	69	48	65	65	60	78	82	50
KSA	8	10	3	46	45	62	47	56	53	59	57	65	28	46	59
Qatar	31	37	22	68	71	78	50	59	70	55	63	81	56	73	82

Source: World Bank Data (2015)

The role of the law in Kuwait is undermined by the lack of an independent judicial system, since the Emir "appoints all the judges" and the executive branch is responsible for approving judicial promotions (CIA World Factbook, 2015). This jeopardizes the sanctity of legal contracts, given the control of the royal family over the judiciary system. Furthermore, despite the efforts of the parliament to institutionalize the decision-making process in Kuwait, there have been many instances of key ministerial members using their positions to bypass formal processes and achieve personal gains (Biygautane, 2015). This not only threatens the legitimacy of the regulatory environment, but also means that connections are essential to gain access to government contracts and navigate through the complex state bureaucracy.

As Table 3 shows, Kuwait ranks 106th (out of 140) in terms of "Legal Rights" and 58th (out of 189) in "Enforcing Contracts," and its current bankruptcy laws do not meet international standards (US Department of State, 2015). It also ranks 122nd (out of 189) in terms of "Resolving Insolvency" according to the World Bank's 2015 Doing Business Report. The court system in Kuwait is notoriously slow and lengthy, and judges lack the necessary training to streamline their operations and effectively serve in the sluggish legal system (CIA World Factbook, 2015). The existing Judicial Arbitration Law in Kuwait has numerous shortcomings that make it unattractive to international businesses. In its current

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form, it “draw[s] a closer resemblance to the practice of litigation,” and requires extensive reforms to meet the international criteria (Houti, 2015).

Table 3: Ease of doing business (1= best, 189= worst, except legal rights where 1= best, and 140= worst)

	Starting a Business	Getting Credit	Enforcing Contracts	Resolving Insolvency	Legal Rights
Kuwait	148	109	58	122	106
Saudi Arabia	130	79	86	189	106
Qatar	109	133	112	51	129

Source: World Bank Group Doing Business Database (2015)

Although Kuwait was the first among the GCC states to attempt to establish the regulatory and institutional frameworks for PPPs, the involvement of the pre-2013 parliament in setting the PPP legislation resulted in many shortcomings that did not make Kuwait an attractive place for PPPs. The Build-Operate-Transfer (BOT) law (7/2008) was perceived by the Kuwaiti business community as an “inhibitor of PPPs,” since most of its clauses were restrictive to both local and international investors (MEED Projects, 2015). However, the pro-government parliament passed the new PPP Law 116/2014 to improve the legal landscape for PPPs in Kuwait and remedy the weaknesses of the previous law, but it nevertheless prohibits the sale of state land to the private sector. As a result of political resistance to private sector’s involvement in delivering public services, and the previously inadequate PPP law, the Kuwait Authority for Partnership Projects (Kuwait’s PPP Unit) managed to only achieve financial close of one PPP project – Az-Zour North – in December 2014 since its establishment in 2008.

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As is the case in other rentier economies, excessive reliance on oil revenues makes the Kuwaiti government and its conglomerates the leading forces in local market. In 2015, oil revenues comprised 89% and 94% of the total of government revenues and share of export earnings, respectively (Table 1). The drop in oil prices since 2014 has resulted in a deficit of more than $27 billion in the 2016 budget (IMF, 2015b), and increased pressure on the government to diversify the economy. Also, powerful merchant families dominate most sectors of the economy and profit from government contracts that they receive based on their closeness to members of the ruling family (Kuwait Times, 2014).

Family businesses have historically been supported by the government's "restrictive policies" that curtail competition from foreign investors (Al-Sabah, 1980; Al-Kuwari, 2012). For example, the outdated 1964 Public Tenders Law, which is still in force, stipulates that foreigners cannot bid for government contracts unless they partner with a Kuwaiti agent, who charges a fee simply for including their name in the bidding documents. Such factors make doing business in Kuwait "notoriously hard" (Herb, 2014), a fact that is proven by Kuwait's low ranking in the World Bank's Doing Business where it stands at 148 out of 189 in "Starting a Business" and 109 in "Getting Credit."

Kuwait's history is replete with cases of tendering processes for high profile infrastructure services lacking in transparency and leading to corruption. A former Minister of Electricity along with other 11 government officials, were accused of mishandling public funds while procuring the production of 500 MW of electricity in 2007 (MEED Projects, 2015). Also, unlawful "connections between the administration and private companies, have resulted in [similar cases of] uneven market competition" (Business Anti-Corruption, 2015a).

