

AN AVALON PERSPECTIVE

Unlocking Saudi Arabia's Vision 2030

Public-Private Partnerships as Catalysts for Economic Transformation

Saudi Arabia's Vision 2030 represents an ambitious roadmap for economic reshaping, aiming to reduce reliance on oil and drive the growth of sectors such as technology, finance, tourism, and renewable energy. To successfully realize these aspirations, the active involvement of private companies with specialized expertise is essential, while Saudi Arabia possesses the financial capability to support its vision, partnering with private entities offers invaluable skills, knowledge, and innovation that can propel the nation's progress. These aspirations present significant opportunities for the private sector to play a part while reaping benefits from the swiftly growing KSA economy, **Public Private Partnership (PPP)** emerges as a key mechanism to foster this collaboration, leveraging capital and expertise, and propelling Saudi Arabia's economic transformation to unprecedented heights.



PPP has been a popular model globally and within the Middle East, it has showcased notable success, especially in neighboring countries like the United Arab Emirates (UAE), Egypt, and Turkey. The UAE, for instance, has harnessed PPPs for over a decade in various areas such as **transportation, education, and healthcare**. Remarkably, Egypt's Benban solar project, valued at \$4 billion, stands as one of the world's largest PPP solar endeavors. Turkey boasts a portfolio of over 225 PPP projects worth \$139 billion, encompassing **airports, tunnels, and highways**.

KSA's vision 2030 has set up ambitious targets, like increasing SMEs' GDP contribution to 35% from existing 20%, attracting more FDI (foreign direct investment) from 3.8% to 5.8%, growing the private sector's GDP contribution to 65% from 40%, and expanding non-oil exports to 50% from existing meagre 16%. These targets serve as guiding principles, for Saudi businesses to align their efforts and investments to **leverage the power of PPPs in driving economic growth**, empowering SMEs, attracting investment, while diversifying the economy. This particularly presents a huge opportunity for the technology, finance, and outsourcing companies by assisting in the development of digital infrastructure, enabling e-government platforms, and supporting the growth of tourism, renewable energy, and fintech sectors. In doing so, these companies can play a pivotal role in job creation, skills development, and driving sustainable growth for the nation.

To capitalize on Vision 2030's PPP initiatives, Saudi companies must focus on:

- **Developing** capabilities in systems integration, software engineering, project management and operations, while obtaining the necessary certifications and experience
- **Focusing** on priority sectors like smart tourism, fintech, logistics and renewables to tailor expertise and solutions
- **Partnering** with global leaders to supplement capabilities, this will improve proposals and ensures successful project delivery
- **Articulating** value propositions clearly by showing how their solutions, costs, service levels, skills, and experience support PPP goals
- **Monitoring** PPP tenders and bids in relevant sectors to prepare competitive proposals, successful PPPs generate long-term revenue growth





PPPs empower the Saudi private sector to make meaningful contributions to the nation's development goals. For technology, finance, and outsourcing companies, this opens doors to work closely with government agencies in developing innovative solutions. By focusing on high-impact sectors, building strategic partnerships, and effectively articulating their value propositions, local firms can also position themselves as the preferred private partners.

While getting into PPP, one must remember it does not guarantee success, and it is important to learn from past failures to ensure favorable outcomes. Several examples across the globe highlight the potential risks and challenges associated with PPPs, such as inadequate risk assessment, unrealistic financial projections, poor contract management, and limited stakeholder engagement. To ensure success, it is crucial to conduct comprehensive feasibility studies, accurately assess risks and rewards, establish transparent governance structures, and most importantly maintain effective communication between public and private partners. Additionally, defining clear performance indicators, implementing robust monitoring mechanisms, and incorporating flexibility to adapt to changing circumstances are vital for **maximizing the benefits of PPPs and achieving desired outcomes.**

To maximize success when pursuing PPP projects, companies should take the essential measures such as:

- **Conducting** comprehensive feasibility studies that thoroughly examine project viability, risk, operating costs, and revenue projections.
- **Performing** comprehensive risk analysis to identify issues that could impact project success and enable mitigation strategies.
- **Assessing** risks and rewards to develop a balanced risk-sharing model with the partners. Effectively allocating risks to the party that is best able to manage them, while ensuring adequate incentives and rewards for private partners.
- **Establishing** effective and transparent governance structures with the partners to facilitate communication, decision making, and dispute resolution.
- **Formulating** joint action committees and regular reporting requirements will help in getting all stakeholders on the same page.
- **Defining** a clear performance indicator to monitor progress, identify issues, and hold private partners accountable, innovative performance-based payment models will incentivize partners to meet defined targets.
- **Monitoring** progress through regular meetings, audits, and inspections to identify and resolve problems early, these monitoring systems shall detect risks before they seriously impact the project.
- **Building** flexibility into contracts to adapt with the changing circumstances over the long lifespan of PPP projects.



In conclusion, **Saudi Arabia's Vision 2030 presents a transformative opportunity for the country's economic diversification, and Public-Private Partnerships (PPPs) are instrumental in achieving these goals.** By leveraging PPPs, Saudi businesses can contribute to the ambitious targets set by Vision 2030, such as increasing the private sector's GDP contribution and expanding non-oil exports. To succeed in this endeavor, companies must focus on developing relevant capabilities, targeting key sectors, partnering with global leaders, articulating a clear value proposition, and actively monitoring PPP opportunities. Learning from successful PPP projects worldwide, particularly in sectors like smart cities, healthcare, education, and transportation, provides valuable insights and best practices for Saudi businesses to emulate. However, it is essential to learn from past failures and mitigate risks by conducting comprehensive feasibility studies, accurately assessing risks and rewards, establishing transparent governance structures, monitoring performance, and incorporating flexibility into contracts.



By following these guidelines, Saudi businesses can unlock the potential of Vision 2030's PPP initiatives and contribute to the nation's economic transformation, while also reaping the benefits of sustainable growth, job creation, and skills development.

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