



**3<sup>rd</sup> International Conference  
on Public Policy (ICPP3)  
June 28-30, 2017 – Singapore**

**Panel T09 P19 Good Governance in Asia  
Governance, Policy Networks and Multi-level Governance**

**Title:**

**An Assessment of PPP Experiment in Malaysia: A Good  
Governance Perspective**

**Author(s)**

**Zurina Md Nen**

**Faculty of Administrative Science and Policy Studies (FSPPP)  
Universiti Teknologi MARA, 40450 Shah Alam, Malaysia  
zurina707@salam.uitm.edu.my**

**Jasmine Ahmad**

**Faculty of Administrative Science and Policy Studies (FSPPP)  
Universiti Teknologi MARA, 40450 Shah Alam, Malaysia  
jasmi661@salam.uitm.edu.my**

**Date of presentation**

**Wednesday, June 28<sup>th</sup> 2017**

## **Abstract:**

Public-private partnership (PPP) is recently seen as an attractive option for delivering public service and have become an important topic of discussion including in Malaysia. Having its root in neo-liberal thought and later shaped by New Public Management (NPM) reform movement, promoting good governance has been its underlying philosophy through which value for money (VFM) is materialized, and efficient as well as effective service delivery is enhanced by exploiting the private partner financial capacity and expertise. Nevertheless, despite many good promises it advocates, debates continue on the reality of PPP. In many parts of the world, empirical assessments on its implementation reveal contradictory result. Growing concern that PPP erodes the concept of public accountability, challenges the principle of transparency, ignores public participation justify that PPP suffers from governance deficit. This becomes more critical in Malaysia as the government is committed to advance its PPP implementation despite intense debates and criticism on PPP and its implication on governance. In addition, while there is rich discussion on PPP at the global level, a noticeable gap on PPP and its governance aspects literatures in Malaysia is evident. Therefore, this study is carried out to examine the experience of PPP in Malaysia from good governance perspective by. For this study, preliminary interview and document analysis are conducted to complement the review of past literatures relevant to this study. The paper concludes PPP implementation in Malaysia from good governance perspective is a mixture between success and controversy. As such, it recommends future study to compare PPP and its good governance experience in Malaysia with other countries so that proper governance framework can developed based on the lesson learnt from others.

**Keyword:** Public-private partnership; Good Governance; New Public Management.

**Theme:** T09 – Governance

**Sub-Theme** : P19 – Good Governance in Asia

## **Introduction**

Promoting good governance has become a long-term reform agenda in the realm of public service because of New Public Management (NPM) reform movement. Since its first kick in early 1980s, the world has experiencing unprecedented public service reform aiming at improving the quality of public service governance. There are diverse views on what constitutes governance. However, there is broad agreement that governance is considered as good should these values presence: transparency, accountability, rule of law, participation, performance and integrity (World Bank, 1992; Asian Development Bank, 1995; International Monetry Fund, 1997).

Until today, pursuing good governance philosophy has become an important concern of modern government. In this regard, modern public management is now witnessing the proliferation of public private partnership (hereafter PPPs) which existence can be associated with these efficiency related reforms. The term PPP reflects the collaboration between public and private sectors in the provision of public services which previously, were the main responsibility of the public sector. Out of many claims that justify the relevance of PPP, promoting good governance by achieving value for money (VFM) is considered as one of its most promising objectives (McQuid, 2007; National Audit Office, 2012). The claim goes that PPP supports the exploitation of market or business financial capacity and expertise for achieving value for money (VFM). This is expected to enhance the effectiveness and efficiency of public service, a centrality to the concept of governance. Its basic assumption lies on vital role of private sector in the provision of public service for it helps in achieving efficiency on competition basis. At present, PPP is regarded as both a mean and an end of governance (Borzell & Risse, 2002; Brinkerhoff & Brinkerhoff, 2011).

Most countries commence PPP to finance and deliver public infrastructure from various sectors. OECD in 2013 reports that United Kingdom has the most PPP projects (648), followed by Korea (567) and Australia (127). The same goes to developing countries where steady market for private investment in infrastructure is observable totaled US\$29.5 billion in first half year of 2016. Subsequently, an increase interest on PPP has contributed to an extensive study about its concept and practical implementation. This is evident as extensive discussion on PPP are now available ranging from what constitutes PPP (Liu et al., 2014; Brinkerhoff & Brinkerhoff, 2011; and Greame A. Hodge, 2010); what causes responsible for its existence (Roehrich et al., 2014; Yehoue et al., 2006; Ronald W.McQuaid, 2000); what are the promises it brings (Hayllar & Wettenhall, 2010; Rosenau, 1999); what are the challenges it may pose (

Givens & Busch, 2013; Hayllar & Wettenhall, 2010; Hodge, 2004); to numerous debate on whether PPP achieves its claims or not (Carsten Greve & Ulrika Morth, 2010; Gerhard Hammerschmid & Tamyko Ysa, 2010; Greame A. Hodge & Colin F. Duffield, 2010; Linder, 1999).

PPP is also found as an attractive reform initiative in recent policy development in Malaysia. Since 1980's, the private sector involvement has actively participated in the provision of public service as response to the introduction of Malaysian Incorporated Policy (1983) and the Privatization Policy (1985). The partnership between the two were evolving with the introduction of Privatization Master Plan (1991). Since then, massive privatization programs were executed as country development program. Private sectors' role is further strengthened in the Ninth Malaysian Plan (2006-2011) with the introduction of private finance initiative (PFI), a subset of PPP. Though the value for money (VFM) has become the rationale that justifies its existence, there is consensual agreement that PPP through its PFI initiatives is meant for streamlining privatization policy (Suhaiza & Fatimah, 2014; Roshana, Kharizam, & Abdul Hadi Nawawi, 2009). Reports on PPP reveal that between 1983 and 2012, a total of 592 PPP projects has been implemented. The main projects have been in the energy, water, government services, constructions, communications, and transport sectors, accounting for over 50 percent of all PPP projects. It is recently, the use of PPP through PFI mode is expanded in education and health sector. At the end of 2012, the market capitalization of the businesses involved in PPPs had reached RM 234 billion (Economic Planning Unit, 2010; National Economic Advisory Council, 2009). The vital role of PPP is continuous to drive growth and development as this commitment is spelt out in the New Economic Model (2010).