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Nevertheless, given the limited levels of transparency and secrecy that surround legal controversies involving high-ranking officials, information regarding the execution of court judgments is not always disclosed to the public (Biygautane, 2015). Kuwait's ranking in the World Bank's "Control of Corruption" indicator dropped from 78% in 1996 to 50% in 2014, affirming that corruption in the country is widespread.

Kuwait suffers from excessive bureaucracy and red tape, along with an extremely lengthy procurement process (633 days) that is approximately four times longer than the world average (174 days) (Table 4). The situation is evident in its low ranking in "Inefficient government bureaucracy" indicator, which topped the World Bank's list of the most problematic factors for doing business in Kuwait (Table 5).

Table 4: Length of the procurement process in Kuwait (in days)

Stage	**Global average**	**Kuwait**
Advertising to receiving of bids	28	102
Receiving of bids to award	80	128
Award to contract signing	28	266
Contract signing to notice to proceed	28	64
Total	174	633

Source: World Bank (2015)

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The public sector's lack of technical capacity and knowledge about delivering infrastructure projects through PPP is another obstruct for Kuwait. The chance of learning from the private sector's expertise is hampered by the government's restrictive labor regulations that require the private sector to recruit a majority of Kuwaiti nationals, who often do not possess the necessary expertise or skills to implement PPP projects.

Table 5: The 5 most problematic factors for doing business in selected GCC states

Kuwait	Saudi Arabia	Qatar
• Inefficient government bureaucracy • Restrictive labour regulations • Restricted access to financing • Inadequately educated labor force • Corruption	• Restrictive labour regulations • Inadequately educated labor force • Inefficient government bureaucracy • Restricted access to financing • Poor work ethic in labor force	• Restrictive labor regulations • Inadequately educated labor force • Inefficient government bureaucracy • Inflation • Poor work ethic in labor force

Source: World Bank Group Doing Business Database (2015)

Saudi Arabia

Similar to Kuwait's semi-democratic model, Saudi Arabia has its King nominate members of the Council of Ministers (the Cabinet), who "exercise supervision and control over the Saudi bureaucracy" (Jabbra & Jabbra, 2005, p. 135) and have the final say in the management of state affairs (Al-Ghanim, 2010). The limited participation of the general public in policy-making is perhaps responsible for Saudi Arabia's position as one of the low-ranking countries in the World Bank's "Voice and Accountability" indicator (Table 2), in which it scored 8% in 1999 and dropped to a mere 3% in 2014.

The King of Saudi Arabia, much like the Emir of Kuwait, appoints Sharia-trained judges who maintain Islamic jurisdiction within the court system (Freedom Home, 2015, p.

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4). Saudi Arabia still lacks a functional system of arbitration, and international investors rely on international arbitration to solve their disputes. The Board of Grievances that forms a part of the Saudi bureaucracy is in charge of solving commercial disputes, and also oversees the arbitration process (Practical Law, 2014a). The current Arbitration Law is closer to litigation than arbitration, and does not allow government entities to engage in arbitration until it is approved by the Prime Minister (the King) (Ashurst, 2016). Because Saudi commercial law is still in the developmental stage, “there is no transparent, comprehensive legal framework for resolving commercial disputes in accordance with international standards” (US Department of State, 2015). What lowers Saudi Arabia’s World Bank Doing Business ranking is the “Resolving Insolvency” indicator, in which it ranked 189 out of 189 (Table 3), which, among other factors, makes it a very risky environment to conduct business in. Furthermore, in “Legal Rights,” Saudi is similar to Kuwait with a ranking 106 out of 140, and stands lower in “Enforcing Contracts,” in which it scored 86 out of 189.

Although Saudi Arabia still lacks the legal and regulatory frameworks that Kuwait has to oversee PPPs, it nonetheless grants land to some private sector entities to establish PPPs, and new regulations also permit foreign investors to bid on government contracts without the need for Saudi agents (US Department of State, 2015). While the regulations allow 100% foreign ownership of businesses, joint ventures with local companies are considered by some international businesses as a must in order to operate within the Saudi business sector (*The Economist*, 2014). Saudi Arabia’s Regulatory Quality has not improved in the past decade; in fact, it declined from 56% in 2004 to 53% in 2014, reflecting the very slow pace of regulatory reform.

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If the procurement system in Kuwait is extremely sluggish, in Saudi Arabia many of the provisions of the Government Tenders and Procurement Law are problematic for PPPs. All public sector entities in Saudi Arabia are required to use a standard contract that is approved by the Ministry of Finance (MOF) for all infrastructure projects, which limits the private sector's ability to negotiate the terms of contracts based on the type and nature of a project (Ashurst, 2016). Furthermore, contracts that exceed 5 million Saudi Riyals and a period of 5 years need to be approved by the MOF, which entails a long, costly, and wearisome bureaucratic process for the private sector.

