INVESTIGATING THE CRITICAL SUCCESS FACTORS FOR PPP PROJECTS IN KUWAIT
MASTER OF SCIENCE THESIS

Title: Investigating The Critical Success Factors For PPP Projects In Kuwait
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ABSTRACT

Kuwait is planning for huge infrastructure and development projects through long term strategies and visions from 2007 until 2035 to overcome the needs for the welfare housing and to move the country to be the region’s top commercial and financial hub. These goals wouldn’t be achieved without having a strong partner (private sector) to drive the economy by participating in construction mega projects. Public-private partnership (PPP) is the framework which engages both parties to successfully achieve long term plans to deliver what the country and citizens need. To attract the private sector to participate and provide the services needed with the expected high qualities and techniques, the public sector needs to improve the environment to facilitate PPP implementation. This research investigates the existence of critical success factors of PPP project in construction sector of Kuwait: Effective procurement, Project implementability, Available financial market, Government guarantee and Favorable economic conditions and give recommendations to focus on improving them to achieve successful PPP projects.

Keywords: Kuwait, PPP, CSF, Private sector engagement, Housing strategies, Infrastructure projects
ACKNOWLEDGMENT

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I owe my deepest gratitude to my Family who and gave me the opportunity to study abroad, supported me all the time and during my studies and this thesis would not have been possible without the great support from the dearest people around me in Sweden.

I also appreciate all support and contributions of all individuals, companies and organizations who I have contacted to gather the empirical data and questionnaire outputs of from Kuwaiti citizens and private sector representatives who have shown a lot of care and interest in the topic of my research.

I would like to thank God for giving me all the opportunities and facilities that could make me, grow more and more in life.

Stockholm, June 2011
Mohamed Ahmed Helmy
**LIST OF ACRONYMS**

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>BN</td>
<td>Billion</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
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<tr>
<td>KFH</td>
<td>Kuwait Finance House</td>
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<td>KDP</td>
<td>Kuwait Development Plan</td>
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<td>KWD</td>
<td>Kuwaiti Dinars</td>
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<td>PAHW</td>
<td>Public Authority Of Housing Welfare</td>
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<tr>
<td>PFI</td>
<td>Private Finance Initiative</td>
</tr>
<tr>
<td>PTB</td>
<td>Partnerships Technical Bureau</td>
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<td>PPP</td>
<td>Public Private Partnership</td>
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<tr>
<td>SPV</td>
<td>Special Purpose Vehicle</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
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</tbody>
</table>
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1. INTRODUCTION

1.1. BACKGROUND

The UN Habitat report for Enabling Shelter Strategies (Majale, 2004) states that adequate housing must provide more than a shelter above a head; there are other minimum requirements for the affordable housing which are:

- Security of tenure: protection against evictions and harassment and other threats.
- Availability of services, materials, facilities, and infrastructure: provision such as energy and safe water and sanitation.

There is a shortage recognized in the housing welfare units delivered by Kuwaiti government who failed to meet the demand of the welfare housing units which is increasing yearly (Al-Ali, 2010). Since the Kuwait government started in the early fifties of the last century, it took the full responsibility to deliver dwelling units to the Kuwaiti citizens and has managed to distribute welfare-housing units for 90,000 Kuwaiti families so far (Alwatan, 2010). With the acceleration of the population growth rates, The Public Authority for Housing Welfare (PAHW) has published statistics for the amount of applications received from the eligible welfare housing citizens until early 2011 and found that there are around 87,000 applications for housing units on the waiting list. The increasing amount of demand for the housing units has exceeded the amount of units have been distributed by the government during the last 26 years (PAWH, 2011). However there are always promises for new strategies and solution for housing units to be provided to citizens but that never works on time (Fahem, 2006), (Al-Salman, 2010).

The deputy prime minister for economic affairs and minister of State for housing affairs Sheikh Ahmed Al Fahad Al Sabah has promised to solve the housing problems in Kuwait before leaving his office as Housing Affairs minister (Al Watan Daily Newspaper 2009), he mentioned “either way, housing welfare should be thorough and comprehensive because citizens have a rights to enjoy decent dwellings in their own country.” He stated that the strategy would be that new houses will be constructed in some new urban areas as Sulaibikhat, Dahar and Al-Sawaber Complex as key solutions for the welfare housing units problems. In an interview with The Head of the Low-cost Housing Project: Fahad Suleiman Al-Saeed (Al Watan Daily, 2010), he stated that the projects faced problems because many private sector companies have changed their opinion about participating in the project as they didn’t find their own benefits in participating in it. “I’d say that housing problems are different from any other problems. Investors in housing projects need to look into the infrastructure, electricity, water reservoir, sewage, and rain

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2 It is a committee attached to the Housing Welfare Public Authority (PAHW)
drainage. Such facilities are not profitable for investors”, he said. From this statement we can see the opportunity for private sector to be engaged in the development cycle of the State by developing the infrastructure of the new residential projects and cities. This initiative from the government needs to be examined and see how the private sector is really willing to participate in such kind of projects.

1.2. PROBLEM INDICATION
The Chairman of Partnership Technical Bureau (PTB) Adel Al Roumi stated some obstacles which face the progress of PPP Projects supervised by the PTB (Al Jarida Newspaper, March 2011). He mentioned that the long documentation procedures between different projects stakeholders and ministries involved in any PPP project, Lack of awareness of private sector and citizens about the Law No. 7/2008 and its implications and requirements covered through different media channels, the lack of in house experience and knowledge about PPP in different public sector authorities. He also stated that the PTB is focusing now on making studies for the implementation of 28 different PPP projects in infrastructure, construction and transportation sectors.

The private sector has now the invitation from the government to be a partner in undertaking different plans and projects which will lead to a sustainable development for the state according to (Arab Times, 2011). In the same article “Al-Shamali the minister of Finance in Kuwait mentioned during the Public-Private Partnership Conference held in Kuwait that the government plan has adopted policies for private sector support and expansion through restructuring the role played by the state to give more way to the private sector to play its basic role in connection with production, employment, administration and income generation, and the state role would be limited to ensuring optimal performance of the economic system through monitoring the performance of state organizations, control and follow-up of tasks, maintenance of law and order, security, provision of necessary social security network, provision for political and economic stability, motivation and support of the private sector growth and the adoption of an economic reform approach”. He advised the government to start the execution of new planned projects upon the arrival of the budget for each project and he affirmed the importance of understanding the PPP law for the B.O.T\(^3\) that represents the most common used type of agreements between the government and private sector in Kuwait. After that he announced the activation of the Public-Private Partnership (PPP) Law and that happened after the organization of the Partnership Technical Bureau (PTB) and the issuance of the Project Guide for the execution of PPP projects (PTB Website, 2010). The PTB role as it was described in its website:

\(^3\) B.O.T is Build-Own-Transfer
In collaboration and coordination with the public authorities, the PTB shall do the followings:

- Conduct initial survey and studies for the objective of identifying potential developmental projects according to the provisions of Law No. (7) For 2008\(^4\) and refer the same to the High Committee for Projects on State-owned Real Estate.
- Study the projects and initiatives, report its opinion, evaluate economic and technical feasibility studies and provide proper recommendations for potential investment projects according to Articles of Law No. (7) of 2008 (Al-Sabah ,2008).
- Prepare a Guidebook regarding the PPP projects in Kuwait.
- Determine methods for following up and evaluating the performance of projects approved by the High Committee for Projects established on State-owned Real Estate.
- Prepare and submit an annual report regarding development projects to the High Committee for approval prior to be referred to the Cabinet by the Minister of Finance.
- Follow up the implementation of the projects and help overcome the obstacles in collaboration with the entity to which the project is affiliated.
- Set a mechanism for providing initiatives, method of evaluation and announcement for investment thereof according to the provisions of Law No. (7) For 2008.

