

THE ROLES OF PRINCIPAL-AGENT-CLIENT IN  
CORRUPTION AT THE PUBLIC PROCUREMENT  
SECTOR IN MALAYSIA: AN EXPLORATORY STUDY

BY

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Thesis submitted in fulfilment of the requirement for the  
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Knowledge and Human Sciences  
International Islamic University Malaysia

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## ABSTRACT

Corruption in public procurement poses a significant challenge to governance and economic development, particularly in Malaysia, where it undermines public trust and results in substantial financial losses. This study explores the dynamics of corruption in public procurement, with a focus on the collusive behaviours among key actors: principals, agents, and clients, that facilitate corrupt practices. Anchored in the Principal-Agent-Client (PAC) theoretical framework, the research highlights how asymmetric information and incentive-driven behaviours create vulnerabilities in the procurement process. Using a qualitative approach, the study employed thematic and content analysis through ATLAS.ti to analyse data from multiple sources, including in-depth interviews with 15 experts, face-to-face interviews with seven incarcerated individuals, and the examination of 30 case files provided by the Malaysian Anti-Corruption Commission (MACC). Findings reveal that collusion is perpetuated by structural inefficiencies, such as weak oversight mechanisms and gaps in transparency, which existing anti-corruption measures fail to adequately address. The study offers a new theoretical angle complementing the existing knowledge of how systemic factors interrelate with collusive behaviour in corruption. It puts forward a framework for future research on combating collusion and corruption in public procurement. Therefore, by addressing the root causes of corruption, it provides insights for policymakers and enforcement agencies on combating collusion, promoting integrity, and strengthening governance in public procurement.

## خلاصة البحث

يعرض هذا البحث الفساد في المشتريات العامة بشكل تحديًا كبيرًا للحكم والتنمية الاقتصادية، خاصة في ماليزيا، حيث يقوض الثقة العامة ويؤدي إلى خسائر مالية كبيرة. تهدف هذه الدراسة إلى استكشاف ديناميكيات الفساد في المشتريات العامة مع التركيز على السلوكيات التواطؤية بين الأطراف الرئيسية—الموكلين، الوكلاء، والعملاء—التي تسهّل الممارسات الفاسدة. تركز الدراسة على الإطار النظري للوكيل-الموكل-العميل (PAC) وتبرز كيف تسهم المعلومات غير المتكافئة والسلوكيات المحفزة بالمكافآت في خلق نقاط ضعف في عملية المشتريات. باستخدام منهجية نوعية، تم تحليل البيانات باستخدام التحليل الموضوعي وتحليل المحتوى من خلال برنامج ATLAS.ti، اعتمادًا على مصادر متعددة، شملت مقابلات معمّقة مع 15 خبيرًا، ومقابلات مباشرة مع 7 أفراد مسجونين، بالإضافة إلى تحليل 30 ملف قضية مقدمة من هيئة مكافحة الفساد الماليزية (MACC). تكشف النتائج أن التواطؤ يُعزّز من خلال أوجه القصور الهيكلية، مثل ضعف آليات الرقابة ووجود فجوات في الشفافية، والتي تعجز التدابير الحالية لمكافحة الفساد عن معالجتها بشكل كافٍ. تقدم الدراسة منظورًا نظريًا جديدًا يكمل المعرفة الحالية حول كيفية تفاعل العوامل النظامية مع السلوك التواطؤي في الفساد. كما تطرح إطارًا للبحث المستقبلي حول مكافحة التواطؤ والفساد في المشتريات العامة. وبذلك، من خلال معالجة الأسباب الجذرية للفساد، تقدم الدراسة رؤى لصناع السياسات والجهات التنفيذية حول سبل مكافحة التواطؤ، وتعزيز النزاهة، وتقوية الحوكمة في مجال المشتريات العامة.

## APPROVAL PAGE

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## DECLARATION

I hereby declare that this thesis is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

Hairuzzaki bin Mohd Yusof

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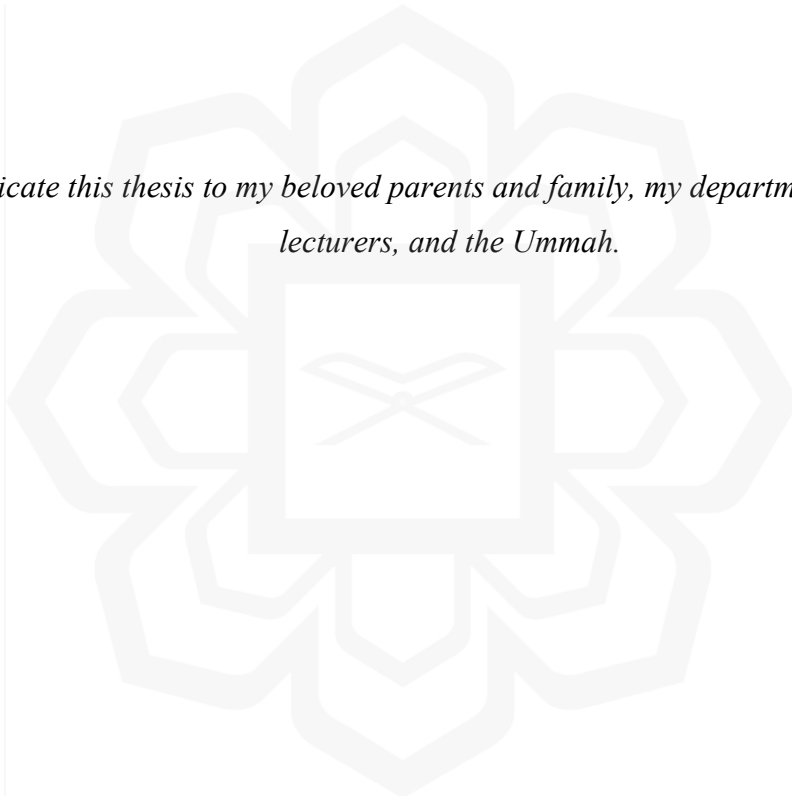
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*I dedicate this thesis to my beloved parents and family, my department, teachers,  
lecturers, and the Ummah.*



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## LIST OF CASES

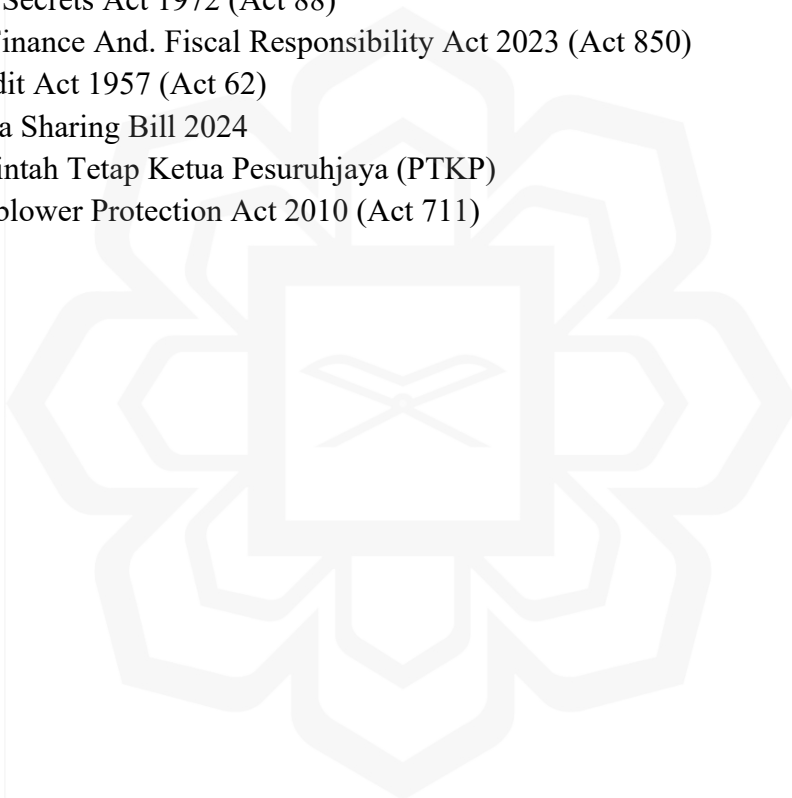
*Pendakwa Raya lwn Tan Sri Mohd Isa bin Abdul Samad* [2022] 12 MLJ

*Rosmah binti Mansor Vs. PP and Another Case* [2021] 6 MLRH



## LIST OF STATUTES

Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (Act 613)  
Competition Act 2010 (Act 712)  
Criminal Procedure Code (Act 593)  
Financial Procedure Act 1957 (Act 61)  
Government Contracts Act 1949 (Act 120)  
Malaysian Anti-Corruption Commission Act (Amendment) 2018 (A1567 Act).  
National Bureau of Investigation Act 1973 (Act 123)  
Official Secrets Act 1972 (Act 88)  
Public Finance And. Fiscal Responsibility Act 2023 (Act 850)  
The Audit Act 1957 (Act 62)  
The Data Sharing Bill 2024  
The Perintah Tetap Ketua Pesuruhjaya (PTKP)  
Whistleblower Protection Act 2010 (Act 711)



## LIST OF ABBREVIATIONS

1 Malaysian Development Berhad (1MDB)  
Accused Person (OKT)  
Administrative and Diplomatic Officers (PTD)  
Anti-Corruption Agency (ACA)  
Archive of Technology, Life world and Language (ATLAS.ti)  
Artificial Intelligence (AI)  
ASEAN Chiefs of National Police (ASEANPOL)  
Asia-Pacific Group on Money Laundering (APG)  
Association of Southeast Asian Nations (ASEAN)  
Auditor's General Report (AG's Report)  
Augmented Reality (AR)  
Bank Negara Malaysia (BNM),  
Centre to Combat Corruption and Cronyism (C4)  
Certified Integrity Officers (CeIO)  
Chief of State Audit (KAN)  
Circulars on Federal Central Contracts (FCCC's)  
Civil Society Organisation (CSO)  
Comprehensive Digital Procurement Governance System (CDPGS)  
Corruption Perception Index (CPI)  
Corruption Risk Indicator (CRI)  
Deputy Public Prosecutor (DPP)  
Electronic Government Procurement Application (eGPA)  
European Anti-Fraud Office (OLAF)  
European Union (EU)  
Federal Land Consolidation and Rehabilitation Authority (FELCRA)  
Felda Investment Corporation Sdn. Bhd. (FICSB)  
Financial Action Task Force (FATF)  
Government-Linked Companies (GLC)  
Government-Linked Investment Companies (GLIC)  
Gross Domestic Product (GDP)  
Integrity Management Committee (JKP)  
International Labour Organisation (ILO)  
Investigative Officers (IO)  
Littoral Combat Ship (LCS)  
Machine Learning (ML)  
Majlis Amanah Rakyat (MARA)  
Merdeka Palace Hotel Sarawak (MPHS)  
Modus Operandi (MO)  
National Anti-Corruption Plan (NACP)  
National Anti-Corruption Strategy (NACS)

National Centre for Governance, Integrity and Anti-corruption (GIACC)  
 National Governance Committee (JTK)  
 National Registration Department (JPN)  
 Non-Governmental Organisations (NGO)  
 Pekeliling Perbendaharaan 1.6 (PK 1.6)  
 People's Justice Party (PKR)  
 Principal-Agent Theory (PAT)  
 Public-Private Partnership Unit (UKAS)  
 Pusat Maklumat Perolehan Kerajaan (MyPROCUREMENT)  
 Sistem Maklumat Bersepadu Perolehan Kerajaan (MyGPIS)  
 Special Cabinet Committee on Anti-Corruption (JKKMAR)  
 Sustainable Development Goals (SDG)  
 Teacher Education Institutes (IPG),  
 The Anti-Corruption Advisory Board (LPPR)  
 The Anti-Corruption Committee (JAR)  
 The Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful  
 Activities Act 2001 (AMLATFAPUAA)  
 The ASEAN Supreme Audit Institutions (ASEANSAI)  
 The Asian Organisation of Supreme Audit Institutions (ASOSAI)  
 The Asia-Pacific Economic Cooperation (APEC)  
 The Bill of Quantity (BQ)  
 The Centre of Responsibility (PTJ)  
 The Chief Integrity Officer (CIO)  
 The Committee for Integrity and Governance (JITU)  
 The Committee on Integrity Governance (JKTU)  
 The Companies Commission Malaysia (CCM),  
 The Complaints Committee (JKA)  
 The Consultative and Anti-Corruption Panel (PPPR)  
 The Corporate Integrity Pledge (CIP)  
 The Enforcement Agency Integrity Commission (EAIC)  
 The Fifth Industrial Revolution (5IR)  
 The Financial Intelligence Unit (FIU)  
 The Follow Up Division (BSA)  
 The Fourth Industrial Revolution (4IR)  
 The House of Representatives (Dewan Rakyat).  
 The IIUM Research Ethics Committee (IREC)  
 The Institute of Democracy and Economic Affairs (IDEAS)  
 The Institute of Integrity Malaysia (INTEGRITI)  
 The Integrity and Anti-Corruption Course (KIAR)  
 The Integrity Pact (IP).  
 The International Association of Anti-Corruption Authorities (IAAC)  
 The International Criminal Police Organization (INTERPOL)  
 The International Organisation of Supreme Audit Institutions (INTOSAI)  
 The Jawatankuasa Susulan Laporan Ketua Audit Negara (JSLKAN)

The Labuan Financial Services Authority (LFSA)  
The Malaysia Anti-Corruption Academy (MACA)  
The Malaysian Anti-Corruption Commission Act (MACC)  
The Ministry of Finance (MOF)  
The Ministry of Finance, the Public Service Commission (PSC)  
The National Audit Department of Malaysia (NAD)  
The National Bureau of Investigation (NBI)  
The National Key Result Area (NKRA)  
The Operations Evaluation Committee (PPO)  
The Parliamentary Committee on Anti-Corruption (JKMR)  
The Principal-Agent-Client (PAC)  
The Public Complaints Bureau (PCB)  
The Public Service Department (JPA)  
the Qualitative Data Analysis (QDA)  
The Royal Malaysian Police (PDRM)  
The Securities Commission Malaysia (SC),  
The Special Cabinet Committee on Government Management (JKKMPK)  
The Treasury Circular Letter (TCL)  
The Treasury Instructions (TI)  
The UN Convention against Corruption (UNCAC)  
The United Nations Development Program (UNDP)  
The East Coast Rail Link (ECRL)  
The Organisation for Economic Co-operation and Development (OECD)  
Transparency International (TI)  
Transparency International Malaysia (TI-M)  
United Malays National Organisation (UMNO)  
United Nations on Drugs and Crime (UNODC)  
USIM refer to the Universiti Sains Islam Malaysia.  
Variation Orders (VO)  
Virtual Reality (VR)  
World Trade Organisation (WTO)

# CHAPTER ONE

## INTRODUCTION

### 1.1 BACKGROUND OF THE STUDY

Public procurement refers to purchases of goods and services from suppliers on behalf of the government, represented by the various municipalities, provinces, states, national offices, and federal offices. It plays a critical role in democratic governments by channelling resources into development areas such as infrastructure, education, and the socio-economic well-being of their citizens. To ensure efficiency and accountability, government must manage public procurement process carefully to prevent issues like corruption. According to the World Bank (2007), procurement is among the most important cross-cutting, and corruption-prone activities of local governments. In 2018 alone, public procurement represented 13% of global Gross Domestic Product (GDP), amounting to USD 11 trillion. Public procurement accounts for more than a tenth of national output in most wealthy nations, including 24% in Switzerland, 21% in the Netherlands, and 18% in Singapore and Hong Kong. In Malaysia, public expenditure has consistently represented approximately 24-33% of Malaysia's GDP over the past decade (Adham and Siwar, 2012).

Given the vast sum involved, international initiatives have emerged to promote governance. For instance, the United Nations on Drugs and Crime (UNODC) published the *Guidebook on Anti-Corruption in Public Procurement and Management of Public Finances* in 2013. This guideline, alongside national policies, provides an international benchmark to promote transparency, competition, and accountability. In Malaysia, the procurement system remains largely decentralised (Ashari, 2013). The Ministry of Finance (MOF) regulates government procurement policies through documents such as *The Procurement Guideline Book of Malaysia, The Financial Procedures Act 1957, the Treasury Instructions (TI) and the Treasury Circular Letter (TCL)* (Othman et al., 2010). Malaysia's government procurement aims to achieve best value for money by considering both price and non-price factors, such as whole-life cost, quality, quantity, timeliness, maintenance, and warranty. The Malaysian Procurement Policy highlights several objectives:

- i. **Public Accountability:** Procurement must reflect the trust vested in the government by its citizens.
- ii. **Transparency:** Regulation, conditions, and procedures must be clear to all suppliers and vendors.
- iii. **Value for Money:** Government spending must yield optimal returns in terms of quality, quantity, price, and timeliness.
- iv. **Open and Fair Competition:** All qualified participants must have equal opportunities (Ashari, 2013).

Despite these frameworks, public procurement remains vulnerable. the Ministry of Finance Malaysia (2022), reported the increase in public spending from RM 29.3 billion in 2019 to RM 30.3 billion in 2022. Given that procurement constitutes around 12% of GDP or 11 trillion annually, the risk of corruption remains significant. Even in the European Union (EU), known for its robust integrity systems, faces a 10 – 20% loss from procurement-related corruption (Bosio et al., 2020). Moreover, Kaufman (2004) estimated that over US\$1,000 billion in bribes are paid annually worldwide, with public sector procurement alone accounting for approximately US\$200 billion annually. Consequently, it will hamper the nation with the problem of higher deficits and lower growth, low quality and insufficient level of public infrastructure (Schwartz et al., 2020).

Although Malaysia has implemented numerous governance mechanism, persistence weaknesses in the procurement process require attention (Jones, 2009). Moreover, a study on the weaknesses of the public procurement process in Malaysia found that 16 weaknesses suggest that Malaysian public procurement is inefficient and needs more effort to improve its process to serve the nation better (Azmi and Ismail, 2022). The problem of corruption is the greatest problem that can occur as an implication of ineffective policies and lack of transparency in the process. Prior research including Thai (2004), Mahmood (2010), Othman et al. (2010), and Hui et al. (2011) consistently points to corruption as a key consequence of inefficient public procurement system. As Hassan (2016) notes, corruption in procurement involved unethical behaviour where individuals such as clients, officials, vendors or public figures gain undue benefit at the organisation's expense.

In view of the above, this study aims to investigate the weaknesses of Malaysia's public procurement system by exploring the modus operandi (MO) of corrupt activities. By applying the Principal-Agent theory, this research will seek to explain the dynamics that enable corruption and propose actionable solutions. Greater detail on the issue of corruption in public procurement will follow in the next subsection.

## 1.2 STATEMENT OF PROBLEM

A recent comprehensive nationwide survey conducted by USIM<sup>1</sup> in 2023 showed that 41% strongly agreed that corruption in Malaysia remained alarmingly high, and 1 in every 4 Malaysians said it had worsened over a year. Overall, a massive two-thirds of Malaysians, or 69% in total, believed corruption has increased compared to the previous year (NACS, 2024).

Corruption is a term with varied definition. Broadly, it refers to giving or receiving money or in-kind rewards in exchange for preferential treatment or services. More formally, it encompassed the misuse of public office for private gain. In Malaysia, however, the legal framing under the Malaysian Anti-Corruption Commission Act 2009 (MACC Act) uses gratification to capture a broader range of corrupt practices.

In recent years, Malaysia has attracted significant international attention due to major corruption scandals involving public procurement. Notably, the SRC International and 1 Malaysian Development Berhad (1MDB) scandals implicated a former Prime Minister of Malaysia and severely tarnished the nation's reputation, resulting in Malaysia's declining performance in the Transparency International's Corruption Perception Index (CPI).

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<sup>1</sup> USIM refer to the Universiti Sains Islam Malaysia.

Table 1.1 Malaysia Corruption Perception Index 2019-2023 released by Transparency International

Year	Score	Rank
2019	53	51
2020	51	57
2021	48	62
2022	47	61
2023	50	57
2024	50	57

Source: (Transparency International Malaysia Chapter)

Table 1.1 illustrates Malaysia’s declining CPI scores of between 2019 to 2022, with a minor recovery in 2023 and 2024. CPI scores, ranging from 0 (highly corrupt) to 100 (very clean), serve as a crucial barometer for foreign investors and policymakers, despite criticisms regarding their perception-based nature. The drop in Malaysia’s CPI coincided with political instability and exposed systemic vulnerabilities in governance. Alarmingly, according to Malaysian Anti-Corruption Commission (MACC) Chief of Commissioner Tan Sri Azam Baki, the country lost approximately RM277 billion to corruption from 2018 to 2023, averaging RM 55 billion annually (NACS, 2024-2028).

In response to these challenges, Malaysia’s leadership initiated several anti-corruption efforts. Under Tun Dr. Mahathir’s administration, the Special Cabinet Committee on Anti-Corruption (JKKMAR), the Governance, Integrity and Anti-Corruption Centre (GIACC), and the National Anti-Corruption Plan (NACP, 2019-2023) were established. These efforts were later extended through Prime Minister Anwar Ibrahim’s introduction of National Anti-Corruption Strategy (NACS) aiming to bolster implementation and results. Notably, these initiatives identified public procurement as the sector that most vulnerable to corruption, a finding supported by MACC data in figure 1.1 as follows:

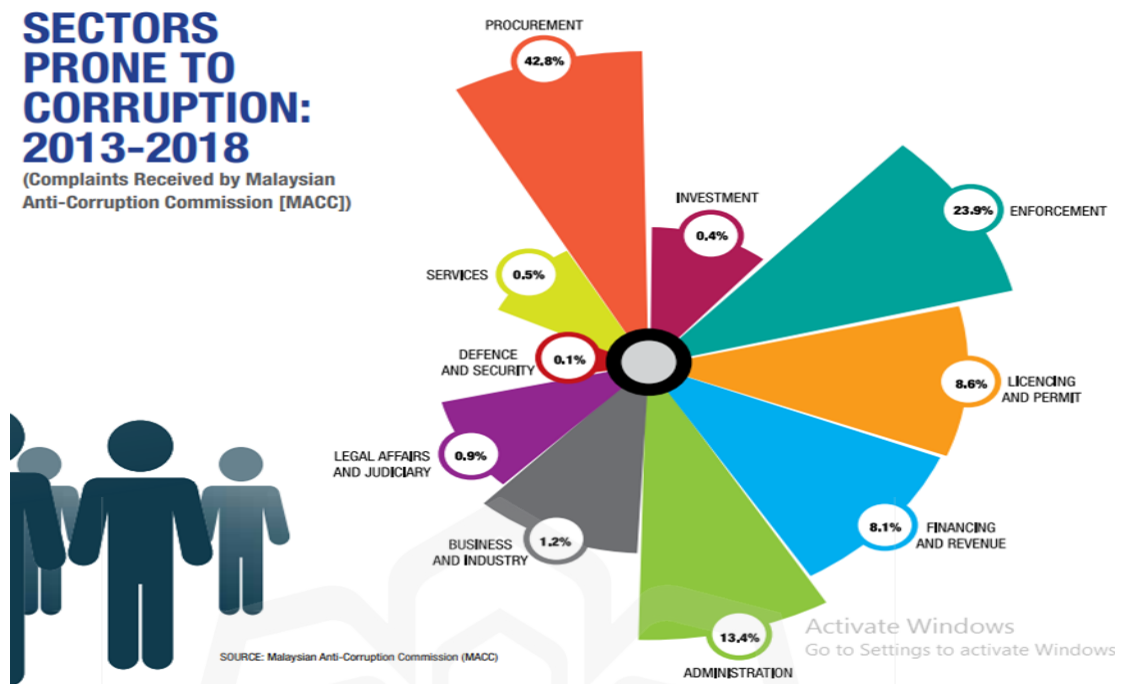


Figure 1.1 Sectors Prone to Corruption: 2013-2018 (Complaints Received by MACC)  
 Source: (National Anti-Corruption Plan (NACP) 2019-2023, p.9)

These indications were parallel with the recent cases of grand corruption in public procurement in Malaysia, such as the Tender Cartel in Government Projects amounting to RM 100 million since 2014 (NST, 2021), the Solar Energy Procurement Project amounting to RM1.25 billion, and the RM9.13 billion Littoral Combat Ship (LCS) contract scandal, which has added to the fiasco for the nation (Malaymail.com, 2022a; b). Several issues contribute to corrupt activities in public procurement, such as the constant issues and weaknesses in the procurement process, as reported by the Auditor General in his annual report, indicating the ineffectiveness of the public procurement system in Malaysia. According to the study by Azmi and Ismail (2022), they found that there are five top issues in Malaysian procurement from 2011-2018, which are non-compliance to scope, specifications and terms of contracts, delayed completion/non-completion of projects, poor documentation, low quality of products, service and work, and little or no prior planning. Furthermore, it was revealed that of four types of procurement in Malaysia, which are direct purchase, quotations, direct

negotiation, and tenders, the direct negotiation mode was the most problematic in the Malaysian context. Therefore, it is paramount to know how these corrupt activities operate within Malaysia's procurement framework. By knowing the MO of those corrupt actors, we will be able to define the best way to mitigate it.

Nonetheless, there are some significant efforts by the government to overcome these issues, such as NACP, which was developed by the National Centre for Governance, Integrity and Anti-Corruption (GIACC), Prime Minister Department, with a vision to create a corrupt-free nation through three specific goals, which are accountability and credibility of the judiciary, prosecution and law enforcement agencies, as well as efficiencies and responsiveness in public service and integrity in business (NACP, 2019-2023). As stated in Strategy 3 NACP, there are 10 initiatives in public procurement. Among them are:

- i. to introduce a comprehensive policy on disclosure of conflict of interest during the procurement process,
- ii. to strengthen the current Integrity Pact to be in line with international standards,
- iii. to introduce a more transparent mechanism in preventing information leakages in the procurement process,
- iv. to ensure the appointment of rescuing contractors through open tender, and
- v. to enhance the technology-based procurement system (e-procurement) to reduce human intervention between parties.

Despite these initiatives, political changes in 2020 and 2021 hindered full implementation, leaving vulnerabilities unaddressed. Moreover, although there are some robust procedures and policies constructed in implementing procurement and adherence to international standards, such as the United Nations Convention Against Corruption (UNCAC) and members of the Asia-Pacific Economic Cooperation (APEC), there are still some loopholes that are being taken advantage of by those corruptors. Given the persistence weaknesses, urgent research is needed to understand the modus operandi of corruption in procurement, particularly the collusion between officials and the private actors. Identifying these operational patterns is essential for designing more effective anti-corruption initiatives and safeguarding public resources. This study is thus timely and critical. It aims to complement governmental efforts by

providing deeper insights into how corruption infiltrates procurement processes, helping Malaysia move closer to a transparent, accountable procurement system. Thus, the next subsection will be discussed and explain the objectives of this study.

### **1.3 RESEARCH OBJECTIVE**

The study has depicted the following research objectives:

- 1) To explore the Modus Operandi (MO) of corruption in the public procurement sector in Malaysia.
- 2) To explore the collusion between the Principal, Agent and Client in corrupt practices in the public procurement sector in Malaysia.
- 3) To evaluate the need for new government initiatives to curb corruption in public procurement in Malaysia.

### **1.4 RESEARCH QUESTION**

To achieve the above objectives, the study attempts to answer the following research questions:

1. What is the Modus Operandi (MO) of corruption in the public procurement sector in Malaysia?
2. How do the Principal, Agent and Client collude in Malaysian public procurement corruption?
3. Why does the Malaysian government need to adopt new government initiatives to curb corruption in the public procurement sector in Malaysia?

The significance of the study and its rationale are described in the following subsection.

## **1.5 SIGNIFICANCE AND JUSTIFICATION OF THE STUDY**

This study is significant for several reasons, especially in the context of Malaysia's ongoing efforts to combat corruption in the public sector. Firstly, existing research on corruption in Malaysia are largely focused on policy analysis, legal frameworks, and general governance issues. There is a lack of in-depth empirical studies that examine the inner working of procurement related corruption through concrete evidence such as case files, interview with experts and relevant stakeholders, and analysis of reliable data. This is in line with Hasan (2016), as he argued that there is still a lack of data on this subject because of confidential issues. Therefore, the combination of primary and secondary data in this research fills the gap by offering a detailed, context-specific exploration of an actual patterns in procurement, particularly using selected Malaysian Anti-Corruption Commission (MACC) case files.

Secondly, this research contributes to practical anti-corruption strategies by identifying systemic weakness in procurement practices and the roles of key actors involved in corrupt transactions. The insight derived from this study can inform policy makers, enforcement agencies, and procurement professionals about specific risk areas and enable the development of more targeted and effective preventive measures. Thirdly, this study enhances the academic literature by offering a Malaysian-based analytical framework from understanding procurement corruption, which may also be adapted or compared with another countries in similar governance context. This it contributes both to national efforts and to the broader global discourse on corruption in public procurement.

Finally, this study challenges the negative perception of corruption in Malaysia, given its high rating. While numerous scholarly and media articles have addressed corruption in Malaysia context, relatively few are grounded in rigorous empirical evidence. This research addressed that gap by employing credible and reliable data sources, thus offering a more nuanced and evidence-based understanding of corruption dynamics in public procurement. In doing so, it challenges generalised assumptions and disentangle factual realities from persistence myths. Despite certain limitations, the study underscores a clear research gap and opens new avenues for future inquiry, particularly in the domain of corruption risk assessment and institutional accountability within public procurement system. The following subsection will synthesise existing literature to situate this study within the broader academic landscape.

## 1.6 LITERATURE REVIEW

Corruption started from the beginning of human life in society, when human civilisation emerged. Humans have been plagued by symptoms of corruption for at least a few thousand years. The intensity of corruption varies at different times and places (Al-Attas, 1995, p.1).

The corruption issue that has crept into people's daily lives is described in the aforementioned quotation. The notion, causes, and contributing factors of corruption have all been the subject of many scholarly discussions. Numerous recommendations and ideas have been made to prevent corruption, but this crime still happens today. Previous researchers have conducted diverse studies related to corruption. As a result, numerous themes have been developed in this field. For example, studies related to the causes of corruption by Al-Attas (1995 and 2015), Quah (1999), Klitgaard (1988), Rose-Ackerman (1999), Treisman (2000 and 2007), and Mashayekhi, A. et al. (2022). They asserted that poverty, bureaucracy, natural resources, and the low pay of government employees were the root causes of corruption. Furthermore, Mashayekhi A. et al. (2022) argue that corruption can be controlled by examining all its root causes within a framework. The study of the adverse effects of corruption on the economy was conducted by Huntington (1968), Ades and Di Tella (1997), Wei (2001), Paldam (2002), Myrdal (1968), and Cruz Luzuriaga and Sedai (2021). Everyone agreed that corruption has a negative effect on the economy, except Huntington (1968) and Ades and Di Tella (1997), arguing that corruption has a positive effect on the economy and does not significantly impact investment.

Accordingly, research on the effects of corruption on economic growth and development has been done by Mauro (1995 and 1997), Tanzi (2002), Fisman and Svensson (2001), as well as Malanski and Póvoa (2021). Everyone agrees that corruption has a detrimental effect on development and growth. On the other hand, Malinski and Povoia (2021) asserted that corruption has benefitted nations with less economic freedom, such as those in Latin America. Additionally, studies on the effect and relationship of corruption on politics were carried out by Amundsen (1999), Heywood (1999), Heidenheimer and Johnston (2011; 2005), Klitgaard (1991), Nyberg (2021), and Figueroa (2021). They focus primarily on political corruption, claiming it is the mother of all forms of corruption. The relationship between corruption and democracy, the syndrome of corruption, the definition of corruption, the effect of

political corruption on legislation, and the relationship between corruption and elections are some other themes covered.

According to Al-Attas (1995), corruption occurs at different times and places, with varying degrees of intensity. These findings give the impression that corruption in a location varies in terms of type and intensity. In conjunction with that, numerous studies on cross-country analysis involving most of the world's countries, such as a study on corruption and corporate governance by Boateng et al. (2021) and Wu (2005). Meanwhile, Ata and Arvas (2011) conducted a study on the determinants of economic corruption. Treisman (2000) studied the causes of corruption, while Xin and Rudel (2004) concluded a study on the context of political corruption.

Several studies have been carried out on corruption in ASEAN countries, such as by Quah (2020) on corruption scandals, a study on the political economy of corruption by Lil and Stern (2002), a study by Wescott (2003) on combating corruption in ASEAN, and a study by Jones (2009) on curbing corruption in public procurement. Moreover, a study by Callahan (2000) focused on ASEAN political corruption. Zafarullah and Siddiquee (2022) are engaged in a study on transparency and corruption in ASEAN. The level of corruption, money in politics, political corruption, political economy, ethics, integrity, transparency, and anti-corruption became the key themes and subjects in the Malaysian setting. The following are some of the studies that have been done Beh (2017), Azmi and Zainudin (2020), Kapeli and Mohamed (2015 and 2020), Siddiquee and Zafarullah (2022), Milne (1987), Gomez and Jomo (1999), Marican (1979), Durairaja et al. (2019), Jones (2020), Ahmad et al. and Carothers (2021). Those studies have demonstrated the wide range of themes, trends, and patterns explored in corruption-related research.

Three subtopics, which are 1) corruption in public procurement, 2) corruption in public procurement in the Southeast Asia region, and 3) corruption in public procurement in Malaysia, make up this literature review. It will expand on the theme, theory, method, results, and discussion and debate to clarify and organise it.

### **1.6.1 Corruption in Public Procurement**

Corruption in public procurement has emerged as one of the most persistent and complex governance challenges worldwide. Scholars such as Klitgaard (1988) and Rose-Ackerman (1999) were among the earliest to identify public procurement as a fertile ground for corruption, describing it as a lucrative gateway for rent-seeking due to the concentration of money, discretion, and weak accountability. Salisu (2000) further emphasized how manipulation of government spending opens pathways to illicit personal enrichment. These foundational works frame procurement as a systemic vulnerability, particularly within public sector governance.

Several recent studies build on this foundation by examining corruption through contextual, theoretical, and methodological lenses. Elegbe (2018), for example, adopts a state critique by arguing that traditional approaches, such as enforcement and limiting discretion are ineffective in developing countries like Nigeria, where institutional weaknesses and complicity among enforcers undermine reform efforts. Elegbe calls for a shift toward non-state-centric interventions, suggesting a paradigmatic rethinking of anti-corruption strategies. This contrasts with approaches like those of Teichmann (2019), who applies agency theory in a corporate context. Teichmann critiques incentive structures that reward performance without incorporating compliance, proposing a revised framework that integrates ethical incentives into procurement governance. Although both studies focus on motivation and systemic failures, they diverge in orientation: while Elegbe critiques the enforcement apparatus, Teichmann proposes restructuring internal organisational incentives.

Søreide (2002) provides a broader analytical lens by identifying corruption mechanisms inherent to procurement processes, such as abuse of confidential information and discretion in bid selection. Her conceptual model of corruption mechanisms offers a taxonomy of vulnerabilities, though the absence of empirical case references limits generalisability. Nevertheless, her work complements more recent empirically grounded studies such as Barrett and Fazekas (2019), who use quantitative data to demonstrate how procurement is manipulated for political gain in Hungary, contrasting it with lower levels of elite capture in the UK. Their findings, grounded in political economy, reveal that procurement is not only a bureaucratic activity but a tool for political consolidation. The comparative lens adds nuance to the cross-national variation in procurement corruption, reinforcing the need for context-specific analysis.

Empirical methodologies are especially prominent in studies such as Fewerda et al. (2017), who use red-flag indicators across eight EU countries to statistically differentiate between corrupt, grey, and clean procurement cases. Their results indicate that lack of transparency, large tenders, and bidder collusion are predictive of corruption. Unlike theoretical works, their empirical dataset, vetted by the European Anti-Fraud Office (OLAF), provides robust validation. The methodologically rigorous use of real cases offers a blueprint for this current study's approach in using Malaysian MACC case files. Complementary perspectives emerge from Jones (2021), who critiques the procurement processes in England and Wales. He contends that even in low-corruption contexts, undetected corruption persists due to legal loopholes, weak anti-corruption cultures, and inadequate transparency. Similarly, Grega et al. (2019), using a mixed-methods design, highlight how excessive bureaucracy and ethical deficits create inefficiencies in Slovakia's procurement system. Both studies underscore the structural fragilities that are often overlooked in perceptions-based analyses, although Grega's research would benefit from incorporating actual corruption cases to substantiate findings.

In contrast, Graycar (2019) offers a rare methodological strength by analysing 42 actual procurement corruption cases in New South Wales over a 30-year period. His typology of corrupt behaviour, ranging from document falsification to the concealment of undersupply, combined with the TASP (Types, Activities, Sectors, Places) framework, provides a nuanced lens through which different procurement corruption schemes can be understood. However, Graycar acknowledges the need for triangulation with qualitative methods to improve validity, pointing toward the benefit of adopting multimethod strategies in procurement corruption research. Finally, Lisciandra et al. (2021) introduce the Corruption Risk Indicator (CRI), a novel quantitative tool designed to assess the probability of corruption in public procurement. Unlike red-flag approaches, the CRI allows disaggregation by geographical and institutional dimensions and facilitates risk-based audits. The versatility of the CRI makes it a promising tool for corruption detection in various contexts, including Malaysia, although its predictive capacity depends on high-quality, granular procurement data, something not always readily available in developing countries.

The literature reviewed demonstrates a progression from normative theoretical frameworks toward empirically grounded, methodologically diverse studies. Common

themes include systemic institutional weaknesses (Elegbe, Grega), the role of political economy (Barrett and Fazekas), and the operational mechanisms of corruption (Søreide, Graycar). While studies such as Teichmann and Lisciandra provide theoretical and methodological innovation respectively, their generalisability remains limited by context-specific legal and political norms. This underscores a significant gap in the application of these findings to the Malaysian setting. This study responds to these gaps by combining actual MACC corruption case data with expert interviews, drawing on the methodological strengths of Graycar (2019) and Fewerda et al. (2017). It aims to generate a contextualised analytical framework for understanding corruption in public procurement in Malaysia, bridging theory, empiricism, and policy.

### **1.6.2 Corruption in Public Procurement in Southeast Asia (ASEAN)**

Within the ASEAN region, the discourse on corruption in public procurement remains relatively underdeveloped compared to Western contexts. Nevertheless, several pivotal studies, most notably those by Jones (2007, 2009, 2016, 2021) offer critical insights into regional dynamics, institutional weaknesses, and cultural nuances. A comparative analysis reveals a spectrum of procurement maturity, ranging from Singapore's institutional robustness to Myanmar's deeply entrenched corruption.

Singapore stands out as a regional leader, having institutionalised its procurement process through clear, enforceable rules outlined in the Government Procurement Act (1997) following its accession to the WTO's Government Procurement Agreement. This contrasts with countries like Malaysia, where procurement policies are oriented toward economic nationalism, such as promoting Bumiputera participation, local sourcing, and technology transfer (APEC, 2006). While Malaysia's policy reflects developmental objectives, it also opens space for discretionary practices, which can be exploited for rent-seeking. Jones (2021) identifies similar risks across ASEAN, noting that opaque, discretionary procurement systems, especially where local suppliers are favoured without rigorous vetting, heighten vulnerability to corruption.

Meanwhile, countries such as the Philippines, Thailand, Cambodia, Vietnam, and Indonesia are in the process of refining their procurement frameworks. However, widespread issues persist, including a lack of procurement professionalism, closed

tendering systems, and pervasive corruption. The literature concurs that across much of ASEAN, procurement reforms are uneven, often undermined by institutional weakness, lack of enforcement, and collusion between officials and business elites.

Jones (2009, 2021) outlines the various corruption modalities prevalent in regional procurement: misappropriation of funds, bribery, nepotism, cronyism, and collusion. For instance, public officials may siphon off budget allocations or engage in contract inflation, awarding tenders in exchange for kickbacks, gifts, or future employment. These mechanisms are not unique to ASEAN, but their manifestation is often exacerbated by local political economies and sociocultural norms. The case of Brunei, explored by Jones (2016), exemplifies corruption's adaptability even in seemingly low-corruption states. Despite a favourable perception index, Brunei's civil service is plagued by 'sleeping partnerships' and 'Ali Baba' practices, whereby locals hold licenses and receive profits without participating in business operations. These arrangements, often involving government officials or their relatives, illustrate how formal rules are subverted through informal relationships. This mirrors similar practices in Malaysia, where familial and political ties frequently intersect with procurement processes, blurring the line between legitimate partnership and cronyism.

Adding a behavioural perspective, Rustriarini et al. (2019) examine the psychological and environmental drivers of procurement fraud in Indonesia. Their study identifies opportunity (enabled by weak controls) and personal financial stress as key motivators. This aligns with corruption opportunity structures found in agency theory and resonates with Søreide's (2002) earlier categorisation of vulnerabilities in procurement. However, Rustriarini et al. (2019) stop short of analysing actual case files, limiting the depth of their empirical insight. The behavioural focus, though valuable, would be strengthened through triangulation with real-world corruption data, as undertaken in this current study. Quah (2016), in his examination of Myanmar, further expands the cultural discourse by identifying gift-giving traditions and familial loyalty as contributors to corruption. The Burmese custom of giving items such as liquor, cigarettes, and pens, even within procurement contexts, creates a grey zone between acceptable social behaviour and illicit exchange. This cultural ambiguity is compounded by institutional fragility, including low civil servant salaries, militarised governance, and a politicised anti-corruption commission lacking independence. While gift-giving

exists throughout ASEAN, the Myanmar case highlights the need for clearer policy guidance to delineate ethical versus corrupt practices.

Across ASEAN, corruption in procurement is shaped by a confluence of institutional maturity, cultural norms, and political dynamics. Countries like Singapore demonstrate that stringent regulation and transparent systems can limit corruption, while other states show how developmental policies, rent-seeking behaviour, and cultural practices interact to subvert procurement integrity. The studies reviewed expose the multiplicity of corruption forms, ranging from structural (e.g., lack of competition), behavioural (e.g., financial pressure), to cultural (e.g., gift norms), and underscore the inadequacy of a one-size-fits-all solution. Malaysia shares structural similarities with its ASEAN peers, particularly in how socio-political imperatives influence procurement design. Practices such as preferential treatment and embedded patronage networks resemble those seen in Brunei and Indonesia. The unique cultural and policy environment thus warrants a Malaysia-specific framework to understand procurement corruption, one that integrates institutional analysis, behavioural motivations, and cultural interpretation.

This study contributes to the regional literature by bridging these diverse perspectives with empirical data drawn from Malaysian Anti-Corruption Commission (MACC) case files and expert interviews. In doing so, it seeks to develop a contextualised understanding of public procurement corruption within Malaysia, while drawing on regional experiences to identify patterns, divergences, and pathways for reform.

### **1.6.3 Corruption in Public Procurement in Malaysia**

Public procurement in Malaysia has long been recognised as a domain vulnerable to corruption, yet the literature addressing this issue remains fragmented, with many studies either too general in scope or reliant on perception-based analyses. This section critically synthesises existing scholarly work on corruption in Malaysian public procurement, categorising the discussion under four thematic areas: (1) Conceptual and structural weaknesses, (2) Political influence and state capture, (3) Preventive mechanisms and their limitations, and (4) Empirical research gaps and methodological constraints.

### ***1.6.3.1 Conceptual and Structural Weaknesses in Procurement Governance***

Much of the literature identifies systemic and structural deficiencies in Malaysia's procurement governance as central enablers of corruption. For instance, Azmi and Ismail (2022) contend that the lack of transparency and accountability within public procurement creates ideal conditions for abuse of power, including the frequent misapplication of direct negotiation and quotation methods. Their analysis, based on interviews with thirteen procurement officers, suggests that despite procedural formalities, discretion in decision-making remains substantial as its leaving room for manipulation and favouritism. This was echoed by Mellow (2018) he argues that higher levels of bureaucracy and inefficient administrative structures was among the main factors of corruption in Malaysia.

Complementing this institutional perspective, Mahmud et al. (2022) argue that weak internal controls, insufficient monitoring, and lack of independent oversight are key vulnerabilities exploited by corrupt actors. Using audit findings and policy reviews, they illustrate how technical deficiencies are compounded by poor enforcement and limited whistleblower protections. These structural issues are further exacerbated by a fragmented legal framework and overlapping procurement authorities, a theme also emphasised in World Bank (2021) assessments. In contrast, earlier studies pioneered by Marican (1979) and Milne (1987) provided only a macro-level view of corruption in Malaysia, identifying procurement merely as one of many vulnerable sectors. These works lacked the granularity needed to understand the specific mechanisms of procurement-related corruption and were largely descriptive.

### ***1.6.3.2 Political Patronage, State Capture, and Elite Interference***

A recurring theme in the literature is the role of political elites in distorting procurement processes. Kapeli and Mohamed (2019), through their analysis of Malaysia's procurement history, assert that patronage networks and crony capitalism are deeply entrenched in the procurement system, facilitating political influence over contract awards. They demonstrate how procurement policies and practices have often been manipulated to serve vested interests, especially under the guise of pro-Bumiputera policies. This has led to a phenomenon akin to "state capture," where institutions are co-opted by powerful actors to maintain control over public resources. This political

economy lens is echoed by Siddiquee (2010; 2022), who critiques Malaysia's anti-corruption agenda as inconsistent and politically selective. He notes that while the country has implemented numerous reforms, enforcement has remained weak, particularly against politically connected individuals. The result is a dual-system of accountability, where ordinary civil servants are prosecuted, but elite actors evade justice. These critiques are especially relevant in the context of high-profile scandals like 1MDB, which underscored the intersection between political corruption and procurement fraud.

In contrast, studies such as Azmi and Ismail (2022) are more optimistic, highlighting the potential of reforms like e-procurement to reduce elite interference by introducing traceability and standardisation. However, their study also acknowledges that the effectiveness of such reforms depends heavily on top-down political will and institutional independence, factors that remain uncertain in Malaysia's fluid political landscape.

### ***1.6.3.3 Preventive Mechanisms and Reform Initiatives***

The introduction of e-procurement, ethics training, and transparency mechanisms has been central to Malaysia's anti-corruption strategies in public procurement. Azmi and Ismail (2022) posit that e-procurement has introduced positive changes by reducing face-to-face interactions and standardising procurement documentation, thereby limiting opportunities for corrupt negotiation. They also highlight the role of preventive tools such as vendor blacklisting and code of conduct declarations, which reportedly enhanced compliance among procurement officers.

However, this optimistic view is tempered by critical analyses from other scholars. Siddiquee (2010), for example, raises doubts about the long-term effectiveness of these reforms, arguing that most are compliance-driven rather than transformative. His study, which examines ethics and governance within the public service, finds that cultural and behavioural factors including fear of reprisal, collusion, and "normalisation" of bribery, continue to undermine reform efforts.

Likewise, Mahmud et al. (2022) contend that the mere presence of preventive policies does not guarantee their effectiveness. Drawing on anti-corruption frameworks

such as the National Anti-Corruption Plan (NACP), they critique the absence of an enforcement culture and the weak integration of these policies into daily procurement operations. Their findings resonate with broader concerns raised in international studies (e.g., OECD, 2024 a; UNODC, 2019) about the disconnect between anti-corruption strategies and actual practice on the ground.

#### ***1.6.3.4 Empirical Gaps and Methodological and Theoretical Limitations***

While the literature has expanded in recent years, it remains heavily skewed toward perception-based and normative analyses. Surveys and audit-based studies by government agencies dominate the discourse but fall short of unpacking the modus operandi of corruption in real procurement cases. Few studies examine actual case files, and even fewer incorporate the perspectives of both public officials and private actors involved in procurement fraud.

For example, Azmi and Ismail's (2022) study, while empirically grounded, is based on a limited sample of 13 procurement officers and focuses largely on the preventive aspects of procurement. It lacks insight into the criminal dimensions of corruption, such as kickbacks, collusion, or manipulation of tender specifications, that are often central to major scandals. Moreover, there is insufficient exploration of the "demand" side of corruption such as private sector suppliers and contractors, with most studies focusing on the conduct of public servants. This presents a distorted view of the procurement ecosystem and overlooks the complex interactions between bidders and procurement officers. There is also little engagement with criminological or behavioural frameworks that could explain why individuals succumb to corrupt practices despite existing controls.

In theoretical perspective, there remains a significant gap in applying the Principal-Agent-Client Model to corruption in Malaysia's public procurement sector. Carr, I. (2020) points out that "socially valued virtues" such as familial loyalty, obligations to kin, and personal friendships often outweigh an individual's commitment to professional integrity. In situations where these social obligations conflict with the demands of their role as agents, individuals may prioritise the former, even if it means engaging in corrupt practices. Meanwhile, in the Malaysian context, Ramli et al. (2019) examine human governance in procurement. Though not explicitly framed within the

PAC, their study provides critical insights into procurement practices' ethical and behavioural dimensions. Similarly, Abas Azmi (2016) employs a political economy lens to analyse procurement fraud, highlighting the role of patron-client relationships and political influence in distorting procurement processes and facilitating corruption. However, a comprehensive theoretical integration of these perspectives within the Principal-Agent framework remains underexplored.

In sum, the literature on corruption in Malaysian public procurement has evolved from broad-based, descriptive accounts to more focused discussions on institutional and political dynamics. Nonetheless, major gaps persist in empirical depth, methodological diversity, and contextual specificity. While studies by Mahmud et al. (2022), Hasan (2016), and Azmi and Ismail (2022) offer valuable contributions, they do not fully illuminate the operational tactics of corruption or the lived experiences of those involved.

Building on the reviewed literature, it is evident that while numerous studies have explored corruption in public procurement, many rely heavily on perception-based measures or generalised macro-level indicators, often neglecting the lived realities of actors involved in actual corrupt transactions. This study addresses those limitations by engaging with primary data drawn from real Malaysian Anti-Corruption Commission (MACC) case files and expert interviews, offering a grounded and granular understanding of how corruption is operationalised within procurement systems. In examining how and why corruption occurs in these cases, a theoretical lens is necessary to interpret the relationships, incentives, and institutional failures that enable such practices. Accordingly, the next section introduces the Principal-Agent Theory, which has dominated the conceptualisation of corruption in both academic literature and policy frameworks and serves as a foundation for this study's analytical approach.

## **1.7 THEORETICAL FRAMEWORK**

Organisations could approach the phenomenon of bribery and corruption using a variety of theoretical approaches. It was found by Ugur and Dasgupta (2011) that all the studies they looked at "either followed a clearly stated principal-agent approach to corruption or were closely related to that approach" (p.43). The principal-agent theory lens shapes our understanding of how corruption affects development. This argument was later

corroborated by Jain (2001), who claimed that the agency model best explains corruption, especially legislative corruption. Furthermore, according to Persson et al. (2013), most anti-corruption programs are designed to reflect a principal-agent understanding of corruption rather than any other alternative view.

Principal-Agent Theory (PAT) originated in economics and political science. It was developed by Becker and Stigler (1974) and subsequently developed by Rose-Ackerman (1978, 1986, 1999 and 2010) and Klitgaard (1988) in describing corruption. Rose-Ackerman (2010) contends that corrupt officials are rational utility maximisers who pursue the most profitable course of action, and that the principal-agent relationship is the heart of the corrupt transaction. In this theory, government or leaders are referred to as principals. Three major factors determine it: 1) the monetary value of the bribe offered (motivation), 2) the risk of being caught taking bribes, and 3) the possibility of losing a job if arrested. Corruption is referred to as a reward by a bureaucrat, but there is a risk when it is used, that is, when the principal discovers it. However, there are flaws in this theory, such as when agents accept bribes without the knowledge of the principal. In the latest study on agency theory, according to Teichmann (2018), altering incentive systems to pay rewards based on an employee's compliance and performance could help reduce bribery in international firms.

However, Myerson (1993), Persson et al. (2003), and Besley (2006), who used this theory to explain political corruption, improved it by converting principals who previously referred to government and leaders into agents and agents who previously referred to bureaucrats and public officials into principals. However, because of the emphasis on political corruption, the principal refers to the people and voters, while the agents refer to the politicians in positions of power. As a result, according to this theory, the principal will exert control over the politicians who hold positions in the government to keep them out of corrupt activities. It is similar to an institution that can improve accountability and control corruption. Later, this theory was improved by Rose-Ackerman (1978, 1986, 1999, and 2010) and Klitgaard (1988) in controlling corruption in political economy. According to them, the principal refers to the government leaders, and the agent refers to the government officials or bureaucrats. They argue that the problem of corruption in the government sector can be resolved by providing proper incentive and punishment structures and price mechanisms. This is because agents commonly desire compensation for acting according to their principal's best interest

(McColgan, 2001). Therefore, it will restrain the agent from deviating and taking bribes without the principal's knowledge. However, there is a certain hiccup in this theory, as Eissenhard (1989a) previously argues, because the principal and agent do not share the same interests and information, bribery and corruption occur while carrying out the task. Furthermore, Persson et al. (2010) and Jancsics (2014) critiqued the theory by claiming that there will be no actors able to monitor and punish corrupt behaviours as the principal also becomes corrupt.

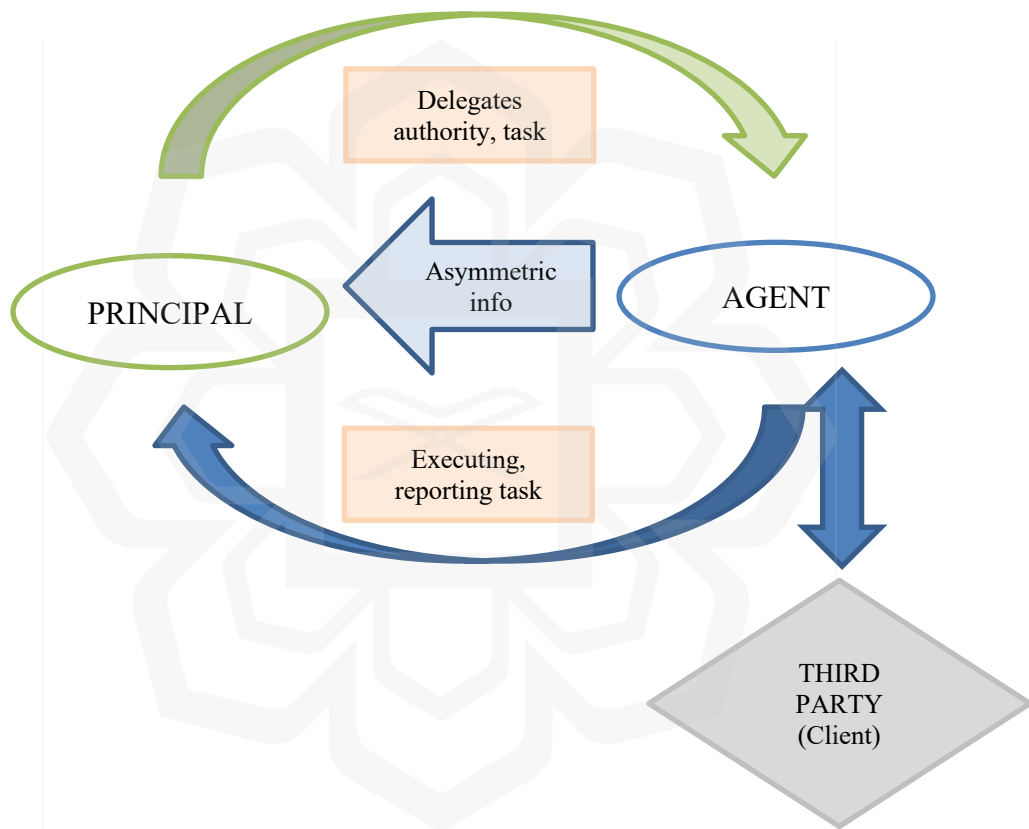


Figure 1.2 Principal's Agent Theory Model

Source: (Groennendijk, N., 1997, pg.218)

Figure 1.2 refers to the Principal Agent Theory and the model developed by Groennendijk (1997). He developed the principal-agent theory by adding another actor to the model, which is C. 'The principal's agent' model refers to the activity by the new actor, which is C. It can become the third party involved in soliciting bribe activities

with the "agent." However, he argues that C can also become a new "principal" to the "agent." Therefore, in this study, the term "agent" refers to a government official or officer in a public body as defined by the MACC Act 2009. "Principal" refers to the leader of a public organisation such as a ministry, department, or the Malaysian government. In contrast, the "C" refers to the citizen, customer, vendor, or individual with an interest. Thus, this theoretical framework guided the study in explaining why government officials (agents) in procurement accept bribes in secrecy without the knowledge of their leaders in government organisations (principals) and why vendors or clients (third parties) need to bribe government officials (agents). There may be further hypotheses that help provide light on the origins of corruption. However, because it is also used to describe the public procurement system, this principal-agent theory is thought to be among the finest theories to explain corruption in public procurement. Chrisidu-Budnik and Przedańska (2017) argue that the double side of asymmetrical information is the distinguished feature of the public procurement system. Asymmetrical information can affect the principal (awarding entity) and the agent (the contractor). Furthermore, they argue that the hidden information and hidden actions by the agent (the contractor) are key features in public procurement activities as they are related to moral hazards and, in this case, to corruption and other illegal activities.

The Principal-Agent-Client (PAC) model extends the traditional principal-agent theory to include a third party. This client interacts with both the principal and the agent. It is particularly relevant in contexts with multiple stakeholders, such as public procurement, healthcare, and service industries. This model offers a solution for corruption in public procurement in many ways. Firstly, the principal-agent-client model recognises interaction among three parties: the principal, who delegates authority to the agent to act on his behalf, and the client, who receives benefits or services from the agent's actions. This three-party relationship introduces complexity to analysing incentives and behaviours (Brandt and Svendsen, 2013). Secondly, as in the principal-agent model, information asymmetry is an issue. However, the introduction of a client in the case of principal-agent-client reinforces the information asymmetry into another layer that the principal and his/her client may perceive the action/capability of the agent and subsequently have asymmetric problems with each other in issues like trust or accountability (Hoti et al., 2011).

Thirdly, the model also shows the importance of effective incentive structures aligning the agent's interests with the principal and client. This may involve performance-based contracts, monitoring mechanisms, and other strategies to ensure the agent acts in the best interests of both the principal and the client (Erlei and Schenk-Mathes, 2017). Fourthly, the clients in this model are a key influence, especially because their actions and preferences sometimes alter the behaviours of both the principal and the agent. This can also result in pressures being applied by the client on agents to obtain specific outcomes, thereby complicating the agent-principal relationship even more (James, 2002). Such influence sometimes places them in compromising situations to have corrupt deals to achieve desired outcomes, making the model quite complex in such scenarios. Lastly, another important feature of the model is the consideration of different risk preferences of the principal, agent, and client. Each party may have a different attitude toward risk, which influences decision-making and contract design.

However, the model has several flaws, as argued by several scholars based on these points. Firstly, the complexity in analysis arises because introducing the third party (the client) increases the difficulty of making clear causal relationships and dynamics. This complicated nature may increase the difficulty of elaboration regarding developing an effective governance framework and anti-bribery strategies by Zheng et al. (2017). Secondly, there is a possibility that conflicting interests between the principal, agent, and client will be reflected in the model, making decision-making more complex and tense. These conflicts create difficulties in designing incentive structures that satisfy all parties involved. Thirdly, just as in the traditional principal-agent theory, the principal-agent-client model assumes that all parties act rationally and in their interest. This may not always be the case, given that emotions, biases, and social norms greatly influence behaviour (Cerić, 2012). Finally, implementing monitoring and incentive structures effectively can be challenging in a multi-stakeholder context. In several cases, the benefit derived from monitoring will not weigh the costs associated with the same, while inappropriate contract design invites unproductive consequences (Gottschalk, 2018). Furthermore, Carr. I (2020) argue that focusing solely on structural reforms and accountability mechanisms, as suggested by the PAC model, might not be sufficient to combat corruption effectively. Instead, a more nuanced approach that considers the influence of social norms and cultural values is necessary. Although the PAC lens explains corruption in public procurement from structural and accountability

perspectives, it lacks consideration of human values. This thesis integrates these dual characteristics with human values and emerging technologies as twin pillars for preventing corruption in Malaysia's public procurement. The conceptual framework for this study was developed based on PAT and PAC and was discussed comprehensively in Chapter Three. The following subsection will discuss the conceptual definition used in the research.

### 1.7.1 Conceptual Definitions of the Study

**Corruption** comes from the Arabic word 'risywah,' which literally means bribery or persuasion. Various expressions refer to corruption in Malay, such as "makan suap, duit kopi, dan pelincir." Meanwhile, the United Nations Development Program (UNDP) defines corruption as 'the use of public power, office, or authority for private gain, whether through bribery, extortion, influence peddling, nepotism, fraud, speed money, or embezzlement' (United Nations handbook on practical anti-corruption measures for prosecutors and investigators, 2005, p. 23). Corruption has long been recognised as a type of crime that frequently involves white-collar workers. Corruption has long been regarded as repugnant and unacceptable by the international community. However, it is dependent on how an individual or society in a country interprets the definition of corruption. Al-Attas (1995) defines corruption as misusing trust for personal gain. The following are the characteristics of corruption:

- i. A betrayal of faith.
- ii. Fraud against government agencies, private institutions or the public.
- iii. Deliberately neglecting the public interest for special interests.
- iv. Done in secret, except in circumstances where those in power or his subordinates deem it unnecessary.
- v. It involves more than one person or party.
- vi. The existence of mutual obligations and profits in the form of money or otherwise.

- vii. The centralisation of activities (corruption) is on those who want a definite decision and those who can influence the efforts to cover up acts of corruption in the form of legalisation.
- viii. Demonstrates a contradictory dual function in those who commit corruption

He also classified corruption as transactive, extortive, invasive, nepotistic, defensive, and supportive. Transactive bribery is defined as a reciprocal mutual agreement between a giver and a receiver to pursue a common interest and profit. This type of corruption typically involves entrepreneurs, businessmen with the government, or the community with the government. Bribery is an extortion in which the giver is forced to give a bribe to the recipient to avoid a loss that threatens himself, his interests, or matters related to him. Bribery committed in self-defence is known as defensive bribery. For example, bribing police officers to keep someone from being arrested or fined. Inventive bribery, on the other hand, refers to the provision of goods or services with no direct connection to a specific profit other than the profit anticipated in the future. Kinship corruption, also known as nepotism, is any action that gives or favours relatives in awarding positions, money, or other resources in violation of established norms and rules. Finally, support bribery is a form that does not involve money or a direct reward. To be precise, this study will use these types of corruption suggested by Al-Attas (1995) to understand and explain the corruption in public procurement in Malaysia.

In addition to that, Mark Philip (1997) suggested that to understand the meaning of corruption more clearly, one must first comprehend and take into account several aspects, namely: first, public opinion on corruption; second, a country's legal norms; and third, standards derived from western democratic systems. Understanding corruption requires knowledge of public opinion. This is because societal norms sometimes contradict what the government emphasises. For example, in society, some people understand that giving gifts and commissions is normal. However, according to a country's law, it is a corruption offence. Second, it refers to a country's legal norms. It refers to the law determining whether an action is corrupt. For example, accepting money to ask questions in parliament is seen as bribery by the public. Still, laws in some countries may not be comprehensive enough to include such actions as bribery. This is because politicians themselves enacted the law. Third, it refers to the corruption standard that applies to the Western democratic system. Most Western countries accept

Nye's (1989) definition of corruption as "using rewards to distort the judgement of someone entrusted with something." However, perceptions of corruption differ across Western cultures. What exactly do the terms "reward" and "trust" mean? It can be accepted by society at times. However, it will be a problem if society's culture is already aware of the concept of corruption and sees it as something that is not wrong. As a result, according to Mark Philips (1997), when defining corruption, the above factors should be considered.

#### ***1.7.1.1 Political Corruption Vs Bureaucratic Corruption***

According to Andvig et al. (2001), there are two types of corruption in the government: political or grand and bureaucratic. Political or grand corruption occurs at the top level of the political elite. It is when the politicians, heads of state, ministers, and top officials formulate, enact, and implement the laws according to their political interests. It also refers to the political elite's action to exploit the national resources to benefit their interests and their families (Jain, 2001).

On the other hand, bureaucratic corruption refers to corruption in the public administration at the implementation end of politics. This petty corruption occurs when the public official performs their daily routine with their customer and client, the citizen. It is considered the lowest type of corruption (Andvig et al., 2001). These two types of corruption are closely related. Bureaucratic corruption and political corruption are frequently co-existed and feed off one another. Political corruption is usually supported by widespread bureaucratic or petty corruption, as the politician as principal gives instructions to their agent (public officials).

In technical terms, bribery is a crime or legal offense in which a person obtains freedom, contracts, or privileges (favours) from the authorities or a company in exchange for money, gifts, or entertainment from those parties (Subbiah, 2010). Thus, when it comes to understanding the concept of corruption in Malaysia, the law that the Malaysian government has approved will serve as a guide to whether or not corruption offences occur in Malaysia. We can learn more about it by asking questions like, "What does corruption mean?" What is not corrupt? What characteristics define corruption? What exactly is the legal definition of corruption?

### 1.7.2 Operational Definitions of the Study

As for the operational definition for this study, it will adopt the definitions of corruption, agent, any person, and principal as stipulated in the MACC (Act 694). For instance, corruption offences committed by "any person" include anyone who is not an officer of a public body. A government employee appointed directly or indirectly is referred to as an **agent** or "officer of a public body." It is necessary to be familiar with these legal terms to understand the terminology of corruption in Malaysia. For example, the term "gratification"<sup>2</sup> refers to corruption in the MACC Act 2019.

Meanwhile, the interpretation of "officer of a public body" means any person who is a member, an officer, an employee or a servant of a public body, and includes a member of the administration, a member of Parliament, a member of a State Legislative Assembly, a judge of the High Court, Court of Appeal or Federal Court, and any person receiving any remuneration from public funds, and, where the public body is a corporation sole, includes the person who is incorporated as such. In addition to that, there is also an interpretation of an agent according to the Act, which is **agent** means any person employed by or acting for another and includes an officer of a public body or an officer serving in or under any public body, a trustee, an administrator or executor of the estate of a deceased person, a subcontractor, and any person employed by or acting for such trustee, administrator or executor, or subcontractor. Meanwhile, **principal** includes any employer, any beneficiary under a trust, any trust estate, any

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<sup>2</sup> Section 3 of the MACC Act 2019 defines "gratification" as follows:

- (a) money, donation, gift, loan, fee, reward, valuable security, property or interest in property being property of any description whether movable or immovable, financial benefit, or any other similar advantage.
- (b) any office, dignity, employment, contract of employment or services, and agreement to give employment or render services in any capacity.
- (c) any payment, release, discharge or liquidation of any loan, obligation or other liability, whether in whole or in part.
- (d) any valuable consideration of any kind, any discount, commission, rebate, bonus, deduction or percentage.
- (e) any forbearance to demand any money or money's worth or valuable thing.
- (f) any other service or favor of any description, including protection from any penalty or disability incurred or apprehended or from any action or proceedings of a disciplinary, civil or criminal nature, whether or not already instituted, and including the exercise or the forbearance from the exercise of any right or any official power or duty; and

person beneficially interested in the estate of a deceased person, the estate of a deceased person, and, in the case of any person serving in or under a public body, the public body.

Therefore, this research focuses on corruption cases involving public officials and “any person,” as described in the MACC Act, in the government procurement process. Since it takes a long time to complete corruption investigation papers up to the prosecution stage and obtain a court decision, the scope of this study is limited to corruption cases from 2014 to 2019. As mentioned, the MACC Act 2009 will guide this research's operational definition. According to the Act, accepting a bribe in exchange for certain favours is a crime. According to the MACC Act of 2009, the offence is as follows:

- i. The offence of accepting gratification, section 16 MACC Act 2009.
- ii. Section 17 MACC Act 2009: Offence of giving or accepting gratification by the agent.
- iii. The offence of intending to deceive the principal by agent, Section 18 MACC Act 2009.
- iv. Bribery of officer of public body Section 21 MACC Act 2009.
- v. The offence of using office or position for gratification, Section 23 MACC Act 2009.

The penalty for offences<sup>3</sup> under Sections 16, 17, 18, 20, 21, 22 and 23 of the MACC Act 2009 was explained in Section 23. In addition to that, for the purposes of this research, **client** is defined as the external party, such as contractors, suppliers, consultants, or business representatives, who engages with government officials in the public procurement process. In operational terms, the client is identified in MACC case files and interview data as the actor offering bribes, inducements, or non-monetary benefits to principals or agents in order to secure contracts, influence tender evaluations, or bypass competitive procedures.

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<sup>3</sup> Any person who commits an offence under sections 16, 17, 20, 21, 22 and 23 shall on conviction be liable to— (a) imprisonment for a term not exceeding twenty years; and (b) a fine of not less than five times the sum or value of the or ten thousand ringgits, whichever is the higher. Any person who commits an offence under section 18 shall on conviction be liable to: (a) imprisonment for a term not exceeding twenty years; and (b) a fine of not less than five times the sum or value of the false or erroneous or defective material, or ten thousand ringgits, whichever is the higher.

