



An Evaluation of Barriers obstructing the Applicability of Public Private Partnership (PPP) in Infrastructure Development

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Abstract

Shortage in funds after the declining in oil prices since 2014, made Iraq government encourage private sector engagement in financing infrastructure projects through PPP. However, private sector reluctance was notable. Therefore, this research is conducted to assess if Iraq is a supportive environment for PPP projects development. 25 risk factors of PPP projects have been listed and organized within a questionnaire that was conducted with a participation of 98 respondents from public, private institutions and academics. Means comparison was used to rank and identify respondent agreement on assessing the level of importance of these risk factors, also nonparametric tests were used. Findings indicated that all respondents groups have agreed on ranking corruption on the top of barriers that government should deal with to ensure the success of PPP projects. Afterward scarcity of private funds came in the first place followed by insufficient public administration processes and then by the lack of legal framework followed by the delays in acquisition of land and while the lack of sovereign guarantee came at the fifth place. The perceptions of survey groups' respondents concerning the importance of risk factors differ, where both public and academics respondents have serious concerns regarding the private sector capacity to carry out the task and the availability of private funds. On the other hand the private sector concerns the availability of government incentives to support for infrastructure PPP projects. Overall findings indicated that government must work on building a solid enabling environment before the initiation of PPP approach in Iraq.

Keywords: PPP; Enabling Environment; Barriers; Risk Factors; Iraq.

1. Introduction

PPP defined as long-term contractual agreement between a public agency and a partner or consortium of companies from private sector to carry out the design, implementation, financing, operating and management of the infrastructure. In the partnership the responsibility of financing, constructing, asset management and maintenance, and service provision will be on the private partner; in return the private partner will obtain payments from the government and/or from user fees [1]. As PPP agreements depend on private funding it will be an efficient tool for delivering infrastructure and filling the gap between required capital cost and government limited financial resources in addition to cost-effectiveness [2]. A proper risk sharing assumes to transfer risk to the party that best able to control. Accordingly government should not transfer risks that private sector will not be able to control and manage [1]. PPP have been used worldwide in industrialized, industrializing, and developing countries. The purpose of PPPs adoption varies greatly from country to another, in industrialized countries like UK and Germany; PPP adopted in public service provision. Meanwhile industrializing countries, with tremendous needs for basic infrastructure like China and India, PPPs used to sustain rapid economic growth it's usually seen in power, water or road sectors [3]. In developing countries PPP adopted to overcome

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