The Kuwaiti government decided to increase the role of the private sector in the development strategies which it is planning for by suggesting new regulations and laws which manage the relationship between the public and private sector in their potential partnership in offering a public services needed for the country such as Third Master Plan, Kuwait development plan 2010/2014 and Kuwait 2035. The Kuwait Development plan (KDP) which was initiated for the period 2010-2014 (Markaz, 2011) which encourages the private sector as a strong partner in all development projects will be supplied by the government through PPP agreements is facing in its first phase several obstacles were mentioned in (Al Qabas Newspaper, 2010):

- Delay of required approvals from the responsible authorities due to the long documentation cycle
- Financial problems which prevent the execution of PPP projects which delayed the starting date of the projects
- Institutional obstacles regarding the necessary laws and regulations
- Lack of human resources who have technical experiences for implementing the projects
- Lack of vacant lands which is affected by land acquisition rules
- Obstacles connected to the budgeted information technology activities

\(^4\) Check attached appendix
• Consultants and contractors conflicts
• Training and skills development
• Clash between different public institutions and authorities
• Orders change which happens when the government requires new and different requirements during the execution of the projects

Overcoming these obstacles will require additional efforts from the government which will distract the public sector from focusing on urgent Kuwaiti citizen needs for housing.

1.3. RESEARCH OBJECTIVES

The purpose of this research is to provide suggestions for solving the challenges faced by the PPP projects of the Kuwait Development Plan (KDP) by analyzing the critical success factors of good case practices of Public-Private Partnership construction projects in the United Kingdom. Also, this paper will investigate the private sector view on the inefficiencies in the PPP project procurement and implementation. The aim is to pinpoint the most important and urgent improvements that Kuwaiti government should work on to improve the environment for successful PPP project initiatives and execution in the construction sector.

1.4. RESEARCH QUESTION

The research question of this paper is:

• Which Critical success factors need to be implemented by Kuwaiti government for realizing successful PPP projects in Kuwait?

Sub Question:

• What effects do the many changes in the Kuwaiti government housing strategies over the recent years have on attracting private sector to participation in the PPP projects?
1.5. THESIS STRUCTURE
Chapter 1 represents a brief introduction to the research topic. It introduces the current challenges facing Kuwaiti government in housing and the initiatives for solving it. This chapter also outlines the framework, objectives and flow of the research. The chapter highlights the research main question and sub question.

Chapter 2 focuses on the development strategies in Kuwait and the role of the government in setting the strategies and policies of development in a historical overview. Also, The chapter defines the current challenges are presented and the possible contribution of the private sector to the solutions of these problems. The chapter also brings in the concept and examples of public private partnership with the model of a PPP project and some GCPs from different countries using PPPs.

Chapter 3 discusses the theoretical and conceptual framework of the research. It introduces the model, which will be used for analyzing the critical success factors of PPP in Kuwait.

Chapter 4 presents the empirical research in detail and summarizes the findings of the interviews and the qualitative survey.

Chapter 5 contains the conclusions of the research and presents the answers of the research question. It also gives recommendations to the public and private sectors on the future cooperation to solve the current problems within the housing sector. Finally, suggestions for further research relating to PPP in Kuwait are given.
2. LITERATURE OVERVIEW

2.1. WELFARE HOUSING PROBLEMS

By moving closer to the reality of the housing problem in Kuwait, the Kuwait National Assembly has done a research (Abd Al Aziz, 2009) which introduced some facts and figures have been gathered until the beginning of the year 2009 which indicated that 174,600 applications for welfare housing (house - Plot - flat) were submitted to the Public Authority of Housing Welfare and the amount have been delivered and implemented was 91,600 units over the period from 1974 until the end of October 2008, thus leaving 83,000 Kuwaiti families on the waiting list for a period between 10-17 years created mistrust and conflicts between the government and citizens. As a result of this gap - in general - the emergence of the problem of distributing the welfare housing units for Kuwaiti citizens has been increased due to length of the waiting period that created economic and social impacts.

Fig. 1. Housing Welfare applicants' statistics since year 2000 (These numbers are missing 4468 applications to be added which aren’t updated yet). Source: Public Authority for Housing Welfare. (n.d.)

The research also defined the main factors creating the housing welfare problems:

Table 1. The main reasons for the problem in Kuwait welfare housing. Source: Abd Al Aziz (2009).

<table>
<thead>
<tr>
<th>GOVERNMENTAL FACTORS</th>
<th>The absence of good planning and lack of government's role in providing housing for citizens in the long term as well the absence of long term strategic planning for national housing projects from the beginning based on integrated plans.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lack of coordination and integration between agencies and institutions</td>
</tr>
</tbody>
</table>
responsible for housing which delayed the regular implementation of housing plans, causing delays in the design and implementation of many housing projects as a result of the multiplicity and overlapping of responsibilities and competencies between the parties in addition to routine complex that affects the state.

<table>
<thead>
<tr>
<th>DEMOGRAPHIC FACTORS</th>
<th>Relate to the increasing population growth rates in Kuwait, and the population growth is affecting the most important controls in the case of housing and divided the causes of natural population growth (resulting from the increase of births over deaths) or non-natural. Around 61.4% of the Kuwaiti society are young people under the age of twenty-four, a strong indication that young men and women move to the age of marriage at a rapid rate and rising, and the marriage rate for Kuwaitis of 14 per thousand of the population in the age of marriage</th>
</tr>
</thead>
<tbody>
<tr>
<td>GEOGRAPHICAL FACTORS</td>
<td>Lack of supply of land for residential use as The Kuwait Oil Company owns the franchise rights to Kuwaiti territory, equivalent to 80% of the total area of Kuwait. It can only provide lands if they are requested by the official authorities allocate some sites have, and on the basis of the company's extensive studies on the status of these territories and the absence of any sources of natural wealth And suitability of environmentally, the company has to dispense with about 4700 square kilometers since 1997 to March 2007. (Abd Al Reheem, Y. A., 2008).</td>
</tr>
<tr>
<td>FINANCIAL FACTORS</td>
<td>From the very beginning when the delivery service of housing units, the government take the full responsibility of financial terms upon themselves and that has been associated with permanent housing projects, the government's plan in public expenditure as provided for by the general budget of the State. Construction costs are very high as a result of high labor wages and rising prices for construction materials and land prices. All of these financial and economic considerations affecting much of the delay to keep up with demand housing services in the State of Kuwait for the supply of housing.</td>
</tr>
<tr>
<td>TECHNICAL FACTORS</td>
<td>Such as delays in completion of construction projects, leading to backlogs and delays due to several factors, including: employment, design, management, the main contractor, the supervision, quality requirements,</td>
</tr>
</tbody>
</table>
2.2. CONSTRUCTION PROJECTS IN KUWAIT DEVELOPMENT INITIATIVES

2.2.1. THIRD MASTER PLAN DEVELOPMENT

Department of Implementation of the 3rd Master Plan (2009), Kuwait Municipality (2005) defined the third master plan of Kuwait as a general framework which defines the goals and policies that reflect the urban development future plans and visions. It defines as well the political, economic, social and environmental land use objectives of the state during a specified period of 25 to 30 years.