Meanwhile, conceptually, public procurement is the government's purchase of supplies, services and works (Thai, 2001; Hasan, 2016). Operationally, Malaysian **public procurement** refers to acquiring services, goods, and works from government agencies to the third party using the stipulated budget and adhering to laws, rules and regulations, including the most recent policy pertaining to the procurement process. According to the Financial Procedures Act 1957, the term purchase in the preamble defines the procurement process in Malaysia, which will be elaborated further by The Procurement Guideline Book of Malaysia, The Financial Procedures Act 1957, the TI and the TCL. According to the MOF, in *Punca Kuasa, Prinsip dan Dasar Perolehan Kerajaan* (2022) classified procurement into three categories, which are works, which include:

- i. The engineering and construction activities.
- ii. Goods or supplies, which include the provision of raw materials,
- iii. Intermediate and finished goods and services, which include the hiring of personnel, subject-matter experts and consultants for various purposes.

There are four common procurement methods in Malaysia: direct purchase, quotation, tenders, and direct negotiation. Therefore, this study will operationalise the definition of corruption in public procurement as all actions taken by the actors in the public procurement process in Malaysia that align with the terms of gratification in the MACC Act 2009 that will go against the law as prescribed in the MACC Act 2009. The justification for this definition is that all actions by the actors in the public procurement process that go against the principles and objectives might not be considered corruption. The only way to determine it is by referring to the applicable law of the country, which is the MACC Act 2009. Mark Philip (1997) argues that the legal norms of the country must determine the definition of what is right and wrong. Therefore, the terms principal, agent and client was employed in the theoretical frameworks for this study.

On the other hand, the operational definition for **collusion** in procurement refers to a covert and illicit agreement or coordination between two or more parties. It typically involving a public official (agent or principal) and private-sector actor (client) which is to manipulate or subvert public procurement procedures for mutual gain. This behaviour violates the principles of transparency, fairness, and competition that govern public procurement systems, and is evidenced through patterns of favouritism, bid-rigging,

falsified documentation, or improper financial transactions. While for **modus operandi**, the operational definition in this study is defined as the specific techniques and strategies employed by public officials, contractors, or intermediaries to manipulate the public procurement process in Malaysia. This includes, but is not limited to, bid rigging, falsification of documents, abuse of discretionary power, and conspiracy among actors to subvert procurement procedures. The analysis operationalises the concept through evidence derived from Malaysian Anti-Corruption Commission (MACC) case files, expert interviews, and testimonies of incarcerated individuals.

In conclusion all this conceptual and operational definitions of the key terms will provide a clear framework for understanding and analysing the dynamics of corruption within the Malaysian public procurement system. These definitions serve as the foundation for interpreting the empirical findings and for situating the discussion within both theoretical and practical contexts.

## **1.8 RESEARCH DESIGN**

A research design is a framework or study plan used to guide data collection and analysis. The process and methods used to conduct scientific research are included in a research design. According to Creswell and Clark (2007), “research design is a procedure for collecting, analysing, interpreting and reporting data in research” (p. 58). Therefore, it is necessary to explain the research design for this study to provide an understanding of the research process. As stated by Robson (2002), there are three types of research design: exploratory, descriptive, and explanatory. Exploratory research is typically conducted when a researcher has just begun an investigation and wishes to gain a general understanding of the subject. Descriptive research seeks to describe or define the topic. In contrast, explanatory research seeks to explain why specific phenomena work the way they do. Simply put, descriptive research seeks to describe or define a specific phenomenon. On the other hand, explanatory research attempts to explain why specific phenomena work the way they do, answering "why" questions. However, exploratory research is conducted when there is a lack of knowledge regarding a phenomenon or an issue that has not been precisely characterised (Saunders et al., 2007).

As stated in the preceding section, the study aims to investigate the methodology of corruption in the public procurement sector in Malaysia in selected MACC case files. Therefore, the exploratory research design best explains why and how corruption occurs and explores a new anti-corruption initiative to reduce and eliminate corruption in Malaysian public procurement. To do this, the study will apply a qualitative approach to gain a qualitative understanding of the underlying reasons and motivations. Denzin and Lincoln (2011) defined a qualitative approach as a set of complex interpretive practices. According to Creswell (2007):

Qualitative research begins with assumptions, a worldview, the possible use of a theoretical lens, and the study of research problems inquiring into the meaning individuals or groups ascribe to a social or human problem. To study this problem, qualitative researchers use an emerging qualitative approach to inquiry, the collection of data in a natural setting sensitive to the people and places under study, and data analysis that is inductive and establishes patterns or themes. The final written report or presentation includes the voices of participants, the reflexivity of the researcher, and a complex description and interpretation of the problem, and it extends the literature or signals a call for action (p. 37).

According to Yin (2015), a case study can be descriptive, exploratory, or explanatory and can be a single or multiple case study. Therefore, these exploratory qualitative case studies will involve studying a case or multiple cases of contemporary, real-life events and phenomena. It also closely examines the data on a surface and deep level to explain the phenomena in the data (Zaidah, 2007). As mentioned earlier, this study focused on the selective investigation paper of MACC that investigates corruption cases related to the procurement process. Case study approaches tend to employ a variety of data sources, including direct observation, interviews, document review, artifacts and other sources (Eisenhardt, 1989b and Yin, 2009).

## **1.9 METHOD OF DATA COLLECTION**

According to Ravitch and Carl (2016), qualitative research uses an iterative (rather than chronological or linear) approach to data collection. Therefore, the researcher must decide which type of purposeful sampling will be most effective (Creswell, 2007). Researchers generate detailed data, including memos, journals, logs, contact summary forms and interviews (Ravitch and Carl, 2016). Thus, this study used two types of data collection: a document review and an in-depth interview. The document review refers

to the actual MACC investigation papers on public procurement in Malaysia between 2014 and 2019. The identified investigation papers were systematically analysed and reviewed to obtain the necessary data for this study. This analysis was further complemented by a review of two ground judgments concerning high-profile corruption cases in Malaysia. The inclusion of these cases was intended to contextualise corruption in public procurement by drawing on recent and significant instances that involved substantial financial implications, thereby enhancing the relevance and depth of the discussion.

In-depth interviews in this study refer to collecting data by interviewing the participants using the purposive sampling method. According to McNamara (1999), interviews are particularly useful for getting the story behind a participant's experiences and in-depth information about the topic. He further said that the interview technique may be useful as a follow-up to certain respondents. The case study approach is nonprobability and is a purposeful sample, which will intentionally sample a group of people who can best inform the researcher about the research problem under consideration. As a result, the researcher must decide which type of purposeful sampling will be most effective (Creswell, 2007). For this study, the identified participants for the interview technique are convicted corruption offenders. It refers to the individuals investigated and convicted by the court of corruption cases. However, several factors must be considered before interviewing this vulnerable group. According to Pope et al. (2007), for any research to proceed, it must provide more benefit to prisoners than risk. The environment in which the prisoners are located must allow for the ethical conduct of research, including autonomous decision-making, voluntarily informed consent, and privacy protection. Thus, this research considered all the factors and went through an ethical process at the university level.

The sample size for in-depth interviews and purposive sampling was determined by certain inclusion and exclusion criteria developed for this study. For convicted people, the inclusion criteria are as follows: 1) Convicted cases related to procurement only, 2) Imprisonment verdict only, 3) Male prisoners only, 4) Charged for corruption under the MACC Act 2009 and prescribed offence, 5) Agreed to join the interview only. In contrast, the exclusion criteria are the opposite of those criteria. Besides, based on what the literature suggests, the sample size of a study in prison was determined based on the data saturation level (Nor, 2018). As such, interviews were stopped when there

was no new information or content from the informants. As a result, 10 respondents were selected for this study based on those criteria because the anticipated input will support both the first and the second research questions. However, after going through all the necessary requirements by the Malaysia Prison Department and based on the inclusion and exclusion criteria, only seven incarcerated individuals agreed to be interviewed. The detailed process will be explained in Chapter Three of the thesis.

The second interview group participant refers to the anti-corruption, governance, and corruption investigation expert. This in-depth semi-structured interview applied purposive sampling, as all the respondents had previously identified. Sixteen respondents have been identified, and 15 agreed to become respondents for the interview session. This group has been divided into several subcategories, such as experts in the field, investigation officers, procurement officers, public auditors, NGOs, lawyers, and business owners. Their inputs were used effectively to find the themes for this study. Indeed, in-depth interviews are particularly good at laying bare complex social issues, where the interviewer can capture the interviewees' long narratives and personal experiences. This is of utmost importance in the context of corruption, as one has to understand the motivations and rationalisations of the people involved. According to Nee et al. (2019), in-depth interviews facilitate a comprehensive exploration of respondents' perspectives, enabling researchers to uncover the intricacies of their experiences and the factors influencing their behaviours (Graycar, 2019). By engaging with a diverse range of participants, including experts in the field and incarcerated individuals, the research can yield rich, contextualized data that reflects the complexities of corruption in public procurement. The details of the process were discussed in Chapter Three.

The second type of data collection method is document review. It refers to the review of existing, pertinent, and contextual documents to better understand the study's complexities by providing a form of data to supplement the study instigated through the collection of the researcher's work (Ravitch and Carl, 2016). According to Bogdan and Biklen (2006), there are three types of document review or archival data, which are 1) personal documents, 2) official documents, and 3) popular culture documents. Since this study will examine selected MACC files, this data collection will fall under official documents. Official documents in this categorisation include documents developed,

produced and disseminated by institutions that can be used for internal or external audiences. In sum, the sample for this study can be concluded as follows:

Table 1.2 Sample of the Study

<b>Types of Data Collection</b>	<b>Number of Participants</b>	<b>Sample</b>	<b>Research Question</b>
<b>In-depth Interview</b>	7	Convicted people in the prison under the Malaysian Prison Department	1 & 2
	15	1. Experts from Industry (GLC, GLIC, Government Sector) – 3 pax 2. Investigation Officers (MACC Officers) – 3 pax 3. Public Auditor – 2 pax 4. Procurement Officer – 2 pax 5. Non-Government Organization and Civil Society - 3 pax 6. Lawyer – 1 pax 7. Business Owner - 1	1,2,3
<b>Document Review</b>	30	1. MACC case files related to public procurement from 2014-2019	1,2,3
	2	1. Ground of judgment of high-profile corruption cases	1 & 2

Please refer to the Appendix D: List of Coded Respondents

## 1.10 METHOD OF DATA ANALYSIS

According to Berelson (1952) and Kerlinger (1986), content analysis is a research technique that involves studying and analysing data systematically and qualitatively to measure variables. Content analysis will be the main approach to data analysis in this study. It involves the data obtained from the selected MACC investigation papers. Meanwhile, all the participants were interviewed using a semi-structured interview protocol for the in-depth interview. Later, the recorded interviews were transcribed verbatim. To assist the Qualitative Data Analysis (QDA) process, this study utilised the QDA software ATLAS.ti. The QDA software can be used at any stage of the qualitative research process because it improves credibility by making research processes more transparent and replicable. ATLAS.ti can handle text data as well as video and other digital media formats (Hwang, 2008).

The next qualitative approach, the data analysis process, involves identifying, coding, categorising, and developing themes. However, according to Braun and Clarke (2006), themes are not required to reflect the pattern and commonalities, as many factors influence what ultimately becomes themes, and your research question is central to this. Along the way, saturation is one of the essential aspects of qualitative research. Understanding the saturation of data, we acquired throughout this process is crucial. The question is, how much data is needed for this kind of study? What stops you from collecting the data? According to Saumure and Given (2008), saturation is the point in data collection when no new or relevant information emerges. The researcher considers this point to be where no more data must be collected.

As for content analysis, this study will examine 30 selected investigation papers convicted by a court of law and declassified from government official documents from 2014 to 2019. The numbers are chosen because the complexity of the declassification process has been considered. It will take years for one file to be declassified, and the power is with the Deputy Public Prosecutor. Furthermore, literature of past studies that used the same study methods as Fewerda et al. (2017) and Graycar (2019) used as many as 28 and 42 case studies, respectively. As for the coding process, this study will use the research objectives as a framework. Coding will refer to corrupt activities in public procurement and recommendations for anti-corruption initiatives, and then it will categorise accordingly. Finally, the categorised codes will be compared and consolidated with each other to find the themes. This includes the new emerging themes

and sub-themes compared to the literature review of the past study. On top of that, as this study tends to use a multi-method approach, it will enhance the credibility of the research findings. It is critical because qualitative analysis aims to describe a rich, detailed, and complex account of the data that is faithful to participants' ideas, perspectives, and experiences and communicates them (Ravitch and Carl, 2016).

## **1.11 STRUCTURE OF THE THESIS**

Therefore, this research study on corruption in public procurement within the Malaysian context was chaptered into six chapters. The introductory part of the thesis addresses the introduction of the study, incorporating the background of the study, statement of problems, research objectives, research questions, the significance of the study, literature review, research design incorporating the method of data collection followed by the method of data analysis, and finding of the study. The chapter was concluded with the structure of the thesis.

The second chapter of this thesis discusses the issues mentioned in detail, relating them to the research objectives set out in the study. Based on this, the section falls into three critical aspects, comprising the MO of corruption in public procurement, variants of collusion between the players in the public procurement's corruption, and anti-corruption measures as the probable solution to corruption in public procurement in Malaysia.

Chapter Three illustrates the research design, including research philosophy, data collection method, and analysis in detail. This chapter shared in-depth details of the process from the collection process until it was analysed using ATLAS.ti. The fourth chapter provided the study's overall findings, which included summarising and integrating results across studies. The study's discussion and the recommendations were presented in the fifth chapter. The last chapter summarises the study's contributions, limitations and future research directions. It offers insights into addressing public procurement corruption, enhancing governance, and bridging academic and practical perspectives while acknowledging areas for further exploration.

## **1.12 ASSUMPTIONS OF THE STUDY**

In qualitative research, assumptions provide the foundation for framing the research problem, guiding propositions, and methodological choices. For this study, assumptions are essential because corruption in public procurement is complex and often hidden, requiring informed expectations about how actors behave, how systemic weaknesses are exploited, and how governance structures respond. These assumptions enable the study to move beyond description and explore the deeper patterns of modus operandi, collusion, and governance gaps. Therefore, following are the assumptions made for this study based on the Research Questions of the study.

### **1. Modus Operandi of Corruption**

Corruption in the Malaysian public procurement sector operates through identifiable patterns of modus operandi, which include both individual strategies and conspiratorial practices that exploit systemic weaknesses.

### **2. Collusion between Principal, Agent, and Client**

The interaction between principals, agents, and clients in public procurement corruption is characterised by systematic collusion, where roles are interdependent, and illicit outcomes are facilitated through networks of influence and exchange.

### **3. Need for Government Initiatives**

Existing laws and procedures are insufficient to address the evolving nature of corruption in public procurement. New initiatives, particularly those involving values, human factors, and emerging technologies, are necessary to strengthen preventive mechanisms.

Assumptions also situate the analysis within the study's conceptual framework. For example, the assumption that corruption is relational rather than isolated justifies examining interactions between principals, agents, and clients. Similarly, the assumption that anti-corruption initiatives must evolve acknowledges the dynamic nature of governance. By making these assumptions explicit, the study enhances its credibility, coherence, and analytical rigour, ensuring that findings are interpreted within a clear and consistent framework.

The next chapter presented the salient features of the thesis, namely, the MACC case files, MO, and collusion of the actors in public procurement corruption. It ended

with explaining the anti-corruption measures in curbing corruption in public procurement.



## CHAPTER TWO

### MODUS OPERANDI OF CORRUPTION AND THE TYPE OF COLLUSION IN THE PUBLIC PROCUREMENT IN MALAYSIA

#### 2.1 INTRODUCTION

This chapter builds upon the research questions outlined in Chapter One by examining the background of corruption in Malaysia's public procurement sector. It focuses on how systemic weaknesses allow people to work together and abuse their power. It begins with the historical background of governance and the anti-corruption efforts of Malaysia in general while giving more emphasis to the establishment and evolution of the Malaysian Anti-Corruption Commission. It outlines the pivotal role played by the MACC in spearheading investigative and preventive functions. It also discusses the importance of investigation files prepared by the MACC as rich sources on the pattern of systemic corruption and modus operandi. The chapter goes on to deconstruct in detail the modus operandi of corruption in public procurement, including practices such as bid-rigging, bribery, and tender manipulation. These practices are examined through the Principal-Agent-Client model, which explains collusion among public officials, contractors, and intermediaries, undermining transparency, efficiency, and financial integrity. It also investigates the nature of public procurement in Malaysia, searching into how its socio-economic importance and deeply embedded systemic vulnerabilities have together fostered an arena particularly favourable to corrupt practices. Important corrupt actors<sup>1</sup> are identified herein, their roles in sustaining such unethical practice being clearly elaborated from topmost leaders down to the intermediary agents.

The chapter concludes by giving an overview of Malaysia's anti-corruption initiatives and their effectiveness in fighting procurement-related corruption. It also makes new initiatives to further enhance governance, transparency, and a culture of integrity. These recommendations are set out to address the gaps within the current system to ensure accountability and to restore public trust in Malaysia's procurement processes.

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<sup>1</sup> Corrupt actor is any actor (principal, agent or client) who engages in the breach of public-procurement duty for private benefit, as evidenced by the patterns of collusion and abuse found in the MACC case files.

## 2.2 HISTORICAL BACKGROUND OF MACC

Malaysia's formal anti-corruption agency began with a small body operating within the Prime Minister's Department. The Criminal Investigation Department (Special Crime) of the Royal Malaysian Police Force handled the investigations into corruption cases while the Prosecution Division of the Attorney General's Chambers handled the prosecution of corruption cases. Prevention roles were held by small units under the Prime Minister's Department. Recognising that various entities are involved in the fight against corruption, the government decided to combine these organizations on October 1, 1967, to form the Anti-Corruption Agency (ACA). The National Bureau of Investigation (NBI) Act, which established the NBI, was signed into law by the Yang di-Pertuan Agong on August 29, 1973. The modification gave the NBI broader authority to investigate cases of national interest in addition to corruption. The department had never been created by an act. When the Anti-Corruption Agency Act 1982 was enacted by Parliament and went into effect on May 13, 1982, the NBI was later renamed to return to its previous name, ACA. The primary goal of the modification was to more correctly represent the ACA's duties as the sole organization in charge of preventing corruption (Abdul Rahman, Z., et al., 2017).

To increase the effectiveness and efficiency of anti-corruption measures as well as to improve public perceptions of independence, honesty, and professionalism in performing the Commission's tasks, the government agreed to the establishment of the MACC in 2009. The MACC is also backed by checks and balances to guarantee that the Commission operates in conformity with the law and the aspirations of the country and society. On February 24, 2009, the MACC and five other monitoring mechanisms that had been created through legislative and administrative action were formally introduced.<sup>2</sup> These oversight measures are in place to make sure that the MACC

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<sup>2</sup> **The Anti-Corruption Advisory Board**, to be established under Section 13 of the MACC Act 2009, shall consist of not less than seven members appointed by His Royal Highness the King of Malaysia, to advise and oversee the Commission on policies and strategies, and to advise and endorse proposals from the Commission toward the efficiency and effective administration of the Commission. While it has a **Special Committee on Corruption** established under Section 14 of the MACC Act 2009, composed of seven Members of Parliament from both the Government and Opposition, officially appointed by His Royal Highness the King of Malaysia. Even these are the representatives of the Parliament. This is supported through informing the Prime Minister on issues relevant to the concern of corruption; commented on and sought clarification concerning the yearly report of MACC, its comments emanating from the Anti-Corruption Advisory Board, and presented the Yearly report before the Prime Minister to be tabled at Parliament. **The Complaints Committee**, set up under section 15 of the MACC Act 2009, consists of not more than five members appointed by the Prime Minister. It oversees the handling of complaints by the MACC regarding misconduct (non-criminal in nature) of officers of the MACC, apart

performs its duties in an effective, independent, open, and professional manner. Since 1967, the establishment of the Anti-Corruption Agency has been pivotal in combating corruption. The methods of operation change as corrupt practices do, in step with the rapid advancement of technology and the industrial revolution. Having established the historical context, we now turn to the specific roles and functions of the MACC.

### 2.2.1 The Role of MACC

Since its establishment, the new MACC has faced significant challenges in meeting public and governmental expectations. To achieve public confidence in a powerful and formidable system in the fight against corruption, the establishment's initial goal is to establish a new and independent anti-corruption agency. The Independent Commission Against Corruption (ICAC) supervises the Hong Kong model, which the MACC decided to adopt. The MACC sought to achieve success in its endeavours; enhance public perceptions and support; and create a culture that detests corruption by modelling its organisational structure after the ICAC. The public ought to be able to keep track of its effectiveness. The Operation Review Committee, the Corruption Prevention Committee, and the Citizens Advisory Committee on Community Relations are three bodies that were part of the ICAC model and were responsible for overseeing how it operated. According to the ICAC, the creation of committees would spread the idea that the MACC is impartial, open, and effective. MACC committees encourage increased public involvement in the fight against corruption (Rahman, Z.A. et al., 2017).

This renewed model received Cabinet endorsement in 2008 under then-Prime Minister Abdullah Ahmad Badawi, with structural enhancements such as the establishment of oversight panels (e.g., LPPR, JKMR, PPO, JKA, PPPR), the alignment of MACC officers' remuneration with the Royal Malaysian Police and increased prosecutorial autonomy via senior Deputy Public Prosecutors (Mahmood, 2023). These

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from proposing recommendations for improvement in the line of work procedures of the Commission. **The Operational Review Panel** is an administrative appointment and consists of seven members who study reports by the MACC on decisions pertaining to the investigation papers and decisions made by the Deputy Public Prosecutor to enhance the quality of investigations by the MACC. The last oversight committee is **the Consultation and Corruption Prevention Panel**, also an administration appointment, comprises not less than seven members who advise, scrutinize and endorse the MACC on matters related to strategies in prevention programs carried out by the Commission through its community education and inspection and consultancy departments.

institutional upgrades were intended to reduce political interference and improve operational independence, particularly in handling procurement-related corruption, where technical complexity and discretion afford fertile ground for collusion. Under Section 7 of the MACC Act 2009, the Commission is empowered to investigate corruption offences, advise institutions on risk mitigation, and promote integrity-based culture through education and outreach. These mandates are particularly salient in the procurement domain, where systemic vulnerabilities, such as opaque evaluation processes and discretion in tender awards, create structural opportunities for abuse. However, while the MACC's structural foundation has evolved, its functional independence and public credibility continue to be questioned.

Critics argue that the MACC's performance is hindered by selective enforcement, particularly in politically sensitive cases. The handling of the 1Malaysia Development Berhad (1MDB) and SRC scandals, though ultimately resulting in prosecution, highlighted delays and perceived hesitancy, reinforcing narratives of political subservience (Case, 2021; Jones, 2022 in Ali, 2023). While regime change in 2018 catalysed prosecutorial momentum, the public's trust had already eroded due to long-standing perceptions of impunity for political elites. This issue is further compounded by inconsistent application of anti-corruption laws. Observers note that the MACC often pursues lower-level bureaucrats while influential figures evade scrutiny (Rahman and Shukri, 2021). Consequently, public perception of MACC's independence remains a critical challenge. Mallow (2021) and Siddiquee (2011) contend that the Commission's placement under the Prime Minister's Department undermines its credibility. Despite its broadened mandate, the MACC lacks full prosecutorial autonomy, with decisions still subject to the Attorney General's discretion, a bottleneck that invites suspicion of political interference (Mahmud et al., 2023).

Beyond institutional constraints, the MACC also grapples with capacity limitations. Investigations into complex procurement schemes demand specialised skills, forensic capabilities, and inter-agency collaboration, areas where resources remain inadequate (Kidzir and Kadri, 2022). As corruption networks adapt and evolve, so too must the tools, training, and organisational agility of enforcement bodies. Nevertheless, recent reforms signal renewed political will. The introduction of the National Anti-Corruption Plan (NACP) 2019–2023 and its successor, the National Anti-

Corruption Strategy (NACS) 2024–2028, underscore Malaysia’s efforts to align domestic policy with global standards such as the UN Sustainable Development Goal 16 (Baqutayan and Mayati, 2021). Both frameworks adopt a collective approach, emphasising institutional capacity-building, public engagement, and international cooperation. Drawing lessons from international contexts, such as Solomon Islands (Walton and Hushang, 2022), these strategies underscore that institutional reforms must be context-sensitive, structurally embedded, and supported by political consistency.

Furthermore, collaboration with global actors like the World Bank and the United Nations lends legitimacy and technical support to Malaysia’s reform agenda. As Xavier (2013) notes, blending top-down institutional reform with bottom-up civic empowerment enhances the delivery and credibility of anti-corruption efforts.

Despite these initiatives, the MACC's success ultimately hinges on bridging the gap between institutional reform and public trust. Without consistent enforcement, transparent prosecutorial mechanisms, and credible independence from political influence, the legitimacy of anti-corruption bodies risks further erosion. As this study is situated within the context of corruption in public procurement, the role of MACC must be viewed not only as a reactive enforcement agency but also as a structural actor within the broader principal-agent-client framework. The following subsection analyses MACC investigation process to illuminate how corruption cases been investigated and it will reflect the topic on how the dynamics of corruption in public procurement was addresses by MACC as an anti-corruption agency in Malaysia.

### **2.2.2 Malaysian Anti-Corruption (MACC) Investigation File**

Law is a fundamental requirement in a civilised society, and it's generally a set of rules or regulations that must be obeyed by all individuals in society. The purpose of the law is to ensure that the lives of members of the community are in harmony, security and peace. The law is enacted by individuals or groups of people who are skilled in the legislation of a country to ensure it is in accordance with the needs of the society. In Malaysia, Article 160 (2) of the Federal Constitution defines a law as a written law, common law that is enforced in the Federation or any part of it, and any custom that has legal force in the Federation or any part of it.

The Malaysian Anti-Corruption Act 2009 (Act 694) was enacted by the Parliament of Malaysia to fulfil the need of the society in Malaysia to have a rigorous law that can protect them from the transgressive activities that are corruption. The two main goals of this act, which went into effect on January 1, 2009, are to 1) strengthen the integrity and accountability of Malaysia's public and private sectors by establishing an independent and accountable anti-corruption body and 2) inform public officials, public authorities, and members of the public about corruption and its negative impacts on the administration of the public and private sectors as well as the community. Section 7 of the MACC Act 2009 clearly states the function of the MACC officer, and it has become the source of power to investigate by the MACC officer as laid down by the Malaysian Constitution. Moreover, Section 29 (3) of the Act states that

Where an officer of the Commission has reason to suspect the commission of an offence under this following act following a report made under subsection (1) or information otherwise received by him, he shall cause an investigation to be carried out and for such purpose may exercise all the power of investigation provided for under this Act and the Criminal Procedure Code (MACC Act, 2009).

This subsection distinctly states the power to investigate by the MACC officer after receiving a complaint, and it is the source of power to begin the investigation. The investigation officer appointed by the commission initiates the investigation process and exercises all the power granted by the Constitution through this Act. In addition to that, to make the process of investigation run smoothly, this Act has a provision for the Chief Commissioner of MACC to make any standing order as provided under Section 12 of the Act. This section, however, gives the Chief Commissioner the right to introduce any standing order on the general control of the commission, such as training, duties, and responsibilities of the officers for a good administration, provided it is not inconsistent with the provisions of this Act.

A criminal investigation is a process organised to meet the demands of the system of justice, and often, the more serious the crime, the more complex and demanding the investigation (Monckton-Smith, J. et al., 2013). Similarly to the investigation of the corruption cases, it demands a high level of commitment from the investigator, as it will drain all the energy and give the investigator a miserable life for the time being. It also needs some skills and art to deal with the demanding and complex process. Therefore, to make things easier and more systematic, the Chief Commissioner, through all the Deputy Chief Commissioners, will introduce a specific standing order

for each sector in MACC, including operations. Therefore, a series of standing orders, such as a series of guidelines and procedures to carry out the investigation, among the guidelines and procedures introduced by the MACC are:

- i. Team Investigation Management Procedure
- ii. Process of Management of Early Investigation Papers
- iii. Evidence Management Procedure
- iv. Interview Technique Implementation Guideline (Rahman, Z.A. et.al., 2017).

To sum up a quite tedious process, it can be presented as follows:

Table 2.1 MACC Investigation Process<sup>3</sup>

No.	Process	Details
1.	Report by a complainant	Received a report or information from a complainant or informer.
2.	Information Evaluation Committee (JMM)	A report or information received from complainant of informer will be evaluated by the committee
2.	Investigation Case File	To begin the investigation process, the commanding officer will give an instruction to the selected investigation officer to open the investigation file.
3.	Investigation process	The investigation officer (IO) will start the investigation process, assisted by the team of investigators, according to the provisions of the MACC Act 2009. The IO and the team will gather all the evidence, including written testimony by the witness and documents, including tangible

<sup>3</sup> This document was based on the SOPs of MACC for handling information and reports, which are governed by the *Perintah Tetap Ketua Pesuruhjaya (PTKP)* as stipulated in Section 12 of the MACC Act 2009. This document was considered as limited or *terhad* and was bound by the Official Secret Act 1972.

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and intangible assets. All the related witnesses, including the complainant, will be summoned to the MACC office to be given a statement by the investigators. All the processes will be according to the provisions of the MACC Act 2009, Part V, Investigation, Search, Seizure, and Arrest.

4. Complete the investigation process  
The IO will complete the investigation process and provide the case file with the facts of the case. The fact of the case refers to the conclusion of the investigation prepared by the IO. It consists of the evidence, witness testimony, and the recommendation for the case.
5. Submission to the Deputy Public Prosecutor  
The facts of the case in the case file will be submitted to the Deputy Public Prosecutor (DPP), and they will be thoroughly verified and checked by the PP. They will determine whether there is enough evidence and whether there are corrupt elements in the case.
6. Prosecution  
If the DPP decides there is enough evidence and witnesses, together with the elements of corruption, they will issue the consent to prosecute certificate in accordance with Section 58 of the MACC Act. If there is no corrupt element or lack of evidence, the DPP will advise and give an instruction to the IO to close the case.
7. Charged in the Court of Law  
IO will prepare the draft charges that have been verified by the DPP. Later, the IO will bring the suspect to the court of law to be prosecuted by the Deputy Public Prosecutor.

The Federal Counsel or DPP assigned to the MACC will handle the prosecution process. The Federal Constitution's Article 145(3) jurisdiction grants the prosecutor the power to begin, manage, and conclude criminal proceedings. This power is the foundation for this power. However, the Code of Criminal Procedure's section 376(3) also states that the Deputy Prosecutor may use all or any of the rights and authority provided to him or her, or that the Attorney General may use. In addition to managing cases, the Federal Attorneys of the Right assigned to the MACC Legislative and Prosecution Division serve as special representatives of the State Attorney, advising the MACC on legislative issues (Mahmood, 2023).

A criminal proceeding in Malaysia is a legal proceeding where an accused person is prosecuted for committing a criminal offence and can be sentenced upon conviction. There are three types of hierarchy of the court in Malaysia, which are i) High Court: to hear all criminal cases punishable with death; ii) Sessions Court: to hear all criminal cases except cases punishable with death.; iii) Magistrates' Court: to hear all criminal cases that carry a maximum term of imprisonment sentence of 10 years and/or a fine. In addition to that, there are several types of parties involved in the criminal proceeding in Malaysia, which are i) Magistrate/Session Court Judge: a judge who will preside over the proceeding in court; ii) Prosecutors: a legal officer who will conduct the prosecution proceeding of the accused person; iii) Defence Counsel: a lawyer representing the accused person; iv) Witnesses: persons who will be called by the prosecution/defence counsel to give evidence in court; and v) Accused: a person charged with committing a criminal offence (kl.kehakiman.gov.my, 2023). The following conclusions can be drawn from the court trial and prosecution of corruption:

Table 2.2 Prosecution of Corruption Case in Malaysia

No.	Process	Details
1.	Prosecutor	The Federal Counsel will assign the Deputy Public Prosecutor as the prosecutor of the case.
2.	Charged in the Court of Law	The assigned DPP will charge the suspect before the session court judge. The judge will ask the suspect whether to plead guilty to the charges

made by the DPP. If there is no confession by the suspect, the court will decide on the management case and the date for the trial. Usually, in a corruption case, the accused will be granted bail by the court pending the trial.

3. Trial process

The prosecution calls witnesses and gives the court its evidence to start the trial. At this point, the burden of proof must be met by the prosecution to establish their case beyond a reasonable doubt. The accused will be released and found not guilty if the prosecution is unable to prove its case beyond a reasonable doubt.

4. Post-Trial

The accused will be sentenced by the court in accordance with the specified penalties if they are found guilty. The attorney will have the opportunity to request mitigation, or a reduced punishment, prior to sentencing. The attorney may also request a stay of execution following sentencing while the case is appealed to the appellate court.

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Source: ([kehakiman.gov.my](http://kehakiman.gov.my))

In usual practice, at this point, the accused may have a right to appeal. The accused may appeal through this process; i) Appeal: After the judge or magistrate has pronounced judgement, either the accused or the prosecution may, within 14 days, appeal to a higher court; ii) Prosecution's Appeal: The prosecution may appeal against the acquittal. The prosecution will try to persuade the higher court that the defendant ought to have been convicted. The prosecution will try to persuade the higher court that you ought to have been given a more severe sentence in an appeal against the sentence. The prosecution will consider your family history, educational background, medical history, work history, and any relevant factors that may have contributed to the offence.

iii) Accused Appeal: The accused has the right to challenge a conviction and/or punishment. The accused must persuade the higher court in an appeal against conviction that the lower court erred in finding them guilty. The accused must persuade the higher court in an appeal against the sentence that it was excessively severe and should be lowered. If the accused pleaded guilty, he does not have the right to appeal his conviction but may still appeal against his sentence; iv) Stay of Execution—After the sentence is passed, the accused may ask the court to grant a “stay of execution.”. In essence, this is a request to delay the sentencing until the appeal is considered and a decision is made. If the accused decides to appeal, he must make an application to the court that passed the sentence for a stay of execution. The filing of an appeal will not automatically operate as a “stay of execution.”. Therefore, unless the accused applies for a stay of execution, he will still have to serve his sentence while his appeal is pending. The only exception is whipping. An appeal will automatically stay a sentence of whipping (kl.kehakiman.gov.my:2023).

### **2.2.3 Cycle of MACC Investigation**

In the last few sections, we have discussed the full cycle of the MACC investigation process, from a report from a complainant until the prosecution process. This cycle is very important to this thesis because it shows the sample of data that was gathered, which is made up of the chosen MACC case file and the decisions made by the Session and High Court of Malaya. This explanation will provide insight into the functioning of the justice system in Malaysia. The diagram below concludes the main steps of the process.

## Cycle of MACC Investigation



Figure 2.1 Cycle of MACC Investigation Process<sup>4</sup>

In summary, although Malaysia’s anti-corruption framework, particularly the MACC’s investigation and prosecution cycle, operates within a formally transparent legal structure, its practical execution reveals critical deficiencies. The lack of prosecutorial independence, with final discretion resting with the Attorney General, creates a structural vulnerability to political interference. Moreover, high-profile cases often expose discrepancies in enforcement, reinforcing public perceptions of selective justice. Despite reforms and policy initiatives, the MACC continues to grapple with limited institutional capacity, resource constraints, and inconsistent case prioritisation. These weaknesses not only hinder effective prosecution but also erode public trust, signalling a need for deeper institutional realignment and accountability mechanisms to enhance the credibility and deterrence effect of Malaysia’s anti-corruption regime.

Having critically examined the structural limitations and enforcement challenges within Malaysia’s anti-corruption apparatus, particularly the investigation

<sup>4</sup> This document was based on the SOPs of MACC for handling information and reports, which are governed by the *Perintah Tetap Ketua Pesuruhjaya (PTKP)* as stipulated in Section 12 of the MACC Act 2009. This document was considered as limited or *terhad* and was bound by the Official Secret Act 1972.

and prosecution cycle under MACC, it becomes imperative to shift focus toward the operational dynamics that sustain corruption in the public procurement sector. The persistence of systemic corruption cannot be fully understood through institutional analysis alone; it requires an exploration of the intricate methods employed by actors, the patterns of collusion between public officials and private contractors, and the efficacy of targeted anti-corruption measures. The following subsections thus unpack the operational architecture of corruption, tracing how institutional gaps previously discussed are exploited through procurement-specific malpractices, and assessing the policy responses designed to mitigate them.

#### **2.2.4 Modus Operandi of Corruption in the Public Procurement**

Modus operandi (MO), Latin for ‘mode of operating,’ refers to a particular way or method of doing something (Cambridge Dictionary, 2024). In criminology, MO describes the consistent behaviours and actions a criminal employ when committing crime. Analysing a criminal's MO can provide valuable insights into their skill level, experience, planning, and motives, aiding in investigations and potentially linking seemingly unrelated crimes. While MO can apply to any crime, it finds special relevance in understanding complex crimes such as corruption. Corruption, in the broad sense, is the abuse of power entrusted for private gain. It comes in many guises: bribery, extortion, embezzlement, false claim, and cronyism are just a few. Unlike crimes such as robbery or assault, corruption frequently entails a series of acts, intricate networks, and hidden transactions. This is where the knowledge of MO becomes important.

The study of the MO of corruption unearths the exact ways in which corrupt activities are manifested. According to Car and Jago (2014), the modus operandi of corrupt transactions that take place often depends on the specific context in which they occur. Factors in the business sector, like construction, extractive industries, or defence, play a significant role. The type of business activities, such as securing procurement contracts, obtaining licenses and permits, or accessing limited economic opportunities, also shapes how corruption unfolds. These elements together create a landscape where the forms and levels of corruption are shaped by the unique circumstances of each situation (Car, I., and Jago, R., 2014). In other perspectives, such as political corruption or power preservation, the MO could be conducted through campaign finance

violations, buying voters, or granting favourable contracts to cronies in exchange for kickbacks (Amundsen, I., 2006).

In this context, corruption in public procurement is defined as an abuse of entrusted power for private gain during the process by which public institutions acquire goods, services, or works. This study specifically focusses on the management of corruption in public procurement due to its significant negative impact, which includes the misuse of public resources, accounting for an average of 12% of GDP, nearly one-third of government spending, and exceeding 6 trillion euros annually in The Organisation of Economic Co-Operation and Development (OECD) member countries (OECD, 2005). The complexity in the procedures of procurement, together with discretionary powers accorded to the officers in charge, offers a fertile ground for corrupt practices to flourish.

When dealing with procurement processes of the public character, various stages are usually involved, including bidding, evaluation, and the award of contracts. Such multi-stage characteristics in public procurement open avenues whereby public officials may take advantage of loopholes, manipulate tender processes, or even practice nepotism. For instance, procurement officials might craft requirements favouring certain bidders so that preferred contractors get opportunities to win the public tender, often in exchange for bribes or kickbacks. According to Rose-Ackerman and Palifka (2016), the facilitators of corruption include discretionary power given to procurement officials, which allows them to make decisions opaquely with a limited liability. The other factor that promotes corruption is the lack of transparency in procurement procedures. Closed or limited bidding processes, restricted access by the public in putting up tenders, and lack of effective monitoring systems to track down contract awards make identification of anomalies difficult to pinpoint. Reports say that in most countries with corruption in procurement, it is frequently done with collusion between contractors and public officials; a large portion of these are never detected due to proper mechanisms for checking (Søreide and Rose-Ackerman, 2018).

Corruption in procurement can take many forms, from petty, low-level bribery forms to grand corruption characterised by large-scale embezzlement of funds. One of the most common forms is bid rigging, where companies conspire to manipulate the tender process to get contracts. Bid rigging may be in the form of an agreement by companies as to who shall win a tender in advance, sham bids to create an appearance

of competition, and the payment of public officials to accept certain bids. The other prevalent form of corruption is kickbacks. In it, public officers award contracts to companies in lieu of shares in the profit. Such kinds of activities, besides discouraging the way of fair competition, increase prices and lower the quality of goods and services. Other common forms of corruption in public procurement include nepotism and favouritism, whereby officials dispense with the requirement of competitive bidding altogether and award their contracts to friends, family, and politically connected individuals. This not only results in inefficiencies but also erodes trust in government institutions (Pattanayak and Yepes, 2020).

Poor legal frameworks and low institutional capacity are some of the major facilitating factors for corruption in public procurement. In most countries, laws on procurement are either outdated or not closely adhered to. This brings in a gap that exists between policy and practice. Even in nations with a strong anti-corruption framework, the problem persists because poor implementation and lack of political will to fight corruption allow it to thrive. A report by the World Bank (2020) explains that institutional weaknesses, such as either lacking independent audit bodies or ineffective anti-corruption agencies, halt the process of accountability for corrupt officials. MO has much related to the trend and occurrence of corruption in public procurement; thus, the next subsection sheds light on the issues.

#### ***2.2.4.1 The Occurrence of Corruption in Public Procurement in Malaysia***

The procurement system in Malaysia arguably has a lot of corrupt practices, such as bid-rigging, kickbacks, and favouritism. A study by Othman et al. (2010) identified bid-rigging as a major issue in Malaysia's construction project procurement, where collusion between bidders results in higher contracts. Such practices curtail competition, hence yielding inefficiency and increasing costs of government projects. The results indicate that the tender requirements are manipulated in most cases by the officials to favour contractors either due to personal relations or due to bribes. Also, Amjad, Toukan (2017) observes kickbacks when the highest-ranking officials grant contracts to preferred companies in return for some of the profits made from the project carried out. These are especially evident in the construction, health, and public services sectors, among others. Their study also reveals that corrupt officers manage to evade scrutiny

because of loopholes in enforcement in all the procurement legislation on the books (Amjad, Toukan, 2017).

The other common manifestations of corruption noted here include nepotism and favouritism in Malaysian procurement. Gomez (2003) argues many cases where contracts are awarded to politically well-connected people or companies where open competitive bidding is not considered at all (Gomez, E.T., 2003). Such practices merely increase the cost of projects besides causing erosion of the public's confidence in the non-biased delivery capability of government services. A few structural and institutional factors in Malaysia's procurement system nurture corruption and encourage its prevalence. These studies have emphasised how weak mechanisms of oversight and a lack of transparency are strong driving factors. The inability of the process to be transparent in the critical stages of bidding and awarding of contracts remains closed to public scrutiny. It is one glaring issue of Malaysia's procurement, as asserted by Siddiquee and Zafarullah (2022).

Another influential factor is the excessive discretionary powers held by procurement officials. Cao and Wang (2023) conducted research on how excessive discretionary power enables officials to manipulate the procurement process in ways that perpetuate favouritism and bribery. Another critical factor is political interference. Yap, J.B.H., et al. (2020), while doing research on procurement corruption in the construction industry in Malaysia, noticed the relationship between parties, such as the inextricably linked political-industry connection, which might result in nepotism, favouritism, collusive tendering (bid-rigging), conflicts of interest, and breaches of confidentiality, all forms of corruption (Yap, J.B.H., et al., 2020). Politically connected contractors frequently receive tenders, regardless of their qualifications or bid quality. This interferes with the meritocracy principle and leads to suboptimal project outcomes. In relation to that, real-life cases will be presented in Chapter Four and analysed in Chapter Five of this thesis.

#### ***2.2.4.2 Common Modus Operandi of Corruption in Public Procurement Stages in Malaysia***

As mentioned in the previous chapter, although there are various definitions and forms of corruption that have been discussed and argued by the scholar, the legal definition

and terminology stated in the specific law of the country are considerable for this discourse. In Malaysia, the private sector considers government procurement as one of its primary sources of income. Therefore, numerous public procurement processes take place across various government agencies in Malaysia, such as ministries, departments, public bodies, statutory bodies, local governments, and district offices. It is also considered a breeding ground for bribery and corruption. According to the Malaysia Anti-Corruption Commission (MACC) in Abdul Manaf, A.T. (2020), there are three phases of corruption incidents in public procurement in Malaysia:

- i. Before procurement
- ii. During procurement process
- iii. After procurement

#### 2.2.4.2.1 Before Procurement

Procurement is considered a complex process, and one procurement for a specific procured project needs to pass various stages. Corruption might occur even before the procurement process begins, such as when there is a need to specify a procurement scope. Among corrupt practices that might happen during this process, such as rigging pre-tender conditions and rigging project scope and requirements by the procurement officers, the supplier will use their special knowledge to shape the procurement.

#### 2.2.4.2.2 During Procurement Process

During the procurement process, there is a rigorous process that a specific procurement project will go through. Some argue that this bureaucratic process was among the factors that caused the corrupt practice to occur. Setting up conditions that force a certain vendor to respond, favouring certain suppliers, procurement officers who don't follow through on projects, giving gifts and other benefits, suppliers and vendors sending suspicious bids and invoices, and cartel behaviour like hiring losing bidders as subcontractors are all examples of things that could go wrong (Graycar, A., 2019).

#### 2.2.4.2.3 After Procurement

Once a specific vendor secures the project, they will deliver the product in accordance with the project's requirements. However, in certain cases, corrupt practices might occur, such as approving false invoices, varying contracts extensively, withholding payment, or even accepting inferior products from the procurement officer. As for the vendors and suppliers, they will deliver inferior products, pay to play, and give a bribe to expedite payment (Graycar, A., 2019).

#### **2.2.4.3 Mode of Procurement in Corrupt Procurement Practices in Malaysia**

The Institute of Democracy and Economic Affairs (IDEAS) says that all types of procurement can be corrupt in Malaysia. However, Sri Murniati and Danial Ariff (2020) say that direct negotiation is the most likely and poses the highest risk of being corrupt in the public procurement process in Malaysia. Although direct negotiations in the procurement processes of Malaysia exist, several challenges have been highlighted, which may result in a lack of transparency and fairness within the procurement system. The major impending issue likely to occur includes cronyism and interference from outside parties, issues that past research has pointed out. Most contractors complain that their opportunities are eliminated when favouritism towards certain individuals or companies arises, an act that is detrimental to the integrity of the tender system (Mohd Rafizu Muda et al., 2023). This creates an unfair playing field, discouraging competitive bidding as well as the desire to innovate, for no other reason than the fact that they may be left out of that one process. Furthermore, if the evaluation criteria lack clarity, it exacerbates the previously mentioned issues. If there aren't any clear standards for procurement decisions, it's easier for biases to affect the outcome, which takes away from the value-for-money considerations that are built into public procurement policies (Balakrishnan, 2021). As a result, even though the Malaysian government hopes to conduct purchases through negotiations without incident, these processes are likely to present significant challenges that call for a thorough review of the current regulations and an improved system of checks and balances, with an eye towards greater openness and equal opportunity in the procurement environment.

Modus operandi is about the trend, how to do the thing, or the method to do something, which in this case is corruption in public procurement. By knowing the MO,

we will be able to know who is participating in the secret pact and how the collusion happens. The next section explored the phenomena within the public procurement process.

## **2.3 THE COLLUSION BETWEEN ACTORS IN CORRUPTION PRACTICES IN THE PUBLIC PROCUREMENT IN MALAYSIA**

In democratic nations, public procurement is a crucial sector of public administration. It will determine the effectiveness of the public administration of the country by ensuring all the needs of the government agency are fulfilled to procure the essential goods, services, maintenance, and training for the public servants. On the other hand, it also gives an opportunity for the local company, vendor, and contractor to bid and apply for the tender, quotation, and direct purchase. However, according to Mahmud, N.M. et al. (2022), the private sector is the supply side of corruption in the public procurement sector. It happens when the vendor, contractor, and owner of the company are willing to offer a bribe to secure a contract from the government agency. Even worse, corruption in the business environment in Malaysia has become a common culture. Therefore, in order to address this issue, it is essential that we gather accurate information to effectively design preventive measures aimed at curbing corruption in Malaysia's business and procurement sectors. Thus, in this chapter, we will discuss the procurement system, procurement mode, and the Auditor's General Report (AG's Report) in relation to corruption and compliance issues in government agencies in Malaysia. The subsequent section discussed the procurement system in Malaysia and its nature.

### **2.3.1 Procurement System in Malaysia**

Governments procure goods and services for two main reasons. One is for their own internal consumption, such as stationery, office furniture, and services such as legal, accounting, and financial services. They can purchase these general consumer goods and services from the open market, either domestically or internationally. As the central economic theme for government procurement is cost-efficiency by procuring the best quality product at the lowest price, procuring general consumer goods and services through open tendering may easily meet this objective. The other type of procurement is for the consumption of the public at large, such as bulk purchases of medicines to be

consumed by the country's health system, as well as infrastructures like schools and hospitals, mostly products that possess public good characteristics. From an economic viewpoint, this may involve some aspect of market imperfection or failure as, often, the government is incapable of gauging with accuracy a particular price or value of a good or service. (Mansor, J., 2018).

To control it, Treasury Instructions, Treasury Circular letters, the Government Contract Act of 1949, and the Financial Procedure Act of 1957 have provided the legislative framework that governs public procurement in Malaysia. The government uses these documents whenever it launches a procurement initiative. The Malaysian government's Procurement Division establishes the guidelines for procurement in public works initiatives. The chief ministers of several state procurement boards and the federal minister of finance lead the department. According to Ashari, H. (2013), the Malaysian procurement system is largely decentralised. Therefore, the establishment of all procurement protocols, both domestically and internationally, falls under the purview of the Ministry of Finance's (MOF) Government Procurement Management Division. The Government Contract Act 1949, the Financial Procedure Act 1957, Treasury Instructions, Treasury Circular Letters, and Federal Central Contract Circulars are among the legal papers that contain the fragmented regulations governing public procurement. (Xavier, G. and Xavier, J.A., 2016).

The Financial Procedure Act of 1957 authorises the management and authority of public finances in Malaysia. It emphasises accounting and financial processes, such as the procurement, holding, and payment of federal and state funds, as well as the supply, holding, and disposal of public assets held by both the federal and state governments. In 1972, the statute underwent amendments that granted the Minister of Finance the authority to oversee, administer, control, and steer all federal financial affairs. While the Act on Government Contracts, 1949 (Amended 1973), the government gives the relevant officers the authority to sign contracts on behalf of the ministers and the ministers themselves (Abul Hassan et al., 2021). In 1973, it underwent revisions to enhance the 1949 original provisions. Mandatory completion and signature of the authorisation form by the relevant state or ministry heads was one of the significant revisions (Xavier, G. and Xavier, J.A., 2016).

Treasury Circular Letters (TCLs) are official communications issued regularly to inform the public and stakeholders of updates or changes to the Treasury

Department's regulations and processes. Treasury Malaysia has released 24 additional TCLs thus far, and it also examines the tender board to guarantee increased openness in procurement dealings. Circulars on Federal Central Contracts (FCCCs) The purpose of this circular is to inform the public about the existence of a central public procurement contract. Name, price, supplier, supply coverage, specification, mode, and delivery timeframe are among the facts it offers. All federal, state, and semi-governmental agencies that engage in procurement are covered by these instruments; however, state-owned businesses are not. All of these described the different kinds of procurement and the procedures involved, since the main functions of the MOF were to control, enforce, supervise, reconcile, use, distribute, and store procurement for government agencies. A variety of purchases, from little commodities like office supplies and equipment to large assets like machinery, cars, and the most non-liquid asset, land and buildings, were represented in the information displayed. Furthermore, the terms pertaining to the acquisition of services were also included in these recommendations. The government has, among other things, paid for services from experts and advisors in the fields of engineering, technology, finance, and law (Othman, R., 2010). TIs also provide detailed descriptions of financial and accounting processes, including procurement. Treasury periodically issues instructions to government entities regarding any new modifications to the protocols. Government agencies have received 25 TIs thus far. They include a breakdown of main expenditure and estimated revenue (Xavier, G. and Xavier, J.A., 2016). Following sub-section will illustrate the nature of public procurement in Malaysia.

### **2.3.2 The Nature of Public Procurement in Malaysia**

Supporting government initiatives and obtaining the best value through the acquisition of products, services, and labour is the primary objective of Malaysian government procurement. Price and non-price elements, including the entire life cost, quality, quantity, timeliness, maintenance, and warranty, are considered to accomplish this goal. The government procurement policies listed below are part of this procurement regime:

- i. Stimulate the growth of local industries by making the most use of local materials and resources.
- ii. Support and encourage the evolution of Bumiputera (indigenous) entrepreneurs.

- iii. Boost and improve local industries' and institutions' capacities by sharing knowledge and technology.
- iv. Stimulate and promote service-oriented local industries like freight and insurance; and
- v. Accelerate economic growth by using government procurement as a tool to achieve socio-economic and development objectives.

Meanwhile, the following tenets served as the foundation for the Malaysian Procurement Principles:

- i. **Public Accountability:** It goes without saying that procurement should demonstrate the public trust that the government has been given.
- ii. **Transparency:** To improve communication between vendors and suppliers, all terms, conditions, and procedures pertaining to procurement must be explicit and visible.
- iii. **Value for Money:** When it comes to quality, quantity, timeliness, price, and source, government procurement should provide the best results for each Malaysian Ringgit invested.
- iv. **Open and Fair Competition:** Procedures pertaining to government procurement ought to provide just and equal chances to all applicants or participants (Ashari, 2013).

The principles and policies outlined above explicitly mention the essence of public procurement. The Pekeliling Perbendaharaan Malaysia 1.1 is the source of authority on how to do public procurement in Malaysia. It is important to note that it is hard to get all the benefits of the procurement principles as laid down above; however, as a procurement officer, appointed procurement committee members, chairman of the committee members, and the vendors are much requested to appreciate this essence of public procurement. The needs of an intervention program suited for those kinds of selected people are a must to protect their self-integrity and the integrity of the process itself.

To meet the procurement principles, the government, through Pekeliling Perbendaharaan 1.6 (PK 1.6), mentions integrity as an integral component of its

procurement regime. On June 1, 2022, the government circulated and enforced this special circular, which included the following objectives:

- i. Aligned with the transformation efforts of the Government to become A developed and high-income country, a committed government.in improving the integrity of public administration through Prevention of corruption. Integrity is crucial for Avoid corruption in government spending and ensuring that the implementation of Government acquisitions can bring A real impact on the government and the people.
- ii. In addition to the application of a culture of integrity through the prevention of practice corruption, the government is also committed to improving integrity companies involved in government acquisitions through practice Healthy competition. This thing is important to ensure equality of opportunity among competing companies to offer the best products and services to the government and the people.
- iii. The agency needs to pay serious attention and play important role in ensuring integrity educated amongst civil servants and companies that engaged in government acquisitions through the implementation of initiatives which has been outlined in addition to the implementation of other measures that Compatible. (Treasury Circular, 1.6, 2025).

The most important part of this circular is that it talks about who is responsible for what in the public procurement process. For example, members of the approval authority, procurement officers, and vendors all need to declare any conflicts of interest. The gist of this circular is also the implementation of the Integrity Pact (IP). According to the circular, the Integrity Pact (IP) refers to a self-declaration process that involves refraining from bidding or offering corruption as an incentive to obtain a contract, expedite certain aspects of government acquisition, or engage in bribery. The public officer shall sign a statement or agreement not to engage in acts of corruption in the procurement or execution of a contract. In the event of a violation, the acknowledgement or agreement also specifies the appropriate action that can be taken. It also stated clearly about the impact of the violation of this circular that stern action will be taken according to the in-force law, such as the MACC Act 2009 and Pakeliling Perbendaharaan PK.8, which refers to the disciplinary action taken against the company

in relation to government procurement. Finally, it mentions collusion, the circular's intriguing study-related part.

In referring to item 2.6 of the PK 1.6: The most important part of this circular is that it talks about who is responsible for what in the public procurement process. For example, members of the approval authority, procurement officers, and vendors all need to declare any conflicts of interest. The gist of this circular is also the implementation of the Integrity Pact (IP). According to the circular, the Integrity Pact (IP) refers to a self-declaration process that involves refraining from bidding or offering corruption as an incentive to obtain a contract, expedite certain aspects of government acquisition, or engage in bribery. The public officer shall sign a statement or agreement not to engage in acts of corruption in the procurement or execution of a contract. In the event of a violation, the acknowledgement or agreement also specifies the appropriate action that can be taken. It was also made clear that breaking this circular would lead to harsh punishments in line with current laws, such as the MACC Act 2009 and *Pakeliling Perbendaharaan PK.8*. This refers to the company's punishments for failing to follow government procurement rules. Finally, it mentions collusion, the circular's intriguing study-related part. In referring to item 2.6 of the PK 1.6:

In accordance with the *Jawatankuasa Anti-Rasuah (JAR) National Ranking Series 6 Bill. 2 Year 2021*, Agency required to allocate clause related to declaration non-collusion at the preparation stage of the compilation document Acquisition, Acceptance Agreement and Contract Documents (*Pekeliling Perbendaharaan PK 1.6, 2023*).

The circular's allocation has given government procurement parties clear instructions not to collude<sup>5</sup> or cartel. In other words, all the necessary precautions and prevention measures are well taken in Malaysia's government procurement process; however, the question of its implementation always has its hurdles and has room for improvement. This issue will be thoroughly discussed in the next chapter, which will discuss anti-corruption measures in Malaysia. The government procurement is divided into several categories, and it can be done through various methods depending on the

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<sup>5</sup> In this thesis, to collude in procurement refers to a covert and illicit agreement or coordination between two or more parties. It typically involving a public official (agent or principal) and private-sector actor (client) which is to manipulate or subvert public procurement procedures for mutual gain. This behaviour violates the principles of transparency, fairness, and competition that govern public procurement systems, and is evidenced through patterns of favouritism, bid-rigging, falsified documentation, or improper financial transactions.

material of the acquisition, the expected contract value, and the range and capacity of suppliers and contractors. It was divided into three categories, as follows:

### **1. Work**

Work acquisition involves construction, and maintenance works such as buildings, airports, ports, roads, sites, water reservoirs, and construction works, as well as civil, mechanical, and electrical works.

### **2. Supply**

Supply procurement includes the supply of goods or equipment supplied for the implementation of a government program, activity, or project, such as food, clothing, vehicles, office equipment, and so on.

### **3. Service**

#### **a. Consulting Services**

Consulting services are interpreted as services of expertise for the implementation of a physical development project or government study that include the services of architects, engineers, material experts, land designers, physical studies, probability studies, economic studies, legal studies, and so on.

#### **b. Non-Consulting Services**

Non-consulting services acquisition is in addition to consulting services such as course handling and training, maintenance and repair, laundry and cleaning, building rental and management, advertising, transportation, legal services, ICT services, and so on.

Through all these three categories, procurement can be done according to a suitable mode. According to Treasury Circular PK.1.1, the method of government

acquisition is determined based on a certain value limit and consists of the following modes:

- i. Direct Purchases (supplies/services).
- ii. Direct Award (work).
- iii. Direct Award with Ceiling Costs (consultation services).
- iv. Requisition.
- v. Quotation (supplies/services/works).
- vi. Pre-Qualification Open Tender (supplies/services/jobs).
- vii. Open Tender (supplies/services/works).
- viii. Open Tender Request for Proposal (RFP) ICT; and
- ix. Direct Negotiations or Limited Tenders (supplies/services/work)

Although there are various modes of Malaysia's government procurement, according to some researchers, it can generally be divided into 4 modes, such as direct purchase, quotation, tender, and direct negotiation (Othman, R., et al., 2010; Hui, W.S., et al., 2011; Mohamad Azmi, S. M., and Ismail, S., 2023). To better understand the procurement type or modes, we need to know the limits and values of certain procurements. Treasury circulation PK 2.1 states clearly the limit and value in the following table:

Table 2.3 Treasury Circulation PK 2.1

### 1. Supply and Services

<b>Procurement Mode</b>	<b>Value Limit</b>
Direct Purchase	Up to RM 50k
Quotation	More than RM 50k up to RM 500k
Open Tender	More than RM 500k

Open Tender (Pre-Qualification)	Exceeding RM 500k and subject to specific criteria
Open Tender (Request for Proposal)	Exceeding RM 500k and subject to specific criteria
Direct Negotiation	Exceeding RM 50k and subject to specific criteria

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## 2. Works

Procurement Mode	Value Limit
Direct Award	Up to RM 50k
Requisition	Up to RM 50k
Quotation	More than RM 50k up to RM 500k
Open Tender	More than RM 500k
Open Tender (Pre-Qualification)	Exceeding RM 500k and subject to specific criteria
Direct Negotiation	Exceeding RM 50k and subject to specific criteria

Source: (Pekeliling Perbendaharaan 2.1 at: <https://ppp.treasury.gov.my/>)

Apart from this, there are also other value limits for procurement modes involving mechanical systems, consulting services, and ICT. For more information, please refer to PK 2.1 in the appendix (I). By digesting all the relevant information regarding public procurement in Malaysia, we can understand the issues, weaknesses, and problems in the system. In the next section, we will discuss procurement's corruption according to the yearly report of the Auditor General. To get it clearer, the following section explains the procurement cases according to the Auditor General Report.

Overall, Malaysia's public procurement framework, as outlined in various Treasury Circulars such as PK 1.1, PK 1.6, and PK 2.1, demonstrates a robust structural design aimed at promoting transparency, integrity, and efficiency. The objectives and principles enshrined in this system are commendable, as they not only reflect best practices in procurement governance but also align with Malaysia's broader socio-economic and integrity-driven goals, such as Bumiputera empowerment, local industry development, and anti-corruption reform.

However, despite this comprehensive framework, the translation from policy to practice remains fraught with implementation gaps and behavioural challenges. For instance, while the Integrity Pact (IP) and conflict-of-interest declarations are institutionalised as preventive mechanisms, the effectiveness of these tools is contingent upon the ethical conduct, political will, and enforcement consistency across procurement stakeholders. The very fact that explicit warnings against collusion and cartel behaviour are embedded in circulars like PK 1.6 points to the recurring vulnerabilities and risks that persist within the system. Moreover, the multiplicity of procurement modes, value thresholds, and procedural complexity, while designed for flexibility and fairness, can unintentionally open avenues for discretionary decision-making, especially in direct negotiation and limited tender modes, which are prone to abuse in the absence of rigorous oversight. The challenge, therefore, lies not in the absence of rules, but in ensuring compliance, monitoring enforcement outcomes, and cultivating a genuine culture of integrity across both public and private actors.

Critically, although the framework delineates clear responsibilities among procurement officers, committee members, and vendors, the mechanisms for accountability remain reactive rather than preventive. When collusion or misconduct is detected, action is taken post-factum, often after considerable public resources have already been lost or misused. This reactive approach underscores the need for upstream reforms, such as predictive analytics, risk-based audits, and stronger integration between the procurement system and anti-corruption enforcement bodies like the MACC.

Despite the presence of comprehensive policies, clearly defined procurement procedures, and integrity-based initiatives such as the Integrity Pact, Malaysia's public procurement system continues to encounter persistent integrity risks and compliance shortcomings. The institutional framework, which is though sound in design, often faces

implementation challenges that expose critical vulnerabilities, particularly in high-discretion procurement modes and enforcement mechanisms. These gaps are not merely theoretical but are recurrently illustrated in official oversight findings. Therefore, to move beyond normative assessments and gain a clearer understanding of how procurement-related corruption unfolds in practice, it is necessary to examine the documented evidence of misconduct and systemic failures. The Auditor General's Reports provide an authoritative and empirical basis for this inquiry, offering insight into real-world corruption cases, procurement irregularities, and patterns of collusion within the public sector. The following subsection will explore these findings in detail to illuminate the operational realities that continue to undermine procurement integrity in Malaysia.

### **2.3.3 Procurement's Corruption Case According to the Auditor General Report (AG's Report)**

The National Audit Department of Malaysia (NAD) is responsible for conducting audits as mandated by the Federal Constitution of Malaysia. Articles 106 and 107 of the Federal Constitution and the Audit Act of 1957 require the Auditor General to audit financial statements, financial management, the activities of ministries, districts, and agencies, and the management of federal government companies. A report on the audits carried out shall be prepared and submitted to the Yang di-Pertuan Agong for approval before it is presented before the House of Representatives (Dewan Rakyat). To fulfil this responsibility, JAN has conducted four types of audits, as follows:

- i. The Financial Statement Audit aims to determine whether the Federal Government's financial statements for the relevant year accurately reflect its financial position and whether its accounting records have been regularly reviewed and updated.
- ii. A Compliance Audit is conducted to determine if the Ministry, district, or agency has implemented financial management in compliance with relevant financial regulations and the law.
- iii. Performance audits: to determine if active ministries, districts, or agencies are carrying out their mandates in an economical, efficient, and effective manner to meet the established goals; and

- iv. The Government Corporate Management Audit aims to assess whether the federal government company's management is conducted regularly.

The National Audit Department (NAD) is an impartial, expert, and globally recognised auditing organisation. It will always undertake audits for all federal ministries, departments, and agencies, as well as state governments, impartially and independently. JAN is credible in their profession as they are members of several international associations, such as the ASEAN Supreme Audit Institutions (ASEANSAI), the Asian Organisation of Supreme Audit Institutions (ASOSAI), and the International Organisation of Supreme Audit Institutions (INTOSAI). There has been some evolution of the audit department in Malaysia since colonial times, starting in 1906, when the first Auditor General was appointed for the Federated Malay State and the Straits Settlements. The first audit report was produced in 1948 and later in 1956 and consists of the federal audit and the state audit. With the enforcement of the Audit Act 1957 after independence, auditing still emphasises the verification of financial statements and compliance with regulations and laws (National Audit Department Annual Report, 2018).

The AG's Report primarily provides highlights of the financial management of government entities and the execution of federal and state government programs, activities, and projects. The audit report lists all the flaws and anomalies, along with their causes and suggestions. The auditees also disclose any positive activities and measures they took following the submission of the audit observations. Compared to the year before 2012, as recommended by the Government Transformation Plan 2.0., the AG's report was produced at least three AG's reports per year when Parliament met from 2013 onwards. The National Audit Department has taken a positive initiative since 2013 by introducing AG's Dashboard Online, which was developed as a mechanism to make sure there is action taken by the ministry or department involved to rectify the issues raised in the AG's Report. The issues of wastage, extravagance, irregular payment (improper payment), and loss leading to the leakage of public money are used as the basis of Malaysian public sector auditing by the NAD. For example, according to the AG's Report of 2022, there are several highlights, such as loss or loss leading to the leakage of public money amounting to RM 681.71 million, wastages amounting to RM 21.35 million, and improper payment of RM 1.52 million (LKAN, 2022).

The past studies show that a few studies utilise the Auditor General Report as their secondary source of data collection, especially in qualitative research. Apparently, there are two recurring issues arising from the AG's report, which are the inefficiency of the public officer in managing public funds as well as overspending and underutilising government expenditure (Sairazi, N.S.A.M., 2022; Shahrman, J., et al., 2018). However, this argument was contradictory to the finding by Shahrman, J., et al., 2017. Using tools like interviews, documentation analysis of the AG's Report 2011–2013, and observations, they discovered that all problems were getting smaller for both the federal government and statutory bodies. This meant that management was getting better at saving time and money, and civil servants were being more responsible (Shahrman, J., et al., 2017). Another study using the AG's Report as their secondary source of data collection by Mohamad Azmi, S. M., and Ismail, S. (2023) found that the top five issues in public procurement include non-compliance with contract terms, delayed project completion, poor documentation, low product quality, and a lack of prior planning.

Therefore, it seems that non-compliance with the procurement procedure is the main issue, although there were well-placed procedures, instructions, and circulars by the government. It has been the main issue of the AG's report throughout the years since it was introduced, and there has been a lack of accountability, specifically in the follow-up by the ministries and government departments. According to Umor, S. (2023), there are several initiatives taken by the National Audit Department to overcome the issues. Among them is the establishment of the Jawatankuasa Susulan Laporan Ketua Audit Negara (JSLKAN). As a platform for discussing AG's report issues that have punitive elements jointly with other public agencies, the main objective of JSLKAN is to find a way to resolve that, which is the next action by the authorities concerned. The establishment of JSLKAN aims to determine the appropriate actions to be taken by the ministry, state, and agencies regarding punitive issues and to discuss detailed ways of resolving them to prevent their recurrence. In addition, JSLKAN is also a mechanism for monitoring the improvement of working procedures, regulations, and amendments to the law. To put the committee into action, JSLKAN is headed by the Chief of State Audit (KAN), and the Follow Up Division (BSA) was established as a secretariat. To make it more effective, the unresolved issues, which cannot be decided by the committee, will be brought up to the prime minister to decide. Several punitive actions

have been taken against public officials according to the Public Officers (Conduct and Discipline) Regulation 1993.