Saudi Arabia is both the largest economy in the entire Middle East and North Africa (MENA) region and one of the largest exporters of oil in the world (Akoum, 2009). Similar to Kuwait, Saudi Arabia's economic performance is tied to the volatility of oil prices, which in 2015 comprised 90% of export earnings and an 80% share of total budget revenue (Table 1). As a resource-dependent rentier state, government spending generates growth in the private sector (Rice, 2004). The significant drop of oil prices in the second half of 2014 left the Saudi government with a more than 20% budget deficit in 2016, and IMF predicts this deficit will persist till 2020 if the government continues its current spending while oil prices remain below $50 (IMF, 2015c).

The private sector in Saudi Arabia, like that in Kuwait, is largely dominated by a few traditional family businesses that control approximately 90% of all private sector companies (Oukil & Al-Khalifa, 2012). These businesses contributed around 25% of the national GDP in 2012, and among the 5,000 registered businesses in the Chamber of Commerce, only 156 are listed on the stock market (Arab News, 2012). Their unwillingness to become publicly

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listed companies emanates mainly from a hesitance to adhere to the required levels of scrutiny and accountability, the risk of being forced to reveal the informal mechanisms that characterize their business models, and their preference to maintain full control over their family businesses (Oukil & Al-Khalifa, 2012).Although Saudi laws proclaim equal opportunities for all bidders, "rent-seeking and corruption are not uncommon in government procurement processes" (Business Anti-Corruption, 2015a). Saudi scored 59% in the "Control of Corruption" indicator in 2014, advancing from 28% in 1996. However, the lack of comprehensive legislation to control corruption continues to make it one of the biggest barriers to operating in the Saudi private sector.

The scale of family businesses and the influence they exert on the private sector, as well as their informal impact on economic decision-making, hinder access to and doing business in Saudi Arabia. This is a fact that is reflected in the country's rank of 130 out of 189 in the World Bank's "Starting a Business" indicator (see Table 3). Because "[f]amily loyalty is the most powerful force in Saudi society … rather than technical competence or management performance" (Rice, 2004, p. 74), international businesses have little faith that Saudi government officials will make fair decisions and "not favor well-connected companies or individuals when deciding policies and contracts" (Business Anti-Corruption, 2015b).

Another factor that hinders the business environment in Saudi Arabia is "restrictive labor regulations." With 93% of jobs in the public sector occupied by Saudis, compared to 22% in the private sector, pressure is mounting on the government to create more jobs to tackle unemployment among youth, which reached 30% in 2014 (IMF, 2014). The Saudi authorities oblige employers to hire large portions of Saudis under the *Intilaqat* Saudization

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program, which specifies size-based quotas that private sector entities must meet in order to maintain their business licenses. International companies working for a Saudi government entity need to devote 30% of work under contract to Saudi nationals (Practical Law, 2014b). In fact, the Saudi Arabian General Investment Authority (SAGIA) has already cancelled dozens of business licenses of entities that failed to meet the Saudi hiring requirements (*The Economist*, 2014), and has delayed issuing residency visa requests for businesses to obtain employees from other countries (US Department of State, 2015).

Similar to Kuwait, the overstaffed and "inefficient government bureaucracy" in Saudi Arabia is another factor complained about by local and international businesses alike (Table 5). Because "co-ordination between state bodies is often poor … it is still necessary to have the right connections to negotiate the official bureaucracy" (*The Economist*, 2014). This forces individuals and businesses to either pay bribes or use their connections to overcome the bureaucratic hurdles (Rice, 2004; Hertog, 2010). A survey conducted by the Riyadh Chamber of Commerce (2007) showed that more than 77% of businessmen in Saudi "bypass" the law to obtain the necessary approvals for their businesses. A lack of merit-based recruitment practices and the absence of systems of accountability and performance measurements are largely to blame for this situation (Jabbra & Jabbra, 2005).

Qatar

Similar to Kuwait and Saudi Arabia, the ruler of Qatar nominates "all judges, many of them non-Qataris, making them vulnerable to deportation" if they make decisions that are unfavorable to the ruler (Fromherz, 2012, p. 127). Law 12/2008 established a new Supreme Court, but the Emir of Qatar assigns its judges as well (US Department of State, 2015). In

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comparison to the other two GCC states, Qatar scored highest in "Rule of Law," achieving 81% in 2014 compared to 55% in 1996. Additionally, Qatar is among the highest-ranking states in the Middle East in terms of "Control of Corruption" in the public sector (Biygautane, 2015).

