

**FORMULATING BUDGETARY MANAGEMENT  
FRAMEWORK FOR PUBLIC-PRIVATE PARTNERSHIP  
PROJECTS**

**BY**

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degree of Doctor of Philosophy (Business Administration)**

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## ABSTRACT

The implementation of infrastructure development projects through Public Private Partnership (PPP) that involve investments from the private sector has greatly benefited the country. Apart from being an alternative to conventional public infrastructure projects, PPP is also said to be a more efficient method of project implementation for the government as significant risks are transferred to the private partner. Even with the advantages, it cannot escape criticism, especially the implementation of PPP projects, which involve financial implications to the government in the form of “availability payments.” In 2018, the Government of Malaysia revealed the financial implications of PPP projects to the government with a total amount exceeding RM200 billion. This disclosure inspires the researcher to conduct this study, as this problem has not been adequately addressed in previous research. This study is qualitative case study research with Malaysian PPP experience as a single unit of analysis. The data focuses on the experience of government officials, especially their respective involvements in the process of evaluating and implementing PPP projects. A total of 29 officers from several government agencies were interviewed. Based on the data collected which was analyzed using Atlas.ti application, the main findings of this study are related to the loophole in the work process in recommending the implementation of PPP projects. This is in relation to the application of financial allocation. Since the requirement to pay “availability payment” will only appear after three or four years from the date of signing of the concession agreement. Since the allocation involved seems to be operational in nature, i.e., rental payments, the general view at the beginning was that the financial allocation would only be applied after three or four years, and the financial allocation to be applied for is under the annual operating expenditures. The issue has been resolved through a new approach, among others, by using the development expenditure for PPP-related payments, listing the PPP payment commitments as part of the annual development expenditure commitment for each Ministry, and the implementation of a single window approach where the proposed PPP projects are evaluated in conjunction with other infrastructure development projects in the five-year Malaysia plan. Apart from contributing several theories regarding PPP, the results of this study have provided a real case study example, especially on Malaysia's learning experience in dealing with financial commitment issues arising from the implementation of PPP projects.

## ملخص البحث

وقد أفاد البلد بشكل كبير تنفيذ مشاريع تطوير البنية التحتية من خلال الشراكة بين القطاعين العام والخاص، والتي تنطوي على استثمارات من القطاع الخاص. بصرف النظر عن كونه بديلا لمشاريع البنية التحتية العامة التقليدية، يقال أيضا إن الشراكة بين القطاعين العام والخاص هي طريقة أكثر كفاءة لتنفيذ المشروع للحكومة حيث يتم نقل مخاطر كبيرة إلى الشريك الخاص. حتى مع المزايا، لا يمكنها الإفلات من الانتقادات خاصة تنفيذ مشاريع الشراكة بين القطاعين العام والخاص التي تنطوي على آثار مالية على الحكومة في شكل "مدفوعات التوافر". في عام 2018، كشفت حكومة ماليزيا عن الآثار المالية لمشاريع الشراكة بين القطاعين العام والخاص على الحكومة بمبلغ إجمالي يتجاوز 200 مليار رينجيت ماليزي. هذا الكشف يلهم الباحث لإجراء هذه الدراسة حيث لم تتم معالجة هذه المشكلة بشكل كاف في الأبحاث السابقة. هذه الدراسة عبارة عن بحث دراسة حالة نوعية مع تجربة الشراكة بين القطاعين العام والخاص الماليزية كوحدة واحدة من التحليل. وتركز البيانات على تجربة المسؤولين الحكوميين، ولا سيما مشاركة كل منهم في عملية تقييم وتنفيذ مشاريع الشراكة بين القطاعين العام والخاص. وأجريت مقابلات مع ما مجموعه 29 ضابطا من عدة وكالات حكومية. بناء على البيانات التي تم جمعها والتي تم تحليلها باستخدام تطبيق Atlas.ti، ترتبط النتائج الرئيسية لهذه الدراسة بالثغرة في عملية العمل في التوصية بتنفيذ مشاريع الشراكة بين القطاعين العام والخاص. هذا يتعلق بتطبيق المخصصات المالية. وبما أن شرط دفع "مدفوعات التوافر" لن يظهر إلا بعد ثلاث أو أربع سنوات من تاريخ توقيع اتفاق الامتياز، وبما أن التخصيص المعني يبدو أنه عملي بطبيعته، أي مدفوعات الإيجار، فإن الرأي العام في البداية كان أن المخصصات المالية لن تطبق إلا بعد ثلاث أو أربع سنوات، والمخصصات المالية التي سيتم التقدم بطلب للحصول عليها هي في إطار نفقات التشغيل السنوية. وقد تم حل هذه المسألة من خلال نهج جديد، من بين أمور أخرى، باستخدام نفقات التنمية للمدفوعات المتعلقة بالشراكة بين القطاعين العام والخاص، وإدراج التزامات دفع الشراكة بين القطاعين العام والخاص كجزء من التزام الإنفاق الإنمائي السنوي لكل وزارة، وتنفيذ نهج النافذة الواحدة حيث يتم تقييم مشاريع الشراكة بين القطاعين العام والخاص المقترحة بالاقتران مع مشاريع تطوير البنية التحتية الأخرى في خطة ماليزيا الخمسية. بصرف النظر عن المساهمة في العديد من النظريات المتعلقة بالشراكة بين القطاعين العام والخاص، قدمت نتائج هذه الدراسة مثالا حقيقيا لدراسة الحالة خاصة على تجربة التعلم في ماليزيا في التعامل مع قضايا الالتزام المالي الناشئة عن تنفيذ مشاريع الشراكة بين القطاعين العام والخاص.

## APPROVAL PAGE

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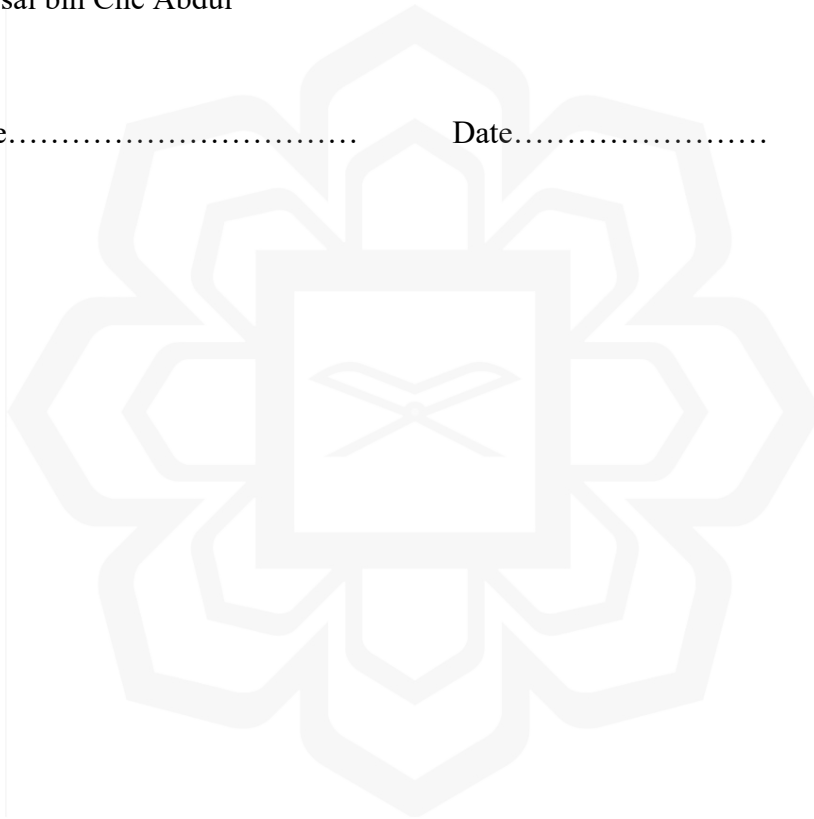
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## DECLARATION

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.

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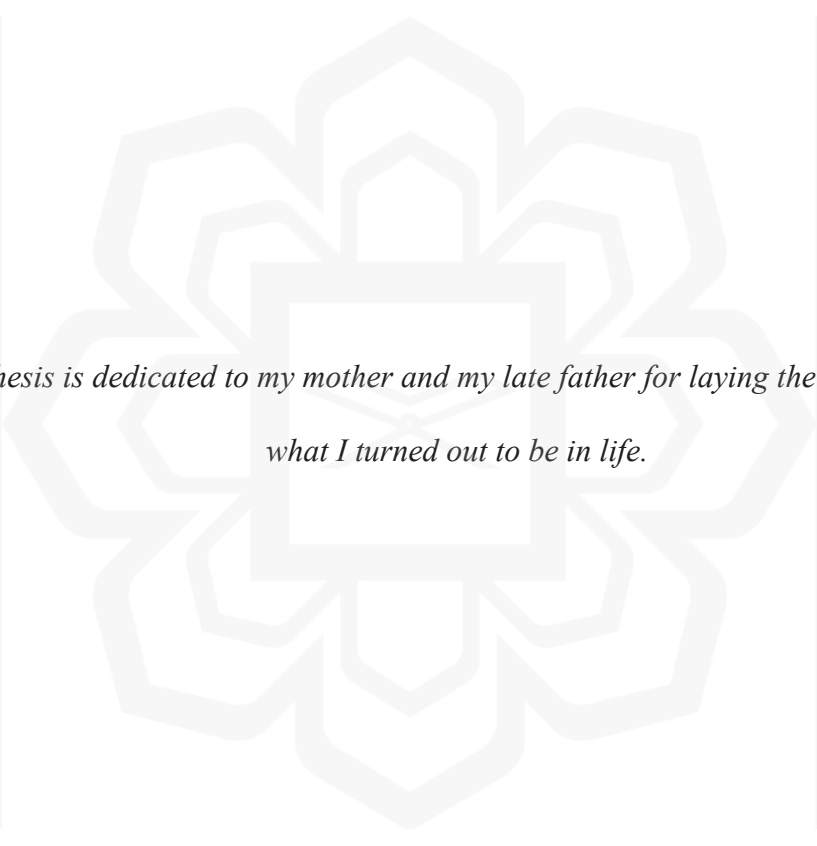
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*This thesis is dedicated to my mother and my late father for laying the foundation of  
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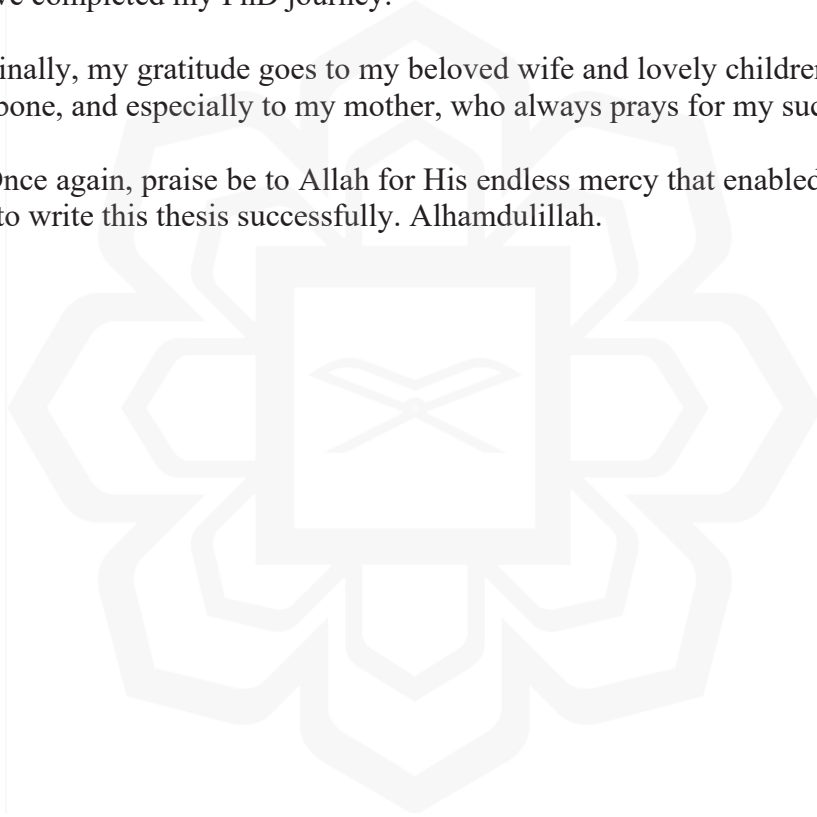
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## LIST OF ABBREVIATIONS

BLT	Build Lease Transfer
BLMT	Build Lease Maintain Transfer
BOT	Build Operate Transfer
BOO	Build Operate Own
CAPEX	Capital Expenses
DBFM	Design Build Finance Maintain
DBFOM	Design Build Finance Operate Maintain
DBO	Design Build Operate
DE	Development Expenditure
EPF	Employee Provident Fund
EPU	Economic Planning Unit
GDP	Gross Domestic Products
IMF	International Monetary Fund
JKAS	Jawatankuasa Kerjasama Awam Swasta
JPP	Jawatankuasa Pemandu Project
JTAS	Jawatankuasa Tertinggi Awam Swasta
KWAP	Kumpulan Wang Amanah Pencen
MOF	Ministry of Finance
NPG	New Public Governance
NPM	New Public Management
OE	Operating Expenditure
OPEX	Operating Expenses
PFI	Private Finance Initiative
PPP	Public Private Partnership
UKAS	Unit Kerjasama Awam Swasta

# CHAPTER ONE

## INTRODUCTION

### 1.1 INTRODUCTION

The World Bank has defined Public Private Partnership (PPP) as "a long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance" (World Bank Group, 2017). PPP is a strategy used by the government to provide public services, especially public infrastructure, by inviting private partners to invest in public infrastructure projects. Private partners will recoup their investment through payment for the usage of the public infrastructure either by the general public through a user-pay concept such as toll road or payment by a government department that uses the infrastructure as long as the infrastructure is made available for usage, such as lease/rental payment.

PPP was introduced by Tony Blair, Labor party Prime Minister in Britain, as a government program (Wettenhall, 2008). PPP is a government program because it is about fulfilling government obligations and meeting the needs of the public. The role of government in terms of obligation towards the public may depend on the economic system applicable in the respective jurisdiction. Generally, there are two major contradictory economic systems. First is the system where the production of goods and services is planned centrally by the government. In this economic system, every item produced, distributed, and consumed in the economy is all arranged and organized centrally by the government. Second is the system where the production of goods and services is

determined by the market. In this economic system, individuals and/or businesses freely produce goods and services based on supply and demand in the general market – known as a market economy – rather than through central planning by the government. In the market economy, the government may also become consumers of goods and services produced and provided by businesses. Among the two systems, the latter (market economy) has become more popular and has been adopted by all in shaping our daily economic life.

Market economy promotes that the economy will adjust by itself through the “invisible hand” because goods and services produced and supplied in the market will be determined by the demand of the same by the consumer, and the government should not interfere with the nature of the market (Bishop, 1995). Nevertheless, Adam Smith, the father of the market economy, in his classic work, *an Inquiry into the Nature and Causes of Wealth of Nations*, has outlined three main functions of government that are national defence, administration of justice (law and order), and the provision of certain public goods. The provision of public goods in this context is mainly to provide public services and public infrastructures that support individuals and businesses in the economy.

It is a well-accepted fact that the government is obliged to provide public infrastructure and public services for public goods. The government uses government revenue mainly collected from taxation to bear the cost of providing such services. The government plans its spending allocation every fiscal year based on the revenue collected. The revenue collected is used mainly for two reasons: the operating expenditure of the government and the development expenditure of the country (Ministry of Finance, 2024).

Providing infrastructure is one of the main functions of the government, and it has always been categorized as development work using development expenditure. In

Malaysia, the development work is planned every five years under a medium-term economic planning period. In doing this, the government will estimate and forecast its future 5-year revenue and plan on development projects that can be carried out based on the revenue that exceeds its operating expenditure requirements. Usually, it is the case that development projects, including infrastructure projects, need to adhere to the financial limitations of the government, and the selection of projects to be implemented is based on priority.

The government is always guided by its fiscal policy in providing development funds for development projects. The government may provide allocation for development budget based on its revenue or lower to maintain a balanced or surplus budget. The government may also provide an allocated development budget slightly more than its revenue and make up the number of allocations by borrowing – a deficit budget. These fiscal policies, either surplus budget or deficit budget, are determined by the government as a tool to control the economy (Kocherlakota, 2022). Developing countries always have an expansionary economic objective and always take a deficit budget strategy to expand the economy to meet the growth target in terms of Gross Domestic Product (GDP). This means they borrow money to fund development projects – the government's debt.

Government debt is also a complicated issue because the government needs to make sure that they have the ability to repay every time they raise financing. The government must determine the optimal amount of borrowing that is sustainable for them to maintain, taking into consideration the revenue and spending that are forecasted in the future. This, again, is a complex issue because the forecasted revenue always depends on the macroeconomic condition of the country, as most of the revenues are taxes collected from

the industries. For Malaysia, the Loan (Local) Act 1959 and Government Funding Act 1983 imposed limits on borrowing by the Malaysian Government, where the combined outstanding borrowing is capped at 55% of GDP.

Looking from the perspective of the financial limitations of the government, it is a strong perception that PPP has been used to circumvent the government budget by using private sector funding in implementing public infrastructure projects. As discussed above, the government budget is based on government revenue, but the government may allocate more than its total revenue in a fiscal year through borrowings. There is a limitation with regard to borrowing. For example, the Government of Malaysia can only borrow an amount not exceeding 55% of its GDP. That means only certain development projects can be implemented based on this limitation. PPP is a magical tool to evade limitations because it does not use government development allocation that the government provides using government funds (either the existing revenue exceeding operating expenses or government debt).

## **1.2 BACKGROUND OF PPP IN MALAYSIA**

The implementation of the PPP program in Malaysia has been rooted since the 1980s under the privatization policy (Ahmad et al., 2018; Ismail & Razak, 2023; Mohamad et al., 2018; Takim et al., 2009). The policy aims, among others, to reduce government participation in the economy and to enhance greater private-sector involvement by privatizing projects and services that can be better managed by the private sector (Economic Planning Unit, 1991). Privatization programs were common in the late 20<sup>th</sup> century, when Margaret Thatcher, the British Prime Minister, was said to be the world leader of the program (Wettenhall, 2008).