Table 2.4 Follow Up Action Status at the Level of Public Service Department (JPA LKAN) Year 2015 to 2021

No.	Type of Punitive Action	Number of Officer	Percentage
1.	Warning	182	58.71
2.	Fine	12	3.87
3.	Suspension of Salary Movement	37	11.94
4.	Salary Cut	10	3.23
5.	Demoted	1	0.32
6.	Fine and Warning	9	2.90
7.	Fine and Surcharge	2	0.65
8.	Surcharge and Warning	9	2.90
9.	Defer Salary Movement and Warning	3	0.97
10.	Salary Cut and Warning	7	2.26
11.	Salary Cut and Fine	1	0.32
12.	Demotion and Warning	1	0.32
13.	Terminated	3	0.97
14.	Surcharge	31	10.0
15.	Court Sentence (MACC)	2	0.65
	<b>Total Punitive Action</b>	310	28.92
	<b>No Wrongdoing</b>	725	67.63
	<b>In Proceeding</b>	37	3.45

Source: (Public Service Department (JPA) Website as of February 7, 2023, in Umor, S., (2023))

Table 2.4 shows the types of punitive action taken by the ministry, department, and agencies towards the officers who are responsible for the non-compliance of procedures, circulars, and instructions, including violations of laws. The action was taken according to the Public Officers (Conduct and Discipline) Regulation 1993 and the provisions of the MACC Act 2009. From the statistics published by the Public Service Department, generally, from the total issues and cases raised by the AG's Report, which is 1072, only 2 cases were brought up to the MACC, resulting in a court sentence of only 0.65%. Using the lens of the investigator or enforcement agency, the issues raised in the AG's report are not criminal in nature. This argument was supported by the statistic itself and by the official statement in the Auditor General's Report 2019, which indicates that, of the 153 issues, only 11 are punitive issues and most of them are correctional issues (Harian Metro, 2019). This also shows that most of the issues raised by the AG's report were administrative, such as non-compliance that resulted in the misconduct of the public officer. Nonetheless, although there is a clear indication that a public official is responsible for the issue, it is hard to drag the officer to be held accountable for his or her wrongdoing.

According to Kumaresan, H. L., et al. (2023), there is a continuing debate on how to put the malfeasants behind a closed bar. However, it is the most delicate process to bring the person to justice. There are several legal and constitutional hurdles that hinder the process. The main hurdle is that under the Audit Act of 1957, the mandate of the Auditor General is to examine, investigate, and audit. However, the Act does not assign enforcement powers to the AGs. Furthermore, there are constraints on naming the public officer in charge for accountability purposes. The NAD cannot name the public officer responsible for misconduct because the Audit Act 1957 does not require it to do so. Moreover, according to the Human Rights Charter, under Article 11, it is clearly stated that a person is not guilty until proven guilty. To resolve this problem, there are some solutions argued by Wan Hashim, W.M., et al. (2021). The government should introduce the Misconduct in Public Office Law to treat negligence and non-compliance as serious offences and impose criminal liability on responsible public officials instead of resorting to disciplinary action, which is considered a light punishment. This argument aligns with the national Anti-Corruption Plan 2019-2023, Strategic No. 5.4.1, which proposes the introduction of a new law that criminalises

misconduct in public office and imposes punitive measures on public officials who intentionally cause leakage or wastage of government funds.

It seems that the NAD is just the red flag bearer, but in the real circumstances, the NAD holds vital roles in ensuring the public money is well managed, providing internal control to the ministry, departments, and agencies, and ensuring compliance with the laws and procedures. As discussed above, most of the issues found by NAD were a non-compliance by agents in executing the task. If there is no audit of the public money, there will be huge leakages and mismanagement of it in Malaysia. It shows how information asymmetry and weak monitoring allowed agents to misappropriate RM681.71 million, illustrating the Principal-Agent problem. Therefore, its active and reactive approach to public financial issues will be a vanguard to the nation's socio-economy.

While the principles and structure of Malaysia's public procurement regime are intended to uphold transparency and accountability, persistent issues surrounding implementation, enforcement, and collusion reveal critical vulnerabilities in practice. These systemic gaps have been repeatedly highlighted in the Auditor General's Reports, which serve as authoritative reflections of procurement irregularities and failures across public institutions. By examining specific procurement-related corruption cases documented in these reports, the next subsection scrutinises deeper into the modus operandi, types of collusion, and actors involved in the malpractices that continue to challenge the integrity of Malaysia's procurement ecosystem—thus offering grounded insights for evaluating the effectiveness of existing anti-corruption strategies.

### **2.3.4 The Corrupt Actors in Public Procurement**

The principal-agent paradigm is predicated on the idea that public officials act as agents to safeguard the principal's interests, whether the public, parliament, or supervisors. In a principal-agent relationship, the principal can specify the pay-off terms, but the agents' interests usually conflict with the principal. Additionally, the agent can exploit the informational asymmetry to their advantage for personal gain (Groenendijk, 1997).

#### ***2.3.4.1 Principal-Agent-Client in Understanding Corruption in Public Procurement in Malaysia***

It was chosen to explain corruption as several scholars claimed that this approach was best suited to explain corruption in many areas, such as economic development, bureaucratic corruption, and legislative corruption, and to reflect most of the anti-corruption program (Ugur and Dasgupta, 2011; Jain, 2001; Persson et al., 2013). Furthermore, there are many scholars in economics and political science who view corruption as a particular instance of a more general principal-agent dilemma (Banfield 1975, Klitgaard 1988, Rose-Ackerman 1978, Shleifer and Vishny 1993). This theoretical approach defines an agent as a management or public officer who, by virtue of his or her employment contract, is required to act on behalf of the principal and serve the principal's interests as if they were the agent's own. The government, including a politician, a minister and its associates, or a representative of the public, can all be the principal. The wishes and goals of the principal and the agent may differ or may diverge over time, yet an agent must use some discretion in their own decision-making and work to serve the interests of the principal. Furthermore, the principal may find it difficult or expensive to keep an eye on the agent's actual actions (Eisenhardt 1989, Jensen and Meckling 1976). When an agent wilfully puts his own interests above those of his principal or organisation and breaches his trust, the agent develops a corrupt nature and begins to amass bribes (Banfield 1975, Rose-Ackerman 1978, Shleifer and Vishny 1993).

The theory was later developed by Klitgaard (1988), and Groenendijk (1997) developed the principal-agent theory by adding another actor to the model, which is the client. The principal-agent-client model refers to the activity of the new actor, which is the client. It can become the third party that is involved in the solicitation of bribes with the agent. However, Groenendijk (1997) argues that the client can also become a new principal for the agent. However, Klittgaard (1988) contrasts the principals with elected officials who often lack the skills required for their positions. These principals hire officials to operate as their agents, and often these agents have so much information at their disposal that they are unable to monitor all economic activities. These agents may have administrative control over monopolies, the ability to strengthen market domination, or both. Some workers are irresponsible and may ask rival companies for bribes. It is crucial that we alter the relationship between the principal, agent, and client

to prevent corruption by limiting access to monopolies, limiting discretion, and guaranteeing agent accountability.

Several studies have employed the principal-agent approach to shed light on corruption in public procurement. A study by Rose-Ackerman and Soreide (2011) analysed the corruption risk in public procurement; they indicated that reducing information asymmetry and increasing transparency will be the key to mitigating the corruption risk. Graycar's (2019) study focuses on understanding and preventing corruption in procurement in a public sector setting in an Australian context. He argues that we need to focus on the different types of corruption and different types of procurement to enlighten the corrupt behaviour of public officials and suppliers in the procurement process.

In Malaysia, governmental procurement corruption has always been a significant problem. Scholars and professionals have developed the Principal-Agent-Client (PAC) paradigm to comprehend this issue. As it provides a theoretical explanation of how corruption occurs between various actors in the procurement process, the PAC model has grown to be a crucial framework for analysing corruption in public procurement. The public procurement officer (the agent) utilises their discretion to benefit themselves or their clients when the interests of the principal (the government or the public) and the agent diverge, according to the PAC model. According to this approach, contractors and vendors (clients) try to persuade agents to behave in their favour by offering incentives or rewards. Because of this, the agents might collaborate with the clients to circumvent procurement regulations, which would hurt the principal by raising prices or providing subpar products or services.

The PAC model has been used in several studies to analyse the nature of corruption; however, in Malaysia, there is a lack of studies using this lens to understand corruption, especially in public procurement. There is a study by Liyana, S., et al. (2019) using principal-agent theory in determining the factors that lead to corrupt practices among customs officers in Malaysia. They found that, because of the conflict of interest between the principal (government) and the agent (customs officer), it leads to corruption that thrives with weak accountability and high discretion. Understanding the dynamics of corruption in public procurement can be done with the help of the principal-agent-client model. According to this paradigm, the principal is the government or other organisation that commissions an agent to complete a task, and the

client is the person or group that benefits from the assignment being completed. When the agent, who oversees the work and has access to more information, takes part in actions that benefit the client at the expense of the principal, corruption may result. The principal-agent-client actors' roles in corruption in public procurement are a topic of many discussions and debates, such as:

- i. The principal's accountability: Whether the principal is accountable for corruption in public procurement is a topic of discussion. Some contend that failing to exercise enough monitoring or creating an atmosphere that fosters dishonest behaviour should hold the principal liable (Mungiu-Pippidi, 2020). Others argue that agents may exploit their positions, resulting in corrupt behaviour, and therefore, they should be held accountable for their actions (Graycar, 2022).
- ii. Agent incentives: It is debatable whether an agent's incentives in a principal-agent-client connection invariably led to corruption. Due to insufficient control and monitoring, some contend that the agent has an incentive to engage in corrupt activities (Pramana, Y., et al. (2022). While others contend that corruption may be reduced by using the right incentives and enforcement measures (Finan, F., 2017).
- iii. Client role: The third point of contention is the client's potential involvement in public procurement corruption. While some contend that the customer actively participates in corruption by profiting from the agent's corrupt actions (Lambsdorff, 2002), others contend that the client may be a victim of corruption if they are ignorant of the agent's actions (Susan Ackerman and Soreide, 2011).

The PAC model can explain the role of the principal-agent-client in corrupt practices in the procurement process. However, there is no indication of how corruption exists in the procurement process. Therefore, a clear description of each actor's role will show the relationships and interactions between actors, which will be discussed in detail in chapters four and five of the thesis. In the next section, we will assess principal-agent-client collusion, how they collude, who initiates, and what motivates the actors to corrupt.

#### ***2.3.4.2 Corruption and Collusion in the Public Procurement in Malaysia***

Collusion in public procurement, while typically framed as an anti-competitive arrangement, warrants deeper analytical engagement beyond its textbook definition. Traditionally derived from *colludere* (Latin: “to play together”), collusion encapsulates covert cooperation between actors, which often bidders or procurement officers, who conspire to subvert the competitive integrity of procurement processes. In public procurement, this is most prominently manifested through mechanisms such as bid-rigging, price-fixing, market allocation, and compensatory subcontracting (OECD, 2010; Claeson, 2014).

Rather than viewing these schemes in isolation, they must be understood as strategic behaviours conditioned by institutional weaknesses. For instance, bid-rigging in Malaysia often takes the form of bid suppression or complementary bidding, which is a methods that simulate competition while outcomes remain predetermined. These collusive arrangements frequently thrive in sectors marked by high-value contracts and technical complexities, such as construction and healthcare (Schoeberlein, 2022). A notable characteristic of Malaysian procurement collusion is its hybrid structure, involving both private sector actors (bidders/cartels) and, at times, complicit public officials.

This leads to a critical distinction between horizontal collusion (among firms) and vertical collusion (between firms and public servants). In many Malaysian cases examined, including those from MACC files, collusion was sustained not merely by contractor coordination but by institutionalised facilitation from within procurement officers pre-disclosing tender specifications or signalling selection preferences. This aligns with traditional principal-agent theory where agents which is procurement officials, deviate from public interest, colluding with principals who is contractors for personal or political gain.

The methods of collusion may appear similar across jurisdictions, but the drivers in the Malaysian context are shaped by unique enablers:

- i. Regulatory gaps and weak enforcement, despite the enactment of the Competition Act 2010.

- ii. Perceived impunity, where prosecution rates remain low relative to reported cases.
- iii. Cultural normalisation, where collusive acts are often rationalised as “standard business practice” in high-stakes government contracting (Mohd and Nohuddin, 2021; Jones, 2022).

For instance, the practice of subcontracting, typically legal, takes on a different dimension when used as a post-award reward mechanism among cartel members. This blurred line between legitimate and collusive subcontracting illustrates how ambiguous procurement regulations can be manipulated.

Furthermore, bid rotation or bid stringing, where firms take turns winning contracts, reflects long-term cartel strategies that undermine the very essence of open competition. Such tactics reduce market entry for new players, creating oligopolistic procurement environments particularly evident in state-level infrastructure projects. While OECD (2010) classifies this as a form of cartel conduct, Malaysian case evidence suggests a systemic layering, where such cartels are reinforced through political patronage and informal networks. The repercussions of collusion are not limited to inflated pricing or reduced quality. More perniciously, they erode institutional legitimacy, breeding public cynicism toward government procurement processes. This dimension is often under-emphasised in technical analyses but remains critical in understanding why anti-collusion reforms often fall short.

Despite policy frameworks such as MyProcurement Portal and the establishment of the Malaysia Competition Commission (MyCC), enforcement remains largely reactive. As noted in repeated Auditor General reports and public inquiries, the systemic resilience of collusion demands not only punitive responses but also structural reforms, ranging from whistleblower protections to transparent e-procurement systems (Abul Hassan et al., 2021). In summary, collusion in Malaysian public procurement must be dissected as more than a breach of competition law, it is a relational, institutional, and governance issue. The following section probes deeper into the motivational and structural factors that draw actors into such corrupt arrangements.

#### ***2.3.4.3 Factors of Acceptance and Giving Bribe among Actors***

The act of bribery in Malaysia is several times well founded on deep seated socio-cultural norms that make it an accepted part of carrying out business or dealing with government institutions. The giving and receiving of bribes, which are more colloquially referred to as *duit kopi* or 'coffee money', have been institutionally carried out in almost every facet of Malaysian life. Such tolerance often stems from perceived inefficiency or bureaucratic red tape in public institutions. It is mainly because of this factor that most of the citizens sometimes view the giving of a bribe as a means of getting things done quicker, acquiring licenses, and even evading legal sentences. A 2017 study by Beh, L. (2017) found that many Malaysians viewed bribery as the only means of getting through to the inefficient public services. The patronage system defining the political and economic relationships in Malaysia further reifies the practice of bribery. In these cases, political leaders, bureaucrats, and business elites develop informal networks in which acts of mutual favour, including bribes, are commonplace to ensure political or economic advantages (Beh, L., 2017). This would create an atmosphere, in effect, in which acts of bribery were not only condoned but expected to keep access to power and resources. The stronger cultural underpinning of bribery makes it rather difficult to eradicate over time, since it inculcates itself into the day-to-day interactions between individuals and institutions.

The economic disparities and the resultant financial pressures also play a great part in the acceptance and giving of bribes. Most of the time, low wages and unfavourable working conditions force public officials to accept bribes in order to survive. Financial pressures often stem from the rising cost of living and the tendency to overspend beyond one's means. Husin (2020) highlights that greed can drive individuals to pursue wealth quickly, leading to extravagant lifestyles without regard for the legality of their income sources. Similarly, Mohd Saim et al. (2018) note that low-income employees may resort to dishonest practices out of desperation to cover their basic living expenses, further illustrating how financial stress can influence unethical behaviour. In relation to that, public officials in strategic sectors, such as police, are highly encouraged to solicit or receive a bribe given the rise in living costs. It is in such situations that they improve survival (Rose Ackerman, 2008). Private sector operators, on the other hand, may provide a bribe method of securing a continuity of business or the sure way of getting government contracts. The ability to bribe is a

competitive advantage for companies in some markets, as it may exempt them from formal procurement procedures or regulatory processes (Ndikumana, L., 2013).

Structural factors contributing to bribery in Malaysia greatly involve weaknesses of institutional governance and inconsistent enforcement of anti-corruption laws. According to Jones (2022), despite various anti-corruption measures and agencies in Malaysia, including the Malaysian Anti-Corruption Commission (MACC), corruption continues to persist. Mahmud et al. (2023) echoed the argument by identifying several deficiencies and weaknesses within the country's approach to combating corruption. Additionally, Muhamad and Gani (2020) argue the assessment of the efficacy of anti-corruption initiatives. In addition to that, Siddiquee and Zafarullah (2022) observed that public confidence is further undermined by perceptions of MACC itself as too weak politically to take up any high-profile corruption case.

Another angle is psychological and social factors. Several psychological and social factors influence Malaysian perceptions of bribery as a low-risk, high-reward activity. Individuals will bribe if they feel that potential gains make it worthwhile. Another study that looked at the construction industries in Selangor and Kuala Lumpur found that people bribe because they see it as a way to get something they want. This demonstrates that perceived benefit is a cause that drives individuals to indulge in corrupt behaviour (Arifin, M.H., 2011). Another element is the social factor for the belief that 'everybody else is doing it' perception, thus lowering the perceived risk of bribery. This qualitative study by Othman, Z. (2014), examining corruption influences in Malaysia, identified social motives in the form of interpersonal norms and practices that may coerce or encourage one into conforming to involvement in corruption, which, though considered immoral, results from social pressures whereby individuals condone their behaviour because of peer influence in corrupt conduct (Othman, Z., 2014). In addition to that, a recent study claimed that some personality dimensions are associated with lower corruption, and ethics training tends to be especially effective at reducing corrupt behaviour. Although working culture also influences corruption, the influence is less than expected (Suhidin, F., et al., 2024). Thus, the next section provides the solution to the problems with the different views and lenses.

In sum, the analysis of MACC's role, the investigation and prosecution cycle, procurement frameworks, Auditor General's findings, and the corruption modus operandi reveals systemic vulnerabilities in Malaysia's public procurement ecosystem.

These issues, rooted in information asymmetry, weak oversight, and misaligned incentives between principals (the leaders), agents (public officials), and clients (private vendors), demonstrate how corruption and collusion persist despite formal mechanisms. Against this backdrop, it becomes essential to evaluate the anti-corruption initiatives Malaysia has adopted to address these structural and behavioural challenges, and to assess their effectiveness in restoring trust and accountability in public procurement.

## **2.4 ANTI-CORRUPTION INITIATIVES IN MALAYSIA**

Corruption is often described as the misuse of established power for personal gains. Creating an anti-corruption system is important and will establish a mechanism through which operations with integrity and morals take place. We cannot overstate the importance of anti-corruption initiatives, as they play a crucial role in improving systemic stability, which is essential for eradicating poverty and fostering nation building through ethical leadership. Corruption has a long historical record in Malaysia. For instance, Mr. Shearn, in 1940, reported that bribery and corruption were operated in government departments in the then-colonial era. In this regard, the colonial government formed a commission headed by Judge E. N. Tylor to investigate the extent of corruption amongst public servants. The 1955 Report of a Commission to Enquire into Matters Affecting the Integrity of the Public Service impressed on the people the need for government reform (MACC, 2012).

As Mr. Shearn reported, since the early period of the colonial administration, corruption seemed to flourish within the government departments as reports suggested that bribery and corruption flowed to an appalling extent. It is because of this factor and as a way of reforming the government that a commission set up in the mid-1950s, headed by Judge E.N. Tylor, was formed to investigate the prevalence of corruption among public servants. The 1955 Report of a Commission to Enquire Matters Affecting the Integrity of the Public Service was, therefore, an important milestone in Malaysia's anti-corruption efforts that had to emphasise substantive measures as a dire need in uprooting corruption in the country. The centuries-long colonial legacy, combined with the growth of political patronage and elite capture in the post-independence era, set the stage for the institutionalisation of corrupt practices across Malaysia's public and private sectors. It was a policy initiated in the early 1970s to correct ethnic imbalances through

the NEP, which invariably created avenues for patronage politics and cronyism among the ruling circles (MACC, 2012).

Malaysia made its first organised effort to combat corruption in 1967 with the formation of the Anti-Corruption Agency, otherwise known as ACA, due to the growing problem. However, the ACA has faced widespread criticism over the years due to its limited powers and lack of independence from political influence. This served to heighten demands for a stronger framework against corruption, which came to the forefront with the creation of the Malaysian Anti-Corruption Commission, under the MACC Act 2009. The MACC was given greater autonomy and powers of investigation than its predecessor and thus constituted a significant advance in Malaysia's effort at combating corruption (Siddiquee and Zafarullah, 2022). Besides institutional reforms, the Malaysian government has enacted several pieces of legislation, such as the Whistleblower Protection Act 2010 and the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLA); more recently, the National Anti-Corruption Plan (NACP) 2019-2023 and the National Anti-Corruption Strategy (NACS) 2024-2028. These legislations show that indeed, the government is determined to seek judicial redress for corrupt activities and encourage the spirit of openness and accountability in public transactions. Notwithstanding these efforts, it still faces problems of grand corruption, political patronage, and weak enforcement, as reflected in its fluctuating performance on global corruption indices.

#### **2.4.1 Malaysian's Anti-Corruption and Governance Measures from 2009-2024**

Malaysia's anti-corruption landscape witnessed a major institutional reform with the establishment of the Malaysian Anti-Corruption Commission (MACC) in 2009, replacing the Anti-Corruption Agency (ACA) under a newly enacted MACC Act 2009. This transformation marked a deliberate move to enhance the agency's independence, investigative capacity, and preventive outreach in curbing corruption. The Act not only expanded the MACC's operational mandate but also emphasized prevention through mechanisms such as the Integrity Unit across government agencies. Internationally, Malaysia reinforced its commitment by ratifying the United Nations Convention against Corruption (UNCAC) in 2008, signalling its alignment with global anti-corruption standards and transnational cooperation.

Domestically efforts to institutionalize integrity culminated in the formulation of the National Anti-Corruption Plan (NACP) 2019–2023. Designed around preventive, educational, and enforcement pillars, the NACP sought to cultivate a corruption-intolerant culture. However, its implementation revealed significant shortfalls, particularly in politically sensitive areas such as regulating political financing and ensuring the operational autonomy of enforcement agencies. The persistent delay in enacting the long-debated Political Funding Act underscores a critical gap in Malaysia’s anti-corruption architecture. Recognizing these limitations, the government introduced the National Anti-Corruption Strategy (NACS) 2024–2028 as a continuation and recalibration of the NACP. This strategy aims to address past implementation barriers with a stronger emphasis on political will and structural reform.

#### ***2.4.1.1 Legal Mechanism and Framework***

A subsequent reform and a more developed legal framework have been leading to the reinforcement of anti-corruption measures within the country (Rahman, Z.A., et al., 2017). The anti-corruption national legal framework includes, in the main, the Malaysian Anti-Corruption Commission Act 2009 (Act 694), the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLATFAPUAA), and related government regulations, orders, circulars, and instructions. In addition to that, the Whistleblower Protection Act 2010 accorded maximum protection to the whistleblower who disclosed information against corrupt practices in both public and private sectors. The Witness Protection Act 2009 grants protection to the witnesses from intimidation, harm, or threat in correlation with the process of investigations related to corruption. All these legal tools have helped the Malaysian government initiative and struggle against the deeply embedded practices of corruption in placing a system that works under the rule of integrity and transparency (MACC, 2012). Moreover, the recent Corporate Liability Provision has been enacted as a provision in the MACC Act 2009 in Section 17A, where liability is imposed on a corporation where corrupt activities have been carried out by employees on behalf of a corporation. These activities encourage good business practice and proactive approaches by companies themselves in tackling corruption and building a culture of transparency and compliance in the private sector. The recent commitment of the government is shown by the passage of the Public Finance and Fiscal Responsibility

Act 2023. The Act to make provisions on the responsibilities, accountability, governance and transparency of the government in managing the public finances and fiscal risk specifically in relation to revenue, expenditure, borrowing and debt; the reporting of annual budget documents and publication of other documents; and to make provisions for other matters connected therewith (mof.gov.my).

The Malaysian enforcement authorities also cooperate through various mechanisms and networks, such as the Financial Action Task Force (FATF), Asia-Pacific Group on Money Laundering (APG), INTERPOL, and ASEANAPOL. The Malaysian Anti-Corruption Commission (MACC), the Prime Minister's Department, the Royal Malaysian Police (RMP), the National Audit Department, the Accountant General's Department, the Financial Intelligence Unit (FIU), Bank Negara Malaysia (BNM), the Companies Commission Malaysia (CCM), the Securities Commission Malaysia (SC), the Labuan Financial Services Authority (LFSA), the Ministry of Finance, the Public Service Commission (PSC), the Public Service Department (JPA), the Enforcement Agency Integrity Commission (EAIC), and the Public Complaints Bureau (PCB) are all in charge of fighting corruption. Additionally, the Institute of Integrity Malaysia, also known as INTEGRITI, and the Malaysian Anti-Corruption Academy, also known as MACA, play a significant role in preventing and combating corruption. The Attorney General's Chambers has an important role to play vis-a-vis international cooperation and asset recovery. A National Coordination Committee to Counter Money Laundering has been established (UNODC, 2014).

#### ***2.4.1.2 Prevention and Public Delivery Enhancement***

These sections (7 c-e) of the MACC Act 2009 ensure that another function of MACC is the prevention of corruption to attain effectiveness and accountability in the government administrative practices, systems and procedures. Apart from these, several administrative measures are put in place for the purpose of upholding integrity in the public and private sectors. The MACC Act 2009 also furthers the participation of society. The Malaysian government has initiated several programs to help improve its integrity and governance mechanism. One of those initiatives for improving integrity and good governance in Malaysia is the National Key Result Area (NKRA), which was put in place as part of the fight against corruption. Under the NKRA-Fighting

Corruption initiative, the government spearheaded various programs that encompass public service delivery efficiency with the assurance of reduced corrupt practices at large in the essential sectors, as well as integrity at the grassroots level (Baqutayan and Mayati, 2021).

#### 2.4.1.2.1 Integrity and Governance Committee (JITU) and Anti-Corruption Committee (JAR)

The establishment of the Malaysian Committee of Integrity and Governance is a testament to the government's commitment to strengthening the integrity of the government's administrative system based on principles that are comprehensive, systematic, integrated, and sustainable. Initiated as the Integrity Management Committee (JKP) in 1998, JITU evolved into the Committee on Integrity Governance (JKTU) in 2009. Transformation initiatives affected change in the public service delivery that is more transparent, accountable, cost-effective, and integrity-based. The Cabinet meeting decision dated 14 March 2014 led to the formation of the Committee for Integrity and Governance (JITU), in further enhancing the integrity management system within the Malaysian government administration.

JITU was superseded by the establishment of the Anti-Corruption Committee (JAR) in 2018. It was the mechanisms within the Prime Minister's Directive No. 1 of 2018 in enhancing governance, integrity, and anti-corruption in the Malaysian Government Administration Management: National Mechanism for the Management of Governance, Integrity and Anti-Corruption. This will result in a much-needed emphasis on the eradication of corruption to bring more dignity to the nation and more concomitant commitment by the government toward that end. Creating synergy to ensure that the government administration system can be mobilised within an environment of zero tolerance for corruption and strengthening the government service delivery system based on transparency, accountability, and competitiveness principles (sprm.gov.my).

#### 2.4.1.2.2 Special Cabinet Committee on Corruption (JKKMAR)

The Special Cabinet Meeting on Anti-Corruption under the Prime Minister shall be responsible for:

- i. Considering and determining policies on enhancement of governance, integrity, and anti-corruption in the Government administration management system.
- ii. Monitoring and evaluating the implementation efficiency and effectiveness of policies, laws, regulations, and procedure systems to improve governance, integrity, and anti-corruption in the Government administration management system; and
- iii. To consider and approve the recommendations, as submitted by members of JKKMAR and JAR at the national level, on implementation of improvement initiatives and actions relating to enhancement of governance, integrity, and anti-corruption in Government administration ([sprm.gov.my](http://sprm.gov.my)).

#### 2.4.1.2.3 National Governance Committee (JTK)

Pursuant to Directive No. 1, 2023, issued by the Prime Minister, the National Governance Strengthening Movement is to reorganise the structure of governance committees at the federal, ministry, department, and agency levels for streamlined and effective governance of the government's administrative management system. The goal of this directive is to make the public service delivery system more efficient and effective by making sure that governance flaws that lead to wasteful spending of public funds, power abuse, misconduct, and corruption are fixed quickly, effectively, and with more focus. The emphasis on good governance through principles such as accountability, transparency, and inclusiveness will raise the quality of the public sector, and this guarantees that the services are given to the people with more integrity.

As such, Prime Minister's Directive No. 1 2018, the National Anti-Corruption Committee (JAR), will be replaced by the National Governance Committee (JTK), effective from 5 December 2023. Strengthening this committee's function will, therefore, empower the government agencies to have their management upgraded systematically on principles of good governance to ensure efficiency and effectiveness

in service delivery to the people. MACC, through the Public Sector Governance Division, is the secretariat to the National Governance Committee (JTK).

#### 2.4.1.2.4 Integrity Pact

Among the initiatives related to public procurement is the Integrity Pact (IP). It is a tool developed in the 1990s by Transparency International (TI) to help the government, businesses and civil society to prevent corruption in public contracts. It consists of a process that includes an agreement between the government department and bidders for a public sector contract. The introduction of the Integrity Pact further ensures that public contracting is free from corruption, prevents bribery by parties involved, reports acts of corruption, and ensures that unnecessary costs are not incurred by the government. If this undertaking is breached, pre-agreed sanctions, including blacklisting, can be enforced. The government department or agency also signs an undertaking not to demand or accept bribes and guarantees access to information and the publication of the award decision. An arbitration process is built into the Integrity Pact to strengthen the enforcement of its provisions. Civil society groups are roped in to monitor the contracting process, as has been done in several countries that have introduced the Integrity Pact, which has successfully reduced public expenditures. The Integrity Pact also provides elements that the bidder must receive an official invitation to submit a tender, pledge not to participate in any act of corruption, establish a Code of Conduct to eradicate corruption, and adhere to the contract, which includes an anticorruption clause ([transparency.org](http://transparency.org)).

#### 2.4.1.2.5 Certified Integrity Officer Programme (CeIO)

The implementation of this program was approved by the Prime Minister during the Series 65, No. 1, Year 2010, of the Special Cabinet Committee on Government Management (JKKMPK), which was held on March 30, 2010. Officers from the public and private sectors will be appointed Certified Integrity Officers (CeIOs) upon completion of the CeIO Program at the Malaysia Anti-Corruption Academy (MACA). We will then recommend these officers to head the Integrity Unit of their respective department and agency. The Certified Integrity Officer (CeIO) program offered by

MACA has been gaining acceptance, as reflected in the growing requests from government organisations and the private sector (UNODC, 2021).

#### 2.4.1.2.6 Integrity Unit

Under this initiative, the central government has made it imperative for the establishment of Integrity Unit in all public bodies at the federal and state level. The directive was in-effect from 1 August 2013 via the Service Circular No. 6 of 2013. The establishment of Integrity Unit is a proactive measure by the government to curb issues concerning integrity among civil servants. Later, it was expanded to the Government Link Company and Government Link Investment Company. Along these lines, the government has been working on the reduction of bureaucracy and on providing online services to facilitate transparency and accountability in public service delivery. These efforts have helped solidify Malaysia's institutional capacity and improved good governance in its machinery (kehakiman.gov.my).

#### 2.4.1.2.7 Corporate Integrity Pledge (CIP)

The Corporate Integrity Pledge, or CIP, is a document that enables companies and organisations to commit to upholding anti-corruption principles. Signatories to the CIP commit to refraining from engaging in any form of corruption and to initiate ongoing anti-corruption efforts. The CIP outlines principles to be adopted by corporate organisations when demonstrating their commitment to creating a business environment that is fair, transparent, and free from corruption. The principles serve as guidelines in determining the focus and needs to be emphasised by companies and organisations in contributing towards anti-corruption efforts in the country. The implementation of the CIP is an initiative of the National Key Result Area (NKRA) Fighting Corruption under the Government Transformation Programme. The CIP is also an essential link in the reformation of the public sector and continuous enhancement in the private sector to spur the country's progress towards a developed nation (sprm.gov.my).

### ***2.4.1.3 Education and Awareness***

Among the best practices of public education, especially for future generations, is to provide a long-term initiative to instil the values of integrity and corruption prevention among the students in school. It follows the government's realisation that efforts in providing education in corruption prevention will be more effective if corruption prevention elements are included in the system of education. These textbooks are:

1. Islamic Education (Malay language)
2. Moral Education (Malay language)
3. Moral Education (Tamil language)
4. Moral Education (Chinese language)

The elements aim to instil moral values and provide an introduction to anti-corruption, fostering a sense of detest for all forms of corruption. To address this issue, we established the Corruption Prevention Secretariat specifically for students at Public Institutes of Higher Learning or IPTA. This is because they are professionals in the making, bound by duty and responsibility to lead this nation in the future. Outreach for this group within MARA is conducted through the SPR at Public Institutes of Higher Learning or IPTA, at Teacher Education Institutes (IPG), and at MARA Education Institutions (IPMa). Recently, public universities introduced the Integrity and Anti-Corruption Course (KIAR) as a mandatory subject for all students. This course encompasses the basic concepts on the value of integrity, forms of bribery and abuse of power in daily lives as well as in organisations, and ways to prevent bribery. We will discuss bribery-related issues and real-world cases. ([sprm.gov.my](http://sprm.gov.my)).

### ***2.4.1.4 Civil Society Organisations (CSOs) and Non-Governmental Organisation (NGOs) Cooperation***

In the fight against corruption in Malaysia, there is no doubt that government organisations are instrumental in bringing about transparency and accountability in aspects of good governance. Such organisations normally serve as watchdogs in matters that imply observance of the rule of law and a demand for transparency in government agencies. The Malaysian Anti-Corruption Commission has come to realise the highly esteemed duty that NGOs have played and has equally worked hand in hand with NGOs

to promote anti-corruption initiatives. For instance, MACC had collaborated in various anti-corruption campaigns with Transparency International Malaysia (TI-M), the IDEAS, Centre to Combat Corruption and Cronyism (C4), and Rasuah Busters. These are indeed excellent examples of how much public and Civil Society Organisation (CSO) collaboration might work to combat corruption in Malaysia.

Corruption issues transcend national borders, and Malaysia is lending her active voice to international advocacy for this fight. The UN plays a relevant role in the fight against corruption by offering an avenue for international cooperation and sharing best practices. Another important initiative taken on an international level is the Corruption Perceptions Index (CPI) from Transparency International, which compares countries all around the world according to perceived levels of corruption, a yardstick against which progress or lack of it is measured, with areas needing extra attention. Moreover, Malaysia is a member of the International Association of Anti-Corruption Authorities (IAAC), which provides a platform for anti-corruption authorities all over the world to interact and share experiences. With Malaysia's interaction with the UN, participation in the CPI, and membership in IAACA, it proves that the country is committed to international collaboration on issues of corruption and ensuring accountability globally (MACC, 2012).

#### ***2.4.1.5 NACP (2019-2023) and NACS (2024-2028)***

The introduction of NACP in 2019 as a national guideline for anti-corruption and governance efforts in Malaysia demonstrates the political commitment from the highest levels. It can be explained in six priority areas and strategies: political governance, public sector administration, public procurement, legal and judicial, law enforcement, and corporate governance. The NACP comprises 115 initiatives, identified through expert assessments, global anti-corruption models, surveys, stakeholder inputs, and risk assessments conducted by the Governance, Integrity, and Anti-Corruption Centre (GIACC) to determine six priority areas. Among the achievements of the plan, such as 29 policies, institutional, and legislative reform initiatives out of the 115 NACP original proposals, were put into action and completed at the output level in 2019. Out of the 86 initiatives that remained, six of the existing initiatives were combined to create three

initiatives. This was done on the grounds that the three initiatives would produce the same results, bringing the total number of initiatives to 83.

The overall number of initiatives has been lowered to 70 because 13 initiatives were postponed. This does not suggest that the government is giving up on the delayed programs. These proposals have been put on hold because they will need to be amended to the Federal Constitution or new laws will need to be introduced, both of which need in-depth research before they can be put into effect. There are now 82 initiatives in all, including 12 new ones that have been presented. After that, on May 19, 2021, the Mid-Term Review of the National Anti-Corruption Plan (NACP) 2019-2023 came out. It included 82 initiatives that emphasised the need to keep improving governance in line with current government policies (NACP 2019).

29 NACP initiatives have been effectively implemented up to the output stage in 2019, according to the implementation report of NACP initiatives from the time of their launch in 2019 until the publication of the Mid-Term Review of the NACP in 2021. The Prime Minister's Directive No. 1 Year Plan 2018-Series 2 No. 1 Year of 2019 on "Strengthening Governance, Integrity and Anti-Corruption in the Government Administrative Management: Implementation of the National Anti-Corruption (NACP)" serves as the foundation for NACP's implementation. The National Anti-Corruption Strategy (NACS) has been implemented successfully, continuing this initiative (GIACC, 2022). Furthermore, NACS was introduced in 2024, strengthening the implementation aspects of the plan because of issues of delay and input from relevant stakeholders that have also taken more time since the views are sought and incorporated in making changes. For this reason, new initiatives were added to NACS for implementation due to the aforementioned factors.

Through such strategic integration, holistic approaches toward combating corruption are achieved as emerging challenges are addressed and built upon the progress made from previous initiatives. In order to fight corruption in the procurement process, strategies 2 and 17 are being worked on. Strategy 2 is about holding people accountable, Strategy 1 is about passing the Public Procurement Act, Strategy 6 is about creating an integrated procurement system that uses new technologies like artificial intelligence, cloud computing, and a digital financial platform. Strategy 17 is about making companies reveal who they really own in order for them to bid on public

contracts. All those initiatives were led by the Ministry of Finance with supporting agencies like the Attorney General Chamber and MACC (NACS, 2024).

While these initiatives represent significant steps toward Malaysia’s aspiration of becoming a corruption-free nation, as emphasised by Prime Minister Anwar Ibrahim, challenges remain in their implementation. The restructuring of the National Governance, Integrity, and Anti-Corruption Centre (GIACC) from the Prime Minister's Department into the National Governance of Planning Division under the Malaysian Anti-Corruption Commission (MACC) has introduced administrative and operational complexities. Additionally, the lack of clear ownership and prioritisation by ministries responsible for implementing these strategies has contributed to delays in execution (The Star, 2024; The Sun, 2023).

Table 2.5 The Key Features of Anti-Corruption Initiatives in Malaysia

<b>Initiative</b>	<b>Focus</b>	<b>Strengths</b>	<b>Challenges</b>
MACC (Malaysian Anti-Corruption Commission) 2009	Investigation, enforcement, and prevention of corruption	Independent commission with enforcement power, MACC Act 2009 provides strong legal foundation	Perceived political influence, limited prosecution success rate in high-profile cases
NACP (National Anti-Corruption Plan) 2019-2023	Whole-of-government strategy; prevention, education, and enforcement	Comprehensive framework, inter-agency collaboration; strong policy tone	Weak implementation, limited progress on political funding reform and procurement transparency
NACS (National Anti-Corruption)	Continuation of NACP; strengthening	Builds on NACP's foundation, new commitment from	Execution remains uncertain, needs stronger

Strategy) 2024-2028	governance and accountability	leadership, alignment with UNCAC	institutional independence and follow-through
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The table compares Malaysia’s key anti-corruption initiatives, which are MACC, NACP, and NACS that showing a progression from enforcement-focused efforts to broader governance reforms. While each initiative has strengthened the anti-corruption framework, challenges like weak implementation, limited political will, and persistent risks in public procurement highlight the need for more targeted and enforceable strategies. Despite Malaysia’s integrated anti-corruption framework, which anchored by the MACC, NACP, and the recently launched NACS, challenges remain in translating policy into consistent practice. While these initiatives underscore the government’s intent to strengthen enforcement, promote integrity, and enhance transparency, implementation gaps, political interference, and weak accountability mechanisms continue to hinder progress. This is particularly evident in public procurement, where corruption risks persist despite existing safeguards. These realities highlight the urgent need for a renewed, targeted initiative that addresses systemic weaknesses, especially in the procurement process, by reinforcing institutional checks and promoting ethical leadership across the public sector.

#### **2.4.2 The Need for New Initiatives to Curb Corruption in Public Procurement**

Public procurement plays a vital role in national economic development and the delivery of services in most countries. Corruption generally characterises these processes, and it always seems to present a problem. Though different anti-corruption measures and their regulatory frameworks are put in place, manipulation of public procurement continues to be a problem, undermining public trust, efficiency, and economic growth. Therefore, it is timely and critical to analyse new recommendations for the Malaysian government's efforts to tighten corruption loopholes in public procurement, such as effective law enforcement, enabling technology, increasing transparency, and engaging civil society. Thus, it will conclude with the

recommendations to the Government of Malaysia to tackle the issue of corruption in the public procurement sector.

#### ***2.4.2.1 The Persistence of Corruption in Public Procurement in Malaysia***

Despite Malaysia's holistic anti-corruption framework which are anchored by the MACC, NACP, and the recently launched NACS, challenges remain in translating policy into consistent practice. While these initiatives underscore the government's intent to strengthen enforcement, promote integrity, and enhance transparency, implementation gaps, political interference, and weak accountability mechanisms continue to hinder progress. This is particularly evident in public procurement, where corruption risks persist despite existing safeguards. These realities highlight the urgent need for a renewed, targeted initiative that addresses systemic weaknesses, especially in the procurement process, by reinforcing institutional checks and promoting ethical leadership across the public sector.

Despite the presence of legal frameworks such as the Financial Procedures Act 1957 and the Government Contracts Act 1949, corruption remains a persistent and entrenched challenge in Malaysia's public procurement sector—undermining principles of transparency, accountability, and value for money. At the structural level, this persistence is compounded by the interplay between political patronage and institutional ethics. Although drawing from the Philippine context, Nisnisan and Salapa (2024) underscore the influence of legal, political, and socio-economic conditions in procurement delays, paralleling the Malaysian context where political interference and cronyism have long been flagged (Hui et al., 2011). From a political economy perspective, Azmi (2016) and Azmi and Zainudin (2021) argue that entrenched money politics and opaque political financing mechanisms generate systemic vulnerabilities, particularly in procurement processes. Similarly, Jones (2022) situates corruption within broader leadership and cultural failures, reinforcing the view that institutional reform alone is insufficient without addressing underlying power dynamics.

A second critical dimension lies in the internal control ecosystem. Empirical work by Ilias et al. (2024) shows that perceptions of government officials support the notion that robust risk management and internal control mechanisms are integral to corruption deterrence. Sectoral analyses by Manaf et al. (2023) and Khan et al. (2022)

demonstrate that technological interventions, such as e-procurement, can mitigate fraud, though they require continuous enhancement and oversight, as highlighted by Gunasegaran et al. (2023). In parallel, leadership integrity and ethical governance form a third pillar of reform. Studies by Abdul Gaffur and Shaw (2021) and Gbala (2016) underscore the indispensable role of ethical leadership and accountability mechanisms in institutionalising anti-corruption values.

Equally important is addressing the supply side of corruption namely, private actors who exploit procurement loopholes. Williams-Elegbe (2011) advocates for more stringent disqualification mechanisms against complicit firms, while Kartika (2022) and Alemayehu et al. (2024) provide broader frameworks and international insights on how corrupt practices evolve within procurement cycles, particularly in tendering and contract execution. Taken together, these studies highlight that the persistence of corruption in Malaysian public procurement is driven by overlapping legal, political, institutional, and behavioural factors. This underscores the need for a comprehensive approach that not only fortifies internal controls and leadership ethics but also addresses structural incentives and private-sector complicity. The next subsection will explore the necessity of a new anti-corruption initiative tailored specifically to public procurement, aimed at tackling these deeply embedded issues more effectively by evaluating the current anti-corruption initiatives in Malaysia.

#### ***2.4.2.2 The Effectiveness of Current Initiatives in Public Procurement in Malaysia***

Public procurement is one of the key engines that drive Malaysia's economic development by allotting a significant share of government resources to infrastructure, public services, and defence. The processes of public procurement have been characterised for quite some time by corruption, inefficiency, and the absence of transparency. Precisely for this reason, the Malaysian government has instituted various reforms that target improvements in governance within public procurement. These following initiatives involve the implementation of the e-procurement system, enhancement of transparency, and a legal framework such as the MACC Act 2009 and the proposed Government Procurement Act. Again, with these in place, one may still question their effectiveness as reports on corruption and inefficiency in public procurement are still evident.

Firstly, among the main reforms in public procurement, the place of e-procurement systems is outstanding. Such an innovation from a traditional, paper-based procurement process to an electronic platform was made to enhance transparency and reduce human intervention for efficient processing of procurement activities. MyPROCUREMENT was developed as an automated, digital platform for conducting the process of procurement with the purpose of minimising chances of corruption since it is an electronic way of processing bids and contracts ([ppp.treasury.gov.my](http://ppp.treasury.gov.my)). It consists of the eProcurement system that allows government agencies to procure supplies and services completely online (end-to-end) with suppliers. While the MyGPIS system functions to record and store procurement information for government agencies that use federal government allocations, and the eGPA system works to receive and process applications related to government procurement from government agencies that require the approval of the Ministry of Finance ([myprocurement.treasury.gov.my](http://myprocurement.treasury.gov.my)).

E-procurement is widely regarded as a tool to enhance transparency and efficiency in public procurement. Malaysia adopted e-procurement in 1999 to reform its procurement processes and reduce corruption. Proponents argue that its digital nature ensures transparency through an auditable trail of transactions, making it harder to conceal corrupt practices. Neupane (2014) highlights e-procurement's potential to reduce corruption via increased transparency and accountability. Similarly, Soong et al. (2020) examine factors influencing the adoption of e-procurement by Malaysian SMEs, noting perceived transparency benefits. Kaliannan et al. (2009) discuss the role of ICT, including e-procurement, in improving administrative performance in Malaysia. However, the Malaysian experience shows that e-procurement alone does not guarantee transparency. Ahmad et al. (2021) assess the transparency of Malaysia's e-procurement system and identify areas for improvement. Additionally, Abul Hassan et al. (2020) emphasize transparency as a goal in public procurement but acknowledge challenges in achieving it. Abas Azmi and Rahman (2016) conclude that e-procurement may not be sufficient to curb corruption. Furthermore, Gunasegaran et al. (2023) discuss fraud detection in e-procurement, noting that while it enhances transparency, it can also create new fraud opportunities if not properly managed. Khan et al. (2022) explore e-procurement fraud deterrence in the Ministry of Higher Education, highlighting ongoing challenges. The broader governance and anti-corruption context are also crucial. Siddiquee (2011) reviews Malaysia's anti-corruption efforts, emphasising

political will and institutional reforms. Mahmud et al. (2023) discuss various dimensions of corruption in Malaysia, highlighting challenges in promoting transparency and accountability.

Secondly, Malaysia has since then initiated multiple reforms in the field of legislation to fight corruption in the procedures of public procurement, most notably the initiation of the MACC Act 2009 and the Whistleblower Protection Act 2010. The introduction of each reform aimed to enhance enforcement, boost accountability, and provide whistleblowers with greater exposure to corrupt practices. It provides a wide legal framework for the investigation and prosecution of corruption, while the formation of MACC saw some high-profile arrests and prosecutions. For instance, MACC successfully prosecuted several high profiles implicated in bribery and fraud in public procurement between 2019 and 2021, such as the mastermind in the public procurement cartel, Datuk Adly, who was charged with 69 counts of falsifying documents amounting to RM3.8 billion (Malaymail, 2021). The introduction of the Corporate Liability Provision in 2020 further expanded the scope of the law to hold companies liable for corrupt acts committed by employees as a deterrent to businesses seeking to engage in corrupt practices. This provision, together with amendments to some other sections, had earlier come into force through the Malaysian Anti-Corruption Commission Act (Amendment) 2018, also known as the A1567 Act. Upon gazetting this amendment on 4th May 2018, a two-year grace period was given for Section 17A MACC Act 2009 to allow commercial organisations to make proper preparations. It is a provision in law where it provides for a corporate liability principle, whereby a commercial organisation is deemed to have committed the offence if any of its employees and/or associates commit corruption for the benefit of the organisation. The commercial organisation is also deemed guilty in the event that the upper management or its representatives know about the corruption acts committed by its employees or associates. The above-mentioned provision inspires the commercial organisations to take necessary and parallel steps with the purpose of ensuring businesses without any corruption. If a commercial organisation is found guilty under Section 17A, the penalty under Section 17A (2) is a fine of not less than 10 times the value of the bribe or RM 1 million, whichever is higher, or imprisonment for up to 20 years, or both. However, the commercial organisations can defend themselves if they can show that the organisation has implemented adequate procedures in its operation ([sprm.gov.my](http://sprm.gov.my)).

However, as much as there are relevant legal frameworks, enforcement remains fragmented and highly uneven, hence rendering these initiatives not fully effective. The Malaysian Anti-Corruption Commission is the government agency responsible for fighting corruption in the country. Despite its occasional successes, the MACC faces several weaknesses that impede its effectiveness. Perhaps one of the most powerful criticisms is that the MACC is not independent of political influence. Siddiquee and Zafarullah (2020) point out that the institutional location of the MACC within the Prime Minister's Department can itself be an impediment to its autonomy, especially when investigating high-ranking officials. Similarly, Mahmud, N. M., et al. (2023) argue that the MACC has not been entirely free from the influence of the executive despite structural reforms, thus undermining its impartial role. Another concern relates to the limitation in the power granted to the MACC to prosecute offenders. In this regard, it is observed by Mahmud et al. (2023) that the MACC has investigating powers but not the power to prosecute; the latter lies with the Attorney General's Chambers. This separation could create bottlenecks that undermine the purpose of anti-corruption efforts. Worse still, MACC has also often been charged with going after "small fish" while allowing major actors to participate in grand corruption off scot-free. Siddiquee and Zafarullah, (2020) points to this criticism, indicating that while the MACC has made many arrests, it has been much less successful in the prosecution of high-profile cases. Berman (2010) also points to this issue, indicating that while lower-level officials may face consequences, "big fish" often remain unscathed.

Thirdly, the increased accountability has resulted from increased transparency in procurement processes. Publicising procurement information allows the government to exercise increased scrutiny and control, thus decreasing avenues towards corruption and enhancing the good use of public money. As Ashari, H. (2013) puts it in the Malaysian context, without a system for transparency and accountability in public procurement, resources can be misused or corrupted. When looking at the Malaysian electronic procurement system's level of transparency, the study by Ahmad et al. (2023) shows that, even though there have been efforts in the last few years to make it clearer, there are still some problems. Hassan et al. (2021) discuss public procurement objectives and principles in Malaysia with an emphasis on transparency, ensuring value for money, and promoting fair competition. This again identifies the fact that transparency and accountability are crucial in ensuring good governance of public

procurement, as indicated in Relucio and Cruz (2020). More transparency will bring more accountability; however, transparency alone is not enough. Strong accountability mechanisms, such as powerful oversight institutions and clear consequences for wrongdoing, are also needed to ensure that transparency translates into better governance outcomes.

Fourth, the fact that Malaysian government departments now have integrity units and the Integrity and Governance Unit in Government-Linked Companies (GLC) and Government-Linked Investment Companies (GLIC) shows that the country is serious about fighting corruption and promoting good government. The *Pekeliling Perkhidmatan Bil.6, Tahun 2013*, laid the foundation. These initiatives are part of Malaysia's Government Transformation Program (GTP), which focuses on inculcating ethical values, enhancing transparency, and improving accountability. Certified Integrity Officer (CeIO) plays a central role in fostering organisational integrity, supported by governance frameworks like the Corporate Integrity System and corruption risk assessments (Ismail I., et al., 2016). For GLCs, this initiative was timely, as Abdullah et al. (2019) found that corruption risks increase with politically connected directors, ex-senior government officers on the board, and CEO duality. These include embedding integrity mechanisms within organisational frameworks, increasing scores in ethics and transparency measures, and dealing with the role of leadership in instilling these values. According to Rosli et al. (2015), since the Malaysian public sector is well promoting the integrity system in the government sector, this will embed trust in the public for the better way of the government in managing the public funds and government matters. On that note, the intriguing fact is that in major ministries, the CeIO is the person that is seconded from MACC. The integrity unit across the ministry was coordinated and supervised by the Agency Integrity Management Division (BPIA) of MACC. It shows the commitment of MACC and the government to eradicate graft and promote awareness in the public sector.

Fifthly, the political will and leadership commitments to fighting corruption closely correlate with the effectiveness of public procurement reforms. The Malaysian government has, from time to time, mounted high-profile anti-corruption campaigns, while successive administrations vowed to clean up public procurement processes. The role of political leaders has been crucial in pushing forward reforms. Since the general election of 2018, the government under Prime Minister Mahathir Mohamad has

embarked on several anti-corruption measures targeting the cleaning up of public procurement, including creating the National Anti-Corruption Plan (NACP) 2019-2023, which laid out a roadmap for improving governance and transparency within public procurement (NACP, 2019). On that note, under newly elected Prime Minister Anwar, he had launched the National Anti-Corruption Strategy (2024-2028), which is a continuation of the NACP. The NACS puts forward clear strategies and milestones in the fight against corruption at various sectors and levels of governance to ensure the rise of integrity, transparency, and accountability within Malaysia (NACS, 2024). With this revived political interest, the number of procurement-related investigations and prosecutions increased. (refer to section 2.3.1).

The recent effort by the Malaysian government to increase public salaries has seemed like a positive political will. It was a manifestation of this commitment by the government to reducing corruption in the public sector by the introduction of Sistem Saraan Perkhidmatan Awam, replacing the old Sistem Saraan Malaysia. According to studies, low civil service salaries can indirectly fuel bribery; thus, the government hoped that with improved compensation, some of the financial pressures that may drive corruption could be relieved (NST, 2024). Moreover, the passage of the Public Finance and Fiscal Responsibility Act 2023 has given more impact to the accountability and transparency effort by the government. According to the Finance Ministry, it would be supported by a revenue strategy and expenditure policy of the government. According to the fiscal objectives of the Act, the annual development expenditure should not be more than 3% of the Gross Domestic Product (GDP)<sup>6</sup>. The government debt level should not be more than 60% of the GDP while the fiscal deficit should be at 3% or less. Government guarantee should not exceed 25% of GDP (The Star, 2023).

However, the sustainability of political will continues to be a serious cause for concern. Reforms and anti-corruption measures often lose momentum when administrations change or political priorities shift. Thus, political will was significant in driving reform, which requires strong leadership and institutional reforms that need

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<sup>6</sup> Gross Domestic Product (GDP) represents the monetary value of all final goods and services produced within a country over a specified period, typically one year. Real GDP per capita, adjusted for inflation, is commonly utilized as a primary indicator to assess the economic status of a nation over time or in comparison to other countries. Consequently, GDP is often equated with social welfare, as evidenced by the frequent use of the term "standard of living" as a substitute. This association has developed over time, despite the absence of any theoretical foundation linking GDP directly to social welfare (Van den Bergh, J. C., 2009).

to be sustained over time to develop an effective environment against corruption (Siddiquee, 2011; Siddiquee and Zafarullah, 2022).

#### ***2.4.2.3 The Role of Emerging Technologies in Preventing Corruption in Public Procurement in Malaysia***

Corruption in public procurement is considered a critical issue facing Malaysia and is generally regarded as undermining the effectiveness of spending by the government, eroding trust in government institutions, and impeding national development. People are more interested in the new technologies because they might help stop and lessen corrupt practices in the procurement process. This is partly because the problem has been going on for a long time. Technologies like blockchain, AI, big data analytics, and e-procurement systems enhance transparency, accountability, and efficiency in procurement activities. There are studies that demonstrate that blockchain can provide solutions to some of the underlying causes of corruption in public procurement. This will offer a transparent, decentralised system that will increase trust among stakeholders and improve recordation and documentation in transactions; this makes processes relatively simplified and less complex. The immutability of the blockchain record creates a serious difficulty in changing any data, which practically diminishes the chances of fraud. Although this paper identifies Nigeria, its principles might prove true in another context like Malaysia (Akaba et al., 2020). Blockchain transparency could break the hold of obscure procurement practices that have for a long period been a problem for Malaysia's procurement system. Besides, the introduction of blockchains into public procurement encounters a lot of obstacles concerning infrastructure costs, technical human resources, and solidarized political and business interests, which appear unwilling to accept such transparent systems.

Artificial Intelligence (AI) and Machine Learning (ML) systems can process large volumes of procurement data to identify anomalies and patterns indicative of corrupt practices. The technologies do an especially good job of picking out irregularities in bidding patterns, like overpricing, unusual vendor relationships, and bid collusion. AI offers a range of techniques that significantly enhance fraud detection capabilities. These techniques enable the identification of fraudulent activities with higher accuracy and efficiency compared to traditional methods (Yalamati, 2023). Moreover, according to Vorontsov S., et al. (2020), digitalisation processes that

facilitate systematic control over the adoption of legally significant decisions may be used not only for detection but also, on the contrary, for corrupt control.

Digital technologies are just one of the tools in implementing state tasks; however, their application is exclusively instrumental. Hence, there is a need not only for legal regulation of the use of technological innovations to ensure justice but also for technical regulation of the cybersecurity of neural networks and big data communications used by the judicial system. However, Siddiquee and Zafarullah (2022) argue that AI implementation also requires huge investments in technical infrastructure and expert training.

As previously discussed, e-procurement has recently become a transformative force in public procurement, particularly in the fight against corruption. It makes use of technology in trying to enhance transparency, accountability, and efficiency in the processes of procurement. E-procurement systems will provide a digital platform for documenting procurement activities and making them accessible to relevant stakeholders. In the view of Aduwo et al. (2020), e-procurement capabilities significantly contribute to checking corruption in the delivery of construction projects because all transactions are recorded and can be audited. However, despite the advantages, e-procurement is not a solution to all corruption-related issues. Successful implementation of an e-procurement system demands good technological infrastructure, proper training of users, and adherence to ethical behaviour. Moreover, there might be resistance from stakeholders to traditional procurement practices, which will hamper the successful adoption of e-procurement practices (Iswanto et al., 2022). It follows, therefore, that while much potential exists for e-procurement to reduce corruption, this must be supported by comprehensive governance reforms and a culture of integrity.

After discussing the argumentative points by scholars on the effectiveness of current initiatives, the next subsection will deliberate about the initiative as a recommendation and solution to the issues.

## 2.5 SUMMARY OF THE CHAPTER

This chapter has critically examined the systemic and operational dimensions of corruption in Malaysia's public procurement sector. Drawing from the Principal-Agent-Client model, it analysed the behavioural dynamics and institutional structures that facilitate corrupt practices. This chapter successfully addressed several guiding questions central to this study: What is corruption? Who is responsible for investigating corruption? How have corruption cases been investigated? What is the modus operandi of corruption in public procurement in Malaysia? How do the corrupt actors, such as the principal, agent and client collude with one another in procurement corruption? What is the procurement system in Malaysia? How has corruption been detected by the National Audit Department? What are the current anti-corruption initiatives in Malaysia? Are they effective? Do we need new anti-corruption initiatives to reduce and combat corruption in Malaysia, especially in the public procurement sector?

Through a review of existing laws, institutions, and operational frameworks, this chapter clarified that while Malaysia has made notable efforts to curb corruption. Which including the establishment of MACC, enactment of Section 17A of the MACC Act, and national initiatives such as the NACP and NACS, however, systemic corruption remains deeply entrenched. Investigative efforts by agencies such as MACC and the National Audit Department have revealed patterns of collusion, abuse of discretion, and exploitation of regulatory gaps within the procurement system. Corrupt actors exploit asymmetries in information and weak oversight structures, with agents and clients often colluding under the guise of legitimate transactions, while principals fail to impose effective deterrents. Moreover, this chapter illustrated how anti-corruption measures like the Whistleblower Protection Act and citizen reporting mechanisms are hindered by fear of retaliation, low awareness, fragmented implementation, and limited institutional capacity. Political interference and lack of transparency further erode the procurement system's credibility, contributing to public distrust and inefficiencies.

In sum, this chapter concluded that existing anti-corruption initiatives in Malaysia, while necessary, are insufficient in their current form to address entrenched procurement corruption. Having established the conceptual, legal, and institutional backdrop of corruption in Malaysia's public procurement system, the next chapter outlines the research methodology. Chapter Three will detail the design, sampling, data

sources, and analytical approaches used to examine how corruption unfolds in practice and evaluate the potential impact of proposed reforms.



## **CHAPTER THREE**

### **RESEARCH METHODOLOGY AND ANALYSIS**

#### **3.1 INTRODUCTION**

This chapter presents the methodology used in meeting the objectives of the study identified in Chapter One. This chapter outlines the methodology used in this thesis to investigate and explore public procurement's corruption in terms of its modus operandi and types of collusion between different actors. Furthermore, it outlined the approach for framing new initiatives to combat corruption, particularly in the public procurement sector.

The aim of this chapter is to develop a meaningful methodological framework, divided into seven sections. It commences with an overview of the underpinning philosophical stance and structure of the study in subsection 3.1. This study advances a critical reflection of and social phenomenon that is instituted in the settings of Malaysia as the context of the current study. Subsection 3.2 discussed the theoretical lens through its conceptual framework of this thesis using PAC Model and its application in examining corruption in public procurement. Subsequently, this chapter discusses the qualitative research design. Section 3.5 outlines the approach to data analysis that was conducted using a thematic approach with six stages of analysis. Section 3.6 refers to the ethical considerations in this research, and finally, section 3.7 concludes this chapter.

#### **3.2 METHODOLOGICAL PERSPECTIVES**

Corruption in public procurement is arguably considered as a rampant practice in Malaysia with regard to governance, economic development, and public confidence. For this study to understand the modus operandi of corruption, especially that of collusion amongst principals, agents, and clients, the research would have to be framed within a robust methodological structure. This relates to the methodological perspectives that inform investigation into corruption in public procurement, calling for fresh governmental actions in stemming such practices. The philosophical stance will include ontological and epistemological perspectives to investigate the modus operandi

of corruption in public procurement, a relational approach to explore the relationship between principal, agent, and client. While an ideographic approach was to explain the need for new government initiatives by providing insight into the dynamics of social interaction of corruption in public procurement in Malaysia.

### **3.2.1 Ontological and Epistemological Perspectives**

A subjective ontological position is adopted as part of this research, considering corruption as a social entity shaped by various contextual factors involving cultural, economic, and institutional contexts. Suliman considers that understanding a social system can benefit from a multi-method and multi-disciplinary approach, borrowing from environment, culture, and history (Suliman, 2019). In this line, there could be greater depth into the ways in which corruption could come into the realm of public procurement, emanating from the dynamics and network amongst stakeholders. Thus, this study employs a multi-method approach, integrating document analysis and in-depth interviews to enhance validity and trustworthiness through data triangulation.

This study adopts an anti-positivist stance, rejecting the notion that knowledge can be attained solely through empirical observation. Harnois and Gagnon (2021) emphasise the importance of sociocultural context in understanding corruption, as quantitative analysis alone may overlook complex human behaviours and social dynamics. From an Islamic perspective, ethical and moral values rooted in divine revelation provide an alternative epistemological lens (Ali, M.M., 2016). Hassan, M.K. (2021) argues that corruption and hypocrisy among Malaysian political leaders can be mitigated through Tawhidic-based moral-ethical transformation. Integrating both anti-positivist and Islamic perspectives, this study examines corruption in Malaysia's public procurement sector by analysing the intricate interactions among key actors. Data from in-depth interviews with incarcerated individuals and experts, along with document reviews of selected MACC case files, offer critical insights discussed in Chapters Four and Five.

### 3.3 PRINCIPAL-AGENT-CLIENT MODEL

Underpinning theories and models provide an explanatory framework that helps the researcher understand and predict complex phenomena. They provide a basis for identifying key variables, relationships, and mechanisms relevant to the research topic. In the case of public administration, for example, the Principal-Agent Theory helps in the exploration of accountability and control within governance systems. While this study chooses the expansion of the theory, which is the Principal-Agent-Client Model, in explaining and understanding the phenomena of corruption in public procurement. The principal-agent-client model has evolved as one of the more important frameworks for making sense of corruption in public procurement, especially in multi-stakeholder contexts. Such a model expands on traditional principal-agent theory by incorporating a third party, namely, the client, thus enhancing the analytical depth of corruption dynamics. It argues that the principal-agent-client model is justified in explaining corruption in public procurement because the model can conceptualise the complexity in stakeholder interaction, overcome asymmetric information, and give cues that incentive structures are significant.

At the heart of the principal-agent-client model lies a triadic relationship between a principal, usually the head of a department in a government organisation; an agent, often a public official; and the client, a contractor who has been awarded a public procurement project. This triadic<sup>1</sup> relationship inherently involves more complexity than would arise from the traditional principal-agent model, which essentially focuses on the dynamics between the two: the principal and the agent. The inclusion of the client allows a more nuanced understanding of how corruption can take place in public procurement processes. One of the critical elements of this model is, in fact, the recognition of information asymmetry: in many public procurement scenarios, agents possess more information about their actions and the procurement process than both the principal and the client. This asymmetry creates moral hazard that the agents may exploit due to their informational advantage regarding corrupt activities involving

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<sup>1</sup> In the context of the Principal-Agent-Client model, the term "triadic relationship" refers to the three-way interaction between the principal (e.g., the government), the agent (e.g., a procurement officer), and the client (e.g., a vendor or contractor) (Sirisophonphong, 2019). This model moves beyond the traditional principal-agent framework by explicitly including the client, recognizing their influence and potential to create collusive environments that may undermine the principal's interests. This triadic relationship is crucial for understanding corruption, as it highlights how the agent and client can collude, potentially to the detriment of the principal (Sirisophonphong, 2019).

contract price inflation and subcontracting of poor-quality service provision Brandt and Svendsen (2013). Therefore, framing corruption against the principal-agent-client perspective enables the model to provide relevant incentive structures underlying such corruption. The justification of using this model is based on these points.

- i. **Holistic framework:** The principal-agent-client model provides a general framework to investigate corruption in the procurement of goods and services due to the interactions within a large number of groups. The perspective is especially relevant to public procurement given the propensity of clients' influence through the agents and onto the principals, leading to corrupt outcomes to serve narrow interests over and above the public's good (Marquette and Peiffer, 2017).
- ii. **Incentives:** The model stresses much on incentives that ought to be in order from both parties. Realising clients can affect the way agents behave, the model states the need for structures that incentivise ethical behaviours, which include accountability. Incentivisation of appropriate behaviour is important in the design of contracts, which can deter corrupt practices and ensure that the agents act in the interest of both the principal and the client (Vallury and Leonard, 2021).
- iii. **Real-World Applicability:** The principal-agent-client model is grounded in real-world dynamics, making it particularly applicable to the complexity of public procurement. As noted by Vallury and Leonard, the model allows for the examination of how corruption impacts the provision of public infrastructure, thereby providing insights into the practical implications of corruption in public procurement contexts (Vallury and Leonard, 2021).

Moreover, recent developments in the PAC model have integrated behavioural insights, moving beyond the rational choice assumptions that have traditionally dominated economic theories. Scholars have begun to consider factors such as ethical norms, cultural influences, and psychological drivers that can impact decision-making in procurement contexts (Neupane et al., 2014). This extension makes the PAC model more versatile in tackling contemporary governance challenges because it has recognised that corruption is not only a product of self-interest but also of wider social and cultural dynamics. Furthermore, the digital era has significantly influenced the PAC

model, especially through the introduction of technological tools intended to reduce information asymmetry and improve transparency. Innovations like blockchain and e-procurement systems have emerged as crucial components in fighting corruption in public procurement (Das and Kumar, 2023). These technologies seek to provide more transparent and accountable procurement processes, thereby shaping the way corruption is researched and mitigated. In integrating technology into the PAC model, modern understanding is reflected in the way corruption is complex and finding innovative solutions for such challenges.

Today, the PAC model is an important tool in anti-corruption research, policymaking, and governance reforms. The model is commonly used in studying collusion in public procurement, regulatory capture, and even environmental governance (Thai, 2001). For instance, frameworks developed by international organisations, such as the United Nations and the World Bank, meant to increase transparency and accountability in global systems have been based on the model. The PAC model provides a general framework for understanding corruption, showing how targeted interventions may work in practice to tackle some of the challenges presented in corruption in public procurement. The justification for the principal-agent-client model in explaining corruption in public procurement, therefore, stems from its capability to capture multi-party interaction complexities, solve information asymmetry, integrate collusion studies, and adjust to modern technological changes. By recognising multiple stakeholders' roles and the dynamics of their interactions, the PAC model provides a better understanding of the mechanisms of corruption and strategies needed to combat it. As public procurement continues to evolve in response to different governance challenges, the PAC model will remain an important framework for understanding and addressing corruption in this critical area. Thus, the next subsection will use the model to conceptualise a framework for this study.

### **3.3.1 Conceptual Framework**

According to Jabareen (2009), the conceptual framework is aimed at helping us understand phenomena rather than predicting them. Thus, this conceptual framework was developed based on the PAT theory and PAC model to determine the modus operandi of corruptors in public procurement, who the main actor is, what kind of

collusion occurs in public procurement activities, and how it happens. After that, by evaluating all the data findings, it will give us an answer on what kind of new initiative is needed by the government to be implemented to fight corruption.