The rankings of the Qatar government's legal and regulatory institutional capacities reveal conflicting results. It is ranked highest in the "Resolving Insolvency" indicator, in which it ranked 51 in 2014 compared to Saudi Arabia at 189 and Kuwait at 122. This high ranking is due to the fact that Qatar has two separate bankruptcy regimes: Commercial Law 27/2006 to govern Qatari citizens' bankruptcy cases, in which the state often intervenes to lift their financial burden, and the Qatar Financial Center (QFC) insolvency regulations of 2005, which apply to foreign businesses (Practical Law, 2014b). Furthermore, the QFC has civil and commercial courts and a regulatory tribunal that serve as judicial arms. Unlike Kuwait and Saudi Arabia, Qatar relies more on arbitration than litigation to solve commercial disputes and has a dedicated entity for that purpose in the form of the Qatar International Center for Conciliation and Arbitration. However, similar to Saudi Arabia, the Tenders Law requires public sector entities to obtain high Ministerial approval before they will agree to arbitration (Practical Law, 2014b). Qatar ranks lowest among the three GCC states in "Enforcing Contracts," standing at 112 in 2014 compared to 58 in Kuwait and 86 in Saudi Arabia. Furthermore, it ranked lowest in "Legal Rights," where it stood at 129 compared to 106 in the other two states (Table 3).

As Table 1 shows, oil and gas comprised 62% of the share of total budget revenues in 2015 and oil exports made up 92% of export earnings. Like the other two GCC states, the

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drop in oil prices has had severe implications for Qatar. It run its first budget deficit in 15 years, which is estimated by Qatar government official reports to be at least at 4.9% in 2016 and 3.7% in the following year (The National, 2015). State-owned enterprises (SOEs) are active players in Qatar, and are considered "the driving force of the Qatari economy" (US Department of State, 2015).

Qatar also has restrictive government investment policies that protect traditional business families. Investment Law 13/2000 limits foreign investment to 49% of capital with a Qatari partner holding at least 51%, but the law also specifies that, subject to approval of the Cabinet, there are opportunities in certain sectors for foreigners to own 100% of their companies. Similar to the cases of Kuwait and Saudi Arabia, foreign firms wishing to bid for government procurement programs in Qatar must do so through a local agent (Practical Law, 2014b). Although more than 1,000 family businesses dominate the private sector in Qatar, only 5% of them have formal and clear governance structures (Qatar Today, 2014). Lack of accessible data to these local businesses' performance or governance mechanisms could make foreign investors hesitant to partner with most of them.

Of the three GCC states, Qatar ranks as the least difficult place for "Starting a Business," ranking 109 in 2014 compared to 148 in Kuwait and 130 in Saudi Arabia (Table 3). Meanwhile, Qatar is also the hardest place for "Getting Credit," as evidenced by its ranking of 133 compared to 109 in Kuwait and 79 in Saudi Arabia (Table 3). The public procurement system is equally problematic compared to the other two states. The lack of rigorous transparency measures and the prevalence of favoritism in granting government

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contracts to some traditional merchant families (Business Anti-Corruption, 2015c) are some of the issues lamented by foreign businesses in Qatar.

Similar to the cases of Kuwait and Saudi Arabia, the quality of public administration in Qatar hinders growth of the business and private sectors. The bloated and inefficient state bureaucracy, which absorbs approximately 85% of the Qatari workforce (IMF, 2014), is considered the third most problematic factor for doing business in Qatar, as indicated in the World Bank Doing Business Database (Table 5). Nonetheless, the Qatari government has increased its pressure on the private sector to recruit Qatari citizens, who often lack the educational and technical skills that are required for their jobs (Biygautane, 2016). This can have negative ramifications on the performance and efficiency of private sector companies that typically recruit employees based on their capacity to perform their tasks and deliver on time.

The following section discusses the managerial implications of governance and institutional challenges involved in the implementation of infrastructure PPPs. Awareness of these challenges is important for policy makers in the three states, and for international investors considering investment in the region.

