

IMPORTANCE OF PUBLIC-PRIVATE PARTNERSHIPS (PPP), JVs AND ALLIANCES IN REAL ESTATE



Introduction

The MENA region is experiencing an unprecedented wave of urban transformation, **nearly \$400 billion* worth of PPP and JV projects are in the pipeline** across megaprojects. But ambition comes with complexity!

The PPP failure occurs because of cost overruns, legal ambiguities, and misaligned incentives, cause project derailments. The combination of macroeconomic instability with increasing construction expenses and workforce shortages creates substantial risks for projects that were once considered iconic.

Public-Private Partnerships (PPPs), Joint Ventures (JVs), and Strategic Alliances have all become important tools in the real estate and infrastructure sectors for raising funds, sharing risks, and merging expertise. In the MENA region, public and private sector organizations are increasingly relying on partnership models to deliver large-scale projects that would be difficult to complete alone.

These endeavors can provide the critical financial, technical, and operational resources needed to complete large-scale infrastructure and real estate projects. Their scope and influence span multiple industries, including urban development, smart city innovation, sustainable building methods and mixed-use communities.

MEED Mashreq | Growth of PPP Models and Applications
(<https://www.meedmashreqindustryinsight.com/growth-of-ppp-models-and-applications/>)

Knowing PPPs, JVs, and Strategic Alliances

Public-Private Partnerships (PPP)

These are all about collaboration, where governments and private companies come together to finance, build, and run infrastructure projects. By combining the strengths of both sides, public sector oversight and private sector efficiency. PPPs help drive sustainable growth and bring fresh ideas to the table.

In Real Estate, while the government often provides the land, regulatory support, and sometimes even funding, private developers take the lead in designing, building, and managing the projects.

Joint Ventures (JV)

Agreement between two or more entities come together to develop a specific project, sharing resources, investment, and expertise along the way. In the MENA's dynamic real estate market, JVs are a popular model, especially for large and complex developments like mixed-use districts, residential communities, and retail hubs.

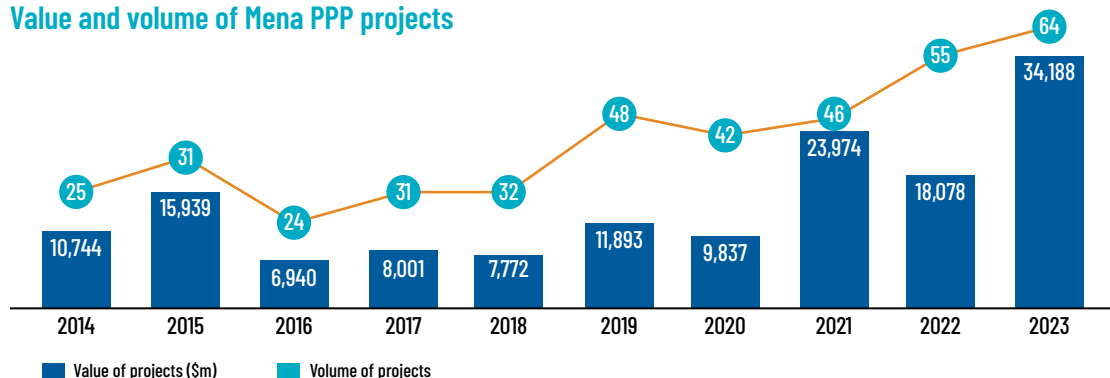
Strategic Alliances

Association for two or more organizations to work together toward a common goal without going through the formal process of creating a joint venture or new company. It is about combining strengths to achieve more than either could alone.

MENA PPP PROJECTS IN NUMBERS

The average year-on-year growth over the past decade has been 27% in terms of value of projects and 13% in volume