The increasing interest on PPP scheme both at the global level and in Malaysia context is therefore has inspired the present study to examine PPP experience from good governance perspective. Moreover, despite many works on PPP, its good governance aspect is still under study especially in Malaysia. For this purpose, this paper focuses on empirical PPP experience at many parts of the world seeking to assess its related good governance aspects. The principle argument of the paper is that, despite PPP claim to promote good governance, much remains to be done. Consequently, the overall impact of PPP produces sub-minimal result.

### **Conceptualizing Good Governance**

Governance grows in terms of its popularity following new characteristics of modern government. This paradigm shift is due to the fact that issues facing modern public management are becoming more complex particularly on the increasing number of non-state actors in public

domain and the time that government knows everything is no longer relevant. Historically, the term governance is first used to describe the need for institutional reform for a better and more efficient public service. The older paradigm of governance is synonymous with government. It highlights the formal institutional structure of government and its administrative authority in decision making to manage a country. The following table summarizes many early definitions of governance advocated by its prominent proponents.

Table 1.1  
*Definition of Governance*

World Institution	Definition of governance
World Bank (1992)	It refers to the manner in which power is exercised in the management of a country’s economic and social resources for development.
Comission on Global Governance (1995)	It refers to the sum of the many ways individuals and institutions, public and private, manage their common affairs. It is a continuing process through which conflicting or diverse interests may be accommodated and co-operative action may be taken. It includes formal institutions and regimes empowered to enforce compliance, as well as informal arrangements that people and institutions either have agreed to or perceive to be in their interest.
Asian Development Bank (1995)	It is the manner in which power is exercised in the management of a country’s social and economic resources for development.
United Nations Development Program (1997)	It refers to an exercise of political, economic and administrative authority to manage a nation's affairs.
Economic and Social Council of United Nations (2006)	It refers to formal and informal arrangements that determine how public decisions are made and how public actions are carried out from the perspective of maintaining a country’s constitutional values.
Organization for Economic Co-operation and Development (2008)	It refers to the use of political authority and exercise of control in a society in relation to the management of its resources for social and economic development.

Consensually, the above mentioned definitions depict that the term governance simply means the manner in which power is exercised in the management of a country's economic and social resources for development. Its central focus lies on the way formal institutional structures works and how authoritative decision making is carried out so that allocation of resources for the development of the countries can be carried out efficiently. In fact, for this reason, the word governance is treated as equal to government which concerns mainly on the reforming the role of state to be more effective and efficient in decision making process as well as the way the decision is implemented. In support to this, Borrás (2008) argues that the term governance in its early existence typically used “to describe changes in the nature and role of the state following the public sector reforms of the 1980s and 1990s” as opposed to ineffective bureaucratic governance structure.

However, as the term evolves, this definition changes especially with the existence of multi non-state actors whose roles are influential for the development (Osborne, 2010). Current use of governance denotes a new process of governing; or a changed condition of ordered rule; or the new method by which society is governed (Rhodes, 1996; Peters & Pierre, 1998). Perhaps, definition provided by Keohane & Nye (2000) can be argued as comprehensively portrays the term governance at present day. They argued governance refers to “a processes and institutions both formal and informal – that guide and restrain the collective activities of a group. Governance need not necessarily be conducted exclusively by governments. Private firms, associations of firms, non-governmental organizations (NGOs) and associations of NGOs – all engage in it, often in association with governmental bodies, to create governance sometimes without governmental authority” (Keohane & Nye, 2000).

Governance as a concept is a descriptive and natural concept (Hazman, 2012). It describes the process by which a society selects, monitors and replaces authority used to allocate resources and provide political goods that ensure social and economic prosperity (Graham, Amos, & Plumptre, 2003). The term good governance has made it a normative one. It gives more meaning to it by dealing with the questions of how decision being made, and how the authority and power being exercised. As a central focus of this paper, the following will provide further conceptualization of the term good governance.

Since its emergence in early 1990s, international donors and multilateral agencies have taken a leading role in defining the term good governance. As matter of fact, it first appeared on the World Bank’s development agenda that relate governance with economic growth and development of a country. The World Bank (1992) emphasizes that good governance entails sound public sector management (efficiency, effectiveness, and economy), accountability, exchange and free flow of information (transparency) (transparency), and a legal framework for development (justice, respect for human rights and liberties). In a similar vein, the Asian Development Bank (1995) associates good governance with accountability, transparency, openness, predictability, and participation. Besides this, there are other additional values that describe good governance characteristics which include political legitimacy and accountability, sound and competent administration, freedom of association and participation in the process of governance, an established legal framework based on the rule of law, cooperation with institution of civil society and respects for human right (Siddiquee, 2007).

Clearly, definition on good governance vary from one organization to the other, although general ideas and focus on issues are the same. However, some similarities can be derived from these definitions. Firstly, the primary concern of good governance lies on the

relationship between those govern and the governed in decision making process. Secondly, it depicts the democratic values underpinning the attributes of good governance. It also proposes a construct of conducive system for the exercise of authority in a polity. Admittedly, this good governance construct has gradually led to an extensive growth of good governance indicators. To date, these good governance indicators have become the driver in promoting what are presumed to be universal standards of good governance and administration (Buduru & Pal, 2010), for it is helpful to assess the extent to which governance of a particular country conforms to the values of good governance.

As a summary, good governance has much to do with the ethical grounding of governance and must be evaluated based on specific norms and objectives. Aiming at establishing public service that is efficient, a judicial system that is reliable, and an administration that is accountable to its public, good governance therefore raises concerns on the conduct in the process of making important decision for and on behalf of the people.