Managerial implications of governance, administrative, and business challenges related to infrastructure PPPs

Governance, legal, and regulatory constraints– The principle challenges faced by Kuwait, Saudi Arabia, and Qatar in attracting private finance for infrastructure projects are their weak governance, legal, and regulatory capacities. The bankability of PPP contracts is determined by assessment of risks involved during all phases of the project, and the absence of principles

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of good governance and the rule of law exacerbate these risks. The three GCC states scored low (by developed and developing country standards) in key World Bank governance and regulatory environment indicators such as "Voice and Accountability," "Rule of Law" (except for Qatar), "Enforcing Contracts," "Resolving Insolvency" (Saudi scored the lowest among all ranked countries at 189 out of 189), and "Legal Rights." These low scores have negative consequences for attracting foreign businesses, which find the business environment to be extremely risky. What exacerbates the levels of risk in the three GCC states is the abrupt changes of laws and regulations without prior notice, which frustrates both local and international investors. Furthermore, the lack of an independent judiciary system, an outdated and very slow legal system, and the limited scope of arbitration in solving disputes between public and private sector entities are factors that further discourage international businesses from considering the PPP market in the GCC.

The low scores of the three GCC states in regulatory quality raise questions about the capacity of government institutions to effectively monitor PPP projects. Transparency in the governance of projects after the implementation phase is critical for achieving value for money. The difficulty of controlling corruption, particularly within the contexts of Kuwait and Saudi Arabia, might jeopardize the transparency of PPP projects and enable individuals with access to powerful bureaucrats to maneuver around rules and regulations to fulfill their own personal goals.

The absence of a publicly centered decision-making structure in Saudi Arabia and Qatar casts the "public" component of PPPs in a dubious light. Given the concentration of political and economic decision-making among a small number of political elites and other

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senior government officials, PPPs might better be referred to as 'government-private partnerships.' In Kuwait, however, PPP law stipulates that 50% of the shares of the awarded project company must be accessible to Kuwait citizens through an Initial Public Offering. Nonetheless, restricting these shares to Kuwaitis alone discriminates against expatriates, who form the largest portion of 'the public' and can also contribute to the local share market.

Bureaucratic constraints– The inefficiency of government bureaucracies in the three states is another hurdle for infrastructure PPPs. Although legal and regulatory frameworks are essential, it is the implementation level of PPPs within the local bureaucracy that is most instrumental for their success (Sabry, 2015). A dearth of qualified public sector employees with sufficient experience and understanding of the technical requirements of PPPs is a recurrent complaint from private sector entities that attempt to engage in contractual relationships with the governments of Kuwait, Saudi Arabia, and Qatar. A lack of proper coordination and communication among government entities that are fragmented and occupied by individuals often chosen because of patronage rather than competence all lead to "excessive red tape that is hidden from public view" (Kinsinger, 2007, p. 539).

The complexity and contractual nature of PPP agreements necessitate smooth, streamlined cooperation and collaboration among different public and private sector entities. However, the lengthy bureaucratic processes in the three states lead to long delays in obtaining permits or gaining the necessary approvals for procurement of government projects (particularly in Kuwait). The outcome of these excessive delays, which come at a considerable cost to the private sector, is cancellation of projects at different operational stages and jeopardized trust of international investors. The institutional challenges imposed

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by Kuwait's opaque and inefficient bureaucracy and political resistance toward private delivery of infrastructure have undermined the functions of its PPP Unit and PPP laws.

Private sector constraints– International experience has shown that PPPs work most effectively in environments with vibrant and active private sectors that have a long history of competitive provision of infrastructure projects (Al-Shareem et al., 2015). In the three GCC states, there are several factors that limit the capacity of their private sectors to effectively carry out infrastructure services.

First, public sector spending from oil revenues still drives economic growth, and the lack of mature and strong financial markets remains a challenge for these states. The private sector's dependence on government contracts and its inability to generate wealth in the economy, coupled with restrictive policies that restrict foreign businesses' entrance into local markets, pose serious barriers to infrastructure PPPs. When oil prices fell in the second half of 2014, government spending went down significantly and so did the private sector's growth performance, which led to a shrinking liquidity and lending appetite within local banks. Consequently, the Credit Ratings of the three Gulf states have been lowered, especially in Saudi Arabia, which saw its ratings downgraded by the three major rating agencies of Standard & Poor's, Fitch Group, and Moody's (The National, 2016). This makes attracting finance for infrastructure PPPs even more difficult and expensive.

Second, it is difficult to properly estimate the actual size of the private sector and the capability of local markets to finance mega-infrastructure projects. The secrecy that surrounds SOEs' performance and the absence of mechanisms of transparency and good governance within most family businesses that dominate the sector prevent an accurate

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assessment of the readiness of these states' financial markets to support long-term projects. Furthermore, granting government contracts to prominent merchant classes with access to powerful political elites, regardless of their technical capacity, is problematic for foreign investors wanting to do business in the three GCC states. This generates mistrust between the local public and private sectors, as witnessed in both Kuwait and Saudi Arabia. Another challenge involves the fact that family businesses invest primarily in low-risk projects with a short time frame of three to five years, and yield high returns on investments in such areas as real estate and other construction services. Shifting their focus to long-term projects with high risks and low returns on investments requires a fundamental alteration of the investment culture of the Gulf.