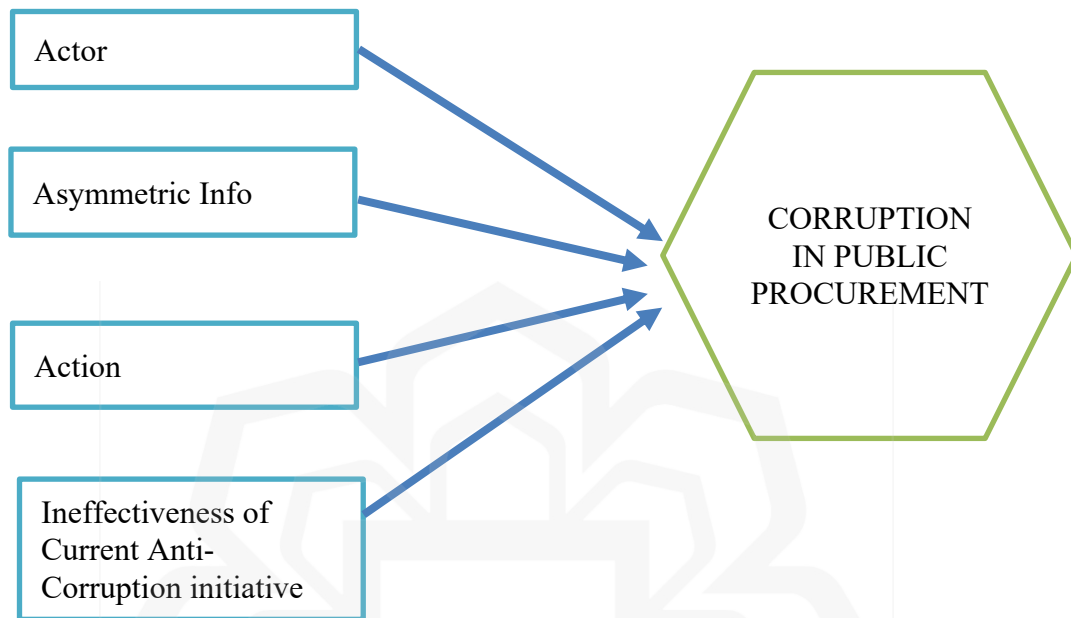


Figure 3.1 Conceptual frameworks based on Principal-Agent Theory and Principal-Agent-Client Model

Several elements were developed in a way precisely to explain corruption in public procurement in the Malaysian context, which are 1) Actor, 2) Asymmetry of information, 3) action and 4) Ineffectiveness of current anti-corruption initiative. An actor refers to the person involved in corruption activities. In this case, the principal refers to the government itself or the head of the department in a government agency, while the agent refers to the public official who works directly under the supervision of the principal. To make it more precise, the definition of these two actors will be guided by the definition of principal and agent, as stipulated in the MACC Act 2009. The second element is asymmetric information, which refers to the secret and hidden information of the agent in executing their task. Not all information is shared by the agent with the principal, including information about secret activities of the agent with a third party, including corruption. There is also a possibility of secrecy of information between the agent and the principal. As this study is not focusing only on public official

corruption or bureaucratic corruption but also tends to examine the corruption activity of the principal, if he is a political appointee by the government, it will fall under political corruption. These first two elements will reflect the research question number two, which is to investigate the collusion between Principal and Agent in corrupt practices in the public procurement sector in Malaysia.

The third element refers to the action. In this case, it refers to the trends and techniques by the actors in relation to corruption activities such as bribery, extortion, nepotism, embezzlement, gift giving, etc. According to Graycar (2019), it also refers to other activities by the agent or third party that are related to corruption in procurement activities, such as favouring certain supplies, approving false invoices, accepting inferior products, rigging bids, creating conditions that require a particular vendor, etc. Those activities will provide insight into the ways in which corruption occurs in public procurement activities. It also relates to the incentives in the form of corruption that result from those actions. This element will answer the research objective number one, which is to explore the modus operandi of corruption in the public procurement sector in Malaysia. The current anti-corruption initiative in this framework refers to the existing guidelines, rules and regulations that govern the procurement process in Malaysia. It will help to determine the effectiveness of those regulations and will be able to address the hiccups and loopholes in the procurement procedures. Hence, Chapter Five later developed this conceptual framework based on the study's findings, which aligned with the three objectives of the study.

In sum, by examining all those elements in the conceptual framework and being guided by the theory, as a result, this framework will be able to explain and discuss the collusions between the principal, agent and the “third party” in the corruption activity, which was hidden from the principal or even with the principal if it is the case. Therefore, this study of corruption in the fields of public administration and public procurement will be guided by the definitions of principal, agent, and any person as described in the MACC Act 2009. The next sub-section will discuss the qualitative research design.

### 3.4 QUALITATIVE RESEARCH DESIGN

Corruption in public procurement is a complex issue; thus, its underlying mechanisms, particularly collusive relationships among principals, agents, and clients, need to be fully comprehended. The dynamics are to be explored through a qualitative research design using in-depth interviews and document reviews within a case study approach. This methodological framework is helpful in conducting a nuanced investigation of the social phenomena that accompany corruption, providing ample details regarding the behaviours and motivations of the parties involved.

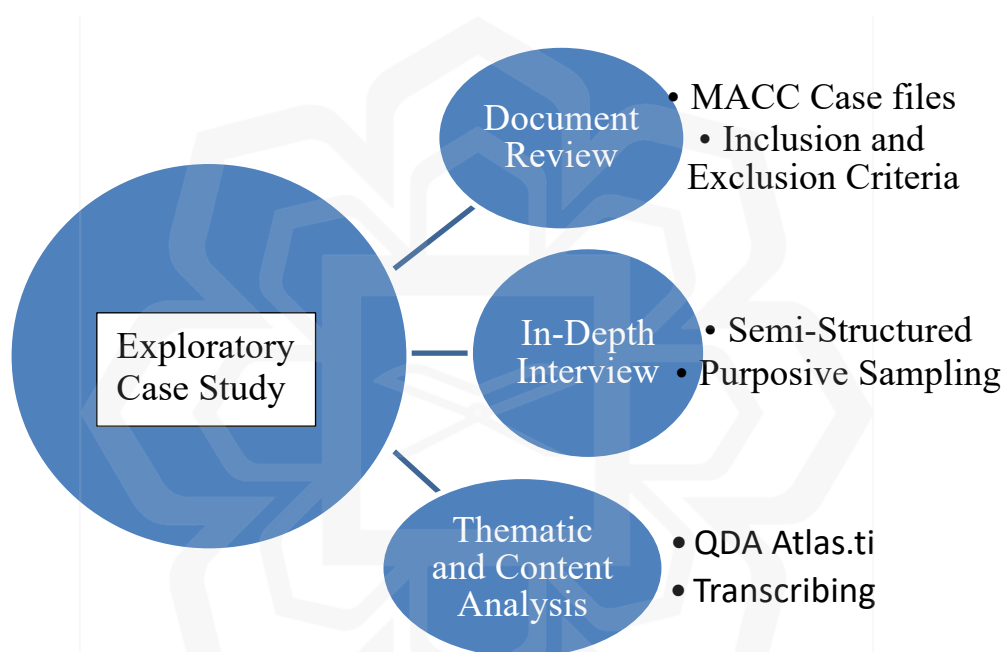


Figure 3.2 Qualitative Research Design

Source: (Current Study)

#### 3.4.1 Case Study Approach

In political science research, Gerring (2006) argues that usually the topic covers states, regions, organisations, or elections, and that in-depth knowledge of examining a case study of an individual, organisation, or event is sometimes considered more helpful than observing a large number of examples because it enables researchers to gain an accurate and deep understanding of the holistic view by investigating a key point. An entire case could usefully create knowledge and build up theories that may subsequently cause

investigation beyond those specific further investigations to be refocused. Further, according to Yin (1994), if that case is revelatory that scientific investigation had access, a single case study would be appropriate in design for conducting research.

In relation to that, this study applied case study as a research paradigm, as it will enable a comprehensive exploration of certain instances of corruption within public procurement and an elaborate scrutiny of the relationship between principals, agents, and clients in that respect. According to Sinyanyuri, a case study is efficient in generating descriptive data and elaborating on complex social phenomena (Sinyanyuri, 2024). This approach thus provides the possibility for the researchers to focus on specific cases, which best illustrate the general problem of corruption and, through those, understand the dynamics underlying it. Moreover, the underlying mechanisms and dynamics can hardly be revealed without in-depth investigation. The nature of the problem allows no detailed preliminary research, and it needs to be explored in its natural environment. Therefore, as discussed in chapter one, an exploratory case study research design fits for this endeavour.

The exploratory nature of this design is particularly valuable when investigating a topic that is either not well-studied or for which the existing theories cannot explain the observed phenomena satisfactorily (Lindblom et al., 2021; Santiago and Alves, 2022). Corruption in public procurement involves a complex interplay of different stakeholders, institutional frameworks, and incentive structures, which demands that any new insights and more robust theoretical explanations be uncovered with an open-ended inductive approach. Such is stated by Junusbekova and Khamitov (2021) and Chabert-Rios and Deale (2016). The case study method, for example, allows researchers to assume different data collection methods that include in-depth interviews, document analysis, and observation to attain plentiful contextual information (Hendriks et al., 2022; Conz et al., 2017). This methodological flexibility in approaches allows the researcher to capture the perspectives of various actors involved in the procurement process, including public officials, contractors, and principals, hence giving a more holistic view of the corruption dynamics (McDaniel and Daer, 2016; Wan and Green, 2010). The case study approach allows an in-depth investigation into the nuances associated with corruption in public procurement and captures various social, political, and economic features contributing toward its prevalence. Kafimbou 2019; Kostić and Bošković, 2021). This focus on a single or a limited number of cases provides the

authors with the opportunity to capture a detailed understanding of how causal links and contextual influences take shape in corrupt practices at the level of the procurement process, as discussed by Prakasa et al. (2022) and Chiarini (2019).

It was through an in-depth interview coupled with document reviews, embracing a qualitative research design in a case study format, that the sensitive undercurrents of corruption during public procurement could be elicited. These would hopefully make the methodology enlightening to guide new initiatives of the government in Malaysia toward bringing about changes in these practices and realising the dire need for targeted interventions that cover specific behaviours and the motivating factors driving the practices. This approach to exploratory case studies has also enabled the identification of emerging themes and the development of conceptual frameworks that may inform future research and guide policy interventions, as shown by Biotto et al. (2012) and Ye and Lau (2018). Emphasising "how" and "why" questions, a researcher will get the underlying mechanisms that allow corrupt practices to happen and strategies or interventions effective in successfully dealing with such corruption, as noted by Toeba (2018). While the case study method provides wealthy information, limitations need to be considered. The findings in one or a few cases are not that easily generalisable, and the researcher may be prejudiced in bias and personal interpretation of analysis. In fact, Whelan et al. (2019) and Martinez-Costa et al. (2019). Nevertheless, cautious selection of cases, triangulation of data sources, and serious analysis may enhance the credibility and transferability of findings (Goslin, 2020; Sauer and Hagedoorn, 2021).

Thus, this study will apply the exploratory case study research design as an appropriate approach to the investigation of corruption in public procurement. Investigation into the intricacy of this phenomenon in its real-world context may lead to the uncovering of new insights, the development of conceptual frameworks, and informing the design of effective anti-corruption strategies. This approach provides a better understanding of the root causes of corruption and the possible solutions to this persistent challenge in public procurement. The research method later in the next subsection will give a clear direction for this study.

### 3.5 RESEARCH METHOD

Research methodologies are the backbone of every scientific research in understanding the complex issues in a systematic way. This present research has adopted a qualitative approach in understanding human experiences, perceptions, and behaviours within their natural contexts. While a quantitative approach focuses on numerical data and statistical analysis, qualitative research aims to uncover deep insights and meanings through rich descriptive data. It is appropriate for the qualitative approach to investigate complex phenomena that are difficult to quantify. In direct contact between a researcher and respondents, an understanding of better levels may be facilitated on interactive matters concerning the subject matter of the research study. With methods such as in-depth, semi-structured interviews and review of documents, it is possible to gather more detail and nuance. The researcher will apply such tools that can draw on participants' lived experiences and set findings within a wider perspective.

Qualitative research relies on an iterative (versus chronological or linear) approach to gathering data. Therefore, it requires a choice by the researcher concerning what type of purposeful sampling will best serve to help answer the research questions or hypotheses being studied (Creswell, 2007). This is a qualitative research design that shall examine complex phenomena and attain depth in the subject matter through diversified data collection and analysis. The study relies on in-depth, semi-structured interviews, reviews of documents, and advanced data analysis techniques to draw meaningful inferences. Below is a summary of the data collection method for this study:

Table 3.1 Data Collection

No.	Data Collection	Respondent	Research Objective
1.	In-depth, semi-structured interview	Incarcerated people	1, 2, 3
2.		Experts	1, 2, 3
3.	Document Review	MACC Case Files	1 and 2
4.		Ground Judgement	1 and 2

Table 3.1 outlines the data collection approach in relation to the study's aim and objectives. Data were gathered through in-depth, semi-structured interviews with two respondent groups: incarcerated individuals and experts in public procurement. The selection followed inclusion and exclusion criteria detailed in the next subsection. Incarcerated individuals provided personal insights into their involvement in corruption, detailing the actors, processes, and modus operandi. Experts, who are professionals in public procurement, provided their perspectives on systemic weaknesses, corruption mechanisms, and vulnerabilities in procurement processes. The MACC case files were selected based on specific criteria, focusing on public procurement corruption cases. Investigation Papers (IP) were analysed to identify the modus operandi, collusion types, and actors involved. Additionally, to contextualise the findings, two court judgements on high-profile public procurement corruption cases were analysed. These cases, sourced from a local law journal, detail the modus operandi, collusion, and judicial reasoning based on presented evidence. What is the unit analysis of this study? Thus, the next sub-section will discuss the subject.

### **3.5.1 Unit of Analysis**

The unit of analysis is a critical concept in the design of research, and it is usually considered part of the research methodology. It refers to the major entity to be analysed, such as an individual, groups, organisation, or events. It influences the entire research process since it has a direct consequence on data collection, analysis, and findings. For this study, the unit of analysis refers to the roles of principals, agents, and clients who are contributing to corruption in public procurement in Malaysia. Unit analysis for the third research question refers to the current anti-corruption initiatives in Malaysia. The justification is as follows:

- i. Principals: Consider how politicians, as principals, would abuse their position or manipulate procurement processes for personal gain. This may involve considering their decision-making, networks of influence, and accountability mechanisms.

- ii. Agents: Look at how agents act as intermediaries for principals and clients and can contribute to corrupt practices through the matching, linking, or manipulating of either party or information. It could also include studying the relationships between agents and both principals and clients; modes of operation; and incentivisation.
- iii. Clients: Investigate how clients, through private bidders, would engage in bribery or collusion to win contracts. This may include looking at their bidding strategies, interactions with government officials, and pressures within their respective industries.
- iv. Current Anti-Corruption Initiatives: Explore the effectiveness of current anti-corruption initiatives in Malaysia to curb corruption. Analyse the need for a new initiative to combat corruption in the Malaysian context, especially public procurement corruption.

These subjects are individuals who can enrich the human dimension that drives corruption at the level of the public procurement system in Malaysia. Investigating how such individual actions cause systemic weaknesses may provide leads for targeted interventions that further ethical conduct and accountability. As for the unit of observation, which refers to the data that has been collected that provides insight into the interaction of the unit analysis in contributing to the corrupt act in public procurement in Malaysia. Document review as a secondary method of data collection will be discussed in the next subsection.

### **3.5.2 Document Review**

Supporting the in-depth interviews, a document review was conducted to supplement and triangulate the qualitative data collected. It involves the analysis of available documents on procurement contracts, audit reports, and policy documents giving insight into the formal structures and processes governing public procurement. According to Crowe et al., the case study approach benefits from the integration of multiple data sources, allowing a more comprehensive understanding of the phenomenon under investigation (Crowe et al., 2011). Document reviews provide a contextual background for the qualitative findings from interviews, triangulating data, and verifying insights

obtained from participants. In reviewing official documents, researchers can identify patterns of behaviour, procedural irregularities, and systemic weaknesses that contribute to corruption. A holistic perspective is essential to understanding the interplay between individual actions and institutional frameworks in public procurement. The primary data derived from real corruption cases in Malaysia provide comprehensive insights into the modus operandi and collusive interactions among actors within the procurement process, effectively addressing the research questions. For this unit of observation, it refers to the 30 selected MACC case files that comply with the inclusion and exclusion criteria that have been explained in chapter one, such as:

1. Case files investigated by MACC
2. Cases related only to the public procurement in Malaysia
3. Case files were completed and declassified or *kemas untuk simpan*
4. Convicted cases under the MACC Act 2009 and prescribed offences under the Penal Code.

The document review process commenced following authorisation from the MACC's top management, facilitated by the Policy, Planning, and Research Division. Subsequently, the approval will be disseminated to the Record Management and Information Division. The director of this division will facilitate access to pertinent MACC case files, as outlined in the research application. While the initial objective was to examine 50 case files, logistical constraints limited the final sample to 30 files, which served as the units of observation. The review process spanned approximately two months. Several challenges and limitations were encountered during this phase. These included:

- i. Time limitation
- ii. Selection processes that are tedious and hard to find perfect matches with the inclusion and exclusion criteria
- iii. Limited access only to declassified cases or *kemas untuk simpan*
- iv. Hard to get the recent MACC case files related to procurement because the declassified cases are dated 2-10 years back.

Given these constraints, the study incorporated supplementary data from two high-profile cases: the Sarawak solar panel procurement involving Datin Sri Rosmah Mansor and the Merdeka Palace Hotel acquisition in Kuching involving Tan Sri Isa Samad. Judicial decisions pertaining to these cases, PP vs. Rosmah Mansur and PP vs. Tan Sri Isa Samad, were reviewed to augment the analysis. The subsequent section will address the utilisation of in-depth interviews as a complementary research method.

### **3.5.3 In-Depth Interviews**

In-depth interviews are one of the major tools of data collection in this qualitative research design. This approach to investigation is particularly suited to exploring complex social issues, as it allows the researcher to acquire detailed narratives and personal experiences from participants. According to Nazir and Khan (2021), the in-depth interview method enables an in-depth examination of respondents' opinions, which can help the researcher to comprehend the details of their experiences and the factors conditioning their behaviours. This method applies more appropriately within the context of corruption since it is very important to understand the motives and rationalisation of individuals in corrupt practices. Semi-structured interviews provide the flexibility needed to probe on certain topics while maintaining a framework that was similar across interviews. This adaptability is important in capturing participants' diverse experiences, as pointed out by Moser and Korstjens (2017) in their emphasis on qualitative description as a means of minimising inferences and remaining closer to the original data. This approach can allow the study to get plentiful, contextual data reflecting the sophistication of corruption in public procurement. On top of that, Dragan et al. (2020) claim that such a research design can enable the research to capture lavish, contextual data that reflects the diversity of corruption in public procurement by engaging a diverse range of participants, including experts in the field and incarcerated individuals convicted of corruption.

The principal-agent-client model provides a theoretical basis for this study, as it offers insight into the dynamics of corruption in public procurement. In this model, the principal, usually government officials whose delegates authority to the agent, usually public officials, to act on their behalf, thus creating opportunities for misalignment of interests. This misalignment can lead to collusion where agents exploit their position

for personal gain, often at the expense of the public good. In-depth interviews will highlight the specific forms of collusion between principals, agents, and clients in the research and the mechanisms that help corrupt practices. For instance, Xhambazi et al. (2022) highlight how collusion can manifest in various forms, such as bid rigging and favouritism, which undermine the integrity of the procurement process. Therefore, by interviewing individuals with firsthand experience of these practices, the research can provide valuable insights into the motivations behind collusion and the factors that perpetuate it. This understanding is essential for developing targeted interventions to combat corruption in public procurement (Félix et al., 2023). Moreover, due to the extensive nature of corruption in public procurement, it is highly warranted for the Malaysian government to take up some new initiatives with a view to discouraging such practices. In-depth interviews provided valuable insights into formulating appropriate policies and strategies. For instance, Shi (2023) opines that self-regulation and steps to ensure more transparency can help achieve accountability even in highly corrupt environments (Shi, 2023). By integrating the perspectives of experts and former offenders, the government can identify practical solutions to the root causes of corruption.

#### ***3.5.3.1 Interview Protocols***

Before embarking on the selection of the respondent or sampling, the rigorous and trustworthiness interview protocols need to be prepared. In qualitative research, comprehensive interview protocols are developed. The protocols guide the researcher to conduct the interview in a structured and consistent manner and in ways that focus on the research objectives (Singh et al., 2021; Fitzpatrick and Olson, 2014). A good protocol should contain the following elements:

- i. Opening questions to develop rapport and put the participant at ease.
- ii. Main questions, which explore core topics of interest to the research, and which give the participants ample time to share their experiences and perspectives.
- iii. Probing questions to gain more information or clarify responses.
- iv. Closure questions to give participants the opportunity to add any last thoughts or comments.

The complete interview question that uses semi-structured interviews should contain both open-ended and focused questions, which can provide the freedom during an interview while still pursuing a certain structure of the interview itself, as suggested by Opsal et al. (2015) and Bonevski et al. (2014). This approach allows the researchers to develop emerging themes and enhance their understanding of the studied phenomenon. As for the trustworthiness of findings, it is a critical feature in ensuring the credibility, transferability, dependability, and confirmability of the study (Wohleber et al., 2011; Hilário and Augusto, 2020). For this study, several strategies have been imposed for internal validity, such as:

- i. Triangulation involved using multiple sources of data, such as primary and secondary data and different methods such as interviews and document reviews, to prove a more detailed understanding of the phenomenon of corruption in public procurement.
- ii. Preliminary findings were shared with participants in order to make sure that their experiences and views have been accurately represented. This process was made after the transcribing process with most of the respondents.
- iii. Peer debriefing is one of the interactions with other researchers about the research process, interpretations, and possible biases. The discussion was made after finding themes emerged.
- iv. The recognition of the researcher's reflex preconceived biases, assumptions, and influence on the research process, and how these will shape the interpretation of data.

For this study, the development of the interview protocols was guided by the research questions and the conceptual framework of the study. This ensured that the questions were theoretically grounded and aligned with the overall objectives of the research. Two distinct sets of protocols were designed: one for experts in the field of public procurement and anti-corruption, and another for incarcerated individuals with direct experience of corruption practices. To establish validity, the draft protocols were subjected to expert consultation. The interview questions intended for experts were reviewed by practitioners and MACC investigation officers, who provided feedback to ensure clarity, relevance, and contextual appropriateness. Meanwhile, the interview questions for incarcerated participants were validated by a criminologist, whose input

helped refine the language and sensitivity of the questions to suit the specific group. Such validation procedures not only improved the reliability and appropriateness of the research instruments but also strengthened the overall credibility and rigour of the data collection process. The interview questions for the study can be referred to in the **appendices C**.

### ***3.5.3.2 Purposive Sampling (Phase 1)***

This study applied in-depth and semi-structured interviews for two different groups, which were executed within two different phases. The first phase refers to the expert in the field of public procurement, and the second one is the incarcerated people in prison who are corruption offenders.

In the first phase, the participants were selected using a purposive approach for this study. According to Palinkas et al., (2013) purposive sampling is a nonprobability way of sampling, which is usually done in qualitative research to identify and sample information-rich cases. In the context of this study, for a group of experts in the field, the researchers make a purposeful selection of experts on procurement and anti-corruption in Malaysia, including investigating officers from the Malaysian Anti-Corruption Commission (MACC), civil society organisations focused on governance and transparency, procurement officers, public audit officers, lawyers, top management and C-Suite<sup>2</sup>, and business owner. The selection of these participants will be based on their extensive knowledge, experience, and involvement in anti-corruption efforts in the country, especially in public procurement. This purposive sampling approach will enable the researchers to gain in-depth insights, and a comprehensive understanding of the challenges, strategies, and perspectives related to combating corruption in public procurement in Malaysia. With adherence to the due process of ethics, such as the invitation letter to the selected respondents and providing all necessary documents, such as the consent inform letter, as a result, 16 samples were selected to become respondents

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<sup>2</sup> The C-suite, referring to a corporation's senior leadership team or executive committee, is undergoing a significant transformation. The average number of direct reports to the CEO has doubled from the mid-1980s to the mid-2000s, now averaging ten. This expansion is primarily driven by functional centralization, where top executives with specialized roles are integrated into senior leadership (Svejenova and Alvarez, 2017).

for this study, and 15 of them agreed. The list of respondents purposely selected based on their expertise is as follows:

Table 3.2 The First Phase of Interview Sample

<b>No.</b>	<b>Coded Name</b>	<b>Method</b>	<b>Quantity</b>	<b>Total Duration</b>
1.	Investigation Officers	Face to face and email interviews	3	138 minutes
2.	Procurement Officers	Face to face and online interviews	2	108 minutes
3.	Public Auditors	Face to face and online interviews	2	184 minutes
4.	Civil Society Groups	Online interviews	3	213 minutes
5.	Experts in the Field	Face to face and email interviews	3	119 minutes
6.	Lawyer	Face to face interviews	1	43 minutes
7.	Business Owner	Online interviews	1	37 minutes
		Total	16	842 minutes

In Phase 1 of the study, purposive sampling was employed to ensure that participants were strategically selected based on their roles, expertise, and direct involvement in the public procurement ecosystem in Malaysia. The aim was to capture a holistic understanding of corruption from multiple vantage points across the procurement lifecycle. Seven key categories were identified: 1) investigative officers from the Malaysian Anti-Corruption Commission (MACC), 2) government audit officers, 3) C-suite executives and senior government agency officials, 4) practising

lawyers involved in procurement corruption cases, 5) business owners engaged in public procurement, 6) current and former procurement officers, and 7) representatives from civil society anti-corruption groups. These categories were chosen to reflect the key nodes in the Principal-Agent-Client dynamic, ensuring a triangulated understanding of how corruption manifests and is perpetuated within the system.

Participants were selected based on their professional background, experience with procurement-related corruption cases, and willingness to provide rich, informed perspectives. Selection was guided by theoretical relevance rather than statistical generalisability, in keeping with qualitative research paradigms. Recruitment continued until thematic saturation was achieved that is, when interviews no longer produced new insights or conceptual variations related to the research questions. Saturation was evident across categories, as overlapping narratives and recurring themes emerged, confirming internal consistency within and between stakeholder groups. Representation was carefully considered by ensuring diversity within each group across sectors, seniority levels, and institutional backgrounds, which is to reflect the complex and multi-layered nature of corruption in Malaysian public procurement. While the sample does not aim to be demographically representative, it is analytically representative, capturing the key functional roles that shape and are shaped by the procurement system. This approach enabled the study to generate a comprehensive and contextually grounded understanding of corruption mechanisms and the potential for reform.

#### ***3.5.3.3 Purposive Sampling (Phase 2)***

The selected individuals for the face-to-face in-depth interview for the second phase are those who have been convicted of corruption offences. The judicial system has formally charged and found these individuals guilty of engaging in corrupt practices. However, prior to engaging in interviews with this vulnerable demographic, various considerations must be considered. As stipulated by Pope, A., et al. (2007), any research involving prisoners must prioritise the welfare of the subjects over potential risks, and the conditions within the correctional facilities must facilitate the ethical conduct of the research, encompassing aspects such as independent decision-making, fully informed consent, and safeguarding privacy.

The determination of the sample size selection is based on specific inclusion and exclusion criteria. In terms of the inclusion criteria for convicted individuals, the following conditions were considered:

- i. Convictions related to corruption within the public sector
- ii. Verdicts leading to imprisonment
- iii. Exclusively male prisoners
- iv. Charges specifically under the MACC Act 2009 and prescribed offences under the Penal Code
- v. Willingness to participate in the interview.

Approval was granted by the Malaysian Prison Department to conduct this research, adhering to protocols set forth by the department. Fulfilling the requirements involved obtaining approval from both the university's ethics committee and the prison department's special committee. Additionally, interview sessions were conducted under the supervision of a duty warder, prohibiting the use of audio or visual devices and allowing only note-taking for data collection. The consent form served to inform incarcerated individuals about the research, emphasising their voluntary participation. The summary of the interview process is as follows:

Table 3.3 The Second Phase of Interview Sample

<b>No.</b>	<b>Coded Name</b>	<b>Method</b>	<b>Venue</b>	<b>Total Duration</b>
1.	Prisoner 1	Face to face interview	Kajang	98 minutes
2.	Prisoner 2	Face to face interview	Kajang	101 minutes
3.	Prisoner 3	Face to face interview	Kajang	75 minutes
4.	Prisoner 4	Face to face interview	Melaka	62 minutes
5.	Prisoner 5	Face to face interview	Kedah	35 minutes
6.	Prisoner 6	Face to face interview	Kamunting	85 minutes

7.	Prisoner 7	Face to face interview	Tapah	90 minutes
		Total		544 minutes

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What are the determinative factors for sample size for in-depth interviews? Hence, the next subsection will discuss it thoroughly.

#### **3.5.3.4 Data Saturation**

The sample size for the in-depth interviews will be determined using the concept of data saturation, which is a widely accepted principle in qualitative research. Data saturation happens when gathering more data doesn't give any new insights or information, and the researcher is sure that the data they already have is enough to meet their research goals (Francis et al., 2010). Following the recommendations in the literature, the researchers estimated carrying out about 15–20 in-depth interviews with selected experts, as suggested by Hennink et al. (2019). A sample size like that is expected to yield an extensive and comprehensive understanding of the challenges, strategies, and perspectives that surround fighting corruption in the public procurement process in Malaysia. This study employs purposive sampling, guided by saturation, to obtain detailed contextual data from a select group of experts, essential for examining the complexities of corruption in Malaysia's public procurement sector. As there is no rule that determines an appropriate sample size for qualitative research, in this study, the researchers will continue to conduct interviews up until a point of saturation has been reached where no new significant information is being obtained. This has been supported by Aguboshim (2021), Young and Casey (2018), and O'Reilly and Parker (2012). The next subsection illustrates the interview process for expert in the field and for incarcerated people.

With regard to interviews conducted with incarcerated individuals, the concept of data saturation was not directly applicable due to several methodological and institutional constraints. First, the availability of participants was beyond the researcher's control, as access to data was contingent upon the list of convicted corruption offenders provided by the Malaysian Prison Department. Second, the list

supplied did not necessarily align with the study's inclusion and exclusion criteria, further limiting the pool of eligible participants. Additionally, ethical and procedural restrictions imposed by the Prison Department had to be strictly observed. These included the requirement for voluntary participation, which meant that individuals could not be compelled to partake in the research, regardless of their eligibility. After a thorough screening process conducted in collaboration with prison authorities, 10 incarcerated individuals were shortlisted as potential participants. However, following ethical briefing and consent procedures, only 7 of them agreed to be interviewed.

Given these circumstances, the number of interviews with incarcerated individuals reflects not a theoretical saturation point, but rather the maximum feasible participation under stringent institutional and ethical boundaries. Despite this limitation, the data obtained were rich, diverse, and thematically consistent with findings from other sources, thereby contributing meaningfully to the triangulation and credibility of the overall analysis.

#### ***3.5.3.5 Interview Process (Phase 1)***

Following ethical approvals, the interview process commenced by contacting purposive respondents through formal channels, such as official email addresses and office telephone numbers, to ascertain their availability and preferred interview format. This procedure is detailed in Appendix 1. The majority of Phase 1 respondents favoured online interviews, citing greater flexibility and convenience compared to in-person interviews. However, some participants opted for face-to-face interviews to demonstrate their commitment and engagement with the semi-structured interview protocol. Two respondents requested email interviews, allowing them to respond to the protocol questions at their own pace and return their answers within one to two weeks.

The semi-structured interview format, employing open-ended questions, facilitated a flexible yet systematic approach to exploring participants' experiences and perspectives. A predetermined set of questions guided the interviews, supplemented by probing questions to query into emergent themes or significant issues raised by participants. This approach fostered a conversational environment, encouraging open and candid responses. Active listening by the researcher ensured that participants felt heard and understood. The semi-structured format balanced the need for standard data

collection with the flexibility to pursue relevant tangents based on participant responses. In-person interviews were audio recorded with participant consent to capture the complete conversational context for subsequent transcription and analysis. Online interviews, conducted via Google Meet video conferencing, followed the same protocol. Email interviews were also utilised to broaden participant access and reduce transcription time (Meho, 2006). This comprehensive and rigorous process gained lavish qualitative data, offering valuable insights into the research problem while maintaining consistency across interviews.

Following the interviews, verbatim transcription of the audio and video recordings commenced. This meticulous process, while time consuming and demanding, ensured the accurate capture of nuances, pauses, and contextual details essential for systematic analysis. Transcripts were subsequently reviewed and verified for accuracy through member checking with participants. Some respondents' use of dual languages necessitated using translation software to maintain data integrity. The subsequent subsection will address the specific considerations and procedures involved in interviewing incarcerated respondents.

#### ***3.5.3.6 Interview Process (Phase 2)***

The initial phase of the interview process involved several critical steps. While the study initially aimed to include 10 to 15 incarcerated corruption offenders, accessing this population required navigating ethical considerations and obtaining approvals from the Malaysian Prison Department. Consequently, the department provided a list of 10 potential participants. However, participation remained voluntary, with no coercion employed to secure interviews, only 7 of them participated. Following approval from the Prison Department's Director of Prison Policy Division, tentative interview dates, times, and locations were established. It is important to note that this approval was contingent upon the availability and agreement of the respective prison directors at each institution.

The initial interview session took place at Penjara Kajang, where a designated liaison officer (a prison warden) facilitated access to the pre-arranged interview location within the facility. The researcher and a note taker were accompanied by the warden throughout the interview process. Several challenges were encountered:

- i. Limited Respondent Participation: Not all individuals identified by the prison department agreed to participate in the interviews.
- ii. Eligibility Discrepancies: Some potential respondents did not meet the study's inclusion/exclusion criteria.
- iii. Restricted Access: Only researchers specifically named in the approval letter were granted access to the prison.
- iv. Recording Prohibition: Recording devices were prohibited within the prison, precluding audio or video recording of the interviews.
- v. Note-Taking Reliance: Due to the recording prohibition, data collection relied solely on note-taking.
- vi. Observer Presence: The constant presence of a prison warden during the interviews may have influenced respondent candour.
- vii. Institutional Constraints: Researchers were subject to prison regulations, which occasionally interrupted the interview process (e.g., prisoner count times).

The same process was applied to other designated places for the interview session. However, during one interview session, a consenting participant withdrew due to emotional distress. Respecting the participant's autonomy and ethical considerations, the researcher accepted this decision. The overall experience of interviewing incarcerated individuals provided valuable insights and a unique opportunity for interaction and empathy. Further research within this population is encouraged to diversify data collection methods and enhance trustworthiness through triangulation. To encounter the limitation during the data collection process as mentioned above, several initiatives have been taken, such as:

- i. A designated note-taker assisted the process, addressing the inability to audio record interviews with respondents in prison.
- ii. Given the potential impact of note-taking on data trustworthiness, the interviewer's notes were cross checked with those of the note taker. This process was conducted meticulously to ensure the comprehensive extraction of data.

- iii. The presence of an observer and institutional constraints had minimal impact on the interview process. These measures were necessary to maintain security and procedural compliance.

The following subsection will detail the thematic analysis approach employed to analyse the collected data.

### **3.6 DATA ANALYSIS**

Data analysis is the systematic process of observation, organisation, transformation, and interpretation of data in research methodology to discover patterns, trends, relationships, and insights that answer research questions or hypotheses. This is done for the purpose of making sense of raw data by giving meaningful, evidence-based conclusions that contribute to the understanding of the phenomenon studied. Data analysis guarantees the reliability and validity of research findings. It helps filter out noise, allowing a focus on meaningful information that enhances decision-making. For example, Chadli et al. (2021) note that such data analysis will enable the researchers to move from the hypothesis formulation to the interpretation of results using exploratory and confirmatory methods that lead to robust conclusions.

Data analysis in research methodologies includes both qualitative and quantitative techniques. Qualitative data analysis looks into what responses and behaviours of participants mean. This iterative qualitative analysis, according to Ravindran (2019), from coding to theme development, lets the researcher retrieve nuanced insights from the participants themselves. Similarly, Raskind et al. (2018) indicate that rigorous practices involve double coding and triangulation to maintain credibility in qualitative research. However, quantitative analysis relies on statistical tools to process numerical data. Schmidt and Hunter (1995) criticise the traditional statistical significance testing, calling for the use of effect sizes and meta-analysis in order to advance the cumulative knowledge of research findings. This way, meaningful comparisons and generalisations can be made between studies more accurately. On that note, this study applies qualitative data analysis, which is thematic analysis, in order to ensure completeness in the understanding of corruption in the Malaysian public procurement sector. Thematic analysis of the selected case files from the Malaysian Anti-Corruption Commission (MACC) was conducted, and patterns, themes, and key

factors that facilitated these unethical behaviours and corruption were identified. This approach allowed for an objective investigation of documented evidence and thus provided an insight into some critical evidence of the roles Principal-Agent-Client relationships play in public procurement corruption. Similar analysis was also applied to in-depth, semi-structured interviews with 15 experts and incarcerated people using the qualitative software ATLAS.ti. This approach has enabled the identification and interpretation of recurring themes and nuanced perspectives related to strategies to mitigate corruption. The analysis for 3 types of data was conducted equally, as all data holds significant weight for this study. For the data analysis, the upcoming subsection will discuss in detail the thematic analysis process.

### **3.6.1 Thematic Analysis**

As it has been discussed in the chapter one, the MACC case files were selected by using inclusion and exclusion criteria according to the need of this study. For this thematic analysis process, the selected MACC case file was analysed directly by the researcher by reading and understanding the case file. It was started by comprehending the fact of the case: Who is the suspect? What are his roles in the corrupt practices in that public procurement process? As it is to answer the research question, the whole idea is to theme it according to the research question of the study, which is the modus operandi and also the collusion between the actor in the corruption case. As every case is unique and complex, the content of the case was analysed carefully without any bias, such as gender, educational background, age, race, and so on to find the pattern and theme. Thus, the procedures were repeatedly exercised from case number 1 until case number 30. As previously stated, the intended plan was to have 50 MACC case files to be analysed; however, it did not materialise due to these reasons and limitations:

- i. Most of the procurement cases that fulfil the inclusion and exclusion criteria are not in the record-keeping in the Information and Record Division of MACC in headquarters, Putrajaya. Most of it was in the safekeeping of MACC offices in different states.
- ii. Most of the high-profile and public interest cases were not yet completed with the public prosecutor for the appeal by the appellant.

- iii. After going through 30 MACC cases in the procurement sector, the point of data saturation emerged, as there is no significant new theme or trend that has arisen.

Thematic analysis is a flexible, widely used qualitative research method that identifies, analyses, and interprets patterns and themes within data. This method is specifically appropriate for exploring complex social phenomena, such as corruption in public procurement, since it enables researchers to study in detail the underlying relationships and dynamics of the phenomenon being studied. Thematic analysis provides a methodical way to examine qualitative data. These would include familiarisation, initial coding, theme searching, reviewing, defining themes, and writing the report. In its deductive process, coding should be guided either by a theory or specific research questions so that every stage of the analysis can focus on solving key parts of the problem.

Thematic analysis will, therefore, have the researcher explore nuances of corrupt practices, the interplay of key stakeholders, and the efficacy of anti-corruption initiatives in the context of corruption in public procurement. For this study, a hybrid of deductive and inductive approach was applied to ensure that the themes will specifically target the research questions and provide clear and precise findings. Deductive coding involves identifying key themes from the existing literature, theories, or predefined research objectives. Based on the nature of this study, three major themes have been identified, including:

- i. **Modus Operandi of Corruption in Public Procurement:** Thematic analyses were done to examine mechanisms and strategies of corrupt practices in Malaysia's public procurement. This includes common methods like bid-rigging, bribery, and fraudulent documentation, as argued by Mohd Yusof, H. et. al (2024). Data related to these practices were systematically coded, allowing patterns and variation in corrupt behaviour to be uncovered, hence offering insights into how corruption is operationalised.
- ii. **Collusion Dynamics among Principal, Agent, and Client Public:** Procurement often involves, but is not limited to, the government head of department as the principals, public officials or procurement officer as an agent and contractors or suppliers as a client. The most common corruption occurs through various forms of collusion among these three parties. Deductive coding was focus on

interactions and the relationships that promote such collusions based on power imbalances, mutual incentives, and conflict of interest (Graycar, 2022). This had provided a comprehensive understanding of the roles and motivations of the different parties in sustaining such corrupt practices.

- iii. **Current Anti-Corruption Initiatives in Public Procurement:** Efforts to combat corruption in Malaysia's public procurement system have included policies, regulatory frameworks, and institutional reforms. Thematic analyses were assessed the effectiveness of these initiatives by coding data related to their implementation, challenges, and outcomes. Transparency and accountability measures have received special attention, with analyses of specific documents such as NACP and NACS, as well as legal processes such as the MACC Act and the Whistleblower Protection Act. Furthermore, this study covers the role of preventative authorities such as the Malaysian MACC and the National Audit Department of Malaysia.

While the inductive approach was applied during the coding process, as new codes and themes arises emerged.

### ***3.6.1.1 Thematic Analysis Process Using ATLAS.ti***

According to Braun and Clark (2006), there are several steps to conduct thematic analysis. Firstly, it is a familiarisation with data. For this study, after all the data was stored digitally in the audio and visual and it includes the data from the MACC case files. The data was transcribed verbatim, and the content was carefully checked to assure the preciseness of the words that had been conveyed throughout the interview process. Most of the data was later emailed back to the respondents for validation. As for the MACC case files, the data was rechecked twice for validity of the data. The complete data from case files and the respective respondents was then uploaded in the ATLAS.ti software as a new document of interview sessions consisting of 15 respondents. The same process was applied with the other data of 7 incarcerated people in prison, and the 30 MACC Case files. Therefore 3 documents were created after uploading the document in ATLAS.ti. Secondly, it refers to the process of searching for the theme. For all documents, the process was delicate and complex as the quotation process was implemented and led to the creation of new codes that related to the deductive themes

that had been identified before. Subsequently, all the codes that emerged from the quotation process were categorised according to the similarity of the codes. From the category that has been created, it leads to gathering all of the categories that are relevant to the identified themes. After carefully selecting relevant and suited themes used as a finding, it automatically brings along the sub-themes as new emerging themes arise from the data. After all, suitable themes were selected from all documents, later it was amalgamated into the main file, which includes all themes that been selected. From there, the third process refers to reviewing the selected themes process, as it relates all the codes and forms a thematic map, or in the ATLAS.ti, it is called networking (Please refer to the Appendix H). In this process, themes from the MACC case file document review, in-depth interview of experts and in-depth interview with incarcerated were combined and reviewed to select the best themes. Fourthly, it was naming and defining themes by an ongoing process of analysis for refining the specifics of each theme and the overall story. As a result, clear definitions and names for each theme were generated. The final process refers to reviewing themes through an analysis of the selected extracts, relating the analysis to the literature and research questions again. As a result, a draft report about the analysis was created, and the scholarly report will be used in the finding chapter, which will discussed and presented as a result of the study. All the process of data analysis using 6 steps of thematic analysis by Braun and Clark (2006) was depicted in figure 3.3.

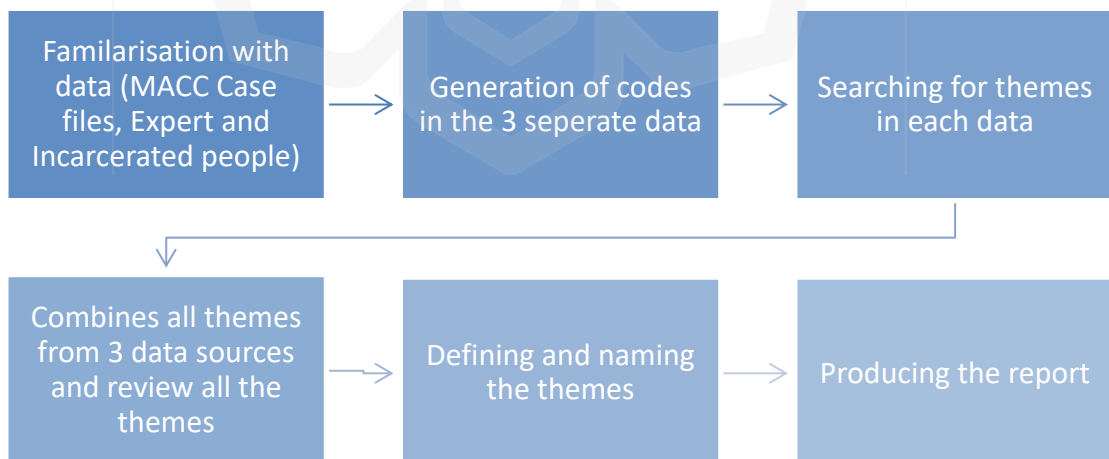


Figure 3.3: The 6 Steps of Thematic Analysis

### ***3.6.1.2 Data Validation and Trustworthiness***

To ensure the credibility and trustworthiness of the findings, several validation strategies were employed. First, peer checking was conducted on the themes that emerged from the analysis. Two senior officers from the Malaysian Anti-Corruption Commission (MACC) and one subject-matter expert were consulted to review and verify the themes. All three confirmed that the themes accurately captured the patterns of corruption in public procurement and were consistent with their professional perspectives. Second, member checking was carried out to validate the accuracy of the interview data. The verbatim transcripts, derived from the audio recordings of the interviews, were returned to each respondent for review. Respondents were invited to examine their transcripts and provide feedback. Only minor amendments were suggested, and all respondents endorsed the accuracy of the transcriptions. Together, these processes of peer checking and member validation enhanced the overall credibility, dependability, and confirmability of the study's findings.

Through thematic analysis of the 22 interviews (15 with experts in the field and 7 with prisoners), and 30 MACC case files, the voices of those who have a stake in public procurement corruption in Malaysia that have been hidden or silenced have been brought to light. Hence, there are nine themes and subthemes for RQ 1, six themes and subthemes for RQ 2, and three themes and subthemes for RQ 3, as explained in Chapter 4. The next section seeks into some of the ethical issues raised in this study. To end the discussion, the following section will discuss an important element in scientific research, which is ethics.

## **3.7 ETHICAL CONSIDERATION**

Special ethical consideration in qualitative research among vulnerable populations, such as detained persons, is required for their protection and respect. In-depth interviews with such groups can provide a plentiful source of information on experiences and perspectives, especially on sensitive topics like corruption in public procurement. At the same time, researchers have to deal with complex issues related to vulnerability, informed consent, and emotional distress when collecting data. Among the leading ethical considerations, informed consent should be followed. It simply means that the

participants have to understand the purpose of the research, their rights, and possible risks of participation in the study by Lang et al. (2022). In this context, special concern is required in working with inmates, who might be influenced to take part in this or that way because of their status. It is essential to communicate that participation is voluntary and that they can withdraw at any time without facing negative consequences (Korz, 2023). In relation to that, there are two types of consent letter to the inmates. The first one refers to the consent letter prepared by the researcher (IREC) and the other one prepared by the prison department. Please refer to the **Appendices D**, (Consent Form).

In this context, there is qualitative research that has been taken in Malaysian prisons that provides profound insights into lived experiences, behaviours, and social dynamics among inmates. These could be done through a few data collection methods developed by researchers, appropriate to the sensitive and restrictive prison environment. These are sensitive and detailed methods that respect ethical considerations and logistical limitations. In-depth interviews are among the methods of data collection for qualitative research in Malaysian prisons. Most of these interviews conducted are semi-structured in nature, allowing flexibility in the exploration of the participants' personal experiences and perceptions. A study by Nor et al. (2018) deals with profiling female prisoners in Malaysia, which required conducting face-to-face interviews with 21 participants in one study. Open-ended questions were used to extract detailed descriptions of their states of mind and factors that had influenced criminal behaviour. Another research study on incest among inmates was conducted with demographic and behavioural data through structured interviews. The interviewer questioned the inmates on how incestuous acts occurred, providing a background into psychological triggering conditions such as stress and substance use (Noon et al., 2008). Another recent study among incarcerated people in Malaysian prisons, such as a study investigating rehabilitation programs, participants related their experiences with group counselling sessions, thus providing insight into the effectiveness of interventions such as mindfulness and cognitive behavioural therapy by Ayub et al. (2016).

In relation to that, a careful and meticulous consideration of ethics in research has been done to ensure all the needs and requirements have been adhered to. After the proposal of this thesis has been successfully defended, a step has been taken to start a data collection process. Before that, an application letter to collect data has been prepared by the researcher and been endorsed by the supervisor. This application later

is to inform that this research has been carried out and what the objective of the study is and so on. Since this study involved a vulnerable group of people, which is incarcerated people in prison, an extra effort needs to be taken to deal with all the requirements of this kind of research laid down by the university that comply with the international standard. In addition to that, the inclusion of MACC case files in this study raises ethical considerations due to their sensitive nature. Although declassified and no longer subject to the Official Secrets Act (1972), the researcher sought institutional ethical approval as a precautionary measure. The IIUM Research Ethics Committee (IREC) maintains rigorous ethical principles in patient care, professional education, and research by ensuring the rights, dignity, and welfare of participants. Abiding by international standards, such as the Declaration of Helsinki, IREC maintains informed consent, respect for autonomy, privacy, and distributive justice in research (IREC, 2023). Therefore, several significant steps for this study have been taken as follows:

1. Contact the IREC Committee Secretariat to get relevant information and to inform about the research.
2. Preparing relevant documents and filling out the application forms.
3. Waiting for the response from the secretariat and replying to any extra requirements needed.
4. The application then will be sent to the appointed reviewer for comments.
5. If the reviewers are satisfied with the proposed study, they will recommend it to get the approval.
6. The approval given by the chairman of the IREC.

For the whole process, the requirements have been fulfilled in less than a month, the approval letter endorsed by the IREC was obtained. As mentioned before, this process was significant to this study because a rigorous and complex process has to be faced to do the research in the prison. According to Restubog (2023), researchers should take organisational steps to protect personal information and report data in a way that does not disclose respondent identity (Restubog et al., 2023). This is so because research participants are incarcerated persons who may be stigmatised or suffer other repressive actions in case of exposure. Another critical ethical consideration concerns the emotional well-being of participants. Interacting with vulnerable populations can bring

up disturbing recollections or feelings, which may be especially so for sensitive topics such as corruption or personal experiences of injustice (Harcey et al., 2022). In relation to that, respondent personality and the data were coded in accordance with IREC requirements, with details provided in the next chapter.

Furthermore, the ethics approval plays a crucial role in this study, as it facilitates communication with the Malaysian prison department and grants access to selected prisons in the country. Additionally, it guarantees the absence of any repercussions or retaliation issues before, during, or after the study's implementation. It also fosters confidence among respondents, regardless of their status as prisoners or experts in the field, enabling them to freely share their personal information and experiences during interviews.

### **3.8 SUMMARY OF THE CHAPTER**

The present chapter provides a step-by-step description of the research methodology adopted in this study. This covers methodological perspectives, the conceptual framework based on the principal-agent-client (PAC) model, qualitative research design, techniques for data analysis, and the ethical considerations pivotal to the research process. Each of these features plays a significant role in maintaining coherence in the study's relationship with its objectives and ensuring the integrity of its findings. This chapter starts with the methodological perspectives, where it explains the philosophical basis of the research, which is the constructivist paradigm that focuses on subjective reality and knowledge as a result of mutual construction between the researcher and participants. Therefore, this paradigm is quite congruent with the purposes of this study, looking into what drives unethical behaviour in public procurement. While the ontological position is that of social construction, epistemologically the interaction between the researcher and participants becomes the focus to provide the nuanced insight.

Next, the chapter introduces the Principal-Agent-Client (PAC) model as the conceptual framework guiding the study. The PAC model is instrumental in analysing corruption dynamics within the public procurement sector. This study will be based on a qualitative design to achieve its objectives. Data collection techniques included in-depth semi-structured interviews, document reviews, and thematic content analysis.

Semi-structured interviews provide room for flexibility and the ability to probe deeper into the experiences and perceptions of the participants. These interviews were conducted with 15 experts in public procurement in Malaysia. Complementing these interviews, document reviews include case files from the Malaysian Anti-Corruption Commission, or MACC, to provide context and triangulate findings.

Data analysis uses both thematic analysis and content analysis. Thematic analysis is based on systematic coding and identification of themes that are recurring; for organisation and in-depth analysis, the ATLAS.ti software is employed. This has been important in ensuring that the findings are robust and firmly based in the data. On the other hand, content analysis categorises and quantifies textual data to draw meaningful conclusions. The last section of the chapter addresses ethical considerations in research. The study's sensitive nature, involving interviews with incarcerated individuals and confidential case files, underscores the critical importance of adhering to ethical protocols. The ethical clearance was obtained from the appropriate authorities, and confidentiality and anonymity were guaranteed for all respondents. Informed consent was sought from the participants, and they were thoroughly informed of the purpose of the study, the methods involved, and any possible risks before giving their consent to participate in the study. The discussion in this chapter has thus far identified the methodological rigour and commitment to ethical best practices that have gone into this study. Embedding the PAC model with qualitative research methods and applying strict ethical consideration have thus allowed the research to create the best ground for exploring the initiative of combating corruption in Malaysia's public procurement.

The upcoming chapter will explore the study's findings as they relate to the emerging themes and subthemes.

## **CHAPTER FOUR**

### **RESULTS OF THE STUDY**

#### **4.1 INTRODUCTION**

This chapter presents the core empirical findings of the study, derived through a rigorous qualitative methodology as outlined in Chapter Three. Guided by a constructivist paradigm, the study employed in-depth interviews and document analysis to explore corruption in public procurement, focusing on the interplay between systemic factors and actor behaviours. ATLAS.ti was utilised as the primary qualitative data analysis tool, facilitating systematic coding, categorisation, and thematic development.

The data analysis yielded a rich and nuanced structure: approximately 800 initial codes were generated from all three sources, later refined into 70 code groups and ultimately consolidated into 15 overarching themes. This study applied a deductive approach at the initial stage and blended it with an inductive approach as new themes emerged eventually. It was guided by both empirical insights and theoretical considerations, and they form the basis for answering the three key research questions. This chapter is organized into three major sections. Section 4.3 to 4.5 presents the thematic findings, grouped under each research question. The analysis not only identifies patterns of corruption but also critically interprets how these patterns vary across actors, contexts, and cases. Through this, the study aims to contribute to theory-building in the area of public procurement and corruption.

The discussion begins with a detailed presentation of the themes identified in response to Research Question One, focusing on the methods and mechanisms through which corrupt practices are operationalised in the public procurement process.

#### **4.2 THEMATIC FINDINGS**

The theoretical framework in Chapter Three proposes a study of the relationship between the principal, agent, and client, who are the actors involved in corruption in public procurement. One of the elements is the asymmetry of the information shared between the principal, agent, and client. In chapter two, we detailed the historical

backgrounds, functions, and investigation cycle of MACC, which can shed light on the definition of MACC's case file. This entails discussion and analysis of the modus operandi of corruption in public procurement. It provides an overview of the Malaysian procurement system, followed by a discussion of collusion issues in public procurement. It will touch a lot on the actors which are the principal, agent, and client and their roles in corruption in public procurement in Malaysia. This chapter presents the recommendations made by the respondents based on their opinions, as well as the perspectives of incarcerated individuals regarding anti-corruption initiatives and the analysis of the MACC case files. Furthermore, the findings reveal 9 themes that relate to the first research question, 6 themes to the second research question, and 3 themes to the third research question. Several codes were used to accumulate one theme in the data analysis, and several themes were built up together to establish one category, which is part of the research question. The summary of the MACC case files, ground judgement, is depicted in Table 4.1. The summaries of incarcerated people are shown in Table 4.2, and the overall finding themes for this study are illustrated in Figure 4.1.

Table 4.1 MACC Case Files and Ground Judgement

<b>MACC Case</b>	<b>Actor</b>	<b>Role</b>	<b>Offense</b>	<b>Conviction</b>
1.	Company Owner	Client	False claim	Jail term and fine
2.	Company Owner	Client	False claim	Jail term and fine
3.	Lecturer	Agent	Abuse of public office	Jail term and fine
4.	Economic Affairs Assistant	Agent	Soliciting and receiving graft	Jail term and fine
5.	Supervisor	Agent	Soliciting and receiving graft	fine

6.	Lieutenant Commander, Navy	Agent	Soliciting and receiving graft	Jail term and fine
7.	Assistant Director	Agent	Abuse of public office	Jail term and fine
8.	Senior Lecturer	Agent	Abuse of public office	Jail term and fine
9.	Deputy Director	Agent	Soliciting and receiving graft	Jail term and fine
10.	General Manager	Agent	Abuse of public office	Fine
11.	Civil Technician	Agent	Abuse of public office	Fine
12.	Administrative officer	Agent	Abuse of public office	Jail term, stroke and fine
13.	Company Director	Client	False Claim	Jail term and fine
14.	Lieutenant, Navy	Agent	Receiving bribe	Jail term and fine
15.	Curator	Agent	False claim	Jail term and fine
16.	Assistant engineer	Agent	False claim	Jail term and fine
17.	General Manager	Agent	Abuse of public office	Jail term, strokes and fine

18.	Anti-Drugs Assistant	Agent	False claim	Jail term and fine
19.	Administrative Assistant	Agent	False claim	Fine
20.	Administrative Assistant	Client	False claim	Fine
21.	Company director	Client	False claim	Jail term and fine
22.	Civil Defence Assistant	Agent	False Claim	Jail term and fine
23.	Assistant Secretary	Agent	Abuse of public office	Fine
24.	Manager	Agent	False Claim	Jail term and fine
25.	Clerk	Agent	Receiving graft	Jail term and fine
26.	Assistant Sport Officer	Agent	Receiving graft	Jail term and fine
27.	Assistance Veterinary Officer	Agent	False Claim	Fine
28.	Science Officer	Agent	Receiving graft	Fine
29.	Business owner	Client	False Claim	Jail term and fine
30.	Islamic Affairs Assistant	Agent	False Claim	Jail term and fine

<b>High Court Judgement</b>				
PP vs. Rosmah Mansor (MLRH 2021)	Wife of Prime Minister	Principal	Soliciting and receiving graft	Pending /Appeal
PP vs. Tan Sri Isa Samad (MLJ 2022)	Chairman of GLC	Principal	Receiving graft	Pending / Appeal

Table 4.1 provides a comprehensive summary of 30 Malaysian Anti-Corruption Commission (MACC) cases reviewed between 2014 and 2019, highlighting various instances of corruption in the public procurement sector. To enhance the depth and scope of this study, two recent high-profile corruption cases were also included. These cases were selected to ensure a diverse range of data collection approaches, thereby strengthening the reliability and trustworthiness of the findings. The inclusion of these cases allows for a more nuanced understanding of the patterns, mechanisms, and underlying factors contributing to corruption in public procurement. For further details on the individual cases, refer to Appendix 3 of this thesis.

Analysis of the case studies reveals that 75 percent of the actors were government servants acting as agents, 10 percent were principals, and 15 percent were clients. A majority of the actors (65 percent) were from senior-level management, including all clients and the principals, who were exclusively high-ranking officials such as the wife of the Prime Minister and the chairman of a Government-Linked Company (GLC). Offenses committed by the actors were mainly abuse of public office (35 percent), soliciting and receiving bribes (35 percent), and false claims (30 percent). Convictions typically resulted in custodial sentences or fines, with five cases involving fines alone and two cases involving caning under the Penal Code for Criminal Breach of Trust (CBT). Across all 20 cases, illicit transactions amounted to RM 212,988,244.95, while the total procurement value implicated was RM 5,373,069,195.87. The corruption cases spanned multiple sectors, with agriculture (28.5

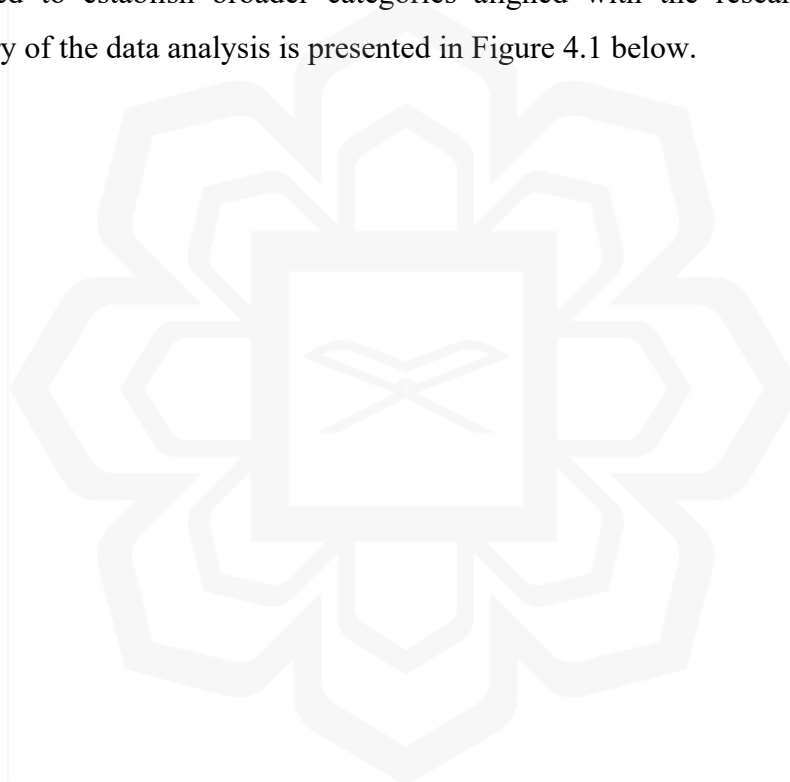
percent), education (14 percent), and enforcement (14 percent) most affected, alongside isolated cases in tourism, defense, sports, religion, and science and technology.

Notably, principals were generally shielded by their high status, with two cases pending appeal at the Court of Appeal and the Federal Court. Such actors typically had the resources to prolong legal proceedings, in contrast to agents and clients, whose cases were largely concluded in lower courts and often through guilty pleas. This disparity underscores Graycar’s (2022) observation that principals are often exposed only after corrupt practices are entrenched, and they may exploit their influence to evade accountability. A prominent example is the *Rosmah Mansor v. Public Prosecutor* case, which resulted in a record fine of RM 970 million, illustrating both the scale of corruption and the unequal consequences borne by different categories of actors.

Table 4.2 Incarcerated People in Prison

<b>Prisoner</b>	<b>Actor</b>	<b>Role</b>	<b>Offence</b>	<b>Conviction</b>
1.	GLC’s Deputy Director	Principal	Soliciting and receiving graft	Jail term and fine
2.	Consultant	Client	Document forgery	Jail term
3.	Housing Developer	Client	Criminal Breach of Trust	Jail term
4.	Salesman	Client	Cheating	Jail term and fine
5.	Salesman Assistant	Client	Cheating	Jail term
6.	Police Officer	Agent	Soliciting and receiving graft	Jail term and fine
7.	Administrative Officer	Agent	Document forgery	Jail term and fine

Tables 4.1 and 4.2 present summaries of data gathered from primary and secondary sources. The primary sources which are from in-depth interview of expert and in-depth interview of incarcerated people in prison was complemented by the secondary data of MACC case file of document review. The data from the three sources were analysed using ATLAS.ti as a qualitative data analysis (QDA) tool. The findings identified nine themes related to the first research question, six themes for the second research question, and three themes for the third research question. Multiple codes were used to form each theme during the data analysis process, and several themes were combined to establish broader categories aligned with the research questions. A summary of the data analysis is presented in Figure 4.1 below.



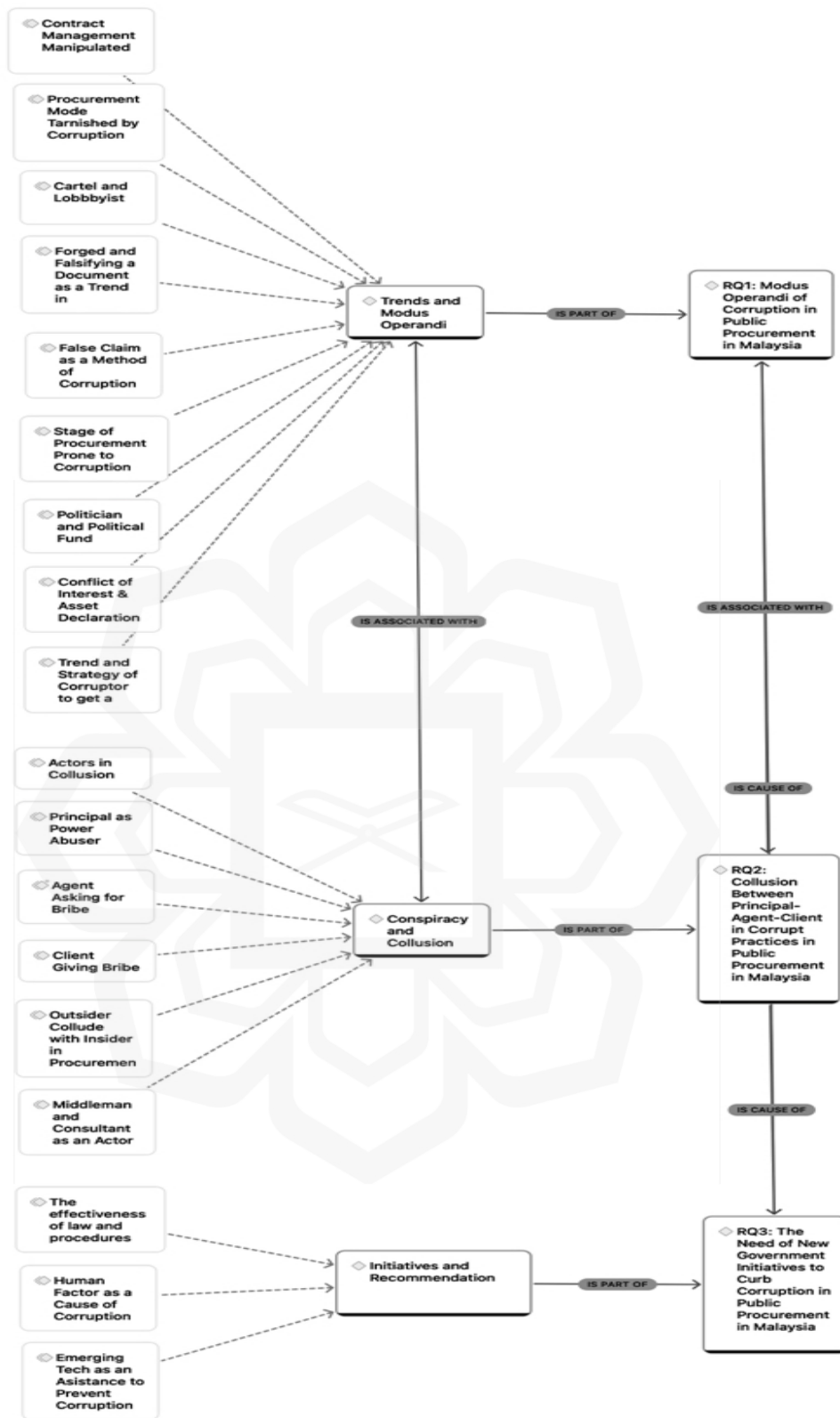


Figure 4.1 The Thematic Analysis Using ATLAS.ti Derived from the Research Questions

### **4.3 RESEARCH QUESTION ONE (RQ1): MODUS OPERANDI OF CORRUPTION OF PUBLIC PROCUREMENT IN MALAYSIA**

This research question was designed to address the question of how corruption operates in public procurement in Malaysia. Based on the rich data provided by the respondent, the incarcerated individuals, and the selected MACC case file, two distinct categories were identified: method and conspiracy. From these two categories, nine themes have been derived, which are false claims, forging and falsifying documents, contract management, stage of procurement, procurement mode, trend and strategy, bid rigging and cartels, politician and political fund, and conflict of interest and asset declaration. This action, which derived from nine themes, was related to the 'action' that was mentioned in the conceptual framework in Chapter Three.

#### **4.3.1 Forging and Falsifying Documents**

Forging and falsifying documents emerged as a dominant method of corruption across data sources, including expert interviews, incarcerated individuals, and MACC case files. This theme reveals how systemic vulnerabilities in procurement verification processes are exploited through fraudulent documentation, particularly during the tendering and claims stages. A recurring pattern involves the submission of forged bank statements, project certifications, and unauthentic licenses to meet tender qualifications. SMEs, in particular, appear to rely heavily on these tactics, as seen in MACC Cases 15, 16, and 19, where company directors submitted falsified financial statements to misrepresent their viability. In contrast, Case 25 shows a lone offender in a state-linked company using a forged approval stamp and altering bank account details to reroute payments to himself, highlighting how document forgery can be tailored for both organizational and individual gain.

Comparative insights reveal that forgery is not confined to one stage of procurement. In rural areas, for instance, Auditor 1 noted that signatures of approving authorities were forged on payment vouchers, enabling contractors to falsely claim payments for incomplete or poorly executed work. This contrasts with urban corruption, where document falsification often targets financial credibility or regulatory compliance during pre-award evaluations. Critically, these practices demonstrate not just isolated rule-breaking but reflect a broader failure of institutional controls.