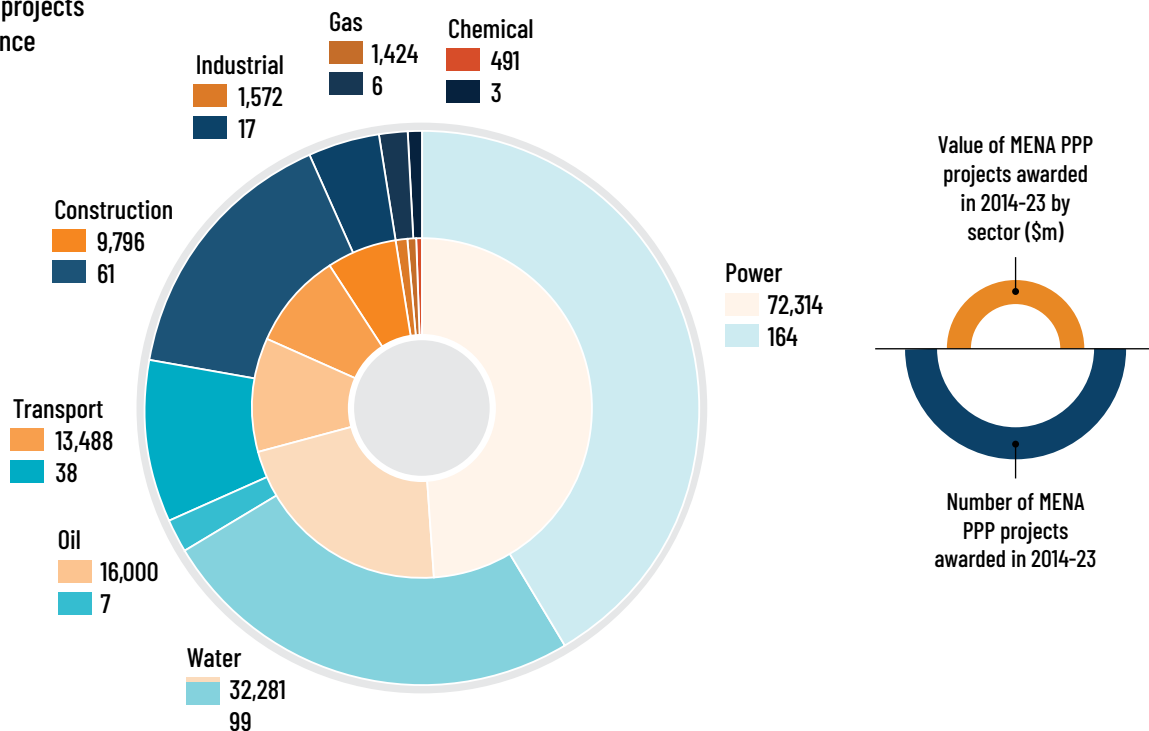
Value and volume of Mena PPP projects



Source: MEED | Market snapshot of MENA PPP Projects (<https://www.meed.com/market-snapshot-of-mena-ppp-projects>)

Value and number of PPP projects by sector, 2014-23

The risk-return profile for power, water, oil and gas and transport makes these projects relatively easier to finance



Source: MEED



Fiscal and Non-Fiscal Benefits of PPPs

When it comes to building major infrastructure like roads, hospitals, or mixed-use developments, **Public-Private Partnerships (PPPs)** offer governments more than just engineering support. They bring real financial advantages that can make a big difference over the long run.

What's in it for the public sector financially?

Smarter Spending

PPPs help governments get more out of every dollar spent. By sharing responsibilities and risks with private partners, these projects often end up costing less over their full life span compared to traditional government-funded models.

Stable Budgets, Fewer Surprises

With costs agreed upon at the start, sometimes for the next 20 to 30 years, PPPs make it easier for governments to plan their finances. There are fewer budget shocks, which means smoother financial management over time.

Bringing in Global Capital

When countries have a healthy pipeline of well-structured PPP projects and a stable legal setup, it sends a strong message to international investors: "We're open for business." This often results in increased foreign direct investment (FDI) into the country.

More Flexibility with Funding

PPPs give governments breathing room to raise funds at the right time, in the right way. That flexibility helps avoid financial strain while still moving key projects forward.



Non-Fiscal Benefits

Smarter Risk Allocation

A well-structured PPP contract ensures that each risk-financial, operational, or technical, is assigned to the party best positioned to manage it. This improves efficiency and reduces the chances of project delays and cost overruns.