The privatization program undertaken in Malaysia not only involved the corporatization of government entities and the transferring/selling of government assets but also included the implementation of new government projects using private sector investment. Projects such as toll-road, independent power producer (IPP) and the development of Putrajaya Administrative Centre are among projects that were undertaken through privatization since the 1980s (Ismail & Razak, 2023). There were several methods of privatization have been classified in Malaysia, such as build-operate-transfer (BOT), build-operate-own (BOO), and build-lease-transfer (BLT), apart from corporatization and selling of government assets. BOO and BOT are incorporated within the privatization policy in Malaysia (Hensley & White, 1993).

Over the years, new ideas have emerged in development practice worldwide. The British Conservative government in 1992 introduced the Private Finance Initiative (PFI) policy. This PFI policy was initiated because it offered an opportunity for the British government to invest in infrastructure “off-balance-sheet.” That is, borrowing for infrastructure investment was replaced by paying a tariff to the private sector for infrastructure use (Spackman, 2002). The introduction of PFI was controversial and attracted criticism as some argue that the PFI contract is a ‘marriage made in heaven’ and used by the government to enrich certain businesses with lucrative terms (G. Hodge & Greve, 2005). Being critical to Conservative party policy, The Labour party government in 1997 introduced the PPP policy, a friendlier term to denote partnership in the contract, as an alternative to the Conservative party’s controversial PFI policy (Wettenhall, 2008).

Corresponding to the development of PFI and PPP in the United Kingdom, Malaysia shares a similar story where PFI has been announced in the Ninth Malaysia Plan.

Meanwhile, privatization in Malaysia is about transferring activities and functions from the government to the private sector. On the other hand, the PFI announced in the Ninth Malaysia Plan is about transferring significant responsibility to the private sector to finance, design, build, and manage a package of capital investment and services (Ismail & Razak, 2023). Although the usage of private financing in development projects is not a new concept because Malaysian toll road projects have been using private financing since the 1980s, it is argued that PFI has a unique characteristic. However, it also falls under the umbrella of private financing in government projects. It actually corresponds to PFI practices in the United Kingdom where under a PFI scheme, the private partner is not collecting revenue from the user like toll road projects. Still, they are remunerated through payment by the government throughout the concession period based on service availability (Spackman, 2002).

In the initial years of the Ninth Malaysia Plan, there were different initiatives by different government departments regarding PFI. The Economic Planning Unit (EPU) considers the PFI program to be one of the privatization methods because PFI seems similar to the build-lease-transfer (BLT) type privatization implemented in Malaysia. In BLT projects, the private partner will develop and finance a facility that will then be leased to the government throughout the concession period before it is transferred to the government at the end of the period. Looking from the context of BLT type privatization, PFI makes no difference. The lease payment made by the government to a private partner in BLT is similar to the availability payment concept under PFI.

Meanwhile, the Ministry of Finance (MOF) has established an entity named Pembinaan PFI Sdn. Bhd. (PFI Sdn. Bhd.) to implement the PFI initiative announced in the

Ninth Malaysia Plan. PFI Sdn. Bhd. is entrusted to raise funding from an open market (the funding was mainly provided by Employee Provident Fund – EPF and Retirement Fund Incorporated - KWAP) to implement PFI projects identified under the Ninth Malaysia Plan (Public Account Committee, 2015). Under the Ninth Malaysia Plan, RM20 billion was allocated from EPF for the PFI Scheme (Jayaseelan & Tan, 2006). The RM20 billion worth of PFI projects were put under the Ministry of Finance for social projects such as social housing, schools, colleges, health and hospitals, prisons, and police stations/quarters (Beh, 2010). There was an argument that PFI Sdn. Bhd. was set up to borrow money on behalf of the government, and the scheme seems to disguise loan repayment for the debt as rental payment from the government to PFI Sdn. Bhd. (Aliman, 2018). As globally and generally understood, a PFI project is financed, constructed, and leased back to the private sector over a pre-determined period of between 25 and 30 years (Akintoye et al., 2003; Pitt et al., 2006; Takim et al., 2009) since PFI Sdn. Bhd. is not a private investor but an entity wholly owned by the government through the Ministry of Finance Incorporated. It makes the PFI scheme under PFI Sdn. Bhd. significantly different from what has been understood worldwide (Ismail & Yusof, 2010).

PFI Sdn. Bhd. was established by the MOF as a controlling tool for future payment commitments related to PFI projects. This corresponds to the general argument which claims PFI is used to circumvent the government budget (Acerete et al., 2019; Benito et al., 2008; Reeves, 2015). In fact, there are beliefs that PFI will have greater financial implications for the government if it is not properly managed because the government is making the commitment to pay the private sector throughout the concession period (Engel et al., 2013).

The establishment of a PPP unit, namely, Unit Kerjasama Awam Swasta (UKAS), in 2009 marked a new direction in the privatization and PFI initiative in Malaysia. The PFI initiative that was scattered in EPU and MOF then has been entrusted to UKAS together with the existing privatization program that was originally administered by EPU. The term PPP was also referred to in the Tenth Malaysia Plan document, where PFI and privatization have been considered as modes of PPP (Ismail & Razak, 2023). There are three ways of funding public projects, namely conventional procurement, PPP-PFI, and PPP-Privatization. The three ways can be differentiated by a few dimensions, namely nature, impact, risks, coverage, relationships, and applicability. Table 1.1 summarizes the differences between PPP, privatization, PFI, and conventional public procurement from the UKAS perspective.

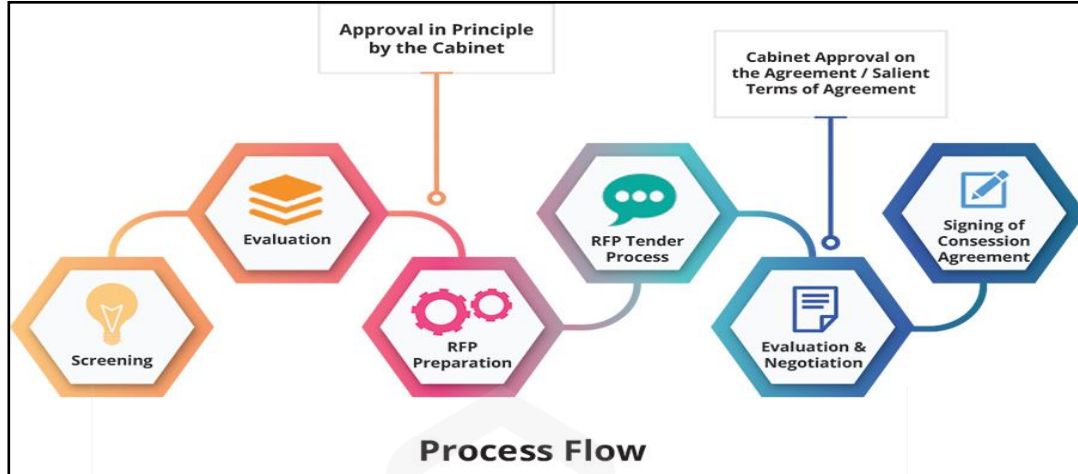
Table 1.1: Differences Between Conventional, PPP and Privatization Approach.

Dimensions	Conventional Procurement	PPP	
		PFI	Privatization
Nature	Procurements are funded directly via the public budget.	Funding via private financial resources without the public sector's explicit guarantee.	Funding via private financial resources without implicit or explicit public sector guarantee.
Impact	Immediate impact on public sector financial position.	Impact on public budget spreads over the duration of the concession.	No impact on the level of public sector expenditure.
Risks	Risks are entirely borne by the public sector.	Risks are allocated to parties that can	Risks are entirely borne by the private sector.

Dimensions	Conventional Procurement	PPP	
		PFI	Privatization
		manage them most efficiently.	
Coverage	Extensive public sector involvement at all stages of project life.	The public sector's involvement is through the enforcement of pre-agreed KPIs.	The government acts as a regulator.
Relationships	Relationships with private contractors are short-term.	Long duration of relationship with private contractors.	Long duration of relationship with private contractors.
Applicability	Applicable for projects with high socio-economic returns and those justified on strategic considerations.	Applicable for projects with commercial viability.	Applicable for projects with high commercial viability.

*Source: Modified from Unit Kerjasama Awam Swasta (2009).*

Under the newly established PPP Unit, processes and procedures for PPP project implementation have been developed together with well-structured mechanisms for evaluation and assessment of project feasibility, technically and commercially guided by the privatization master plan that was developed in the 1990s (see Figure 1.1). The privatization committee that has been evaluating privatization projects during the privatization era has now been renamed to the PPP committee. Meanwhile, in promoting the PPP agenda in the country, the establishment of UKAS is an effort by the government to institutionalize the program and to standardize processes and procedures for better implementation.



*Source: (Unit Kerjasama Awam Swasta, n.d.).*

Figure 1.1: PPP Assessment and Recommendation Procedure.

According to the data provided by UKAS, more than 900 PPP projects have been implemented until 2020. This huge number of projects includes privatization projects accumulated from the 1980s, as privatization has also been regarded as PPP in Malaysia. On top of that, UKAS also regarded that any private investment in the country that received PPP facilitation fund in providing public infrastructure surrounding their private project is a PPP in nature and should be regarded as part of PPP projects as well.

The facilitation fund initiative is a government program to promote and encourage more private investment in the country (Yusof, 2020). For example, a private investment to build commercial and residential property for sale is eligible to get facilitation funds from the government if the component of the project includes public infrastructure that is accessible to the general public. The facilitation fund that is given to the private party is only meant to cover the cost of the public infrastructure component, and it is capped at 10%

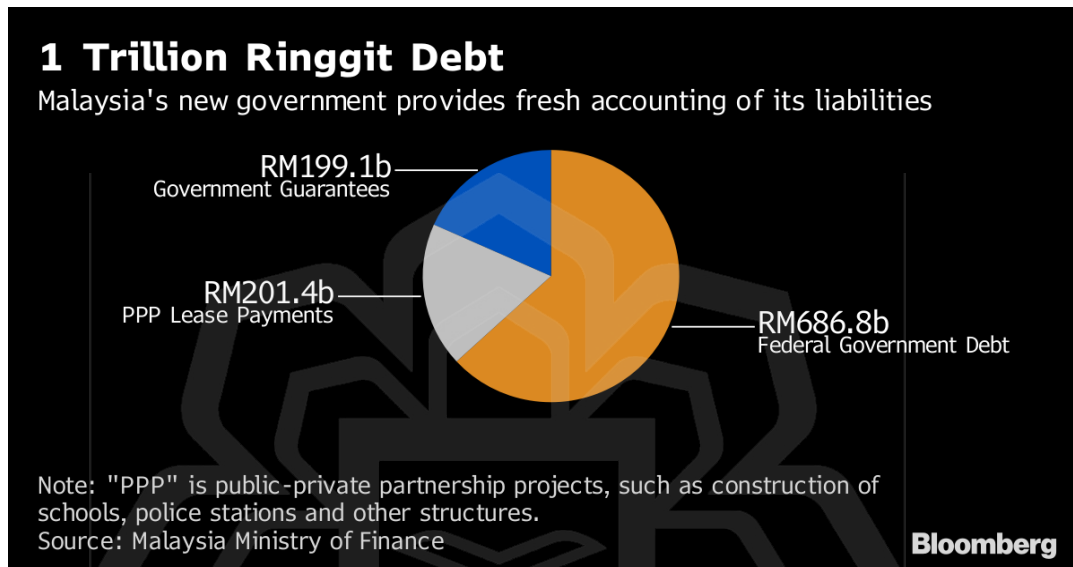
of the total investment of the private partner. UKAS has been entrusted to manage the facilitation fund initiative, which is then popularly known as the PPP facilitation fund. The program was ended by the government in 2020. This kind of project is also counted in the “definition of PPP,” at least by the Malaysian PPP Unit in counting the numbers they have attained in implementing PPP projects.

### **1.3 PROBLEM STATEMENT**

The government’s strategy to use PPP to provide public service and infrastructure seems to be a good one because it is an alternative to conventional public procurement, which requires government funds. However, although PPP used private sector investment, the implementation of the PPP strategy still has financial implications for the government. This is because of the type of PPP that is available. However, it does not need government funds for the construction of the project. It requires government payment commitment in the form of lease rental payment throughout the contract period. For example, the government has explained in the parliament that they chose to construct six Universiti Teknologi Mara (UiTM) campuses through PPP to overcome a lack of development funds. By doing this, the government must pay RM375 million in rent annually for 23 years, based on concession agreements that have been signed (Zahiid, 2014). The rental amount is accumulated whenever the government implements new PPP projects and if it is not properly monitored, the accumulated rental amount may end up being enormous.

In 2018, the newly elected Malaysian government reported that the national commitment to its debt was actually bigger than what had been reported by the previous government, and it was actually beyond 55% of GDP. The total amount is to be more than

RM1 trillion. In explaining the number, the 2018 newly elected government has included in the calculation of the national debt with government guarantee loan and PPP payment commitment illustrated in Figure 1.2 (Shukry & Jamrisko, 2018).



*Source: (Shukry & Jamrisko, 2018).*

Figure 1.2: Illustration of Announcement by Newly Appointed Political Government.

Although it has been cleared that the inclusion of government guarantee loan and PPP lease payments commitment is not an appropriate mechanism to assess the actual government's debt as compared to the regulatory limitation (55% of GDP), it is still an eye-opening discovery that PPP lease payments commitment has become a serious issue that the government needs to address. According to the data reported when Budget 2021 was tabled in Parliament, the amount of PPP payment represents 12% of the GDP, as shown in Table 1.2.

Table 1.2: Government Debt and Liabilities Exposures.

Component	RM Billion		Share of GDP (%)	
	2019	2020	2019	2020
Federal Government Debt	793.0	874.3	52.5	60.7*
Committed Guarantees	194.0	209.3	12.8	14.6
Other liabilities (PPP, PFI, PBLT)	182.2	173.3	12.1	12.0
<b>Total</b>	<b>1,169.2</b>	<b>1,256.9</b>	<b>77.4</b>	<b>87.3</b>

\* Debt ceiling amount of 55% of GDP has been raised under a new Act enacted in 2020, that is, Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) 2020 Act.

Source: Ministry of Finance, 2020.

PPP lease payments have been regarded as fiscal risk and liabilities exposures to the Malaysian government as reported in their Fiscal Outlook since 2018 (Ministry of Finance, 2020). This is in line with the standards and guidelines set by the International Monetary Fund (IMF) with regard to Public Sector Debt Statistics. According to this guideline, PPP contracts could create debt liability if the government is the economic owner of the assets during the PPP contract period. In this case, part of the payment by the government to private partners, which is used for project loan repayment, is regarded as government debt liabilities.

On the other hand, if the government is not the economic owner of the asset during the PPP contract, it will not create government debt liability. Nevertheless, although it will

not create government debt liability, PPP projects still constitute a fiscal risk to the government in terms of guarantee associated with the project or contingent liability either explicitly mentioned in the contract or implicit contingent liability, that is, moral or expected obligations for the government, based on public expectations or pressures. This implicit contingent liability may include potential fiscal costs from banking crises and natural disasters, covering public corporations or local government losses, or calls on guarantees, notably in the case of PPP projects (International Monetary Fund, 2013).

Given the problematic condition of PPP, especially with regard to its relationship to public debt management and its financial implication to the government, it is desirable to study and understand why the PPP program has been implemented. There is room to explore whether the implementation of the PPP program has really brought benefit to the government despite its problematic condition or whether the government can do away with the PPP program and focus more on traditional procurement, which is based on its financial capabilities without inviting private partners to invest in public infrastructure projects if PPP is a beneficial instrument, what mitigation can be introduced to the existing procedure to make sure that the financial commitment related to PPP projects is manageable.

The financial implication to the Malaysian government is evidence of what has been discussed in literature, for example, the use of PPP as a way to avoid budget constraints (Cepparulo et al., 2024), PPP allows deferred payments for the project and an off-balance-sheet treatment of the financing associated with PPP (Buso et al., 2017), and the final payment for PPP later is made by the government through its budgetary sources (Benito et al., 2008) and this will burden the government in the future (Jomo & Chowdhury, 2018). The issue of PPP payment has also been addressed by inter-governmental organizations

such as the International Monetary Fund and the World Bank through their guideline, namely the “Public Private Partnership Financial Risk Assessment Model” (IMF & the World Bank, 2019). Nevertheless, the study regarding the country's experience in managing PPP financial commitment is apparently underserved. Since the Malaysian government has included in its annual fiscal outlook the matter of contingent liability and PPP risk, there is an opportunity to explore their experience as case study research to understand how the government deals with financial commitment issues arising from the implementation of PPP projects.

#### **1.4 RESEARCH OBJECTIVES**

Exploratory research can be conducted to obtain an in-depth understanding of why and how PPP has been implemented with the particular intention of investigating its importance and weaknesses. Special interest will be given to the relationship between PPP and its financial implication to the government with four main objectives as follows:

- (i) To investigate the reason and the need for the implementation of PPP projects, although they cause financial implications in the form of future payment commitment and fiscal risk to the government;
- (ii) to evaluate the existing process and procedures that the government uses to manage future payment commitment in relation to PPP, especially the loopholes and weaknesses;
- (iii) to explore areas where the existing PPP implementation process and procedure can be modified/improved with particular interest in managing government financial commitment, and

- (iv) to propose a well-directed budgetary management framework for the implementation of PPP projects.

## **1.5 RESEARCH QUESTIONS**

PPP is a government program, and the issue of its financial implication is mainly related to the management and governance of public administration. Hence, the objectives of the study can be achieved through research questions that targeted public officials involved directly with PPP, especially on the following questions:

- (i) How do public sector officials understand the PPP projects, their significance, and their financial implications for the government?
- (ii) What are the experiences of public sector officials in managing PPP projects, especially future payment commitment in relation to PPP projects?
- (iii) How can the existing PPP implementation process and procedure be modified/improved with particular interest in managing government financial commitment?
- (iv) What kind of new procedure needs to be established to control government financial commitment with regard to PPP projects?

## **1.6 RESEARCH SIGNIFICANCE**

The results of the research will be of great benefit to enhance the existing body of knowledge regarding PPP. It has been established that PPP is a popular instrument used by governments worldwide, and it can attract private investment in public infrastructure projects. Although the implementation of a PPP project does not require government funds

to finance the project's construction, it requires government commitment to pay “availability payment,” normally in the form of lease rental payment to the private partner throughout the contract period. The “availability payment” is a problem that every government needs to address because, if it is not properly monitored, the amount of availability payment will be accumulated every time new PPP projects are implemented. The accumulated availability payment will end up being an enormous amount that may cause difficulty for the government to manage.

