



Constraints and Challenges of Partnerships between the Public and Private Sectors

معوقات الشراكة بين القطاع العام والقطاع الخاص في الجزائر

دراسة تطبيقية على عينة من القطاع الخاص

Bouglimina Aicha¹ Soufrani Aicha²

1.- University of Ghardaia, aicha_doct@yahoo.fr,

2.- University of Laghouat, a.soufrani@mail.lagh-univ.dz,

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Abstract :

This study aimed to determine the major challenges and constraints that face the partnerships between the public and private sectors in Algeria. To conduct that, a questionnaire was distributed to the sample study which comprised five institutions from the private sector. The study found that there are Constraints related to insufficient regulatory capacity and a level of difficulties related to the institutional framework and the lack of public awareness.

Keywords:

Partnerships, Public sector, Private Sector

الملخص:

هدفت هذه الدراسة لتحديد أهم معوقات الشراكة بين القطاعين العام والخاص في الجزائر من وجهة نظر عينة من أصحاب القطاع الخاص، وتكونت عينة الدراسة من خمسة مؤسسات خاصة، وتم تطوير استبانة موزعة على ثلاث مجالات: المعوقات المتعلقة بالتنظيم التشريعي، الصعوبات المتعلقة بالإطار المؤسسي، ضعف الوعي العام. توصلت الدراسة الى أن التشريعات التي تنظم الشراكة بين القطاعين العام والخاص، والبيروقراطية الادارية، والصعوبات المتعلقة بالإطار المؤسسي من أهم معوقات وصعوبات الشراكة، بالإضافة الى ضعف الوعي العام بأهمية الشراكة.

الكلمات الدالة: شراكة، قطاع عام، قطاع خاص.

1. Introduction

Partnerships between the public and private sectors have existed for centuries and continue to evolve as needs and conditions change. In order for the expectations surrounding the private sector's contribution to development to be fully realized, the understanding of how partnerships work and how to make sure they are successful requires continual refinement.

The partnership between the public and private sectors is of great importance in the economies of both developed and developing countries because of their role in achieving economic and social development through the participatory role of the institutional organizations in various fields and activating the advantages of each sector.

Although public-private partnership plays an important role in providing public services with quality and excellent methods, promoting economic development, at the same time this partnership may face constraints both from the sectors or from government

officials, or from the environment, social culture can be regarded as a factor in achieving or not achieving the partnership

Therefore, it is required to identify the barriers for implementing PPPs in details to prevent the constraints from appearing in the future PPPs. It is important for the governments and other stakeholders to recognize likely barriers in the implementation of PPPs and to build in strategies to cope with the constraints to allow the partnership to function effectively. This formed the basis of this paper with a view to identifying the barriers to PPPs implementation in Algeria.

The Study Problem:

The study problem takes the following form:

What are the main constraints facing of Partnerships between the Public and Private Sectors (PPPs) in Algeria ?

Objectives of the study:

The present study aims to:

- Demonstrate the importance of public-private partnership by focusing on the most important advantages of this process.
- Describing the most important constraint facing public-private partnership.

The Importance of the Study:

The importance of the study stems from the importance of the subject itself. It seeks to highlight the framework of the partnership between the public and private sectors and their implications for achieving development and building the national economy by benefiting from the private sector in improving the efficiency and operation of public utilities.

Structure of the Study :

In order to answer the research problem, we divided this study into the following points :

- The Concept of Public Private Partnership ;
- Types of Partnership between the Public and Private Sectors ;
- Benefits of Partnerships between the Public and Private Sectors ;
- The Main Constraints Face Arab Countries ;
- Case study of a sample of private sector.

Literature Reviews:

- The study of Ziane Berroudja Ali (2020) entitled: **The importance of Public-Private Partnership in promoting Algeria's Economic (development during the period 2002-2017)**

This study aimed to show the role and importance of the partnerships between the public and private sector in enhancing and activating the economic development in Algeria.

It was addressed to the reality of the partnership between the public and private sector in the world and in the Algeria by analyzing a set of data from the period 2002-2017. The study finding that the partnership between the public and private sector in Algeria in terms of new projects is weak and few in comparison of the global statistics. This is due to absence of the regularity and legislative framework which regulated this type of partnership and business environment that encourage the private sector.

Finally the study recommended by reconsidering the investment law and adapting it, providing a stimulating environment for partnership, giving tax privileges, and need to take advantage of successful models in the world.

- The study of mazouz Loqman(2016) entitled : **Activating the partnership between the Public and Private Sector Mechanisms**

This study aimed to know the nature of PPP and show the mechanisms that enable activation of partnerships between the public and private sector, also identify the constraints between two sector and Requirements for its success.