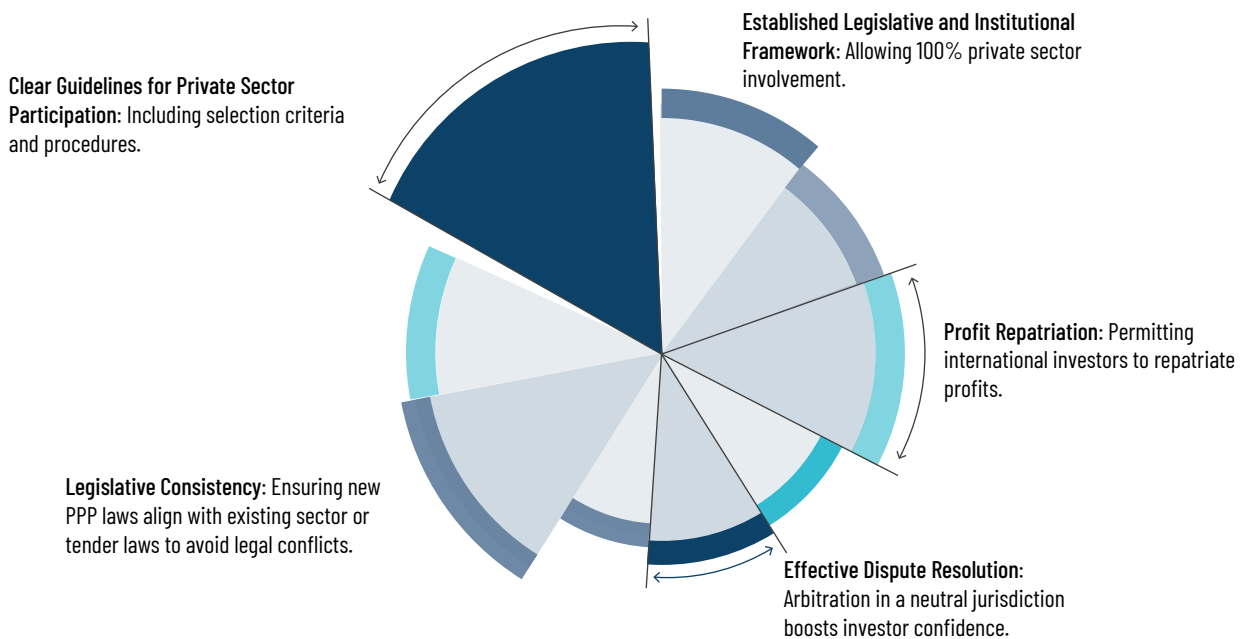
Encouraging Innovation

With performance-based contracts and clear deliverables, private sector partners are motivated to introduce innovative solutions in design, construction and operations. This approach enhances quality while keeping costs under control.

Supporting Local Industry

PPPs often lead to partnerships between global firms and local companies. These collaborations create opportunities for local subcontractors and boost knowledge transfer. PPPs also help build long-term capabilities within the domestic construction and real estate sectors.

Legal Must-Haves for PPPs That Work





A Catalyst for Economic Growth

Infrastructure and Urban Development

Transport and Connectivity

PPPs have played a key role in shaping modern transportation landscape. Flagship projects such as Airport are shining examples of how government and private sector endeavors can deliver world-class infrastructure. These partnerships have significantly enhanced connectivity, accessibility and attractiveness to businesses, tourists and investors from around the world.

Urban Development and Real Estate

Urban cities iconic skyline is not just a reflection of its bold designs. It is also the result of close cooperation between public bodies and private developers, turning ambitious visions into reality. These ventures not only boost tourism but also create jobs and stimulate economic growth.

Promoting Sustainable Development

Energy and Utilities

MENA region has made significant progress in diversifying its energy sources and promoting sustainability. There are collaborations which has allowed the MENA region to move quickly on renewable energy, rolling out major solar and wind projects that reduce the country's reliance on fossil fuels and help protect the environment.

Constructing Iconic Structures

Hospitality and Tourism

The MENA's tourism success story is not just built on luxury but also on collaboration. The strong partnerships between the government and private developers have helped the MENA region to stand out on the global tourism map, drawing in millions of visitors each year and supporting the wider economy.

Sports and Entertainment

Sport and entertainment are more than just pastimes, they are a key part of the nation's identity and its vision for the future. And much of that vision has been brought to life through Public-Private Partnerships (PPPs) that have helped build some of the region's most iconic venues.

Key Operating Models

Innovative Structures for PPPs and JVs

Real estate and infrastructure partnership models are not one-size-fits-all. Over time, different PPP and JV structures have evolved – from the traditional concessionary model to hybrid forms customized to meet the local market requirements..

Public-Private Partnership (PPP) Models

- 1. Concession PPPs (BOT/BOOT):** The most conventional PPP model is the Build-Operate-Transfer (BOT) model, where a private company funds, constructs, and operates a project for a number of years before it is passed over to the original public owner. Derivatives like **Build-Own-Operate-Transfer (BOOT)** offer temporary ownership to the private partner during the course. These models have been used extensively in infrastructure (electricity generation, roads, etc.) and are now being applied to real estate assets such as airports, transport hubs, and even social housing. Most of the Gulf countries, for instance, finance PPPs in utilities on a BOO (Build-Own-Operate) / BOOT basis – the private developer builds the asset and sells services over decades (offtake agreements), followed by the option to hand back ownership, or the concession is re-tendered.
- 2. Design-Build-Finance-Operate (DBFO):** The private sector designs, constructs, finances, and operates the project while ownership is still in the public sector. It is applied primarily for large-scale urban development, like hospitals and schools.
- 3. Lease-Develop-Operate (LDO):** The public sector leases land or assets to the private sector, and the latter develops and operates it. The private sector generates revenue, but the objectives of the public sector, like sustainability or social infrastructure, are attained.