Third, since infrastructure has historically been provided through government funding and traditional procurement methods, the local private sector lacks the required experience and capacity to deliver infrastructure efficiently. The option of importing talent from international markets is limited by government policies that force the private sector to meet certain quotas for hiring citizens and restrict issuing of residency visas to expatriates. Fourth, the difficulty of leasing land in Saudi Arabia and Qatar and the prohibition of private sector ownership of land in Kuwait are persisting barriers against the formation of a PPP-friendly environment. Without proper legislation that allows the private sector to use land, the prospect of PPPs remains bleak.

Cultural constraints– There are numerous cultural dimensions that obstruct the uptake of PPPs in the three states. First, since the discovery of oil and the creation of modern states, the public sector has been responsible for provision of free infrastructure services to citizens.

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Any shift of this responsibility to the private sector faces severe resistance from the public, who view the private sector's involvement in delivering these services as "selling the country" (Arabian Business, 2014). Also, attempting to charge citizens for the use public infrastructure requires revisiting the "social contract" between the state and society whereby the state is responsible for its citizens' welfare from the 'cradle to the grave' in return for their political acquiescence.

Second, the tribal heritage of the Gulf region holds that "loyalty [is first] to the family, then the clan, the tribe, and the nation" (Rice, 2004, p. 73). Since 'family' continues to "rival the state as the focal point of loyalty and security" (Jabbra & Jabbra, 2005, p. 144), GCC citizens often look for ways to maneuver around bureaucratic rules and legal regulations to grant favors to their friends, extended family, or fellow tribal members. These favors range from granting government contracts to unsuitable contractors (Ali, 2010) to facilitating bureaucratic transitions. Although this is perceived as nepotism, corruption, or patronage from a Western perspective, in these states it is considered a duty to prioritize one's family in business deals before evaluating technical competency or financial competitiveness (House, 2013).

Such practices undermine the fundamental assumptions of efficiency that underpin PPP agreements such as granting of contracts to the most qualified bidders. In the absence of strong independent regulatory and auditing institutions to guarantee the transparency and fairness of the tendering process, international investors are likely to be disinclined to work in an environment where competitive market mechanisms are weakened by local cultural beliefs. For example, Beh (2010) highlighted the prevalence of a culture of patronage and

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granting of government contracts to favored private sector entities as the main impediment to realizing the full potential of PPPs in Malaysia. Likewise, in the context of China, Adams, Young, and Zhihong (2006) revealed that the widespread culture of corruption among government officials who monitor the tendering process, along with the difficulty of detecting their relations with individuals in the private sector, posed a serious challenge to the future success of PPPs in China.

Third, particularly in Saudi Arabia, religious influence on policy and decision-making is reflected in a conservative business environment (Rice, 2004). The implications of this on the prospect of PPPs must be accounted for. The court system in Saudi Arabia exercises the principles of Sharia law, which international investors find problematic as a means of resolving disputes. Furthermore, Islamic financial is becoming the favorite form of private finance in the Gulf. It will be useful for International managers to familiarize themselves with the principles of Islamic finance and build the necessary capacity to negotiate and enforce PPP contracts when needed.

Impact of these challenges on the existing infrastructure PPP market- The weak PPP environment in Kuwait, Saudi Arabia and Qatar is reflected in the embryonic stage of their infrastructure PPP market. As Table 6 shows, existing PPP projects are centered on the Independent Water Power Plant (IWPP) industry and not in the core infrastructure (with the exception of Saudi Arabia's Medina airport). The PPP models being used in the IWPP sector do not involve significant risk from the private sector's side, and although they raise project finance, in the longer term, these models could be costly for the governments especially when there is less demand for electricity (Strategy&, 2010). In this type of PPP, the government

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operates as a single buyer of electricity and water generated by a private sector company through fixed-term power and water purchase agreements (Deloitte, 2013). Foreign companies' hesitation to tackle the high risks associated with investing huge amounts of capital in the GCC region, and their preference for dealing with the government as a single buyer is evident from the restriction of PPPs to only one low risk industry.