Also mentioned that in parallel with the future population growth expected, new detailed urban development strategies will be provided according to the needs of the public and private housing, investment and commercial land uses, industrial and infrastructure facilities such as: electricity and water and sanitation as well other public utilities required for the various activities of the education and health etc. which is integrated in a balanced urban and geographical distribution of lands. It also described the objectives of the draft outline of the third master plan as:

* Identifying the objectives and policies that reflect the urban future vision and plans and objectives of the country's during the period from 2007 until 2030.

* Activating the role of the state as a regional financial and commercial center.

* Creating a balance between the different elements of urban development.

* Accommodating the expected increase of population and distributing it uniformly inside and outside the urban developed area.

* Establishing an attractive investment climate based on the diversity of the national income resources and not rely on oil as the main source.

* Conservation of natural and environmental resources in a balanced way with the planned urban development initiatives for the future.

* Directing future urban development expansions outside the urban area.

* Establishing an integrated system for transportation and connecting different new railway network

* Estimating of available jobs will be created and distributing them to the various urban communities created.
* Improving the development of infrastructure facilities and services.

The housing strategy in the third master plan stated that the increase of population (expected 5.368 m by 2030) will require around 314,992 welfare housing units during the execution of the plan period between 2005 and 2030. By allocating new urban communities in Jaber al-Ahmed Residential Area, Amghara ‘D’, Saad al-Abdullah City 221,586 welfare housing units will be offered by 2030 (already existing 128,482 units in 2004). The Public Authority of Welfare housing will be responsible of building 60% of planned units and the rest will be built by the private sector (Kuwait Municipality, 2005).

However, according to the analysis of the development of the third master plan in (Department of Implementation of the 3rd Master Plan, 2009) indicated that the private sector participation in constructing welfare housing units in 1995 was 46.90% of the total supply, In 2003 the percentage of the private sector was decreased into 36.40% due to several factors:

- The private sector feels there is a low financial return by participating in providing this type of housing units.
- The law no. 27/1995 which decreased the investments in welfare housing from the private sector as the Kuwaiti citizen who is above 18 years old and doesn’t own a private house- has the ability to receive a welfare housing unit from the PAHW which if isn’t available he can still receive 100 KWD monthly to cover his own monthly rent until he received his housing unit. That increased the amount of the welfare housing required from the government.
- Lack of available developed lands and the increase in available land prices.

Department of Implementation of the 3rd Master Plan (2009) gave possible ways for engaging the private sector again in executing and developing the third master plan which are:

- The private sector can activate the urban development in the vacant available lands.
- The financial ability which the private sector has to finance mega projects as they can create consortiums, structures, special tools to invest and finance those projects.
- The ability to do marketing and promotion for new projects with new and high quality techniques.
- The ability to invest in other types of housing not only public housing.

2.2.2. KUWAIT DEVELOPMENT PLAN 2010-2014

By the approval given by the Kuwait National Assembly for Kuwait development plan (KDP) 2010-2014 with 31 KD bn in February 2010, The Kuwaiti government has done a historical step towards the future of the state as it is the first time to have a five years plan for the country development since 1986. The plan
recommends the revision of current 21 economic laws and regulations in many areas such as privatization, PPP, competition, and corporate governance. Three of the required laws have already been approved by the parliament (NBK, 2010). Aldowaisan (2010) mentioned the main six strategic development goals for the development plan to be achieved until 2035:

- Increase the State GDP and GDP per Capita.
- The private sector leads the development within interesting amenities.
- Improvement of housing strategies for supporting the development.
- Support the society and human resources development
- Effective governmental management.
- Empowering the Arabic and Islamic identity of the State.

This plan is aiming to increase the role of private sector to be the main driving force for the Kuwaiti economy by participating in projects will be created in different sectors by reducing the ownership and supervision from the public sector in many economic sectors (Aljarida, 2010) (Embassy of the State of Kuwait in Japan, 2010; Global, 2011) have published an annex of the KDP which present the mega projects will be done during the period 2010/2014:

- The new business hub (Silk City) with estimated cost US$77bn
- A major container harbor and a 25km causeway
- Railway and metro system
- Additional spending on new cities, infrastructure and services; particularly health and education
- Around KD25bn of oil sector investments to raise production capacity and modernize current facilities.

As we can recognize from the types of projects suggested that most of them are in the construction sector and improvement of housing strategies to meet the expected future demand and solve the current welfare housing problems, which require high participation from private sector to provide financial, technical and management support to different phases in the development plan.

According to the analysis of the first phase of which started in the fiscal year 2010/2011 and comprised of 884 projects done by Markaz, Strategic Research (2011) showed that 738 projects of them are with value of approx. 5 KW bn per phase and will spread over 4 phases until 2014/2015. The plan progress reported for the first two quarters of the fiscal year 2010/2011, around half of the 884 projects are in either the Financial/Design Approval or Implementation phase. The research stated that from the 400 projects around 29% of them are in the Final Approval phase while the rest (16% of the projects) are in the
pipeline or in the planning phase and didn’t start yet.

According to Al Qabas (2009) Tony Blair the ex. Prime minister of Britain has submitted a report identifying recommendations and the needs for the Kuwaiti government in order to face future challenges and obstacles could face the state for economical and developmental growth. This report for Kuwait 2035 vision emphasized the need for increasing the role of the private sector in driving the development cycle of the country and restructures the Kuwaiti economy with decreasing the independence on the oil industry fluctuations.

However, Tony Blair was wondering in (Al Qabas, 2009) ‘’ Why Kuwaiti government was late in the progress of the third master plan while it is the perfect solution?’’. He gave four recommendations in his research for Kuwait vision 2035 by finding the continuity between the third master plan initiative and Kuwait vision 2035 as the third master plan can be described as the first phase for the 2035 vision and in order to execute that plan efficiently which includes a lot of new urban areas, touristic areas, main infrastructure and housing projects, the Kuwaiti government should focus on:

- Constructing an executive team for the third master plan achievement and supporting them with all technical and financial needs. As well rebuying the lands and areas have been sold for different ministries or authorities to be assigned again through another effective and planned procurement procedure. (Professional Management)
- Selling the governmental lands by public transparent tenders and constructing a secondary market for industrial lands with providing all the materials and documents related to the tenders in advance through different communication channels which give all different investors the same and equal chances to submit their bids. (Effective Procurement)
- Giving loans to private sector companies to develop the rural and vacant lands through different infrastructure projects. (Financial Support)
- Establishing a central authority for real estate and giving it the access, control and supervision for the land rights and uses which can gives governmental guarantees for different investors and private sector companies.
2.3. PUBLIC PRIVATE PARTNERSHIPS FOR DEVELOPMENT

2.3.1. WHAT IS PPP?

Public Private Partnerships is very important tool for any Governmental strategies and initiatives for any long-term investments. The aim of this research is to encourage the public and private sectors to think more about sharing their visions, dreams and fears of their development plans and what they can together from a win-win relationship the PPP framework is a tool for increasing the value of the financial investments and investigating if the Kuwaiti environment can help with creating successful PPP Projects or not. Mustafa (2006) presented a model for a project financed through PPP agreement between government institution and private party which will be called Special purpose vehicle (SPV) and the SPV will coordinate between the different stakeholders from the sharing holders who will give equity or financial institutions like banks which can provide Loans. The SPV will manage the different sub-contracts of the projects that are working in the construction or the operation phases.

Fig. 2. Typical structure of a Project financing based on a PPP structure. Source: Mustafa (2006).