This theoretical study covered the different axes of the study by reviewing the various concepts related to partnership between the public and private sector, Distinguished methods of partnership between them, analyze the mechanisms of their activation, in addition detect constraints and challenges and how to overcome it. The study finding this results:

The partnership between the two sectors public and private is an integrative and cooperative developmental relationship. It is activated by providing a range of factors via the creation of legislative, economic and regulatory frameworks suitable for partnership, and avoid factors that may hinder the delivery of public services.

Finally the study recommended by the necessity of the role of government in providing business environments by adopting effective policies and control, distinct methods. As well as the adoption of sound economic practices, supportive of real partnership with private sector.

- The study of Sydney Ngoma, Muya Mundia and Chabota kaliba (2014) entitled: **Benefits, Constraints and Risks in Infrastructure Development via Public- Private Partnerships in Zambia**

This study aimed to highlight the benefits, constraints and risks inherent in implementing PPP construction projects in Zambia. Using a questionnaire survey to collect data, the study identified the benefits and confirmed the prevalence of constraints and risks in the implementation of PPP construction projects in Zambia.

There was agreement among survey respondents regarding the ranking of benefits, constraints and risks regarding construction projects in Zambia. Appropriate improvements to the regulatory framework were recommended for the PPP procurement approach to be successfully utilised and implemented in Zambia.

- The study of Ahmad Areiqat and Nidal Al-Salhi(2011) entitled: **Constraints and Challenges of Partnerships between the Public and Private Sectors.**

This study aimed to identify the constraints and challengers (insufficient regulatory capacity, lack of scientific resources, and lack of skilled personal) that lead to failure in partnership between the public and private sectors in Jordan. A questionnaire has designed by the researcher to gather the data from the sample which comprises: 15 from the universities teaching members, 15 graduate Students, and 5 Jordanian employees in the international commissions that working in Jordan, the statistical program SPSS is used to test the hypotheses. Then the researchers selected a set of vital public services to discern the major challenge for each service by the respondents. The study finding this results:

The service of: public health (the major constraint, challenge are: lack funds and lack scientific research), Education and Communications (lack of funds), Water and Electricity (lack of scientific research).

Depending on the results, the study presents the following recommendations: giving importance to scientific research in Jordanian universitiesand, necessity of having regulations to facilitate the PPPs, and develop flexible guidelines that enhance the partnerships between the two sectors, finally the necessity of using training programs order to increase the skills, experiences of the public sector employees.

1. The Concept of Public Private Partnership (PPP)

The arrangement of PPP is structured in a way that it is intended to provide greater flexibility to achieve the provision on public infrastructure objectives by altering traditional public and private sector roles with a view to take better advantage of the skills and resources that private sector firms can provide (Babatunde, S et al., 2014,p1).

The definition of PPP as adopted by the Planning Commission is as follows: PPP is a mode of implementing government programmes / schemes in partnership with the private sector. It provides an opportunity for private sector participation in financing, designing, construction, operation and maintenance of public sector programme and projects (Raman.K, 2014,p4).

Public-Private Partnerships Reference Guide (version 2, 2014) takes a broad view of PPP as: A long-term contract between a private party and a government entity, for providing a public asset or service in which the private party bears significant risk and management responsibility, and remuneration is linked to performance. This definition encompasses PPPs that provide new assets and services, and those for existing assets and services. It can include PPPs in which the private sector/part is paid entirely by service users and those in which a government agency makes some or all of the payments

2.Types of Partnership between the Public and Private Sectors (PPPs)

There are various PPP models that are used across different countries. This includes: (Babatunde et al., 2014,p2)

□ Build-Operate-Transfer (BOT): This model combines the responsibilities of Build Transfer with those of facility operations and maintenance by a private sector partner. At the expiration of concessionary period all operating rights and maintenance responsibilities revert to the government .

□ Design-Build-Finance-Maintain (DBFM): The private sector designs, builds and finances an asset and provides facility management or maintenance services under a long-term agreement.

□ Build-Own-Operate (BOO): The private sector or concessionaire finance builds and operates a facility without the transfer of ownership to the public client.

□ Divestiture: Under this model, the private sector takes ownership over all assets and has control over all investment, maintenance and operations decisions subject to regulatory oversight.

3.Benefits of Partnerships between the Public and Private Sectors

According to (Nagoma et al., 2014: 21-22), the potential PPP benefits are

listed below:

- **Cost savings**

The close interaction of designers and constructors in a team results in more innovative and less costly designs. The overall costs for professional services, such as those for inspections and contract management activities, can be reduced. Furthermore, the risks of

project overruns can be reduced by design-build contracts. Private partners may be able to reduce the cost of operating or maintaining facilities by applying economies of scale, innovative technologies, procurements and compensation arrangements that are more flexible, or by reducing overhead costs.