By using Malaysian experience in implementing PPP projects, exploratory research can be conducted to investigate the reason for PPP implementation and to examine how the existing PPP management process and procedure is performed, theoretically and practically, particularly to address the long-term financial implication of PPP projects to the government. Qualitative case study research with the implementation of the PPP program in Malaysia as a single unit of analysis is instrumental in deeply understanding the issue and contributing to the existing knowledge regarding PPP. This exploratory research may end up with some theoretical suggestions regarding PPP based on information gathered from public practitioners who are directly involved with PPP projects and the issues related to PPP projects. The new theories that may emerge from this study can be further scrutinized by other studies and finally help us to expand our understanding of the matter.

The result of the study will also be of great benefit to the government because it helps the government to reevaluate the existing PPP implementation framework and PPP policy with particular interest in mitigating government financial implications with regard

to PPP payment commitment. Indirectly, the study may also provide clear direction to the private sector on PPP policy and their role as investors and private partners in PPP projects.

## **1.7 RESEARCH SCOPE**

The research focuses on the PPP program in Malaysia and its implications for the Malaysian government's financial position as a single instrumental case study with the aim to examine the importance of the PPP program, its weaknesses and its suggested improvements for future implementation. The data and information for this research are to be obtained from public officials of the Malaysian government, mainly from the PPP Unit and Ministry of Finance and implementing ministry/agency undertaking PPP projects in Malaysia. The study will only focus on public officials because PPP is a government program, and the issue of its financial implication is mainly related to the management and governance of public administration.

The scope of the research does not include private sector partners of PPP projects and the general public as the source of data collection. The research questions are designed to seek information from officers in the public sector because the general objective of the research can only be achieved with the information gathered within the public sector. Individuals from private sector partners involved in PPP projects may have some knowledge about the implementation of PPP from their own perspective. However, the research objective and research questions do not require any information from the private sector's perspective. The research is mainly about the financial implications of PPP projects and how the government manages future payment commitments related to PPP projects.

That information can only be found within the government, and private sector partners have no relevance to answering the research questions.

## **1.8 DEFINITION OF TERMS**

**Public Private Partnership (PPP):** The World Bank has defined PPP as "a long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance" (World Bank Group, 2017). In PPP, the private party will invest in public asset through a concession contract or availability-based contract where concession contract is a "user-pay PPP" meanwhile availability-based contract is a "government-pay PPP" (Saussier & de Brux, 2018).

**Private Finance Initiative (PFI):** PFI was a United Kingdom government procurement policy introduced in 1992 to allow the government to invest in infrastructure "off-balance-sheet." That is, borrowing for infrastructure investment was replaced by paying a tariff to the private sector for infrastructure use (Spackman, 2002). PFI is one of the methods under the PPP concept, where private partners will invest in public infrastructure or services, and the government will pay for the usage of the infrastructure or services based on availability.

**Privatization:** Privatization is most commonly referring to moving something from the public sector into the private sector including selling and transferring government assets to the private sector. Privatization may also include the implementation of public infrastructure by the private sector, such as the privatization of toll roads through the build-

operate-transfer (BOT) mechanism. Hodge (2006) elaborated on the family of privatization as comprises enterprise sales, contracting out of government services, public-private partnerships, and private sector development strategy.

**Development Expenditure (DE):** DE refers to government spending for development purposes, such as creating new assets to provide long-term public goods—for example, expenses for road infrastructures, hospitals, schools, and airports.

**Operating Expenditure (OE):** OE refers to expenses experienced by the government paying the cost of managing and administering the country. For example, payment for emoluments, debt service provision, grants, subsidies, surrender to the state government, and other administrative expenses.

**Fiscal Policy:** Fiscal policy is using government spending and taxation to influence the economy. The government may provide allocation for spending based on its tax revenue or lower to maintain a balanced or surplus budget. The government may also provide allocation for spending slightly more than its revenue and make up the number of allocations by borrowing – deficit budget. A budget deficit is a strategy used by the government to have an expansionary economic objective and to expand the economy to meet the growth target.

**Government Debt:** Government debt is accumulated borrowings made by the government. In Malaysia, the Federal Government’s borrowings are mainly through the issuance of

Malaysian Government Securities (MGS), Malaysian Government Investment Issues (MGII), and Malaysian Treasury Bills (MTB). MTB and MGS are short-term and long-term papers issued on a conventional basis by the Malaysian government. MGII are intended for similar purposes but are issued on Islamic principles.

## **1.9 OVERVIEW OF THE THESIS**

The present study comprises five (5) chapters and is organized as follows:

**Chapter One** comprises an introduction of the study, research background, problem statement, research objectives, research questions, research significance, research scope, the definition of terms, an overview of the thesis, and a chapter summary.

**Chapter Two** discusses the understanding of PPP and its theory by various scholars, the origin and history of the theory, and various previous studies by researchers. The chapter also gives emphasis to the literature regarding the rationale of PPP and the financial management by the government regarding PPP. Finally, it identifies the gap in previous studies, which needs further research, especially the relationship between PPP and government financial commitment.

**Chapter Three** starts with a discussion on research philosophy and research paradigm. It outlined the research design in addressing the objectives of the research. The sampling design of the study was also explained. Finally, this chapter ends with a discussion regarding the research rigours in addressing the trustworthiness issue. It provides a flow chart that describes how the research instrument was developed for this study.

**Chapter Four** presents the result of the study. The chapter is divided into three (3) main sections. Section one begins with a discussion of the source of evidence, a summary of data collection processes, and the illumination of the data analysis procedure. Section two follows with a presentation of the themes identified from a thematic analysis of the primary data elicited through a series of in-depth interviews with 29 participants. Section three provides an enriching discussion of the key emergent findings of the study.

**Chapter Five** presents a summary of the entire study and the results achieved through the study findings. It also explains the contribution of the study in the form of theoretical development as well as methodological contribution. Finally, the chapter completes with a recommendation for future researchers to undertake further study, especially to expand and explore the issues identified in this study.

## **1.10 CHAPTER SUMMARY**

This introductory chapter sets the tone for this research by outlining the background of the study and introducing the implementation of PPP in Malaysia. It outlined the research questions and objectives according to the problem statement of the research. The main purpose of this study is to explore the implementation of PPP and its financial implications for the government with the aim of examining the importance of the PPP program, its weaknesses, and its suggested improvements for future implementation. PPP implementation by the Malaysian government is selected as a single instrumental case study of this research to understand the issue deeply and to contribute to the existing knowledge regarding PPP.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

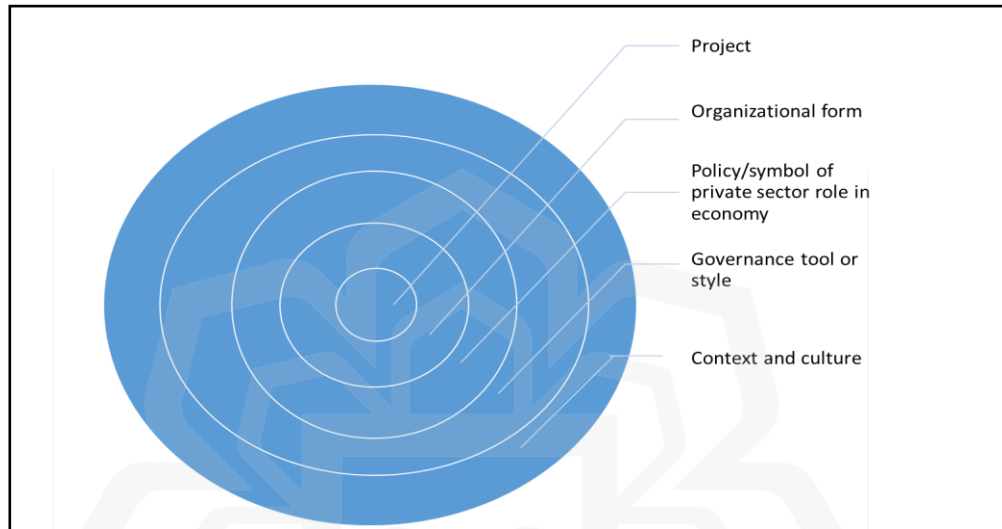
This chapter reviews the literature pertaining to the development of PPP in theory and practice, starting with the definition, origin, and evolution of the theory and various studies regarding the topic. The emphasis of this chapter will be given to the study relating to the rationale and motivating factors for PPP implementation and how it relates to the financial management of the government. The chapter also addresses the research gap and the opportunity for new studies to enhance the understanding of the PPP phenomenon.

#### **2.2 UNDERSTANDING PPP**

Hodge and Greve (2005) discussed various meanings of the term PPP to various researchers. PPP can be loosely defined as any cooperation of some sort between public and private actors in developing products or services in which they share risks, costs, and resources (van Ham & Koppenjan, 2001). Some regard it as a tool for replacing government with a governance approach in utilizing private partners to deliver public services (Teisman & Klijn, 2002). Some have the opinion that the term is a 'language game' used as a tool by the government in describing their policy interest (Linder, 1999), and some (most) researchers connect the term with a new way to handle infrastructure projects that benefit both public and private sector.

In a later book, *Rethinking Public Private Partnership*, Hodge and Greve (2013) discussed a broader conceptual phenomenon of the term PPP, which may be referred to as

(1) a specific project or activity, (2) a management tool or organizational form, (3) a policy, or statement as to the role of the government in economy, (4) a governance tool or symbol or (5) a historical context and culture sets of assignment (Figure 2.1).



*Source: Hodge and Greve (2013).*

Figure 2.1: Dimensions of PPP Phenomenon.

Hodge and Greve (2013) conclude that the most common usage of the term is always regarding what they call a ‘long term infrastructure contract’ (LTIC) partnership between public and private partners. This conclusion is derived from the involvement of inter-governmental organizations such as the United Nations (UN) and the Organization for Economic Cooperation and Development (OECD). OECD has defined the term as ‘an agreement between the government and one or more private partners according to which the private partners deliver service in such a manner that the service delivery objectives aligned with the profit objectives of the private partners and where the effectiveness of the alignment depends on a sufficient transfer of risk to the private partner’(OECD, 2008). The

definition is construed to physical development objectives mainly to provide socio-economic infrastructure to their member state.

Another contributor to PPP research, Grimsey and Lewis (2004), also discussed the term PPP, which has been used in various countries. They have given the definition of PPP as ‘a risk-sharing relationship based on a shared aspiration between the public sector and one or more partners from the private and/or voluntary sectors to deliver a publicly agreed outcome and/or public service.’ This definition has been construed from three dimensions identified by Hodge and Greve (2013): PPP as a specific project, a management tool, and a policy statement of the government regarding their involvement in the economy. The definition also relates to the LTIC (Long Term Infrastructure Contract) type of PPP, which, according to Hodge and Greve (2013), is the most popular meaning when PPP is discussed in the literature.

Yescombe (2007) took the position to discuss PPP from a similar dimension where PPP is regarded as ‘project-based’ and ‘contract-based’ with its definition comprised of 4 key elements: (1) a long-term contract; (2) involves activity of design, construction, financing, and operation of public infrastructure (facility) by a private-sector party; (3) with payments over the life of the long-term contract made either by the public-sector party or by the general public as users of the facility; and (4) with the facility remaining in public-sector ownership, or reverting to public-sector ownership at the end of the contract. This LTIC-type definition of PPP concurs with the observation made by Hodge and Greve (2013) that most discussions about PPP are related to the infrastructure project dimension.

Martin (2016) argues that there is much confusion about what PPP is and what is not PPP when he discusses that on many occasions, being in public seminars and/or

academic conferences, collaboration between public and private partners, and also any contracting-out procurement by public organization has been attributed to PPP. He contended that PPP should be part of a procurement contract that involves construction/reconstruction of infrastructure/ public facility and not any other else. PPP should not cover other arrangements such as collaboration/joint venture and/or long-term services. Martin (2016) concludes that PPP ranges from Design and Build (DB) contract, Design, Build and Maintain (DBM), Design, Build, and Finance (DBF), Design, Build and Operate (DBO), Design, Build, Finance and Maintain (DBFM), Design, Maintain, Finance and Operate (DMFO), and Design, Build, Finance, Operate and Maintain (DBFOM).

What Martin (2016) explained is in line with the definition of PPP described by the World Bank. The World Bank has defined PPP as "a long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance" (World Bank Group, 2017). The World Bank definition has given certain characteristics to the technical meaning of the phrase PPP, which negates all collaboration between the Government and the private sector PPP.

In a different perspective to the conclusion made by Martin (2016), Saussier and de Brux (2018) gave an explanation with regard to PPP where they categorized the implementation of infrastructure projects into three types: (1) public procurement where the government entrusts construction or service needs to a private entity as a contractor in return for an immediate payment and it is generally short-term contracts; (2) concessions contract which is based on the transfer of a mission including financing of the investment, eventually the construction of the project, and its operation and maintenance. As part of a

concession contract, the public entity assigns the management of the service to a concessionaire that operates it and bears the economic risk associated with it; and (3) Availability-based PPP that allows a public entity to entrust a contractor with a comprehensive project as part of a long-term contract, against remuneration paid by the public entity and spread over time. She also explained that apart from public procurement, the other two categories are always regarded as PPP, where the concession contract is a “user pay PPP.” In contrast, the availability-based contract is a “government-pay PPP.” The categories are distinguished based on contract theory and by looking through the spectrum of contractual relationships between public and private partners in implementing a specific infrastructure project.

### **2.3 THEORIES UNDERPINNING PPP**

It has been discussed in the literature that not all collaboration between the public sector and private sector can be regarded as PPP in its true technical meaning. However, any form of collaboration between the government and the private sector may be called a public-private partnership. PPP has been established as a technical term that refers to only collaboration that involves certain characteristics. Technically, PPP can only be attributed to certain features as follows:

- (i) PPP is part of a public infrastructure procurement program which uses private-sector funding;
- (ii) PPP involves long-term infrastructure contracts between public and private partners, and it ranges from the designing, funding, and building of the facility

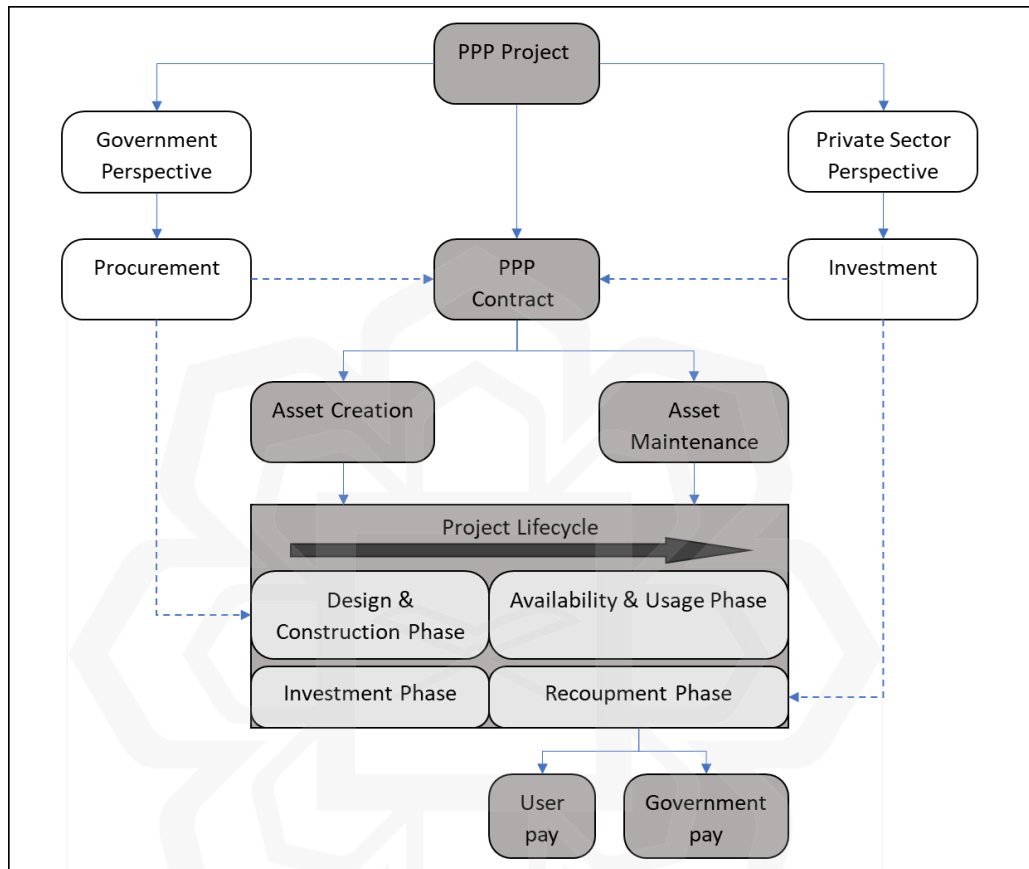
to the operation and maintenance of the facility over the life cycle of the asset and

- (iii) two major types of PPP have been practised around the world that is concession-type PPP, where the revenue is collected from the user of the facility, and availability-type PPP, where the revenue is paid by the government as long as the facility is made available for usage.

PPP is a theory that emerged under the public procurement method with special characteristics that differ from any other public procurement, namely “the element of private investment.” It is important to note that from the government’s perspective, PPP could be seen as part of government procurement. Meanwhile, since PPP is using private sector funds, PPP could be seen as an investment opportunity from the private sector’s perspective. The explanation of PPP theory and its perceptions from the government perspective and private sector partner perspective can be summarized in a theory illustration in Figure 2.2.

PPP is also sometimes misunderstood as a borrowing mechanism used by the government to procure an infrastructure from the private sector. Although the impact of the PPP project could be similar to borrowing when the government starts the payment to the private partner, it is important to highlight that there is no borrowing contract has been signed between the government and the private partner with regard to PPP. In fact, the contract is in the form of a concession for the private partner to provide public infrastructure/facility. Once the infrastructure/facility is completed for public usage, the private partner will collect revenue from the usage of the facility. It is either directly from the general public, such as toll road, or the revenue could also be from the payment by the

government for the availability of the facility, normally in the form of lease rental. The phenomenon can be explained in the PPP theory illustration in Figure 2.2.



*Source: Researcher's compilation.*

Figure 2.2: PPP Theories Underpinning Research.