Nahed Taher, the founder and CEO of Gulf One Investment Bank, who conducted a session in fifth session of the Jeddah Economic Forum (Roger Harrison, March 2011) has emphasized the need for more PPPs. She mentioned the difference between privatization from PPPs that “Handing over areas such as education and water entirely to private development is not right, but a partnership between both sectors for a long term investment produces a win-win situation where the customer as well is happy with the service.” The difference between public private partnership and privatization is that the public sector still
owns the assets of any project and lease it to the private sector in one of the different contracts framework (BOT, BOOT, etc.) for a some period of time. However is the private sector is investing in the projects and delivers services needed but the public sector is the main responsible for delivering the core services that the projects are depending on them. Sometimes there is confusion created between the privatization and public private partnerships concepts as they feel they can be the same.

Public-private partnership is collaboration between the public and private sectors on projects that require significant capital investments and/or services. The both parties share tasks and risks of the project while maintaining their own identity and responsibilities (Mustafa, 2006). There are wide variations of types of public-private partnerships depending on the length of the project and type of cooperation between the stakeholders.

### Table 2. Types of PPP contracts. Source: Mustafa (2006).

<table>
<thead>
<tr>
<th>Type of Contract</th>
<th>Duration</th>
<th>What the contractor usually receives</th>
<th>Nature of contractor performance</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service contract</td>
<td>Short-term (1-3 years)</td>
<td>A fee from the government for performing the service</td>
<td>A definitive, often technical type of service</td>
<td>Bill collection; facility repairs and maintenance.</td>
</tr>
<tr>
<td>Management contract</td>
<td>Medium-term (3-8) years</td>
<td>A fee from the government for the service and a performance-based incentive</td>
<td>Manage the operation of a government service</td>
<td>Regional water supply management</td>
</tr>
<tr>
<td>Lease</td>
<td>Long-term (8-15 years)</td>
<td>All revenues, fees or charges from consumers for the provision of the service; the service provider pays rent to the government for the facility</td>
<td>Manage, operate, repair and maintain a municipal service to specified standards and outputs</td>
<td>Existing water or power facilities</td>
</tr>
<tr>
<td>Build-operate-transfer</td>
<td>Long-term (15-25 years)</td>
<td>The government mostly pays the service provider on a unit basis</td>
<td>Construct and operate, to specified standards and outputs, the facilities necessary to provide the service</td>
<td>Construction and maintenance of regional schools, prisons or hospitals</td>
</tr>
<tr>
<td>Concession</td>
<td>Long-term (15-30 years)</td>
<td>All revenues from consumers for the provision of the service; the service provider pays a concession fee to the government and may assume existing debt</td>
<td>Manage, operate, repair, maintain and invest in public service infrastructure to specified standards and outputs</td>
<td>New airport or seaport facilities, toll road or bridge</td>
</tr>
</tbody>
</table>
2.3.2. PUBLIC AND PRIVATE SECTORS BENEFITS FROM PPP

For a successful PPP it is important that there are benefits for both private and public sector even though they are intrinsically very different. The differences are complementing each other in a successful partnership therefore it should involve collaboration and proper management (Jamali, 2004). The major differences between these sectors are summarized in table 4.

Table 3. Main distinctions between the public and private sectors. Source: Jamali (2004).

<table>
<thead>
<tr>
<th>Public Sector</th>
<th>Private sector</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Management</strong></td>
<td><strong>Goals</strong></td>
</tr>
<tr>
<td>Blurred agent/principal relationship</td>
<td>Clear agent/principal relationship</td>
</tr>
<tr>
<td>Inward/production/professional interests orientation</td>
<td>Consumer/marketing focus orientation</td>
</tr>
<tr>
<td>Reactive cycle</td>
<td>Proactive style</td>
</tr>
<tr>
<td>Politically constrained</td>
<td>Stakeholder interests but less constrained</td>
</tr>
<tr>
<td>Multiple and sometimes vague and conflicting</td>
<td>Unit/dimensional (profit)</td>
</tr>
<tr>
<td>Equity and probity</td>
<td>Entrepreneurial</td>
</tr>
<tr>
<td>Closed system leading to continuity/consistency</td>
<td>Open/adaptable</td>
</tr>
<tr>
<td>Focus on inputs</td>
<td>Focus on outputs/outcomes</td>
</tr>
<tr>
<td>Non-market prices/state subsidies</td>
<td>Market prices/subsidy centers</td>
</tr>
<tr>
<td>High unionization/centralized bargaining</td>
<td></td>
</tr>
<tr>
<td>Salary gradings</td>
<td>Lower unionization/decentralized bargaining</td>
</tr>
<tr>
<td>High security of employment</td>
<td>Employment based on performance</td>
</tr>
<tr>
<td></td>
<td>Less security of employment</td>
</tr>
<tr>
<td>Bureaucratical and formal</td>
<td></td>
</tr>
<tr>
<td>Internal communication via written memoranda</td>
<td>Non-bureaucratical/informal</td>
</tr>
<tr>
<td>Formal committee structures</td>
<td>More direct communication (face-to-face)</td>
</tr>
<tr>
<td>Rule book procedures</td>
<td>Ad hoc team working</td>
</tr>
<tr>
<td>Accounting and management information systems underdeveloped</td>
<td>Financial targets; outcomes</td>
</tr>
<tr>
<td></td>
<td>Strong accounting and management information systems</td>
</tr>
<tr>
<td>Politically and geographically constrained</td>
<td></td>
</tr>
<tr>
<td>Business development limited</td>
<td>Comercially determined</td>
</tr>
<tr>
<td>Location: mainly national</td>
<td>Diversification, investment and divestment/mergers/overseas ventures</td>
</tr>
<tr>
<td></td>
<td>Location: international/global orientation</td>
</tr>
</tbody>
</table>

For a successful PPP it is important that there are benefits for both private and public sector even though they are intrinsically very different. The differences are complementing each other in a successful partnership therefore it should involve collaboration and proper management (Jamali, 2004). The major differences between these sectors are summarized in table 4.
2.3.3. SUCCESSFUL PPP

PPP in the United Kingdom

The Kuwaiti government chose to use the experiences of the UK in having PPP in major projects in infrastructure and construction sectors (Malionine, 2009). In presenting the successful examples of PPP projects in the UK, (Karim Bakhteyari, 2007) indicated the need to have PPP as a public infrastructure optimizer by showing successful examples of projects in the UK. He defined the public private partnership as a form of cooperation between public and private sectors which is founded on the principle of value for price. A PPP started in the UK, and currently it is used in the following industries:

1. Water/Wastewater
   PPP is supporting the modernization of existing water facilities. It also allows constructing and activating of new water plants and wastewaters disposal facilities in entrepreneurial way.

2. Road and Highways
   Due to the increased demand for UK road network, private sector companies are encouraged to build, fund and operate new existing roads.

3. Light rail and metro systems
   Several main UK cities have got new tram and metro systems through PPP. There is still ongoing negotiations regarding construction of more objects.

4. Healthcare
   Public authorities allow private sector companies to design, build/renovate, and finance/preserve healthcare objects. Private companies can also provide non-medical services to the hospital, for instance occupation of staff for executing technical responsibilities (cleaners, porters and security personnel)

5. Education
   Private sector companies are designing, building, financing and maintaining schools and colleges. As in case with healthcare sectors, private companies are delivering supplementary services to school through employment of cleaners and security personnel.

6. IT
   The IT sector is experiencing major difficulties when it comes to usage of PPP. However, it is impossible for public sector to exist without private one, particularly when it comes to the latest innovations in IT hardware and software.