- **Risk sharing**

Public and private sectors can share risks at different stages (Shen, Platten and Deng, 2006). Both parts may bear certain risk outcomes via a risk allocation mechanism (Li et al., 2005b). These transference mechanisms normally leave the public sector with minimal and manageable risks (Merna and Dubley, 1998). Project risks can include cost overruns, inability to meet schedules for service delivery, difficulties in complying with environmental and other regulations, or revenues that may be inadequate for paying operating and capital costs. As the private sector brings commercial discipline into public projects, the risk of cost overruns and project delays can be drastically reduced (Li et al., 2003; Ho,2006).

- **Improvements or maintenance of existing levels of service**

PPPs can introduce innovation in the way service delivery is organized and implemented. They can also introduce new technologies and economies of scale that often reduce the cost or improve the quality and level of the services. PPP projects are more often efficiently managed than those run by government agencies (Klein and Roger, 1995).

- **Enhancement of revenues**

Because payback on PPP infrastructure projects depends on user fees, the true cost of delivering a particular service can easily be determined. This information offers the opportunity to introduce more innovative revenue sources that would not be possible under conventional methods of service delivery.

- **More efficient implementation**

Efficiency may be achieved by combining various activities, such as design and construction, more flexible contracting and procurement, quicker approvals for capital financing and more efficient decision-making process.

- **Economic benefits**

The increased involvement of the public in PPPs can help stimulate the private sector and increase employment and economic growth. Local private firms that become proficient in working on PPP infrastructure projects can "export" their expertise and earn income outside the boundaries of their own countries or regions of origin.

4. The Main Constraints Face Arab Countries are (Areiqat and Al-Salhi, 2011: 1595-1596):

- Some local decision makers lack the capacity to execute the partnership initiatives, a matter that constraints local officers.
- Overlapping of responsibilities and authorities, and Organization control of the Central government over the local departments, and the weakness of the private sector in executing large urban projects.

- Absence of transparency in projects which need large capitals, lack of departments specialized in pricing, lack of accurate information and studies that have impact on the success of partnership projects. All of these make some government departments not yet ready for the requirements of implementing partnership projects with the private sector.
- Weak public awareness on the importance of partnership systems between the two sectors. This creates rejection in some countries for implementing the projects through contracting.

5. Case study : Methodology:

5.1. Study Sample:

The study sample is consisted of(30) managers of the following private institutions: Ooredoo Foundation, Palm Clinic, Palaces Clinic, Macirvie Insurance Corporation, Sarl rlor noir.

5.2. Data Collection:

Two types of data are involved in this study: Primary Data and Secondary data. the sources of secondary data are collected from various reviews such as journals, Conference and articles. while The Primary Data concerns the data which is collected through the questionnaire. The questionnaire consists of two main parts. Part A consists of the demographic information of the respondents and Part B uses a Likert scale to measure the importance of PPP implementation constraint factors on a scale of 1 to 5 where 5 is Strongly Agree and

1 is Strongly Disagree.

5.3. Data analysis

Data were analyzed by Statistical Package for the Social Sciences SPSS programme (21), their standard deviations and means were computed and the techniques of T-test (for the variables of Regulation Constraints, Institutional Constraints, Lack of public awareness) . In general, these analyses have been made on three dimensions. To answer the main question (**What are the main constraints facing of Partnerships between the Public and Private Sectors (PPPs) in Algeria ?**).

We conducted a test to measure the Reliability of the questionnaire using the Cronbach's Alpha and the results were as follows;

Table1. Reliability Test

Reliability Statistics	
Cronbach's Alpha	N of Items
0.756	15

Source: compiled by researchers

Cronbach Alpha is used to measure the reliability of questionnaire. It is (0.765) for Public Private Partnership questionnaire. Since acquired Cronbach's Alpha ratio is greater than (0.6), one can say that the reliability of questionnaire is confirmed.