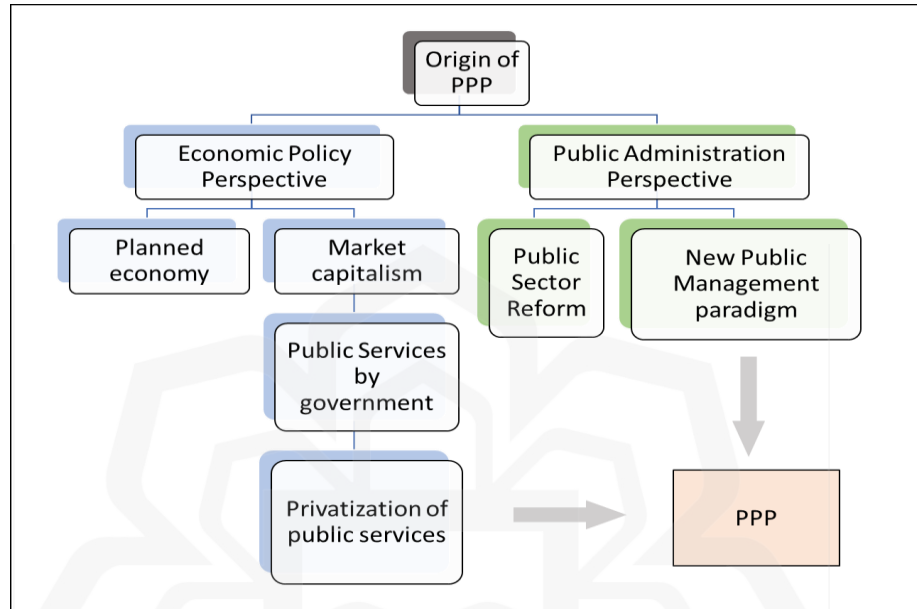
The theory illustration presented can also be based on the property rights theory, as explained by Hart (2003) when he discussed property ownership in PPP contracts. The ownership of the asset created in PPP remains with the concessionaire until the end of the contract. In other words, the asset belongs to the private partner and is used to provide services to the government as a procuring agency. He concluded that in conventional

contracts, the provision of the contract is good if the quality of the building is well specified. Meanwhile, for PPP contracts, the provision of the contract is good if the quality of services is well specified. In other words, the focus in conventional projects is to procure a building and to own the assets. On the contrary, the focus of PPP projects is to procure services and not to acquire assets. Moreover, the quality of services is a good performance measure that can be used to reward or penalize the service provider. In contrast, the quality of buildings cannot be a performance measure to do so (Benito et al., 2008).

## **2.4 ORIGIN AND EVOLUTION OF PPP**

The term PPP started to be discussed widely since the announcement of the PPP policy by the British Labour party government in 1997. It was introduced as a substitution for the PFI policy of the British Conservative Party government. Although the subject attributed to both PFI and PPP is somewhat similar, the usage of the latter term is more appealing as it connotes the spirit of collaboration between the public and private sectors undertaking public infrastructure projects. The root of the PPP concept can be seen from an economic policy perspective, where it started with a privatization program in the late 20<sup>th</sup> century and slowly shifted to PFI and shifted again to PPP. The evolution can also be seen from a public administration perspective where, traditionally, public affairs were administered solely by public servants. Then, the New Public Management (NPM) paradigm emerged with a greater private enterprise management style, substituting bureaucratic processes in public service and the public delivery system. The new style of public administration under the NPM paradigm contributes to the corporatization and privatization of public bodies and the

implementation of public infrastructure through PPP. The origin and evolution of PPP is illustrated in Figure 2.3.



*Source: Researcher's compilation.*

Figure 2.3: Origin and Evolution of PPP.

#### 2.4.1 Economic Policy Perspective

The relationship between public and private sector partners is not a new phenomenon. During the Rome Civilization, the empire entrusted public roads to certain groups to maintain and collect 'revenue' from the passersby as the group ensured the safety and security of the passersby using the road (Grimsey & Lewis, 2004). During the expansion of the colonization era, The British Empire also partnered with privateer shipping in the mission of trade and expansion of its dominance in the far-reaching world. The British East Indian Company is regarded as one of public private partnership form in a broader sense. It was initially a private commercial organization – though chartered by the Crown and

with strong government interest in the trades it developed – it too soon acquired territorial and governmental responsibilities throughout India and the East. The first settlements of English subjects overseas in the 1600s were ‘the work of private enterprise’ (Wettenhall, 2005).

Private enterprise development is supported by the notion of market capitalism. Adam Smith, the father of capitalism, has suggested that the economy should not have interfered because it will adjust accordingly through supply and demand theory. The government should focus on three main functions, that is, (1) national defense and security, (2) administration of law and order, and (3) the provision of certain public goods. The provision of public goods in this context is mainly to provide public services and public infrastructures that support individuals and businesses in the economy. Public infrastructure, as explained by Yescombe (2007), can be divided into:

- (1) economic infrastructure: infrastructure considered essential for day-to-day economic activity, such as transportation facilities and utility networks (for water, sewage, electricity, etc.); and
- (2) social infrastructure: infrastructure considered essential for the structure of society, such as schools, hospitals, libraries, government buildings, prisons, etc.

The involvement of the private sector in providing public infrastructure was in the form of a contractual relationship as a supplier of goods and services (including work) in government procurement. The responsibility for providing infrastructure rests with the government, and the private sector is an agent of the government in implementing

government projects in a principal-agent theory (Mause, 2019). As an agent, the private party is being paid for the work done immediately as the work is completed.

Customarily, public infrastructure projects and services are carried out by the government. It was after 1979 that when privatization policy was introduced by the British government led by the Conservative Party Prime Minister, Margaret Thatcher, the responsibility of providing public infrastructure also involved the private party. Thatcher's government introduced a radical departure from the economics of the 'post-war' government by allowing private enterprises to take over traditional public services such as telecommunications, electricity, and water. At that time, the intervention of public enterprises in the British economy has been long subject of criticism. By selling public enterprises, the British economy starts to progress with greater participation of the private sector (Parker, 2006).

The term privatization also carries various meanings to various researchers. Some only relate the term to selling and transferring government assets to the public sector. At the same time, the majority also relate the term with the implementation of public infrastructure, for example, the privatization of toll roads through the build-operate-transfer (BOT) mechanism. Hodge (2006) elaborated on the family of privatization as comprises enterprise sales, contracting out of government services, public-private partnerships, and private sector development strategy.

PFI policy was introduced by John Major's Conservative government in Britain as a scheme of private financing in 1992 to update the British social and economic infrastructure while keeping within government borrowing constraints (Wettenhall, 2008). PFI is another term that has been the subject of many discussions among researchers. With

the introduction of PFI, the privatization agenda has been slowly getting less attention because the criticism shifted to the controversial PFI agenda, where it was seen to represent “the business opportunity of a lifetime” for the private sector, and critics of PFIs appear to be that the private sector is taking windfall profits at public expense while bearing little risk in the process (J. Hood et al., 2006). Being critical to Conservative Party policy, The Labour Party government in 1997 introduced another term, PPP, as an umbrella policy to play down the Conservative Party’s PFI policy (Wettenhall, 2008).

PPP policy is also subject to criticism. Bowman (2000) reports PPPs being seen by some in the UK as ‘yet again screwing the taxpayer,’ with private project sponsors being caricatured as ‘evil bandits running away with all the loot.’ Similar attitudes in Canada have seen PPPs being coined in terms of the memorable phrase ‘Problem, Problem, Problem.’ In other words, all the terms introduced by the government, either privatization, PFI, and or PPP, are a language game to differentiate one policy from another. The recent term of PPP seems more appealing because it represents the spirit of partnership that is perceived to be fair and would bring benefit not only to the private partner but also to the government. Teisman and Klijn (2002) and Linder (1999) agree that the use of the term PPP must be seen in relation to previous, more pejorative terms such as contracting-out and privatization.

Corresponding to the development of privatization, PFI, and PPP in the United Kingdom, Malaysia shares the same history with the introduction of the Privatization policy in 1985. The rapid expansion of the public sector’s investment in the early 1970s and 1980s in Malaysia resulted in a bloated bureaucracy, inefficiency, high costs, and low productivity, hence the emergence of privatization policy (Lai et al., 2018). Apart from

reducing the public sector administrative burden and enhancing efficiency in the economy, the privatization program in Malaysia is also associated with a political motivation in facilitating growth and enhancing the national economic distribution to meet the New Economic Policy (NEP) agenda of the ruling government (Tan, 2007).

In the Malaysian context, privatization is defined as the transfer of activities and functions that are traditionally managed by the government (Dholakia & Dholakia, 1994). There were several methods of privatization have been classified in Malaysia, such as build-operate-transfer (BOT), build-operate-own (BOO), and build-lease-transfer (BLT), apart from corporatization and selling of government assets. BOO and BOT are incorporated within the privatization policy in Malaysia (Hensley & White, 1993). Various privatization projects have been implemented, such as the incorporation of Tenaga Nasional Berhad to take over the electricity supply activity, Telekom Malaysia Berhad (presently known as TM Berhad) taking over telecommunication activities, the corporatization of railway services (Keretapi Tanah Melayu Berhad – KTMB) and the implementation of toll roads projects, independent power producer projects, water supplies, and many others.

Much criticism of the privatization policy is related to mismanagement and corruption (Reinsberg et al., 2020). Privatization was expected to promote competition and eliminate corruption. In practice, the opposite has often been true as beneficiaries have engaged in new types of corruption to maximize their own gains instead. As the failures and abuses of privatization became apparent, PPPs have been promoted, ostensibly to mobilize private finance for public purposes (Sundaram, 2023).

The term PFI also became popular during the Ninth Malaysia Plan. Presently, the privatization and PFI programs have been part of PPP policy since the establishment of UKAS in 2009, as discussed in detail in Chapter One.

#### **2.4.2 Public Administration Perspective**

In the traditional monarchy system, government affairs were administered by the ruler and their servants in a kingly style administration. This administration style became the foundation of the recent civil service, where public officials are called civil servants. The administration of the public sector has undergone several reforms, and certain reforms can be seen as a paradigm shift in public sector management, notably Max Weber's bureaucratic paradigm and the New Public Management paradigm (Gow & Dufour, 2000).

Reform to the public administration occurred dramatically when the bureaucratic theory of Max Weber became dominant in the public administration. Mccourt and Minogue (2001) have suggested that the bureaucratic model of Max Weber was the first paradigm reform in public administration with seven characteristics as shown in Table 2.1.

Table 2.1: Characteristics of Bureaucratic Model.

No.	Characteristic
1.	Clear separation between political leaders and state officials.
2.	The administration continues and is predictable, with written, unambiguous rules.
3.	Recruitment of trained professionals based on qualifications.
4.	Function division of labour in the hierarchical arrangement.

No.	Characteristic
5.	Resources belonging to the organization, not to the individuals in it.
6.	Principal motivation is the sense of duty and public interest.
7.	Application of scientific management and operational methods based on standardization of tasks and systematic control.

*Source: (Mccourt & Minogue, 2001).*

When NPM was coined to be a new paradigm of reform for public administration, it showed that the traditional bureaucratic model of Max Weber was no longer favourable. The reason may be that the expectations of public administration become higher when society transforms into a modern industrial society and private businesses become more influential due to monetary capabilities and wealth. The idea of NPM is to import the private sector management style into public administration. It is a doctrine that the public sector can be improved by the importation of business concepts, techniques, and values (Pollit & Bouckaert, 2017). NPM is not simply about administrative techniques. It implies value, administrative culture, and behavioural shifts in public management (Gow & Dufour, 2000).

To differentiate the idea of NPM and traditional public administration, Hood (1995) has outlined 7 characteristics of NPM to replace 7 features of traditional public administration particularly (1) unbundling the public sector into corporatized unit organized by product to replace belief in uniform and inclusive public sector to avoid overlaps of accountability; (2) more contract-based competitive provision, with internal market and term contracts to replace unspecified employment contracts, open ended provision, linking of purchase, provision, production, to cut transaction cost; (3) stress on private sector style of management practice to replace stress on public sector ethic fixed

pay and hiring rules, model employer orientation centralized personnel structure, jobs for life; (4) more stress on discipline and frugality of resource used to replace stable based budget and establishment norms, minimum standard, union vetoes; (5) more emphasis on visible hands-on top management to replace paramount stress on policy skills and rules, not active management; (6) explicit formal measurable standard and measures of performance and success to replace qualitative and implicit standards and norms; and (7) greater emphasis on output control to replace stress on procedure and control by calibration.

Peter (2002) argued that the fundamental logic of NPM is that management in the public sector is not in any meaningful way different from management in the private sector. If managers in any organization can be released from the control of those political leaders and the constraint of bureaucratic processes, then the manager can perform better. Peter (2002) has outlined five differences in NPM, as shown in Table 2.2, to distinguish correspondingly with the assumption of traditional public administration functions.

Table 2.2: Characteristics of NPM.

No.	Characteristic	Explanation
1.	<i>organizational autonomy and self-sufficiency</i>	The government should become a contractor for, or perhaps sponsor, organizations that actually provide services rather than the direct provider of those services. Public services can be either outsourced, contracted out, privatized, or decentralized to an autonomous agency.
2.	<i>controlling public employees</i>	The government may control employees through financial incentives and organizational culture rather than based on law and rules. There will be a much greater latitude of hiring and firing of public servants like what has been practiced for the private sector employees, and

No.	Characteristic	Explanation
		managers can also be appointed from outside based on performance contracts.
3.	<i>accountability of public organizations</i>	Accountability for public delivery and services is at the managerial level, not at the top level of public organization. The services also focus on performance and quantifiable indicators, and accountability is based on a performance approach.
4.	<i>uniformity of public services</i>	The fundamentals of public service are not different from the private sector ethos of “serving the customer.” Customers are assumed to desire different products and not necessarily equal products or services. Another thing is that there must not necessarily be uniformity or equal treatment, such as standard rewards to employees, but rewards must be in line with merit and performance.
5.	<i>policy and administration</i>	The role of government is to set the policy and let the managers manage. The management of policy could be undertaken by an autonomous agency created specifically to carry out certain identified duties.

*Source: (Peter, 2002).*

From a different perspective, Pollit and Bouckaert (2017) have described NPM to be a bundle of concepts and practices that include (1) greater emphasis on performance, especially through measurement of outputs; (2) a preference for lean, flat, small, specialized (disaggregated) organizational forms over large multifunctional forms; (3) a widespread constitution of contracts for hierarchical relation as the principal coordinating device; (4) a widespread injection of market-type mechanism, including competitive tendering, public sector league tables, and performance-related pay; and (5) an emphasis of treating public

users as ‘customers’ and on the application of generic quality improvements techniques such as Total Quality Management (TQM).

The NPM practices have been adopted in Malaysia, among others, with the introduction of the “Malaysia Incorporated” policy and the downsizing of the size of public administration through a privatization agenda (Siddiquee, 2006). Privatization and PPP are among the recent public management tools in delivering public services under the NPM paradigm. The primary managerial assumptions underpinning NPM ideas always fit the PPP agenda (G. Hodge et al., 2018). PPP involves a change in focus in public administration from the procurement of assets to the purchase of services associated with those assets. PPP allows public sector officials to focus on strategic priorities and leave operational management tasks such as facilities management to the private sector, and this is in line with the NPM paradigm (J. Hood et al., 2006).

The discussion of public management shifted again to a new theme, namely New Public Governance (NPG). NPG has been regarded as a new public administration regime that researchers and practitioners perceive as a possible alternative regime to NPM. NPG focuses on the relationship between governments and the external environment and inter-organization, especially for service provision. According to Osborne (2010), Public governance can be broken down into five distinct strands in Table 2.3. Hence, PPP has also been seen as a governance tool in delivering public services under the NPG regime.

Table 2.3: Strands of Public Governance.

No.	Strand	Explanation
1.	Socio-political governance	Concerned with the over-arching institutional relationships within society.
2.	Public policy governance	Concerned with how policy elites and networks interact to create and govern the public policy process.
3.	Administrative governance,	Concerned with the effective application of PA and its repositioning to encompass the complexities of the contemporary state.
4.	Contract governance,	Concerned with the inner workings of the NPM, and particularly the governance of contractual relationships in the delivery of public services.
5.	Network governance,	Concerned with how self-organizing inter-organizational networks function both with and without government to provide public services.

*Source: (Osborne, 2010).*

Recent thoughts on the alternative of NPM include digital-era governance. This governance is considered a replacement for NPM (Lapsley & Miller, 2024). Digital-era governance started its first wave by abolishing thousands of clerical work with automated data processes, and subsequent waves will produce smaller but recurrent savings and more significant alterations in the process of administrative decisions (Dunleavy et al., 2006).

## 2.5 CONTEMPORARY RESEARCH ON PPP

There have been many studies regarding PPP reported in the literature since the late 1990s. Ke et al. (2009) analyzed 170 studies relating to PPP conducted over the period of 1998-

2008, selected from several academic journals. The results of their study showed that the three traditional topics – risks, procurement, and financing – have been expanded over the years to include the following seven research topic categories: investment environment, procurement, economic viability, financial package, risk management, governance issues, and integration research.

Andon (2012) presented an analysis of relevant PPP literature published up to December 2010 and proposed five research themes that are appropriate for the current PPP research. These themes include the nature of and rationale for PPPs, processes, and procedures encouraging the decision-making for undertaking PPPs, processes, and procedures for ex-post evaluations of PPPs, merit and worth of PPPs, and PPP regulation and guidance.

Chen et al. (2015) analyzed 95 empirical studies examining the influence of PPP data on respective research themes through meta-analysis. As a result, PPP research topics are classified into the following five categories: performance, contract, risk, value for money, and institutional factors.

Cui et al. (2018) suggested that studies on PPP are categorized into six groups: financial package and PPP application, economic viability and value for money, risk management and success factors, procurement and contract management, performance management, and governance and regulations. They also identified research gaps and research direction for future study as follows: Social impact assessment for project selection, efficient risk management to perfect the PPP decision process, performance appraisal criterion for the sustainability of PPP projects, improved methodology for flexible

contracting, government supervision of PPP projects, and knowledge management methods for PPP projects.

Ma et al. (2019) conducted a bibliometric analysis of PPP-related studies in the literature. Among others, they try to identify key issues discussed in the literature and found that the top issues are project governance, risk allocation and management, critical success factors, performance evaluation, PPP models and application, economics and financing, contract management, procurement management, and legislation and legal issues.

The analyses done by Ke et al. (2009), Andon (2012), Chen et al. (2015), Cui et al. (2018), and Ma et al. (2019) did not directly highlight the financial implications of PPP projects to the government as an area of interest in PPP research. Evidence shows that there is a lack of literature regarding PPP that covers the topic of PPP and its financial implications for the government. However, it may be covered under economic and financial issues, which also appeared to be less popular topics compared to others.