7. Government Accommodation
   PPP has contributed to the process of renovating and maintaining government offices and accommodation. As we have just observed UK has already had successful experience in PPP.
PPP in Greece

(Papaioannou, P., Peleka, M., 2006, August 2-3.) discussed the successful and failure stories of PPP in Greece as the procedures for funding transport infrastructure are steadily altering and turn out to be stricter and tighter. The lack of national and/or EU funds led to high competition among segments and among states. In order to define the socially optimal charge level and calculate the expected financing gap ratio for a project the ‘willingness-to-pay’ approach shall be applied.

There are five large transport infrastructure projects in Greece:

- Attiko Metro (AM)
- Attiki Odos Tollway (ATODOS)
- Rion-Antirrion Bridge (GEFYRA)
- Thessaloniki Metro (THESMETRO)
- Thessaloniki Submerged Arterial (THESUB).

Major failure of aforementioned projects was lack of know-how and experience, on behalf of both public administration and private sector companies. Initially public administration attitude towards PPPs was hesitant and its reflections rather slow. Public administration was unwilling to change its own procedure and way of doing things. Although the top-level administration has had the intension and commitment to proceed with the new setting in the transport infrastructure field, the managing and monitoring authorities have shown inertia to follow. Adaptation to the new situation was difficult for the private sector as well. It took on average 5-7 years for companies to start construction after receiving tender what led to cost overruns. The risk transfer and allocation of it was another huge issue which created extensive documentation.

Major success factors were, first of all, the social benefits as the output of implementation of the first projects; secondly, the experience gained during the transition phase. Another success was raising PPP acceptance level among population and participants of the projects. Moreover, public sector has acquired meaningful experience for further execution of other PPPs. That was supported through setting of the new public agencies to support management and monitoring of projects.
3. THEORETICAL FRAMEWORK AND ANALYSIS

To further investigate the possible solutions for the challenges for moving forward with the Kuwait PPP projects that aim to achieve the year 2015 vision, the factors that are critical for implementing these projects need to be identified. Model developed from the United Kingdom best case practices in PPP that identifies the key success factors of these projects will be taken as framework for the analysis (Hardcastle, 2005). These factors have been cited in several books about PPP with few alterations (Hodge, 2010), (Robinson, 2010). Therefore, the original model will be kept for our purpose.

By surveying managers and directors of organisations in UK that were involved in Private Finance Initiative PFI projects, Hardcastle (2005) conducted factor analysis on key success factors for public-private partnerships identified earlier by various scholars. The researcher found that the most important factors can be grouped in five clusters.

![Critical Success Factors for PPP in Construction](source: Hardcastle (2005)).

**Effective Procurement**

The process of procurement must be transparent and competitive throughout the whole procedure. Transparency in procurement process is ensured by making the institutions, processes and decisions available to the general public or selected representatives. This promotes monitoring, reviewing and commenting upon as well as influencing these processes and decisions by the stakeholders. (Wiehen, 2000) Competition in the private sector during the procurement would increase the value for money for the government (Hardcastle, 2005). This can be achieved by lowering the entry barriers by decreasing the initial bids, increasing the decision making effectiveness, and encouraging international participation (KPMG, 2010). Also, shared authority will empower the private sector to engage more actively in these projects.

Good governance and well organised agency for the procurement processes are also significantly improving the effectiveness of procurement. Contract management as well as process clarity and speed are
important factors to enhance the interactions between the PPP stakeholders (Hodge, 2010). Political commitment is a pre-requisite for the successful governance which decreases the political long-term risk for the private sector and gives a strategic focus for the government to increase its expertise in evaluating the costs and benefits associated with the PPP projects (Hemming, 2006).

**Project Implementability**

According to Hardcastle (2005), the PPP project implementability depends mostly on favourable legal framework that allows the project to be developed without unnecessary legal restriction on the private sector engagement. The legal status of the project implementation should be guaranteed by appropriate legal framework which also helps attracting financing for the project (Yescombe, 2007). Risk identification by examining the contract conditions; its prescriptions and omissions together with the environment in which the project will be implemented is neccessary to correctly allocate and share the risks between the PPP stakeholders (Hodge, 2011). For effective risk mitigation and reduction strong commitment from both the private and public sectors are required. The attitude and relationships between the stakeholders will affect the quality of the project outcomes, therefore careful management has to be carried out because the mutual trust and benevolence is very important (Karlsen, 2008), (Robinson, 2010, p. 31).

In addition to sharing the risks, PPP thrives on the various expertise that can be contributed by the public and private sector and private sector consortiums. The common goals of these stakeholders create strong synergies to favour successful project implementation (Hardastle, 2005). In the public sector, expertise is required for initiating the project, needs assessment, options appraisal and developing a business case. The private sector raditionally is responsible for resolving the technical issues and attracting the financing for the PPP (Robinson, 2010).

**Government Guarantee**

As the private sector requires strong incentives, the public sector needs to take into account the contractor’s business objectives. Through the PPP the government should provide not only direct benefits to the public, but also to the involved businesses Hodge, 2011). If neccesary, government guarantees can be used to secure investments from the financial sector or revenue streams for the contractor (Hemming, 2006).
Favourable Economic Conditions

Sound economic policy is required from the government to maintain a stable, growing economic environment which is favourable for new projects and gives confidence about positive results (Hardcastle, 2005).

Available financial market

The critical success factor for financing the PPP is availability of well-established financial markets. The external financing gives the opportunity to share the financial risks and can give extra incentives for the private contractor by conditionings of the repayment plan (Iossa, 2008)
4. EMPIRICAL ANALYSIS AND PRESENTATION OF FINDINGS

4.1. RESEARCH METHODOLOGY
In this study, the researcher has done literature review; Interviews were conducted representatives of different stakeholders in the financial and real estate sector and experts to gain knowledge and information regarding the housing welfare history and projects. In Chapter two, Literature overview showed different strategies initiated by the Kuwaiti government to solve the housing problems and achieve growth for the State’s economy. These strategies were mainly affected by common governmental factors, which delay and slow down the progress in most of them as many governmental representatives and external specialists agreed on. In order to get the full picture about different stakeholders in the housing market in Kuwait, the researcher decided to approach the private sector companies and the Kuwaiti citizens in order to see how relevance for them the government’s new plans and how they see benefits for them out of it.

The first part of this chapter is about the interviews output which were held with representatives from three different private real estate companies and one representative from a financial institute. The interviews had open questions about the welfare housing problems, housing sector overview and also gathering opinions regarding the ability of being part of future PPP projects in Kuwait different development strategies. Before attending the interviews some questions were formulated by the researcher and were asked to the different interviewees.

4.2. INTERVIEWS
During the first interview with Dr. Abdulrahman A. Alhumoud - General manager of The Real Estate Investor Company- He showed a lot of cooperation and interest in sharing his experiences and publications he has done in the real estate market of Kuwait. He indicated the reasons behind the delay of delivering the welfare housing units as the following:

- Scarcity of vacant lands for urban development.
- Governmental Burecracy and lack of long term plans for solving the housing problems with the fact that the government has enough equity to start many major housing projects.
- Lack of strong supervision and management from different governmental authorities responsible.
- The governmental desire to finance the construction of housing projects without the private sector support.