### **PPP and Good Governance**

PPP emergence in its early years is associated with the notions of improving public service performance, a central focus of the governance concept. In fact, its existence which is rooted in neoliberal thought and later shaped by the NPM reform philosophy is argued as a product of reforms for good governance (Ginsburg, 2012; Haughton & Mcmanus, 2012). Similar to the term governance, PPP as a term is also a contested concept (Mouraviev & Kakabadse, 2012; Hodge & Greve, 2010; Weihe, 2006; Bovaird, 2004; Linder, 1999). This is evident as different countries embrace different approaches to PPP, and employing different terminology carrying different meaning (World Bank, 2007). Thus, there is no single definition is widely accepted to describe PPP. Table 1.1 shows various definition of PPP by its proponents that responsible for PPP policy development and its execution. A visit on this however reveals that there are some similar features of what constitute PPP.

Table 1.2  
*Various Definitions on PPP*

Institution	PPP Definition
Organization for Economic Co-Operation and Development (OECD)	“a long term contractual arrangements between the government and a private partners whereby the latter delivers and funds public services using a capital asset, sharing the associated risks”
United Nation Economic Comission for Europe (UNECE)	“an innovative methods used by the public sector to contract with the private sector, who bring their capital and their ability to deliver projects on time and to budget, while the public sector retains the responsibility to provide these services to the

	public in a way that benefits the public and delivers economic development and an improvement in the quality of life”
Asian Development Bank (ADB)	“a range of possible relationships among public and private entities in the context of infrastructure and other services”.
Canadian Council for PPP (CCPPP)	“a co-operative venture between the public and the private sector, built on the expertise of each partner that best meets clearly defined public needs through the appropriate allocation of resources, risks and rewards”
Public Private Partnership in Infrastructure Resource Center (PPPIFR)	“a typically medium to long term arrangements between the public and private sectors whereby some of the service obligations of the public sector are provided by the private sector, with clear agreement on shared objectives for delivery of public infrastructure and/ or public services; excluding service contracts or turnkey construction contracts, which are categorized as public procurement projects, or the privatization of utilities where there is a limited ongoing role for the public sector”

---

*Source: (OECD, 2012; UNECE 2008; ADB, 2005; www.pppcouncil.ca; ppp.worldbank.org)*

Based on these definitions, PPP can be referred to as a situation where public and private actors come to a long term contractual agreement, between 30 to 60 years, to cooperate in the provision of public service particularly in the provision of public infrastructure and facilities. The agreement allows the exploitation of private financial capacity and its expertise to fund the public infrastructures and facilities aiming at improving public service quality and efficiency. Through partnership, the risk is assumed to be transferred to the private partner as they responsible to design, finance, construct, manage, maintain, refurbish and replace the public-sector assets. The private sector then will be imposed with penalties for any failure to meet the service standard, and reward will be granted if conformance to agreed time frame as well as quality standard is met. Having this as point of reference; this study regards PPP as long term contractual agreement between public and private partner. In this contractual relationship, responsibility to finance and deliver the service will be transferred to the private actor but maintains the ownership of public assets to the government.

There are many reasons justify critical discussion on governance in the PPP debate. Firstly, PPP nowadays appears as an important delivery tool for county’s economic development. To its proponents PPP brings innovation not only in the design, building and delivery of the assets but also in the aspect of governance (Brinkerhoff & Brinkerhoff, 2011). This is possible because PPP allows a combination of resources from private and public partner in addressing societal needs and issues. On top of this, PPP is often associated with VFM. For this to effectively works, good governance principles must be present to guide the operation of PPP so that both VFM and social objective of PPP can be achieved. With this, second significant discussion on governance in the context of PPP is highlighted. Numerous studies have proven that good governance ingredients serve as one of the most critical success factor for the success of PPP. In other words, the presence of good governance in PPP implementation is important



failure which may result in failure of PPP programs. Next reason relates to the nature of PPP itself. It is argued that the nature of PPP long term contractual agreement is associated with unpredictable risk (Grimsey & Lewis, 2002; Takashima, Yagi, & Takamori, 2010; Hwang, Zhao, & Gay, 2013) and inherent conflict of interest between public and private partner (Skelcher, 2010) hence the questions of governance is particularly important.

In its broader sense, governance of PPP can mean the way public-private relationship is governed; aligning different interest between public and private partner; clarify role each and different parties involved in the process; and the function of formal and informal regulatory mechanism in containing behavior of parties involved throughout the process (UNECE, 2008). In one hand, this concerns on the conduct of government for how it makes important decision for and on behalf of the people, and on the other hand it also concerns on the conduct of other stakeholders despite their relentless pursuit of profits.

Therefore, in ensuring sound governance system, so that good public governance can be guaranteed, many attempts to provide good governance guidelines in PPP are initiated proposing good governance values that are critical for PPP implementation. Some of these good values include citizen engagement, transparency, accountability, the equalities agenda and social inclusion (gender, ethnicity, age, religion, etc.), ethical and honest behavior, equity (fair procedures and due process), ability to compete in a global environment, and ability to work effectively in partnership (Bovaird, 2004). On the same token, UNECE (2008) in its guideline to promote good governance in PPP proposes seven good governance principles in the PPP implementation which include participation, decency, transparency, accountability, fairness, efficiency and sustainable development. In line with this commitment to promote good governance, OECD (2012) also provides a guideline for governance of PPP by putting emphasis on establishing a clear, predictable and legitimate institutional framework supported by competent and well-resourced authorities, ground the selection of PPP in VFM, and transparent budgetary process to minimize fiscal risks and ensure the integrity of the procurement process.

Obviously, good governance matters in PPP so that benefits from PPP can be optimized. Though consensus on what constitute good governance for PPP is absent, commitment to integrate good governance in PPP practices is noticeable. For this paper, PPP is credited with good governance if its execution is open and transparent, it remains accountable to the public through efficient and effective system of administration with sound regulatory framework, it has clear allocation of risk with comprehensive conflict resolution mechanism and it ensures a sustainable development. Using this as a framework, this analysis focuses on PPP practical

experience in Malaysia with the aim of assessing to what extent PPP programs supports the key principles of good governance.