Procurement officials often lack tools or mandates to verify the authenticity of submitted documents, allowing offenders to bypass due diligence checks. Expert interviews confirmed that visual signs of forgery, like mismatched fonts and distorted stamps, are overlooked without systematic audit mechanisms.

From a theoretical perspective, this aligns with Principal-Agent Theory: agents which is internal officers exploit information asymmetries and weak oversight by principals which is government procurement bodies to pursue personal gain. The consistent recurrence of forged documentation across diverse contexts also reflects a routinization of corrupt behaviour, suggesting normalisation within certain organisational cultures. Furthermore, the interplay between private firms and internal enablers, such as finance officers willing to overlook discrepancies, which is points to collusive corruption, where networks of actors sustain document-based fraud. The impact is severe: unqualified contractors win projects, leading to financial loss, project failure, and diminished public trust.

To disrupt this pattern, both experts and incarcerated individuals recommended systematic cross-verification of financial documents and real-time access to banking and certification databases. Establishing third-party verification mechanisms and making document authentication mandatory could limit the scope for forgery and reassert procurement integrity.

#### **4.3.2 Contract Management Manipulation**

Contract management manipulation represents a sophisticated stage in the corruption process, whereby actors exploit weaknesses in the post-award phase to skew project implementation in favour of private or political interests. The data reveals a consistent pattern of contractors, often in collusion with procurement officials, manipulating contract terms, inflating variation orders (VOs), and bypassing compliance mechanisms to divert public resources.

Across the data, vendor-driven contracts emerge as a critical enabler. Experts reported that, especially in direct negotiations, contractors are allowed or even invited to draft contract terms themselves. This practice was especially evident in IT

procurement cases, where public officers lacked technical expertise and became overly reliant on vendors' specifications. As NGO 2 observed:

But I think ICT becoming one of the procurement areas in which we have to pay attention to. And mainly because most of the time procuring officers, they don't have a procuring authority. They don't have expertise, so they really rely on private sectors specification and things like that. And yeah, that actually open up to potential collusion and corruption.

This creates a dependency that allows contractors to embed favourable terms, such as flexible cost structures or vague deliverables, into the contract from the outset. In comparison, strategic or defence procurement such as maritime or energy sectors, often involves international vendors who dictate contract terms under the guise of specialization. Auditor 2 noted that in such high-value procurements, local oversight is typically limited, and contracts are shaped more by vendor interest than public value. This pattern reflects not only passive administrative failure but asymmetric power relations in procurement, where the supplier's leverage overrides the state's regulatory role.

Another consistent manipulation technique involves pre-emptive drafting of contracts by contractors themselves, essentially inverting the Principal-Agent relationship. In such cases, the contractor assumes the role of principal, dictating terms that absolve them from liability or allow for extravagant variation orders. For example, in the Sarawak solar procurement case, the contract allowed for repeated VOs that inflated costs while shielding the vendor from scrutiny. Expert and NGO accounts revealed that some contracts were intentionally written with ambiguous terms or loopholes to enable later manipulation.

Further analysis shows that non-enforcement of contractual penalties facilitates corruption. Although many contracts contain fines for non-compliance, experts emphasized that these are rarely enforced, often due to collusion or political protection. This fosters a culture of impunity where contractors can deliver substandard work or abandon projects entirely, without consequences. MACC Case 11 illustrates how a project inspector manipulated the bill of quantity to benefit his wife's company, coercing a subcontractor under the threat of delaying approvals. The misuse of positional authority within the contract enforcement hierarchy reveals how administrative discretion is converted into a tool of personal enrichment.

Comparative perspectives reveal differences in how manipulation manifests depending on the project scale. In large infrastructure projects, manipulation is embedded in contract design, while in smaller-scale projects, it is often enacted through personal influence and ad hoc decisions during project execution. Yet, the common thread is the absence of a robust contract enforcement mechanism that can detect and deter such manipulation. Theoretically, this theme illustrates the erosion of the control mechanisms central to Principal-Agent models. The agent (contractor or procurement officer) exploits both information asymmetry and institutional gaps to sidestep accountability. Where oversight is fragmented, and contracts are vague or unenforced, the incentives for corruption multiply.

The implications are severe: cost overruns, project delays, and poor-quality public infrastructure become normalised outcomes. Expert respondents and auditors proposed several corrective mechanisms, including mandatory legal review of all contracts, enhanced training for procurement officers in technical and legal evaluation, and stronger independent contract audit processes. Contract manipulation thus represents not merely administrative failure but a deliberate, institutionalized method of extracting private gain from public procurement under the veneer of legality. Addressing this theme requires structural reforms that realign incentives and restore the procurement officer's role as a neutral guardian of public interest.

#### **4.3.3 Stage of Procurement Prone to Corruption**

Corruption in public procurement does not occur at a single point but is instead embedded across the entire procurement cycle. This theme reveals that the early stages, particularly pre-tender and tendering are the most vulnerable, as they offer opportunities to influence specifications, leak information, and pre-arrange outcomes. The analysis uncovers how corrupt actors exploit these entry points to “capture” the process before competition even begins, effectively sabotaging integrity from the outset.

A key pattern involves the pre-release of tender information to favoured vendors. As revealed by Investigator 2, informal meetings are held prior to the issuance of tenders, during which key technical and financial details are disclosed. As mentioned by Investigator 2:

Before the tender, sometimes people already have a meeting. Meeting in one place. The ministry wants to release this tender, so, I suggest this tender, the price is like this, So, you can enter the tender, I will help you later. I will tell you any information later. From a technical point of view, from a financial point of view. Later you provide all the documents, later I will help. But later when you get the appointment letter, you will share 10 percent for me.

These vendors are then guided on how to submit favourable bids, with the understanding that bribes or kickbacks will be paid upon award. This early-stage manipulation creates a veneer of procedural compliance while rendering the competitive bidding process meaningless. The comparative analysis of MACC cases and expert interviews shows consistent abuse of e-procurement platforms, particularly in smaller projects. In one case, an e-procurement administrator deliberately shortened the bidding window to one hour and pre-shared all relevant information with a relative's company to ensuring an unopposed bid. In Case 23, an assistant secretary fabricated quotations from multiple companies to create the illusion of compliance with procurement rules, while funnelling contracts to relatives. These examples underscore how both manual and digital procurement systems can be exploited when internal controls are weak or when actors within the system are complicit.

Another prominent mode of early-stage corruption is bid tailoring, whereby procurement officers manipulate technical specifications to ensure that only a pre-selected vendor qualifies. Experts explained how vendors sometimes draft the tender specifications themselves, particularly in complex sectors like ICT and construction. This practice gives them an unfair advantage, allowing them to align the terms with their own capacities while excluding competitors. As Auditor 2 emphasized, this form of "vendor capture" represents structural corruption, where the supplier dominates the buyer in shaping procurement decisions. A particularly insidious element at this stage is the leakage of sensitive information, including pricing and technical details. This enables vendors to submit slightly lower bids than competitors or engineer their proposals to mirror internal expectations. According to NGO 1, this practice undermines the foundational principles of competitive bidding and allows underqualified or overcharging companies to win contracts under the guise of competitiveness.

Bribery at the pre-tender stage is another recurring strategy. The case of the Merdeka Palace Hotel in Sarawak demonstrates how procurement decisions were delayed or approved depending on the willingness of business owners to pay political

figures. The direct negotiations occurred between the chairman and a company director in a hotel, blurring the lines between governance and personal negotiation. Such cases reveal the politicization of procurement, where project decisions are not based on merit or need but are brokered through personal influence.

From a theoretical standpoint, this theme reinforces the concept of pre-contractual opportunism within Principal-Agent theory. Corrupt agents exploit their insider knowledge and access to shape the process before formal monitoring mechanisms are in place. This “pre-capture” of the procurement process reflects a deeper structural asymmetry in which vendors or politicians operate with more influence than procurement regulators or technical evaluators. The implications are profound. Early-stage corruption not only distorts the allocation of public resources but also sets the tone for further abuses downstream, such as contract manipulation, variation orders, and false claims. The procurement process becomes hollowed out, operating as a performance of compliance while outcomes are privately arranged.

Recommendations from participants include implementing firewalls between procurement planning and vendor engagement, enhancing whistleblower protection for early-stage reporting, and using blockchain-enabled tracking systems to monitor changes in tender specifications or access to draft documents. Ultimately, corruption at the early stage of procurement is not merely procedural weakness but an intentional strategy to control outcomes while concealing wrongdoing behind institutional legitimacy.

#### **4.3.4 Bid Rigging and Cartels**

Bid rigging and cartel operations represent a coordinated and systemic form of corruption in public procurement, undermining market competition and institutional credibility. Unlike opportunistic or individual-level misconduct, cartel behaviour reflects collective collusion, often involving tightly connected networks of companies with the intent to dominate procurement outcomes.

Across the interviews and MACC case analyses, a dominant pattern emerged: the orchestration of bids through proxy companies under the control of a single cartel leader or central entity. This “old type” cartel structure involves multiple subsidiary

companies that appear to compete independently but are, in reality, managed by a central actor. According to NGO 1, these entities engage in prior coordination meetings which is often held discreetly to decide which company will “win” a particular tender, while others submit dummy bids to simulate competition. This false plurality masks a monopolistic procurement ecosystem. According to expert NGO 1, he points out that:

I think last year or the year before, there are cartel in the tender. Few people before the tender submission in the special office. They will sit down there, all of them, everybody will mobilise. They dictated who will come into the tender or not, among those companies.

Comparatively, this method was especially prevalent in high-volume, low-value procurements such as school tenders, where repeat contracts are awarded in rapid cycles. Smaller firms that are not part of the cartel network find it virtually impossible to penetrate the market, regardless of their pricing or qualifications. In contrast, in larger strategic procurements such as infrastructure or ICT, the same tactics manifest in subtler ways. It was through prearranged joint ventures or subcontracting deals that ensure cartel insiders benefit regardless of who is awarded the contract. The illusion of competition created through these methods is dangerous because it erodes public trust while meeting formal regulatory expectations. Experts noted that these practices often go undetected due to fragmented oversight, especially when procurement committees focus only on surface compliance indicators like multiple bids submitted, without investigating ownership structures or financial linkages among bidders.

From a theoretical standpoint, this theme reflects a breakdown in market-based procurement logic. Whereas public procurement frameworks assume rational, competitive behaviour among vendors, cartel arrangements expose a deeper reality of informal institutionalisation of corruption, where a shadow system governs contract allocation. The cartel essentially assumes the role of the main culprit, coordinating actions of multiple agents to control outcomes. This structure also exposes the limits of Principal-Agent theory, which typically focuses on dyadic relationships government-procurement officer. In cartel behaviour, corruption becomes multi-agent and horizontally coordinated, requiring a more complex analytical lens, such as collective action theory or systemic corruption frameworks to understand how norms of mutual benefit override individual competition. This was in accordance with disclosure provided by Prisoner 2.

The consequences are far-reaching, such as inflated prices, repetitive contract awards to the same entities and the exclusion of qualified but unconnected firms. Innovation is stifled, costs to the government increase and procurement decisions fail to reflect value-for-money principles. Cartels also breed further corruption, as sustained market control incentivises collusion with procurement officials to protect their position and eliminate oversight. Interviewees highlighted the need for beneficial ownership transparency, including the creation of a centralized registry that tracks company ownership and cross-linkages. Additionally, randomized audit mechanisms, forensic analysis of bidding patterns, and the use of AI-based anomaly detection systems were recommended to identify irregularities in pricing and bid submissions.

In summary, cartel-based bid rigging is not simply a procurement flaw but a deliberate market subversion strategy, hiding behind a mask. It reflects the evolution of corruption from isolated abuse to institutionalized collusion, and addressing it requires equally systemic countermeasures.

#### **4.3.5 Politician and Political Fund**

The entanglement of political financing and public procurement illustrates a high-level form of systemic corruption in Malaysia. Unlike petty bribery or administrative fraud, this theme reveals how procurement is weaponized as a mechanism for sustaining political power. Politicians, particularly those in senior positions, influence contract awards in return for political donations, favours, or personal enrichment that transforming procurement from a tool of governance into a source of illicit financing.

Across multiple interviews and MACC case files, a common pattern emerged: contracts are awarded not for capability or cost-effectiveness, but in exchange for political kickbacks. These may be framed as “donations,” commissions, or agreed percentages from project values. Such arrangements subvert the merit-based logic of procurement, replacing it with quid-pro-quo politics. As Investigator 3 recounted, ministers have directly negotiated percentages with business owners in informal settings, such as hotel meetings in Kuala Lumpur to facilitating direct negotiation approvals. As he exposed:

For example, like the case of minister, although the case still in the court. He himself go and see the director of the company to discuss about the

how many percentages that I will get if I can pursue this guy to approve your application, your direct negotiation your request for proposal. So, how many percent I can get directly go at the hotel in Kuala Lumpur.

A comparative review of cases highlights the Hybrid Solar Project in Sarawak (PP v. Rosmah Mansor) and the Merdeka Palace Hotel procurement as emblematic examples. In both instances, procurement decisions were not based on need or competitive assessment but driven by personal political relationships and informal lobbying. The involvement of high-profile individuals, such as former ministers and politically connected intermediaries, illustrates how access to procurement decisions is often mediated by informal power networks rather than institutional roles. Another layer of complexity is introduced by the role of political lobbyists, many of whom are former or sitting politicians. These individuals leverage personal connections to steer contracts toward preferred companies, often with the understanding that proceeds from the project will support political campaigns. Expert 1 highlighted cases where lobbyists advocated for infrastructure projects in specific constituencies, ensuring restricted tenders were granted to aligned firms. These practices reflect a feedback loop, where public procurement funds are recycled to sustain the political ecosystem that enables their misappropriation.

From a theoretical standpoint, this theme aligns with the concept of state capture, where private actors and political elites conspire to rewrite the rules of procurement in their favour. It also complements the Principal-Agent model by introducing a reverse accountability dynamic: politicians as de facto principals, enforce loyalty from public officers and vendors in exchange for access to state resources, thereby flipping the traditional chain of oversight. Unlike corruption driven by personal greed, this form of procurement abuse is often justified as a means of political survival. Political parties, especially those in power, rely heavily on informal funding sources to maintain electoral machinery. In the absence of a transparent political financing system, public procurement becomes a convenient and scalable revenue stream. This blurs the line between governance and patronage, where the distribution of public contracts becomes a tool for rewarding political allies and financiers.

The implications are profound. Projects may be undertaken not for public interest, but to benefit politically connected firms. This results in overpricing, poor service delivery, and concentration of public wealth among elite actors. More insidiously, it entrenches nepotism, cronyism, and rent-seeking within the procurement

system, eroding trust in public institutions. To counter this, both legal and institutional reforms are necessary. Several respondents advocated for legalising and regulating political donations, with caps, disclosure requirements, and a publicly accessible registry of contributors. This would reduce the incentive for backdoor funding through procurement deals. Others emphasised the need to depoliticize procurement committees, ensuring that procurement professionals, not elected officials who have final authority over tender outcomes.

Ultimately, the politicisation of procurement represents a direct challenge to integrity, accountability, and the rule of law. It requires not only technical fixes, but a political will to insulate state procurement from the corrosive influence of private political gain.

#### **4.3.6 Conflict of Interest and Asset Declaration**

Conflict of interest in public procurement reflects a structural vulnerability whereby public officials use their authority to benefit related parties such as typically family members or close associates, without disclosure. This theme highlights how personal relationships are leveraged to manipulate procurement outcomes, often through secret ownership of bidding companies or informal influence over decision-making processes. The absence of robust asset declaration and beneficial ownership transparency further facilitates this mode of corruption.

Thematic evidence from interviews and MACC case files reveals a recurring pattern, which is public officers bypass open competition to award contracts to companies linked to their spouses, in-laws, or other family members. In MACC Case 8, for instance, a senior lecturer at Universiti Teknikal Malaysia Melaka (UTeM) used his position to recommend his mother-in-law's company for a supply contract, without disclosing the relationship. The contract was awarded without proper declaration, representing a clear violation of procurement ethics. Similarly, in MACC Case 3 and Case 11, husband-and-wife teams within public agencies colluded to steer contracts to their relatives by manipulating the quotation process. These examples expose how familial networks are used as fronts to disguise self-dealing, particularly in small-to-medium procurement where oversight is more relaxed. Experts and auditors noted that non-disclosure of interest allows these networks to operate undetected, especially when

conflict-of-interest policies are either weak or unenforced. Moreover, the case of Prisoner 1 was a classic case of the abuse of the procurement process without declaring interest between the agent and client.

From a comparative perspective, urban and rural cases show different manifestations of the same issue. In more bureaucratically complex agencies, conflict of interest is concealed through technical manipulation and documentation, while in smaller local authorities, it often takes the form of informal coercion or favours within tight-knit administrative communities. Yet in both contexts, the result is the same, which are unmerited contract awards, exclusion of qualified bidders, and compromised public service quality.

The theoretical underpinning of this theme is rooted in Principal-Agent theory, where agents (public officers) act in their own interest rather than the public's, facilitated by a lack of transparency and monitoring. However, this corruption often involves dual roles, where the same individual serves as both agent and indirect beneficiary, thereby collapsing the distinction between the state and private interests. This aligns with clientelism and patrimonialism, in which personal loyalty and kinship ties supersede formal rules and institutions. The consequences are systemic such as conflict-of-interest corruption not only distorts procurement outcomes but also incentivises secrecy, discourages meritocracy, and embeds informal networks into the procurement process. This reduces institutional capacity and disincentivises reform, particularly when those who benefit also wield decision-making authority.

One of the key enablers of this type of corruption is the lack of enforcement in asset declaration regimes. While asset declaration is often mandated for high-ranking officials, the system is weakly implemented, inconsistently monitored, and rarely linked to procurement processes. This gap allows public officers to mask their financial interests or those of their close relatives. In the absence of beneficial ownership transparency, shell companies and proxy ownership structures are used to obscure the real beneficiaries of procurement contracts. Expert 3 highlighted how public officials acting as lobbyists, either directly or via proxies, it represents a severe conflict of interest. In such cases, officials promote vendors with whom they have undeclared ties, essentially lobbying from within the state for personal gain. This further undermines impartial procurement and weakens the firewall between public duty and private

benefit. To address these challenges, experts and incarcerated individuals proposed several reforms. These include:

- i. Mandating real-time, auditable asset declarations linked to procurement roles
- ii. Requiring disclosure of family relationships in all procurement submissions
- iii. Enforcing conflict-of-interest penalties through independent integrity bodies
- iv. Creating a public register of beneficial ownership for all vendors in government contracts.

Thus, it is timely for the government to introduce ‘beneficial ownership bill’ to address it. Without addressing the issue of concealed interests and ownership, technical reforms to procurement systems risk being subverted by personal networks. Thus, tackling conflict of interest requires not only procedural reforms but a cultural shift towards accountability, transparency, and ethical public service.

#### **4.3.7 Procurement Mode Tarnished by Corruption**

Contrary to assumptions that certain procurement methods, such as open tendering that guarantee transparency, this theme demonstrates that no procurement mode in Malaysia is immune to corruption. Corrupt actors adapt their strategies to exploit the specific vulnerabilities of each mode, whether through manipulation of competitive tenders, abuse of direct negotiations, or falsification in quotation-based procurement. This reveals the adaptability of corruption and the critical importance of context-specific safeguards.

Across interviews and MACC case files, it became clear that open tenders, while theoretically more transparent, are still susceptible to insider collusion and document falsification. For instance, some companies submit forged qualifications or financial statements to meet eligibility requirements. In other cases, officials provide insider information, such as expected pricing or technical specifications that is to preferred bidders, enabling them to submit competitive-looking but pre-arranged proposals. These practices corrupt the intent of open tenders and reduce competition to a performance of fairness. Direct negotiations emerged as particularly vulnerable, with interviewees consistently identifying them as the most easily manipulated procurement

mode. NGO 1 referenced high-profile cases such as the East Coast Rail Link (ECRL) project, where contract terms were negotiated behind closed doors, leading to inflated costs and non-transparent decisions. In such cases, procurement bypasses competitive mechanisms entirely, concentrating decision-making in a few politically connected individuals or units.

Quotation-based procurement, which is commonly used for low-value contracts was also found to be deeply compromised. The relative informality and limited oversight of this mode allow public officials to collude with vendors, forge dummy quotes, or select relatives' companies without scrutiny. In MACC Case 3, a university staff member and administrative officer exploited the quotation process to benefit a family-owned company by manipulating the comparison process and excluding better-priced competitors. This case, like many others, shows how even small-scale procurement is highly prone to personal influence and unethical practices. Comparative analysis reveals that while the scale and sophistication of corruption vary across procurement modes, the core problem lies in weak enforcement and lack of independent review. Open tenders are corrupted through document fraud and insider leaks; direct negotiations through political patronage and discretion; and quotations through personal relationships and falsified paperwork. In all cases, the absence of meaningful external oversight enables impunity.

From a theoretical perspective, this theme reinforces the limitations of formal compliance mechanisms when institutional integrity is weak. The Principal-Agent problem persists across procurement modes, but the agent's ability to exploit the system depends on the level of discretion, transparency, and institutional safeguards embedded in each mode. This also echoes institutional alignment, where superficial adoption of procurement best practices fails to produce real accountability due to local contextual weaknesses. The consequences are significant such as corruption in procurement mode selection leads to resource misallocation, inflated costs, and the erosion of public confidence. It also weakens reform efforts, as officials or vendors simply shift corrupt practices across procurement modes depending on which offers the most leeway. Interviewees proposed a range of reforms to mitigate these risks, including:

- i. Making mode selection criteria publicly available and auditable
- ii. Implementing automated procurement systems with real-time transparency

- iii. Requiring independent validation of direct negotiation justifications
- iv. Enhancing rotational policies for procurement officers to reduce familiarity and influence.

Ultimately, corruption in procurement modes reflects the broader institutional environment. Without structural changes to how procurement discretion is managed and monitored, the choice of procurement method alone cannot safeguard against unethical behaviour. A functional anti-corruption strategy must therefore combine procedural reform with proactive detection and independent enforcement.

#### **4.3.8 False Claim as Method of Corruption**

False claims represent a pervasive method of corruption in Malaysian public procurement, characterized by deliberate manipulation of payment processes and documentation to extract public funds. Unlike document forgery used to win contracts, false claims are typically executed post-award and involve collusion between internal staff and external vendors.

The analysis across sources highlights two primary modes: 1) submitting claims for services not rendered, and 2) inflating actual claims. In MACC Case 18, an anti-drug officer colluded with his wife and supervisor to submit a duplicate invoice that exaggerated costs from RM1,200 to RM9,000 for a government programme. This case illustrates how family ties and institutional roles intersect, enabling corrupt actors to bypass standard checks. Meanwhile, in rural contexts, such as procurement for school water systems in Sabah and Sarawak, false maintenance records were submitted despite ongoing infrastructure failure, demonstrating a disconnection between claimed and actual service delivery.

Comparatively, while urban cases often involve sophisticated invoice manipulation and financial redirection through company accounts, rural corruption tends to be more opportunistic but equally damaging. For example, in East Malaysia, public funds allocated for agricultural machinery were falsely claimed while cash was instead shared between officials and vendors, depriving rural communities of essential services. These distinctions underscore how contextual factors such as oversight capacity and proximity to scrutiny can influence corruption strategies. A key feature of

this theme is the collusive nature of the act. False claims are rarely perpetrated by one actor alone. Procurement officers, auditors, and finance staff are often complicit or deliberately negligent, creating a chain of enablers. As Procurement Officer 1 acknowledged, corrupt staff bypass specifications entirely, claiming undelivered items or overclaiming allocations with impunity. This systemic failure points to institutionalised corruption, where processes are manipulated from within rather than circumvented from outside.

From a theoretical lens, false claims exemplify the moral hazard embedded in the Principal-Agent relationship. The agent (public officer), shielded from effective monitoring, behaves opportunistically at the expense of the principal (leader, government). Additionally, according to Prisoners 2 and 6, the lack of role segregation, where the same officer may verify, approve, and process payments further intensifies vulnerability to abuse. What distinguishes this theme from simple negligence is the intentional orchestration of fraud. In some cases, claims are fabricated for non-existent projects, or work is claimed to be completed based on falsified site reports. These claims are often approved due to lack of independent verification and absence of punitive enforcement when discrepancies are discovered.

The implications are serious such as public funds are misappropriated, project quality is compromised, and service delivery, especially in remote areas is systematically undermined. Auditors emphasized that false claims often persist undetected for years, creating cumulative financial losses and eroding procurement credibility. As a preventive measure, interviewees recommended introducing mandatory third-party verification for high-value projects, rotating procurement personnel to reduce familiarity risks, and enhancing digital transparency through traceable claim workflows. Without such reforms, false claims will remain a low-risk, high-reward strategy for corrupt actors.

#### **4.3.9 Trend and Strategy of Corruptors to Get a Bribe**

This theme reveals the evolving and increasingly sophisticated strategies employed by corrupt actors to solicit, conceal, and legitimise bribes within the public procurement ecosystem. Bribery in Malaysian procurement is no longer limited to direct cash exchanges; it now includes a spectrum of covert tactics involving variation orders

(VOs), in-kind gifts, financial proxies, and layered intermediaries. These trends signal a shift from overt corruption to strategically embedded misconduct, often disguised within legitimate procurement activities. One of the most prominent trends is the manipulation of variation orders (VOs). While VOs are intended to address legitimate scope changes or unforeseen project needs, they are often abused to inflate project costs post-award, creating financial room for bribe payouts. Experts and NGO respondents pointed out that technical specifications are sometimes deliberately under-scoped during planning to trigger future VOs, which are then used to justify increased payments. In some cases, technical staff who are part of the procurement process plan for VOs in advance. It has been used as a tool for soliciting bribes. As remarked by NGO 1:

So, this one sometimes this specs were purposely done in order to get the VO. So, whoever monitored this project must ask this question. VO 8 million who is responsible?

Comparative cases reinforce this pattern. In some projects, contractors knowingly bid low, expecting to recuperate their losses and pay bribes through VOs. In others, technical officers collude to recommend scope changes in exchange for personal rewards. This strategic exploitation of procurement procedures illustrates how corrupt practices can be “legalised” through procedural compliance, making them more difficult to detect and prosecute. Another tactic involves disguising bribes as in-kind benefits. Instead of direct payments, corrupt officials may receive luxury cars, overseas holidays, or indirect financial support such as the payment of their children’s educational expenses abroad. One case involved monthly deposits into a foreign bank account under the name of a student, making the transfers appear as routine educational support. According to NGO 1, this method complicates detection, as the recipient may not even be aware they are part of a corruption scheme. These forms of bribery blur the lines between personal benefit and legitimate support, making them harder to trace using conventional forensic methods. Another example is the case of Prisoner 1, who asserts the money given by his friend was a loan intended for a friend. The loan excuse was one of the primary justification by the corruptors during the investigation.

The use of third-party consultants or offshore entities as intermediaries is another common strategy. In the Rosmah Mansor case (PP v. Rosmah), a fake consultancy contract was established with a foreign company as a front to funnel bribes related to the RM1.25 billion solar project. The company performed no actual

consultancy work but was contractually promised 15% of the project value. Such layered financial structures are designed to obscure the trail of illicit payments, adding complexity to enforcement efforts and extending the reach of corruption beyond national jurisdictions. These strategies reflect not just criminal ingenuity, but a broader adaptation of corruption to increased regulatory scrutiny. As oversight mechanisms improve, corrupt actors respond by embedding bribes within legitimate-looking transactions, turning the rules themselves into instruments of abuse.

From a theoretical lens, these trends highlight the dynamic nature of corruption within the Principal-Agent framework. Corruption evolves in response to incentives, oversight gaps, and institutional weaknesses. What is especially salient in this theme is the use of rational-choice logic: corrupt actors calculate risk and design bribe strategies that minimise detection while maximising benefit. The reliance on indirect benefits and intermediaries also suggests the influence of networked corruption, where bribes are coordinated across multiple actors and institutions. The impact is varied like these strategies increase the cost of corruption, both financially and administratively. Public funds are misallocated not only due to inflated project costs but also because resources are used to maintain complex bribe systems. Additionally, these tactics undermine the credibility of reform tools such as audits, compliance protocols, and reporting mechanisms, by showing how they can be circumvented. To counter these evolving strategies, expert respondents recommended:

- i. Strengthening financial intelligence units to track unusual financial flows, including overseas education payments
- ii. Establishing red flag systems to detect abnormal variation orders and consultant payments
- iii. Requiring declarations of third-party relationships in high-value procurement
- iv. Introducing real-time procurement monitoring dashboards to increase public and institutional scrutiny.

In summary, bribery in Malaysian public procurement is no longer a simple act of exchange but a sophisticated, evolving system. Recognising the shifting trends and strategies of corrupt actors is essential to designing responsive and future-proof anti-corruption interventions.

#### **4.4 RESEARCH QUESTION TWO (RQ2): COLLUSION BETWEEN PRINCIPAL-AGENT-CLIENT IN CORRUPT PRACTICES IN PUBLIC PROCUREMENT IN MALAYSIA**

In relation to RQ1, this RQ2 was framed to answer the research question, which is to investigate the collusion between the actors and what their roles are in relation to the concept of principal, agent, and client in corrupt practices in public procurement. As discussed throughout this research, the principal referred to the department head, minister, and their relatives, who could approve or interfere with public procurement. The second actor was referring to an agent or public official who was involved in the public procurement process. In the normal procurement process, the term "client" refers to potential or existing vendors, contractors, and suppliers who have received or are expected to receive government procurement tenders, projects, services, and work. Three categories have been identified, which are principal-client agreement, principal-agent agreement, and agent-client agreement. From the three, six emerging themes have been derived, which are actor in collusion, agent asking for bribe, abuse of power by principal, client giving bribes, outsider colluding with insider, and middleman, consultant and cartel. In essence, this subsection tends to answer Research Question 2 of the study: the collusion between Principal-Agent-Client in corrupt practices of the public procurement sector in Malaysia. Further, the discussion will also highlight how these actors interact with each other and, in turn, allow collusion to happen and affect governance. The findings shall therefore add to the understanding of such dynamics in facilitating the development of transparency and accountability in public procurement systems.

##### **4.4.1 Actors in Collusion**

The theme of 'Actors in Collusion' unveils the multilayered and networked nature of corruption in public procurement, where principals, agents, and clients do not operate in isolation but rather collude through informal alliances that cut across institutional hierarchies. These alliances often blur formal roles and responsibilities, creating a system where corruption becomes routinized and normalized.

From a Principal-Agent theoretical lens, collusion emerges when agents such as procurement officers, exploit delegated authority for personal gain, often with the tacit or explicit consent of the principal which is department heads or ministers. However, this relationship is not always linear. Evidence from case files and interviews suggests that collusion is frequently a coordinated act among multiple actors across different levels, including clients which is vendors, auditors, and even external lobbyists. For example, bottom-line officers, while seemingly peripheral, act as essential gatekeepers in processing procurement transactions. Case files reveal that these officers, though low-ranking, possess technical control over procurement documentation and timelines. Their ability to delay or expedite processes grants them leverage to demand bribes or cooperate with higher-ranking officials in corrupt schemes. In one MACC case (Case File 30), a procurement officer was identified as the sole handler of multiple project approvals, became a “one-man show” scenario. It was exacerbated by weak oversight mechanisms, illustrating the structural vulnerability that enables solitary actors to monopolize decision-making.

Middle managers function as brokers, to facilitating and connecting street-level procurement activities with high-level decision-makers. Their positional authority allows them to suppress whistleblowing, sanitize documentation, and ensure corrupt deals pass internal scrutiny. In several interviews, these officers were described as “critical links” who not only approve but strategically shield corruption from detection. This reflects an institutionalised form of collusion wherein complicity is silently incentivised through informal rewards or career security. Top-level officials, or principals, typically exercise authority through approval powers, often guiding the outcome of procurement decisions. Contrary to assumptions that principals are passive victims of rogue agents, case evidence shows that some principals directly instruct agents to engage in unethical acts. This highlights the symbiotic nature of corruption, where principals are not merely inattentive overseers but active beneficiaries.

Simultaneously, clients which is refers to vendors, contractors, consultants, are not passive responders but often initiators of corrupt transactions. Several testimonies, for example, Procurement Officer 1 and Expert 1, confirm that clients propose bribes to influence awards or facilitate approvals. This challenges traditional Principal-Agent assumptions by showing that corruption is not only driven from within the public sector but also pushed by market actors seeking to manipulate institutional processes for profit.

The presence of non-traditional actors, such as internal auditors, technical committees, and even end-users, further complicates the collusion map. For instance, one case involved an accountant and both internal and external auditors working together to falsify accounts, effectively laundering the corruption through official reporting mechanisms, as mentioned by Expert 1:

In one case, if I not mistaken, they used their accountant manipulate the account. So, their account will be in order. So maybe they use also the account the internal auditor and external auditor. So maybe there are collusion between them to cover up the trail. This case more on the accounting treatment.

Similarly, end-users<sup>1</sup> often collude with vendors to ensure repeat awards, perpetuating a cycle of favouritism. Procurement officers are vulnerable because they deal directly with the tenders. They may play leading roles in corruption by, for instance, soliciting kickbacks from the successful bidders or overestimating the market prices of the bid items. As revealed by Procurement Officer 2:

Vendor is not bold enough to do so, I believe so, you know. But if somebody offers, then why not we collaborate, why not we do. This from the vendor site, but if this staff is totally against it, it will not happen. So, I believe directly or indirectly, the staff is the team that actually has to directly play a role here.

Moreover, Prisoner 2 acknowledges the existence of collusion between client-principal and client-agent do exist particularly in public procurement within the public office. This diversified participation in corruption supports the view that public procurement in Malaysia has, in certain cases, evolved into a collective-action problem rather than a simple principal-agent dysfunction. The breadth of actor involvement, the normalization of unethical behaviour, and the strategic use of technical and procedural control points indicate that collusion in public procurement operates more as a network of opportunism than isolated deviance.

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<sup>1</sup> In the Malaysian public procurement process, the end-user, typically a government department, unit, or branch, plays a crucial role by initiating procurement requests and verifying the procured product's conformity with required specifications.

#### 4.4.2 Agent Asking for Bribe

The act of agents soliciting bribes reflects a structural distortion in the procurement chain, where public officials entrusted with implementing policies exploit their discretionary powers for personal gain. This theme underscores a shift from passive compliance to proactive corruption, where agents not only receive but actively initiate corrupt exchanges. The behaviour illustrates the erosion of integrity at the operational level and represents a breach of fiduciary responsibility between the agent and principal.

Within the Principal-Agent theory, this misconduct represents a classic case of moral hazard, where the agent exploits asymmetries of information and authority for self-interest. However, empirical evidence from case files and interviews suggests that this solicitation is not always a unilateral act of defiance against oversight. Rather, it frequently operates within a permissive or complicit environment, where such behaviour is expected, condoned, or even indirectly encouraged by higher-ups. For instance, the narrative from Prisoner 1 and Expert 2 depicts a procurement officer requesting “facilitation fees” under the guise of administrative efficiency. In this setting, bribery is rationalised as a lubricant for the procurement machinery. Yet, the consequences are severe, which is unqualified contractors are often awarded projects, resulting in substandard infrastructure and wasted public resources.

A comparative look at the Penang contractor case (as shared by NGO 2) reveals how coercive tactics are used to extract bribes indirectly. It shows that bribery has been normalised by corrupt mid-level and grassroots officers as part of the procurement process. This situation leads contractors to perceive paying a bribe as an inevitable part of conducting business. It also creates an environment where honest competition is stifled, as only those willing to pay bribes have access to contracts, as shared by NGO 2:

So, I remember some contractors from Penang. He said he wanted to do things properly. He did, he did. He did throughout but then towards the end. When the buildings ready and he needs to get the certificate of completion, he said then suddenly many things happened to make thing difficult. They do not solicit openly, but the difficulties that they made, push them to offer a bribe as a grease.

In another case, mid-level officers were reported to force subcontracting to preferred vendors in exchange for project approval. This points to the abuse of procedural control points, especially in middle management, where approval power

becomes a tool of extortion. These acts distort the procurement ecosystem, where project outcomes are driven by personal gain rather than public value. What is particularly troubling is the normalization of bribery culture among procurement agents. Officers justify such acts as a means of coping with financial stress or upholding a lifestyle beyond their salary scale. Interviews with Expert 3 and Procurement Officer 1 reveal narratives of debt, greed, and consumerism driving corruption at the grassroots level. This reflects the intersection of economic vulnerability and institutional failure, where weak governance structures fail to check unethical behaviour, while inadequate compensation packages provide the motive.

Furthermore, corruption is increasingly mediated through intermediaries such as middleman, who negotiate and channel bribes between contractors and agents. These third parties insulate the actors from direct exposure, creating a layered system of corruption that is harder to trace. In some MACC case files, these middlemen were found to be closely tied to political figures or special officers, indicating that agent-level bribery is often nested within larger patronage networks.

These patterns suggest that agents do not act in a vacuum. Their willingness to solicit bribes is enabled by institutional silence, political protection, and lack of internal accountability mechanisms. As such, the issue is not merely about unethical individuals, but about how procurement systems are structured to enable rent-seeking behaviour. Addressing this requires not only stricter enforcement but also reforms in organizational culture, incentive structures, and integrity systems.

#### **4.4.3 Abuse of Power by Principal**

This theme explores how principals, which is typically department heads, chairpersons, ministers, or politically connected figures, exploit their hierarchical authority to distort the public procurement process. The abuse often manifests in overt instructions to inflate costs, bypass competitive bidding, or coerce agents into unethical conduct. In doing so, principals transform public procurement from a rules-based process into an informal marketplace of influence, where access to contracts is traded for loyalty or financial returns.

While Principal-Agent theory traditionally views principals as the ethical supervisors of agents, the Malaysian cases reveal a reverse distortion, where in some cases, principals themselves become initiators or complicit actors in corruption. The agent is often pressured or subordinated, not acting independently but complying with directives from above. In this dynamic, corruption becomes top-down and institutionalized, not simply opportunistic or rogue behaviour. For instance, interviews and case files reveal scenarios in which principals instructed vendors to inflate project costs by 5–10% to create margin for kickbacks (Investigation Officer 2). Though seemingly minor, the cumulative effect across multiple projects results in significant leakages of public funds. Such acts, often framed as standard practice, point to a systemic inflation of public expenditure, cloaked in bureaucratic legitimacy but driven by private gain.

The Solar Panel project in Sarawak further illustrates how principals leverage political access and family networks to entrench corruption. In this case, the principal was approached via the Prime Minister's spouse, showcasing the use of informal influence channels, what can be termed as "patron-client collusion" to override standard procurement procedures. The 10% bribe demanded not only corrupted the procurement process but also demonstrates how political elites monetise access to public resources. Comparison across case files also shows how dominant chairpersons manipulate committee decisions. In exerting such powers, the chairman may tailor decisions of boards to favour vendors of his choice. In doing so, this behaviour really bypasses all the purported checks and balances that ought to characterize the procurement process and leads to the capture of a small group of individuals who are in the position to make or take over apparatuses for personal gain as stated by Procurement Officer 1:

There is an honest chairman, the honest one we say is clean, he does not influence the members of the meeting. But there is a chairman who is very dominant, when he is dominant sometimes the two of them alone are enough to influence the other members. Although other members sometimes reserve to accept the decision, but this is what is happening now.

This highlights a groupthink dynamic, where dissent is silenced through positional power. Such scenarios reveal how ethical checks and balances embedded in decision-making bodies are easily circumvented by charismatic or coercive leaders.

Moreover, the threat of institutional retaliation for non-compliance is a recurring pattern. Officers who resist unethical directives face demotion, marginalisation, or job transfers (Auditor 1). These threats generate a culture of fear, pushing agents to either conform or exit. This echoes the “obedience to authority” phenomenon in corruption literature, where hierarchical structures suppress resistance and reward compliance, even to unethical commands. At a deeper level, these findings reflect how leadership style and organizational culture shape corruption outcomes. When leaders model unethical behaviour and signal that loyalty trumps integrity, corruption cascades downward, becoming embedded in institutional norms. For example, in the case of Prisoner 2., the principal of the public office has demanded a special entertainment for him during the Umrah trip to Mecca, in exchange for the expedited approval of his application. Conversely, where principals display integrity and transparency, lower levels are less likely to deviate from ethical standards. Therefore, abuse of power by principals is not only a cause of corruption but also a determinant of the organizational corruption climate.

The findings also highlight a paradox of oversight, the very individuals tasked with upholding accountability (principals) may be the primary drivers of its subversion. In this sense, anti-corruption measures must confront not only procedural loopholes but also power asymmetries and elite capture within public procurement systems.

#### **4.4.4 Outsider Collude with Insider**

The theme Outsider Collude with Insider highlights the loose boundaries between public and private spheres in the Malaysian public procurement system. It reveals how corruption is not merely a result of internal misgovernance but a co-production between government insiders and external actors, such as contractors, consultants, and lobbyists. This collusion transforms public procurement into a transactional arena where personal networks override procedural integrity.

From a theoretical standpoint, these dynamics extend beyond the Principal-Agent model to encompass the Collective Action framework, where corruption becomes the default behaviour, reinforced by mutual expectations and rewards. The existence of repeated collusion patterns between insiders and outsiders, often well before the official procurement process begins, that suggests a systemic breakdown in

institutional separation and safeguards. One of the most revealing cases, cited by Investigation Officer 3, involves the pre-tender stage collusion, where government officers leak confidential information to preferred vendors. These vendors are briefed on the pricing thresholds or specifications that will secure a winning bid. In this instance, procurement officers essentially script the outcome before any formal bidding takes place, eliminating genuine competition and subverting transparency from the outset. This early stage corruption demonstrates the strategic use of insider knowledge by outsiders to create a rigged market.

Another comparative example comes from technical manipulation post-award. Case evidence shows that contract specifications are routinely altered in favour of connected contractors. These adjustments are often enabled by officers who not only ignore non-compliance but actively participate in falsifying documentation or suppressing oversight. In such instances, the tender process becomes a formality, while the substantive decisions are negotiated informally between insiders and colluding contractors. The evaluation committee is a critical pressure point in this collusive ecosystem. Committee members, ideally positioned to uphold technical standards, instead become co-opted actors, especially when they possess personal or political ties to bidders. One case illustrates how evaluation criteria were retroactively modified to align with a specific vendor's strengths, thereby manufacturing the illusion of merit-based selection. This manipulation turns the evaluation phase into a technical smokescreen that conceals corrupt intent.

Interviews with Auditors 1 and 2 further reveal that once a contractor-insider alliance is formed, it continues into the implementation stage. Project oversight is either intentionally lax or manipulated to justify substandard work, inflated costs, or non-compliance with deliverables. Officers are incentivised to ignore discrepancies in exchange for financial rewards or career protection. This collusion shifts procurement governance from formal contract enforcement to informal obligation systems, undermining both accountability and service delivery. What emerges across these examples is a pattern of long-term corrupt relationships that span across tender cycles. Contractors who successfully collude with insiders are often rewarded with repeat contracts, cultivating a "preferred vendor culture." This embeddedness signals a shift from one-off corruption to chronic relational corruption, where trust and continuity are based not on performance but on mutual complicity.

Furthermore, the asymmetry of information and power plays a central role in sustaining these relationships. Contractors rely on insider cooperation to navigate complex procurement procedures, while insiders rely on external actors for financial gratification. This mutual dependence reinforces collusion as a rational strategy, where the perceived risk is low and the benefit high, especially in the absence of functional whistleblowing or auditing mechanisms.

In short, collusion between insiders and outsiders reflects institutionalised corruption ecosystems, where formal rules are consistently overridden by informal networks of influence. Addressing this form of corruption requires more than enforcing rules, because it demands disrupting relational trust among corrupt actors and establishing mechanisms for independent monitoring that can resist insider-outsider alliances.

#### **4.4.5 Client Giving Bribe**

Whereas it is expected that public officials are always in the lead to demand bribes, quite a few of the procurement corruption cases are actually stimulated on the part of vendors. Since vendors normally interact with key individuals along the procurement chain, most especially those who are in authority to authorise payments, they may use such information to extend bribes in influencing the speed of payments or acquisition of contracts. Sometimes this is even facilitated by labelling these bribes as so-called "facilitating payments," the real underlying intent of which, nonetheless, is to distort procurement to one's benefit. Several of these vendors, especially those reliant on this cash flow, would get tempted or sometimes be forced to pay off these officials who disburse payments. In return for small bribes, they avoid bureaucratic delays and receive their payments faster. To such vendors, it would seem pragmatic, the way to solve their problems. But the danger is this justifies corruption, making it a normal business strategy.

One of the primary motivations for vendors offering bribes is to secure contracts, a process that is highly competitive and heavily bureaucratic. The contractor may offer bribes not only for the sake of winning a contract from their competitors but also in order to guarantee the profitability of the contract by cutting corners and inflating costs.

This practice undermines fair competition and incentivises corruption throughout the procurement system, as mentioned by Expert 1:

So, obviously and this is where corruption in corporation is bad because from the government perceptively from the buyer's perspective. So instead of getting the product at RM1000, because of the corruption, there is going to be RM1100. So, basically as an example in real life. So, what it been said that in many cases, government ended up having to pay 30 percent more, even 50 percent more.

Delays, inefficiencies, and layers of bureaucracy characterise the procurement process in some organisations. In an attempt to overcome red tape, vendors often resort to bribery to expedite approvals and secure contracts. This practice leads to a situation where contracts are awarded based on who can yield the most financial influence rather than on merit (Expert 1 and 2, Business Owner 1).

One of the high-profile client-driven bribery cases is the Solar Panel project in Sarawak, whereby a contractor tried to win favour with the PM through his wife, offering 10% of the value of the project as a bribe for securing the Letter of Award and Approval for the project. The Sarawak case shows how a contractor may be proactive in pursuit of influencing high-ranking officials to favour them in the award of large, lucrative projects when they are not passive parties to corruption. In the Sarawak case, the contractor resorted to approaching the PM's wife with the intention of using her influence on the PM to clear the way for the approval of his projects. The offering of the bribe as a means of securing political favour was therefore a method of circumventing normal procurement procedures and undermining democratic governance. It is a case that underlines how deeply embedded corruption in procurement can be once the vendors have access to the key political figures and are ready to use those relationships for personal gain (PP vs. Rosmah Mansur, MLJR 2021).

While bribes are sometimes voluntarily given by some vendors to seek an advantage, in most other cases, contractors are also coerced to pay bribes to avoid the procurement contracts being cancelled or payments delayed. This coercive aspect of public procurement corruption illustrates asymmetry in power relations between vendors and public officials, where vendors feel they are being coerced to collaborate on corrupt deals either to remain in business or simply to avoid punitive actions (NGO 1). Comparing across sectors, it becomes evident that larger, politically connected firms tend to initiate bribery to secure major contracts, while smaller firms bribe out of

necessity to survive within a corrupt ecosystem. This duality complicates anti-corruption narratives, as it reveals that not all client-led bribery is driven by greed, some is driven by survival in a competitive and opaque system.

Another significant observation is that repeated bribery by the same vendors often leads to their institutional entrenchment. Contractors who have established corrupt channels are more likely to be awarded future contracts, creating a closed-loop system where ethical contractors are systematically excluded. Over time, this erodes fair competition and reinforces a culture where compliance with corruption is rewarded. In summary, client-initiated bribery is not merely a mirror of agent corruption but a structural feature of Malaysia's public procurement ecosystem, driven by competitive pressures, weak enforcement, and elite capture. Reforms must therefore target not only public officials but also the incentives and vulnerabilities of private sector actors, particularly their access to political influence and informal power structures.

#### **4.4.6 Middleman and Consultant as an Enabler**

The role of middlemen and consultants in public procurement corruption reflects the growing complexity and sophistication of collusive networks in Malaysia's public sector. These actors function as brokers, runners, and facilitators, which is shielding principals and agents from direct exposure, while ensuring the smooth execution of corrupt transactions. Unlike traditional triadic corruption models (principal-agent-client), this theme, in some cases, introduces intermediary actors who orchestrate, manage, and even profit from systemic corruption.

At the operational level, middlemen and runners act as informal liaisons between contractors and public officials. These intermediaries are often politically connected individuals, such as special officers to ministers, who exploit their access to decision-makers for personal enrichment. Their influence lies not in formal authority, but in relational capital, their insider status and personal proximity to power. In the Merdeka Palace case, for example, a consultant firm was used to "park" RM10 million in illicit funds, which were later withdrawn in staggered payments to conceal the trail as mentioned by Investigator 3. The consultant earned a commission for this service, illustrating how professional legitimacy is used to mask illicit flows. This form of strategic laundering of corruption, where illegal money is disguised as consulting fees

or legal services, which indicates a higher level of planning and risk mitigation. It reflects what corruption theorists describe as “institutional camouflage,” where legal structures are subverted to protect and sustain corrupt activity. These actors do not merely enable corruption; they institutionalise it by embedding it within formal systems.

In comparative perspective, some middlemen operate autonomously, using the names of officials to solicit bribes without the latter’s knowledge. While this introduces uncertainty regarding the real locus of corruption, it also creates plausible deniability for high-ranking officials and complicates investigations. For instance, in the PP vs. Rosmah Mansur case, special officers to the Prime Minister’s wife played the role of both messenger and negotiator, leveraging her influence to guarantee procurement outcomes in exchange for bribes. This weaponisation of informal authority reveals how middlemen exploit both actual and perceived influence to broker corrupt deals. Moreover, middlemen tend to be incentivised by commission-based structures, usually receiving 5–10% of the contract value or total bribe amount. This not only aligns their interests with the success of the corrupt scheme but also incentivises them to maximise the scale and frequency of corruption. This pattern converts middlemen from passive facilitators into entrepreneurial actors, motivated by high returns on corrupt “services.” In petty corruption like the case of Prisoner 5, he was manipulated as a middleman to withdraw the corrupt money by the loan shark company, before his detention by the MACC officer.

Consultants, particularly in the guise of technical experts or legal advisors, offer a different function. They provide credibility and documentation that gives cover to irregularities, such as inflated project valuations, skewed feasibility reports, or manipulated audit trails. Their participation shows how corruption in procurement is no longer limited to the decision-making core but extends into auxiliary and oversight domains, corrupting even the mechanisms meant to ensure due diligence. Importantly, middlemen and consultants are often missing from official documentation, yet they are indispensable in orchestrating large-scale corruption. Their presence in multiple MACC case files suggests that procurement corruption has evolved into a multi-actor enterprise, with middlemen acting as both connectors and protectors. Their role underscores the outsourcing of corruption risk, top officials delegate the operational aspects of bribery to intermediaries, distancing themselves from direct culpability while enjoying the benefits (investigator 3, expert 2, NGO 2 and prisoner 1).

This layered system of corruption complicates detection and enforcement. Traditional anti-corruption frameworks tend to focus on the triad of principal-agent-client, overlooking the interstitial spaces where brokers operate. However, these spaces are precisely where coordination, concealment, and escalation of corrupt acts occur. In conclusion, middlemen and consultants serve as critical enablers in Malaysia's public procurement corruption, facilitating not only the exchange of bribes but also the concealment of wrongdoing. Any reform strategy must recognize their role, not as peripheral actors, but as central architects of systemic corruption, who operate within and around formal institutions to sustain illicit gain.

#### **4.5 RESEARCH QUESTION NUMBER THREE (RQ3): THE NEED FOR NEW GOVERNMENT INITIATIVES TO CURB CORRUPTION IN PUBLIC PROCUREMENT IN MALAYSIA**

The fight against corruption in public procurement Malaysia needs to be fought on many aspects, from the root systemic perspective to promoting ethical governance. This chapter explores the themes derived from the data on effective laws and procedures, values, human factors, and possible upcoming technology and data analytics in dealing with corruption in public procurement in Malaysia. These aspects form part of the third research question on the need for new government initiatives in reducing corruption in public procurement. While the existing laws and procedures establish a structural framework for controlling procurement activities, their enforcement and adaptability present a distinct challenge. Similarly, the focus on values and human factors highlights the need for public officials to cultivate integrity and ethical behaviour. New technologies, like data analytics and blockchain, are offering new tools for increasing the circle of transparency, accountability, and efficiency in the procurement process. Based on such integration, the paper attempts to propose holistic strategies that can help strengthen anti-corruption initiatives by Malaysia in public procurement. Thus, this will relate to the current anti-corruption initiatives stipulated in the conceptual framework of the study.

#### 4.5.1 The Effectiveness of Laws and Procedures

Despite the enactment of numerous laws, corruption continues to persist in Malaysia's public sector. Other legislation that gives strength to the MACC Act includes the Competition Act and provisions on corporate liability. But selective enforcement, alternative charges, and too mild a punitive approach negate the effectiveness of such laws. The MACC Act 2009 serves as the foundational legislation in Malaysia's efforts to combat corruption. The presumption clause, among other provisions, enables the authorities to successfully try cases of corruption. Under section 50(1) of the Act, prosecutors are enabled to infer guilt on a person accused of corruption if he fails to show a reasonable explanation thereto. As Lawyer 1 argued that:

As far as the laws is concern, I think the MACC act is more than what we needed. There are many presumptions there. Despite it may go against the Federal Law, but because there's a long standing any other written law. So, this is where I think the law is self-sufficient.

Therefore, this serves as a powerful tool to combat corruption, as it places the onus of proof on the accused to ensure their conviction. While the MACC Act's spirit is punitive with its heavy penalties for corruption, reduced charges dampen it. The prosecutors often opt for lesser charges under other laws that may lead to merely fines instead of imprisonment. This weakens the deterrent effect of the MACC Act and conveys conflicting messages about the gravity of corruption offences. The use of alternative charges under other legislations instead of relying on the stringent provisions under the MACC Act weakens the fight against corruption. Investigation Officer 2 argued that

So, for us, maybe we can review it, in relation to this alternative charge, because that thing when it happens, the thing you mentioned earlier, the people involved in this crime of corruption may already have knowledge. They think that if I take a bribe, I will at least be accused under the alternative charge. Can only be fined, the maximum prison sentence is only two years.

For example, instead of serving a prison sentence, a corrupt official will be let off with a fine, which minimises the dread of being involved in corrupt deals. Therefore, prosecutors must be fully committed to the punitive intention of the MACC Act by not negotiating a plea bargain with offenders for lesser sentences under other legislations, such as the Penal Code or other prescribed offenses stated under Section 3 of the MACC Act, 2009. In addition to that, while the MACC Act and other anti-corruption

legislations in Malaysia are well thought out, their application is uneven. There have been many instances observed where double standards in enforcement seem to be operating, where high-profile or politically connected individuals are treated more leniently than lower-ranking ones (Prisoner 1). This would only undermine citizens' trust in the rule of law and breed a culture of impunity. Partial application of anti-corruption laws undermines their effectiveness. If the people feel that only a few are held liable while others are protected by their connections, it defeats the deterrent effect of the law. In practice, such laws will have to be applied by equal treatment irrespective of status and position held to cramp corruption.

Despite these challenges, the anti-corruption legal regime of Malaysia remains quite effective. For instance, under corporate liability provisions, companies are found liable for corrupt practices made by any of their employees. Expert 1 opined:

I think we have enough initiatives. Section 17A is great, because nobody can give their excuse and people who bribe other people shouldn't get away with it. Before this the boss can say this, oh sorry not me is my sales staff that did it, sorry. So, now you cannot claim or breaking the laws anymore, so you are comfortable. I think it's great.

This is in particular important to note since bribery has long been considered a necessary evil in doing business, and companies felt no choice but to pay off public officials to get contracts. The corporate liability provision compels companies to be more ethical due to the fear of facing legal consequences as a result of corrupt dealings happening within their ranks. In essence, the corporate liability provision makes companies accountable for corrupt practices that their employees may be involved in, an aspect of the corrupt nature of business operations that is systemic. This hence serves as encouragement for businesses to take severe measures against corruption, as a lack of it might attract heavy penalties. However, for this to be effective, the law must be enforced consistently and without favouritism.

Although the current MACC Act and corporate liability provisions are sound, further action is necessary. Most of the respondents recommend that there should be a Procurement Act in place, and this would go a long way in enhancing corruption in public procurement in a significant and timely manner (Expert 2, NGO 2 and Auditor 2). Currently, the procurement process experiences significant manipulation and lacks adequate protection against corrupt practices. A procurement act would make the rules and methods of enhancing transparency stricter. It will reduce the opportunities for

collusion between officials and vendors. A procurement act will standardise and closely monitor such processes so that corrupt actors cannot manipulate contracts. Applying principles of transparency and clear guidelines, such an Act would provide an additional layer of protection from corruption in public contracts. Apart from this, procedures would have to go through periodic reviews to keep them effective against the emerging environment. The other important tool in fighting corruption is the Competition Act that outlaws bid rigging; its implementation will need to be examined to assure it is used as an effective deterrent. The bottom line is one has to change and sometimes even update procedures every now and then to stay one step ahead of corrupt practices as they evolve over a period of time. The Competition Act, which pertains to public procurement, covers bid-rigging as a common corruption practice. Its effectiveness depends on the rigour with which it is enforced and changes that may be needed from time to time to tackle new tactics employed by corrupt actors (Expert 1).

One major weakness of the existing anti-corruption framework is that the punitive measures are not stringent enough to deter prospective offenders. The corrupt person perceives the risk as manageable due to the possibility of fines instead of imprisonment. Therefore, the application of the law has to be such that a real fear exists of dealing with corrupt practices (Auditor 1 and Investigation Officer 2). The current punishment for corruption is insufficient to deter individuals from engaging in these illegal activities. Severe punishment, including imprisonment, should be consistently and strongly imposed to send out a loud and clear signal that corruption would not be tolerated. Moreover, only a collective effort to clean the entire ecosystem will lead to a reduction in corrupt practices. This is not limited to mere legal reforms but extends to the protection of whistleblowers. A strong and secure whistleblowing mechanism, which protects individuals against retaliation, should be in place to receive and process complaints of corruption. People need to feel safe to come forward with information about corrupt practices if the fight against corruption is to be effective. Stronger protection for whistleblowers means more people report corruption and, consequently, a higher possibility of disclosure and prosecution of illegal activities (Expert 2, Investigation Officer 1 and Procurement Officer 1).

Finally, there is now an urgent need for new legislation and policies related specifically to syndicated and transnational corruption in public procurement (Investigation Officer 2). With increased globalisation, corrupt practices often

transcend borders and are built around networks of individuals and entities operating across jurisdictions. The lack of specificity in existing laws regarding the complexity of such syndicates underscores the importance of implementing targeted legislation. The resulting legislation would promote greater international cooperation, track down corrupt money across borders, and apply much stronger sanctions against individuals and companies implicated in transnational corruption. It needs wide-ranging policies that ensure procurement processes remain transparent and accountable, even in complicated multinational contexts, thereby preventing grand corruption schemes from eroding public trust and economic stability.

#### **4.5.2 Values and Human Factor**

Many consider corruption in public procurement to be structural and systemic; however, it is very important to recognise the problem of corruption as being of a human factor nature. Undoubtedly, weak governance, weak legal frameworks, and ineffective oversight are issues that must be approached, but the source or cause of corruption in most cases originates with personal values and attitudes. It includes greed, negligence, and lack of moral integrity, but also the general pressures of society and economic pressures at large. If we further complicate the matter by looking at personal ethics and values, or a lack thereof, which shape the decisions of individuals engaging in corrupt activities, then things become even more complex.

Corruption usually emanates from an individual's attitude. According to most of the respondents, greed and ignorance, as well as negligence, form part of the major factors contributing to corruption issues. The influence of greed brings about a state of mind characterised by fast, easy money with total disregard for ethical standards, much less the rule of law. This greed, where the basis pertains to public procurement, is multiplied by the easy money one gets through bribes because corrupt actors use loopholes or influential positions to their advantage (Lawyer 1 and Auditor 1). That, however, is not necessarily born from financial desperation; most individuals who already are in a job and bringing in an income still engage in corrupt practices to further their lifestyles. As noted by Procurement Officer 2:

The lifestyle is an option; they choose to be that kind of lifestyle. So, when there is an opportunity, they grab the opportunity to achieve their lifestyle. And we can see it, how come you suddenly you bought a double

storey semi-d. It is like go beyond your means and it is the same case in public university, mostly it's because of you are somebody from the poor and needy family. But from my experience these are not people from very needy and poor family.

This would rather suggest that in these cases, corruption is more indicative of personal ambition rather than economic need. Another contributing factor is the lack of moral and spiritual upbringing. Individuals involved in public purchasing are most vulnerable to accepting bribes when morality is not instilled deeply. Analysts say that the procurement officers receiving bribes do not possess spiritual values and principles of ethics (Investigation Officer 3). They cannot lead the frontline in morality in their choices; therefore, making them disregard the welfare interest of the public. Apart from undermining personal responsibility, the lack of faith or moral mentorship creates an avenue to be opportunistic. Once personal integrity and moral obligation are set aside, it will be very easy to bypass even highly technical systems that could prevent corruption from prevailing. NGO 3 has argued, despite the presence of artificial intelligence, data manipulation remains possible. Individuals can alter data or disclose confidential information, such as pricing details, to influence procurement outcomes. If ethical values, including religious principles and compliance with regulations, are weak, individuals may be willing to trade sensitive information for personal gain. Consequently, even the most advanced technology becomes ineffective in curbing corruption. Instead of serving as a tool for transparency and integrity, technology can also be exploited to facilitate corrupt practices.

However, although greed and personal ambition prevail in most corrupt practices, one must consider that some people engage in receiving bribes to survive in life (NGO 1). Moreover, low wages in the public sector can create significant stress, and bribe-taking becomes an attractive means of supplementing meagre wages (NGO 3). This is a good example that internal factors, such as personal values, and external factors, for example, economic pressures, both contribute to the problem. Accordingly, the battle against corruption is linked not only to system reform but also to the improvement of living standards among employees of the public sector, which decreases financial incentives to receive bribes.

Therefore, the inner values are the antidote to fight against corruption. The strengthening of their *Thaqwa*, or God-consciousness, is a very familiar sound of counter-temptation to bribes and corruption, according to Prisoner 2. *Thaqwa* refers to

a developed sense of accountability to moral and ethical duties emanating from religion or spirituality. By instilling inner values in a person, he or she will be protected from societal pressures and temptations because persons are better equipped to resist engaging in corrupt activities. Again, we bring into focus this twin approach: strengthening not only the external regulatory mechanisms but more so the internal moral compass. Finally, it is education that has also now become a pivotal player in instilling inner values among people. The values have to be instilled and embraced early enough by schoolchildren while they grow up so that their ethical foundation can be very strong from their young age itself (Expert 1). By instilling virtues such as honesty, responsibility, and integrity into the youth, society plants the seeds for leaders who would place the common good over personal gain. The above-mentioned values, if instilled at a tender age, will then in the future prevent corruption in both public and private sectors.

#### **4.5.3 Emerging Technology and Data Analytic**

The integration of emerging technologies, particularly artificial intelligence (AI), blockchain, big data analytics, and e-procurement platforms, has been widely promoted as a transformative solution to public procurement corruption. However, evidence from interviews and case files reveals a more complex reality such as, while technology has potential to strengthen integrity, it is not inherently corruption-proof. Its effectiveness depends on the institutional context, human behaviour, and the systemic design within which it operates.

From a governance and institutional theory perspective, the technology alone does not guarantee good outcomes; rather, the surrounding ecosystem determines whether it is used as a tool for transparency or as a new instrument of manipulation. Respondents consistently raised concerns that digital systems such as e-procurement can be compromised from within, especially when insiders have privileged access or collude with vendors. A case raised by Business Owner 1 illustrates how vendors receive advance information, despite the existence of supposedly secure e-procurement platforms. This indicates a symbolic rather than substantive adoption of technology, where digital tools serve more as a façade of reform rather than as robust systems for change. Procurement Officer 1 confirms this weakness by describing how staff pre-

select or encourage particular vendors to bid, undermining the very purpose of open and competitive procurement. As he shared:

There is indeed a weakness, because we are trying hard to key-in the e-procurement, but the fact is that people have leaked questions, there have been leaked answers, they already know what the value is, right? So, we entered the key-in in vain. So that means, if you want to get this e-procurement job, you have to meet up-front with the internal staff. So, can you just key in the system.

These examples reflect the adoption of best-practice institutions, like digital platforms without altering the power structures and incentives that enable corruption. In other words, technology may mask but not dismantle corruption when internal collusion and institutional resistance remain unaddressed. Despite these limitations, AI and big data analytics do offer meaningful capabilities, such as anomaly detection and real-time risk analysis. As noted by Procurement Officer 1 and Expert 1, AI can sift through massive datasets to identify suspicious trends, such as recurring vendors, unusual pricing patterns, or contract clustering. These features allow for predictive rather than reactive oversight, potentially preventing corruption before it materializes.

However, the current digital infrastructure in Malaysia remains fragmented, according to Investigation Officer 3. Procurement systems are often siloed and lack integration with key regulatory and verification bodies like SSM, MOF, or JPN. Without interoperability, data cannot be triangulated effectively to detect fraud. This results in what can be called “technological islands” which mean strong within themselves, but ineffective at systemic-level monitoring. Expert 1 and Auditor 1 propose a vision of inter-agency system integration, where procurement platforms communicate with tax, registration, and auditing bodies. Such a system would enhance data verifiability, reduce opportunities for false identities or shell companies, and deter actors from exploiting institutional blind spots. This recommendation echoes global anti-corruption frameworks emphasising cross-agency collaboration supported by technology.

Further innovations like blockchain, AR/VR, and end-to-end automation are viewed as promising, but underutilised. Blockchain’s capacity to create tamper-proof audit trails could revolutionise transparency, while AR/VR may reduce manipulation of site inspections by allowing virtual oversight. However, implementation challenges such as technical, cultural, and budgetary will limit their adoption. As Expert 2 points

out, the benefits of technology are disproved when there is insufficient investment, poor enforcement, or lack of political will. There is also a need to recognise that technology introduces new forms of corruption risk. For example, as data becomes a central resource, control over data access and system configuration becomes a new source of power. Those who manage the backend of procurement systems can manipulate inputs or create “backdoors” for preferred vendors. This insight shifts the focus from simply implementing digital tools to securing governance around those tools.

A contrasting view from Expert 3 suggests that government-linked companies (GLCs) and statutory bodies could play a leadership role in adopting and modelling ethical use of emerging technologies in line with the Fourth and Fifth Industrial Revolutions. This may create positive institutional spillover, influencing other public bodies to follow suit. Ultimately, the success of technological reform depends not on the tools themselves, but on how they are embedded within integrated, holistic anti-corruption strategies. These strategies must include legal reform, capacity building, whistleblower protection, and values based leadership. Without this, technology may become a digital mask for old patterns of abuse.

#### **4.6 SUMMARY OF THE CHAPTER**

This chapter has elaborated on the complex nature of corruption in public procurement and has, among others, brought out a number of key themes, patterns and vulnerabilities. The first research question mapped out critical themes of forged and fake documents, lobbyists and cartels, and false claims by politicians. It outlined how particular stages in the procurement process are most liable to corruption, especially in the event of specific modes of procurement, such as direct negotiations. These corrupt activities highlight systemic weaknesses that persistently exhibit unethical behaviour, often undermining transparency and fairness. The second research question discussed agents in collusion who solicit bribes and principals who misuse their powers. It also uncovers the role of consultants and middlemen who facilitate corruption. This section highlights how these actors play their role in the ecosystem in which corruption has thrived because of misused authority and within the interrelating web of clients, agents, and intermediaries.

Finally, the third research question aimed to explain how effective these laws and procedures, human values, and technologies are in curbing corruption. While laws and institutional measures exist within the fabric of societies with a view to reducing corruption, what the chapter establishes is that such measures are either weak or are not rigorously enforced. It also reveals how the twin approach strengthens not only the external regulatory mechanisms but also the internal moral compass as an antidote to corruption, especially in the public procurement sector. The chapter concludes by turning to the ways in which emerging technologies such as big data analytics, blockchain, and artificial intelligence, can play powerful roles in the detection and prevention of corrupt practices, thereby offering a hopeful avenue of reform. The main idea of this chapter is that even though corruption in public procurement is caused by many different people and parts of the system, there are big ways to make things better by making laws that are stricter and encouraging higher moral and ethical standards, along with new technologies that help with these efforts.



## CHAPTER FIVE

### DISCUSSION

#### 5.1 INTRODUCTION

This chapter synthesises the findings presented in Chapter four, wherein several themes emerged that provided meaning into the complex dynamics of corruption existing in the public sector's procurement. To this end, the discussion is organised to address three central research questions of the study, each exploring distinct but interrelated aspects and trends of corruption, the actors involved in it, and to determine the need to initiate a new anti-corruption mechanisms in the public procurement sector in Malaysia as a solution.