## **2.6 LITERATURE REGARDING REASONS/RATIONALES OF PPP**

There are many research articles as to the rationale and reason for PPP. Lafrance and Lehmann, (2005) contended that researchers have found out that every stakeholder has their own motivation in PPP. Governments embark on PPP because they need alternative funding for development projects, and they need to provide their citizens with better service. NGOs participate in PPP to share their expertise and to enhance transparency in the management of government affairs. Meanwhile, private companies are motivated to be involved to gain reasonable profits on financial and technical investment apart from providing technical skill, knowledge and experience in delivering public service.

Based on an extensive literature review, Li et al. (2005) identified 15 factors that make PPP attractive that are “solves the problem of public sector budget restraint,” “enhances government integrated solution capacity,” “reduces public money tied up in capital investment,” “caps the final service costs,” “reduces the total project cost,” “saves time in delivering the project,” “reduces public sector administration costs,” “benefit to local economic development,” “non-recourse or limited recourse public funding,” “transfer of risk to the private partner,” “improves maintainability,” “facilitate creative and innovative approaches,” “improves buildability,” “accelerates project development,” and “technology transfer to local enterprise.” They carried out a survey in the UK to examine the factors attracting PPP. They found that PPP is attractive because it relates to public sector avoidance of regulatory and financial constraints, better project technology and economy, greater public benefit, and public sector savings in transaction costs.

Using a similar instrument by Li et al. (2005), Chan et al. (2009) carried out a study to compare the differences between China and Hong Kong concerning attractive factors for adopting PPP. The 15 factors were divided into five groups: “risk transfer,” “cost savings and value for money,” “enhanced asset quality and service levels,” “reduced public funding,” and “catalyst for the economy.” The study revealed that there are differences in key attractive factors for PPP between the two economies. The main motivation for China is related to economic factors meanwhile the main motivation for Hong Kong is related to the quality of services and efficiency.

A questionnaire survey was carried out by Cheung et al. (2009) to investigate the reasons for adopting PPP in Hong Kong, Australia, and the UK. They discovered that there are similarities and differences between the three countries regarding reasons for PPP

adoption. The main reasons for adopting PPP in Hong Kong are “private initiative,” “economic development pressure demanding more facilities,” and “high quality of services required.” The key reasons in Australia are “high quality of services required,” “economic development pressure demanding more facilities,” and “inefficiency because of public monopoly and lack of competition.” Meanwhile, the top three motivating factors for PPP in the UK are “shortage of government funding,” “economic development pressure demanding more facilities,” and “avoid public investment restriction.”

In comparison to the adoption of PPP in Hong Kong and the adoption of PPP in Ghana, Osei-Kyei and Chan (2018) conducted a survey in both jurisdictions. The result shows that efficiency and quality service-related reasons are ranked higher in Hong Kong. In contrast, reasons related to the economic and social benefits of PPP are ranked higher in Ghana. The result also shows that two reasons for adopting PPP emerged as very important in both jurisdictions; these are “promotes quick delivery of public infrastructure projects” and “allows for shared risks.”

In case study research conducted by Joha and Janssen (2010) to identify the motivation factors for adopting PPP by Birmingham City Council, the researchers summarized four categories of motivating factors: (1) strategic and organizational motivation, (2) political motivation, (3) technical motivation, and (4) economic motivation. Cheung and Chan (2011) have also conducted case study research to identify the suitability of adopting PPP for the Hong Kong Zhuhai Macau Bridge. The evaluation is based on 15 positive motivating factors used by Li et al. (2005) and 13 negative factors. The result of the evaluation shows that the bridge is unsuitable for PPP because the scores for positive factors are less than the scores for negative factors. The top negative factors are lengthy

delays due to political debate, lengthy delays in negotiation, and very few PPP schemes that have actually reached the contract stage in Hong Kong.

In another case study, using semi-structured interviews and focus group discussions with senior industry players, Liu and Wilkinson (2011) investigate the driving factors and obstacles to adopting PPP in New Zealand. Based on the study, the driving factors for PPP are categorized into seven categories: “acceleration of infrastructure provision,” “better risk allocation,” “whole of life cost savings,” “improved quality of services,” “likely to access additional revenue sources,” “benefits for local economic and social development,” and “improved project scrutiny.” With regard to the obstacles, research showed these to be: “political, social and legal risks,” “unfavourable economic and commercial conditions,” “high transaction costs and lengthy lead time,” “problems related to the public sector,” and “problems with the private sector.”

Burger and Hawkesworth (2011) argued that value for money should be the main reason why the government chooses either PPP or traditional procurement. Still, there are other factors that influence the choice. They conducted a study that involved 19 Organization for Economic Co-operation and Development (OECD) member countries concerning the factors motivating PPP adoption as compared to traditional procurement. The study reported that factors such as the “role of finance ministries and PPP units,” “an incentive,” “high level of constant maintenance,” and “skills and on-time delivery or keeping expenditure within budget” are among the key reasons for the countries to opt for PPP in procuring public facilities and services.

Buso et al. (2017) argued that there are two potential advantages of PPP for governments that have strict spending limits. First, PPP encourages cost-reducing

innovations and is generally more viable than other procurement projects, with few or no cost overruns and delays. These arguments have been discussed in several literatures which, at the same time, criticized traditional public procurement. Secondly, PPP allows deferred payments for the project and an off-balance-sheet treatment of the financing associated with PPP.

In the Malaysian context, Ismail (2014) has adopted a questionnaire survey, which was also adopted by Cheung (2009) to examine the driving forces for PPP implementation in Malaysia. The results show that the top three driving forces for PPP implementation in Malaysia are “economic development pressure of demanding more facilities,” “private incentive,” and “shortage of government funding.” Although a comparison of the results between Malaysia and the United Kingdom found that both countries regarded all the factors, to some extent, as important, different countries have a different priority for each of the driving forces. The findings imply that the unique nature of PPP in different countries is reflected in the different motivation factors of each country to implement PPP.

Using another set of questionnaires, Ismail and Haris (2014) examine the rationale for the implementation of public-private partnerships (PPP) in Malaysia. It investigates the differences between perceptions of the public and private sectors in relation to the rationales for implementing PPP in Malaysia. Results show that “to enhance private sector involvement in economic development” is the only rationale that was rated as most important by all respondents. Meanwhile, other rationales were perceived as important, “to reduce the role of the Government in providing public services and facilities” was regarded as the least important rationale by both parties. The results also reveal significant differences between public and private perceptions of the least important rationales.

Although research on the rationale of PPP in Malaysia was carried out in 2014, the study used a questionnaire survey, and it is limited to the rationales that have been outlined in the questionnaire. To obtain richer data and to understand better the rationale of the PPP program in Malaysia, as suggested by Ismail and Haris (2014), a qualitative studies approach using interview and case study methods may be beneficial. The interview will also give more emphasis on the financial commitment issue related to PPP projects, as reported by the government to be a serious issue for the country in managing its fiscal commitment.

## **2.7 PPP AND GOVERNMENT FINANCIAL IMPLICATION**

A large number of literature discusses the use of PPP as a way to avoid budget constraints (Cepparulo et al., 2024). Over decades, researchers have given more emphasis to studying the rationales of PPP, its motivating factors and objectives, performance indicators of PPP, and how to do PPP better to achieve such performances. Only a few studies elaborate on the impact of PPP in terms of financial implications for the government. For example, Sfakianakis (2013) conducted research to show the relationship between PPP government guarantees and government contingent liability as it seems similar to government debt obligation. The findings reveal that, for the first years, the burden on the surplus or deficit will be less in the case of the PPP than typical public investment. Secondly, the net contingent PPP flows constitute the real effect on the deficit and correspondingly on the public debt and weaken the government's fiscal position.

It has often been argued that the main reason why governments find PPP an attractive option is that the financing of private partners in implementing public projects

does not contribute to the public debt, and it can avoid excessive public borrowing (van den Hurk, 2018; Jensen & Dowlatabadi, 2018; Reeves, 2015). However, the fiscal impact of PPP is similar to that of conventional provisions, and they do not impede public funds (Engel et al., 2014). PPP should be given the same treatment as any other government project because it will eventually contribute to government spending in the long run (Engel et al., 2013). The financing method used in PPP is arguably misnamed as "private financing," as the government's final payment through its budgetary sources is later made by the government (Benito et al., 2008). PPP only overcomes budgetary constraints by taking expenditures and related debt off-budget with guaranteed payment, which burdens the government in the future (Jomo & Chowdhury, 2018).

The relationship between PPP and government financial implications has been elaborated by the Malaysian government in a parliament session where the construction of six Universiti Teknologi Mara (UiTM) campuses through PPP. However, it does not require government allocation for the construction of the project, and the government must pay RM375 million in rent annually for 23 years, based on concession agreements that have been signed. In this case, the government also explained that they chose to implement the projects through PPP to overcome a lack of development funds (Zahiid, 2014).

Another project example that explains the financial implication of the PPP project to the government is the International Islamic University Malaysia campus in Gambang. It is reported that the concession company will bear the construction cost amounting to RM391.65 million. Once the project is completed, the government will pay the availability charges throughout the concession period of 23 years and the total amount would be RM835.61 million. On top of that, the government will also pay the agreed maintenance

services charges for the entire concession period, amounting to RM504.68 million, and the asset management program for the concession period would be RM132.79 million (The Star, 2012).

The implication of PPP to the government's financial position also attracts discussion in inter-government organizations such as the International Monetary Fund (IMF) and the World Bank. In this regard, the IMF and the World Bank (2016) have developed a Public-Private Partnerships Fiscal Risk Assessment Model (PFRAM) as a guideline for its member states. PFRAM is an analytical tool to systematically assess the potential macro-fiscal implications of PPP projects. Meanwhile, there is a wide consensus on the need to improve project evaluation techniques for PPP projects to ensure that only the right projects are procured. Better project evaluation techniques cannot, by themselves, ensure the budget affordability of a project. Typically, financing and funding conditions for projects are agreed upon under completely separate processes.

Given the disconnect between project and financial evaluation techniques, governments may end up procuring projects that either cannot be funded within the existing budgetary envelope or expose the public finances to excessive fiscal risks. Based on international accounting and statistical standards, the PFRAM allows the user to estimate the macro-fiscal implications of PPP projects — i.e., their impact on the fiscal deficit, gross and net debt, and stock of contingent liabilities for the government. It also provides a framework to identify fiscal risks linked to a PPP project, evaluate them, and discuss appropriate mitigation measures. IMF and the World Bank (2019) have updated the guideline with the so-called PFRAM 2.0.

Correspondingly, the Malaysian government, in reporting its Fiscal Outlook and Federal Government Revenue Estimates during the annual budget exercise, has taken into consideration the assessment of the debt and liabilities exposure. In the Malaysian context, among the liability exposures reported by the Ministry of Finance are government guarantees, PPP, and other liabilities. These liabilities need to be identified, assessed, monitored, and reported to enhance transparency in communicating the Government's fiscal policies to the people. The report, complemented by other reports produced by the Ministry of Finance, will provide a better understanding of fiscal operations and public finances, covering all levels of Government and public corporations (Ministry of Finance, 2020).

## **2.8 RESEARCH GAP**

The increasing number of PPP payment commitments by the government, as what was initially reported in 2018, requires further explanation, especially on the rationale of PPP, how it has been implemented, and how the payment commitment in PPP projects has been monitored against the financial ability of the government. As has been discussed in previous studies, there are positive reasons and rationales for the implementation of PPP, such as “acceleration of infrastructure provision,” “better risk allocation,” “whole of life cost savings,” “improved quality of services,” “likely to access additional revenue sources,” “benefits for local economic and social development,” and “improved project scrutiny” (Liu and Wilkinson, 2011). There are also reasons associated with less positive rationale, for example, the use of PPP as a way to avoid budget constraints (Cepparulo et al., 2024), PPP allows deferred payments for the project and an off-balance-sheet treatment of the

financing associated with PPP (Buso et al., 2017), and the final payment for PPP later is made by the government through its budgetary sources (Benito et al., 2008) and this will burden the government in the future (Jomo & Chowdhury, 2018).

Although the issue of PPP payment has been addressed by inter-governmental organizations such as the International Monetary Fund and the World Bank through their guideline, namely “Public Private Partnership Financial Risk Assessment Model” (IMF & the World Bank, 2019), study regarding country experience in managing PPP financial commitment is apparently underserved. As to the implication of PPP to government fiscal position, the Malaysian government has included in its annual fiscal outlook the matter of contingent liability and PPP risk. This development shows that proper attention has been given to the financial implications of PPP by the Malaysian government, and there is an opportunity to explore their experience as case study research to close the gaps in previous studies and expand the knowledge about the subject.

The research may also include possible suggestions for the existing procedure in determining the optimal number of PPP commitments that the government can undertake. Since the issue is about PPP administration by the government, it is more appropriate to conduct exploratory research with government officials mainly in addressing the following research questions:

- (i) How do public sector officials understand the PPP program, its significance, and its financial implications for the government?
- (ii) What are the experiences of public sector officials in managing PPP projects, especially future payment commitment in relation to PPP projects?

- (iii) How can the existing PPP implementation process and procedure be modified/improved with particular interest in managing government financial commitment?
- (iv) What kind of new procedure needs to be established to control government financial commitment with regard to PPP projects?

## **2.9 CHAPTER SUMMARY**

This chapter first introduced the understanding of PPP from various scholars, the origin and history of the theory, and various previous studies by researchers. In this chapter, more emphasis is given to the literature regarding the rationale of PPP and the financial management by the government regarding PPP. Finally, the chapter identifies gaps in previous studies that need further research, especially the relationship between PPP and government financial commitment and the need to address and establish a management tool for public sector officials to monitor the financial effect of PPP projects. Since the Malaysian government has included in its annual fiscal outlook the matter of contingent liability and PPP risk, there is an opportunity to tap the view of public practitioners in Malaysia about the implementation of PPP and its financial implication as a single case study design instrumental to the issue in expanding the knowledge about the subject.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 INTRODUCTION**

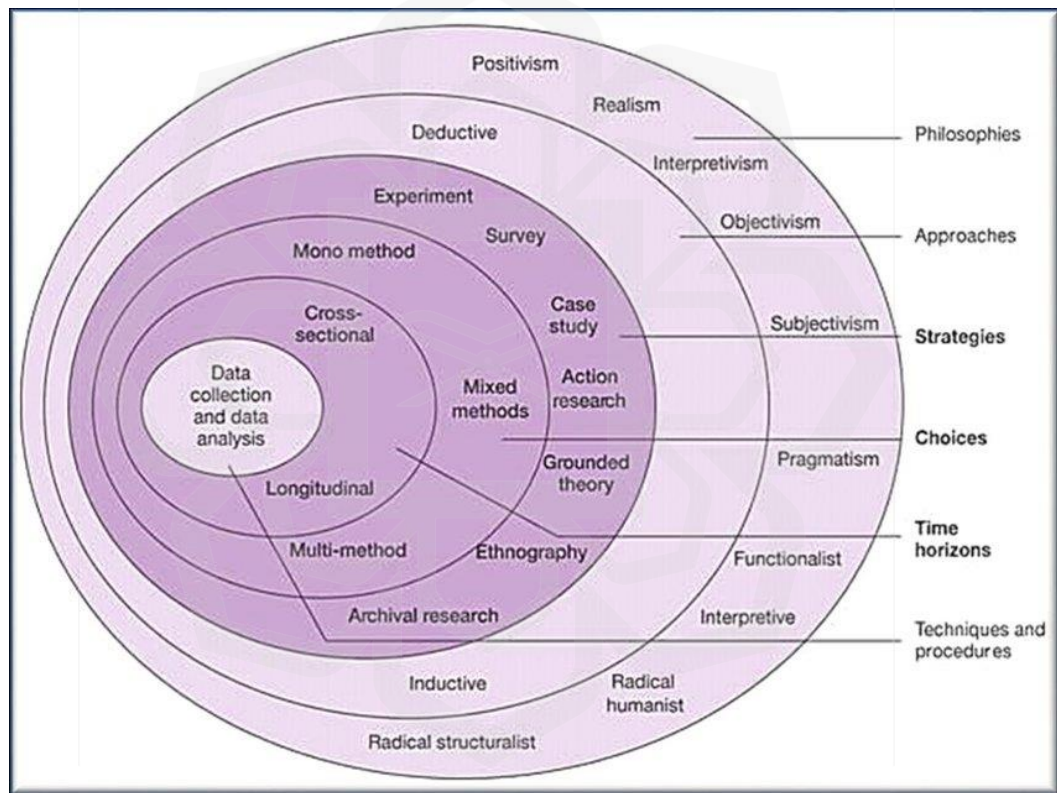
This chapter describes the methodology used in this study. It comprises information on the research paradigm and design that the researcher plans to undertake, as well as the instrument, population, and sampling for the data collection process and data analysis procedures.

#### **3.2 RESEARCH PHILOSOPHY**

Research philosophy is about discussion on four philosophical assumptions in research that have been articulated over 20 years by researchers that are beliefs about ontology (the nature of reality), epistemology (what counts as knowledge and how knowledge claims are justified), axiology (the role of values in research) and methodology (the process of research) (Creswell & Poth, 2018). Research philosophy also talks about the philosophical worldview, that is, “a basic set of beliefs that guide action,” and it is also called research paradigms by researchers (Creswell, 2014). Saunders et al. (2007) have elaborated the research philosophies in a research onion (Figure 3.1) to relate them with overall elements of research practices.

To simplify the various types of research philosophies, let us discuss the three most contradictory paradigms commonly deliberated among researchers: positivism, constructivism, and pragmatism. Every paradigm has its own ontological and epistemological assumptions. The ontological assumption could be the belief in a single

reality (positivism), multiple reality (constructivism), or reality that is constantly negotiated, debated, and interpreted (pragmatism). The epistemological assumption is about the way researchers acquire knowledge and discover reality. It is whether knowledge is measurable using reliable design and tools (positivism), reality needs to be interpreted to discover the underlying meaning (constructivism), or knowledge should be examined using whatever tools are best suited to solve the problem (pragmatism).



Source: (M. Saunders et al., 2007).