### **PPP in Malaysia**

Public Private Partnership (PPP) program in Malaysia is an important policy instrument for the economic growth and development of the country. Its humble beginning in early 1980 was influenced by the introduction of Malaysian Incorporated Policy (1983) and the Privatization Policy (1985). The partnership between the two were evolving when the government drafted Privatization Master Plan (1991) a framework that guides the working of privatization. Since then, massive privatization programs were executed as country development program. The commitment to foster private sector role in the sphere of public administration continued and in 2006, this commitment was significantly demonstrated with the implementation of private finance initiative (PFI), a subset of PPP which was first mentioned in Ninth Malaysian Plan (2006 to 2010) (Economic Planning Unit, 2006). While there is considerable amount of studies on previous mode of PPP i.e. privatization, limited assessment available on the recent type of PPP. With this regard, the focus of this assessment gives special emphasis on new PPP subset that is PFI.

Following the increase interest on this new delivery alternative that drives the growth of PPP, a PPP Unit was established in 2009 replacing privatization unit. This unit is responsible for promoting, planning, coordinating, controlling, monitoring, facilitating and ensuring the effectiveness of PPP projects ([www.ukas.gov.my](http://www.ukas.gov.my)). Soon after that, guidelines on PPP was produced aims at guiding PPP programs. According to the plan, PPP implemented through the PFI mode is defined as;

“The transfer to the private sector of the responsibility to finance and manage a package of capital investment and services including the construction, management, maintenance, refurbishment and replacement of the public-sector assets which thereby creates a standalone business. The private sector will create and deliver a service to the public-sector client. In return, the private sector will receive payment commensurate with the levels, quality and timeliness of the service provision throughout the concession period. The structure of the lease rental payment for PFI projects will guarantee a total return to the concessionaire’s capital investment expenditures including financing cost repayments and profits to investment”, (PPP Unit, 2009).

The growing focus on PPP is observable following government’s aspiration to achieve develop nation status in 2020. This is reflected the in 10<sup>th</sup> Malaysia Plan, National Transformation Policy (NTP), and country’s New Economic Model (NEM) when government announced an

allocation amounted at RM20bil to intensify financing of public projects through PPP hence reenergizing the private sector to boost transformation and growth (Khairuddin, 2014). In short, this strategic reform acknowledges the private sector's roles and involvement in the provision of public service. In fact, for the years to come, PPP continues to become the strategic tool to manifest government's commitment to improve public service efficiency and governance.

Reports on PPP performance reveals that in between 1983 and 2012, a total of 592 PPP projects has been implemented. The main projects have been in the energy, water, government services, constructions, communications, and transport sectors, accounting for over 50 percent of all PPP projects. It is recently, the use of PPP through PFI mode is expanded in education and health sector. This effort is in line with government commitment to further develop better social well-being of its citizen as stated in country development model. The programs are later intensified under Tenth Malaysian Plan (2010-2015) where an estimated value of RM63 billion are spent for PPP projects (Economic Planning Unit, 2010). Of many sectors, education sector has made up the largest allocation at approximately RM 33 billion. Importantly, not only it constitutes the largest government financial commitment but also allocation on PPP projects in education sector presently has reached its expenditure ceiling (Auditor General Report, 2013). The following depicts a summary of PPP projects across ministries in Malaysia

Table 1.3  
*The Malaysian PPP Project in Ninth Malaysian Plan by Ministries*

Ministries	Total Number of Project in the 9 <sup>th</sup> Malaysian Plan	PFI Projects	Other forms of Procurements
1. Prime Minister Department	71	3	68
2. Treasury Department	13	1	12
3. Ministry of Plantation Industry and Commodities	3	1	2
4. Ministry of Agriculture and Agro Based Industries	4	2	2
5. Ministry of Rural and Urban Development	7	0	7
6. Ministry of Natural Resources and Environment	12	4	8
7. Ministry of International Trade and Industry	2	0	2
8. Ministry of Works	66	1	65
9. Ministry of Transport	26	2	24
10. Ministry of Energy, Water and Communication	12	0	12
11. Ministry of Science, Technology, and Innovation	10	0	10
12. Ministry of Education	497	357	140
13. Ministry of Health	27	0	27
14. Ministry of Culture, Arts and Heritage	6	1	5

15. Ministry of Youth and Sport	3	0	3
16. Ministry of Human Resources	1	1	0
17. Ministry of Information	10	8	2
18. Ministry of Higher Education	25	0	25
19. Ministry of Defense	38	17	21
20. Ministry of Home Affairs	5	3	2
21. Ministry of Internal Security	42	24	18
TOTAL	880	425	455

*Source: Adopted Economic Planning Unit (2006)*

In addition to this, it is also reported that projects implemented in education sector are pioneer to PPP programs in Malaysia through its PFI mode. A preliminary study conducted between May to June 2015 reveals that between Ninth Malaysian Plan (2006-2010) and Tenth Malaysia Plan (2011-2015), there are approximately 23 PPP projects executed via PFI mode in the education sector (refer Table 1.4). It involves the construction of eight public universities infrastructures and facilities with highest number of projects goes to Universiti Teknologi MARA (UiTM). It is important to note that even though PPP in the form of either privatization or contracting out is argued has existed since past 20 years in Malaysia, the projects that fits the international standard on definition of PFI begins in the year 2011 (Auditor General Report, 2013; Public Account Committee, 2015). This is due to the fact that PFI concept in Malaysia is still vague (Zurina & Jasmine, 2016). At the time this study is conducted, some of this projects have reached its completion status in early 2014, and the rest carried out after this first phase are still under various stage of development.

The preceding discussion proves a significant rise of PPP in Malaysia. In line with this development process, government also committed to ensure that the growth driven by market should be well governed. The launching of Government Transformation Program (GTP) as one of NEM pillars spells this commitment hence signifies the presence of good governance in the reforms for growth. Of its eight strategic reform initiatives, the first and the fourth strategy highlight government's commitment on encouraging private sector involvement and improving the quality of governance of public service (National Economic Advisory Council, 2009). In short, government's attempt for reforming public service has both increases the interest in PPP and heightens the discussion of good governance.