He stated that “he government isn’t serious enough in finding a solution for the problem and

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5 check attached appendix – Interview questions
6 Abdulrahman A. Alhumoud is a real estate expert and has publications about the real estate market in Kuwait and social housing. His company website is www.reic.com.kw
everyday the applications received for housing welfare units are increasing rapidly. For instance it decided to build some units near to cemeteries area and leave most of the 95% of lands with more attractive and healthy locations which it owns all over the country instead”. He also said “My company decided to invest in commercial projects because of the governmental law no.8 and 9 in 2008 which doesn’t give the rights for private sector companies to own lands in Kuwait which affect the private sector participation in real estate market development and that reflected on increasing the problems for Kuwaiti citizens to find an affordable housing units due to the increase happened in real estate prices. However, I heard about the KDP and it will include residential housing projects and my company may be interested to discover more about the opportunities of participating if possible for the private sector in them.”

INTERVIEW #1 HIGHLIGHTS:

- Private consultants and experts should be engaged within effective role for giving real estate and financial advices for the government and managing the different development initiatives.
- Private sector should have an opportunity to participate and that happens by changing the laws and regulations for land use rights.
- The real estate cycles increase the development in many sectors in the state and if the problems continued longer that would affect the economical growth and any development initiatives of Kuwait on the long term.
- The government should help to change the stereotypes about the low participation of private sector in development projects in Kuwait.
- The Kuwait National Assembly doesn’t support the participation of private sector efficiently as they think private sector wants to do businesses and gain financial benefits for their own goals without thinking about the growth of the State.
- PPP projects should be promoted through high qualified administrative entity to promote possible projects in a way can attract local investors by offering them guarantees and financial support.

The second interview was conducted with Mr. Suliman N. Al-Qimlas,- Chief Executive Officer of Bayt Al Mal Investment⁷- In the beginning of our interview he asked about the objectives of this research and outputs expected out from it then he said “There is no other solution for our housing problems in Kuwait

⁷ Bayt Al Mal is a company that invests in real estate projects in Kuwait and internationally. The company offers advisory financial services including portfolios, assets management and financing real estate projects. [http://www.baminv.com/](http://www.baminv.com/)
than the engagement of private sector’’ he continued “Private sector has the ability to construct and execute the housing projects with high quality standards and in an innovative way. What we need from our government is just giving us the access to the lands then we can make the suitable proposals for major housing projects.’’ When he was asked about if his company has worked with the government before in public housing projects, he answered “I remember in 1997, the government invited the private sector to create consortiums consist of “Real Estate Company-Investment Company- Construction Company’’ and 48 ones have applied to participate in some housing projects as the Ex. Housing Minister Dr. Adel Al Sobaih has done a lot of efforts to start the PPP and he asked for advice from The Committee of Kuwaiti Lawyers, Private Sector representatives, The Committee of Kuwaiti Economists and some real estate investors. There were a lot of negotiations happened between the government and private sector and after that everything stopped suddenly! We don’t know why.’’ Mr. Suliman N. Al-Qimlas mentioned that his company now is focusing on investing in real estate major projects in other countries like Turkey, Saudi Arabia and Canada and he gave a reason for that ‘’ The governments in those countries offered us many facilities to invest because have the qualifications and experiences we need to cooperate with in order to make successful projects.’’

INTERVIEW #2 HIGHLIGHTS:
• The government should find a way first to gain the local real estate investors trust again in order to cooperate and that should be done through a transparent and effective procurement procedures.
• The private sector needs to have access for free vacant lands and other financial facilities.
• In major projects, both government and private sector should share the risks of the partnership not only one party.
• At that moment, most of the local real estate investors are investing abroad and there is low interest in investing any more in Kuwaiti real estate market due to the bureaucracy in different governmental ministries that slow down any investment opportunity can happen.
• The government should create an entity that can manage, monitor and evaluate PPP future projects with international experts in PPP.

The third interview was conducted with Mohammed Al Duwaila who represented -The Local Real Estate Department in Kuwait Finance House (KFH)⁸- He showed interest in the topic of the research and he was asked to give his opinion as a Kuwaiti citizen and also as representative of one of the biggest Islamic

⁸ Kuwait Finance House (KFH) is a pioneer of the banking phenomenon known as Islamic Finance or Shari’a compliant banking. They were the first Islamic bank established in the State of Kuwait and today we are one of the foremost Islamic Financial Institutions in the world. Their website is http://www.kfh.com/en/
financial institution all over the world. “We are offering many real estate service in KFH which can help
the Kuwaiti citizen to own his dream house as well we give loans until 70 000 K.D to the citizen who
wants to purchase or build a property.” He mentioned also that the real estate prices are increasing rapidly
and the loans which the government offer for the Kuwaiti citizen isn’t enough to finance the construction
of private houses. He referred to KFH Report for (Q1,2010) which state that “the relative weight of real
estate transactions has increased for private housing, compared to the previous quarter to reach 57% of the
total amount of real estate with the amount of 526.349 million Kuwaiti Dinars, which reflects the need of
citizens for private housing who has registered real estate transactions which are worth 301.573 million
KD in Q1 of 2010 which is more than the ones have been done in Q4 in 2009 by 1.8%.”

INTERVIEW #3 HIGHLIGHTS:
- Only the middle-income citizens can depend on the amount of the loan they get from the Savings
  and Credit Bank, the rest they search for other banks where they can get more loans from like what
  KFH provides.
- Kuwaiti citizens are in huge need for real estate and that reflected into high amount of transaction in
  the beginning of 2010 compared to last quarter in 2009.

The fourth interview was conducted with Mr. Feras F. Al-Bahar, head of Investment Services Sector in
AREF Investment Group who emphasized on the private sector role towards the real estate development
in Kuwait that reflects on the economic growth of the state. “There is always a doubt from the government
side towards the private sector in the real estate market and it is the only decision maker for offering more
opportunities to engage more us in the development cycle of the country”. He continued “The government
should face the problems caused by different groups of people who put obstacles and are interested only in
achieving personal goals which are against the dreams of Kuwaiti citizens to have affordable housing
units. However as I heard in the five years development plan of the government, they will have a strategy
to focus more on housing sector and our company is having the desire to be a part of it.”

INTERVIEW #4 HIGHLIGHTS:
- The company is willing to participate with their experiences and resources in the
government strategies for housing projects and waiting for private sector participation
proposals.
- The company would like to have a financial support from the government and banks in

9 It is a Kuwaiti closed shareholding company listed on the Kuwait Stock Exchange. It is considered to be amongst the leading
investment institutions in the Gulf region with a share capital of KD 106,129,148 million (approx. USD 399 million) the Company
is monitored by the Central Bank of Kuwait focusing investments in various sectors and activities. http://www.arefgroup.com/
order to offer more high quality standards and techniques.

- The government should assign companies for supervising and monitoring the progress of the housing projects to assure the quality of the construction procedures and all the technical requirements needed.
- The company requires guarantees for sharing possible risks with the government during the participation in any of the proposed development projects.

4.3. QUESTIONNAIRE

In order to gather the empirical data of this study, a questionnaire with open questions was used. It was exclusively to be filled by the Kuwaiti middle and low-income citizens who would be eligible for the welfare housing units from the government. The target group of this questionnaire was targeted through online Kuwaiti social channels and some Kuwaiti families who were interested in the topic of the research. The figures analysis below shows the output of the 60 participants opinions regarding the question of assessing the causes of delay in delivering the welfare housing units to Kuwaiti citizen from the participant’s perspectives. Some common reasons were introduced as choices for them to measure:

![Figure 4: Reason#1: The growth of demand yearly for welfare housing units till now.](image)

Around 55% of the participants agreed that the increasing number of housing welfare applicants yearly has played an important role in challenging the government to deliver the allocation of housing units for the citizens while the 45% of the participants were disagreeing or not sure if this reason has a strong impact.
Figure 5. Reason#2: The amount of loan which isn’t enough for owning their dream house.