Normality test:

normality test is carried out by non-parametric statistical Kolmogorof-Smirnof (KS) test. Based on the output data shown in table (2) by using normality a test by means of statistical tests, the obtained results are:

Table2 :The Results of One Sample Kolmogorov-Smirnov Normalite Test

	Kolmogorov-Smirnov Z	Asymp. Sig. (2-tailed)
Regulation Constraints	1.26	0.07
Institutional Constraints	1.29	0.068
Lack of public awareness	1.07	0.203

The results of Kolmogorof-Smirnof test provides values of (1.26 , 1.29, 1.07) with probability of (0.07 , 0.068, 0.203) far above the = 0.05, thus it can be concluded that the residual data are distributed normally

Table .3: Regulation Constraints Means and standard deviation

N°	Statement	Std. Deviation	Mean
1	absence of financial, technical and operational evaluation for projects	0.83	4.00
2	lack of government guidelines and procedures on PPP	0.91	4,16
3	Some regulations involve many rules that are incompatible with contemporary financing and economic principles	0.75	3.66
4	Regulations impede private investment in public utilities and infrastructure projects	1.12	3.66
5	The regulation system is not exposed to all forms of partnership between the public and private sectors	0.75	3.66

Source: compiled by researchers

Table 3 depicts that the top five negative factors of PPP adoption are perceived as either most important or important by the overall

respondents. This is due to insufficient Regulatory Capacity supporting private investment in public service projects and administrative bureaucratic. .

Out of the five factors, two factor, Q1 ‘**absence of evaluation bases that are consistent with the nature of projects in terms of financial, technical and operational** (mean=4.16) ; Q2‘**lack of government guidelines and procedures on PPP**’(mean=4.00) were perceived as the most important factors that impede the implementation of a project via PPP. The remaining three factors were perceived as the important factors that hinder the adoption of PPP.

Table. 4: Institutional Constraints Means and standard deviation

N°	Statement	Std. Deviation	Mean
6	Absence of a unified strategy on financing and operating projects	1.13	3.50
7	Multilateral managers for regulating public-private partnership	0.97	3.50
8	Lack of technical, financial and legal expertise of many economic sectors to put projects on the private sector	1.48	3.83
9	Multiple approvals and licenses were exaggerated, resulting in many projects not being completed	0.69	3.83
10	Fear of high degree of risk in public projects.	0.97	3.5
11	Weak financial potential of the private sector and high costs required by some public sector projects	0.47	4.33

Source: compiled by researchers

The results indicate that out of the six factors, one factor, Q11 ‘**absence of a unified strategy on financing and operating projects** (mean=4.33) was perceived as the most important factor that impedes

the implementation of the PPP project. The remaining five factors were perceived as the main barriers against the adoption of PPP. The fragmented decision-making caused by the involvement of multiple public agencies and the prevalent emphasis on administrative procedures rather than on strategies and results that stem from the traditional, lengthy tendering processes pose constraints to the PPP environment.

Table. 5: Lack of public awareness Means and standard deviation

N°	Statement	Std. Deviation	Mean
12	Weak public awareness on the importance of partnership systems between the two sectors in economic and social development	1.43	4.00
13	Lack of awareness on the importance and benefit of partnership with the private sector in the development and operating projects	1.48	4.16
14	Weak awareness of different forms of partnership	1.12	3.33
15	Public sector belief that private participation is limited to privatization	0.97	3.50

Source: compiled by researchers

Out of the four factors, two factors, Q13 '**Weak public awareness on the importance of partnership systems between the two sectors in economic and social development**' (mean=4.16) and Q12 '**Lack of awareness on the importance and benefit of partnership with the private sector in the development and operating projects**' (mean=4.00) were perceived as the main factors that impede the implementation of PPP.

6. Hypothesis Testing

The application of the test 'T' (One- Sample T. Test) to detect the level of satisfaction of employers about the main constraints facing of Partnerships between the Public and Private Sectors in Algeria, and Table (6) shows that.

Table 6 :The Results of One Sample T test

	Mean	Standard Deviation	T value	Significance
Regulation Constraints	3.834	.65	9.94	.000
Institutional Constraints	3.75	.69	6.93	.000
Lack of public awareness	3.75	1.028	3.99	.000

Source: compiled by researchers

The table shows (6) that the value of (T) is positive and stood at (9.94, 6.93, 3.99) and statistically significant and (0.00), where general mean value compared to the standard value of the Likert- 5 Scale, namely, (3), and the results showed medium degree and statistical level of (Regulation Constraints , Institutional Constraints, Lack of public awareness) at the significance level (0.05).

7. Conclusion

Understanding and enhancing knowledge of Partnerships between the Public and Private Sectors (PPPs) continue to be of paramount importance. Thus, this study describes constraints that hinder PPPs implementation in Algeria. This includes Regulation Constraints, Institutional Constraints, lack of awareness. However, the research identified a lack of awareness followed by Regulation Constraints respectively as the most significant Constraints to PPPs project implementation in Algeria, while Institutional Constraints was the least. Understanding the constraints that stand as barriers against the successful PPP adoption allows the both parts either the Government or the private sector providers to take the necessary measures as an effort in overcoming the identified constraints to achieve the maximum benefits. The samples obtained in this study are not evenly distributed by characters. the future research is suggested to add other institutions , so that the characteristic of obtained sample is more evenly.

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