Table 1.4  
*PPP Projects in Education Sector*

Project Location	Infrastructures/ Facilities			Public Client	Status of Project
	C/MC	SR	Hospital		
UiTM Pasir Gudang Campus, Johor	√				Completed
UiTM Puncak Alam Campus, Selangor	√				Completed
UiTM Tapah Campus, Perak	√				Completed
UiTM Seremban 3 Campus, Negeri Sembilan	√				Completed
UiTM Jasin Campus, Melaka	√				Completed
Kota Samarahan Campus, Sarawak	√				Completed
UiTM Rembau Campus, Negeri Sembilan	√			UiTM	Under Construction
UiTM Mukah Campus, Sarawak	√				Under Construction
UiTM Dengkil Matriculation Center, Selangor	√				Under Construction
Alam Bina & Seni Reka Complex, Selangor	√				Under Construction
Students Resident (capacity of 10,000 students)		√			Under Construction
UiTM Raub Campus, Pahang	√				Under Construction
Training Institute UiTM Nilai, Negeri Sembilan	√				Under Construction
Puncak Alam Hospital			√		Under Construction
UIAM Matriculation Center, Gambang Pahang	√			UIAM	Under Construction
Students Resident UIAM Kuantan Campus, Pahang		√			Completed
Pagoh Higher Education Hub, Johor	√				Under Construction
Student Resident		√		UniMAP	Under Construction
Student Resident		√		UTeM	Under Construction
Hospital			√	UKM	Proposal
Hospital			√	UMS	Proposal
Student Resident		√		UPSI	Proposal
Student Resident		√		USIM	Proposal

*Source: Expert interview conducted between Mei – June 2015*

*Note: C = Campus; MC = Matriculation Centre; SR = Student Resident; H = Hospital*

### **PPP and Good Governance: Promises and Reality**

The interest to assess PPP experience in Malaysia on the extent it promotes good governance is inspired by the government commitment to improve public sector good governance quality. Besides, many promising claims advocated to justify PPP. Based on PPP guidelines (PPP Unit, 2009), PPP proposal in Malaysia will only be considered if there is "a need on the part of the Government for the project" and in making this decision the government will take into account the benefits of the project such as: socio-economic impacts, value for money and cost savings to the government, quick delivery of the project and service

enhancement and increased level of accountability, efficiency and effectiveness. Does it keeps it promises? The following discussion is set to answer this question.

### *Effective and Efficiency of Public Service Delivery*

Effective and efficient service delivery in PPP captures a system through which limited human and financial resources are applied without waste, delay or corruption or without prejudicing future generations (UNECE, 2008). Generally speaking, PPP as reform strategies have produced considerable positive impacts on the service delivery aspect. Admittedly, it keeps its promise in term of providing quick service delivery. This is evident in the case of the construction of public universities infrastructures and facilities as it achieves its on time completion status within the given time frame (See Table 1.5). It is important to note that UiTM PFI projects is a part of the first phase of PFI in Malaysian context. This phase is limited to the construction of 6 UiTM campuses so that it can accommodate about 250,000 UiTM's students enrolment in the year of 2010. An excerpt from an interview conducted with informant A on October 2014 reveals this,

“For UiTM, we need to increase capacity and we want it now. If we want to wait the normal development, that is the five years Malaysian Plan, on average we can only have one or two campuses. Every five years. If we wait the available government allocation, we manage to get only one or two campuses only. And talking about 6000-10000 students every five years, and yet we require about 60,000 places. So the only way is to support the PFI mechanism and we sign it. To me, if you ask me personally, this show government's utmost priority to give education to our young generation”.

The fact that PPP helps in quick, hassle-free and timely services to customer is therefore obvious. Besides, as the project is completed on time, it also helps the government to save its expenditure cost. It addresses cost times overruns issues, late delivery, poor functionality of services plagued almost all infrastructure projects. This consequently has an effect on effectiveness and efficiency values of governance.

Table 1.5  
*Construction and Completion Date of First Phase of UiTM PFI Projects*

<b>Campus</b>	<b>Construction Date (Start)</b>	<b>Completion Date (End)</b>	<b>Inspection Date</b>	<b>Certificate Acceptance' Issuance Date</b>
UiTM Kota Semarahan 2	10-Jan-2010	30-Sep-2013	19-23 August 2013	30-Sep-2013
UiTM Pasir Gudang	19-Jan-2011	18-Jan-2014	19-22 Jan 2014	20-Jan-2014
UiTM Tapah	19-Jan-2011	18-Jan-2014	13-Jan-2014	18-Jan-2014
UiTM Seremban 3	19-Jan-2011	18-Jan-2014	15-Jan-2014	18-Jan-2014

UiTM Jasin	19-Jan-2011	18-Jan-2014	22-25 Jan 2014	3-Jan-2014
UiTM Puncak Alam 2	11-Apr-2011	10-Apr-2014	17-12 March 2014	11-Apr-2014

*Source: Expert Interview*

### *Public Accountability*

Public accountability in PPP requires institutions to oversee the process of PPP design and implementation, and performance reviews, so that public interests are protected. (UNECE, 2008). At the global level, one element of successful PPP programs requires an establishment of a specific and dedicated PPP unit as a central agency that monitor and coordinate PPP policy, programs and projects. This made of systematic PPP management which gradually helps for better PPP governance. Apparently, this is also applicable in the context of Malaysia. PPP unit (hereafter refers as UKAS which stands for *Unit Kerjasama Awam Swasta*) is established as a central agency that responsible for promoting, planning, coordinating, controlling, monitoring, facilitating and ensuring the effectiveness of PPP projects ([www.ukas.gov.my](http://www.ukas.gov.my)). The governance structure is centralized at this agency where all PPP processes are standardized across sectors. There are at least seven parties involved in this process: (i) UKAS; (ii) Ministry of Finance; (iii) Attorney-General Chambers; (iv) Economic Planning Unit; (v) Department of Director General of Land and Mines (Federal Land Commissioner); (vi) Valuation and Property Service Department; and finally, (vii) Implementing Ministry/ Agency.

UKAS assumes a leading role in drafting PPP proposal. It works together with above mentioned agencies to review and evaluate the technical and financial aspects of PPP projects so that need statement for the project can be clarified and VFM objective can be guaranteed. It also responsible to negotiate the terms and condition of the concession agreement with the assistance of Attorney General and other relevant agencies. In the case where dispute occurs among different parties, UKAS offers conflict resolution mechanism so that potential risks can be avoided. Given almost 30 years of experience in handling privatization programs, UKAS as the leading PPP players is said as capable and advanced in terms of both technical and non-technical aspects of PPP. This is supported by interview with informant B conducted in May 2015 who said;

“We are advanced since we already have 30 years of experience with privatization. So, to say that we are lacking in terms of capacity is inaccurate. What I can say is that PPP officers are aware of technicality aspects of PPP”.