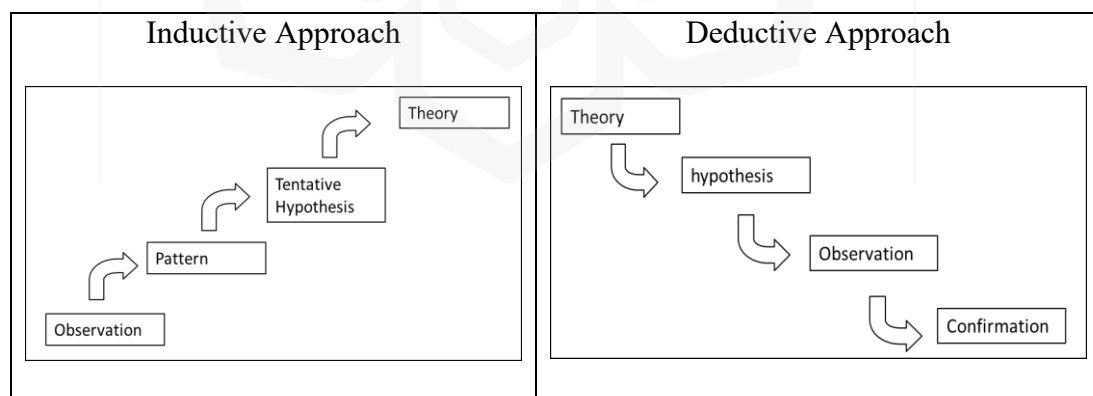
Figure 3.1: The Research Onion.

The present study is exploratory in nature and has been conducted under the constructivism paradigm. The researcher believes in multiple realities, and they need to be

interpreted to discover the true meaning. The answer to all the research questions has been sought through interpreting the qualitative data gathered from interviews and other qualitative methods. The answers to research questions have not been measured using any quantitative tool, and no numerical data has been used to address the research questions.

### 3.3 RESEARCH APPROACH AND DESIGN

An important characteristic of qualitative research is that the process is inductive (Merriam, 2009). It involves the search for patterns from observation and the development of explanations or theories for those patterns, which are proposed towards the end of the research process as a result of observation. In contrast to the deductive approach, which starts with identifying a theory and testing a hypothesis with numerical data, the inductive approach aims to generate meanings from the data set collected to identify patterns and relationships to build a theory, as per Figure 3.2. The present research adopted an inductive approach where no theory or hypothesis was applicable at the beginning of the research.



Source: (Trochim & Donnelly, 2006).

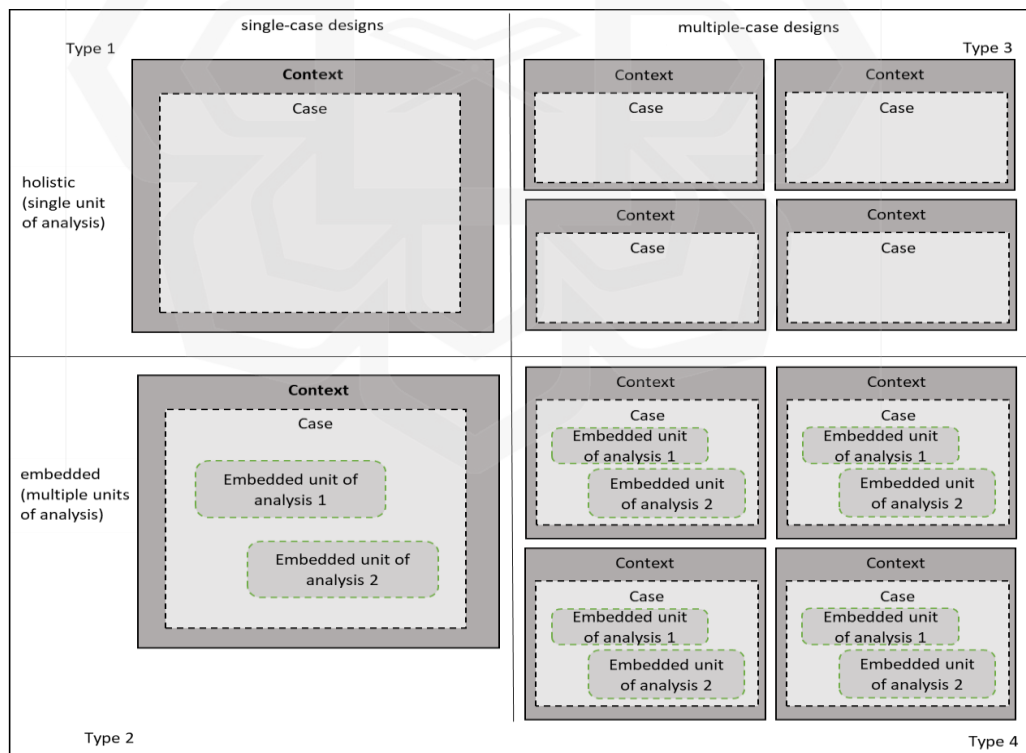
Figure 3.2: Inductive approach and deductive approach in research.

Sekaran and Bougie (2016) explained that research design is a blueprint or plan for the collection, measurement, and analysis of data created to answer research questions. They further explained that component of the research design includes research strategy (for instance, experiments, surveys, case studies), the extent to which the study is manipulated and controlled by the researcher (extent of researcher interference), location (i.e., the study setting), the level at which the data will be analyzed (unit of analysis), and temporal aspects (the time horizon). In other words, research strategy is only one component of research design. However, the components of research design, as explained by Sekaran and Bougie (2016), are more positivism in nature, where the reality/truth needs to be measured using a specific tool/instrument, and the researcher is not considered as part of the instrument.

From another perspective, Yin (2018) defines research design as a logical plan for getting from here to there, where here may be defined as the set of questions to be addressed, and there is some set of conclusions about these questions. Creswell and Poth (2018) outline five qualitative research approaches/designs: narrative research, phenomenology, grounded theory, ethnography, and case study. Meanwhile, Merriam and Tisdell (2016) summarize six common qualitative research designs that are basic qualitative research, phenomenology, ethnography, grounded theory, narrative inquiry, and qualitative case study and further explain that phenomenology, ethnography, grounded theory, narrative inquiry, and qualitative case study are distinguished from basic qualitative research due to added dimension that every design has apart from common characteristics of basic qualitative research design. The present study undertook a qualitative case study

design with a specific case, that is, the implementation of the PPP program in Malaysia and its financial implication to the government.

A case study is defined as an in-depth description and analysis of a bounded system (Merriam & Tisdell, 2016). In another perspective, a case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident (Yin, 2018). Since the present study only focused on the implementation of PPP projects in Malaysia and the financial implications to the Malaysian government, it is regarded as a single case study design in comparison to other case study design approaches proposed by Yin (2018) in Figure 3.3.



Source: (Yin, 2018).

Figure 3.3: Types of Designs for Case Study Approach.

From another dimension, Creswell and Poth (2018) categorize case studies into three variations: (1) a single instrumental case study, (2) a collective or multiple case study, and (3) an intrinsic case study. In a single instrumental case study, the researcher focuses on an issue or concern and then selects one bounded case to illustrate this issue. In a collective case study (or multiple case studies), one issue or concern is again selected, but the inquirer selects multiple case studies to illustrate the issue. An intrinsic case study is when the focus is on the case itself because the case presents an unusual or unique situation. The present study can be categorized as an instrumental case study because the issue of the study is about the implementation of the PPP program and its financial implication to the government, where the PPP program in Malaysia is selected as a single unit of analysis instrumental to the issue concerned.

### **3.4 DATA COLLECTION**

Compared to quantitative research, which focuses on numeric data and statistics, qualitative research focuses on words, descriptions, concepts, or ideas. A good qualitative case study is that it presents an in-depth understanding of the case. It is accomplished through the integration of many forms of qualitative data, ranging from interviews to observations, to documents, to audiovisual materials, because relying on one source of data is typically not enough to develop this in-depth understanding (Creswell & Poth, 2018). This study has collected qualitative data mainly from interviews. The interview is the best way to have accurate and thorough communication of ideas between the researcher and the person from whom information is gathered. The researcher always has control of the question and the

question order to make sure that all questions are addressed by the interviewee. Focus group discussion was intended to be used to obtain data from purposely selected groups of individuals and to provide more insight into complicated topics where opinions are exchanged in answering questions, especially the fourth research question. However, since the answer to the fourth research question has emerged from the analysis of the interview data, the intended focus group discussion was no longer required and has not been implemented.

The data collected was used to answer research questions and to fulfill research objectives. The research objectives set for this study and the methodology used to fulfill the objectives are shown in Table 3.1. The initial plan was that the first three objectives would be fulfilled through the analysis of qualitative data collected through interviews. Meanwhile, the fourth objective will be achieved through analysis of interview data and observation, which can be validated by focus group discussion. Initially, it was suspected that the researcher might come up with several budgetary management frameworks for PPP projects during the analysis of interview data, and focus group discussion may help the researcher to brainstorm the most suitable and appropriate PPP budgetary management framework to be implemented by the government. However, since the answer to the fourth research question has emerged from the analysis of the interview data and a specific budgetary management framework has already been established and reported by several interviewees, the intended focus group discussion was no longer required and has not been implemented.

Table 3.1: Research Objectives and Methodology of Research.

No.	Research Objective (RO)	Methodology
<b>RO1</b>	To investigate the reason for and the need for the implementation of PPP projects despite the fact they cause financial implications in the form of future payment commitment to the government.	Qualitative (interview)
<b>RO2</b>	To evaluate the existing processes and procedures that the government uses to manage future payment commitment in relation to PPP, especially the loopholes and weaknesses.	Qualitative (interview)
<b>RO3</b>	To explore areas where the existing PPP implementation procedure can be modified/improved with particular interest in managing government financial commitment.	Qualitative (interview)
<b>RO4</b>	To propose a well-directed budgetary management framework for the implementation of PPP projects.	Qualitative (thematic analysis)

*Source: Researcher's compilation.*

A semi-structured questionnaire has been prepared as an instrument to help the researcher in conducting interviews. Although it has not been implemented, focus group discussion guidelines have also been prepared, including the agenda of the meeting, sets of questions to be discussed and sets of activities to encourage participation and to probe conversation/arguments to facilitate the discussion. Apart from this, the researcher himself also plays a role as a human instrument in qualitative study. This concept of researcher-as-instrument denotes that the researcher acts as an active informant in qualitative research.

### 3.5 SAMPLING DESIGN

Case studies are case studies because the unit of analysis is a single bounded system (Merriam, 2009). From a different perspective, the unit of analysis in a case study design

might be multiple cases or a single case (Creswell & Poth, 2018). In other words, the unit of analysis for a case study is the case itself, either a single case or multiple cases. To explore the real-life context of a case, thorough and in-depth data collection involving multiple sources of information needs to be investigated. The present study focused on information that has been gathered from public official sources. In this case, the population for primary data collection consisted of individuals from various government departments and agencies involved in PPP projects, namely the PPP Unit, three divisions from the Ministry of Finance, and the ministry/government agency involved in PPP projects. The three divisions of the Ministry of Finance are the Budget Division, Fiscal and Economic Division, and Strategic Investment Division.

The population from these government departments and divisions were selected because they are directly and indirectly involved in PPP projects and financial matters concerning PPP projects. When the data was collected, the population size for the PPP Unit was about 82 officers. For the three divisions of the Ministry of Finance, there were about 212 officers and for ministries that are involved in PPP projects, it was estimated to be more than 200 officers. The population size was based on the number of officers who were serving those offices according to the directory on their official websites.

The selection of study subjects was non-random. The researcher used purposive and quota sampling methods, which are part of the non-probability sampling technique. Purposive sampling is a non-probability sampling method where the researcher relies on their discretion to choose variables for the sample population. It helps the researcher filter out irrelevant responses that do not fit into the context of the study by spelling out the criteria for systematic investigation based on specific aims and objectives and to get

meaningful responses. Using purposive sampling, the interviewee must fulfill certain criteria, among others, have more than one year of working experience, have been involved in PPP projects or have dealt with PPP matters in his official duty, and have sufficient understanding of PPP. Since the total population can be divided into smaller groups based on certain characteristics, quota sampling will also be used where participants for the research or the targeted interviewee will be equally distributed between the representatives from the PPP Unit, Ministry of Finance, and the implementing ministries.

A large sample size is not a critical contributing factor to quality in qualitative studies (Braun et al., 2017). Smith (2018) stressed that the rich knowledge of a purposefully chosen small sample presents a unique strength of qualitative studies. If the interviews produced recurring comments and information redundancy was achieved, it is an indication of data saturation, notwithstanding the relatively small sample size (Saunders et al., 2018). In this study, the sample size for the interview process is between 15 and 30, depending on the data saturation. The sample size for focus group discussion is around 10 to 20 participants representing officers from the PPP Unit, the three divisions of the Ministry of Finance, and the implementing ministries. By using the quota sampling method and assuming the sample size is 5% of the population, the number of targeted samples from the PPP Unit is between four to seven, from the Ministry of Finance is between five to ten, and from implementing ministries is between five to ten.

### 3.6 DATA ANALYSIS

This study will undertake a thematic analysis. According to Braun and Clarke (2006), thematic analysis should be seen as a foundational method for qualitative analysis, and they have outlined six phases of thematic analysis as per Table 3.2.

Table 3.2: Phases of thematic analysis.

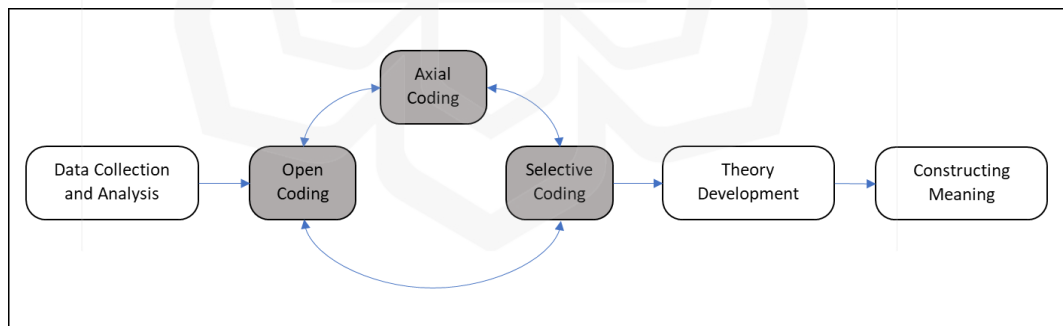
Phase	Description of the process
1. Familiarizing yourself with the data:	Transcribing data (if necessary), reading and re-reading the data, and noting down initial ideas.
2. Generating initial codes:	Coding interesting features of the data in a systematic fashion across the entire data set, collating data relevant to each code.
3. Searching for themes:	Collating codes into potential themes, gathering all data relevant to each potential theme.
4. Reviewing themes:	Checking if the themes work in relation to the coded extracts (Level 1) and the entire data set (Level 2), generating a thematic 'map' of the analysis.
5. Defining and naming themes:	Ongoing analysis refines the specifics of each theme, and the overall story the analysis tells, generating clear definitions and names for each theme.
6. Producing the report:	The final opportunity for analysis. Selection of vivid, compelling extract examples, final analysis of selected extracts, relating back of the analysis to the research question and literature, producing a scholarly report of the analysis.

*Source:* (Braun & Clarke, 2006).

The thematic analysis can also be carried out through an analysis of open, axial, and selective coding to construct meaning and develop theory. Coding in qualitative research is comprised of processes that enable collected data to be assembled, categorized, and thematically sorted, providing an organized platform for the construction of meaning

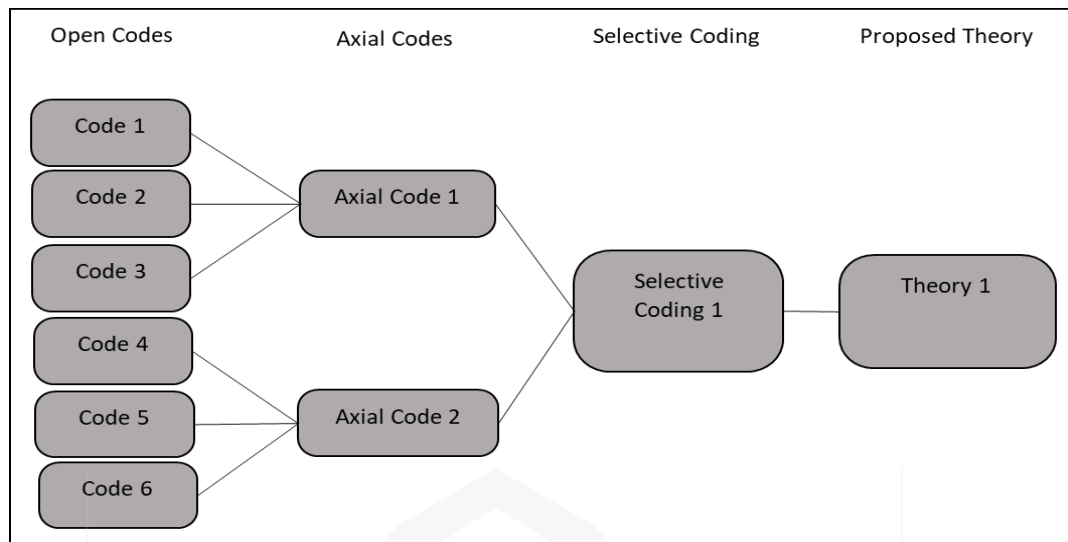
(Williams & Moser, 2019). Open coding involves allowing codes to emerge from the data set whereby regularly occurring words and short phrases from transcripts are constantly compared to identify key themes and concepts for categorization. Axial coding refined, aligned and categorized the themes emerging from the open codes to identify distinct thematic categories so that core codes can be identified. This will be achieved by cross-referring the open codes and categorizing related ones. The axial codes in each category will be refined into selective coding for each and subsequently developed into theory.

Open, axial, and selective coding will be constantly reviewed in a cyclical process (Figure 3.4) to enable essential themes to emerge, identify, codify, and interpret. This cyclical process is both an art and a science, requiring the researcher to intimately understand the data by continuously reading and rereading the collected data for theory to evolve (Williams & Moser, 2019). An example of thematic analysis using open, axial and selective codes is shown in Figure 3.5.



*Source: (Williams & Moser, 2019).*

Figure 3.4: Non-Linear Process: Qualitative Research.



*Source: Adapted from (Williams & Moser, 2019).*

Figure 3.5: Example of thematic analysis using open, axial and selective codes.

### 3.7 TRUSTWORTHINESS OF THE RESEARCH

In quantitative research, validity and reliability are concepts used to evaluate the quality of research. They indicate how well a method, technique, or test measures something. Validity is about the accuracy of measurement, while reliability is about the consistency of the measure. In qualitative research, the assumptions about reality are different from those of quantitative research. Thus, the standard of rigor in qualitative research necessarily differs from that of quantitative research. This may even result in naming the concepts differently, where internal validity, external validity, reliability, and objectivity in quantitative research are substituted with credibility, transferability, dependability, and confirmability in qualitative research (Merriam & Tisdell, 2016).