Around 45% of the participants agreed that the loan amount given from the government to build on the housing welfare plots allocated for the eligible citizens wasn’t enough due to the high construction materials costs which some of them mentioned that as an obstacle for them in the open space part in the questionnaire. Around 15 participants weren’t sure about that which shows the variation of the Kuwaiti citizens income and preferences for their dream house.

Figure 6. Reason#3: Lack of awareness among citizens and their high desires for owning luxury-housing.

According to the assessment of this reason, Around 50% of the participants were disagreeing with the introduced reason mentioned above as they see that their needs and desires explain
their rights of having a suitable shelter for themselves and their families and the government took the responsibility and gave the promise to deliver what they need.

Figure 7. Reason#4: Poor organization and coordination among the government departments concerned.

In the assessment of this reason, we can understand from the 85% participants who agreed on it that they feel depressed from the governmental departments and authorities performances and strategies are done for finding a quick solution to overcome the problem.

Figure 8. Reason#5: The government didn’t invite the private sector to participate in the housing and developing projects.

In the assessment of this reason, the citizens were very divided about the engagement of the private sector to deliver what the government should do. Some of them see the benefits of having another housing providers than the government which can bring a hope for facilitating and speeding up the
processes and the rest were thinking that the government give them more secure that dealing with private sector companies which can be working to gain more benefits for themselves than thinking about solving the problem for the citizens.

**QUESTIONNAIRE OUTPUT HIGHLIGHTS:**

- There is a huge dissatisfaction in general among the citizens towards the services that the government provides for the housing welfare in Kuwait.
- All the participants of this questionnaire have been waiting for the allocation of their housing welfare units since 2000 that reflects a long waiting period around 11 years and that shows the lack of confidence in government strategies and initiatives to find solutions for housing problems.
- There is low awareness about the possible solutions and specially the role of the private sector participation in solving the housing welfare problems. As well the need for more transparency, engagement and direct communication from the housing authorities to discuss and explain the different strategies suggested for implementing the housing welfare services.
- The average of the participants ages was around 30 years old which shows that most of the applicants in the status of a crucial needs for a suitable and affordable housing unit to having or starting up their own families.
- The answers of questions regarding the amount of loans needed to be increased: The citizens agreed on having an increase with an average of 200,000 KD which indicates the problem of building materials high costs and also the high standards of the housing finishing for the Kuwaiti citizens to have for their homes. As well the cultural understanding of what is affordable housing is lacking among the citizens as they see that the government has a lot of money and they can just spend more in delivering a high standard public housing with luxury designs and finishing.
4.4. CRITICAL SUCCESS FACTORS FOR PPP IN KUWAIT: ANALYSIS

Following the analysis of literature overview and the output of the empirical data, there are huge problems in the government strategies that have created a lot of obstacles for the development of the State. In order to have successful PPP projects which are key projects in different future development strategies in Kuwait, Some factors should be existing or need to be started as soon as possible otherwise, PPP projects won’t be successful and will increase more the gap of mistrust between private and public sector as well the citizens won’t be satisfied with their government performances and that may lead to more conflicts between the National Assembly of Kuwait and the government. By using the model presented in chapter 3 for the critical success factors for PPP in construction sector, the evaluation of development strategies that include the construction projects gave the results summarized in table 4.

Table 4. Government actions to promote PPP in construction sector. Source: Hardcastle (2005), modified.

<table>
<thead>
<tr>
<th>Factor</th>
<th>In Progress</th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Effective Procurement</strong></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Transparent and competitive procurement process</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Good governance; well-organized and committed public agency</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social support</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Shared authority between public and private sectors</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thorough and realistic assessment of the costs and benefits</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Project Implementability</strong></td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Favourable legal framework</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project technical feasibility</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriate risk allocation and risk sharing</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commitment and responsibility of public and private sectors</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strong private consortium</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td><strong>Government Guarantee</strong></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Government involvement in providing guarantees</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multi-benefit objectives</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td><strong>Favourable Economic Conditions</strong></td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Stable macro-economic conditions</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Sound economic policy</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Available financial market</td>
<td></td>
<td>X</td>
<td></td>
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</tbody>
</table>

2  7  10
The necessity of PPP projects in achieving the long-term plans has been acknowledged in all the current long-term visions for Kuwait development (Broomhall, 2010). However, the government needs to work on improving the environment for successful project implementation as we can see in the output of table 4. There are three factors which need to have a full focus to be implemented by the government and PTB to make sure that the PPP will be successful in Kuwait construction sector. The factors are: **Effective Procurement, Project Implementability and Government Guarantee** and the other two factors Favourable Economic Conditions and Available financial market are already existing in Kuwait and the government has been taking some actions to improve them. From the literature output and empirical date, the research analyzed the CSF for PPP in Kuwait as:

**Effective Procurement**

According to the output from the interviews, we can see that the interviewed real estate private companies aren’t aware exactly about the details and projects will be initiated for PPP in the development plans in Kuwait and still the processes for the different tenders and procurements of these projects aren’t clear for them. Inefficient government bureaucracy has been named as the top problem for doing business in Kuwait in the Global Competitiveness report (World Economic Forum, 2010). To increase the effectiveness of the procurement process, it should be more transparent and competitive to increase the willingness of the private sector to participate and offer the best value for money (Kuna, 2010). Also, increasing the in-house expertise of the different ministries to handle the procurement procedure of PPP project and coordinating the process rather than is centralizing and controlling by the PTB only would help easing the bottlenecks in the project administration. Reviewing of the land use rights regulations would be necessary to be able to provide more lands for housing welfare program with all the needed integrated services to encourage local and international investors to be a part in the development cycle of the real estate market in the state. To focus on achieving the long-term plans, coordinating between the different visions that include urban development plan for the period from 2010 to 2030 is crucial.

**Project Implementability**

During the last years, a common understanding about the necessity of the PPP projects has been reached and the government has started to implement applicable legal framework. To facilitate assessment of the project feasibility and risks, in-house expertise and making clear action plans for each development project. That can be by establishing a framework with a comprehensive plan with a time frame to eliminate the problem of housing in the country. As an output from the interviews there is a potential way for integrating local and international real estate and PPP experts would develop this plan and its future
implementation. Increasing the public employees competencies and leadership skills to improve the integrity and expertise in the field of housing of all institutions in the government that are related in one way or another housing issue in Kuwait. This would include increasing the quality of higher education and promoting business innovations, in which areas Kuwait is rated well below the world average (World Economic Forum, 2010).

**Government Guarantee**

As an output from the empirical data, the many initiatives and promises in newspapers and media channels created a huge mistrust among the private sector and Kuwaiti citizens and that what the government should stop doing more announcements and focus on improving the internal challenges in different authorities and ministries. As by taking more responsibilities without sharing them with private sector, the government will be always under the spot for any failure or delays. To make the PPP projects more attractive for the involved stakeholders, they should have multi-beneficial characteristics. To ascertain the private sector about the value of these projects, the government may provide guarantees for the return of the investments, hence making it easier to attract external financing.