However, a report released by one of government accountability mechanism reports otherwise. A Public Account Committee (PAC) Proceeding Report (2015) raises concern about government financial commitment and liability in the long run especially once maintenance

costs on the built assets is coming. At the time of writing the present study, the educational sector, which receives the largest allocation for its PPP projects has reached its expenditure ceiling. This may not be fair but early analysis of PPP reflects that PPP projects are costly hence its promises of value for money (VFM) as well efficiency is questionable. Informant D in another interview conducted in May 2015 agrees that this issues are inevitable and associates this with vague need statement due to poor value assessment. The excerpt of the interview is translated as follows,

“All UiTM PPP procurement is made via direct negotiation. By this it means projects are conferred to the appointed contractors that have already been chosen. During its first phase, decision about PPP procurement relies on cabinet decision. So we at UKAS just follow any decision made. For me, if value for many is to be achieved, the projects procurement should be made via open tendering. Because competition encourages the suppliers to submit low rate to secure the projects. Moreover, in the first phase of UiTM PFI projects in 2009, UKAS has yet established value management lab”

In short, there is mix experience on accountability issues. In one hand, accountability values is presence with clear governance structure on PPP projects centralized in UKAS and the presence of monitoring mechanism in its execution. On the other hand, the working of PPP challenges the accountability values due to lacks of transparency in decision making proses.

### *Transparency*

Transparency in PPP concerns on the degree of clarity and openness with which decisions made and a free flow of information to the public. While there are some positive aspects of accountability, finding on transparency aspects reveals otherwise. The preceding discussion obviously proves that decision-making process in the working PPP lacks of transparency. Despite the promise of improving good governance through competitive tendering in Malaysia public procurement process, the first phase of PFI projects in the education sector are executed via direct negotiation which harmful to principle of equal treatment and genuine competition. Besides, lack of competition also leads to ineffective pricing mechanism which is not helpful in ensuring the value for money.

In addition to this, transparency principle is also challenged by poor accessibility to information. Based on researcher experience during preliminary interview, access to information about PPP in Malaysia is restricted and this restriction is often associated with Official Secret Acts (OSA). According to OSA, cabinet documents, records of decisions and deliberations including those of cabinet committees; State Executive Council documents,



records of decisions and deliberations including those of State Executive Council committees are banned from disclosure. As such, accessibility to information on the present PPP is difficult because the present PPP decisions are made by the cabinet.

### *Rule of Law*

Rule of Law emphasizes on the existence of sound regulatory framework in the PPP policies and programs. It concerns on to what extent the PPP actors have confidence and abide by the rules so that the interest of public at large can be protected (UNECE, 2008). Particularly, it highlights the quality of contract enforcement, adequate monitoring and supervision, and effectiveness of judiciary. Presently, the working of PPP projects that are advanced through PFI mode are guided by the PPP guidelines introduced in 2009 and ministerial cabinet decision. This is agreed by informant B, C, D who consistently said,

“There is no specific legislation on current PPP. We depend on the PPP guidelines which are made available at the UKAS website”.

Apparently, inadequate regulatory framework is a potential harm to the PPP processes and performance. Moreover, partnership between public and private is characterized as a risky relationship hence inherent conflict is inevitable. Thus, this lack of control and poor management of risk are detrimental to public accountability and governance.

### *Sustainable Development*

Sustainable development focuses on the ability of PPP programs and policy to deliver on social objectives such as poverty alleviation, and protection of the weak and vulnerable groups (UNECE, 2008). In its broader sense, sustainable development requires proper management of PPP projects so that development it produces meets the need of the present without compromising the future. In the case of UiTM PFI projects, sustainable development is achieved through PPPs and in fact their nature enhances the possibility of achieving social goals, much more than by traditional means. The success of public universities infrastructures and facilities construction allows greater accessibility to education. Besides, it offers more job opportunities thus helps in improving people standard of living.

However, there is scepticism that PPP promotes sustainable development. The claims go that PPP projects via PFI are only attractive in the short term. Furthermore, PPP projects that are associated with poor value management, inadequate regulatory framework, and poor transparency can be costly and more expensive from its actual cost in the long term.

Consequently, instead of transferring the risk to the private partner, it is the people who is going to bear the burden.

### **Methodology**

The present study is a part of researcher doctoral research work on governance of PPP in Malaysia. It constitutes a preliminary study for confirming issues under investigation and researcher early work in identifying potential key informant in the actual data collection phase. Therefore, in this preliminary study, data about PPP and governance is collected through two ways: (i) reviewing of past literatures on PPP and good governance concept, and (ii) conducting a preliminary interview with PPP key players. A review of past literatures on works relevant to this study, researcher follow Roehrich et.al. (2014) approach. The approach suggests the review of past literatures to be based on several criteria: from prominent international institution who play vital role in PPP policy development and programs executions; and from reputable journals across disciplines whose authenticity on PPP is indisputable because there is peer reviewed thus exhibit high disciplinary standing and can be considered validated knowledge. The scope of reviewed materials focuses on two main aspects: the concept of PPP and good governance at both global level and Malaysia context. In addition to this, the study also review government documents on the basis that these documents may provide factual and interpretive information about the PPP policy and its implementation which may not be acquired verbally; and secondly to strengthen the credibility of the research.

This review is later complemented with a field visit to potential research sites for carrying out a preliminary interview with PPP key actors. There are seven key informants interviewed in this study. For selecting the informant, the researcher first adopts purposive sampling technique. This is helpful to define and select small sample required that can adequately answer the questions. Later, the researcher adopts snowballing sampling technique whereby researcher relies on the assistance of initial informant to be referred to other potential informants from among their acquaintances. Both of these techniques are relevant for the present study due to ambiguous nature of PPP total population owing to the fact that it is still at its infant stage of implementation in Malaysia (Nooriha et al., 2014; Suhaiza & Fatimah, 2014a; Suhaiza & Rashid, 2007).