The study result will become less accurate and less truthful when there is a high level of error in the research. According to Brink (1993), there are four key sources of error that are (1) researcher bias, (2) informant bias, (3) the reactivity as a result of a situation or

social context, and (4) the methods of data collection and analysis. To make sure that the research is trustworthy and to mitigate the occurrence of research errors, the researcher adopted a qualitative strategy as follows:

- (i) Triangulation: It refers to the use of multiple methods or data sources in qualitative research to develop a comprehensive understanding of phenomena;
- (ii) Member check: Member checking in research, also known as participant or respondent validation, is a technique for exploring the credibility of the result. Data or results are returned to participants to check for accuracy and resonance with their experience;
- (iii) Audit Trail: It is a transparent description of the research steps taken from the start of a research project to the development and reporting of findings;
- (iv) Purposive sampling: Also known as subjective sampling, it is a non-probability sampling technique where the researcher relies on their discretion to choose variables for the sample population. It helps the researcher filter out irrelevant responses that do not fit into the context of the study by spelling out the criteria for the systematic investigation based on specific aims and objectives and to get meaningful responses;
- (v) Quota sampling: This is a method of sampling that involves dividing a population into smaller groups. The groups are organized based on the shared characteristics or attributes of the members in the group. Quota sampling is used when there is no sampling frame available or when the

researcher wants to gain insight into a particular subgroup or relationship between subgroups;

- (vi) Continuous reflexivity process: Reflexivity involves examining the researcher’s own judgments, practices, and belief systems during the data collection process. The goal of being reflexive is to identify any personal beliefs that may have incidentally affected the research.

The strategies adopted will address credibility, transferability, dependability, and confirmability issues in qualitative research, as per Table 3.3.

Table 3.3: Strategies Adopted to Address Trustworthiness Issue.

Criteria	Strategies employed	Researcher bias	Informant bias	Reactivity bias	Sampling bias
Credibility	Triangulation	Reduces threat	Reduces threat	Reduces threat	Not applicable
	Member check	Reduces threat	Reduces threat	Reduces threat	Not applicable
	Quota sampling	Not applicable	Not applicable	Not applicable	Reduces threat
Transferability	Purposive sampling	Not applicable	Not applicable	Not applicable	Reduces threat
Dependability	Audit trail	Reduces threat	No effect	No effect	Not applicable
	Triangulation	Reduces threat	Reduces threat	Reduces threat	Not applicable
Confirmability	Triangulation	Reduces threat	Reduces threat	Reduces threat	Not applicable

Criteria	Strategies employed	Researcher bias	Informant bias	Reactivity bias	Sampling bias
	Continuous Reflectivity Process	Reduces threat	Reduces threat	No effect	Not applicable

*Source: Researcher's compilation.*

### 3.8 RESEARCH FLOWCHART

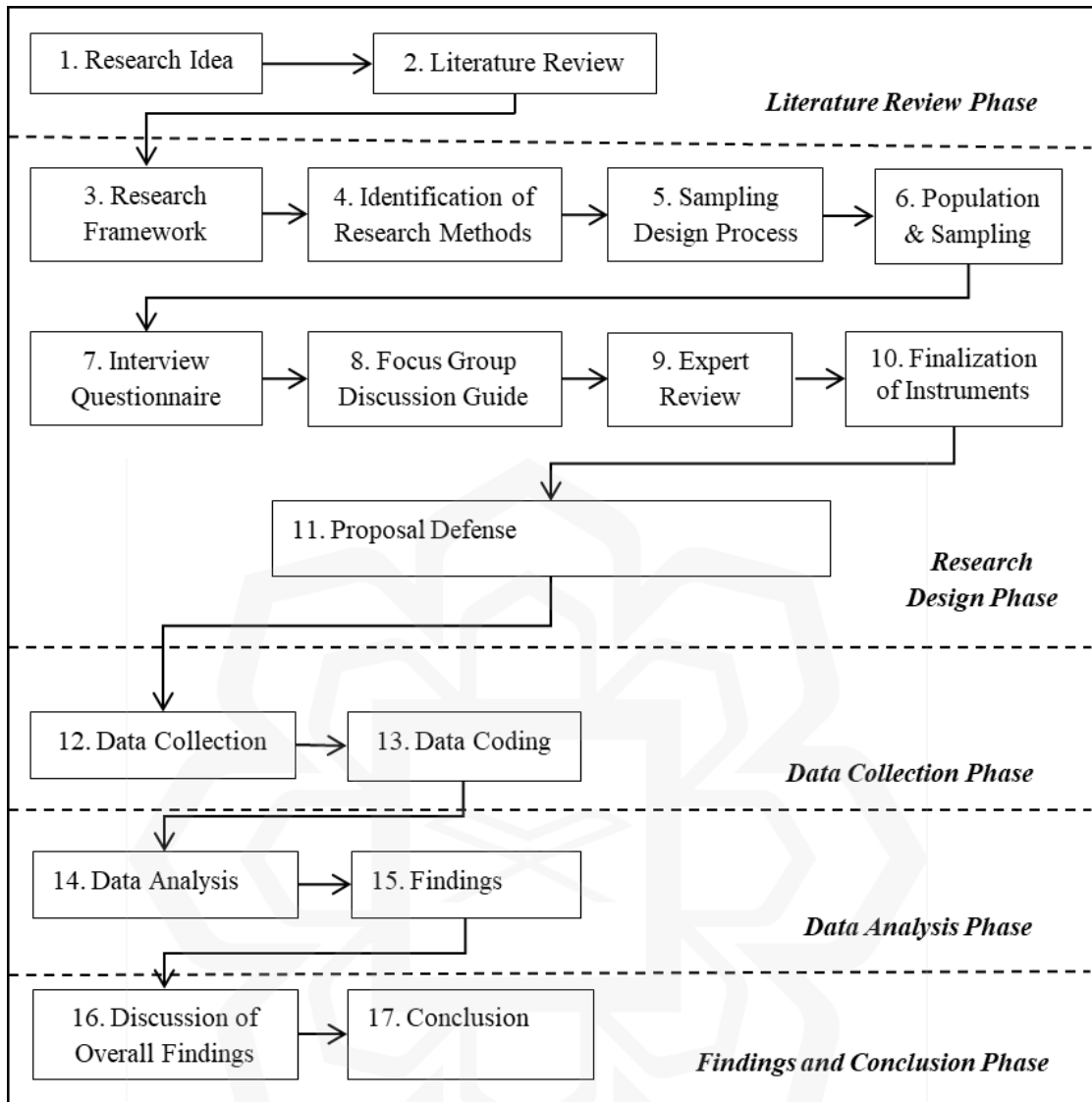
The design of this research is shown in a flowchart in Figure 3.6. It starts with research ideas and reviewing literature regarding the idea, especially in addressing the gap that can be filled with the research. The literature review consists of an overview of the topic and previously published works related to this study. The research framework is established while reviewing the literature, and it identifies the problem statement, research questions, and research objectives.

Since the research questions and the research objectives are exploratory in nature and it is not about testing existing theories or hypotheses, the methodology of the research is then adopted to be a qualitative case study, which focuses on the specific case of PPP implementation and financial management related to PPP projects in Malaysia. The unit of analysis and population of the study are also drawn to choose the right sampling for research purposes, followed by establishing instruments in the form of a semi-structured questionnaire and focus group guidelines. The research proposal is submitted for approval in a proposal defense stage before the fieldwork of data collection and data analysis is taken place.

### **3.9 CHAPTER SUMMARY**

This chapter has outlined the paradigm of the research and research design in addressing the research objectives. The sampling design of the study was also explained. The sampling design covers the population of the study, the sampling frame, the sampling technique, and the sample size. Finally, this chapter discusses the research instruments and provides a flow chart that describes how the research instrument was developed for this study.





Source: Researcher's compilation.

Figure 3.6: Research Flowchart.

## **CHAPTER FOUR**

### **RESULT AND DISCUSSION**

#### **4.1 INTRODUCTION**

This chapter presents the results of the study. The chapter first explains how the data is gathered, organized, and analyzed, considering the principles of trustworthiness. Secondly, the chapter presents the themes identified from the thematic analysis of the primary data elicited through a series of in-depth interviews with 29 public officials directly involved in PPP projects. The thematic analysis was conducted specifically to answer the research questions and to fulfill the research objectives of the study. Finally, this Chapter provides an enriched discussion of the key emergent findings, which are supported by thematic analysis in answering the research questions of the study.

#### **4.2 DATA ANALYSIS**

Before reporting the study's findings, it is important for the researcher to describe the data collection and analysis process specifically to address the trustworthiness issue. The descriptions of data collection and data analysis are explained in the subsequent subsection.

##### **4.2.1 Data Collection Procedures**

The data collection procedure starts with planning the interview process. The planning is guided by ethical requirements set by the International Islamic University Malaysia (IIUM) Research Ethics Committee (IREC), a body responsible for ensuring the ethical integrity of research conducted at the university, especially when it involves human participants.

The establishment of IREC is to provide a rigorous and comprehensive review process that safeguards the rights, autonomy, and welfare of every individual participant in IIUM research.

Protecting subject information in research is important to ensure participant privacy and to uphold ethical standards. Hence, there are certain due processes and principles that need to be observed by the researcher, among others, to obtain informed consent, apply the principle of anonymity and confidentiality, and safeguard the data storage and secure data collection tools. The research proposal with the proposed data collection procedures was submitted to IREC for review in January 2023 and approved in February 2023. The proposed data collection procedures that have been submitted and approved include the method of data collection, informed consent form, and proposed semi-structured interview questions.

The sample of the study was several individuals representing the population. Each sample is identified through the contacts of the researcher who has served with the researcher in the public service. Each sample will be contacted through text message via the WhatsApp application. The researcher introduced himself and requested that the sample participate in the researcher's study. Upon agreement by the sample, the date and place of the interview are discussed. Most of the interviews were conducted in the sample's office.

Prior to the interview session, the sample has been informed of the sample anonymity and confidentiality procedures as well as the purpose for which the information will be used. Samples have also been required to read and understand the details of the confidentiality procedure and sign an informed consent form before the interview is

conducted. The language used in the interview sessions was mostly in Malay, as it is the language that was conveniently used by the samples.

All data and information obtained from the study were digitally audio-recorded and transcribed in text form. The researcher has subscribed to the Gotranscribe application for this purpose. The results of electronically transcribed texts through the Gotranscribe application were inaccurate because the Malay language used by the samples was not the correct Malay language but was influenced by several dialects. This makes the Gotranscribe application unable to produce accurate texts. The researcher has taken significant time to review and correct the texts produced by the Gotranscribe application.

Since the results of the study will be reported in English, the Malay text was translated into English before it was uploaded to the Atlas.ti application for the purpose of analysis. The researcher has used an existing translation tool in Microsoft Word. The translation produced by the translation tool is practically 90% accurate. This is because the Malay text has been reviewed and corrected by the researcher. The correct Malay text helps the tool to translate more accurately.

#### **4.2.2 Population and Sampling**

The main objective of the research is to explore the perception of public officials on PPP projects and their financial matters. The population of the study construed government officers in departments that are directly involved in PPP, mainly the PPP Unit under the Prime Minister's Department, several divisions in the Ministry of Finance, and specific divisions in Ministries that are directly involved in the implementation of PPP projects. The population size represents the number of public officials currently posted in those

departments/divisions. The sample size for the study is 29. Assuming the population is about 300, which is estimated by referring to the number of officers in the directory of the respective department, the sample size is about 10% of the total population.

Using a purposive sampling method, the researcher has set certain criteria for the participant who has working experience for more than 1 year, has been involved in PPP projects or dealt with PPP matters in his official duty, and has sufficient understanding of PPP. The quota sampling method is also used since the total population can be divided into clusters based on their place of employment. This is to make sure that the samples are equally distributed between the three clusters representing the PPP Unit, the Ministry of Finance, and the implementing ministries.

The number of samples or sample size is not a critical contributing factor to quality in qualitative studies (Braun et al., 2017). Smith (2018) stressed that the rich knowledge of a purposefully chosen small sample presents a unique strength of qualitative studies. If the interviews produced recurring comments and information redundancy was achieved, it is an indication of data saturation, notwithstanding the relatively small sample size (Saunders et al., 2018).

Among the challenges faced by the researcher in performing field work and the interview process is to get individuals who are willing to be the sample for the study and participate in the interview session. Each identified individual has their own task, and it is difficult to get their free time. In this regard, the researcher has taken the initiative to visit the offices of the targeted individuals regularly and take the opportunity to be interviewed when the targeted individual has free time. This strategy is effective for samples

representing the population from the UKAS and MOF clusters due to their presence in the same or nearby office complex.

Some individuals in UKAS were reluctant to take part in the study for fear of leaking classified information and fear of not being authorized by their superiors. In this regard, the researcher has taken the initiative to visit the Director General of UKAS, introduce himself, and ask for the Director General's permission so that the researcher can interview several UKAS officials for the purpose of the study. The permission of the Director General was officially obtained through email by UKAS's liaison and customer service officer. This email has become evidence for the researcher to show targeted individuals that individuals from UKAS are permitted to participate in the study.

Another challenge is the reluctance of the targeted individuals to be interviewed during the fasting month. Every individual has a strict schedule during the fasting month, as most of them choose to go home early. So, the researcher failed to continue the interview process during the fasting month. The researcher did other work, such as data transcription and preliminary analysis. The demographic and interview date in Table 4.1 have shown a long gap in the interview process, which is that there were no interviews in April, which coincided with the fasting month.

The project implementation agency cluster is the most difficult cluster in which to find individuals as samples for the study. Although the names and phone numbers of officials can be obtained through the directory of Ministries and agencies, the researcher has difficulty obtaining individual consent, probably due to the lack of acquaintances. The researcher has sought the assistance of the sample from UKAS to identify the individual's name and contact number and be a liaison between the researcher and the individual. The

participant then introduced the next participant, who fulfilled the sample criteria in a snowball sampling technique.

### 4.2.3 Informants Demographics

A total of 29 individuals were interviewed and became samples of the study. They represent three clusters for analytical purposes: the UKAS cluster, the MOF/EPU cluster, and the cluster from implementing agencies. These details of the individual interviewed in terms of demographics and the date the individual was interviewed are presented in Table 4.1.

Table 4.1: Participant Demographics.

Coding	Cluster	Designation	Service Experience (Years)	Gender	Interview Date (2023)
P1	UKAS	Principal Assistant Director	17	Male	28 February
P2	UKAS	Deputy Director General	28	Male	2 Mac
P3	UKAS	Principal Assistant Director	19	Male	2 Mac
P4	UKAS	Senior Assistant Director	8	Female	3 Mac
P5	UKAS	Director	20	Female	8 Mac
P6	UKAS	Principal Assistant Director	18	Male	8 Mac
P7	UKAS	Director	22	Female	8 Mac
P8	UKAS	Director	20	Female	9 Mac
P9	UKAS	Principal Assistant Director	17	Female	9 Mac
P10	UKAS	Senior Director	23	Female	13 Mac
P11	UKAS	Senior Assistant Director	12	Male	14 Mac
P12	UKAS	Senior Assistant Director	14	Male	22 Mac
P13	UKAS	Principal Assistant Director	18	Male	22 Mac

Coding	Cluster	Designation	Service Experience (Years)	Gender	Interview Date (2023)
P14	Implementing Agency	Assistant Secretary	2	Male	17 May
P15	Implementing Agency	Mechanical Engineer	19	Male	23 May
P16	Implementing Agency	Senior Assistant Secretary	8	Female	23 May
P17	MOF	Principal Assistant Secretary	19	Male	31 May
P18	MOF	Principal Assistant Secretary	18	Male	1 June
P19	MOF	Principal Assistant Secretary	19	Male	6 June
P20	MOF	Senior Assistant Secretary	14	Male	6 June
P21	MOF	Senior Assistant Secretary	13	Male	8 June
P22	MOF	Head of Section	22	Female	8 June
P23	MOF	Principal Assistant Secretary	16	Female	9 June
P24	MOF	Head of Section	21	Male	14 June
P25	MOF	Head of Section	21	Male	15 June
P26	Implementing Agency	Principal Assistant Secretary	19	Male	19 June
P27	EPU	Principal Assistant Secretary	15	Male	23 June
P28	Implementing Agency	Deputy Undersecretary	22	Female	26 June
P29	Implementing Agency	Principal Assistant Secretary	18	Male	4 July

Although it is visually seen that the distribution of samples by cluster is less balanced, the fact is that there are samples representing the UKAS and MOF clusters that have also served in the implementing agencies and are directly involved with the implementation of development projects and PPP projects. Meanwhile, 11 participants (P2, P3, P6, P7, P8, P10, P11, P12, P13, P17, P23) representing UKAS and MOF have served in other ministries, and 5 of them (P6, P8, P13, P17 and P23) have been directly involved

in the implementation of infrastructure project. In other words, their response may also represent the response of implementing agencies, given their work experience before they were posted to UKAS or MOF.

One of the participants represents the Economic Planning Unit (EPU – currently officially named Ministry of Economy). It is visually shown that only 1 participant represents EPU. However, 5 of the participants (P1, P7, P9, P23, and P25) representing UKAS and MOF have served in EPU. Their response may represent the response of EPU.

The dynamic is that although these study samples represent their current working department, the same sample may also represent other clusters because of their experience before they were placed where they work now. Therefore, the visual distribution should not be considered disproportionate due to the fact that samples' experience in other clusters is not uncommon. There is also a sample from the implementing agencies cluster that has served in UKAS, namely P28.

#### **4.2.4 Data Analysis Process**

The data in this study is qualitative data. The researcher has used thematic analysis to analyze the data. According to Braun and Clarke (2006), there are six phases in thematic analysis that are familiarizing yourself with the data, generating initial codes, searching for themes, reviewing themes, defining and naming themes and producing reports.

The researcher has familiarized himself with the data through transcribing and translating work. In implementing this transcribing and translating work, the researcher has repeatedly listened to audio recordings and checked whether the text in the Malay transcript is as accurate as the meaning described in the audio record. Although the transcribing work has been done electronically using the Gotranscribe application, sometimes, due to the

specific dialect used by the participants and the body language observed in the interview session, the meaning conveyed can only be understood through the context experienced by the researcher. This transcribing process includes listening repeatedly to the audio recordings, which immerses the researcher in the data and makes the researcher deeply understand the information collected.

Through this process of transcribing and translating as well, the researcher has obtained several ideas for the study. Several codes have been identified and generated. These codes are named accordingly and used as preliminary thoughts for further scrutiny in the analysis phase using Atlas.ti application.