Joint Venture (JV) Models

Equity-Based JV

Both partners invest capital and share profits, losses, and ownership in the ratio of their equity shares. The model is widely applied in real estate for large projects.

Project-Based JV

The partners create a JV to develop a single real estate project together, sharing the resources and strengths for the duration of the project. On project completion, the JV terminates.

Contractual JV

This type is geared towards contractual associations between the partners for portions of a project without the creation of a new legal entity. It is used where organizations have to combine skills without forming joint ownership.

Unlocking Value Through JVs

Shared Risk and Costs

JVs allow partners to share the financial and operational risks associated with a project, reducing individual exposure.

Access to New Markets

Partners can leverage each other's market presence and expertise to enter new geographic regions or sectors more efficiently.

Resource and Expertise Synergy

Combining complementary skills, technologies, and resources enhances innovation and operational efficiency.

Increased Competitiveness

JVs can improve competitive positioning and increase market penetration through collaboration, economies of scale, and joint R&D initiatives.

Flexibility and Strategic Focus

JVs provide flexibility for companies to pursue specific strategic goals without long-term commitments, allowing them to focus on core strengths.

Alliances and Framework Agreements

A new approach catching is the **alliance contract** – where both public and private come together as one team, binding risk and reward to share together and not by way of fixed-price contract. All stakeholders' financial rewards are linked to project performance measures (cost, schedule, quality), creating a “one team” culture. Though not a typical PPP in finance (generally government-backed), this type of model is possible in strategic city development partnerships with shared decision boards and open-book accounting across multiple stakeholders in precinct development. For the MENA region, this model is still in its infancy but can be applied in instances such as smart city pilots or mixed-use downtown revitalizations where flexibility and cooperation are essential. Private developers co-invest in surrounding public infrastructure in exchange for development rights is an example for hybrid.

How Protiviti Builds Partnership Success

About Protiviti

As a global consulting firm, we have deep expertise in finance, risk, operations, technology and transformation. We help organizations navigate complex challenges, accelerate growth and create value through innovation, governance and strategic partnerships across public and private sector organizations.

PPP Advisory

We provide structuring feasibility assistance and financial modelling, risk allocation assessments, tendering/procurement support and governance establishment, all in accordance with local PPP legislation and global best practices.

JV & Alliance Structuring

We craft operating models, governance arrangements and commercial structures to support landowner/developer, sovereign/private and utility/community partnerships.

Our Real Estate & Infrastructure Capabilities

We work with government entities, real estate developers, investors and infrastructure providers on:

Public Sector Transformation

We translate strategic policies into operational roadmaps, develop digital enablement options, and provide performance monitoring advice, in support of housing, tourism and smart city PPPs.

Risk & Internal Audit

We provide risk-based internal audit plans, third-party oversight and assurance programs, contract compliance visits and post-award performance assessments of PPP projects/infrastructure.

Conclusion

Public-Private Partnerships (PPPs), Joint Ventures (JVs) and strategic alliances are important enablers of the real estate and urban development sector. These collaborative partnerships provide value by showcasing the capabilities, experience and competencies of public and private partners that, in turn, deliver completed large and complex real estate projects and manage risk while providing a pathway for sustainable development. The importance of these forms of partnerships will remain high in the future, as the MENA region continues to build towards its ambitious economic and urban development strategy, which will ultimately provide growing opportunities in real estate and infrastructure development.

About Protiviti

Protiviti (www.protiviti.com) is a global consulting firm that delivers deep expertise, objective insights, a tailored approach and unparalleled collaboration to help leaders confidently face the future. Protiviti and its independent and locally owned member firms provide clients with consulting and managed solutions in finance, technology, operations, data, digital, legal, HR, risk and internal audit through a network of more than 90 offices in over 25 countries.

Named to the Fortune 100 Best Companies to Work For® list for the 11th consecutive year, Protiviti Inc. has served more than 80 percent of Fortune 100 and nearly 80 percent of Fortune 500 companies. The firm also works with government agencies and smaller, growing companies, including those looking to go public. Protiviti Inc. is a wholly owned subsidiary of Robert Half (NYSE: RHI).

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