### **Discussion and Conclusion**

Early assessment on PPP execution in Malaysia context from good governance perspective reveals mix experience. The promise about quick service delivery is achieved following the success of PPP projects completion within a desired time frame. This confirms

Rosenau's (1999) argument that partnership with private actors encourages creativity and brings innovative ideas hence improve public service performance. However, mix evaluation are noticeable for other good governance aspects. For example, the extent to which PPP promotes public accountability is still debatable. This is due to the reason that PPP recent implementation is associated with inadequate regulatory framework, lack of control, and poor transparency. This is more critical because empirical evidence that PPP actually reduce the costs and enhance the VFM is still lacking (Suhaiza & Rashid 2007). Besides, the openness of PPP programs is also questionable as little information on PPP is publicly available. Consequently, PPP through its PFI mode gives limited opportunities for meaningful accountability, transparency and public participation. In light of this, Hayllar and Wettenhall (2010) points out that many PPP experiences suffer governance deficit which as an effect undermines public faith in the promises and probity of PPP.

This paper concludes that the reality of PPP from good governance perspective is a mixture between success and controversy. Therefore, careful PPP execution and proper evaluation is now needed to ensure that governments maintain their high standards of policy effectiveness. It is also important to understand the key governance issues affecting the feasibility and success of PPP as this is the key to ensure PPP delivers what it promises. Besides, both public and private actor must have a strong commitment uphold good governance principles. There are now sufficient experiments and developments taking place around the world going by the name of PPP. By gathering such evidence, better understanding on the concept of PPP can be grasped and how they should work in ensuring good governance can be understood. As this paper is limited in terms of its scope, the paper recommends future study to compare PPP and its good governance experience in Malaysia with other countries so that proper governance framework can developed based on the lesson learnt from others.

## Bibliography

- Asian Development Bank. (1995). *Governance : Sound Development Management*. Retrieved from <http://www.adb.org/sites/default/files/institutional-document/32027/govpolicy.pdf>
- Asian Development Bank. (2005). *Public-Private Partnership Handbook*.
- Borrás, S. (2008). The Widening and Deepening of Innovation Policy : What Conditions Provide for Effective Governance ? [Draft Version]. In *Europe-Latin America Conference on Science and Innovation Policy* (pp. 1–23). Georgia Institute of Technology. Retrieved from <http://hdl.handle.net/1853/39803>
- Borzel, T. A., & Risse, T. (2002). Public-Private Partnerships : Effective and Legitimate Tools of International Governance ? by (pp. 0–22).
- Bovaird, T. (2004). Public–private partnerships: from contested concepts to prevalent practice. *International Review of Administrative Sciences*, 70(2), 199–215.  
<http://doi.org/10.1177/0020852304044250>
- Brinkerhoff, D. W., & Brinkerhoff, J. M. (2011). Public-private partnership: perspectives on purpose, publicness, and good governance. *Public Administration and Development*, 14(31), 2–14. <http://doi.org/10.1002/pad>
- Buduru, B., & Pal, L. a. (2010). The globalized state: Measuring and monitoring governance. *European Journal of Cultural Studies*, 13(4), 511–530.  
<http://doi.org/10.1177/1367549410377144>
- Economic and Social Council of United Nations. (2006). *Definition of basic concepts and terminologies in governance and public administration* (Vol. 20194).
- Economic Planning Unit. (2006). *Ninth Malaysian Plan*. Kuala Lumpur.
- Economic Planning Unit. (2010). *Tenth Malaysian Plan*. Kuala Lumpur.
- Ginsburg, M. (2012). Public-Private Partnerships and the Global Reform of Education in Less Wealthy Countries – a Moderated Discussion, (November 2015).  
<http://doi.org/10.1086/662684>
- Givens, A. D., & Busch, N. E. (2013). Realizing the promise of public-private partnerships in U.S. critical infrastructure protection. *International Journal of Critical Infrastructure Protection*, 6(1), 39–50. <http://doi.org/10.1016/j.ijcip.2013.02.002>
- Greame A. Hodge, C. G. and A. E. B. (2010). Introduction:the PPP phenomenon and its evaluation. In C. G. and A. E. B. Greame A. Hodge (Ed.), *International Handbook on Public-Private Partnership* (1st editio, pp. 3–16). Cheltenham, UK: Edward Elgar Publishing Limited.

- Greame A. Hodge and Colin F. Duffield. (2010). The Australian PPP experience: observation and reflections. In *International Handbook on Public-Private Partnership* (1st edn, pp. 399–438). Cheltenham, UK: Edward Elgar Publishing Limited.
- Greve, C., & Morthh, U. (2010). Public-private partnerships: the Scandinavian experience. In C. G. and A. E. B. Greame A. Hodge (Ed.), *International Handbook on Public-Private Partnership* (1st edn, pp. 439–455). Cheltenham, UK: Edward Elgar Publishing Limited.
- Grimsey, D., & Lewis, M. K. (2002). Evaluating the risks of public private partnerships for infrastructure projects. *International Journal of Project Management*, 20(2), 107–118. [http://doi.org/10.1016/S0263-7863\(00\)00040-5](http://doi.org/10.1016/S0263-7863(00)00040-5)
- Hammersmid, G., & Ysa, T. (2010). Empirical pp experience in Europe: national variations of a global concept. In C. G. and A. E. B. Greame A. Hodge (Ed.), *International Handbook on Public-Private Partnership* (1st edn, pp. 333–353). Cheltenham, UK: Edward Elgar Publishing Limited.
- Haughton, G., & Mcmanus, P. (2012). Neoliberal experiments with urban infrastructure : The Cross City. *International Journal of Urban and Regional Research*, 36(January), 90–105. <http://doi.org/10.1111/j.1468-2427.2011.01019.x>
- Hayllar, M. R., & Wettenhall, R. (2010). Public-Private Partnerships: Promises, Politics and Pitfalls. *Australian Journal of Public Administration*, 69, S1–S7. <http://doi.org/10.1111/j.1467-8500.2009.00657.x>
- Hazman, A. (2012). *Public Governance and Service Quality - Strange Bedfellows?* Shah Alam.
- Hodge, G. A. (2004). The risky business of public – private partnerships 1, 63(December), 37–49.
- Hodge, G., & Greve, C. (2010). Public-Private Partnerships: Governance Scheme or Language Game? *Australian Journal of Public Administration*, 69, S8–S22. <http://doi.org/10.1111/j.1467-8500.2009.00659.x>
- Hwang, B.-G., Zhao, X., & Gay, M. J. S. (2013). Public private partnership projects in Singapore: Factors, critical risks and preferred risk allocation from the perspective of contractors. *International Journal of Project Management*, 31(3), 424–433. <http://doi.org/10.1016/j.ijproman.2012.08.003>
- International Monetary Fund. (1997). *Good governance: the IMF's role*. Washington.
- J.Graham, Amos, B., & Plumptre, T. (2003). *Principles for good governance in the 21st century* (No. 15). Retrieved from [www.iog.ca](http://www.iog.ca)
- Keohane, R., & Nye, J. (2000). Globalization What 's New ? What 's Not ? ( And So