The first question was regarding the modus operandi of corruption in the public procurement sector in Malaysia. This resulted in the identification of several critical themes after a critical analysis, such as manipulation and falsification of official documents, management of contracts in an unacceptable manner, and the procurement process being prone to corruption. Bid rigging and cartel arrangements were significant ways in which procurement outcomes were pre-determined, while the selection of the procurement method itself became a serious vulnerability. Corrupt practices, including fraudulent claims, complicated bribe schemes, and conflicts of interest, themselves facilitated by asset declaration, undue political influence, and political financing, illuminated the diverse ways in which corruption operates and proliferates within the public sector.

The second research question tried to identify actors and the relationships that facilitate collusion and bribery in public procurement. From the above findings, it can be realised that a network of various actors exists direct actors in collusion, agents soliciting bribes, and principals in abuse of position and power. This includes third parties as an actor, such as clients by bribing and brokers, in the form of consultants and middlemen, to bring about the complex web of relationships that perpetuate corrupt practices via silent collusions between insiders and outsiders.

Finally, the third research question has focused on the recommendations of new initiatives on three different themes, which are laws in place, human values, and

emerging technologies being utilised against corruption. Although the findings give hope to some of the legal frameworks and procedures, they emphasise that human factors of integrity, moral values, and ethics play a more critical role in efforts to reduce vulnerability to corrupt practices. The same period has seen the potential of new technologies raise expectations for more transparency and increased monitoring capabilities. Perhaps what is required to better address corruption within Malaysia's public procurement sector is a combination of improved regulatory frameworks, cultural shifts, and innovative tools themselves.

In this chapter, these findings will be elaborated in terms of how each theme adds to knowledge about corruption within public procurement and how these insights may serve in constructing a framework for a more robust and holistic approach guided by the principal-agent theory and PAC model. As mentioned in chapter three, there are four elements in the conceptual framework that is used in this study, which are 1) Action, 2) Actor, 3) Asymmetric Info, and 4) Ineffectiveness of current anti-corruption initiatives. Finally, this study proposes a revised Principal-Agent-Client (PAC) model for public procurement corruption, alongside a holistic procurement system as key outcomes. Accordingly, this chapter presents a critical discussion of the study's findings and offers practical recommendations. The subsequent chapter will outline the study's limitations, highlight its theoretical, empirical, and practical contributions, and suggest directions for future research.

## **5.2 DISCUSSION OF THE STUDY: THEORETICAL ADVANCEMENT AND EXTENSION OF THE PAC FRAMEWORK**

This study does not merely adopt the Principal-Agent-Client (PAC) model as a descriptive lens but extends and refines it through empirical interrogation grounded in the realities of public procurement corruption in Malaysia. While the traditional Principal-Agent (PA) theory has long served as a foundational framework by explaining corruption through incentive misalignment and information asymmetry between principals such as public officials and agents such as contractors or procurement officers. It is a dyadic structure has limited analytical reach in capturing the complicated, networked corruption schemes found in contemporary governance systems.

Building upon this foundation, the PAC model introduces a critical third actor, which is the client, who can be conceptualised as the vendor and contractor. By transforming the dyadic PA relationship into a triadic interactional framework, the model acknowledges that corruption in public procurement frequently involves a triangulated set of roles and relationships, each contributing uniquely to corrupt outcomes. This study advances the PAC model from a descriptive heuristic to an empirically tested and theoretically expanded framework. Through triangulated data source, including expert interviews, testimonies from incarcerated individuals, and analysis of MACC case files, this research identifies previously under-theorised dynamics within the PAC configuration. These include:

- i. **Dual Asymmetries of Information:** Not limited to the classic principal-agent divide, the study reveals that asymmetries also exist between principals and clients, and between agents and clients. These overlapping asymmetries obscure accountability channels and foster environments conducive to corruption. In particular, principals may lack critical information not only about the agent's actions but also about the client's interests and influence which compounding opacity.
- ii. **Role Fluidity and Actor Complicity:** The revised PAC model recognises that actors do not operate within fixed boundaries. Agents may manipulate both principals and clients; clients may act as facilitators, enablers, or instigators; and principals may become passive enablers or even active participants in corrupt transactions. This fluidity challenges normative assumptions of role integrity embedded in classical PA theory.
- iii. **Corrupt Actions and Collusive Practices:** The data reveal that corrupt actions are not merely opportunistic or one-off violations but often part of a systemic pattern of client-induced collusion. These actions are coordinated and sustained through tacit understandings, informal networks, and quid-pro-quo arrangements that implicate all three parties. For example, clients, whether political patrons, project beneficiaries, or intermediary consultants that may initiate, incentivise, or legitimise collusion, rendering standard accountability mechanisms ineffective.

- iv. **Systemic Inertia and Ineffectiveness of Anti-Corruption Initiatives:** Despite formal oversight structures, the study highlights the ineffectiveness of existing anti-corruption initiatives in curbing triadic corruption. Factors such as institutional weakness, regulatory capture, and poor inter-agency coordination contribute to a form of governance paralysis. These variables, often treated as external to PA theory, are embedded within the revised PAC model as endogenous elements that shape and sustain corrupt networks.

The themes were clustered according to the elements mentioned in the conceptual framework of the study, which is illustrated in this figure:

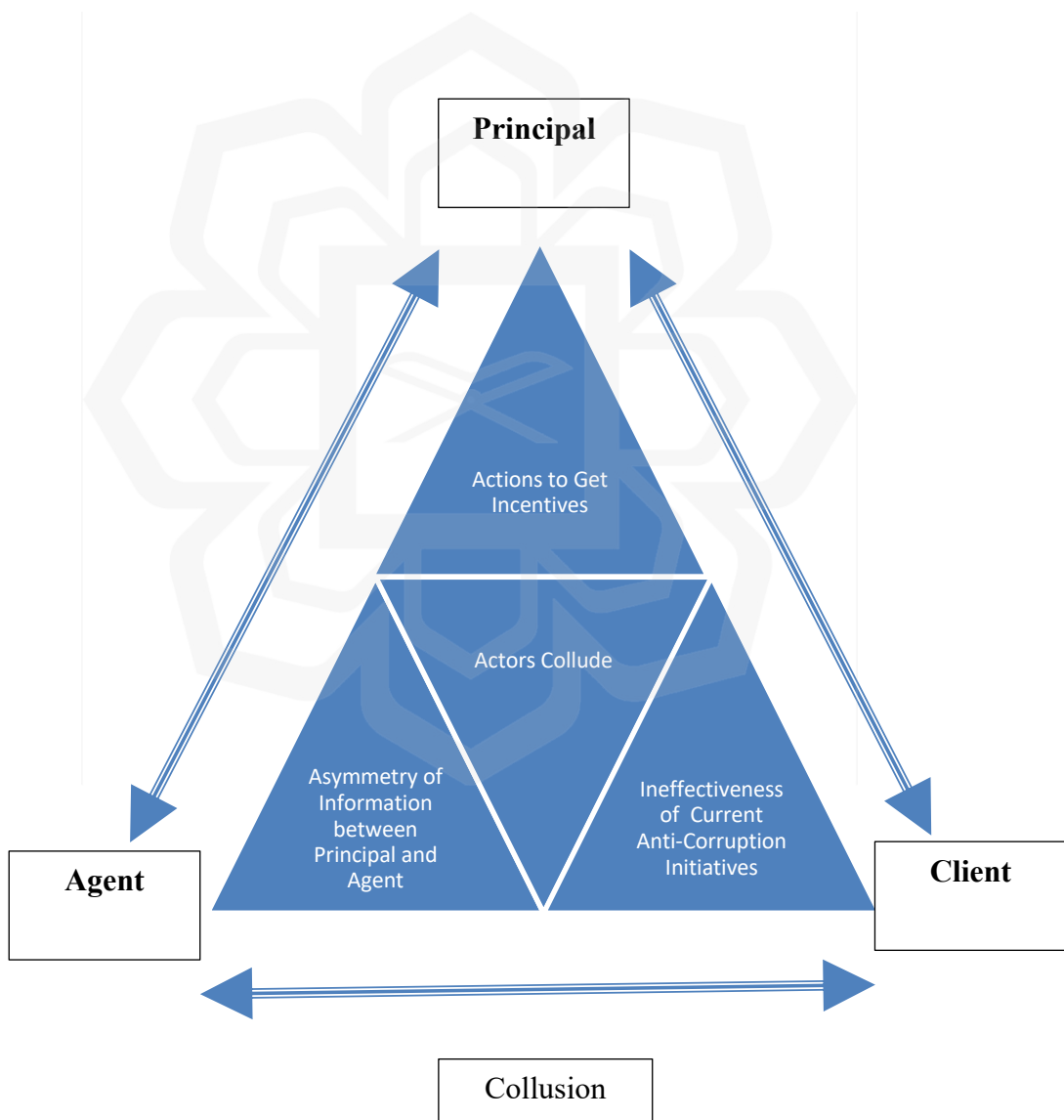


Figure 5.1 The PAC Model of Corruption in Public Procurement

The above figure constitutes the framework of corruption that derived from the finding of the study. Based on the conceptual framework that has been discussed in Chapter Two, this framework provides the mechanics on how and why corruption manifests in the public procurement sector in Malaysia. The revised PAC model offers a robust analytical framework for understanding the complex interplay of factors that facilitate and perpetuate corruption. By analysing the interactions among actors, the nature of their actions, the influence of information asymmetry, and the limitations of anti-corruption measures, we can gain insights into the dynamics of corruption within procurement systems. This aligns with Søreide's (2002) arguments, which highlight the importance of understanding the causes, consequences, and potential remedies for corruption in public procurement.

Accordingly, the following section will provide a detailed discussion of the framework by examining its core elements in relation to the findings of this study. This discussion will not only contextualise the identified themes within the broader framework but also establish their significance for understanding corruption dynamics in public procurement. By integrating theoretical perspectives with empirical evidence, this chapter aims to offer a comprehensive analysis of how each element contributes to the mechanics of corruption and collusion.

### **5.2.1 Action to Get Incentives by Actors**

The main problem of corruption in public procurement is the key actors in the procurement process, driven by the pursuit of personal incentives. Often, these are public officials, intermediaries, or business representatives who manipulate procurement systems to secure illicit financial gains at the expense of public trust and effectiveness in the delivery of public services. The action by the authority and influence to distort the process at either the planning, tendering, or awarding stages holds the power in public procurement. Often, bidders seeking preferential treatment drive their actions with opportunities for personal benefits, bribery, and kickbacks. For instance, a public official might deliberately overestimate the costs of a project or design specifications that favour one firm in exchange for money or promises of future benefits.

Systemic weaknesses in monitoring and accountability amplify incentives for corruption. Loopholes in procurement regulations, a lack of transparency, and weak monitoring capabilities create an enabling environment for abuse. In addition, social networks and patronage systems encourage people to do bad things by letting them use their relationships to avoid scrutiny or avoid being caught. The study's findings provided the following explanation for those actions:

### ***5.2.1.1 Trending of MO Involved Forging and Falsifying Documents to Engage in False Claims***

Table 5.1 shows how document forgery or fabrication is often used together as a main way to make false claims, especially when it comes to corruption in Malaysian public procurement. Actors take advantage of loopholes in the system through the fabrication of fictitious invoices, vouchers, and certificates to back up claims for goods or services not delivered, not meeting specifications, or overpriced. Based on what Auditor 1 said about changing fonts and stamps, this type of forgery lets thieves take money for their own use. This usually happens when suppliers and procurement officers work together, like in the MACC cases. Forgery and falsification are a master key in the conduct of these scams, and this highlights the need for stringent verification procedures and strict controls in procurement procedures. Below is a brief description of the theme:

Table 5.1 Summaries the Theme of MO Involved in Forging and Falsifying Documents to Engage in False Claims

<b>MACC Case</b>	<b>Theme</b>	<b>Fact of Case</b>
15	Falsified document	This case involves a curator and project officer overseeing the procurement of musical instruments. With the assistance of a middleman, he facilitated the use of another company's license to meet field code requirements for supplying traditional musical instruments. To ensure the company's selection, he provided a price survey,

		while the supplier submitted a pricing form and falsified an invoice signature.
16	Falsified Document	This case involves misconduct by an agent in the procurement and certification processes. Ultimately, he falsely certified that the contractor's work met the required standards, despite it failing to comply with the specified specifications.
18	Falsified Document	The investigation into the Malacca State Anti-Drug Day program uncovered procurement fraud. Although Irwan Kasih Company was awarded RM1,200 for food and beverage supply, a falsified voucher for RM9,000 was submitted. He admitted to fabricating an invoice using his partner's credentials and colluding with his supervisor and wife, the company owner, to make false claims.
19	False Claim and Falsified Document	An agent exploited his role in claim management by submitting fraudulent claims in collusion with Beemerc Enterprise's owner, who lent the company's name and account for a 5% fee. OKT fabricated competitor quotations to position Beemerc as the lowest bidder, while B1 deceived supervisors to secure approval.
25	Forged Document and False Claim	An agent initiated a direct purchase by preparing a memorandum and issuing a payment voucher in his own name. He fabricated the payment and deposited it into his personal account. Yet the procurement of goods remained unfulfilled. A review of his account confirmed the disbursement of funds without any corresponding supply.

30	Falsified document and False Claim	An audit by JANM uncovered fraudulent activities by an agent, who acted alone. He forged government documents, fabricated invoices, and altered contractor details to divert payments into his account. He falsely certified supply deliveries and manipulated procurement processes, leading to the approval of false claims.
<b>Respondent</b>	<b>Theme</b>	<b>Quotes</b>
Auditor 1	Forgery	Document forgery in public procurement involves font alterations and stamp manipulation. Auditor 1 highlights discrepancies in font types and stamp shapes as key indicators. Some forgeries are highly sophisticated, requiring thorough examination for detection.
Lawyer 1	Forged and Falsified Document	Lawyer 1 emphasises the necessity of reviewing bank statements and other documents to prevent fraud in public procurement. Effective verification mechanisms, including independent audits and third-party verification, are essential for ensuring document authenticity.
Procurement Officer 1	False Claim	Bypassing procurement processes and falsely certifying work as completed despite not meeting specifications leads to corruption. Some cases involved claiming payments for undelivered items, exceeding budget allocations for orders, and delaying payments for years.

<b>Incarcerated People</b>	<b>Theme</b>	<b>Fact of Case</b>
Prisoner 7	False Claim and Forgery	According to Prisoner 7, procurement fraud often involves falsified claims through the forgery of signatures belonging to higher-ranking officials, such as supervisors or senior executives.

A significant number of the corruption cases in this study inherit the same *modus operandi*, using fake or forged documents as genuine to submit them to the government department for claim purposes. The last chapter presents several examples of this type of corruption case. The scope of corruption ranges from minor instances in rural districts to the significant financial stakes in the multi-billion ringgit public procurement controversy. In those cases, we found that mostly all the MOs are involving forgery of tender documents, falsifying quotations and invoices, using fake documents as genuine, such as in bank and financial statements, using an unauthentic bond in the procurement document, etc. Some of them use glaring tactics, such as forging the banking account number of the contractor and replacing it with his own banking account number, to get the corrupt money.

In addition, some contractors, seeking easy money, simply use the names of unidentified individuals as consultants to submit claims for services that have never been rendered. This finding was in line with the argument by Jin et al. (2017). They argue that document forgery in public procurement often denotes the tendering of a falsified document with intent to deceive the procuring entity for an advantage over competitors in the bids (Ismail, F., et al., 2017). Such a document may include statements of financial position, certificates of previous experience, and technical certificates. For instance, firms may fabricate their financial standing or mark fictitious experience on the proposal to satisfy prequalification requirements, which they may find unsatisfactory upon evaluation.

The question arises: how do these corrupt practices occur without detection? The PAC framework explains that document forgery is rarely an individual act but

rather a collusive arrangement between insiders (agents) and external beneficiaries (clients). This study reveals that fraudulent procurement schemes typically involve multiple stakeholders at different stages of the procurement cycle:

- i. Pre-Tender Stage: Insiders may manipulate prequalification criteria, forging compliance documents to ensure that preferred contractors secure bids.
- ii. Contract Execution Stage: Government officials collude with contractors to falsify delivery records and inflate invoices, misrepresenting the quality or quantity of goods and services delivered.
- iii. Payment Stage: Finance officers, often acting in collusion with procurement insiders, approve false claims, facilitating the transfer of illicit funds to the client.

Forgery and falsifying documents undoubtedly involve both insiders and outsiders in the procurement process. The elements of this practice are that the initiators, whether insiders from the agent or principal itself or from the client, which is the contractor, will initiate the corrupt idea by dealing directly or indirectly with the people involved in procurement. They will share the same idea and transmit the symmetry information to get their portion of the bribery, as Klitgaard (1988) argues. For private individuals, it may be viewed as a means of getting around the competition to make better profits or even getting access to government money; for this reason, most individuals forge documents. If the identified company has not fulfilled the procurement requirement, then the insider, as their mutual corrupt friend, will help to fix it by forging or falsifying related documents, including fake signatures, fake stamps, or even producing fake certification to accommodate the procurement process. This occurred both before and during the procurement process.

The final action for these corrupt practices will occur in the later stages, after the procurement has been finalised and the services and products have been delivered. At this stage, the company is required to submit all relevant procurement documents for claim purposes. If there is a problem with the delivery of the product, or with the services, or with the quality of the product that contradicts the invoices, the insider friend will fix it by acknowledging that the service is delivered to the highest standard or that the product has been delivered to the stated qualities and quantities. These actions will mislead the finance people to approve the payment for the contractors.

Finally, after the contractor has been paid for their services and products, their mutual corrupt friend in the government department will get paid the agreed-upon portion of the bribe. Overall, of these corrupt practices, if there is enough evidence, with the professional investigation taking place by an anti-corruption agency like MACC or police force, it will be tantamount to the offences under the MACC Act 2009 under the provision in section 18 of the Act. This provision implies the offence of making false claims. Most of the MACC cases that have been reviewed in this study show that they have been investigated under this provision. Such fraudulent activities often manifest in contract management manipulation.

### ***5.2.1.2 Contract Management Manipulation by Cartel through Lobbyist***

Weaknesses in contract management and the presence of cartels exacerbate corruption risks in Malaysian public procurement. Price manipulation in contracts prioritises financial gains over public value, while vendors in direct negotiations may propose self-serving projects, controlling design and costs. Non-enforcement of penalties for non-compliance further weakens contract management. Furthermore, a lack of oversight in especially in ICT procurement can lead to collusion due to reliance on private sector specifications. Among the themes that have been highlighted are the following:

Table 5.2 Summaries the Theme of Contract Management Manipulation by Cartels and Lobbyists

<b>Respondent</b>	<b>Theme</b>	<b>Quotes</b>
Expert 1	Contract Management	Expert 1 highlights that price manipulation in contracts prioritises financial gains over delivering public value.
<b>Respondent</b>	<b>Theme</b>	<b>Quotes</b>
Expert 2	Contract Management	Expert 2 highlights that in direct negotiations, vendors often propose projects tailored to their

		financial interests, giving them control over project design and cost structure.
NGO 2	Cartel	The procurement of ICT requires greater oversight, as procuring officers often lack authority and expertise in the field. Consequently, they rely heavily on private sector specifications, creating opportunities for collusion and corruption.
Procurement Officer 1	Contract Management	Procurement Officer 1 notes that contract penalties for non-compliance are rarely enforced.
NGO 1	Cartel	A tender cartel was identified in the past year or two, where a group of individuals convened in a designated office before the tender submission deadline. During these meetings, they coordinated and controlled the selection process, determining which companies were allowed to participate, thereby undermining fair competition.
Investigation Officer 3	Cartel	Cartels manipulate the bidding process by rotating guaranteed victories among members, creating an illusion of competition while maintaining control. Fair practices systematically exclude new competitors, preventing them from entering the market.
<b>MACC Case</b>	<b>Theme</b>	<b>Fact of Case</b>
11	Contract Management	In MACC Case 11, a project inspector manipulated the Bill of Quantity to secure a subcontract for his wife's company, fabricating

		a guardrail job and coercing the contractor by threatening project delays.
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Expert consensus highlights significant flaws in Malaysia's contract management across all levels of government, including ministries, state, and local (Arif, I., et al., 2024). The exploitation of loopholes by corrupt actors results in substantial financial losses for both the government and the public. These schemes, typically involving multi-million-ringgit government tenders, often utilise lobbyists as intermediaries to gain privileged access to procurement information. According to Abas Azmi (2016) and Gunasegaran et al. (2023), these schemes often use lobbyists as intermediaries to gain privileged access to procurement information. They may collude with the principal on behalf of the contractor to obtain approval for their project proposal and contract details, which they develop.

Manipulation in contract management sometimes begins in the design phase of the procurement process. Under the influence of lobbyists, cartels may apply pressure to form procurement specifications that subtly favour members. These specifications may be specifically tailored to the capabilities of a select few firms within the cartel, thereby preventing other smaller or independent competitors from competing for the same contracts. They act as intermediaries, leveraging their networks to gain access to decision-makers and presenting the interests of the cartel before them as if they benefitted the public (Piga, G., 2011).

Within the PAC Model, the principal represents the government and the public, who expect transparent and fair procurement processes. The agent comprises public officials, procurement boards, and policymakers responsible for contract management. The client includes private entities, contractors, and business cartels seeking government contracts. The involvement of lobbyists as intermediaries disrupts this relationship by enabling collusion between agents and clients, leading to corrupt procurement practices. Lobbyists, acting as facilitators, cultivate relationships with procurement decision-makers and provide inside information to cartels. Their influence extends to shaping tender specifications, manipulating contract terms, and ensuring the pre-selection of cartel-affiliated firms. As a result, procurement contracts are designed

to favour select companies, excluding fair competition. This study identifies several prevalent strategies through which cartels, in collusion with lobbyists and public officials, manipulate contract management:

- i. Pre-Tender Stage Manipulation: Lobbyists use their connections to influence tender specifications, ensuring that only cartel-affiliated firms meet the eligibility criteria. This method effectively eliminates genuine competition.
- ii. Collusive Bidding and Bid-Rigging: Cartel members coordinate their bids, artificially inflating prices or agreeing in advance on bid winners to secure procurement contracts fraudulently.
- iii. Political Patronage and Influence: Politicians and senior bureaucrats are often implicated in contract awards, using their authority to direct projects toward firms with whom they have vested interests.
- iv. Document Forgery and False Certifications: Cartels submit falsified financial documents, performance records, and technical certifications to appear qualified for large-scale contracts.
- v. Post-Contract Stage Manipulation: Once the contract is awarded, procurement officials collude with cartels to approve substandard work, inflated invoices, and delayed project completions without penalties.

After securing a surety from the principal, the lobbyist will hand over control to the cartels specifically designed for the project and procurement. Cartels are organised companies that work together to control the bidding process in public procurement. Lobbyists often work with these cartels to get special deals and influence policymakers so the cartels can get what they want (OECD, 2010; Carbone et al., 2024). A cartel may also use unfair business practices like bid-rigging, price-fixing, and market allocation to change how contracts are awarded. This keeps competitors out and keeps the contracts within the network (OECD, 2011).

Although in this study, this trend of corruption is not much in quantity compared to the others, the amount of public money involved is the greatest concern; for example, the Sarawak Solar Case and the Merdeka Palace Hotel Case involved multi-billion in procurement in value. This type of procurement involved collusion at the highest level, including the principal and procurement board as decision-makers, lobbyists as

middlemen, cartels as representatives of the group of companies, and a consultant. Ironically, the consultant served as a haven for corrupt money, legalising and laundering it before transferring it to the individual corruptors, whose share of the bribe was mutually agreed upon in a secret meeting between the stakeholders.

How can the problem be fixed? It seems the largest portion of the government funding is at stake. While many countries, including Malaysia, have enacted laws on anti-corruption that target public procurement, there are still significant gaps in these laws. Regulations concerning lobbying activities are non-existent, allowing extensive latitude of operation for lobbyists with little oversight of any kind from independent authorities. These gaps allow cartels to indirectly influence procurement processes and diminish the effectiveness of existing anti-corruption measures. Furthermore, despite the existence of regulations, agencies often lack the necessary resources, expertise, or political support to effectively prosecute influential cartels. The influence of lobbyists on policymakers can exacerbate regulatory inconsistencies, hindering investigations into potentially compromising political or financial interests. This dynamic intertwines with the involvement of politicians, either directly or indirectly, in public procurement processes, creating further vulnerabilities to corruption. The subsequent subsection explores the various ways politicians engage in public procurement, raising concerns about transparency and accountability.

#### ***5.2.1.3 Public Procurement Involving Politician as a Stakeholder for Political Fund***

Political influence is a key factor driving corruption in Malaysian public procurement. Politicians may seek financial gains in exchange for influencing contract approvals, lobby for projects benefiting their constituencies or facilitate fraudulent claims through collusion. The PP vs. Rosmah Mansur case exemplifies how political connections can be used to secure contracts through direct negotiation. These findings suggest a need for greater transparency and stricter regulations to curb political interference in procurement. The following table 5.3 illustrates the themes involving politicians and political funds:

Table 5.3 Summaries the Theme of Public Procurement Involving Politicians as Stakeholders for Political Funds

<b>Respondent</b>	<b>Theme</b>	<b>Quotes</b>
Investigator 3	Politician and Political Fund	For instance, in an ongoing court case involving a minister, the minister personally approached a company director to negotiate a percentage of financial gain in exchange for influencing the approval of a direct negotiation or request for proposal. This discussion reportedly took place at a hotel in Kuala Lumpur.
Expert 1	Politician	According to Expert 1, the individual, a politician or former politician, lobbied for road infrastructure in his constituency and sought a restricted tender for the contract.
<b>MACC Case</b>	<b>Theme</b>	<b>Fact of Case</b>
1	Politician	The case involves a fraudulent claim by Master Cargo Agencies for police transfers between IPD Song and IPD Meradong, Sarawak. The accused is a permanent member of the Kapit Song District Council and secretary of the Sarawak Political Party's Song Branch. Colluding with procurement officials, the accused facilitated retroactive approvals and payments for services never rendered.
<b>Court Judging</b>	<b>Theme</b>	<b>Fact of Case</b>
PP vs. Rosmah Mansur, MLRH 2021	Politician and Political Fund	This case illustrates political influence in awarding the RM1.25 billion Hybrid Solar PV and Diesel Maintenance Project for 369 rural Sarawak schools through direct negotiation. The

		company's owners leveraged connections with the prime minister's associate and his wife's special officer to secure the contract.
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The intersection of political influence and public procurement presents significant governance challenges, particularly in contexts where politicians actively participate in or influence procurement decisions. This study provides empirical evidence of such involvement, demonstrating how politicians in Malaysia directly or indirectly shape public procurement processes. A key manifestation of this phenomenon is the routine appointment of politicians as board directors of Government-Linked Companies (GLCs) and Government Investment-Linked Companies (GLICs), ostensibly to safeguard political interests. For instance, the appointment of Datuk Ahmad Jazlan, a Kelantan UMNO liaison committee chairman, as FELCRA Berhad chairman exemplifies the entrenchment of political influence in public institutions and suggests the leveraging of public office for political continuity (NST, 2023b).

Scholars have long debated this practice, asserting that such political appointments foster rent-seeking behaviour and patronage networks, which undermine competitive procurement processes and ethical governance (Gomez, 1997; Gomez and Jomo, 1999; Siddique, 2011). Gomez (1997) argued that politicians holding public office positions have the potential to access and interfere with large sums of money, contracts, projects, permits, shares, and stock-market distribution, among other things. On the contrary, political business ties appear to be distributing selective rents that are acting as an aid on the path toward industrialisation and diversification of the economy in the global marketplace.

The PAC model provides a robust theoretical framework for analysing the underlying mechanisms that facilitate corruption in politically influenced procurement. A major issue in the PAC framework is the conflict between Principal and Agent interests. As a principle, we entrust politicians with decision-making responsibilities that should align with the public interest. However, the evidence suggests that political actors frequently manipulate procurement decisions to benefit politically affiliated firms. This occurs through the direct appointment of political figures to procurement

oversight roles or through implicit pressure on procurement officials to favour specific bidders. The Sarawak Solar Panel and the Merdeka Palace Hotel cases exemplify how politically connected firms gain privileged access to contracts, reinforcing a patronage-based procurement ecosystem. Within the PAC model, clients, which are private firms or contractors, engage in rent-seeking behaviours by forming reciprocal relationships with political figures. These relationships facilitate contract allocations that prioritise political loyalty over merit-based selection. Scholars argue that such clientelist arrangements create a moral hazard, as firms that secure contracts through political connections may not be incentivised to deliver high-quality services at competitive prices (Beuve et al., 2019). In Malaysia, the integration of business and political networks has led to a systemic reliance on procurement as a mechanism for sustaining political financing, raising concerns about the long-term sustainability of public sector efficiency.

The use of procurement contracts as a means of political fundraising represents a fundamental corruption risk within the PAC model. Political actors may exploit procurement mechanisms to extract financial resources for electoral campaigns or party operations, often through illicit or opaque channels. While campaign financing through corporate donations is legally permissible in Malaysia, the lack of transparency and regulatory oversight creates opportunities for abuse (R.S. Milne and Mauzy, 2002; Teh, 2002; Chen, 2023). Empirical studies highlight that politicians frequently hold shares in firms bidding for government contracts, leading to conflicts of interest that compromise procurement integrity. The persistent political entanglement in procurement processes erodes public trust in government institutions. Furthermore, the Malaysian Anti-Corruption Commission (MACC) has documented cases where firms with political affiliations dominate specific industries, reinforcing monopolistic tendencies that restrict fair competition.

The undue influence of politics and politicians in public procurement creates vulnerabilities to corruption, impacting various stages of the process. Understanding the specific modes and stages most prone to such corrupt practices is essential for developing targeted preventative measures. This analysis will now shift to examine those specific modes and stages within the procurement process where corruption risks are most pronounced.

#### 5.2.1.4 Mode and the Stage of Public Procurement Prone to Corruption

Public procurement corruption is perpetrated at several stages and in several modes. Direct construction contracts and construction contracts, such as in the ECRL project, are the most susceptible because they involve financial secrecy and enormous budgets. Collusion pre-tender allows insiders to exchange tips in return for bribes, and procurement document tampering, such as in MACC Case 23, gives contracts to favoured individuals. Corruption post-procurement still prevails if officers are dishonest. Court cases like PP vs. Tan Sri Isa Samad (2022) also point to financial incentives behind purchasing decisions, which reflects underlying weaknesses in governance and regulation. The summary of the theme is as follows:

Table 5.4 Summaries the Theme of Modes and Stages of Public Procurement that are Prone to Corruption

Respondent	Theme	Quotes
NGO 1	Mode of Public Procurement Process	Direct negotiations are highly susceptible to abuse, as seen in the East Coast Rail Link (ECRL) project. The initial agreement with a Chinese company resulted in excessive costs, which were later renegotiated by a subsequent government to address financial concerns.
Auditor 1 and 2	Mode of Public Procurement Process	Construction contracts are highly susceptible to corruption due to their large budgets and complexity. Public officials may demand bribes or inflate project costs for kickbacks, making the sector a key focus in procurement fraud investigations.
Respondent	Theme	Quotes
Investigator 2	Stage of Public	Prior to the tender process, collusion often occurs, where officials secretly meet with potential bidders to discuss upcoming tenders. They may

	Procurement (Before)	disclose insider information, including pricing, technical, and financial details, to facilitate bid success. In return, once the contract is awarded, the bidder is expected to provide a percentage of the contract value as a kickback.
Expert 1, 2 and 3	Stage of Public Procurement (After)	According to respondents, corruption could occur at any stage of procurement if those involved are corrupt.
<b>Court Judgement</b>	<b>Theme</b>	<b>Fact of Case</b>
PP vs. Tan Sri Isa Samad, MLJ, 2022	Stage of Public Procurement (Before)	In the Merdeka Palace Hotel Sarawak (MPHS) case, the business owner paid RM3 million to ensure FELDA and its subsidiary, FICSB, proceeded with the approved purchase, influenced by the accused as FICSB Chairman.
<b>MACC Case</b>	<b>Theme</b>	<b>Fact of Case</b>
3	Mode of Public Procurement Process	In MACC Case File 3, a lecturer and an administrative officer, a married couple, exploited their positions to award a RM34,250.25 contract for electrical appliances to RHA Accord Enterprise, owned by their sister. They ensured its selection by recommending approval while disregarding two competing quotations.
23	Stage of Public Procurement (During)	In MACC Case 23, an assistant secretary manipulated procurement by fabricating quotations to meet requirements, securing contracts for companies linked to her relatives

Public procurement is one of the most important functions of the government in Malaysia; it forms a high percentage of the public expenditure and therefore impacts many aspects of delivery within sectors. However, Malaysia's procurement process is risky and exposed to corruption, with the process malpractices contributing to inefficiencies, loss to the economy, and erosion of public confidence. Every stage of procurement, from planning to contract management, presents a unique corruption risk. As discussed in chapter two, according to Manaf (2020), there are four phases of public procurement in Malaysia that are susceptible to corruption: before the procurement process, during the procurement process, the procurement implementation phase, and the procurement claim phase.

#### 5.2.1.4.1 Planning Phase (Before Procurement Process)

In procurement, we refer to the first phase as the planning process. During this phase, the end user spelt out all the requirements and determined the mode of procurement. At this phase, a type of corruption may occur, such as collusion between the contractor and procurement officer in determining the specification that is in favour of the contractor. Bribery will be used as a tool to achieve the desired outcome (Manaf, 2020). Typically, this appears when procurement officials, or those in charge of making decisions, have personal interests in the transaction at hand and when internal controls in public procurement agencies are weak. The procurement projects in the Malaysian healthcare sector were a big example of corruption during the planning stage. Excessive budgets and complicated specifications were used to give contracts to politically connected companies, often at the expense of competitive bidding (Transparency International, 2021).

The public's limited access to acquisition information, particularly during the planning phase, enables officials to frequently inflate project budgets to facilitate corrupt deals. This lack of openness limits the scrutiny of both civil society and media, enabling the officials to change specifications without accountability. On that note, the common corrupt practices at this stage include a fit between tailored specifications and the capabilities of the preferred contractor, which is normally referred to as the sidelining of competitors. This may include politicians or public officials who have vested interests in certain companies collaborating with procurement officers in

manipulating project requirements toward those companies that offer financial or political support to these individuals (Transparency International, 2021 and Duri, J., 2022).

Furthermore, officials may inflate project budgets, allowing later diversions of funds through kickbacks or inflated invoicing. Another critical factor at this stage is the lack of oversight that may let corrupt individuals exploit procurement planning without accountability. This is usually exacerbated by limited access to information by the public about project plans, leaving little room for other external stakeholders to identify and raise questions about such irregularities (Soreide, T., 2002). All these concerns and examples of corruption during the planning stage or before the procurement process are in line with the findings of this study. It can be referred to the case of the Solar Panel Case, the Merdeka Palace Hotel, and more; about one-third of the MACC-reviewed case files occurred during this phase. Several experts, including NGO 1 & 2, Expert 2, and Audit 2, concurred with this conclusion.

#### 5.2.1.4.2 During the Procurement Process

This phase of procurement is also the main contribution to the corruption case in public procurement in Malaysia. The finding cases and opinions of the experts in the last chapter were the manifestation of the corrupt practices during this phase, which was consistent with another research finding. One of such identified practices in Malaysia, particularly with regards to the infrastructure and defence procurement, is closed-door bidding. Such is non-transparent, with no competition. As pointed out by the Centre to Combat Corruption and Cronyism (C4), Malaysia experienced some of the most egregious cases of the improper use of public funds when dealing with several defence procurement projects. One is the Scorpene submarine case and the other, the Littoral Combat Ship (LCS) case. These instances underscore the need for a comprehensive public procurement law to enhance transparency and accountability in the procurement process (c4center.org, 2022). These limited competitive environments allow corruption by enabling officials to exercise discretion in favouring certain contractors who are closely linked with powerful politicians or businesspeople.

Bid rigging also occurs when confidential information is shared with favourite bidders, and they are thus allowed to tailor their bids to assure them of a guaranteed

win. This does not lead solely to increased project costs but also poor work quality, as the contracts were awarded due to connections and not qualifications (Othman et al. 2010). Moreover, bid manipulation and bias often plague tendering, despite its aim to provide equal opportunity for competition. Bid rigging is an entrenched problem that involves collusive officials and bidders in advance agreement with the winner of the procurement process, almost always in favour of firms that offer financial or political reciprocity in return (OECD, 2024). In addition to that, during this phase, the client and agent will collaborate to share the symmetry information, such as bidding requirements and department budgets, as explained by most of the experts in this study. As explained by Soreide, T. (2002), the confidences may be discussed with preferred bidders by the procurement officials in this stage of the tendering process, enabling them to underbid their opponents. For instance, officials may reject valid bids on certain technical grounds or accept bids that have no qualifications against their requirements, usually in return for a bribe. Fair competition is derogated by this favouritism, which is very harmful and leads to substandard project deliverables and increased costs. Lack of transparency exacerbates this situation, since most countries do not have high standards for revealing information about rejected bids or bid selection criteria. The situation is worsened by this lack of transparency, through which corrupt officials can work their way through the bidding and tendering process with minimal worry about being found out (Rose-Ackerman and Palifka, 2016).

This phase also encompasses the awarding and contract management processes, which are crucial components of public procurement. As it will involve the principal as a decision maker, such as the procurement board, which usually consists of politicians, top management of the ministry or department, and public officials as an agent. The award of the contract in Malaysia does represent certain vulnerabilities, as officials have wide discretion at this stage. This process in bid selection and the formalisation of contracts also faced virtually all types of corruption: bribery, favouritism, kickbacks, and other forms that most often relate to political influence. Politicians and senior officials can influence procurement officers to favour companies willing to bribe them or provide other types of compensation, such as political contributions.

The problem, highlighted by the recent scandal in the award of contracts for construction works in government facilities, has shown that many have been granted to companies with no competitive advantage other than having strong political

connections, which causes higher costs and delays in the projects. It refers to Procurement Officer 1, who claimed there is obvious collusion between the tender board committee, which consists of politicians, and the contractors. Additionally, existing regulatory gaps and lax enforcement practices exacerbate these vulnerabilities, enabling decision-makers to circumvent competitive bidding requirements with impunity. Furthermore, officials may manipulate contract terms, such as completion dates or performance metrics, to favour preferred contractors, thereby increasing the potential for corruption (Yap, J.B.H., et al., 2020).

On top of that, the other process in this phase is contract management. As we discussed in detail in the previous subsection, contract management typically involves a significant amount of procurement value and involves international companies, as noted by one of the respondents, Auditor 2. The contract management phase is one of the more vulnerable stages in Malaysia because it encapsulates the process for the performance monitoring of the contract and compliance with quality standards (World Bank, 2021).

Corruption in this phase may involve the fabrication of reports on performance, passing works that are substandard, and allowing unauthorised amendments to the scope, all of which are pathways to cost escalation and kickbacks. Malaysia's Auditor-General (2021), for instance, has repeatedly highlighted cases where contractors perform poorly but continue to be paid, very often in league with officials entrusted with project oversight. This is, of course, much more distressing when it involves long-term contracts like infrastructure projects, where a contractor and overseeing officials may be involved in corrupt deals for an extended period, thus delaying, raising costs, and reducing the quality of public infrastructure. Apart from that, contract management is exacerbated by limited mechanisms for monitoring. In most cases, the absence of any independent auditing body to oversee the implementation of the contract allows officials and contractors to continue corrupt activities with no detection.

Transparency International-Malaysian Chapter (2024) consistently urges the implementation of the integrity pacts and independent oversight in public procurement in Malaysia. This will guarantee equitable contracting processes, allowing civil society organisations and monitoring organisations to participate in the oversight of procurement activities. These findings underscore the crucial need for effective and independent auditing to enhance transparency and accountability in contract

management, thereby reducing the likelihood of corruption, particularly during the procurement process (transparency.org.my).

#### 5.2.1.4.3 Procurement Implementation Phase

Corruption can manifest at this phase, as discussed by Auditor 2 and NGO 1 in the finding chapter. Due to collusion, the procurement officer and construction superintendent usually grant the contractor an Extension of Time (EOT). They will intentionally incorporate the Extension of Time (EOT) into the project to generate additional profit, thereby increasing its overall value. Another trend, according to Manaf (2020), is that at this phase, corruption can also happen during the delivery of the products, such as when the agent certifies that the product is of the excellent quality and quantity confirmed with the invoice, although it is not.

This example matches the MACC case files study and expert opinions. In these situations, contractors aim to maximise their profits by utilising less expensive materials or skipping crucial steps in the construction process. Where officials collude, this situation goes unchecked. Infrastructure projects, such as roads or buildings, may be subjected to premature deterioration, for which further repairs or reconstruction entail additional costs to the public. Many cases reported in Malaysia show significant discrepancies between project specifications and final delivery, which can sometimes lead to disastrous consequences for public safety and utility. Compromised building standards at some of the schools, for instance, were determined to be a hazard to the well-being of the students and staff (Transparency International Malaysia, 2022).

Moreover, it is also in conformity with the Auditor General (2021), as they conclude, the common problem in the implementation phase is inflation of project costs, whereby contractors over-invoice for services or goods delivered with the aid of officers complicit in such frauds. Such cost escalation schemes are mainly facilitated by submitting inflated invoices, making fictitious claims, misrepresenting the prices of materials, or claiming works that were never executed. For example, in Malaysia, the Auditor-General's report has repeatedly highlighted how project budgets have ballooned far beyond initial estimates due to collusive practices between contractors and officials (LKAN, 2021).

In cases where corrupt officials and contractors have been colluding during the execution or implementation stages, they could change the original scope of the project with unauthorised modifications for greater profit or even just to cover up mismanagement from the beginning. Herein, changes might cover the enlargement of the scope of deliverables, extension of timelines, or changes in the design specifications not duly justified by valid reasons. Most of the time, officials approve these changes in exchange for bribes or kickbacks. In Malaysia, the lack of transparency in public procurement processes allows scope modification without due monitoring. Often, such modifications are not published to the public. Hence, civil society and the media cannot examine such modifications. Lastly, complex bureaucratic systems cause delays in approval, giving corruptors opportunities to lift their potential for enrichment (Hui et al., 2011).

#### 5.2.1.4.4 After Procurement (Procurement Claim Phase)

False claims were the common offences committed by corruptors in public procurement in Malaysia. According to the MACC case file in this study, more than one-third of the cases were related to the false claim offence, which is punishable under Section 18 of the MACC Act 2009. This phase was considered a final one in public procurement, as it was made after all the necessary procurement processes had been fulfilled. Usually, the agent or contractor will make a claim to the public office as a payment for their delivery of the product, services, or construction project. During this phase, the agent or contractor must meet all the necessary requirements, including document proof for the delivery of the product and service and certification of the product's quality and quantity by the agent who received it.

A false claim occurs when the contractor is paid for a product that is not of good quality, such as not meeting specifications or in the right quantity. In other circumstances, the program has not been implemented or does not exist, but the claim has been made. One of the most common manifestations of corruption in the claims process involves the use of fake and inflated invoices. The contractors would exaggerate the cost of labour, materials, or services in their invoices, thereby receiving higher payments than those who deserved them. Such overbilling often sails through with the connivance of officials who approve the inflated invoices in return for kickbacks or

other benefits therein (Graycar, 2019). In other cases, the contractor may submit claims for goods or services that were never provided, resulting in a direct financial loss for the government. An example in Malaysia has to do with infrastructure projects whereby contractors are claiming high-quality materials in their billing while those are not used on the site. That such fraudulent claims inflate not only the cost of projects but also result in low-quality work, thus compromising public safety and confidence in government projects, as discussed by Auditors 1 and 2 in the previous chapter.

In addition to that, collusion between contractors and public officials adds up to the corruption risks to the claim's procedure. In cases where procurement officials happen to hold vested interests in contracting companies, they easily approve claims for payments that lack supporting documentation or fail to conform to specifications pertaining to the project. Such collusions can be influenced by weak internal controls coupled with limited oversight mechanisms, which result in processing claims with limited verification. Sometimes, the claim procedure manipulates variation orders to justify increased claims. Variation orders are thus a formal amendment to the original contract, allowing for additional work, changes in timelines, and adjusted pricing.

In corrupt situations, contractors and government officials can change variation orders by adding work that isn't needed or is too expensive after the initial contract has been awarded. This can lead to false claims that are used to get more money. For instance, in Malaysia, a public infrastructure project was approved with several variation orders, inflating its cost by 20 percent beyond budget. For example, Sabah Port projects had a one-fifth cost overrun and was funded by the Sabah Ports Authority and the Federal Government. (World Bank 1978, 2024). While some changes were legitimate, auditors found that many amendments were not necessary but were included in the bill for the purpose of jacking up contractor payments. Such practices not only increase the cost of the project but also delay its completion, leading to a slowdown in the delivery of public services and a decline in public confidence.

Sometimes officials delay or withhold payments to demand bribes from the contractors. It is quite common for officials to create bureaucratic obstacles and delay checking on claims, with the aim of coercing contractors into offering financial incentives to expedite payment. According to the business owner 1 and prisoner No.3, the delay or withhold payments by the officials was as a sign that bribes were being solicited. This type of corruption has also reportedly been common in many Malaysian

sectors, particularly in the construction sector and the health care procurement segment, according to Manaf, (2020). Late payment not only inflates project costs but also pushes the contractors into financial distress, often at the expense of compromised quality or delay in delivering the projects. This corrupt practice underlines one major governance issue because it describes how officials can utilize their leverage in the claims processing to solicit bribes, which further erodes the integrity of Malaysia's procurement system.

#### 5.2.1.4.5 Mode of Procurement

This study shows that all modes of procurement are at risk of corruption and fraud. Almost all the experts in this study agreed that there is no specific mode that is prone to corruption. However, according to IDEAS (2020), direct negotiation is prone to corruption in public procurement in Malaysia. This idea aligns with the perspectives of several experts in the study, particularly the auditors. Although direct negotiation is not the most prevalent method used in Malaysia's procurement activities, as in 2018, for example, contracts awarded through direct negotiation only make up about 8.2% of total budgeted procurement. However, as a non-competitive procurement method, direct negotiation is prone to abuse. In direct negotiation, a procuring entity can appoint a contractor and supplier to deliver goods, services or works without calling for bids from other contractors and suppliers. Moreover, the multi-million associated in this kind of procurement value makes it the most concerning mode of procurement in Malaysia. The issue of lack of competitiveness, transparency, and accountability was associated with this mode of procurement. To make it worse, the political interference by politicians in the public procurement process or “wahyu,” was among the negative perceptions by the public towards this procurement mode (Sri Murniati and Arif, 2020). Lacking transparency and accountability, unlike open tenders where the bidding documents and selections of contractors are open to the public, direct negotiations are many times done behind closed doors, thus limiting the ability of the public to scrutinise or oversee such negotiations. In practice, such a lack of transparency provides ample leeway for officials to exercise wide discretion in the award of contracts and hence creates more opportunities for unethical practices.

On this note, the Malaysian Auditor-General's Report has noted that many direct negotiation contracts lack adequate documentation, making it difficult to trace decision-making processes or hold officials accountable. In Malaysia, direct negotiations rarely go for public consultation or independent, stringent review. This gives significant flexibility to award contracts that lack satisfactory justification. Lack of transparency invites not just corruption but also makes it very difficult for the relevant regulatory bodies, such as MACC, to investigate irregularities in the procurement process. Another valid point is that a lack of transparency may lead to higher project costs, as tenderers can set their own prices without feeling the pressure to be competitive. A competitive tender generally consists of different contractors who bid for a project. This encourages them to offer cost-effective solutions. With direct negotiation, however, the absence of alternatives often leads to higher prices because there is simply no competition (Sri Murniati and Ariff, 2020).

The Solar Panel dan Merdeka Hotel case in Sarawak, which was reviewed in both the Malayan Law Journal and the Malaysian Law Review Journal, was the obvious related case in this study. The review of the documents revealed that both cases used the direct negotiation method of procurement, which results in the loss of billions of ringgit in public funds and public outrage. Although this mode of procurement is rarely used by ministries and government departments, the enormous procurement value in terms of public money involved gives a huge, significant impact.

#### ***5.2.1.5 Conflict of Interest and Asset Declaration of Public Officials***

Public procurement conflicts of interest happen when public officers resort to lobbying or favouritism for personal gain. As Expert 3 describes, public officers can represent counterparts for personal rewards. In MACC Case 7, an officer abused the procurement process to award a contract to his brother's company and forged meeting records to cover up awarding the contract. Prisoner 2 stressed the importance of asset disclosures for exposing unexplained wealth and mitigating conflict-of-interest risks, which would serve as a preventive measure against corruption. The theme can be summarised as follows:

Table 5.5 Summaries the Theme of Conflicts of Interest and Asset Declarations by Public Officials

<b>Respondent</b>	<b>Theme</b>	<b>Quotes</b>
Expert 3	Conflict of Interest	Lobbying within organisations often creates conflicts of interest when public officers advocate for counterparts or proxies in exchange for kickbacks or other benefits.
<b>MACC Case</b>	<b>Theme</b>	<b>Fact of Case</b>
7	Conflict of Interest	An agent secured procurement approval from the executive director, proposing Ah Boy Company as the supplier without disclosing its ownership, who is his brother. He managed all procurement tasks, including documentation, approvals, and payments. No formal supplier meetings occurred, and he fabricated meeting minutes to validate the process.
<b>Incarcerated People</b>	<b>Theme</b>	<b>Quotes</b>
Prisoner 2	Conflict of Interest and Asset Declaration	Asset declarations help detect unexplained wealth and conflicts of interest, serving as an early warning against corruption.

Analysis of MACC case files reveals that approximately one-fifth of cases involve elements of conflict of interest, including awarding public procurement tenders, projects, or services to family members of those in positions of authority. Another trend involves advocating for family-owned businesses without disclosing the conflict of interest. These offences, investigated under Section 23 of the MACC Act 2009, arise when individuals involved in procurement have undisclosed private interests that may

improperly influence their decisions. For instance, an official who has a financial interest in a firm bidding for a contract can favourably make decisions on the award of the contract. It is alarming in Malaysia, where many such conflict-of-interest cases have resulted in the misappropriation of funds, poorly executed projects, and inflation of project prices (Manaf, 2020).

According to the surveys by OECD (2025), one of the major causes of corruption in procurement is a conflict of interest in decisions over procurement tenders, as this leads to favouritism or bribery rather than consideration based on merit. This was in conformity with the majority opinion of the experts in this study as discussed in chapter four. Therefore, several initiatives have been proposed by the OECD based on core principles, such as serving the public interest, supporting transparency and scrutiny, promoting individual responsibility, and engendering an organisational culture that is intolerant of conflicts of interest (OECD, 2025). Using the PAC framework, several manipulations, especially by public officials, include:

- i. Undisclosed Familial and Business Ties: Procurement officials or members of tender committees have direct financial or personal relationships with selected bidders.
- ii. Nepotism and Favouritism in Contract Awards: Decision-makers structure tender specifications or selection criteria to benefit companies owned by their associates.
- iii. Manipulation of Evaluation and Approval Processes: Agents in procurement panels adjust scoring criteria or justify contract awards to predetermined vendors despite competing bids.
- iv. Rotating Door Corruption: Former procurement officers join private firms as lobbyists, using inside knowledge and networks to influence new contract awards.

A typical case related to the conflict of interest in Malaysia's public procurement system involved infrastructure projects whereby ad hoc officials had close links with the contractor and where contract awards disregarded competitive bids. Such cases do not only impair confidence among the public but also result in low quality projects since the awarding of the contracts would be over relationships rather than by competency.

In the end, it means financial losses to the public sector through overpriced contracts and poor project quality. One of the challenges in the management of conflicts of interest in public procurement is detection, given the often covert nature of such conflicts. In different circumstances, the principal and agent involved in the procurement process can avoid the conflict of interest issue by formally declaring their interest during the decision-making process. This is among the loopholes in the process because the principal, who is the chairman of the procurement body, will excuse him or herself and let other members decide, although he or she has a direct relationship with the vendor. This has been raised by several respondents, such as NGO 1, 2, and 3.

Malaysia's procurement system barely detects personal relationships or financial links between officials and contractors, especially since such connections have not always been declared in the public domain. Transparency International Malaysia believes that a lack of strict checks on personal connections within the procurement process exacerbates this issue, allowing it to occur without public awareness (Transparency International, 2024). Moreover, according to the World Bank (2020), one of the most serious problems associated with asset declaration reforms is the resistance from officials on account of the perception of public disclosure of asset declarations as an intrusion into their private sphere. However, some Malaysian officials argue that public access to asset declarations may lead to undue exposure, scrutiny, or harassment against them (Ghazali et al., 2024). It is important to note, though, that these kinds of worries do not outweigh the need for openness, since making information public is an essential part of building accountability and could help reduce conflicts of interest.

As a conclusion, empirical findings highlight several corrupt practices facilitated by the misalignment of action as a result of incentives between principals, agents, and clients:

- i. Collusion in Tender Specifications: Procurement officials (agents) may design tender specifications that favour a particular contractor (client), effectively sidelining competitors and reducing the fairness of the bidding process.
- ii. Closed-Door Bidding and Restricted Competition: Instead of an open tendering process, procurement officers may engage in non-transparent closed-door bidding, often favouring politically connected firms.

- iii. **Bid Rigging and Information Asymmetry:** Procurement officials may provide confidential bidding information to preferred contractors, allowing them to tailor their bids to ensure selection.
- iv. **Bribery and Kickbacks:** Contractors may offer financial incentives or political contributions to public officials in exchange for favourable treatment in the bidding process.
- v. **Conflict of Interest:** Some procurement officers may have personal financial stakes in bidding firms, creating a situation where contract awards are influenced by private interests rather than merit.

### **5.2.2 Actors Collude in Asymmetric Information**

Corruption in public procurement often involves the principal, the agent, and the client working together to take advantage of the imbalance of power for illegal gain. The principal-agent framework shows a common problem in governance: principals, who could be government agencies or high-level managers, expect agents, such as public officers or procurement officials, to do their job properly. However, the delegation process becomes risky when the agent, motivated by self-interest, colludes with clients who are vendors and contractors to circumvent regulations. The asymmetry of information between the principal and the agent allows the latter to hide their corrupt behaviour, thus breaching the trust in public procurement.

Agents engage in collusion when they use their superior knowledge of procedures and rules to manipulate outcomes in favour of certain clients. This can include cost inflation for the projects, awarding contracts to unqualified bidders, or accepting bribes. This problem is worsened by the lack of transparent communication and effective mechanisms for supervision. The Malaysian Anti-Corruption Commission (MACC) looked into numerous cases in Malaysia that showed instances of collusion leading to significant financial losses from public funds. The following themes shed light on these collusive actions:

### 5.2.2.1 Principal as a Power Abuser

Power abuse in public procurement manifests through bribery, undue influence, and unethical leadership. Vendors often offer commissions to board members to secure tenders, while some chairpersons manipulate decision-making processes. External directives frequently override procurement needs, discouraging officials from challenging them due to fear of repercussions. Corrupt leaders foster unethical cultures, as seen in MACC Case 9, where an official solicited bribes for project approvals. High-profile cases, such as PP vs. Tan Sri Isa Samad (2022) and PP vs. Rosmah Mansor (2021), further illustrate how influential figures exploit authority for personal gain. Similarly, a Deputy Director at MCMC was charged with accepting bribes to approve a UPS project, highlighting systemic vulnerabilities in governance. The following table 5.6, presents the theme of the principal as a power abuser.

Table 5.6 Summaries the Theme of Principal as a Power Abuser

<b>Respondent</b>	<b>Theme</b>	<b>Quotes</b>
Investigation Officer 2 and Business Owner	Power Abuse	Some vendors offer board members a 5% commission to secure tenders, undermining fair competition and prioritising bribery over merit.
Procurement Officer 1	Power Abuse	Some chairpersons maintain integrity by refraining from influencing meeting members, while others exert dominance to sway decisions. In such cases, even if some members hesitate to agree, they may ultimately conform, reflecting the existing dynamics in decision-making processes.
Auditor 1	Power Abuse	Non-compliance is common in construction projects and direct negotiations, where procurement decisions are driven by external directives rather than actual needs. Government officials often hesitate to challenge these directives, fearing repercussions like job transfers.

NGO 1	Power Abuse by Principal	Corrupt leaders create a culture where unethical behaviours spread, while ethical leadership fosters accountability and deters corruption.
<b>MACC Case</b>	<b>Theme</b>	<b>Fact of Case</b>
9	Power Abuse by Principal	As a Deputy Director of the Penang Forestry Department, he directed his subordinate to oversee all projects, including those awarded to the claimants. He enquired about contractors in Bahang Bay and obtained their contact details. He then called the claimants for a meeting, where he solicited a RM4,000 bribe for the approval, receiving an initial RM200 while demanding full payment later.
<b>Court Judgement</b>	<b>Theme</b>	<b>Fact of Case</b>
PP vs. Tan Sri Isa Samad, MLJ, 2022	Power Abuse by Principal	In the Merdeka Palace Hotel Sarawak (MPHS) case, the business owner paid RM3 million to ensure FELDA and its subsidiary, FICSB, proceeded with the approved purchase, influenced by the accused as FICSB Chairman.
PP vs. Rosmah Mansur, MLRH 2021	Power Abuse by Principal	The wife of former Prime Minister Najib Razak faces three charges under Section 16(a)(A) of the MACC Act 2009 for soliciting and receiving bribes to assist Jepak Holdings Sdn Bhd in securing a Ministry of Education project.
<b>Incarcerated People</b>	<b>Theme</b>	<b>Quotes</b>
Prisoner 1	Power Abuse by Principal	The Deputy Director of MCMC has been charged with soliciting and accepting bribes amounting to

		RM 50,000 in favour of approval of the UPS project.
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Corruption in public procurement is a global impediment to good governance and sustainable development, eroding public trust. While typically involving multiple actors, the role of the principal wielding and abusing power warrants particular attention. In this case, "principal" refers to any person or group with authority or decision-making power in the procurement process. This includes high-level government officials, project managers, and procurement boards, which may involve politicians. Their misuse of power forms avenues through which corruption can occur and sustains the practice.

According to the reviewed MACC case files, approximately one-fifth of the cases involved principals who abused their power for personal or familial gain, such as awarding contracts to wives, husbands, and immediate family, as mentioned in Sections 3 and 23 of the MACC Act 2009. Based on the data of incarcerated individuals, it was found that two of them were principals. One of them admitted the offence, as he abused his power for his personal gain. However, the other offender did not admit his offence, as according to the sentence, he abused his power to get a bribe in exchange to award a contract to his friend. While according to the experts, the principal was a key factor in the solution of the problem of corruption in public procurement in Malaysia. Most of them agreed that if there is a clean principal involved in public procurement, it will leverage it from top bottom to the agent and client (Procurement Officer 2, Investigation Officer 2 and 3, Business Owner).

Conversely, a lack of integrity among those in leadership positions creates opportunities for abuse of power, influencing subordinates to engage in corrupt practices. Scholars have highlighted how such individuals misuse their authority to manipulate procurement processes for personal gain. This can manifest in various ways, including influencing vendor selection through the manipulation of evaluation criteria, leaking confidential information, or directing subordinates to favour specific bidders. Graycar (2019) lists bureaucratic players who seek advantage of their positions to enrich themselves. They may show favouritism to friends, relatives, or associates by awarding

contracts without proper competitive bidding or by ignoring the non-qualifications of these individuals.

Furthermore, Graycar (2019) points out that major procurement decisions are influenced by political leaders and their cohorts. Principals may request bribes or kickbacks from bidders in return for the award of contracts. Their authority makes it possible for them to create obstacles in the path of those who refuse to yield, yet reward those who yield to such corrupt practices. While favouritism in procurement, which is likely one of the most prevalent types in the procurement process, was covered by Schultz and Søreide (2008). For example, corruption occurs when a contract is steered to a firm with ties to the procurement officer's family or when the officer chooses an inferior bid in return for a bribe. It is therefore in designing policies that reduce risks necessary to identify the opportunities and individual incentives for corruption transactions. Another corrupt practice involves principals manipulating or circumventing established procedures to secure a preselected bidder. It can be done by manipulating tender documents, evading any conflict-of-interest rules, or evading oversight systems.

According to Abas Azmi (2016), procurement officials manipulate the system by deliberately making the procurement non-transparent, thus making detection and investigation of corrupt activities difficult. This may involve concealing information, inaccessibility of documents, or absence of mechanisms for enforcement of accountability. Cases 3 and 8 in MACC are blatant examples of how the principal manipulates the procurement process quotes and tenders by giving contracts to their close relatives. The majority of the study's respondents agreed with this finding. Therefore, based on the PAC model, the abuse of power by the principal can be summarised as follows:

- i. Manipulate procurement processes by favouring specific bidders.
- ii. Bypass competitive bidding to directly award contracts to preferred entities.
- iii. Suppress transparency mechanisms, making detection difficult.

While the principal holds the authority to manipulate procurement decisions, the success of corrupt practices often depends on the agent's willingness to facilitate such misconduct. Agents, equipped with technical expertise and procedural knowledge, play

a crucial role in executing illicit directives while concealing critical information from oversight bodies, creating an environment of asymmetric information.

### 5.2.2.2 Agent as a Facilitator

Agents are employed to facilitate corruption by using their offices for private interests. There is evidence showing agents extorting bribes from contractors and labourers, corrupting the procurement process, and misappropriating public funds. In MACC Case 5, a farm supervisor bribed to obtain positive reports, and in Case 6, an officer's wife facilitated bribery for a defence procurement order. Corresponding tendencies were observed in Cases 8, 14, and 28, where officers employed position to bestow favour with contracts or obtain payment for receiving invoices. Agents are vowed by prisoners that they employ power to obtain payment, usually phrased as "facilitation fees." These incidents pose systemic hurdles, for instance, of a Penang contractor who had to bribe to gain project sanction. These results highlight how corruption flourishes as facilitators take advantage of bureaucratic inefficiency and institutional trust. Table 5.7 summarises these themes, which involve agents acting as facilitators in corrupt practices:

Table 5.7 Summaries the Theme of Agents as Facilitators

MACC Case	Theme	Fact of Case
5	Agent as Facilitator	Accused person or (OKT), a farm supervisor, exploited his role by soliciting bribes from Bangladeshi farm workers to provide favourable reports on contractor work. He initially demanded RM1,500, later increasing it to RM4,000. After the workers reported him, MACC conducted a sting operation, arresting OKT with RM3,000 in his pocket.
6	Agent as Facilitator	OKT1 exploited his wife, OKT2's, procurement role at TLDM Lumut to solicit bribes from a contractor. Fearing project disruption, the

		contractor paid RM205,852.85, which OKT1 used for an MLM business, luxury items, and a Bali trip.
8	Agent as Facilitator	OKT secured a RM 65,250 research grant and manipulated the procurement process by awarding a contract to HA Megah Supply, a company linked to his mother-in-law. He falsely presented it as the lowest bidder without disclosing his conflict of interest.
14	Agent as Facilitator	OKT, a materials executive, facilitated contract renewals and procurement for TLDM ships. Suppliers bypassed official channels, securing contracts through a TLDM officer, Bronco, before public listing. Sharing interests in car racing, OKT and suppliers coordinated procurement deals, ensuring preferred companies received contracts before they were advertised.
<b>MACC Case</b>	<b>Theme</b>	<b>Fact of Case</b>
28	Agent as Facilitator	OKT, a science officer overseeing procurement at the Perak State Geoscience Office, exploited his position by soliciting bribes to process company invoices. He deliberately created unnecessary obstacles, such as quantitative errors, pressuring companies to pay bribes to expedite their claims. OKT also misused his supervisor's name to legitimize his demands.
<b>Incarcerated People</b>	<b>Theme</b>	<b>Quotes</b>

Prisoner 1	Agent as Facilitator	Agents exploit their influence by demanding payments from contractors in exchange for project approvals.
Prisoner 7	Agent as Facilitator	OKT misappropriated funds from the <i>Khairat Kematian</i> Scheme by duplicating payment vouchers and redirecting payments to his personal account. Exploiting his sole control over office finances, he justified the act by using the money for office maintenance, purchasing furniture, stationery, and funding community programs. His corruption remained undetected as he was highly trusted, rarely absent, and continued working even while on medical leave.
<b>Respondent</b>	<b>Theme</b>	<b>Quotes</b>
Expert 2	Facilitator	Often, they disguise it as a "facilitation fee" with the intention of smoothing the process or guaranteeing the approval of the project by the authorities
NGO 2	Facilitator	A contractor from Penang attempted to complete a project with integrity. However, upon nearing completion and requiring a certificate of completion, he encountered unexpected obstacles. While no direct solicitation for bribes occurred, the deliberate difficulties created in the approval process ultimately pressured him into offering a bribe as a form of facilitation.

The Malaysian public procurement system, while designed for flexibility through the transferability of Administrative and Diplomatic Officers (PTD), faces significant operational challenges, particularly in closed service departments with

staffing constraints that hinder effective job rotation. Limited access to a diverse talent pool restricts the rotation of procurement officers, leading to a lack of fresh perspectives and innovative practices (Azizan et al., 2024). This rigidity increases the risks of corruption and fraud, as described by the principal-agent model, where public officials may exploit their positions (Yusof et al., 2024). Ineffective internal controls, as noted in PAC reports, further intensify these risks, resulting in potential financial mismanagement (Zazili et al., 2024).

Moreover, the issue of accountability is paramount in discussions on corruption issues in the realm of public procurement. According to Kostić and Bošković (2021), integrity is being threatened by insufficient mechanisms relating to the transparency and accountability of the procurement officials within these procurement processes. The absence of corrupt activities is often the result of good, binding legislation combined with excellent oversight that makes procurement officials responsible for the acts and omissions of those performing certain services. Another issue identified by Dixon (2021) is that the discretionary powers of public officials in most cases result in biased decisions, which only serve to further entrench corruption (Dixon, 2021). This will result in a corrupt action by public officials, such as asking for a bribe in favour of specific action such as awarding a tender, leaking of information, speeding up the application and recommending the specification according to the will of the tenderers. Dixon (2021) further argues that this malpractice can be restored by introducing debarment policies in public procurement. This policy will bar certain companies and contractors that do not fulfil the procurement requirement from participating in the tender and bidding process. This was corroborated by the MACC case 5, 6, 7, 8, 11, and 14 that the public officials blatantly used their discretion to collude with the contractors for bribery. Thus, based on the PAC model, one of the key reasons agents facilitate corruption is their information advantage over both the principal (when the principal is not involved) and external oversight bodies. Agents possess specialised knowledge of procurement regulations, procedures, and internal controls, which enables them to manipulate the system without raising suspicion.

- i. Agents may conceal critical information from regulatory agencies, auditors, and competing bidders to ensure a preselected contractor win.
- ii. They can fabricate justifications for direct awards, claiming urgency, security concerns, or technical specificity that supposedly disqualifies competitors.

- iii. Agents may withhold risk indicators, such as conflict-of-interest disclosures, to obscure relationships between bidders and decision-makers.

By controlling the flow of information, agents create an environment where corruption becomes difficult to detect, ensuring the illicit arrangement remains concealed.

In other circumstances, procurement officers may act as an agent or middleman between the principal and client. These actions will involve collusion between principal-agent-client, which the agent will facilitate the will of both sides and make the corrupt practice easier to be implemented. In the Malaysian context, the culture of political influence in the government organisation often leads to the issue of money politics, cartels and abuse of power by principals which has been discuss in the last sub-section. The appointment of special officer to the minister which is legal and been stipulated in the Malaysian Constitution is the issue that need to be dissolved. In practice, the ruling party and their allies will appoint a special officer to the minister, and the person appointed usually is a politician from the minister's party. For example, the appointment of Datuk Seri Iskandar Mohd Akin, who is the former PKR information chief, as Senior Political Secretary to Prime Minister Datuk Seri Anuar Ibrahim (The Star, 2022). This intermediary, acting as a liaison between principal and agent, facilitates the exchange of incentives or acts on behalf of the principal. This individual can exploit their position to manipulate the procurement process for personal gain. This behaviour can lead to "state capture," where private entities exert undue influence over government institutions (Graycar, 2019). This relates to the civil service appointment system issue that faces criticism and calls for reform due to its rigid structure, which is perceived as overly favourable to civil servants, particularly regarding appointment and termination procedures (NGO 1). Furthermore, this argument was supported by the finding of the Auditor-General's Report, Malaysia 2023, which has highlighted several examples of inefficiencies and mismanagement of finances within the public sector to show how present civil service practices are leading to systemic issues. The specific issue is the tendency to give prominence over tenure and connections instead of merit, this leads to undermining professionalism and accountability. Another emphasis is on the urgent need for reforms aimed at eradicating corruption and improving the performance evaluation system (Berman, 2010, and Bakar et al., 2011).

While the agent plays a crucial role in enabling corruption by manipulating procurement processes and colluding with decision-makers, the cycle of corruption is incomplete without the participation of the client. In many instances, clients which are comprise contractors, vendors, and service providers. They are actively engaging in corrupt transactions by offering bribes, kickbacks, or other illicit incentives to secure favourable treatment. This dynamic reinforces a mutually beneficial yet unethical exchange, where agents leverage their control over procurement mechanisms, and clients strategically use financial inducements to bypass competitive processes. The interplay between agents and clients in this corruption network not only distorts fair competition but also entrenches systemic inefficiencies in public procurement.