Tackling the challenges that presently inhibit the private sector from competitively delivering infrastructure services is a timely endeavor for GCC states to create the kind of business-friendly environment necessary for attracting private finance to a broader spectrum of projects. The next section offers some policy recommendations to enhance the PPP environment in the three GCC states.

Table 6 Existing infrastructure PPP projects in Kuwait, Saudi Arabia, and Qatar

Countries	Sector(s)	Number of PPP projects	Contractual type(s)	Approximate value in US$ million
Kuwait	Power/water/sewerage	2	Build-Operate-Transfer(BOT)	2,190
Saudi Arabia	Power/water/1 pilgrims' airport	8	Build-Own-Operate(BOO)/Build-Transfer-Operate(BTO)/Build-Own-Operate-Transfer(BOOT)	14,800
Qatar	Power/water	5	BOOT-BOT	10,950

Source: Compiled by the authors

Policy recommendations

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For PPPs to be viable in GCC states, there is a need to strengthen the roles of regulatory and legal institutions to ensure that all parties involved in any kind of partnership respect the sanctity of legal contracts. As Figure 2 shows, this can be achieved through the establishment of independent regulatory and judiciary systems, which will assure foreign investors that their legal rights are protected when disputes arise. Being able to avail themselves of local arbitration and court systems in cases of breach of contract by the public sector is a key requirement for an attractive PPP environment. Simplifying laws regarding private ownership, labor, enforcement of contracts, and bankruptcy-related issues would send positive signals to international investors about the GCC governments' firm commitment to involving the private sector in the delivery of mega-infrastructure projects. This is particularly true for Saudi Arabia, as it ranks lowest in the "Resolving Insolvency" indicator and still lacks commercial courts that measure up to international standards.

Streamlining the machinery of government, creating channels of collaboration and cooperation among different entities, and encouraging one-stop shops to process all of the required documents can shorten delays in procurement that sometimes result in blockage of a project's progress or lead to its cancellation. This situation is most notable in Kuwait, where the current procurement system takes almost four times longer than the world average, and in Saudi Arabia, where international investors complain about their inability to penetrate the bureaucracy without relying on corruption, intermediaries, or bribes.

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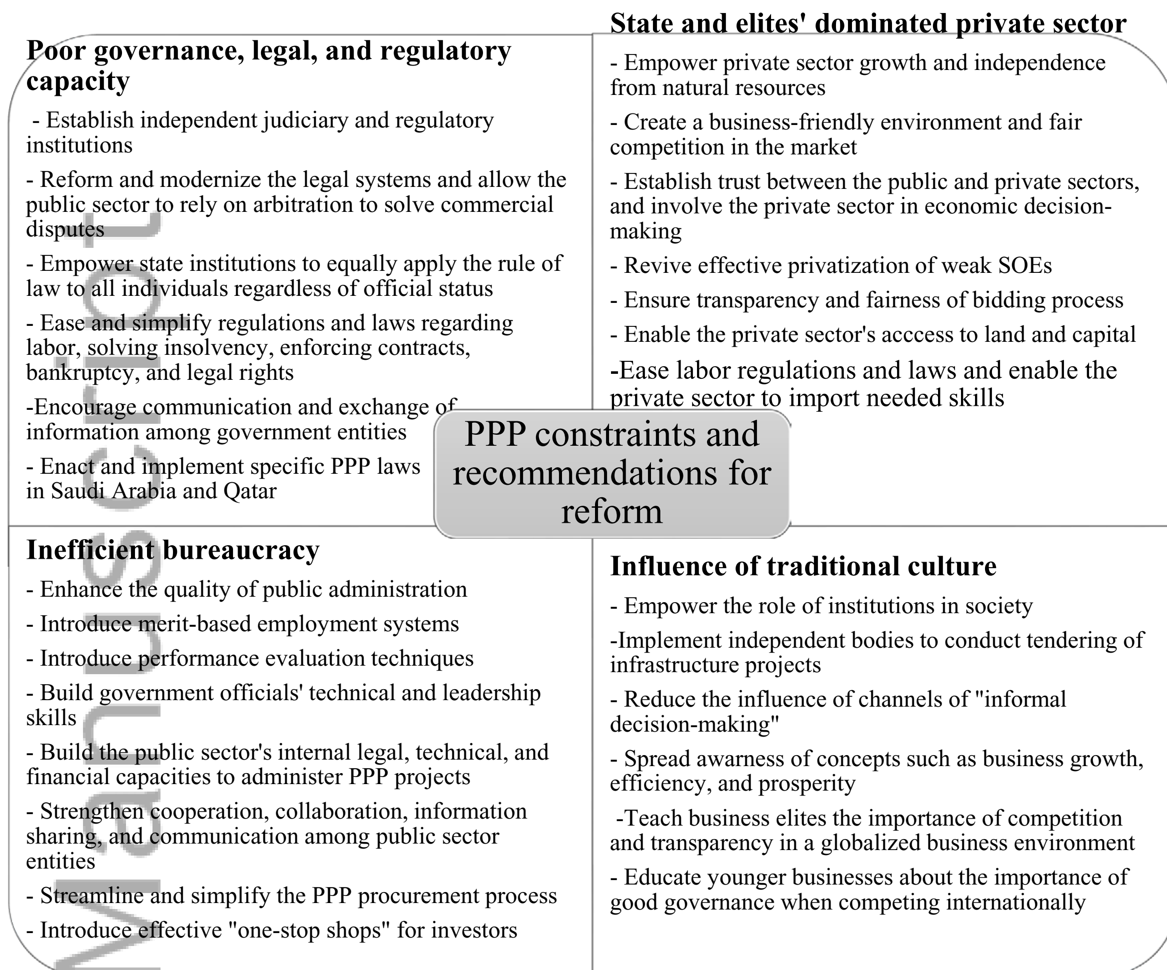
Figure 2: PPP constraints and recommendations for reform