- What ?). *Foreign Policy*, 118(118), 104–119.
- Khairuddin, A. R. (2014). *Public – private partnership and its significance for Malaysia*. Cambridge.
- Linder, S. H. (1999). Coming to Terms With the Public-Private Partnership: A Grammar of Multiple Meanings. *American Behavioral Scientist*, 43(1), 35–51.  
<http://doi.org/10.1177/00027649921955146>
- Liu, J., E.D. Love, P., Smith, J., Regan, M., & Sutrisna, M. (2014). Public-Private Partnerships: a review of theory and practice of performance measurement. *International Journal of Productivity and Performance Management*, 63(4), 499–512.  
<http://doi.org/10.1108/IJPPM-09-2013-0154>
- McQuid, R. W. (2007). The theory of partnership Why have partnership. In Stephen P. Osborne (Ed.), *Public-Private Partnership Theory and practice in international perspective* (4th edn, pp. 9–35). New York: Routledge.
- Mouraviev, Nikolai; Kakabadse, N. K. (2012). Conceptualising public-private partnership. *Society and Business Review*, 7(September), 260–276.
- Nation, U. (1995). *Our global neighborhood: the report of the commission on global governance*.
- National Audit Office. (2012). *Lessons from PFI and other projects*. UK.
- National Economic Advisory Council. (2009). *New economic model for Malaysia*. New Economic Advisory Council (NEAC). .... Kuala Lumpur. Retrieved from  
<http://www.epu.gov.my/epu-theme/pdf/nem.pdf>
- Nooriha, A., Azlinor, S., Asenova, D., & Bailey, S. J. (2014). PPP/PFI in Malaysian Development Plans : Purpose , Structure , Implementation , Financing and Risk Transfer. *Proceedings of 5th Asia-Pacific Business Research Conference*, 1–14.
- OECD. (2012). *Public Governance of Public-Private Partnerships*.
- Osborne, S. P. (2010). The new public governance? Emerging perspectives on the theory and practice of public governance. In S. P. Osborne (Ed.), (1st. editio, p. 448). New York: Routledge. <http://doi.org/10.4324/9780203861684>
- Peters, B. G., & Pierre, J. (1998). Governance Without Government ? Rethinking Public Administration, 8(Rhodes 1997), 223–243.
- PPP Unit. (2009). *Public private partnership (PPP) guideline*. Putrajaya.
- Public Account Committee. (2015). *PAC report on the management control procedure of Pembinaan PFI Sdn Bhd*. Kuala Lumpur.
- Rhodes, R. A. W. (1996). The New Governance: Governing without Government '. *Political*

- Stiidia*, 652–667. <http://doi.org/10.1111/j.1467-9248.1996.tb01747.x>
- Roehrich, J. K., Lewis, M. a, & George, G. (2014). Are public-private partnerships a healthy option? A systematic literature review. *Social Science & Medicine (1982)*, 113, 110–9. <http://doi.org/10.1016/j.socscimed.2014.03.037>
- Rosenau, P. V. (1999). Introduction: The Strengths and Weaknesses of Public-Private Policy Partnerships. *American Behavioral Scientist*, 43(1), 10–34. <http://doi.org/10.1177/0002764299043001002>
- Roshana Takim, Kharizam Ismail, Abdul Hadi Nawawi, and A. J. (2009). The Malaysian Private Finance Initiative and Value for Money, 103–111.
- Siddiquee, N. A. (2007). Paradox of public sector reform in Malaysia: a good governance perspective. *Public Administration Quarterly*, Vol. 31(No 3).
- Skelcher, C. (2010). Governing Partnerships. *International Handbook on Public-Private Partnerships*, 292–304.
- Suhaiza, I., & Fatimah, A. H. (2014). Rationales for public private partnership (PPP) implementation in Malaysia. *Journal of Financial Management of Property and Construction*, 19(3), 188–201. <http://doi.org/10.1108/JFMPC-04-2014-0006>
- Suhaiza, I., & Rashid, K. A. (2007). Private Finance Initiative (PFI) in Malaysia: the need for and issues related to public sector comparator (PSC). *Jurnal Akuntansi Dan Keuangan Indonesia*, 4(2).
- Takashima, R., Yagi, K., & Takamori, H. (2010). Government guarantees and risk sharing in public–private partnerships. *Review of Financial Economics*, 19(2), 78–83. <http://doi.org/10.1016/j.rfe.2009.10.001>
- UNECE. (2008). *Guidebook on promoting good governance in public-private partnership*. New York.
- World Bank. (1992). *Governance and development*. Washington.
- World Bank. (2007). *Public-private partnership units lessons for their design and use in infrastructure*. Washington.
- Yehoue, E. B., Hammami, M., & Ruhashyankiko, J.-F. (2006). Determinants of Public-Private Partnerships in Infrastructure. *IMF Working Papers*, 6(99), 1. <http://doi.org/10.5089/9781451863598.001>
- Zurina, M. N., & Jasmine, A. (2016). *A review of public private partnership (PPP) concept in Malaysia*. Working paper presented at Public Policy Seminar, Universiti Teknologi Shah Alam.