### ***5.2.2.3 Client as a Bribe Giver and False Claimer***

Clients tend to act as bribe givers for evading bureaucratic barriers, getting contracts, or receiving preferential treatment. Contractors receive privileged information leaked by procurement officers for monetary considerations, and vendors offer bribes for ease of approval. A company director, in MACC Case 13, fraudulently claimed Research and Development grant monies by providing falsified documents, indicating how customers exploit money scams. Convicted defendants demonstrate how land counsellors employ unofficial favours, i.e., lunches and gifts, to exploit bureaucrats and accelerate their processes. Shining court cases, e.g., PP vs. Rosmah Mansur (2021), also contain examples of client-tainted bribery in which handsome kickbacks were offered in the form of expensive government contracts. These court cases show how institutional corruption can be caused by financial pressure, which messes up fair competition and hurts the credibility of institutions. Table 5.8 illustrates this theme in the following way:

Table 5.8 Summaries the Theme of the Client as a Bribe Giver and False Claimer

<b>Respondent</b>	<b>Theme</b>	<b>Quotes</b>
Investigation 3 and NGO 1	Client as a Bribe Giver	Procurement officers may leak insider information to contractors about winning bids in exchange for bribes, often in the form of

		commissions or financial incentives from contractors and vendors.
Expert 1, 2 and Business Owner	Client as a Bribe Giver	To overcome red tape, vendors often resort to bribery to expedite approvals and secure contracts.
<b>MACC Case</b>	<b>Theme</b>	<b>Fact of Case</b>
13	Client as a False Claimer	A client, as a co-director of NFort MSC Sdn Bhd, secured a RM3 million R&D grant from the MOSTI Innovation Fund for the NVAT project. Following approval, a 30% advance payment of RM900,000 was issued. On March 2, 2010, OKT submitted expenditure reports and supporting documents to MOSTI for further payment. A completion certificate confirmed the project's success, leading to a RM751,000 payment deposited into his company account.
<b>Incarcerated People</b>	<b>Theme</b>	<b>Quotes</b>
2	Client as a Bribe Giver	As a seasoned land consultant, he bypasses procedures using his influence and network. He builds rapport with land office staff through favours like meals and donations, expediting processes and securing preferential treatment. At higher levels, he extends special privileges to the district officer, including hospitality during Umrah visits.
<b>Court Judgement</b>	<b>Theme</b>	<b>Fact of Case</b>

PP vs. Rosmah Mansur, MLJR 2021	Client as a Bribe Giver	A high-profile client-driven bribery case involved the Sarawak Solar Panel project, where a contractor attempted to secure the project by offering the prime minister's wife a 10% bribe in exchange for the letter of award and project approval.
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Private involvement in public procurement is often characterised by interactions with government officials, which open avenues for corrupt practices. In this context, "private" refers to the clients, which consist of vendors, contractors, tenderers, and business owners. Corruption in procurement can occur in various forms, including bribery, kickbacks, and fraud, ultimately diverting public resources for private gain (Pattanayak and Yepes, 2020). This aligns with findings from Nicolás-Carlock and Luna-Pla (2021), who emphasise that the procurement process is particularly vulnerable due to the high level of interaction between public officials and private businesses. In Malaysia, these interactions can lead to a culture of collusion, where private companies may engage in corrupt practices to secure government contracts, thereby perpetuating a cycle of corruption that erodes public trust. As discussed in the finding of this study, it is proven that the cycle of corruption in public procurement involved the client. For example, in the case of the Solar Panel Case in Sarawak, there is blatant proof of the client initiating the corrupt practice. While the case of the Merdeka Palace Hotel was the obvious case, the methodology on how the client gave a bribe to the principal was by withdrawing the cash at the bank and delivering the bribe by hand to the special officer of the principal. In this study, nearly half of the MACC cases examined involved collusion between agents and clients, and vice versa.

In the PAC model, the client, typically represented by private entities such as contractors, suppliers, or service providers, plays a crucial role in sustaining corruption in public procurement. As a bribe giver, the client actively seeks to influence procurement decisions by exploiting weaknesses in the system, particularly through asymmetric information between agent and principal and collusion with the agent. This dynamic distorts the procurement process, leading to inefficiencies, inflated costs, and

compromised quality in public projects. Bribery and kickbacks represent a prevalent mechanism through which clients engage in corrupt practices within procurement processes. Financial incentives or favours are offered to agents in exchange for preferential treatment, often involving the circumvention of competitive bidding, the manipulation of technical specifications to favour specific suppliers, or guaranteeing contract awards without regard to merit. How did the client manipulate the corrupt culture and system in public procurement in Malaysia? Abbas Azmi (2016) provides an in-depth analysis of how bribery and kickbacks are systematically employed to secure government contracts. What are the tools used by the client? Marakalala (2023) expands on this by categorising various forms of bribes, including high-value gifts, all-expenses-paid travel, and extravagant entertainment, demonstrating how these incentives create a culture of dependency and reciprocity between public officials and private entities. Who and how does it happen? Graycar (2019) provides a comprehensive mapping of corruption within procurement systems, illustrating the intricate networks of collusion that undermine transparency and accountability. In this study, MACC case 13 was a clear example of how technology-driven companies syphon the government grant by using a false claim as a tool.

In many cases, the client colludes with the agent to engage in bid rigging, using techniques such as cover bidding, bid suppression, or bid rotation to create an illusion of fair competition while preselecting the winner. Corruption often goes beyond the awarding of contracts and includes manipulations that happen after the award. For example, clients worked with corrupt agents to submit false claims, overstated invoices, or poor project deliveries without being caught. Given the principal's limited oversight due to asymmetric information, clients exploit regulatory loopholes and obscure illicit transactions through complex financial arrangements. This secrecy enables them to evade accountability while perpetuating a culture of corruption within the procurement ecosystem. Once bribery is introduced, it creates a cycle of dependency between the client and agent. Agents who have accepted bribes may demand recurring payments to maintain favouritism, while corrupt clients continue leveraging these illicit ties to secure future contracts. Over time, this informal network institutionalises corruption, discouraging ethical businesses from participating in procurement and further eroding public trust. Ultimately, breaking this cycle requires greater transparency, stricter enforcement, and systemic reforms to limit opportunities for corrupt transactions

between clients and agents. Most corruptors, particularly the MACC case files analysed in this study, employed this method of operation.

Moreover, the private sector's role in facilitating corruption is compounded by the lack of transparency and accountability in procurement processes. Mahuwi argues that enhancing accountability practices within the procurement system is essential to combat corruption effectively (Mahuwi, 2024). However, the existing frameworks often fall short, as the absence of robust oversight mechanisms allows corrupt practices to flourish, as private entities may exploit loopholes in the procurement process to their advantage. Contrasting this, some scholars assert that the private sector could also serve as a critical driver of change in curbing corruption. For example, Muhamad and Gani cited improvements in Malaysia's CPI, resulting from increased cooperation between the private sector and enforcement agencies (Muhamad and Gani, 2020). This shows that private entities can be helpful in curbing corruption when they themselves are ethical and in collaboration with the government. Moreover, the introduction of an e-procurement system is seen to be one of the major steps toward increasing transparency and reducing areas of corruption, as put forward by Mackey and Cuomo (Mackey and Cuomo, 2020). However, the effectiveness in these systems depends on the commitment in the public and private sectors towards ethical standards.

The complexity of corruption's role in facilitating bureaucratic calamities in the public sector is another issue to consider. People often justify corruption in public procurement as a quick way to overcome red tape and expedite tasks. Williams-Elegbe asserts that public procurement systems frequently harbour systemic corruption, with corrupt transactions perceived as a means to circumvent bureaucratic obstacles (Williams-Elegbe 2018). This perspective suggests that corruption can occasionally serve as a practical strategy to address inefficiencies within the public sector. For instance, private companies may use corrupt means to ensure they get the tender quickly instead of going through the long and sometimes complicated procurement processes. In this respect, Graycar (2019) indicated that such a "greasing" effect can make people believe that corruption is needed to grease the wheels of a running system and hence acceptable within the procurement environment. In the Malaysian context, Marican (1979) acknowledges the existence of viewpoints that consider corruption as having a "lubricating" effect on political and economic development. Furthermore, according to business owner 1 as a respondent to this study, as a business owner in Malaysia, they

are forced and compelled to the solicitation of bribes by an agent and principal, because it is a matter of survival. If they are not to respond to the request, they are not awarding the contract. One of the incarcerated people in this study also shared his experience on how they been unfairly treated by the government official because of they are not entertaining their request by giving them a bribe (Business Owner 1 and Prisoner 3).

### **5.2.3 Current Anti-Corruption Initiatives**

Corruption in public procurement poses a significant challenge to the integrity and efficiency of governance in Malaysia. Despite various anti-corruption measures, the public procurement sector remains vulnerable to unethical practices, undermining public trust and economic progress. Public procurement accounts for a substantial portion of government spending, making it a critical area for reform. The persistence of corruption testifies to the limitations and ineffectiveness of the existing initiatives and denotes the urgent need for new strategies that can help overcome this issue. The present study has assessed the need for innovative government initiatives in the reduction of corruption within the public procurement sector, adding to more transparent and accountable governance in Malaysia.

#### ***5.2.3.1 Law as a Deterrence***

The MACC Act is considered holistic and contains presumptions in law that help to enhance enforcement, even though there are debates galore regarding the limited deterrent effect of alternative charges, which can perpetuate corrupt activities. Section 17A on corporate liability strengthens accountability by preventing companies from shifting blame. However, the use of alternative charges can render anti-corruption laws ineffective, and the MACC and the Attorney General's Chambers need to cooperate more closely to resolve the issue. Experts underscore the necessity of enacting a specific procurement act to tackle corruption in public procurement. In addition, a proper whistleblowing system is essential to protect informants from retaliation and promote transparency in the governance system. The theme can be summarised as follows:

Table 5.9 Summarises the Theme of Law as a Deterrence

<b>Respondent</b>	<b>Theme</b>	<b>Quotes</b>
Lawyer 1	Law as Deterrence	The MACC Act is considered more than sufficient, as it includes numerous legal presumptions. Although some provisions may seem to conflict with federal law, they remain valid due to longstanding legal precedence, making the act comprehensive and self-sustaining.
Investigation Officer 2	Law as Deterrence	A review of the alternative charge is necessary, as those involved in corruption may already be aware that if caught, they could face only a fine or a maximum prison sentence of two years. This perception reduces the law's deterrent effect and may encourage corrupt practices.
<b>Respondent</b>	<b>Theme</b>	<b>Quotes</b>
Expert 1, Expert 2, Expert 3, NGO 1	Law as Deterrence	The introduction of Section 17A, “Corporate Liability,” is a significant step forward, as it eliminates loopholes that previously allowed individuals to evade responsibility for bribery. Under this provision, employers can no longer shift blame onto their sales staff or other subordinates, ensuring greater accountability and strengthening anti-corruption efforts.
Investigation Officer 2, Expert 2, Expert 3,	Law as Deterrence	The use of alternative charges can weaken anti-corruption laws by allowing individuals to evade more serious allegations. The MACC and the

		Attorney General's Chambers could collaborate to address this issue.
Expert 2, NGO 2, Auditor 2	Law as Deterrence	Most respondents advocate for the implementation of a Procurement Act to effectively curb corruption in public procurement.
Expert 2, Investigation Officer 1, Procurement Officer 1	Law as Deterrence	A secure whistleblowing mechanism is essential to protect individuals from retaliation and encourage reporting, ensuring an effective fight against corruption.

Corruption in the public sector in Malaysia has been an ongoing issue despite numerous laws and procedures against the practice. The Malaysian Anti-Corruption Commission Act, the Competition Act, and provisions relating to Corporate Liability are in force to further strengthen legal provisions against corruption. However, selective enforcement, alternative charges, and lenient punitive approaches render all these laws ineffective. This study conducted a critical analysis of the effectiveness of these laws and their processes, drawing on relevant literature to identify the systemic issues that hinder their implementation. One of the major reasons why anti-corruption laws are less than effective in Malaysia is the issue of selective enforcement. Colonnelli et al. (2020) argue that patronage and political favouritism strongly influence the way in which laws are applied or enforced, thus creating situations in which only certain individuals or groups are held accountable for corrupt practices (Colonnelli et al., 2020). Such partiality in the application of the law, apart from undermining the credibility of the legal system in the eyes of the public, perpetuates conditions that are especially suitable for corruption to breed. The perception that laws are not applied uniformly can discourage whistleblowing and citizen participation in governance, as individuals may feel that reporting corruption is futile (Syahputra, 2022).

Moreover, the punitive measures associated with corruption in Malaysia are often criticised for being subdued. Mahuwi highlights that the penalties for corruption-

related offences do not adequately reflect the severity of the crime, which can lead to a lack of deterrence (Mahuwi, 2024). When potential offenders perceive that the risks of engaging in corrupt activities are low, they are more likely to exploit loopholes in the system. This is compounded by the fact that alternative charges can be used to sidestep more serious allegations, further diluting the impact of anti-corruption legislation (Mahuwi, 2024). Several respondents, including investigation no. 2, expert no. 2, and expert no. 3, expressed similar concerns. They argue that this problem can be rectified by the MACC together with their prosecution department, which is under the purview of the Attorney General Chamber of Malaysia (AG). The seamless coordination between these two agencies in prosecuting corruption offenders is significant to preserving law and justice, specifically offences under the MACC Act and subscribed offences under the Penal Code. It will uphold justice and ensure that the law's definite purpose as a deterrent remains intact.

Conversely, proponents of the existing Malaysian anti-corruption legal framework contend its adequacy, citing specific provisions within the MACC Act 2009. They highlight Section 50(1), presumption of guilt in certain corruption-related offences, arguing it strengthens the prosecution's ability to present evidence. Furthermore, they view the inclusion of Section 17A, which addresses corporate liability for corrupt practices, as a significant deterrent against corporate-level corruption. These provisions, they argue, provide robust tools for combating corruption within both individual and organisational contexts (Lawyer No. 1, Expert No. 1, 2, 3, and NGO No. 1).

### ***5.2.3.2 Inculcate Human Values***

Public procurement corruption is motivated by greed, a need for lavish living, or, in a few instances, survival in low-income professions. People can take advantage of opportunities to gain wealth far beyond what they could afford, and corruption is not proceeded by poverty but by moral flaws. Procurement officials are most vulnerable to bribery since they have weak moral foundations. While external mechanisms of enforcement are vital, ethical leadership and inner honesty, especially through the vehicle of virtues like Taqwa (God-consciousness), are also vital in the prevention of corruption. Leaders should lead by example by conducting themselves in an ethical way

and cutting down on wasteful expenditures to create a culture of responsibility and integrity. The following table 5.10 presents the theme of inculcating human values as follows:

Table 5.10 Summaries the Theme of Inculcate Human Values

<b>Respondent</b>	<b>Theme</b>	<b>Quotes</b>
Procurement Officer 2	Human Values	Individuals may exploit opportunities to sustain a lifestyle beyond their means, evident in acquiring assets inconsistent with their income. Similar trends exist in public universities, where those involved in corruption are often not from genuinely poor backgrounds.
Lawyer 1 and Editor 1	Human Values	Greed fosters a mindset of pursuing fast, easy money with no regard for ethics or the law. Corrupt actors exploit loopholes and secure bribes in public procurement, amplifying this phenomenon.
<b>Respondent</b>	<b>Theme</b>	<b>Quotes</b>
Investigation Officer 3	Human Values	Public procurement officers are most vulnerable to bribery when lacking strong moral and ethical foundations.
NGO 1 and NGO 3	Human Values	While greed and ambition drive most corruption, some accept bribes to survive in life, particularly in low-paying public sector jobs.
<b>Incarcerated People</b>	<b>Theme</b>	<b>Quotes</b>
Prisoner 2	Human Values	The essence of a person lies in the soul, with Taqwa or God consciousness as the key antidote, cultivated through knowledge. The most effective approach combines internal integrity (Taqwa) with external enforcement of laws and procedures.

		To set a responsible precedent for society, leaders should exemplify ethical conduct by reducing VVIP expenses.
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Corruption in public procurement has been largely viewed from the perspective of the structural and systemic issues that are weak governance and ineffective oversight. Corruption emanates from very deep roots that include personal values and attitudes and societal pressures. The majority of respondents in this study concurred that a human values approach, which encompasses religious, ethical, and moral principles, was a component of the package to eradicate corruption in Malaysia. According to prisoner no. 2, an effective strategy for combating corruption involves integrating both internal and external mechanisms, specifically cultivating *Taqwa* or piety or God-consciousness, alongside robust enforcement of laws and procedures. Thus, this analysis of the human dimensions of corruption, with the promotion of moral integrity, ethical behaviour, and inculcation of values both at home and in educational institutions, is a possible way of reducing corruption in public procurement. The human element in corruption can be attributed to individual factors like greed, negligence, and lack of moral integrity (Suhidin et al., 2024). This suggests that the motivations behind corrupt behaviour are often linked to personal gain at the expense of societal welfare. When individuals prioritise personal interests over collective well-being, corruption becomes a rationalised choice, perpetuating a cycle of unethical behaviour.

On top of that, corrupt practices may be encouraged by societal pressures. In an environment where corruption becomes normalised, individuals may, according to Haynes and Rašković, disengage morally, hence fostering a culture of acceptance in terms of unethical behaviour (Haynes and Rašković, 2021). Such moral disengagement may be more salient in contexts where economic pressures require people to act unethically just to survive or succeed. Thus, corruption needs changes not only in legal reforms but also at the level of societal values and norms. The decisions made by those involved in corrupt dealings are majorly influenced by personal ethics and values. Fernando and Bandara (2020) assert that, for the curbing of corruption, the fostering of ethical organisational performance is paramount, a factor that can be achieved by instilling values of integrity, honesty, and accountability in public institutions. Leaders create a working environment that is conducive to the good virtues when they model these virtues themselves. This will encourage employees not to give in to corrupt

practices. This supports Liang et al.'s findings, who indicate that self-esteem and materialism have significant effects on corrupt intentions and that an improvement in personal values can reduce corruption propensities (Liang et al., 2016). Education is key to building values and ethics at an early age. Junaidah et al. advocate for the internalisation of anti-corruption values within educational curricula, emphasising the need for integrative models that incorporate moral teachings and ethical discussions (Junaidah et al., 2022). By fostering a culture of integrity and ethical behaviour in schools, future generations can be equipped with the moral framework necessary to resist corrupt practices. This proactive approach can help build a society that believes in transparency and accountability, which will, over time, decrease corruption in public procurement.

Conversely, the inculcation of values at home is equally imperative. Parents and guardians play an important role in the moral upbringing of children. By instilling values such as honesty, responsibility, and empathy, families can contribute to the development of individuals who are less likely to engage in corrupt activities. As noted by Kusumawati and Rahman, integrity is a fundamental tool for preventing corruption and fraud, and it is cultivated through consistent moral education and the reinforcement of ethical behaviour (Kusumawati and Rahman, 2023). Thus, structural and systemic reasons make corrupt actions possible in the case of public procurement, while a person's values, attitudes, and social demands push a person to that point. To cure corruption, a multiple-object approach, including legal changes, must aim at the priority cultivation of ethical values first in a family and then at educational establishments. Cultivating a culture of integrity and accountability will go a long way toward reducing corruption, allowing Malaysia to aspire to a more transparent and ethical system of public procurement. In the Malaysian context, MACC, through its education and community division, has a long history of cultivating human values to deter corruption in Malaysia. The only issue is that this effort needs to be taken seriously by all levels of people in society. This is not the struggle and effort by MACC alone; it takes collective action.

From another perspective, Islamic values, deeply embedded in Malaysia's cultural fabric, offer a potent framework for promoting ethical governance and mitigating corruption within public procurement. Grounded in principles such as transparency, accountability, and the prioritisation of public interest, these values

resonate with core Islamic teachings, including the concepts of Khalifah, or stewardship of resources, and *Maqasid Shariah*, or higher purposes of Islamic law (Rahman and Hamid, 2024; Junus et al., 2024). These principles encourage public officials to act as responsible guardians of public trust, aligning their conduct with moral leadership and the welfare of the community. Also, officials with a strong religious belief are more likely to be honest and make moral choices (Zin et al., 2022). This shows how important honesty and dependability are for keeping public institutions' good names. While according to Ermawati (2023), religion serves as a foundation for instilling anti-corruption behaviours, emphasising the importance of honesty and responsibility in public service. Islamic teachings provide a robust moral compass, challenges persist in their consistent application, particularly given varying interpretations of religious principles, which can sometimes hinder their effectiveness in combating corruption. Kamal Hassan (2021) added the discussion of corruption in Malaysia from a social-religious perspective by arguing the necessity of a transcendent worldview-based moral and ethical transformation based on Islamic teachings and the writings of eminent academics. It examines how politics, religion, and culture interact to shape Malaysian politics and promotes a more ethical and moral approach to running the country.

Therefore, human governance, with its emphasis on leadership integrity and ethical conduct, plays a crucial role in mitigating corruption risks. By embodying values such as transparency and accountability, leaders can foster a culture of ethical decision-making within organisations. This approach recognises the importance of human factors in shaping governance structures and promoting responsible practices, such as in public procurement (Hanapiyah et al., 2016). Within the Principal-Agent-Client model, human values function as a crucial safeguard against corruption in Malaysian public procurement. By fostering ethical decision-making and accountability, robust values such as integrity and professionalism mitigate collusion, address information asymmetry, and bolster anti-corruption initiatives. Ethical leadership, exemplified by principals, establishes a precedent for agents to prioritise transparency and fairness, thereby minimising opportunities for the misuse of power. Agents who internalise these values demonstrate resilience against bribery and favouritism, ensuring merit-based procurement decisions. Furthermore, the emphasis on human values promotes openness and reduces information asymmetry, a known facilitator of corrupt practices. Institutionalising ethics through mechanisms such as training programs, whistleblower

protection policies, and public awareness campaigns strengthens anti-corruption efforts. Ultimately, embedding human values within governance structures reinforces ethical behaviour and fosters a transparent and accountable procurement system. The next section has moved to another perspective based on the theme deduced from the finding, which is emerging technology.

### ***5.2.3.3 Emerging Technology as an Assistant to Curb Corruption***

The adoption of new technologies in public procurement poses challenges and opportunities to fight corruption. Adopting AI-driven data analytics will improve control by finding problems in the purchasing process. Also, automation cuts down on human involvement, which lowers the risk of bribery. Blockchain and big data analytics enhance due diligence with more transparency. But weaknesses in e-procurement platforms exist, with confidential information leaked periodically, defying digital security. Effective use is dependent on long-term, cost-effective, and interoperable systems with interoperability that connects with principal government agencies. In addition, emerging technologies such as AR and VR provide new solutions for allowing virtual site visits to avert bribery and manipulation risks. For maximum utilisation of these benefits, continued investment in infrastructure, capacity development, and the training of procurement officers is necessary. The emerging technology theme can be summarised as follows:

Table 5.11 Summaries the Theme of Emerging Technology as an Assistant to Curb Corruption

<b>Respondent</b>	<b>Theme</b>	<b>Quotes</b>
NGO 2	Emerging Technology	Sustaining technology in public procurement requires infrastructure, ongoing training, and capacity building. Procurement board members, crucial to the process, often lack the necessary expertise and must be properly trained.

Procurement Officer 1	Emerging Technology	Data can empower oversight, and AI can enhance this by analysing large datasets in real-time to detect anomalies linked to corruption.
Business Owner	Emerging Technology	There are inherent weaknesses in the e-procurement system, as confidential information is often leaked. Despite efforts to implement digital procurement, insiders disclose key details, such as bid values, rendering the process ineffective. As a result, securing an e-procurement contract often requires prior engagement with internal staff before submitting bids through the system.
<b>Respondent</b>	<b>Theme</b>	<b>Quotes</b>
Expert 1 and Auditor 1	Emerging Technology	A procurement system should be long-term, affordable, and compatible with other government entities. Integrating e-procurement with agencies like SSM, MOF, JPN, and UKAS would enhance efficiency and prevent corrupt actors from exploiting inter-agency gaps.
Procurement Officer 2	Emerging Technology	AI enables end-to-end procurement automation, minimizing human involvement and reducing corruption risks. Implementing big data analytics and blockchain can enhance due diligence on firms.
Expert 2	Emerging Technology	AR and VR enable virtual site inspections, reducing reliance on physical visits susceptible to bribery or threats. This enhances oversight while ensuring project quality and progress.

Recently developed technologies, especially AI and big data analytics, show a prospect of increasing the transparency and accountability of efficiency in the procurement process. Their implementations in Malaysia have been rather an uphill task replete with difficulties; this involves challenges such as internal collusions to holistic and sustainable procurement systems. A significant number of respondents in this study have opined that emerging technology and data analytics were among the solutions to corruption in public procurement. Among their commendations are:

- i. Implement a comprehensive, end-to-end procurement system standardised across all government levels, including ministries, departments, state and local governments, and statutory bodies.
- ii. Utilise data analytics to enhance government data management within the procurement process.
- iii. Explore the integration of blockchain technology to increase transparency in government procurement.
- iv. Employ artificial intelligence as a tool for due diligence to further enhance transparency.
- v. Leverage AI to improve the efficiency and speed of investigation and auditing processes.

On a similar note, emerging technologies bear huge potential to increase the level of transparency and accountability within public procurement; among such solutions is blockchain technology, which could make a huge contribution to traceability and integrity in procurement processes. It would be easier to manage project contracts and release payments with clear rules that make it less likely for corruption and increase trust among stakeholders if contracts were stored on blockchain (Abodei et al., 2019). In contrast, Balan et al. (2020) have talked about how blockchain systems can help public agencies make better decisions and make the tendering process more open and transparent. In any case, it has some mitigating effects on collusion and corruption risks through recording all the transactions in tamper-proof records, and such a context would encourage an accountable atmosphere.

E-procurement systems have shown various tendencies to bring efficiency and increased transparency into the procurement practices. It helps to determine needs and

tendering processes by electronic means and contract management that can help to simplify procedures and eliminate the possibilities of corrupt activities (Neupane, 2014). This supports a similar point made by Fourie and Malan, which is that through e-procurement, ethics are implemented in transparency and accountability, thus helping reduce fraud and corruption (Fourie and Malan, 2021). These technologies can reduce human intervention, usually associated with corrupt practices, by automating procurement processes. The implementation of these technologies is not without challenges. For instance, internal collusions among procurement officials remain a major concern that may nullify the effectiveness of technological solutions. Kostić and Bošković highlight that bid rigging and cartelism can further compromise the integrity of procurement processes, suggesting that technological interventions alone may not suffice to eliminate corruption (Kostić and Bošković, 2021). The presence of entrenched interests within public institutions can create resistance to adopting new technologies, as individuals may fear losing their power or influence. Further, the completeness and sustainability of procurement systems contribute much to the success in adopting emerging technologies. As suggested by Gjonbalaj et al. (2018), good legislation and regulations governing procurement are essential to securing efficient use of public money. However, unless supported with a strong legal framework on the integration of technology within the procurement process, anti-corruption initiatives cannot yield effective results. Technology-related matters are only sustainable in practice about infrastructure, continued training, and capacity building for public officials to then take real advantage. It includes the training for the procurement board member, who is an essential part of the public procurement process. Some of them are incompetent to sit at the table because they have zero knowledge about public procurement (Procurement 1). Moreover, NGO 3 contends that although there are more emerging technologies to come, they cannot defeat the tendency of a person who is willing to commit a crime by defeating the technologies through the loopholes.

The cultural context in Malaysia also plays a crucial role in the acceptance and effectiveness of emerging technologies in combating corruption. As noted by Abul Hassan et al. (2021), despite the establishment of principles for public procurement, issues related to transparency persist, indicating that cultural attitudes towards corruption may hinder the effectiveness of technological solutions. Therefore, fostering a culture of integrity and ethical behaviour is essential for the successful implementation

of these technologies. As expected, these new technologies, like AI, big data analytics, and blockchain, have a lot of potential to fight corruption in public procurement. However, how well they work in the end will depend on how well they deal with problems like internal collusion, lack of legislative support, and cultural acceptance. The procurement environment needs what should amount to multiple levels of approach, from innovation in technology to strong governance and ethics and capacity building to sustainability with complete transparency of Malaysia. Only through such comprehensive efforts could the pervasive issue of corruption in public procurement be fully addressed. Focusing on this study, emerging technologies play a transformative role in eradicating corruption in public procurement by addressing key vulnerabilities within the PAC model. Digital procurement platforms enhance transparency by reducing information asymmetry between principals and agents, ensuring all transactions are recorded and accessible for audit. Blockchain technology strengthens accountability by creating immutable records of procurement activities, minimising opportunities for illicit alterations and collusion. AI and data analytics can detect anomalies and red flags in procurement patterns, identifying potential corrupt practices before they escalate. Moreover, e-tendering systems reduce direct interactions between agents and clients, mitigating bribery and favouritism. According to Graycar (2019), technological interventions disrupt conventional corruption mechanisms by limiting discretionary power and enforcing compliance. However, successful implementation requires strong governance, cybersecurity measures, and institutional commitment to prevent the misuse of these technologies. Ultimately, integrating emerging technologies within public procurement enhances transparency, deters corrupt behaviour, and strengthens the overall integrity of the system.

Building on the action-actor-information-ineffectiveness framework, this research proposes a theoretical refinement of the Principal-Agent-Client model to better capture the complexities of corruption in Malaysian public procurement. This refined PAC model serves as a robust foundation for the subsequent proposition of a new, holistic procurement system tailored to the specific challenges within Malaysia. The proposed system aims to address the identified shortcomings of existing approaches and promote greater transparency and accountability.

### **5.3 THEORETICAL REFINEMENT: THE PRINCIPAL-AGENT-CLIENT MODEL IN UNDERSTANDING CORRUPTION IN MALAYSIAN PUBLIC PROCUREMENT**

Existing literature on corruption in public procurement frequently employs the principal-agent model to elucidate the dynamics between the government, which is principal and procurement officers which is agent. However, this framework often overlooks the crucial role and influence of vendors and contractors, who ultimately deliver the goods, services, or infrastructure. Therefore, as discussed throughout this chapter, as a result, this thesis proposes a refinement of the traditional principal-agent model by explicitly incorporating the vendor and contractor as a 'client' within a triadic relationship: the Principal-Agent-Client model. This adaptation provides a more nuanced and comprehensive lens through which to analyse corruption, particularly within the Malaysian context.

#### **5.3.1 The Evolving Roles in the PAC Model**

Building on the preceding analysis, this adapted model advances the PAC framework by redefining and evolving the roles of the key actors as follows:

- i. **Principal (Department Head/Minister):** Remains the delegator of authority, responsible for ensuring public funds are used efficiently and effectively to meet societal needs. The principal sets the overarching goals of the procurement process, emphasizing transparency, accountability, and value for money (Adam et al., 2024).
- ii. **Agent (Procurement Officer/Administrative and Diplomatic Officer):** Acts on behalf of the government to manage the procurement process, including vendor selection, contract negotiation, and project oversight. As highlighted in the editor document, in Malaysia, this role is often held by Administrative and Diplomatic Officers, whose transferability across government bodies introduces both opportunities and challenges.
- iii. **Client (Vendor/Contractor):** Traditionally viewed as an external party responding to procurement tenders, this thesis posits the vendor/contractor also acts as a 'client' within the PAC model. They are 'clients' in the sense that they are 'recipients' of the procurement decisions and processes enacted by the agent.

They seek to secure contracts and maximize their profits, which can create a conflict of interest with the principal's goals of public benefit (Azmi and Saidah, 2016). In Malaysia, 'patron' and 'client' relationships are still common, with the state nurturing capital accumulation for distribution of rents through government contracts and licenses (Azmi and Saidah, 2016).

### **5.3.2 Contribution to Principal-Agent Theory and Model**

This re-conceptualization significantly advances Principal-Agent theory by introducing a third actor, the client, thereby shifting the traditional dyadic model to a triadic one. This adaptation provides a more nuanced and realistic understanding of the relational dynamics that drive corruption in public procurement, as outlined below:

- i. **Enhanced Understanding of Actor Roles:** Recognizing the vendor and contractor as a 'client' highlights their agency and potential influence within the procurement process. It moves beyond a simplistic view of vendors as passive recipients of government decisions and acknowledges their active role in shaping procurement outcomes. This is particularly salient in contexts like Malaysia, whereas (Hui et al., 2011) indicates, interference from outside parties and cronyism can affect the awarding of contracts.
- ii. **Identification of New Conflict of Interest:** The PAC model illuminates potential conflicts of interest that may be obscured in the traditional principal-agent framework. The vendor and contractor, as a 'client' seeking to maximize profits, may engage in activities that undermine the principal's objectives, such as bribery, collusion, or the provision of substandard goods or services.
- iii. **In-Depth Risk Mitigation Strategies:** By explicitly recognizing the triadic relationship, stakeholders can develop more targeted strategies to mitigate corruption risks. This may include strengthening oversight mechanisms, enhancing transparency, promoting ethical conduct among procurement officers, and fostering a more competitive and transparent bidding environment. The study by Mohd Yusof, H., et al. (2024), also suggests that all three actors are potentially involved with irregularities in government procurement (Azizan et al., 2024).

- iv. Contextualization within the Malaysian Framework: This refined model is particularly relevant to understanding corruption in Malaysian public procurement due to the country's socio-political and economic dynamics (Azmi and Saidah, 2016). The interplay between political influence, bureaucratic structures, and business interests creates a complex environment in which corruption can thrive (Azmi and Saidah, 2016).

By adopting the PAC model, this thesis aims to provide stakeholders with a more nuanced understanding of the roles, relationships, and potential vulnerabilities within the Malaysian public procurement system. This, in turn, can inform the development of more effective anti-corruption strategies and promote greater transparency, accountability, and value for money in government spending.

#### **5.4 RECOMMENDATION: NEW HOLISTIC PROCUREMENT SYSTEM AS INITIATIVE TO MITIGATE AND REDUCE CORRUPTION IN PUBLIC PROCUREMENT**

Acknowledging the limitations of existing anti-corruption measures, such as inconsistent enforcement and political interference, and building on the PAC model's enhanced understanding of vendor and contractor influence, this thesis advocates for a new holistic procurement system. This initiative aims to proactively restructure the procurement ecosystem, moving beyond reactive measures to address corruption systemically.

Public procurement represents one of the largest components of government expenditure globally and is fundamental to the delivery of public services and national development. However, despite Malaysia's existing legal frameworks and various anti-corruption strategies, corruption in public procurement remains persistently entrenched. Issues such as inconsistent law enforcement, political interference, lack of transparency, and weak internal controls have continued to undermine reforms. These limitations reveal a critical need for innovative and integrated approaches to overcome the systemic vulnerabilities that allow corruption to thrive in procurement processes.

Current initiatives, as discussed throughout this study, including the Malaysian Anti-Corruption Commission (MACC) and legal instruments such as the Whistleblower Protection Act 2010, while commendable, have yet to yield the transformative outcomes

needed in public procurement governance. For example, whistleblowers still face fears of retaliation, and enforcement agencies suffer from capacity and coordination challenges. Similarly, while public engagement and transparency mechanisms have expanded, they remain fragmented and limited in scope and effectiveness. Importantly, procurement decisions often continue to be influenced by political patronage and opaque practices, which perpetuate cronyism and reduce competition.

#### **5.4.1 Comprehensive Digital Procurement Governance System (CDPGS)**

In this context, based on the recommendation by the most of the participants, there is a strong rationale for the Malaysian government to consider a new, integrated, and holistic anti-corruption initiative specifically tailored to the procurement sector. This study proposes the development of a Comprehensive Digital Procurement Governance System (CDPGS). It is an advanced, real-time, end to end online platform that centralises and automates public procurement processes across all ministries and government agencies. Unlike existing systems, this platform would serve as an inter-agency data sharing hub that consolidates information from key regulatory and enforcement bodies, including:

- i. Companies Commission of Malaysia (SSM)
- ii. Ministry of Finance (MOF)
- iii. Malaysian Anti-Corruption Commission (MACC)
- iv. Public Works Department (JKR)
- v. Construction Industry Development Board (CIDB)
- vi. Royal Malaysian Police (PDRM)
- vii. Royal Malaysian Customs Department
- viii. National Audit Department

Through this integration, the CDPGS would enable procurement officers to perform comprehensive due diligence, track contractor histories, flag suspicious patterns, and ensure real-time compliance with procurement regulations and ethical standards. The system would also use machine learning and predictive analytics to

detect anomalies, assess corruption risk indicators, and generate red flags before contracts are awarded.

The enactment of the Data Sharing Bill 2024 provides the enabling legal infrastructure to operationalise such a platform. This legislation encourages seamless inter-agency data exchange, breaking down long-standing information silos that previously hampered enforcement and oversight. Spearheaded by the Ministry of Finance, as the central authority on public procurement, as this initiative would require high-level coordination among stakeholders, from technical agencies to regulatory bodies. Institutional support, shared responsibility, and sustained political will are essential to ensure its success.

Internationally, similar integrated systems have been implemented with measurable success. For instance, South Korea's KONEPS (Korea On-line E-Procurement System) and Ukraine's ProZorro have demonstrated that transparency, efficiency, and accountability can be significantly enhanced through centralised digital procurement platforms (ILO, 2022; Poltoratskaia and Fazekas, 2024). These models underscore the value of open data, real-time monitoring, and inter-agency collaboration in reducing procurement-related corruption. Nonetheless, the path to implementation in Malaysia will not be without challenges. These include bureaucratic inertia, inter-agency rivalries, technological gaps, data privacy concerns, and potential resistance from vested interests. However, the long-term benefits such as a cleaner procurement ecosystem, improved fiscal management, enhanced public trust, and alignment with international standards, far outweigh these transitional obstacles.

In conclusion, to break the persistent cycle of corruption in public procurement, Malaysia must move beyond fragmented reforms toward a bold, systemic transformation. Although it is just a conceptual proposal, the proposed CDPGS, anchored in legal legitimacy under the Data Sharing Bill 2024 and guided by collaborative governance, presents a strategic and forward looking solution. If realised, it will mark a significant milestone in Malaysia's anti-corruption journey and redefine procurement integrity in the public sector.

## 5.5 SUMMARY OF THE CHAPTER

This chapter has presented a detailed analysis of the study's findings, highlighting how identified themes contribute to a deeper understanding of corruption within Malaysia's public procurement sector. Framed by the action-actor-information-ineffectiveness framework and analysed through the lens of the Principal-Agent-Client Model, this discussion has revealed systemic vulnerabilities facilitating corrupt practices.

Furthermore, the chapter makes a significant theoretical contribution by refining the traditional principal-agent model to explicitly include the vendor and contractor as a 'client', offering a more nuanced understanding of actor roles and potential conflicts of interest. Acknowledging the limitations of existing anti-corruption measures, such as inconsistent enforcement and political interference, the chapter's insights also pave the way for a new holistic procurement system that proactively restructures the procurement ecosystem, moving beyond reactive measures to address corruption systemically.

While this chapter focuses on interpreting the research results and establishing a foundation for a new procurement approach, the subsequent chapter will discuss the study contributions, address the study's limitations and delineate future research directions.

## **CHAPTER SIX**

### **CONCLUSION**

#### **6.1 INTRODUCTION**

This chapter synthesises the key elements of the contributions and limitations of the study and provides potential directions for future research. Based on the findings, this chapter provides actionable insights on how to address public procurement corruption and improve the governance framework. It reflects on the meaning of the study in relation to academic and practical domains, acknowledging its limitations but opening a way for further exploration.

The need for a new initiative recommends focusing on pragmatic measures to temper corruption in public procurement with a stronger anti-corruption framework in Malaysia. It requires a comprehensive strategy, including strict legislative requirements, human values, and technology innovations, which is essential. These proposals are meant to close the gaps identified in the current anti-corruption framework and thus provide strategic interventions that will strengthen public sector governance. It contributes to the development of such a framework in the Malaysian context to advance both theoretical understanding and practical application in combating corruption. However, there are certain limitations of the study. Some of the potential limitations include the scope of the data collected, reliance on qualitative methodologies, and focus on particular cases, which might affect the generalisability of the findings. These are recognised in an effort to fairly present the study outcomes and their implications for more generalised conditions.

This research identifies avenues for future study, recommending further exploration of emerging corruption trends in sectors such as healthcare, education, and information technology. Additionally, it emphasises the timely need for research on the use of emerging technologies to effectively mitigate corruption risks. By highlighting these areas, this study aims to inspire continued inquiry and innovation in combating corruption. It concludes with the remarks of this study by providing a comprehensive overview of its practical implications, academic impact, and future directions for research and practice in public sector governance.

## 6.2 SUMMARY OF THE STUDY

This research has drawn into many complexities in corruption within the public procurement sector of Malaysia while addressing three critical research questions in unearthing its root mechanism and putting forward practical solutions. In-depth, step-by-step analysis of *modus operandi* has identified various prevailing practices and vulnerabilities to unethical conduct. It also looked at how the principal, agent, and client worked together illegally, showing how their relationships changed over time. The conceptual frameworks showed how systemic flaws allowed this illegal working together to happen. Finally, the study has looked at the necessity for the Malaysian government to adopt new measures that could help in overcoming the very causes of corruption. It further emphasised that the measures ought to be holistic and innovative in nature. Findings on the challenges provide a foundation for the development of effective strategies through which integrity and accountability are enhanced in public procurement. In light of the following, this thesis has effectively addressed the research questions:

**Research Question 1:** What is the *modus operandi* (MO) of corruption in the public procurement sector in Malaysia?

A close study of Malaysia's public procurement system shows a complex web of dishonest activities, including rigging bids, forging documents, messing with contract management, working with lobbyists and cartels, and submitting false claims to make money illegally. These dishonest activities are made worse by the fact that principals wilfully lie on asset declarations and have conflicts of interest, and politics get in the way to get money for political activities. Moreover, specific stages of the procurement process, particularly direct negotiation procurements where discretionary power is amplified, exhibit heightened vulnerability to corruption. These findings underscore systemic vulnerabilities within the procurement framework, necessitating strengthened oversight mechanisms, enhanced transparency measures, and robust institutional reforms to effectively mitigate corruption risks and bolster public trust.

**Research Question 2:** How do the principal and agent collude in Malaysian public procurement corruption?

The study reveals a pattern of collusive corruption in Malaysian public procurement involving agents soliciting bribes, principals abusing their authority, and clients offering inducements. Furthermore, it exposes the facilitating role of consultants and intermediaries within this corrupt ecosystem. The research demonstrates how these actors operate within a network characterised by misused authority and interconnected relationships between principals, agents, clients, and their intermediaries, thereby perpetuating and enabling corrupt practices.

**Research Question 3:** Why does the Malaysian government need to adopt new government initiatives to curb corruption in the public procurement sector in Malaysia?

The findings highlight the pressing need for new and more effective anti-corruption initiatives in Malaysia, as existing measures have proven inadequate in curbing corrupt practices within public procurement. This underscores the necessity of a more comprehensive approach that integrates legal reforms, institutional strengthening, and proactive enforcement. Additionally, fostering human values, such as integrity and ethical leadership, is crucial in ensuring that public procurement processes are conducted transparently and responsibly. Inculcating these values among procurement officials and decision-makers serves as a fundamental deterrent against unethical behaviour. Moreover, leveraging emerging technologies, including blockchain, artificial intelligence, and big data analytics, can enhance transparency, accountability, and monitoring, thereby minimising the opportunities for manipulation and corruption. Thus, a multi-dimensional strategy that combines stringent legal measures, ethical governance, and technological advancements is essential in establishing a more robust anti-corruption framework in Malaysia. This findings also in accordance and at par with the list of assumptions that been made before the study was take place. (please refer to section 1.12 of the thesis).

## **6.3 RESEARCH CONTRIBUTIONS**

This study has contributed to three novel areas of knowledge: 1) empirical, 2) theoretical, and 3) practical implications. The study adds to what is known about public procurement corruption by filling in important gaps in our knowledge and providing a framework for controlling it using strategies that have been shown to work.

### **6.3.1 Empirical Implication**

This study makes a substantial empirical contribution to the field of public procurement and corruption studies by utilising primary data derived from Malaysian Anti-Corruption Commission investigation files and interviews with key stakeholders, including investigative officers, non-governmental organisations, experts, and convicted offenders. Through an analysis of real-world corruption cases, this research provides valuable insights into fraudulent practices, systemic vulnerabilities, and collusive behaviours within public procurement. The findings illuminate the mechanisms by which corruption occurs, the strategies employed to exploit regulatory gaps, and the challenges encountered by enforcement agencies. Moreover, this study enhances policy development by offering data-driven perspectives to inform anti-corruption strategies and institutional reforms. Through its interdisciplinary approach, integrating perspectives from public administration, law, economics, and sociology, the research enriches the broader discourse on corruption.

### **6.3.2 Theoretical Implication**

This study advances the theoretical understanding of corruption in public procurement by proposing an extended analytical framework, the Principal-Agent-Client (PAC) model which builds upon and transcends the classical dyadic Principal-Agent (PA) theory. While traditional PA models conceptualise corruption primarily as a bilateral failure in accountability between a principal which is the state and an agent which is a public official or contractor. This study draws upon Groenendijk's (1997) triadic reformulation to formally integrate the role of a third actor: the client which refer to vendors, intermediaries, or political actors who seek to influence procurement outcomes.

The revised PAC model introduced herein reconfigures the relational dynamics underlying corruption by exposing the triangular interplay that drives illicit behaviour in procurement systems. It delineates four interlocking dimensions central to understanding systemic corruption: 1) individual incentives that motivate self-serving actions across all three roles; 2) collusive relationships that enable coordination and concealment of corrupt acts; 3) asymmetric information between the principal and the agent, which the client exploits; and 4) the institutional ineffectiveness of anti-corruption controls, which fail to account for these multi-actor dynamics. By shifting the analytical lens from dyadic to triadic, this study offers a more behaviourally and structurally grounded interpretation of procurement corruption. The inclusion of the 'client' as a discrete, empowered actor reveals how corruption is not simply a breakdown in top-down oversight, but also a consequence of horizontal and cross-sectoral alliances that blur the boundaries between private interest and public duty. It underscores how clients often initiate, incentivise, or perpetuate corruption, thereby reshaping the power geometry of procurement decision-making.

Theoretically, this reconceptualisation compels a paradigm shift in how accountability and reform mechanisms are designed. Most anti-corruption frameworks are structured around binary relationships, focusing on agent compliance and principal control, thereby overlooking the strategic behaviours and influence of clients who operate outside formal institutional boundaries. This PAC model for corruption in public procurement reveals that corruption often thrives not despite governance frameworks, but because such frameworks inadequately address the informal, multi-actor alliances that underpin it. In the specific context of Malaysian public procurement, the PAC model offers explanatory power for phenomena such as: (a) politically motivated contract allocations, where clients override procedural safeguards; (b) collusive networks, involving public officers and vendors conspiring to rig bids; and (c) document falsification, driven by the strategic exchange of favours among agents and clients. These dynamics are not anomalies, but systematic patterns enabled by unacknowledged third-party influence.

Importantly, while the PAC model has been conceptually discussed in broader governance literature, lack of prior research has explicitly applied this model to the domain of public procurement corruption. This study, therefore, marks a novel theoretical intervention by demonstrating how the triadic interactions among principals,

agents, and clients function as the operational architecture of corruption in procurement systems. The PAC model thus offers a new conceptual foundation for rethinking institutional design, one that moves beyond binary oversight mechanisms to account for the multiplicity of actors, the interdependence of their incentives, and the embedded, negotiated nature of corrupt exchanges. In doing so, it contributes a significant and original perspective to both corruption theory and the study of public sector accountability.

### **6.3.3 Practical Implication**

This study makes a significant contribution not only empirically but also theoretically and practically. The actionable recommendations derived from the findings have far-reaching implications for enhancing governance mechanisms, increasing transparency in procurement processes, adopting cutting-edge monitoring technologies, and fostering ethical leadership. Central to these recommendations is the proposed development of a Comprehensive Digital Procurement Governance System (CDPGS); a holistic initiative designed to integrate procurement workflows, embed real-time oversight, and enable data-driven decision-making across public agencies. Leveraging the Data Sharing Bill 2024 as a legislative enabler, the CDPGS aims to facilitate secure and seamless inter-agency information exchange, thus closing critical gaps in monitoring, accountability, and early detection of corrupt practices.

The proposed framework serves as a practical guide for policymakers and public officials, offering concrete strategies to institutionalise accountability and prevent corruption within procurement ecosystems. These recommendations not only address immediate institutional deficiencies but also offer a long-term vision for sustainable improvements in public sector governance.

Overall, the study contributes to three distinct yet interrelated domains of knowledge: empirical, theoretical, and practical. Empirically, it offers an in-depth understanding of corruption practices in Malaysia's public procurement system, drawing from case analyses, expert interviews, and incarcerated individuals' narratives. Theoretically, it introduces and substantiates the Principal-Agent-Client (PAC) model, providing a more nuanced and dynamic lens through which corruption can be understood and addressed. Practically, it translates these insights into viable, system-

level reforms, most notably the CDPGS, which is grounded in legislative and technological feasibility. Collectively, these contributions lay a robust foundation for future research, policy development, and institutional reforms aimed at promoting integrity and resilience in public procurement governance.

#### **6.4 LIMITATION OF THE STUDY**

As with any scholarly investigation, this study is subject to a number of limitations, both methodological and analytical, that must be acknowledged to contextualise its findings and theoretical claims. While the research contributes significantly to the academic and practical understanding of corruption in public procurement in Malaysia, recognising these constraints is essential to frame the scope and transferability of its conclusions.

First, the study employed a qualitative research design, drawing primarily on semi-structured interviews with experts and stakeholders and with the incarcerated people, supplemented by a purposive analysis of selected corruption case files. While this approach generated rich, context-specific insights, it inherently prioritises depth over breadth and may limit generalisability to other institutional or geopolitical settings. The purposive sampling strategy, although methodologically appropriate, involved a relatively small number of participants within a single national context, which may constrain the applicability of findings beyond Malaysia's public procurement landscape.

Second, a core methodological limitation lies in the reliance on secondary data, particularly in the analysis of corruption case files. Access to official case documents was limited, necessitating the use of available given information by the enforcement agency. While efforts were made to triangulate these sources with interview data, the secondary nature of the data imposes constraints on the depth, completeness, and authenticity of the findings. Important procedural details or confidential insights which is often critical in understanding the full context of procurement-related corruption, it may have been omitted or sanitised in publicly accessible documents. This reliance on secondary data potentially limits the robustness of the analysis and the granularity of the conclusions drawn.

Third, the study is based on self-reported interview data, which carries inherent risks of bias. Given the sensitive and potentially incriminating nature of the topic, participants may have been reluctant to disclose certain information or may have framed responses in a socially desirable manner. This limitation poses challenges for the accuracy and comprehensiveness of the empirical data, despite rigorous ethical safeguards and assurances of confidentiality.

Fourth, while the Principal-Agent-Client (PAC) framework provided a useful theoretical lens to analyse actor interactions and systemic vulnerabilities, it necessarily narrowed the analytical focus to these triadic relationships. Broader societal, institutional, and cultural determinants of corruption, such as informal networks, organisational norms, or political patronage, were not fully examined. This theoretical constraint may have excluded important macro-level factors that also contribute to corrupt practices.

Fifth, the study was conducted within a constrained timeframe and limited by available resources, which precluded the possibility of a longitudinal design or a broader sectoral and geographical coverage. A longer temporal horizon or a comparative cross-sectoral study could have allowed for the observation of evolving corruption trends and the identification of divergent patterns across different administrative contexts. Sixth, the qualitative nature of the research, while appropriate for unpacking the complexities of corruption, does not facilitate statistical generalisation. The absence of quantitative validation limits the capacity to confirm patterns across larger populations. Future research could benefit from a mixed-methods approach, enabling the integration of statistical inference with rich qualitative insights for a more robust understanding.

Lastly, the sensitive nature of corruption as a research topic posed additional barriers. Legal restrictions, institutional gatekeeping, and reputational concerns constrained access to certain types of data and limited participant engagement. These challenges, while expected in corruption research, nevertheless imposed boundaries on the scope and depth of inquiry.

In sum, these methodological and analytical limitations must be considered when interpreting the findings and proposed theoretical contributions of this study. Nonetheless, the research offers a meaningful foundation for advancing the understanding of corruption in public procurement. Future studies could address these

limitations by broadening data sources, incorporating longitudinal or comparative designs, applying additional theoretical frameworks, and combining qualitative with quantitative methods. Such approaches would enhance the empirical robustness and analytical reach of research in this critical domain, supporting more comprehensive anti-corruption strategies and institutional reforms.

## **6.5 FUTURE RESEARCH**

This research has contributed much toward clarifying corruption in public procurement but also pointed out numerous aspects that need further investigation. Corruption is complex and dynamic, hence, the fight against it calls for incessant study of its dynamics, causes, and mitigation approaches. This, then, makes future research able to build from the findings in this research to enhance knowledge of, and development of effective anti-corruption frameworks.

Firstly, such findings open possibilities for further research in other sectors besides public procurement, such as health care, education, or infrastructure development. Corruption dynamics can be compared across sectors or countries to establish general patterns and sector-specific vulnerabilities. A comparative approach in this manner might also provide more generalised insights and facilitate cross-sectoral anti-corruption strategies.

Secondly, as mentioned in the previous subsection, although this study was based on qualitative data, future research can adopt a mixed-method approach that will include quantitative analysis for validation of the findings and better understanding. For example, statistical models could be applied to measure the impact of certain anti-corruption initiatives or assess the prevalence of certain corrupt practices within the public sector.

Thirdly, trends and practices of corruption usually change over time in response to changes in governance, policies, and societal norms. Longitudinal studies could trace such changes, offering a dynamic perspective of corruption and its effective control. This would allow the identification of new risks and have strategies adapted to proactively deal with them.

Fourthly, although this research centered on the Principal-Agent-Client framework, future research could probe deeper into the cultural, organisational, and institutional factors that influence corruption. Examining how cultural norms, workplace ethics, and organisational hierarchies shape corrupt behaviours may provide new insight into ways of attacking corruption at its root.

Fifthly, increased use of technology within public governance presents an avenue to discuss its role in fighting corruption. More research is needed to ascertain how the tools of e-procurement systems, blockchain, and artificial intelligence can aid in this battle by increasing transparency and closing off avenues for corrupt practices.

Building on the previous point, a key direction for future research is the empirical development of the proposed Comprehensive Digital Procurement Governance System (CDPGS), which aims to integrate digital tools, real-time data analytics, and behavioural compliance mechanisms to address systemic weaknesses in public procurement. Building on the findings of this study, a participatory action research approach should be adopted to co-design and pilot the CDPGS in collaboration with key stakeholders, allowing for iterative refinement and contextual adaptation. Such research would not only evaluate the system's practical effectiveness in reducing collusion and enhancing transparency but also provide empirical grounding to the theoretical contributions of this thesis, particularly the expanded Principal-Agent-Client governance framework.

## **6.6 CONCLUDING REMARKS**

This study is guided by the principal-agent theory that is championed by scholars like Klitgaard (1988), Susan-Rose Ackerman (1978, 1986, 1999, and 2010), and Groennendijk (1997). Based on the theory, the conceptual framework was developed to visualise the essence of the research. From there, with the primary concern being to answer the research question stated in chapter one of this research, this study was utilising qualitative methods of research and applying the case study and document review approach. Data was collected using purposive sampling to choose the right respondent to be interviewed by applying in-depth interviews. While, for the document review, selected Malaysian Anti-Corruption case files were chosen according to several criteria. As for the analysis, thematic analysis was used to analyse both interview and

document review data using ATLAS.ti to produce the themes. After a careful analysis of the data, several themes had emerged as a finding of this study, and it has been discussed thoroughly in chapters four and five.

The thesis has argued that the corruption in the public procurement sector in Malaysia has been influenced by the roles of the actors colluding in the procurement process, which are principal, agent, and client. As it was explained throughout this thesis, the principal refers to the head of department, top officials who make decisions such as ministers, including their relatives. While agent refers to the public officials involved in the public procurement process, including the middleman, such as a special officer to the minister. Lastly, client refers to the potential and appointed vendors, contractors, and suppliers. They are the last actors that seem to have made interaction with both principal and agent to fulfil their objectives, which is to get the government tender or projects. This collusion is not limited to the two ways of interaction between client and principal and client and agent; however, it can be both ways. The asymmetry of information between the principal and the agent allows the latter to hide their corrupt behaviour, thus breaching the trust in public procurement.

Secondly, it also argued that the action taken by the principal, agent, and client for personal incentives, which is bribery and corruption in the public procurement process, has caused the issue of transparency and accountability in the public procurement process in Malaysia. The actions of manipulating the tender process, tailoring the tender proposal and agreement, forging the procurement documents, leaking the procurement data, and lobbying through middlemen and special officers are among the modus operandi in public procurement in Malaysia. Thirdly, current anti-corruption measures in controlling corruption in Malaysia have certain shortages. By exploring and investigating the roles of actors, action by the actors in committing such white-collar crime of corruption has proven the ineffectiveness of the current anti-corruption initiatives.

Therefore, it argued that, by investigating and exploring the modus operandi of corruption in public procurement and the collusion among actors in public procurement, it resulted in new methods to curb corruption, especially in public procurement in Malaysia. Leveraging the Data Sharing Bill 2024 as a legislative enabler, the Comprehensive Digital Procurement Governance System (CDPGS) is designed to enable secure, seamless, and legally compliant inter-agency data exchange, thereby

addressing critical gaps in procurement monitoring, enhancing institutional accountability, and enabling the early detection of corrupt practices.



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## APPENDICES

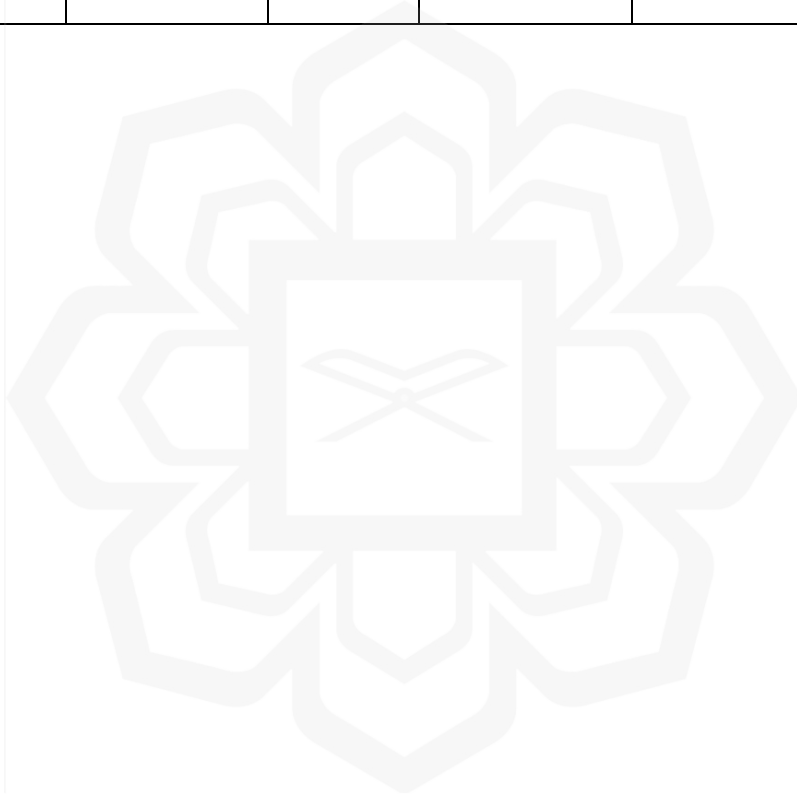
### APPENDIX A: RESEARCH FRAMEWORK

No.	Research Questions	Research Objectives	Conceptual Framework	Categories	Themes	New Themes	New Sub-Themes
1.	What is the <i>modus operandi</i> (MO) of corruption in the public procurement sector in Malaysia?	To explore the <i>modus operandi</i> (MO) of corruption in the public procurement sector in Malaysia.	<b>Action</b> – by actors to get the personal incentives of corruption	Trends and Modus Operandi	1. Forged and Falsifying Document. 2. Contract Management Manipulation 3. Stage of Procurement Prone to Corruption. 4. Bid Ringing and Cartels. 5. Politician and Political Fund.	1. Forged and Falsifying Document to Engage in False Claim. 2. Contract Management Manipulation Through Lobbyist. 3. Public Procurement involving Politician as a Stakeholder for Political Fund. 4. Mode and the Stage of Public	1. Fake Signature, Stamps, Certificates. 2. Inadequate Legal Staff, Biasness in Drafting Contract. 3. Appointment Politician as a Special Officer as stipulated in Constitution. 4. The use of consultant service to legalize corrupt money. 5. Secret meeting between potential corruptors before procurement phase. 6. False claim is the trend of corruption after procurement phase.

					<p>6. Conflict of Interest and Asset Declaration.</p> <p>7. Procurement Mode Tarnished by Corruption.</p> <p>8. False Claims Method of Corruption.</p> <p>9. Trends and Strategies of Corruptors to Get a Bribe.</p>	<p>Procurement Prone to Corruption.</p> <p>5. Conflict of Interest and Asset Declaration of Public Officials.</p>	<p>7. Principal and agent avoid the conflict interest issue by declaring during the decision-making process.</p>
2.	How do the Principal and Agent collude in Malaysian public procurement corruption?	To investigate the collusion between Principal, Agent and Client in corrupt practices in the public	<b>Actor and asymmetric info</b> – Principal and Agent collude with Client because of asymmetric	Conspiracy and Collusion	<p>1. Actors in Collusion.</p> <p>2. Agent Asking for Bribe.</p>	<p>1. Principal as a Power Abuser.</p> <p>2. Agent as a Facilitator.</p>	<p>1. Principal as a chairman of the procurement body will appoint his or her people to orchestrate the procurement.</p>

		procurement sector in Malaysia	info between them.		<ul style="list-style-type: none"> <li>3. Abuse of Power by Principal.</li> <li>4. Outsider Collude with Insider.</li> <li>5. Client Giving Bribe.</li> <li>6. Middleman and Consultant as an Actor.</li> </ul>	<ul style="list-style-type: none"> <li>3. Client as a Bribe Giver Through Consultant.</li> </ul>	<ul style="list-style-type: none"> <li>2. Agent will use his or her discretionary of power to manipulate client for bribe.</li> </ul>
3.	Why does the Malaysian Government need to adopt new government initiatives to curb corruption in public procurement	To evaluate the needs of new government initiatives to curb corruption in public procurement in Malaysia	<b>Ineffectiveness of Current Anti-Corruption Initiatives</b> – The ineffectiveness of current anti-corruption initiatives has caused	Initiatives and Recommendation	<ul style="list-style-type: none"> <li>1. The Effectiveness of Laws and Procedures.</li> <li>2. Values and Human Factor.</li> <li>3. Emerging Technology</li> </ul>	<ul style="list-style-type: none"> <li>1. Law as a Deterrence.</li> <li>2. Inculcate Human Values.</li> <li>3. Emerging Technology as an Assistance to Curb Corruption.</li> </ul>	<ul style="list-style-type: none"> <li>1. Fully utilized the provision on procurement in section 20 of MACC Act 2009 and Competition Act 2010 to deter corruption in public procurement.</li> <li>2. Introduce professional public procurement officer scheme in public sector.</li> <li>3. Introduce special training for members in Procurement Board.</li> </ul>

	sector in Malaysia		corruption in public procurement still persist.		and Data Analytic.		4. Introduce end to end holistic procurement system with strong legal framework including training and capacity building for sustainability.
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## APPENDIX B: ETHICS APPROVAL



### DEPARTMENT OF POLITICAL SCIENCE, AHAS KIRKHS, IIUM

Rujukan: IIUM/311/13/1/5  
Tarikh: 4 Ogos 2022

Pihak Tuan/Puan;

السلام عليكم ورحمة الله وبركاته

#### PERMOHONAN KEBENARAN UNTUK MENDAPATKAN DATA

Adalah dimaklumkan bahawa, HAIRUZZAKI BIN MOHD YUSOF, No. Matrik : G2129009 adalah pelajar dalam program PHD Sains Politik. Sebagai memenuhi syarat-syarat bergraduasi, beliau dikehendaki menyediakan satu penulisan ilmiah.

2. Tajuk tesis beliau adalah seperti berikut:  
Tajuk Tesis : Corruption in Public Procurement Sector in Malaysia

3. Adalah diharapkan agar pihak tuan dapat membantu pelajar dalam usaha beliau mendapatkan data untuk kegunaan penulisan ilmiah ini.

Kerjasama tuan/puan diberikan didahului dengan ucapan terima kasih.

Sekian. Terima kasih. Wassalam.

Danial Yusof, Prof Madya Dr.  
Department of Political Science AHAS IRKHS; dan  
International Institute of Islamic Thought and Civilisation (ISTAC)-  
International Islamic University Malaysia (IIUM)

No. Permohonan :...../.....

SPRMDPP 01/2016

(Diisi dalam satu salinan saja)

Pengarah  
Bahagian Dasar, Perancangan dan Penyelidikan  
Suruhanjaya Pencegahan Rasuah Malaysia  
Aras 20, Blok C, Ibu Pejabat  
Suruhanjaya Pencegahan Rasuah Malaysia  
No. 2 Lebu Wawasan Presint 7  
62250 Wilayah Persekutuan Putrajaya

Tarikh Diterima:

		/			/		
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**PERMOHONAN MENDAPATKAN INPUT BERKAITAN RASUAH DI SPRM**

**BAHAGIAN A : Butir-butir diri Penyelidik ( Untuk diisi oleh pemohon)**

1. Nama : HAIRUZZAKI BIN MOHD Yusof
2. No. Kad Pengenalan : 910628-17-5103 3. No. Pelajar : 62129009  
(Untuk pelajar)
4. Status Permohonan :  Pelajar  Bukan Pelajar/Pekerja
5. Alamat Surat Menyurat : NO. 29, Jalan Alam Sunia 16/25  
Bandar Puncak Alam 42300  
Selangor.
6. No. Telefon : 019-3103465 No. Telefon Bimbit : .....
7. Alamat Emel : hairuzzaki@sprm.gov.my / zaki-lebai@yahoo.com
8. Pekerjaan (Untuk pemohon yang bekerja) : .....  
(Nyatakan nama kementerian/jabatan/agensi/syarikat)

**BAHAGIAN B : Maklumat mengenai Institusi/Agensi**

9. Nama Institusi/Agensi : Universiti Islam Antarabangsa Malaysia
10. Alamat Institusi/Agensi : P.O. Box 10, 50728 Kuala Lumpur
11. No. Telefon : 03-6421 6421
12. Jurusan Pengajian : Sains Politik
13. Tahap Pengajian : Diploma/Jazah Sarjana Muda/Sarjana/PhD (Potong yang tidak berkenaan)
14. Agensi / Fakulti : Kuliyah of Islamic Revealed Knowledge and Human Sciences
15. Tahun Pengajian : 1

**BAHAGIAN C : Maklumat Mengenai Penyelidikan**

16. Tajuk kajian : Corruption in Public Procurement Sector in Malaysia

17. Peringkat kajian :  Diploma  Ijazah Sarjana Muda  Sarjana  PhD  
Lain-lain

18. Jenis input :  Data dan Statistik  Edaran Soal Selidik  Temuduga Pegawai

19. Perincian Input : .....

20. Tarikh diperlukan input/bahan kajian : 24/8/2022

**BAHAGIAN D : Pengakuan**

Dengan ini saya Hairuzaki bin Mohd Yusof mengaku bahawa saya akan mematuhi segala syarat yang ditetapkan oleh Suruhanjaya Pencegahan Rasuah Malaysia. Saya juga tidak akan memanipulasikan sebarang maklumat yang diberikan oleh SPRM dan tidak akan menggunakan maklumat yang diberikan untuk tujuan lain selain daripada kajian ilmiah saja.

Tarikh : 3/8/2022

  
Tandatangan Pemohon

**BAHAGIAN E : Pengakuan oleh Ketua Agensi/Dekan pemohon**

Pihak IPTA/IPTS dengan ini membuat pengakuan bahawa sesalinan hasil kajian akan dihantar kepada Bahagian Dasar, Perancangan dan Penyelidikan, Suruhanjaya Pencegahan Rasuah Malaysia dalam tempoh tiga bulan setelah penyelidik menamatkan pengajian dan tidak akan menyalahgunakan maklumat/input yang diberikan oleh SPRM untuk tujuan selain daripada kajian ilmiah ini.

Tarikh : 4/8/2022

  
Tandatangan Ketua Agensi/Dekan

Nama : Prof madya dr daniah yusof

Cop Rasmi :

Department of Political Science  
Kulliyah of Islamic Revealed Knowledge  
and Human Sciences

3/20/23, 8:34 PM

Re: PERMOHONAN MENDAPATKAN INPUT (DATA DAN STATISTIK) OLEH TUAN HAIRUZZAKI BIN MOHD YUSOF, UIAM

Reply all | Delete | Junk | ...