Source: Authors

Empowering the role of the private sector in the local economy and creating a business-friendly environment for foreign investors is another essential requirement to successfully attract foreign capital. Saudi Arabia's Vision 2030 reflects the government's willingness to shy away from dependence on natural resources, but committed political will is necessary to make structural reforms and create regulatory regimes to ensure fair and equal treatment of all players in the private sector. Moreover, fostering trust between the public and private sectors and creating more alliances and joint ventures between local private entities

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and international ones can facilitate the transfer of knowledge and enhance local capacity-building. In Kuwait, the prospect of PPPs remains reliant on establishment of a parliament that passes business-friendly policies and laws, and a political climate that fosters the private sector's growth.

Issuing laws that allow full foreign ownership of businesses and access to capital without the need for a local agent can improve the low scores of Kuwait, Saudi Arabia, and Qatar in the "Starting a Business" and "Getting Credit" indicators. More importantly, to harness the powers of creativity and efficiency in the private sector, transparency in tendering and awarding contracts should be guaranteed and practiced. Infrastructure PPPs can only deliver the promised value for money and superior quality of services in a private sector environment that is driven by competition (Marin, 2009). Furthermore, one key to the success of PPP projects is allowing the private sector to hire the needed talent, and own land, especially in Kuwait and Qatar, and particularly when building green field projects.

Cultural challenges will perhaps be the hardest to overcome in order to create a PPP-friendly environment in the three states. However, a competitiveness-based approach toward the private sector's involvement in delivering infrastructure services will show the public the higher quality of these services and the value of harnessing the private sector's expertise. Also, facilitating the role of formal government bureaucracy in decision-making and enforcing the role of regulatory agencies can reduce the impact of favoritism in distributing government contracts. Spreading awareness about the values and concepts of competition, ethical business behavior, and the importance of transparency and governance structures in a

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globalized business environment can potentially yield positive results to ameliorate the culture of favoritism in the region.

Conclusion

Infrastructure PPPs are highly complex contractual agreements that necessitate the existence of solid governance, regulatory structures, and capacity within the public and private sectors. This article has attempted to fill a significant gap in the existing PPP literature by analyzing the prospect of infrastructure PPPs in Kuwait, Saudi Arabia, and Qatar. PPPs are a seemingly attractive policy tool for Gulf governments to compensate for their fiscal and infrastructure gaps, and also an opportunity for international investors to access the growing Gulf markets. However, extension of PPPs to core infrastructure sectors in the three GCC states is contingent on whether or not considerable obstructions in these states' governance, legal, bureaucratic, and business environments can be addressed.

It is hoped that the recommendations set out in this article can guide policymakers in the three countries in mitigating some of the challenges that constrain the attraction of private finance for infrastructure projects. However, while the abrupt drop in oil prices has resulted in a sudden interest in infrastructure PPPs, attracting foreign investors to the Gulf region might not be so smooth and fast. Some of the challenges identified in this article are structural and deeply rooted in the local culture, and these issues will require time and resolute efforts to overcome. Experience from past fluctuations of oil prices shows that once these prices ascend, the motivation for administrative reform will gradually diminish. Hence, committed political will and serious determination to achieve administrative and economic

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reforms will be the key ingredients to transform existing challenges into opportunities and provide the prerequisites for infrastructure PPPs to flourish in the GCC region.

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