**Favourable Economic Conditions and Available Financial Market**

Kuwait is listed as country with the second best macro-economic situation globally, which is very attractive for investors. However, the underdeveloped financial market limits the availability of financing. It is named as the second most problematic factor for doing business in Kuwait (World Economic Forum, 2010) and according to the empirical date the Kuwaiti government has the strong economy and finances to fund different initiatives and major development projects and even giving more amounts of loans, as this isn’t the problem for PPP in Kuwait. The banks and private investment companies could also offer loans for Kuwaiti citizens and fund for projects but that would require in PPP that financial risk should be shared between all parties and that need to be done through the procurement stage of the project and when creating the SPV of the PPP. As the SPV will be the main coordinator and driver for the project besides the different stakeholders involved.
5. CONCLUSION

As it was shown during this research, the need for PPP in Kuwait isn’t only for financing projects in construction sector in the development strategies as it is the case in other countries but the importance of PPP in Kuwait is for increasing the performance, efficiency, management skills and in house expertise for leading long term development plans of the state.

The most important factor for the PPP success in Kuwait is to have one common and well-coordinated vision for implementing the PPP projects as a part of the long-term development plan. The frequent introduction of separate long-term plans creates confusion and frustration for the private sector and general society. Also, the lack of the management skills and expertise as well as absence of a well-defined action plan create pressure on the government employees with the overload of projects that they have to handle.

The government should give more responsibility and initiatives to the private sector, which has the specific expertise in running the construction projects. To increase general awareness of PPP management, the government could organize trainings and events inviting international experts with the specific knowledge and experience. Involvement of the third party – non-governmental institutions and society would help to align the expectations for the housing delivery projects.

6. SUGGESTIONS FOR FURTHER RESEARCH

In order to keep tracking the progress of different development initiatives run by the government, there are some activities with should be done and are suggested for researching more deeply:

Conducting more surveys and questionnaires, personal interviews with different private sector representatives in order to investigate there interests and fear from participating in the State development plans to determine their requirements and needs and assess their attitudes and aspirations and their relation to levels of economic, social and cultural rights of different sectors of the beneficiaries.

Engaging the participation in the formulation of policies and strategies through inviting representatives from different sectors of the Kuwaiti citizens, which sets housing legislation and develop and monitor the implementation and correct the course, after the fact-finding and study through its specialized committees which conducted these studies in the light of all the variables of economic, social, political and cultural rights.
Housing exhibits for the purpose of the review of all activities defined for the housing and public housing recipients of care and measure their response and acceptance for the continued development, both in design or materials used in construction methods. Seminars, debates and lectures on the Enlightenment to the development of awareness of housing to the citizens and acquaint them with housing programs and pave the way for his future plans and to prepare public opinion for its innovation and through official media channels.

The work of housing studies and research aimed at the scientific diagnosis of the problems and housing issues and propose solutions and alternatives for consideration for the formulation of strategies or policy-making in the field of housing.
LIST OF REFERENCES


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APPENDIX

INTERVIEWS QUESTIONS

Interview No. (    )

Interviewee name:  
Company name:    
Date:            
Time:           
Place:         

Part 1
Involving the interviewee in the topic of the research.
Introduce the research aims and motives for the interviewee and describe for him/her the importance of their participation through this interview.

Part 2
Getting the previous knowledge about the public housing problems from the interviewee
Q1: Could you please tell me your opinion about the public housing problem in Kuwait?
Q2: What are the main factors that cause this problem?
Q3: What do you think about the government’s plans for getting solutions?
Q4: Did your company participate in governmental housing projects before?
Q5: Which types of project is your company working in?

Part 3
Collecting information regarding previous experience about PPP
Q1: Please tell me how do you see the importance of the partnership between the government and private sector in housing sector?
Q2: Do you think this partnership important to accelerate and enhance the development cycle of the country forwards?
Q3: What are the challenges could face this kind of partnerships?
Q4: How can both parties overcome these challenges?

Part 4
Identifying the ability of participating in major projects with the Government by PPP
Q1: Does your company have the interest to be a part of in a PPP?
Q2: How can your company contribute with the government’s plan to deliver the welfare housing to the Kuwaiti citizens?
Q3: What is your company’s return by participating in PPP?
Q4: What is your opinion about laws and regulations control the PPP?

Part 5
Recommendations and open questions
Q1: How do you think the global financial crisis impact the Kuwaiti real estate market?
Q2: How do you see the future of real estate market in Kuwait?
Q3: Do you have any additional points you want to mention?
INTERVIEWS

• Dr. Abdulrahman A. Alhumoud - General manager of The Real Estate Investor Company
  
  Date: 29th February 2010

• Mr. Suliman N. Al-Qimlas,- Chief Executive Officer of Bayt Al Mal Investment
  
  Date: 29th February 2010

• Mr.Feras F. Al-Bahar, Head of Investment Services Sector in AREF Investment Group
  
  Date: 1st March 2010

• Mohammed Al Duwaila who represented -The Local Real Estate Department in Kuwait Finance House (KFH)
  
  Date: 1st March 2010
CITIZENS QUESTIONNAIRE

Questionnaire about housing welfare in Kuwait

- Assess the causes of delay in delivering the welfare housing units to Kuwaiti citizens:

<table>
<thead>
<tr>
<th>Reasons</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Maybe</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of available lands for housing projects</td>
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<tr>
<td>The increase of the financial burden on the government and the impact of the global financial crisis</td>
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<tr>
<td>The growth of demand yearly for welfare housing units till now</td>
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<td></td>
<td></td>
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<tr>
<td>The amount of loan which isn’t enough for owning their dream house.</td>
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<tr>
<td>Lack of awareness among citizens and their high desires for owning luxury housing units</td>
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<tr>
<td>Poor organization and coordination among the government departments concerned</td>
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<tr>
<td>The government didn’t invite the private sector to participate in the housing and developing projects.</td>
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</tr>
</tbody>
</table>

- Do you support the participation of the private sector with the Kuwaiti government in solving the housing crisis in Kuwait?
  
  Yes ☐  No ☐  Don’t Know ☐

  Why?  Why?

- What is your current residential unit built up area?  _______ m2

- The built up area of the housing welfare unit is 500 m2 approx. Do you think it is enough for you needs?

  Yes ☐  No ☐
If your answer is (No): **State Why?**

What are your requirements in the housing welfare unit in terms of:

1. Total area: ____ m²
2. Number of floors: _____

Are you willing to pay an additional amount of money in order to get a special location for your new housing welfare unit?

Yes ☐ No ☐

Do you think the housing loan which the government give to the Kuwaiti citizen which equals 70,000 K.D is enough to achieve your desires about the future’s home?

Yes ☐ No ☐

If your answer is (No), Kindly, answer next questions:

What is the minimum amount of the required increase: ________ K.D

What will you choose as alternative for financing this required increase if you don’t have it:

- Loan from financing associations/Banks ☐
- Sufficiency with the government’s loan ☐

This form is filled by:

Name (optional):

Profession:

Age:

Number of family member (Wife-Children-Servants):

Housing welfare application date:

Law No. 7/2008
Article (7)

None of the entities referred to in Article 4 of this law shall have the right to address the Municipality or any other government entity requesting allocation of land or seeking permits needed for the implementation of projects under BOT, or BOOT models, or any other similar model on state-owned property. Nor shall it have the right to dispose of state-owned property, or the usufruct right thereto, either by assigning its right to third parties or trading these properties, or any other form of act. In case where these entities shall have no need of such property, they must return it to the Ministry of Finance – Public Domain Department. The Municipality may not allocate any land to these projects, including projects managed by the Municipality, except pursuant to the provisions of Decree-Law No. 105/1980 and this law. Any act of disposition of these properties to a third party shall be considered absolutely null and void, therefore nullifying all potential consequences.