## Re: PERMOHONAN MENDAPATKAN INPUT (DATA DAN STATISTIK) OLEH TUAN HAIRUZZAKI BIN MOHD YUSOF, UIAM



Nurhasmah Binti Mohamed Kassim

Tue 3/14, 11:36 AM

Hairuzzaki Bin Mohd Yusof; Pengarah Bahagian Pengurusan Rekod dan Maklumat; ✕

Reply all | ✕

Inbox

Senarai Sabitan Peroleh...  
39 KB

Show all 1 attachments (39 KB) Download

Assalamualaikum wbt & Salam Sejahtera.

Tuan,

Dengan hormatnya saya merujuk kepada perkara di atas.

Sukacita dimaklumkan bahawa tuan boleh hadir ke Ibu Pejabat Suruhanjaya Pencegahan Rasuah Malaysia (SPRM) berhubung permohonan kajian ke atas Kertas Siasatan (KS) melibatkan perolehan awam dari tahun 2014 sehingga tahun 2019 sepertimana ketetapan berikut:

- Tarikh: **bermula 20 Januari 2023 sehingga Mac 2023** \*sila senaraikan dan sahkan tarikh kehadiran tuan dengan pegawai pengendali di Cawangan Rekod Operasi BPRM
- Masa: **di antara jam 10.00 pagi sehingga 4.00 petang**
- Tempat: **Cawangan Rekod Operasi (CAROS), Bahagian Pengurusan Rekod dan Maklumat (BPRM), Aras 8, Blok C, Ibu Pejabat SPRM, No. 2, Lebu Wawasan, Presint 7, 62250 Putrajaya.**

Untuk makluman tuan, hanya KS yang telah disahkan Kemas Untuk Simpan (KUS) dan telah berada dalam simpanan bilik kebal SPRM sahaja yang dibenarkan bagi tujuan kajian ini.

Bagi tujuan peringatan dan sebagai langkah keselamatan serta menjaga kerahsiaan dokumen terperingkat, tuan adalah **dilarang sama sekali daripada membawa keluar mana-mana Kertas Siasatan (KS) tersebut di luar kawasan Bilik Semakan serta tidak dibenarkan daripada membuat sebarang salinan termasuklah mengambil apa jua foto/gambar kandungan KS tersebut mahupun persekitaran kawasan Bilik Semakan termasuklah keseluruhan kawasan Aras 8, Blok C, Ibu Pejabat SPRM**. Tuan juga adalah diminta menyerahkan telefon bimbit tuan kepada Pegawai CAROS yang akan membantu mengawal-selia pergerakan tuan sepanjang tuan membuat semakan ke atas KS-KS tersebut.

Tuan diminta untuk menghubungi **PKPs Muhamad Fauzi bin Tajuddin** ditalian **03-8870 0666 atau 017-4263181** apabila telah berada di Ibu Pejabat SPRM bagi tujuan akses masuk ke CAROS. PKPs Muhamad Fauzi juga akan membantu tuan berhubung pengendalian KS tersebut sepanjang tuan

<https://mail.sprm.gov.my/owa/projection.aspx>

1/6

mana-mana penjara yang bersesuaian di Semenanjung Malaysia yang sedang menjalani hukuman penjara bagi **kesalahan rasuah** di bawah seksyen berikut:

- i. Banduan lelaki dihukum di bawah seksyen 18, dan 23 Akta Suruhanjaya Pencegahan Rasuah Malaysia ASPRM 2009; dan
- ii. Banduan lelaki dihukum di bawah seksyen 165, 417 dan 471 Kanun Keseksaan
- iii. Kes berkaitan rasuah di dalam bidang perolehan kerajaan

Pengumpulan data adalah melalui kualitatif (temu bual). Kajian ini dicadangkan bermula sekitar bulan **September 2023** untuk tempoh dua minggu. Kajian akan melibatkan saya dan seorang pembantu yang akan dimaklumkan kemudian. Maklumat penyelidik adalah seperti di bawah:

Hairuzzaki bin Mohd Yusof

No.K/P: 810628-12-5103

5. Justeru itu, saya amat berharap agar pihak YBrS. Tuan dapat memberikan kebenaran untuk melakukan kajian ini dan dapat memaklumkan tarikh yang sesuai untuk dijalankan kajian ini di premis tuan. Bersama surat ini, saya lampirkan surat iringan, protokol temu bual dan juga proposal ringkas kajian saya. Sekiranya pihak YBrS. Tuan memerlukan penjelasan yang lebih lanjut, boleh menghubungi saya di talian **0193103465** atau e-mail: [hairuzzaki.my@live.iium.edu.my](mailto:hairuzzaki.my@live.iium.edu.my) atau [zaki\\_lebai@yahoo.com](mailto:zaki_lebai@yahoo.com) atau melalui alamat seperti di atas. Kerjasama pihak YBrS. Tuan saya dahului dengan ucapan ribuan terima kasih.

Yang benar,



Hairuzzaki bin Mohd Yusof

Ketua Penyelidik

s.k- Penyelia,  
Prof. Madya Dr. Danial Mohd Yusof  
Jabatan Sains Politik  
AHAS Kuliyyah Ilmu Wahyu dan Sains Kemanusiaan  
Universiti Islam Antarabangsa Malaysia



**LEADING THE WAY**  
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SUSTAINABILITY INSTITUTION OF THE YEAR

PHD/202/07/03

20<sup>th</sup> June, 2023

To whom it may concern

Dear Sir/Madam,

*Assalamualaikum Warahmatullahi Wabarakatuh*

**SUPPORT LETTER TO CONDUCT RESEARCH FOR HARUZZAKI MOHD YUSOF (G2129009)**

May this letter reach you in the best of health and Iman.

I would be so grateful if you would be so kind to facilitate arrangements for Br. Hairuzzaki Mohd Yusof (G2129009) to conduct research.

As requested in his letter, Br. Hairuzzaki hopes to interview 10 relevant male prison inmates in Kajang Prison for his PhD research on "Corruption in Public Procurement Sector in Malaysia". As supervisor, I believe his research will be of importance to Malaysia in relation to anti-corruption policies and relevant agencies.

Any assistance you are able to provide would be very much appreciated. I fully support Br. Hairuzzaki's efforts in his research endeavor. If you require any further information, please do not hesitate to contact me at 019-6445276 or email me at [danielmy@iium.edu.my](mailto:danielmy@iium.edu.my). Thank you.

Yours faithfully,

AP. Dr. Danial Yusof  
Political Science Department  
IIUM



DEPARTMENT OF POLITICAL SCIENCE

International Islamic University Malaysia Gombak

Kulliyah of Islamic Revealed Knowledge and Human Sciences, S3100 Kuala Lumpur

Tel: +603-6421 6050/6051 | Fax: +603-6421 4870 | E-mail: [irkhs@iium.edu.my](mailto:irkhs@iium.edu.my) | Website: <http://www.iium.edu.my>



YBr. KP Supri bin Hashim  
Pengarah  
Bahagian Dasar Kepingjaraan  
Jabatan Penjara Malaysia  
Ibu Pejabat Penjara Malaysia  
Bukit Wira, 4300 Kajang,  
Selangor.

22 Jun 2023

Melalui Salinan:

Prof. Madya Dr. Danial bin Mohd Yusof  
Jabatan Sains Politik,  
AHAS Kuliyyah Pengajian Ilmu Wahyu dan Sains Kemanusiaan  
Universiti Islam Antarabangsa Malaysia

YBr. Tuan,

**MEMOHON KEBENARAN UNTUK MENJALANKAN KAJIAN TEMUBUAL  
DALAM KALANGAN BANDUAN PESALAH RASUAH WARGANEGARA  
MALAYSIA**

Dengan hormatnya perkara di atas dirujuk.

Sukacita dimaklumkan bahawa saya, Hairuzzaki bin Mohd Yusof (G2129009), pelajar Doktor Falsafah (Ph.D.) di Universiti Islam Antarabangsa Malaysia, ingin memohon kebenaran YBr. Tuan untuk menjalankan kajian yang bertajuk "Corruption in Public Procurement Sector in Malaysia: A Study of the Roles of Principal-Agent in Selected Malaysian Anti-Corruption Commission Case Files (2014-2019)" di penjara di bawah seliaan tuan.

2. Untuk makluman pihak YBr. Tuan, kajian ini merupakan kajian di peringkat Ph.D. di mana dapatan kajian ini akan memberikan manfaat kepada banyak pihak yang terlibat seperti, Suruhanjaya Pencegahan Rasuah Malaysia (SPRM) dan kerajaan Malaysia di dalam mencorakkan polisi berkaitan pencegahan rasuah terutama di dalam perolehan awam. Ini kerana, sebagaimana yang diketahui umum, sektor perolehan awam merupakan penyumbang utama kepada kes-kes rasuah di Malaysia dan melibatkan nilai yang besar. Memandangkan kes rasuah merupakan *white collar crime* dan kebanyakan banduan merupakan golongan terpelajar, secara tidak langsung, kajian ini dapat memberikan peluang kepada banduan sabitan bagi kes rasuah di dalam bidang perolehan untuk turut menyumbang dapatan dan idea untuk mengurangkan dan menghapuskan rasuah di dalam bidang perolehan negara.

3. Sehubungan dengan itu, diharap agar pihak YBr. Tuan dapat memberikan kebenaran kepada saya untuk menjalankan kajian ini. Untuk makluman pihak YBr. Tuan, kajian

mana-mana penjara yang bersesuaian di Semenanjung Malaysia yang sedang menjalani hukuman penjara bagi **kesalahan rasuah** di bawah seksyen berikut:

- i. Banduan lelaki dihukum di bawah seksyen 18, dan 23 Akta Suruhanjaya Pencegahan Rasuah Malaysia ASPRM 2009; dan
- ii. Banduan lelaki dihukum di bawah seksyen 165, 417 dan 471 Kanun Keseksaan
- iii. Kes berkaitan rasuah di dalam bidang perolehan kerajaan

Pengumpulan data adalah melalui kualitatif (temu bual). Kajian ini dicadangkan bermula sekitar bulan **September 2023** untuk tempoh dua minggu. Kajian akan melibatkan saya dan seorang pembantu yang akan dimaklumkan kemudian. Maklumat penyelidikan adalah seperti di bawah:

Hairuzzaki bin Mohd Yusof

No.K/P: 810628-12-5103

5. Justeru itu, saya amat berharap agar pihak YBrS. Tuan dapat memberikan kebenaran untuk melakukan kajian ini dan dapat memaklumkan tarikh yang sesuai untuk dijalankan kajian ini di premis tuan. Bersama surat ini, saya lampirkan surat iringan, protokol temu bual dan juga proposal ringkas kajian saya. Sekiranya pihak YBrS. Tuan memerlukan penjelasan yang lebih lanjut, boleh menghubungi saya di talian **0193103465** atau e-mail: [hairuzzaki.my@live.iium.edu.my](mailto:hairuzzaki.my@live.iium.edu.my) atau [zaki\\_lebai@yahoo.com](mailto:zaki_lebai@yahoo.com) atau melalui alamat seperti di atas. Kerjasama pihak YBrS. Tuan saya dahului dengan ucapan ribuan terima kasih.

Yang benar,



Hairuzzaki bin Mohd Yusof

Ketua Penyelidik

s.k- Penyelia,  
Prof. Madya Dr. Danial Mohd Yusof  
Jabatan Sains Politik  
AHAS Kuliyyah Ilmu Wahyu dan Sains Kemanusiaan  
Universiti Islam Antarabangsa Malaysia



Rujukan Tuan :  
Your Ref :  
Rujukan Kami : PRIDE.BDK.Rd.500.8/9/1 Jld. 65 (17)  
Our Ref :  
Tarikh : 17 Julai 2023  
Date :

Encik Hairuzzaki bin Mohd Yusof  
No. KP: 810628-12-5103  
Penyelidik/ Pelajar Doktor Falsafah (PhD)  
Universiti Islam Antarabangsa Malaysia  
**53100 KUALA LUMPUR**

E-mel: [hairuzzaki.my@live.iium.edu.mu](mailto:hairuzzaki.my@live.iium.edu.mu)  
No. Tel: 019-310 3465

Tuan,

**MEMOHON KEBENARAN UNTUK MENJALANKAN KAJIAN TEMUBUAL DALAM  
KALANGAN BANDUAN PESALAH RASUAH WARGANEGARA MALAYSIA**

Dengan hormatnya saya merujuk kepada surat tuan berhubung dengan perkara di atas.

2. Sukacita dimaklumkan bahawa permohonan tuan untuk menjalankan kajian yang bertajuk "Corruption in Public Procurement Sector in Malaysia: A Study of the Roles of Principal-Agent in Selected Malaysian Anti-Corruption Commission Case Files (2014-2019)" adalah **diluluskan**.

3. Kajian akan menggunakan kaedah temu bual bersama-sama (10) orang banduan sabitan (sukarela tanpa sebarang paksaan) yang sedang menjalani hukuman atas kesalahan seperti mana berikut:

- 3.1 Banduan lelaki dihukum di bawah Seksyen 18 dan 23 Akta Suruhanjaya Pencegahan Rasuah Malaysia
- 3.2 Banduan lelaki dihukum di bawah Seksyen 165, 417 dan 471 Kanun Keseksaan.
- 3.3 Kes berkaitan rasuah di dalam bidang perolehan.

4. Bersama-sama ini disertakan statistik banduan lelaki yang dihukum di bawah seksyen-seksyen tersebut di atas untuk rujukan pihak tuan (Lampiran 1).

...2/-



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Galeri Produk Penjara Ibu Pejabat Penjara Malaysia - Tel: 03 87328000 / Faks: 03 87340545; Galeri Produk Penjara Alor Setar, Kedah - Tel: 04 7302544 / Pks: 04 7328694.  
Galeri Produk Penjara Ajer Kechik, Melaka - Tel: Pks: 06 2316854; Galeri Produk Penjara Kota Kinabalu, Sabah - Tel: 088 231343/ Pks: 088 270460.



Certified to ISO 9001:2015  
Cert. No.: QMS 01623



*Rujukan Tuan* :  
*Your Ref* :  
*Rujukan Kami* : PRIDE.BDK.Rd.500.8/9/1 Jld. 68 (32)  
*Our Ref* :  
*Tarikh* : 03 November 2023  
*Date* :

Encik Hairuzzaki bin Mohd Yusof  
Penyelidik/ Calon Doktor Falsafah (PhD)  
Universiti Islam Antarabangsa Malaysia  
53100 KUALA LUMPUR

E-mel: [hairuzzaki.my@live.iium.edu.my](mailto:hairuzzaki.my@live.iium.edu.my) / [zaki\\_lebai@yahoo.com](mailto:zaki_lebai@yahoo.com)  
No. Tel: 019-310 3465

Tuan,

**MEMOHON KEBENARAN UNTUK MENJALANKAN KAJIAN TEMUBUAL DALAM KALANGAN BANDUAN PESALAH RASUAH WARGANEGARA MALAYSIA**

Dengan hormatnya saya merujuk kepada surat tuan berhubung dengan perkara di atas.

2. Sukacita dimaklumkan bahawa permohonan tuan untuk menambah dua orang lagi responden bagi tujuan kajian yang bertajuk "Corruption in Public Procurement Sector in Malaysia: A Study of the Roles of Principal-Agent in Selected Malaysian Anti-Corruption Commission Case Files (2014-2019)" adalah **diluluskan**.

3. Kajian akan menggunakan kaedah temu bual bersama-sama dua orang banduan sabitan yang sedang menjalani hukuman atas kesalahan seperti mana berikut:

- 3.1 Seksyen 471 Kanun Keseksaan dan
- 3.2 Kes berkaitan rasuah di dalam bidang perolehan.

4. Penyelidik dan Pembantu Penyelidik yang akan terlibat dalam kajian ini adalah seperti mana berikut:

- 4.1 Encik Hairuzzaki bin Mohd Yusof - No. KP: 810628-12-5103
- 4.2 Puan Kartini binti Ilias - No.K/P: 800330-03-6168

...2/-



"Kebajikan Diutamakan, Organisasi Dimartabatkan"

Galeri Produk Penjara Ibu Pejabat Penjara Malaysia - Tel:03 87328208/ Faks: 03 87340545; Galeri Produk Penjara Alor Setar, Kedah - Tel:04 7302544/ Faks:04 7328694.  
Galeri Produk Penjara Ayer Keroh, Melaka - Tel/Faks: 06 2316854; Galeri Produk Penjara Kota Kinabalu, Sabah - Tel:088 231342/ Faks: 088 270460.



Certified to ISO 9001:2015  
Cert. No.: QMS 01923

( 2 )

5. Pembantu Penyelidik yang akan terlibat dalam kajian ini adalah seperti mana berikut (seorang sahaja dalam satu-satu masa):

5.1 Encik Ahmad Sharif bin Haron : No.K/P: 900604-11-5153

5.2 Puan Kartini binti Ilias : No.K/P: 800330-03-6168

6. Untuk makluman tuan, kelulusan ini tertakluk kepada syarat-syarat seperti di Lampiran 'A'. Di samping itu, adalah diingatkan bahawa kajian ini terikat kepada persetujuan responden yang perlu diperolehi terlebih dahulu sebelum kajian dijalankan oleh penyelidik. Kelulusan ini adalah khusus untuk tujuan penyelidikan sahaja dan bukan bagi maksud hebahan. **Rakaman gambar, audio atau pengenalan individu yang sebenar adalah tidak dibenarkan.**

7. Sehubungan itu, segala urusan lanjut berhubung perkara ini, tuan hendaklah terlebih dahulu menghubungi Pengarah Penjara berikut bagi **menetapkan tarikh dan masa** yang sesuai tentang kajian akan dijalankan di institusi penjara berkenaan:

7.1 Pengarah  
Penjara Kajang  
43000 Kajang  
Selangor  
No. Tel: 03-87364620

7.2 Pengarah  
Penjara Kluang  
Kg. Gajah  
Jalan Mersing  
86000 Kluang  
Johor  
No. Tel: 07 - 787 5200

7.3 Pengarah  
Penjara Sungai Udang  
76300 Sungai Udang  
Melaka  
No. Tel: 06 - 351 9600

7.4 Pengarah  
Penjara Pokok Sena  
KM24 Jalan Naka  
06400 Pokok Sena  
Kedah  
No. Tel: 04-782 5555

...3/-

**PERAKUAN UNTUK DITANDATANGANI OLEH PENYELIDIK  
BERKENAAN DENGAN AKTA RAHSIA RASMI 1972**

Adalah saya dengan ini mengaku bahawa perhatian saya telah ditarik kepada peruntukan-peruntukan Akta Rahsia Rasmi 1972 dan bahawa saya faham dengan sepenuhnya akan segala yang dimaksudkan dalam Akta itu. Khususnya saya faham bahawa menyampaikan, menggunakan atau menyimpan dengan salah, sesuatu benda rahsia, tidak menjaga dengan cara yang berpatutan sesuatu rahsia atau apa-apa tingkahlaku yang membahayakan keselamatan atau rahsia sesuatu benda rahsia adalah menjadi suatu kesalahan di bawah Akta tersebut, yang boleh dihukum maksimum penjara seumur hidup.

Saya faham bahawa segala maklumat yang saya perolehi dalam perkhidmatan Seri Paduka Baginda Yang di-Pertuan Agong atau perkhidmatan mana-mana Kerajaan dalam Malaysia, adalah milik Kerajaan dan tidak akan membocorkan, menyiarkan, atau menyampaikan, sama ada secara lisan atau dengan bertulis, kepada sesiapa jua dalam apa-apa bentuk, kecuali pada masa menjalankan kewajipan - kewajipan rasmi saya, sama ada dalam masa atau selepas perkhidmatan saya dengan Seri Paduka Baginda Yang di-Pertuan Agong atau dengan mana-mana Kerajaan dalam Malaysia dengan tidak terlebih dahulu mendapat kebenaran bertulis pihak berkuasa yang berkenaan. Saya berjanji dan mengaku akan menandatangani suatu akuan selanjutnya bagi maksud ini apabila meninggalkan Perkhidmatan Kerajaan.

Tandatangan : .....  
Nama dengan huruf besar : HAIRUZZAKI BIN MOHD YUSOF  
No.Kad Pengenalan : 810628-12-5103  
Jawatan : PENYELIDIK  
Jabatan : UIAM  
Tarikh : 17/8/2023

Disaksikan oleh : .....  
(tandatangan)  
Nama dengan huruf besar : DAWIAL BIN MOHD YUSOF  
No.Kad Pengenalan : 730407-07-5413  
Jawatan : ASSOC. PROF. DR.  
Jabatan : JABATAN SAINS POLITIK  
Tarikh : 17/8/2023

Cop Jabatan : .....  
Department of Political Science  
Kulliyah of Islamic Revealed Knowledge  
and Human Sciences



*Rujukan Tuan* :  
*Your Ref* :  
*Rujukan Kami* : PRIDE.BDK.Rd.500.8/9/1 Jld. 68 (32)  
*Our Ref* :  
*Tarikh* : 03 November 2023  
*Date* :

Encik Hairuzzaki bin Mohd Yusof  
Penyelidik/ Calon Doktor Falsafah (PhD)  
Universiti Islam Antarabangsa Malaysia  
53100 KUALA LUMPUR

E-mel: [hairuzzaki.my@live.iium.edu.my](mailto:hairuzzaki.my@live.iium.edu.my) / [zaki\\_lebai@yahoo.com](mailto:zaki_lebai@yahoo.com)  
No. Tel: 019-310 3465

Tuan,

**MEMOHON KEBENARAN UNTUK MENJALANKAN KAJIAN TEMUBUAL DALAM KALANGAN BANDUAN PESALAH RASUAH WARGANEGARA MALAYSIA**

Dengan hormatnya saya merujuk kepada surat tuan berhubung dengan perkara di atas.

2. Sukacita dimaklumkan bahawa permohonan tuan untuk menambah dua orang lagi responden bagi tujuan kajian yang bertajuk "Corruption in Public Procurement Sector in Malaysia: A Study of the Roles of Principal-Agent in Selected Malaysian Anti-Corruption Commission Case Files (2014-2019)" adalah **diluluskan**.

3. Kajian akan menggunakan kaedah temu bual bersama-sama dua orang banduan sabitan yang sedang menjalani hukuman atas kesalahan seperti mana berikut:

- 3.1 Seksyen 471 Kanun Keseksaan dan
- 3.2 Kes berkaitan rasuah di dalam bidang perolehan.

4. Penyelidik dan Pembantu Penyelidik yang akan terlibat dalam kajian ini adalah seperti mana berikut:

- 4.1 Encik Hairuzzaki bin Mohd Yusof - No. KP: 810628-12-5103
- 4.2 Puan Kartini binti Ilias - No.K/P: 800330-03-6168

...2/-



"Kebajikan Diutamakan, Organisasi Dimartabatkan"

Galeri Produk Penjara Ibu Pejabat Penjara Malaysia - Tel:03 87328208/ Faks: 03 87340545; Galeri Produk Penjara Alor Setar, Kedah - Tel:04 7302544/ Faks:04 7328694.  
Galeri Produk Penjara Ayer Keroh, Melaka - Tel/Faks: 06 2316854; Galeri Produk Penjara Kota Kinabalu, Sabah - Tel:088 231342/ Faks: 088 270860.



Certified to ISO 9001:2015  
Cert. No.: QMS 01923

(2)

5. Untuk makluman tuan, kelulusan ini masih tertakluk kepada syarat-syarat seperti di Lampiran 'A'. Di samping itu, adalah diingatkan bahawa kajian ini terikat kepada persetujuan responden yang perlu diperolehi terlebih dahulu sebelum kajian dijalankan oleh penyelidik. Kelulusan ini adalah khusus untuk tujuan penyelidikan sahaja dan bukan bagi maksud hebahan. **Rakaman gambar, audio atau pengenalan individu yang sebenar adalah tidak dibenarkan.**

6. Sehubungan itu, segala urusan lanjut berhubung perkara ini, tuan hendaklah terlebih dahulu menghubungi Pengarah Penjara berikut bagi **menetapkan tarikh dan masa** yang sesuai tentang kajian akan dijalankan di institusi penjara berkenaan:

6.1 Pengarah  
Penjara Tapah  
KM 12, Jalan Tapah Road  
35400 Tapah  
Perak  
No. Tel: 05 - 418 1818


6.2 Pengarah  
Pusat Koreksional Kamunting  
34009 Taiping  
Perak  
No. Tel: 05 - 8837311

Sekian, terima kasih.

**"MALAYSIA MADANI"**

**"BERKHIDMAT UNTUK NEGARA"**

Saya yang menjalankan amanah,

  
**(PKK NOR HANZAN BIN MD ISA)**  
Bahagian Dasar Kepenjaraan  
b.p Komisioner Jeneral Penjara  
Malaysia

s.k: Timbalan Komisioner Jeneral Penjara (Keselamatan & Koreksional)

Pengarah Keselamatan & Koreksional  
Ibu Pejabat Penjara Malaysia

Pengarah Penjara Tapah

Pengarah PK Kamunting

- Kerjasama dan jasa baik pihak tuan dipohon untuk melantik seorang pegawai kanan bagi membantu penyelidik ini.
- Disertakan sesalinan soalan temu bual untuk rujukan pihak tuan.

**RESEARCH MANAGEMENT CENTRE (RMC)**

Our Ref. : IIUM/504/14/11/2/ IREC 2022-204  
 Date : 19 December 2022

Bro. Hairuzzaki bin Mohd Yusof (Principal Investigator)  
 No.29 Jalan Alam Suria, 16/25  
 Bandar Puncak Alam  
 42300 Selangor

Dear Bro.,

The IIUM Research Ethics Committee (IREC) has reviewed your study protocol as mentioned below:-

<b>ID NO.</b>	: IREC 2022-204
<b>RESEARCH TITLE</b>	: <b>Corruption in the Public Procurement Sector in Malaysia : A Study of the Roles of Principal-Agent in Selected Malaysian Anti-Corruption Commission (MACC) Case Files (2014-2019)</b>
<b>REGISTRATION DATE</b>	: 15 Nov 2022
<b>CO-INVESTIGATOR</b>	: Nil
<b>STUDY SITE</b>	: 1) MACC Headquarters, Lebuw Wawasan, Wilayah Persekutuan Putrajaya 2) Penjara Kajang, Selangor 3) Agreed-upon location by the interviewee
<b>SAMPLE SIZE</b>	: 50 MACC case files, 15 Convicted People in Prison and 16 Experts in the field
<b>ETHICAL EXPIRY DATE</b>	: 16 December 2023



The IIUM Research Ethics Committee (IREC) operates in accordance to the Declaration of Helsinki, International Conference of Harmonization Good Clinical Practice Guidelines (ICH-GCP), Malaysia Good Clinical Practice Guidelines and Council for International Organizations of Medical Sciences (CIOMS) International Ethical Guidelines

The following documents have been received and reviewed to the above study:-

1. Study Proposal/Protocol: Version 1, dated 15 Nov 2022
2. Informed Consent Form (ICF) –
  - i. Information Sheet (English) – Version 2, dated 30 Nov 2022
  - ii. Consent Form (English) - Version 2, dated 30 Nov 2022
3. Interview - Version 1, dated 15 Nov 2022
4. Approval Letter from Abu Sulayman Kulliyah of Islamic Revealed Knowledge and Human Sciences, IIUM
5. Principal Investigator's CV



Decision by IIUM Research Ethics Committee (IREC):

Approved  
 Disapproved

**Date of Approval: 16 December 2022**

The investigator(s) are required to:

- a) submit the 'Continuing Review Form' 30 days before EXPIRY DATE to renew Ethical Approval.
- b) notify IREC of any change in protocol and obtaining further ethical approval as appropriate.
- c) report any adverse incident during the course of a study to IREC even if the incident is not directly related to the study.
- d) report to the IREC within 72 hours for all internal SAEs (occurring in IIUM PI site).
- e) report in a prompt manner if the information impacts the continued ethical acceptability of the trial for external SAEs (occurring in participants at other sites).
- f) report any major protocol deviation occurs within 5 working days.
- g) complete and submit the End of Project Report Form to the IREC Secretariat's Office.
- h) All records and data subjects are CONFIDENTIAL and used only for the purposes of this study and all issues and procedures on data confidentiality must be observed.

Yours sincerely,



**PROF. DR. SUZANAH ABDUL RAHMAN**  
Deputy Chairman,  
IIUM Research Ethics Committee (IREC)

DISCLAIMER: The approval letter only covers the ethical aspect of your study only. Any other permission/approval to use any facilities, data or human resource should fall under applicant's responsibility.

**RESEARCH MANAGEMENT CENTRE (RMC)**

Our Ref. : IIUM/504/14/11/2/ IREC 2022-204  
 Date : 23 Oct 2023

Hairuzzaki bin Mohd Yusof  
 No.29 Jalan Alam Suria 16/25  
 42300 Bandar Puncak Alam  
 Selangor

Dear Brother

**APPROVAL LETTER OF AMENDMENT AND CONTINUING REVIEW**

The IIUM Research Ethics Committee (IREC) has reviewed your study protocol as mentioned below:-

**ID NO.** : IREC 2022-204  
**TITLE (PREVIOUS)** : Corruption in the Public Procurement Sector in Malaysia : A Study of the Roles of Principal-Agent in Selected Malaysian Anti-Corruption Commission (MACC) Case Files (2014-2019)  
**REGISTRATION DATE** : 15 Nov 2022 (Previous Approval Letter, dated 19 Dec 2022)  
**AMENDMENT APPROVAL** : 20 Oct 2023  
**CONTINUING REVIEW APPROVAL** : 16 Dec 2023 – 16 Dec 2024

The IIUM Research Ethics Committee (IREC) operates in accordance to the Declaration of Helsinki, International Conference of Harmonization Good Clinical Practice Guidelines (ICH- GCP), Malaysia Good Clinical Practice Guidelines and Council for International Organizations of Medical Sciences (CIOMS) International Ethical Guidelines

The following proposed amendment documents have been reviewed and approved to the above study:-

**Amendment:-**

1. Additional interview places as approved by the Prison Department of Malaysia:
  - a) Penjara Sungai Udang, Melaka
  - b) Penjara Pokok Sena
2. Addition incarcerated female corruption offenders in Penjara Wanita Kajang as a subject or respondent for this research
3. Revised research proposal – Version 2, dated 16 Oct 2023



# APPENDIX C: INTERVIEW GUIDE AND CONSENT FORM

## (Incarcerated People)

### LAMPIRAN B

#### PROTOKOL TEMUBUAL

##### **A. Latar Belakang**

- 1) Sila perkenalkan diri anda?
- 2) Apakah kesalahan jenayah yang anda dilakukan?
- 3) Apakah hukuman yang dijatuhkan kepada anda? Mohon jelaskan dengan terperinci.

##### **B. Modus Operandi**

- 1) Merujuk kepada pengalaman anda, bagaimana rasuah boleh berlaku di dalam proses perolehan kerajaan?
- 2) Bagaimana kegiatan rasuah tersebut bermula dan siapakah pencetus kegiatan rasuah tersebut?
- 3) Adakah kegiatan rasuah tersebut dirancang terlebih dahulu? Bagaimanakah ianya dirancang dan dilaksanakan?
- 4) Proses perolehan dilaksanakan di dalam beberapa peringkat, kebiasaanya di peringkat manakah rasuah sering atau boleh berlaku? Dan apakah jenis perolehan yang terlibat?

##### **C. Aktor yang Terlibat**

- 1) Merujuk kepada kes anda, siapakah mereka yang terlibat di dalam kegiatan rasuah tersebut?
- 2) Apakah peranan anda di dalam proses perolehan tersebut?
- 3) Adakah kegiatan rasuah tersebut turut melibatkan penyelia/ketua jabatan anda? Sekiranya tidak, bagaimana kegiatan rasuah tersebut dapat disorok daripada beliau?

**(Expert)**

**INTERVIEW PROTOCOL (Expert)**

**A. Background**

- 1) Could you please tell me your brief background? (family, academic background).
- 2) What is your professional background, including your prior job titles and roles throughout your career?
- 3) Have you been involved directly in the procurement process in your current or previous organization? If yes, please elaborate more.
- 4) Can you provide an overview of your experience and background in public procurement and corruption investigation?

**B. Modus Operandi**

- 1) According to your vast working experience, how does corruption occur in the public procurement process?
- 2) Could you share the common modus operandi of corruption, especially in the public procurement process?
- 3) What are the common type of procurement has usually been tarnished by corruption in Malaysia? And at what stages of the procurement process? And how do you typically detect them?
- 4) How you stay up to date with evolving trends and tactics in public procurement corruption? Can you provide an example of how this knowledge has been beneficial to your work?

### **C. Actor**

- 1) According to your experience, who, either directly or indirectly plays a role in corruption within the procurement process? And who do you believe is the main culprit for this corrupt behavior?
- 2) Is there any collusion between different parties in the corrupt practices? Do corrupt practices in public procurement usually involve the agent, principal and client?
- 3) Could you share an example of high-profile public procurement corruption cases you have work on the past? What were the key challenges you faced, and how did you addressed them?
- 4) From your point of view, what are the driving factors that leads the procurement officer to accept the bribe and what the factors that influence contractors and suppliers (client) to offer bribes?

### **D. Prevention**

- 1) In your opinion, why does corruption still persist in the public procurement process? Do you think it can be reduced? If yes, please give more explanation for this statement
- 2) In your opinion, to what extent do the current anti-corruption initiatives in Malaysia help to curb corruption, especially in the public procurement process? (law, procedure, SOP, awareness, etc.)
- 3) In your perspective, what are the key challenges or emerging trends in the field of public procurement corruption that professional should be prepared to address in the coming years?
- 4) What does role emerging technologies and data analysis play in detecting and preventing corruption in public procurement? Please tell me more about that.
- 5) What are your recommendations to the government to tackle the issue of corruption in public procurement? And do you think there is a need for the government to adopt new initiatives to address it?



[Informed Consent Form for : Expert]

**Name of Principle Investigator:** Hairuzzaki Bin Mohd Yusof

**Name of Organization:** International Islamic University Malaysia

**Name of Project and Version:** Corruption in The Public Procurement Sector in Malaysia: A Study of the Roles of Principal-Agent in Selected MACC Case Files (2014-2019)

**This Informed Consent Form has two parts:**

- Information Sheet (to share information about the study with you)
- Certificate of Consent (for signatures if you choose to participate)

**You will be given a copy of the full Informed Consent Form**

### Part I: Information Sheet

#### Introduction

I am a Ph.D. student from the Political Science Department, International Islamic University Malaysia and currently doing research on the corruption in the public procurement sector in Malaysia. As the principal investigator for the research, I am going to give you some information and invite you to participate in this research. You do not have to decide today whether or not you will participate in the research. Before you decide, you can talk to anyone you feel comfortable with about the research. This consent form may contain words that you do not understand. Please ask me to stop as we go through the information, and I will take time to explain. If you have any further questions, you can contact me or another researcher.

#### Purpose of the research

Public procurement refers to the purchase of goods and services from suppliers on behalf of the government-by-government agencies. Corruption refers to giving or receiving something valuable in exchange for something else. Another definition of corruption is the misuse of power for one's own benefit. Corruption can occur in any aspect of our lives, including government procurement. If there are no anti-corruption measures in place, all corrupt activities may occur at any level of the public procurement process. Corruption activities in the public procurement process will have a negative impact on the nation, such as leakages, slow economic development, a lack of public facilities, and the socio-economic well-being of the citizens. Therefore, this research tends to investigate how corruption happens in the public procurement process in Malaysia, who is the main culprit, and how to avoid and reduce it from happening.

#### Type of Research Intervention

This research will involve your participation in an in-depth interview that will take about an hour. The interview session will be guided by the semi-structured question, and you are free to give your opinion based on your perception, experience, and knowledge to answer it.

# Consent Form Convicted People in Prison

Version 2  
Date: 30/11/2022



الجامعة الإسلامية العالمية ماليزيا  
INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA  
يُونَيْتِيسِي: اِسْلَامُ اَبَارَاجِسِيَا مِلْدِسِيَا

[Informed Consent Form for: Convicted People in Prison]

**Name of Principle Investigator:** Hairuzzaki Bin Mohd Yusof

**Name of Organization:** International Islamic University Malaysia

**Name of Project and Version:** Corruption in The Public Procurement Sector in Malaysia: A Study of the Roles of Principal-Agent in Selected MACC Case Files (2014-2019)

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Page 1 of 5

## APPENDIX D: LIST OF CODED RESPONDENTS

### **Basic Demographic : Incarcerated People**

**Prisoner 1:** Principal, Male, 46 years old, Serani ethnicity, *Muallaf* Muslim, Engineer.

**Prisoner 2:** Client, Male, 63 years old, Malay, Government pensioners.

**Prisoner 3:** Client, Male, 59 years old, Chinese, Building Manager.

**Prisoner 4:** Client, Male, 44 years old, Chinese, Car Broker.

**Prisoner 5:** Client, Male, 42 years old, Chinese, “loan shark”.

**Prisoner 6:** Agent, Male, 41 years old, Malay, Police Officer.

**Prisoner 7:** Agent, Male, 36 years old, Malay, Administrative Assistant.

### **Expert in the Field**

**Investigation Officer 1:** MACC Officer, Male, 48 years old, 21 years’ experience as an I.O, Law Background.

**Investigation Officer 2:** MACC Officer, Male, 42 years old, 16 years’ experience as an I.O, Masters in Corruption Studies.

**Investigation Officer 3:** MACC Officer, Male, 40 years old, 16 years’ experience as an I.O, Diploma in Corruption Studies.

**Procurement Officer 1:** Statutory Body, Female, 50 years old, MBA.

**Procurement Officer 2:** Statutory Body, Female, 51 years old, MBA.

**Auditor 1:** Former Public Auditor, Female, 63 years old, 30 years’ experience as public auditor, Degree in Accountancy.

**Auditor 2:** Public Auditor, Female, 22 years' experience as public auditor, PhD in Audit.

**Expert 1:** C-Suite, GLC, Male, 61 years old, CEO and President of several GLCs, 28 years' experience in corporate and public sector, MIA.

**Expert 2:** Top Management, Public Office, Male 61 years old, former Deputy Commissioner of MACC, 35 years' of experience in MACC, master's degree in criminology.

**Expert 3:** Director, Public Office, Female, 45 years old, 20 years' experience in MACC, master's degree in law.

**NGO 1:** Transparency International, President of TI-M, 40 years' experience in corporate sector, DBA.

**NGO 2:** IDEAS, Female, 15 years' in public finance, master's degree.

**NGO 3:** Rasuah Busters, Male, 58 years old, 22 years' experience as a journalist, PhD.

**Lawyer 1:** Law Firm Owner, Male, 39 years' of experience in legal and criminal matters, Law background.

**Business Owner:** Managing Director, Male, Degree in Hospitality and Tourism of Toulouse University France.

**Total Respondents: 22**

## APPENDIX E: SAMPLE OF TRANSCRIPT

██████████ (BUSINESS OWNER)

**Could you please tell me your brief background, your family and academic background, what is your professional background, including prior job titles and roles throughout your career?** I am married. I am the third children of four. Studied in ██████████ College and University of ██████████ in France. Graduated in tourism, hospitality and tourism engineering. And after graduated I became an entrepreneur. And I started my own business and a few a few businesses that I have been doing. So, throughout my career, my job title is Managing Director. **Can you provide your overview of your experience in public procurement and corruption investigation?** Overview. Yeah. My direct involvement in a case in the purse involved with Yayasan Selangor. It's done after tendering out and letter of award has been done. And we're already 50 percent on the way for the project. So, what they do is for me to get my progress payment. I have to give certain amount of money to certain people. So that my payment for the progress payment can be released. In this case, that is very unusual actually, because usually people in between two parties they already have an agreement, on how much to pay, where to pay, when to pay. But this is because there is no agreement beforehand. So, they tried to play this game, this kind of game. So, for us as an entrepreneur, we're actually at. At a loss because we cannot go left, or we cannot go right. We have to go; we have to go straight. We have to do it at. Because we already paid deposit, we already done bookings and everything, so if we turn back then most of it will be lost and there will be another story to recover the loss. OK, I think you already cover-up all the question. Should I continue?

OK, I actually what I know that from what my where what I am aware is that the current trend, usually most of the tender or contract that is going out from the government is already being set before the tender itself being prepared, you know, before the tender is being prepared. So, the people in power, they already know what they want, what they want to buy or what they want to procure. And they will sit with all their friends, their close friends. OK. You said this company, you find this company,

you get this company prepare. So OK, there they will have few numbers of company, maybe 1 percent can bring 10 companies. So if we have 5 friends, they will bring in 50 companies, 50 companies to buy the tender projects. So, all these fifty companies are very competitive, so all the other that without the inside information or without the knowledge, they will be out of the game it. So that's how they do it nowadays. **Are you referring to the cartel?** I'm not referring to a single party because it's being done in every single government institution. From my experience, from small projects that supply utensils access that you have. I like to laser stationary some pretty big, big project that may be procured such as building, construction etc. From stationary to bigger, bigger projects, everything is usually it's being set already. In. So how? **How do you get the info that they already set up those kinds of things? Where? Where do you get the info?** From your friends, you get close contact with the person who is in power. OK. **So, do you mean that the that there is a this is the new trends in in public procurement?** And not so new there, but that's how they do it from my experience there. OK. **Well, what kind of what type of procurement is it direct purchase, direct negotiation or tenders or? What type of procurement that usually they use this kind of cartels?** We go for the one that you think that is more secure like public tenders actually, because if you go directly, go directly, you don't need to say you. You can find the suspicious in the value already. Oh. But for tenders, because this is supposed to be systematic. Supposed to be secured. But this is how they play the game. So, they stand by their own people? So there, there's somebody inside the institution for to get info. Of course, that's why the head must be clean. If the head is not clean, then they you go the bottom. OK, **we referring to you're to your case, the initial part of your case, is there any collusion? are they see you before the procurement process begin? Who do initiate the meeting at the first place? and di approach you?** They know me before he went into Yayasan. They know that I can do event. I'm doing events. So, when they have the event in Yayasan Selangor, [REDACTED] asked me to enter the tender because he said other supplier give extravagant very big amount of money for the projects. So, they don't want it to be so expensive. OK. So, what other when I enter my budget is what I known is maybe 1/3 of other people, or 1/4 of other people budget. **Do you think that the process is according to the procedures?** No. **Why is that?** I don't think I even have to buy a document tender document. Oh, I see. I just send the proposal. **And then suddenly they call you?** Ya because everything within very short period of time. From the proposal inquiry until the execution of the project just within two month

or one and half month. So, when they call you for the discussion is it for the intention to award the tender to you? Yes, they just read our proposal and go through our tender documents and ask us to mark up the price for 5 to 10 percent for miscellaneous. **So at that time you knew already the miscellaneous is refer to the bribe money?** our understanding about miscellaneous is for the unforeseen cost like additional catering cost etc. Like ad hoc things. Later we realised that the 10 percent is for the kickback. We did not expect that because the value of the tender itself is not escalate much higher. If the person wanted to ask for kickback usually, the tender value purposely escalate from 50 percent to 100 percent, sometime to 200 percent of the value. We can sense the suspicious when notify the tender value itself, such as unrealistic higher value of the tender. **Is there any direct instruction from the accused to you regarding the payment of the kickback?** Yes, it is. He informs us to take the progress payment at his home. We wonder why at his home and not at his office. He directly instructs us to bring along the money for the kickback. From there we realised that he wanted to get the kickback from us by using extortion.

**We go to the third section, which is related to the actor, from the previous case, how many people do you think were involved, from him to his boss, or are there other people like middlemen or agents, are there any?** I think the whole office is involved. **Is it for that case? to extort the money?** because he blackmailed me to go to China for an office. **Oh, is it before that or after that?** before that but I didn't care. How much is he asking for, RM16,000 to RM20,000. **He asked through whom? Who asked?** He asked. **But do you believe asking for money for a visit or for his own use?** No, he did order to buy flight tickets for all the staff in his office. **Is that true, seriously? There is also this, a trend like asking contractors for money for funds that are used for the office, is there also?** That's right. He also asked for money for his boss to go to London, to send his children to London. **Why does he ask so much from you? because I think you have a tender value that is not high at all.** He tried to ask for all kinds of ways and all kinds of goals, but he couldn't. Last but not least, hold the payment. What he asked and extorted has already interfered with my project operations. Because we honestly work according to the given budget. Another thing about this alliance, for example this case right, if MACC doesn't investigate, **do you think there will be an alliance between the contractor and the officials in that department to expedite the corruption?** Yes, there is. I think that during my time

with him, he actually had a lot of plans with me, because he thought he could go far with me. He has already told a lot. He asked me to do many projects after that. So, I've seen the future, he already knows that he remembers that he can hold me like that. Okay, if that thing dies in the first project, there is no continuation. **But in your case, you don't have contact with anyone else, yes, I do from him? or is there another officer you are in touch with as well?** None. All things are his, what is his play, he is the main actor. **Does that mean that if you want to take money, you have to go through him, which means that you never directly deal with people in the office other than him?** Go to the office to sign the letter of award only with the present project proposal only.

**From your point of view, what are the driving factors that lead the procurement officer to accept the bribe, and what factors influence the contractor and supplier to offer the bribe?** the one who receives this must be because he wants money, right? Okay. One thing he wants is money, the other is survival. If he doesn't do the job, his boss will transfer him, okay sometimes he's just a scapegoat. The one who is above him is how much above, you want to know which one he has instructions from and how far above him, right? **Do you think that most of the procurement cases involve the boss or only the person in procurement?** Boss. People in procurement are just doing work. oh, I see Just like you. You can go to your investigation, but if your boss protects that person, then you have an investigation. Agreed. So, the contractor and supplier are involved because they want to survive, right? Actually, in Malaysia, it is to fund the political party. happy story If you get a project here, you have to transfer the money back to the political party that gave the project. This is what I want to ask because I think my investigation, I think there is a link with the PKR but I'm not sure because we didn't even investigate. So, can you refer that thing? That's the same too, that is just a grain of sand near the desert, that's how it is. Okay. People in power they work together too. ████████ somebody into PKR now? Not sure, but it doesn't feel like it, because he lost the PKR election.

**We go to the final section, which is prevention. In your opinion, why does corruption still persist in the public procurement process, and do you think it can be reduced?** if yes please give more explanation on that statement. Why is there more, if we have a very clean leader, and we have a set of leaders that is fighting corruption, God willing it can be done. Because corruption is going to demolish the civilization of the people. But the people also have the tendency to fight back. So, they will be a fight,

will be better in the future, God willing. In your condition right, if you are dealing with tenders in public procurement. And then, suddenly the officer from the department asks you for a bribe. **So, what are you going to do?** I called Mr. Zaki. Because I think this corruption will never end, you know? If they say you don't pay bribes, you can't get a job. You have no sustenance to eat. But if you reject it, if you accept it, then you will think again, is this money halal or haram? So he will be a dilemma you know. That's right. So, I have I have an approach now, instead of getting involved in corruption, I don't enter the tender. I only do jobs for people who enter the tender. It's a sub-contractor. Yes, I took on the sub-contractor's work, so I just completed the job. So, it's easy to have only one sub. **So usually this sub works, what percentage do you pay to those who get the tender?** We don't even know the price of the tender, we told him we had the price for the job, complete the job, then he paid us. So we don't know how much he made back then. So it's better that way, right? So we don't get involved if there's hanky panky going on, right? Yes, there is none. If people want to ask us, we don't know. Agreed. You play safe, it's good, thank God. So what do you want to do if you want to get involved in things like us, let's do what we can do, I agree. I didn't even think about this. I think, I think it is one of the solutions that we can give for the small companies. the new company wants to go up, right? Don't waste money to enter the tender. That's right. Want to compete with big companies that already have a cartel? Agreed. At any time, there is a certain cartel that invites you to join. For example, let's join our cartel, confirm you will get a job. I know all these cartels. So, he knows that I do my job to complete the job and to get the job done. And when he has taken the job, and they call me. For example, I got this job, can you get it done? **So, he didn't invite you to join their cartel?** He knows I'm not even interested. So they're comfortable with me, because they know I'm not interested in their business, and they're not interested in mine either. But if you remember there was one case before, MACC did investigate. What is the name of this big cartel, Dato' Adli? He does have a helicopter; he does control a tender near JKR. I think that is the biggest cartel that MACC has ever investigated. The others may be, but not as big as the plague. It means to show that the cartel does exist, it does exist. In fact, the research we are doing, we want to prove that things really happen, that's why we look at real cases rather than listening to people chatting at coffee shops, sometimes it's just hearsay. I don't know if those things are true or added, more exaggerated. From the real case we have, we can show the government this is the case, how you are going to resolve the problem. That's more or less right. As

I said, from small things, like buying a pen for example. How much ringgit to buy at the store? But how much ringgit is the tender price of the pen? Wasting people's money.

**Okay my next question, what does the roles of emerging technologies and data analysis play in detecting and preventing corruption in public procurement. Do you think this emerging technology can help?** Yes. An example of a database of land valuation to the valuation of the product to procure, what is it all about? You have a set of these databases of valuation. If when the tender comes in from one side, you can cross check, matching or not. If it is not matching, then there is something wrong there why is it not matching. It means that you think there needs to be a big bank data, the government's big database is there so anything can be checked for due diligence. Yes. Sometimes you don't have to have a database, you just need to have a person who can find out about the data base. What do you think about the system. For example, ABC company, just type everything that comes to you. What do you mean by system? For example, we want to see the background of the company, for example, you just type the name of the company, so he will bring out the company background, what is his financial status, what projects did he get from the government and so on. **Do you think it is beneficial?** Nope. **What's the reason?** Like I said, before the tender came out, he already had a set of his friends who prepared that thing so you will have 50 companies like that. Those who are financially strong, have done a lot of government work. Because they have prepared. Another thing is that sometimes his director, for example, he used to have another company, but that company had problems, corruption, and then the same director created or established another company and got another job with the government. **If that's the case, does it help if there is a system?** Yes, if that's the case, it can help. Maybe you can detect what kind of connection he has, right? Yes. Sometimes if you look, if there is no background check due diligence, sometimes the company is purposely established for that project. Sometimes company RM2 as people say. Because there is no background check. Now that's the kind of sustenance for corrupt people. That's a stupid boss. He's not good at saving himself, like going to get his relatives, right? It's only a matter of time that the MACC investigates and collects, that's a direct case. But sometimes, the procurement officer is not competent, corruption also happens, you can just let it go, right? He's not competent, he just wants to do the job quickly, so, his boss just signs, then he gets it at the company, right? **In terms of competence, it needs to be improved, don't you think?** That competence for me is

just an excuse. Sometimes he just wants a certain timing so that it looks like that, so that he doesn't get caught later. **Have you ever dealt with government e-procurement? What are the advantages and disadvantages of e-procurement?** There is indeed a weakness, because we are trying hard to key-in the e-procurement, but the fact is that people have leaked questions, there have been leaked answers, they already know what the value is, right? So, we entered the key-in in vain. So that means, if you want to get this e-procurement job, you have to meet up-front with the internal staff. **So, can you just key in the system?** That is correct.

Okay last, question. **What are your recommendations to the government to tackle the issue of corruption in public procurement? Do you think there is a need for the government to adopt a new initiative to address it?** MACC needs to have more power, independent power to investigate whether or not to charge people. Because it is, you have to go through politicians, so, how do you want to prosecute politicians? Until he falls no more in power, then we can prosecute. Okay, that's right, it's like a bitter thing, but it's true, that's how it is. Bittersweet, but true. Because if I can respond, it's because we have a government framework system that's already like that. So, it has an executive, a legislature and a judiciary. So, we come under the executive. As an executive appointment, the head of the MACC commission is also an executive appointment, appointed by the PM. So, how do you say independent, right? So, we have to change the constitution a little, for things like this. So, like me as a citizen, I will look like oh before he appoints the head of MACC there must be a deal first. You chase him, so don't chase me. If not, how is he sitting there again? Nowadays, everyone is smart, right? It wasn't in the old days when there was no technology, right? People just listened and followed. Now everyone can do research. So, I think it is timely to transform the MACC. I do agree to institutional reform for MACC. It doesn't matter what he wants to put under the parliament, but he will be seen as an independent. Yes, he is free from government, politicians and yellow umbrellas. That's right. But if you look, there really isn't any enforcement agency in the world that is completely independent. For example, the FBI investigates corruption as well, but under the Department of Justice, under the authority of the president. So, how do you want to investigate the president? The bottom line, the person in power will protect his power. That's it, so for me below as a follower, I do what I can. What is the right instruction, I do what I can, because we can't do anything more than that. That is out of our hands. Later, endangering you becomes a

worrying thing. Safety, right, in this day and age, he can know where we live, what all that is. So what the boss gives instructions, we just follow. I got this responsibility to continue studying, so I have to get some input from you, it's really rare, it's hard not to get it. There is no one, it's hard for people to cooperate, right? Like you said, what are people afraid of? **So, they are not comfortable giving input, so I think this thing is precious input for me.** Alhamdulillah's. Thank you very much. Because I don't want to do it casually, I can just make up my own story oh, this story is from experience. Do not want to. I really want to have a proper session, we have ethics and integrity, so we have to do it. So, I want someone to do the right thing. I have high hopes for you, God willing, one day you will become the director of MACC. God willing, prayers, I don't even know how the situation will come again, its condition may worse, right, but hopefully if we can reform the institution, then we can see that there will be a change later, God willing, let's all pray together. As long as there is effort, God willing. I pray that you have a thriving business, God willing, the children's sustenance, the family's sustenance, I pray for the best for you bro. Amen Ya Rabbal Alamin. I really want to have coffee with you later. Can we have coffee later, I'll make the consent form.

## APPENDIX F: SAMPLE OF MACC CASE FILE

### MACC CASE FILE 1

Date: 20/1/2023

Name of OKT 1: [REDACTED]

Job: Company Manager

Ministry: Private

Date of birth: 23/7/[REDACTED]

No.KS: 21/3/[REDACTED] (Sarawak)

#### Complaint

Information received in November 2015 indicated that an agent of Master Cargo Agencies Song Branch company, [REDACTED] was suspected of making a false claim containing false details to IPD [REDACTED] in the amount of RM 12,853.70 for the personal goods delivery service of Koperal [REDACTED] that was converted from IPD [REDACTED] to [REDACTED] IPD while the service was not implemented.

#### Modus Operandi

- The case refers to the case under section 18 of the 2009 ASPRM.
- The case refers to a force claim by the transportation agent company Master Cargo Agencies in connection with the transfer of police officers at IPD Song to IPD [REDACTED] in Sarawak.
- The investigation found that there was a reconciliation among the officials responsible for the acquisition process at the Song Joint IPD OKT from Master cargo agencies.
- Officers who move, procurement officers will issue a quotation.

- The acquisition process was carried out even though, the officers had moved, and the Master Cargo company was selected.
- Government orders (LO) should be issued in advance by PT Finance, but LO is provided after receiving the invoice.
- The approval officer responsible for the acquisition also directed that the sub-price acquisition should be carried out even though the officer's knowledge had moved.
- The approval officer has also approved payments even though the officer does not use the services of Master Cargo.
- A financial assistant signed an invoice confirming that the service has been rendered unimplemented.
- OKT has filed a claim to IPD [REDACTED] for unpaid service charges.

### **Principal Agent Collusion**

Officer involved:

- Chief of the District Police, Officer in charge of procurement at IPD Song is also a pass.
- N17 Administrator Assistant

The W17 financial assistant also met B1 at the B1 office and handed over the offer letter. PT Finance contacted B1 to sign the payment document. B1 signed the LO.

### **Conviction**

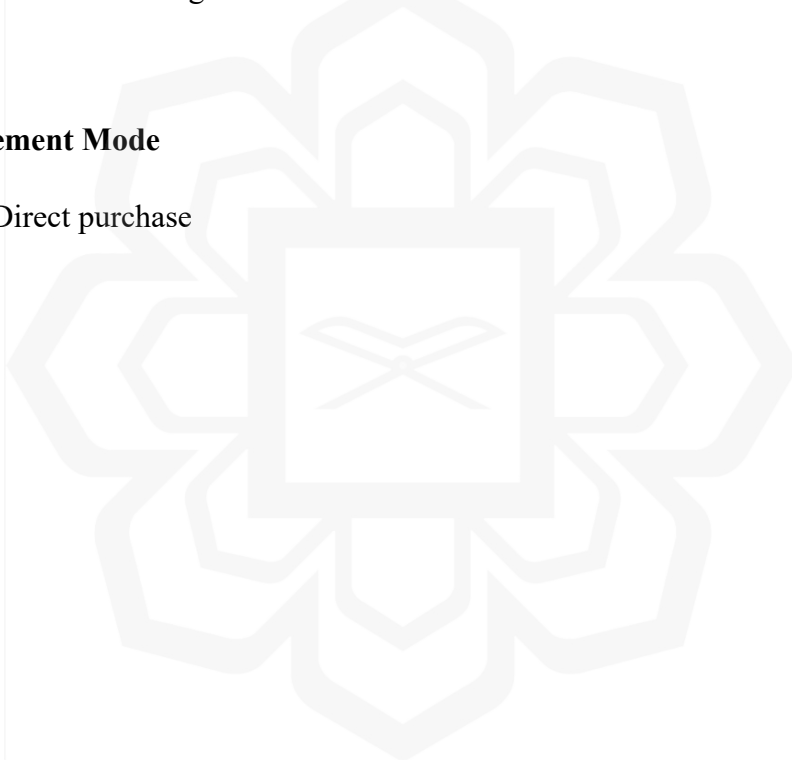
- Fine RM 64,270.00 in default 4-month imprisonment, and 5 days imprisonment (second charge).

## **Defence**

- Permanent member of the District Council of Kapit Song
- Secretary of Sarawak [REDACTED] Party [REDACTED] Song Branch
- The party's highest council.
- Borrow a Master Cargo license from [REDACTED], pay 12%
- Call the financial assistant, ask for the form and fill in the form.
- Send the form back to the Finance Department.
- Confess to recognize the P.T. Administration and P.P. Finance for business.

## **Procurement Mode**

- Direct purchase



## APPENDIX G: SAMPLE OF GROUND JUDGEMENT

[2022] 12 MLJ

Pendakwa Raya lwn Tan Sri Mohd Isa bin Abdul Samad  
(Mohd Nazlan H)

747

### A **Pendakwa Raya lwn Tan Sri Mohd Isa bin Abdul Samad**

MAHKAMAH TINGGI (KUALA LUMPUR) — PERBICARAAN  
B JENAYAH NO WA-45-14-04 TAHUN 2019  
MOHD NAZLAN H  
30 MAC 2021

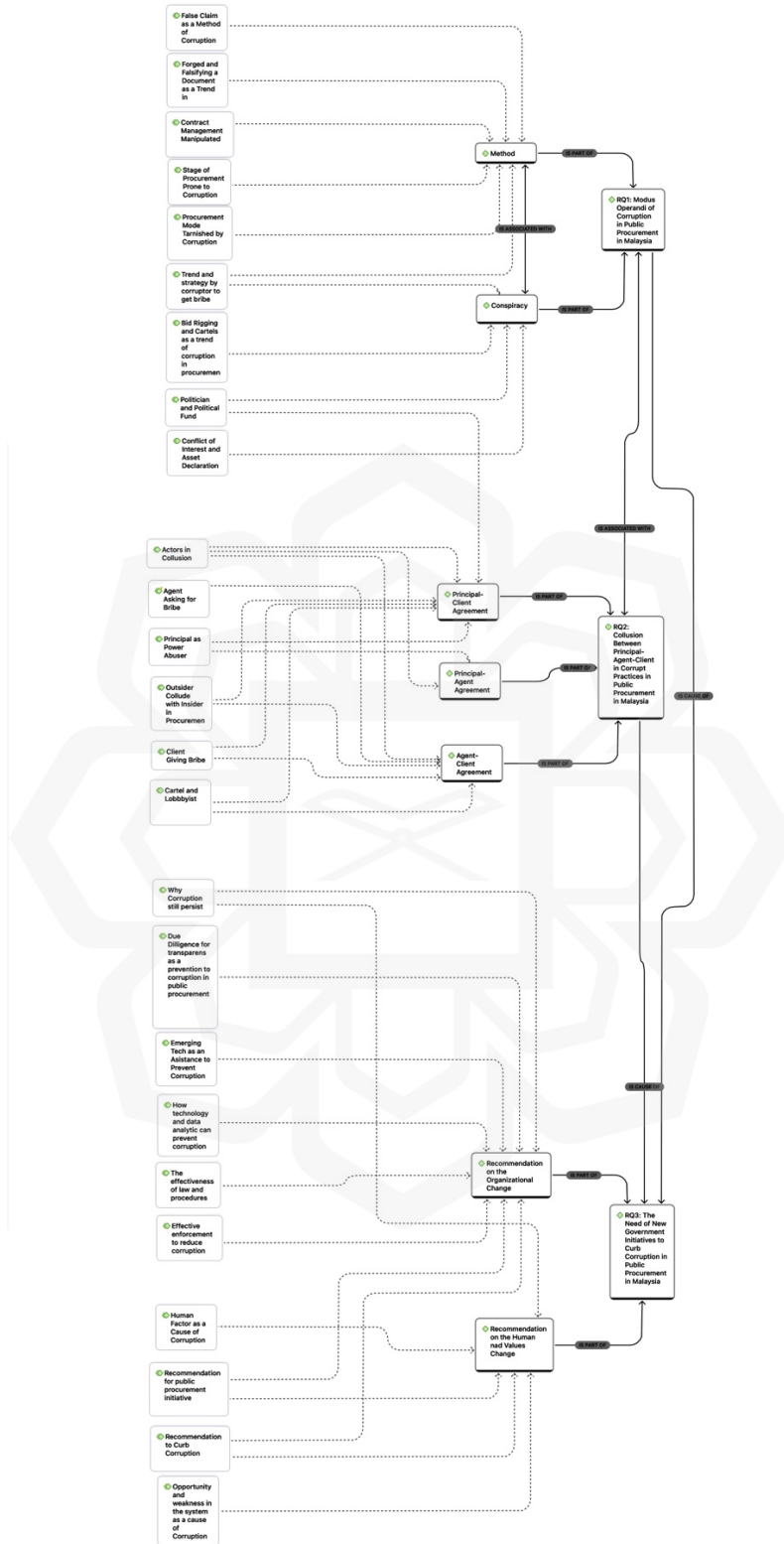
C *Keterangan — Saksi — Keterangan bercanggah — Sama ada terdapat percanggahan keterangan saksi pendakwaan dan pegawai penyiasat — Sama ada pernyataan bertulis saksi pendakwaan diajar oleh pihak Suruhanjaya Pencegah Rasuah Malaysia — Sama ada keterangan saksi pendakwaan konsisten dan jelas — Sama ada saksi pendakwaan, suruhanjaya pencegah rasuah Malaysia dan pendakwaan mempunyai niat untuk menunjukkan kebersalahan tertuduh dengan menghitamkan (bold) perkataan dalam pernyataan bertulis saksi pendakwaan*

E *Keterangan — Saksi — Keterangan sokongan — Keperluan untuk keterangan sokongan — Keterangan saksi yang terlibat dalam perlakuan kesalahan di bawah undang-undang berkaitan rasuah — Sama ada penglibatan seseorang dalam perlakuan kesalahan di bawah undang-undang mengenai rasuah menjadikannya seorang rakan sejenayah — Sama ada keterangan rakan sejenayah memerlukan keterangan sokongan — Akta Suruhanjaya Pencegahan Rasuah Malaysia 2009 s 52 — Akta Keterangan 1950 s 133*

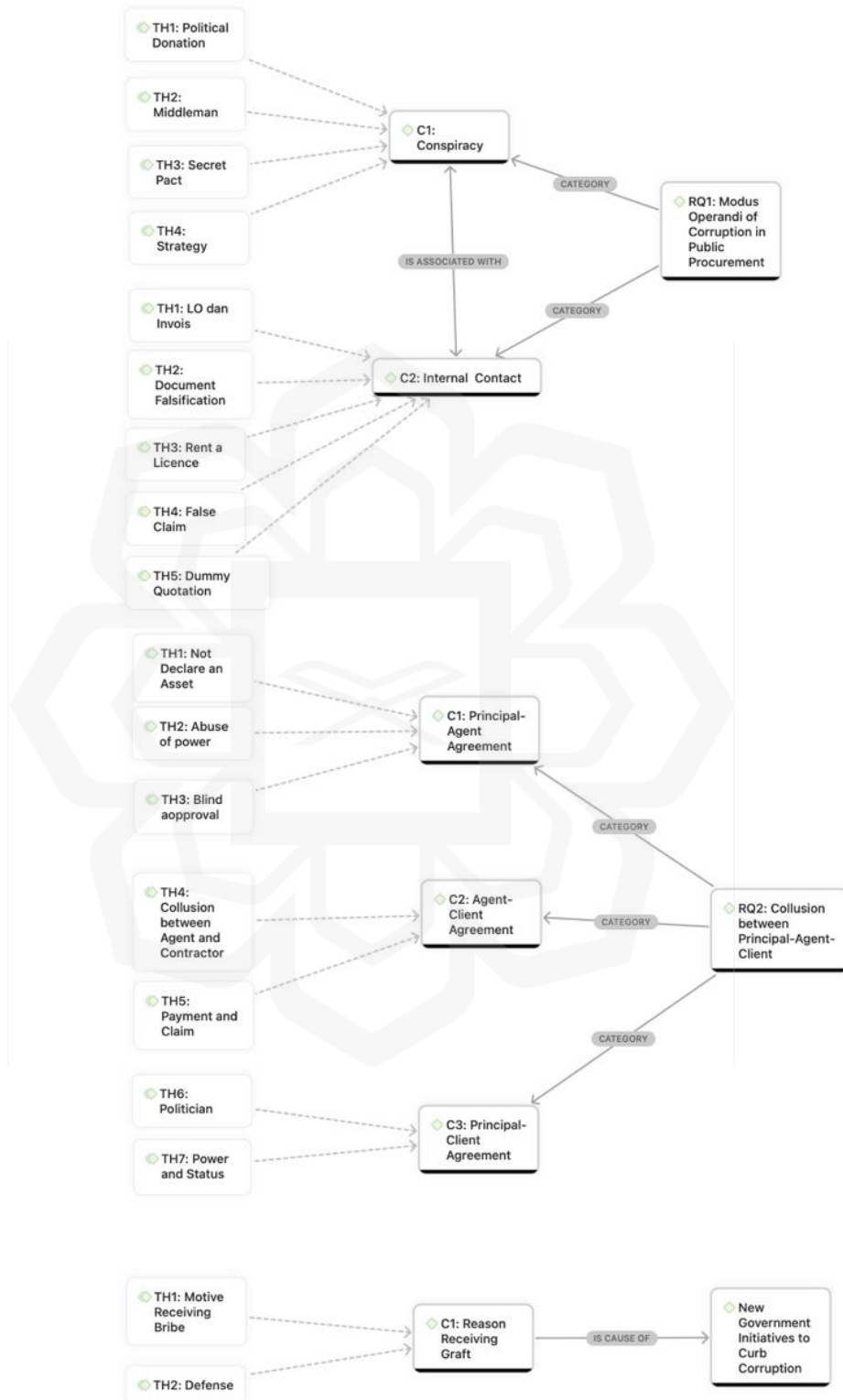
G *Prosedur Jenayah — Penghukuman — Prinsip-prinsip — Kesalahan rasuah — Tertuduh selaku pengerusi lembaga FELDA dan ahli lembaga FELDA menerima wang suapan untuk membantu meluluskan pembelian sebuah hotel ('MPHS') — Suapan diminta dan diterima oleh SP21 sebagai orang tengah daripada SP16 bagi pihak tertuduh — Sama ada sembilan kesalahan berkait rapat antara satu sama lain — Sama ada hukuman penjara untuk sembilan sabitan kesalahan harus berjalan secara serentak — Sama ada 'special circumstances' yang memberi justifikasi kepada penangguhan perlaksanaan hukuman penjara dan denda*

I *Undang-Undang Jenayah — Pecah Amanah Jenayah — Kanun Keseksaan s 409 — Tuduhan melakukan pecah amanah ke atas dana FICB — Sama ada tertuduh dengan curangnya melepaskan harta dana dengan meluluskan cadangan pembelian hotel tanpa kelulusan Ahli Lembaga Pengarah Lembaga Kemajuan Tanah Persekutuan (FELDA) — Sama ada tertuduh seorang agen di bawah s 409 Kanun Keseksaan — Sama ada dalam kapasiti agen, tertuduh diamanahkan dengan harta FICSB — Sama ada tertuduh melakukan pecah*

# APPENDIX H: ATLAS TI ANALYSIS OF THE EXPERTS



## APPENDIX H: ATLAS TI ANALYSIS OF THE MACC FILES



## APPENDIX H: ATLAS TI ANALYSIS OF THE INCARCERATED PEOPLE