The data used for analysis purposes is textual. Originally, this data is an audio of a mostly Malay-language record that was transcribed and later translated into English. There are 29 text documents representing 29 interview transcripts uploaded to Atlas.ti. This analysis process starts by labeling several texts in the documents with several specified codes. Then, the codes are classified into several categories before these codes, and code categories give ideas for several potential themes for the purpose of answering the research questions.

The process of labeling text with specific code has gone through a long and repetitive process. The code names have been revised and changed several times. Sometimes, the original code has been broken down into several new codes. Sometimes, several codes have been combined because they carry the same meaning. The process of splitting and merging codes has been created several times so that each code provides a more convincing classification of the concept.

The same goes for the process of classifying codes into categories. It has been revised and redone so that the categorical results provide a more compelling picture. Some themes have emerged from codes and code categories as specific ideas to answer research questions. Once all the codes and code categories have been finalized and the theme has been selected to answer the research questions, reporting analysis becomes easier.

#### **4.2.5 Addressing Trustworthiness Issue**

There are four principles to take note of when addressing trustworthiness issues in qualitative study: credibility, transferability, dependability, and conformability. In this study, these principles are addressed in subsequent subsections.

##### **4.2.5.1 Credibility**

The researcher needs to ensure that the study's findings are accurately the result of what has been studied. In this regard, the researcher has taken the following initiative:

- (i) Ensure that the sample of the study is comprehensive and represents each perspective. In this regard, the researcher ensured that all samples did not only represent one group. The sample should represent the Ministry of Finance cluster, the UKAS cluster, and the project-implementing agency cluster. Responses from samples of various backgrounds enable the analysis to go through the triangulation process, that is, understanding the research questions of the study through various sources.
- (ii) Ensure that the number of samples is sufficient to obtain a saturation point. Although most of the information obtained was the same information and repeated by the participants after several numbers of interviews, the researcher

continued to find new samples of up to 29 people to ensure that no more new information could be overlooked.

- (iii) Appointing an independent reviewer to review the data used for analysis purposes in the Atlas.ti application and to make sure all the data are accurately representative of the original data obtained through audio recording. The independent reviewer was given the task of re-listening to 29 audio records, checking the Malay transcript text to be fairly accurate as to the audio record, and checking the translated text in English so that it fairly carries the same meaning as the Malay text. Meanwhile, the use of the Gotranscribe application for electronic transcription and translation tools in Microsoft Word may reduce the potential for errors. Further review by the independent reviewer gives additional confidence that the data used for analysis processes are accurate as they were obtained through audio records.
- (iv) Use the Atlas.ti application to store interview documents and analyze the data. The use of the Atlas.ti application can help the researcher to prove that the results are based on data that are objectively analyzed and not based on the researchers' inclinations or opinions.

#### ***4.2.5.2 Transferability***

Transferability is related to the extent to which studies conducted by the researcher can be applied in other contexts and situations. In this regard, explanations of the research objectives and the research questions, the scope of the study, the data collection procedures, and the data analysis process have provided the context of this study. This study is designed as a case study where the implementation of PPP programs and projects in Malaysia is used

as a single unit of analysis to understand the implications of PPP projects in the form of future government financial commitments. This study is based on the context of the implementation of PPP projects in Malaysia, and it may differ from the context of the implementation of PPP projects in other countries. Therefore, the study's results should be understood through the context that the researcher has detailed. However, the study's design can still be applied in other situations and contexts. Nevertheless, the results of other context-based studies may not necessarily be similar to the results of the researcher in this study, which is based on the Malaysian context.

#### ***4.2.5.3 Dependability***

Researchers need to describe the study process in detail so that the work can be repeated. Dependability is equivalent to reliability in quantitative research. In the context of quantitative studies, it means that the instrument used can get consistent results if it is implemented multiple times in the same situation. In the context of qualitative studies, the process and procedures of the study are expected to obtain the same results if they are implemented repetitively. The use of Atlas.ti in the data analysis process can help the researcher to repeat the same process and ensure that the results of the study are consistent.

#### ***4.2.5.4 Conformability***

The researcher has ensured that the study results are based on and reflect information collected from participants using Atlas.ti, not only as a tool of analysis but also as a record-keeping or an audit trail. Using the Atlas.ti has helped the researcher prove that the study results are grounded and based on the analysis of information collected from the study

samples. The study's conformability may be reviewed anytime as all the records or audit trails have been kept securely in the Atlas.ti application.

### **4.3 PRESENTATION OF RESULTS**

The study's result is the findings that emerged from thematic analysis in answering the research questions. Using computer-aided qualitative data analysis software, namely Atlas.ti, the findings can be summarized in figures as shown in Figure 4.1, Figure 4.2, and Figure 4.3. The themes identified are further elaborated in detail through the presentation of responses gathered in interviews on each research question. Apart from the key themes, the elaboration also includes less significant themes that were established in the interview to provide a captivating insight into the topic from different participants with different perspectives.

#### **4.3.1 Interview Response to Research Question 1**

The first research question of the study is, “How do public sector officials understand the PPP program, its significance, and its financial implication to the government?” Three elements in this RQ are about the understanding of PPP, their perception of the importance of PPP, and their perception of the financial impact of PPP. These three elements were put together because the researcher wants to know their perception of PPP from a financial implication perspective in line with the first objective of the study, that is, to investigate the reason and the need for the implementation of the PPP program. However, it causes financial implications in the form of future payment commitment and fiscal risk to the government.

Responses received from the participants varied, although sometimes they talked about the same thing. Each participant's response and explanation were labeled and encoded to specific codes. These codes were categorized to analyze the meaning presented by the participants and answer the research question. Using the Atlas.ti application, code, and code categories are generated to address the participants' perception of PPP, as shown in Figure 4.1.

Based on Figure 4.1, it can be noted that the codes are hovering towards the role of PPP as an alternative to conventional financing which always faces the problem of lack of financial resources, especially development expenditure. In addition, some codes focus on the advantages of PPP in implementing infrastructure projects over conventional methods, the role of PPP as a catalyst for the country's economic growth, and codes related to global trends.

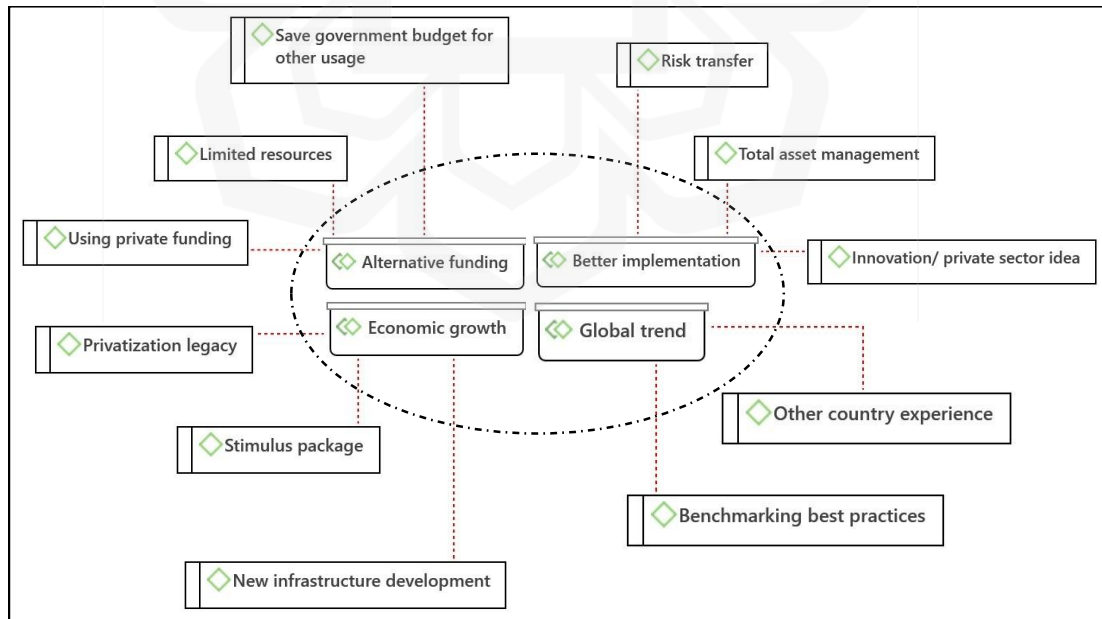


Figure 4.1: Participants' understanding and perception on PPP.

The participants' responses based on these codes are then further analyzed to obtain the number of sample responses based on the codes. The details of this further analysis are shown in Table 4.2.

Table 4.2: Result on Research Question 1.

Code Categories	Codes	Frequency (N=29)
Alternative funding	Using private funding	11
	Save government budget for other usage	2
	Urgent need	2
	Limited resources	11
Better implementation	Risk transfer	14
	Total asset management	12
	Innovation/private sector idea	7
	Comprehensive package	5
	Private partner motivation	4
Economic growth	Privatization legacy	3
	New infrastructure development	5
	Development option	9
	Booth economy	6
	Stimulus package	4
Global trend	Benchmarking best practices	6
	Other country experience	9

Although a particular code represents a large number of responses, it does not mean that codes with small numbers of responses do not give significant meaning to answer the research question. This is because the responses received are based on the individual

experiences of the participants, who are necessarily different from each other. Participants from the UKAS cluster had a certain perspective. In contrast, participants from the MOF cluster had their own perspectives that were not necessarily the same as the perspectives of the UKAS cluster participants. For example, the code in relation to the 'urgent need' and 'save government budget for other usages' is represented by only two participants. However, the explanation is very substantial, and it is believed that the other participants will agree with it as it is existing relevant information. Since the code regarding these 'urgent needs' and 'save government budget for other usage' were not found in the responses of other participants, it does not mean that this code represents insignificant data.

The code categories can be regarded as emerging themes in addressing the first research question. The detailed explanations of these themes are elaborated in the subsequent subsection.

### ***Theme 1: Alternative funding***

Several participants gave the impression that PPP is an alternative funding/financing method for national development projects. Among the responses related to alternative financing are responses about the government's lack of financial resources in implementing projects, the government's need to use the resources available to other projects and other more urgent usages, and the implementation of infrastructure projects with the use of private funds can be implemented through the PPP approach. For instance, P29 asserted:

“...the implementation of the PPP project in principle seems to have succeeded in reducing the reliance on the government fund and for the government to issue a large allocation at one year to cover all projects, for which the EPU, now officially known as the Ministry of Economy cannot provide. Secondly, the government should not be too rigid in determining that all infrastructure projects should be fully borne by the government as

we have a market where banks can help provide financing through PPP mechanisms to build high-value infrastructure.”

Similarly, P26 shared the same response as follows:

“The objective of PPP is to reduce the financial burden of the government. When implementing PPP projects, we have to save the government's financial allocation. The government can focus on the savings to spend on other development projects. For example, it is costly to build a highway if we do it conventionally. It may cost five hundred million to the government. But, if we implement the highway project through PPP, the government does not have to pay anything because everything related to the project, especially financial matters, is fully financed by the highway concessionaire. So, the government can save the financial allocation needed to build the highway and use it on other development projects that are more needed. For example, building schools, building hospitals, building the facilities that the people need.”

Another participant, P24, has given his opinion as follows:

“My view on the implementation of the project through PPP and PFI, firstly, in terms of the need of the project. The project is critically needed. As we know, the funds provided under the development expenditure, or what we call DE, are not enough. The need is there. Even if we prepare fifty billion (for annual DE allocation), the average we have prepared (previously) was forty to fifty billion a year for development expenditure. But this number is not enough for us to implement all projects, especially people-centric projects that people need. Therefore, the government must embark on an alternative means, i.e., to implement this project without tapping or using the money from this development expenditure, and we must use the PPP and PFI way.”

PPP is an appropriate method if the government needs to implement the necessary projects immediately. P27 has given his views as follows:

“...my personal view, maybe the project that I have been involved in was a project in an urgent need. This project is necessary, and we need to build it urgently. However, the constraint was in terms of allocation. So, for this project, PPP may be used first on urgent projects. We focus on that until our finances are stable and the government's revenue is good.”

When the researcher asked whether the government could do away with PPP and focus on normal procurement, a senior officer, P10, responded as follows:

“I think PPP needs to be there, and there needs to be a balance (between conventional projects and PPP). We need to be very clear. When our fiscal space is so limited, one way to spur the economy is to have construction. As you know, when things are being built and whatever not, the spillover effect is high. So, we cannot just depend solely on government allocation. Just because we do not have enough budget, then we stop building things. It is not a wise thing to do. So, PPP is an alternative that will spur the private sector to also look at how they can spur their own industry in that sense. As you know, when jobs have been created, cement manufacturers get to manufacture more cement. All these kinds of things contribute to the economy, and the spillover is high. So, to me, if you say we just go back to conventional DE, in the long run, it is not a wise thing to do. Especially now, when the government’s revenue is quite limited.”

### ***Theme 2: Better implementation***

One of the reasons why PPP is important is because of its better implementation than the conventional implementation of development projects by the government. This is because the implementation of PPP projects involves the transfer of risks to the private sector. Among the most significant risk transfers is the transfer of risks related to construction work. The government is not responsible for ensuring that the PPP project is completed. Still, the government is only responsible for the lease or availability payment to the concession company after the project has been fully completed. If it is not completed or there is a delay in the completion of the project, the Company will not get payment from the Government. This is a significant risk incurred by the Company. One of the participants, P6, shared his experience implementing a conventional project where the risk is on the government as follows:

“The most important thing that we have seen is the allocation of risk. Allocation of risk under conventional procurement, everything lies with the government. Most of the projects were implemented under the Malaysia

Plan. During my time in the Ninth Malaysia Plan, we saw the trend of many projects that were implemented, from the Eighth Malaysia Plan, the Seventh Malaysia Plan, to the Ninth Malaysia Plan, which was not completed. I saw when we started planning for the Tenth Malaysia Plan, we carried it (uncompleted projects) too, and it is still not completed. What was the reason? The reason was that the performance of the contractor itself was not very good, and if the contractor did not perform, the risk of us restarting the project lay with the government. So, we have spent a lot of resources and time, money, and so on just to complete the old projects.”

P17 also shared his experience in encountering conventional project procurement as follows:

“I forgot to mention. If it is conventional procurement, for example, when we implement a hospital, the equipment is not part of the project, and we have to do separate procurement for that. We have to wait six months before the project is almost completed. So, there are times the hospital is ready, but the equipment has not come in yet. But in the BLMT project, it is all a package deal. Before they hand over the project, they must complete everything, including the equipment. That is an advantage for the BLMT project. But, if we implement hospital projects conventionally, to prevent any of the equipment from warranty expiring, we have to make sure that the equipment is only procured six months before the hospital is expected to be ready.”

This risk transfer also involves financiers or commercial banks providing project financing to private companies. The financier must ensure that the concessionaire implements the project as best as possible so that it is completed for the use of the Government. If the government does not accept the project and starts making lease or availability payments, the financier will not get a loan repayment from the concessionaire.

P26 has recorded:

“What can I say is that in highway projects, the company takes risks. The company takes its own financing. So, the highway has to be completed. The company has to build the highway according to the agreed time so that they can collect the toll early and pay their commitment to the bank. So, they have to be efficient so that they can start the operation early. And then, with

the toll collection they collected, they will pay their lenders. If they do not pay the bank, lenders will find them later and ask about the payment.”

In the implementation of the PPP project, the financier is responsible for the provision of funds on a progress payment basis to the concessionaire. This approach is very different from the conventional project implementation approach by the government, whereby the government is responsible for making payment to the Company after the Company has completed the work based on certain progress. It can be seen that the project monitoring element has also been transferred indirectly to the financier, who has a certain risk in the implementation of the project. P4 shared:

“For example, if we want to implement a project conventionally, there is a component of progressive payment. The government will pay the contractor every time the project progresses. Even if the project is not fully completed, the government has already paid the progressive payment. But if it is a BLMT project, the bank will pay the progressive payment, not the government. When it is fully completed, then we (the government) start paying for it.”

This risk transfer has motivated the private sector to carry out the project as best as possible and ensure that the project is completed as required by the government in the concession agreement. P2 has shared:

“...because in conventional projects, sometimes, the motivation (to complete the project) does not exist, the contractor can apply for the extension of time (EOT) many times. This is because there is no cost for them (contractors) to pay. The cost is to the government. It is not the cost to them (the contractor). If we implement projects through PPP, the cost is on them. If they are not ready to complete the project in three years (date of completion of the project), they will not get paid. Then they have a concession period that is fixed. So, there is a motivation for them to complete the infrastructure and the facilities within the stipulated timeframe.”

The implementation of the PPP project, which transfers all implementation responsibilities to the private sector, has given the concessionaire the freedom to take a creative and innovative approach so that the project can provide the best value either to the concessionaire or to the government. When talking about innovative ideas from private partners, P6 shared:

“...in PPP, the procurement is by the company, procurement that allows the company, how to say, use their innovation—Innovativeness in carrying out the project. But, when we (the government) prescribe too much to the company, let's say, I want A, B, C, D, E, and in A you have to do this, in that B you have to do this, and in that C you have to do this. So, when we prescribe too much, it becomes rigid because this mindset is still a conventional mindset. Yes, the mindset of conventional procurement: I want one building of this lot, air conditioning to this number, et cetera. But in PPP, if we hold it directly to the PPP principle, we should not say I want A, B, C, D, E. (We should say) I don't care how you do it. I want it with specific criteria. That's all. Yes, like that. They should be able to innovate. So, that kind of understanding needs to be there.”

P10 also shared a similar opinion where she said the private sector should be given space to implement what they can do best. P10 stated:

“...private sector, they drive the economy. They are industry players. They know better. So, the government needs to be open, too. That is why it is called PPP, Public Private Partnership. You know, when you go into partnership, you listen to what the private sector says. It warrants measures from the public sector to put into implementation and whatnot. You know, it is a win-win situation for everyone.”

PPP also involves the implementation of a total asset management project whereby the project implementation contract not only involves the construction of assets or infrastructure, but the completed assets and infrastructure will be maintained by the private sector throughout the concession period in a package of the concession agreement. This maintenance covers routine maintenance and periodic maintenance to ensure that the

equipment, especially mechanical machines that have reached a certain lifespan, can be replaced and repaired so that the assets are always in the best condition for use. P17 explained:

“...the advantage of BLMT. If it is BLMT, the provisions are all in. We have AC (availability charge) and MC (maintenance charge) fees. We also have asset replacement components. So, all have been considered in the BLMT agreement. But not in conventional projects where we have to bid (the budget from the treasury) separately and procure separately.”

P29 also has explained the same thing as follows:

“For PPP, maintenance costs are already in place. That is a contractual PPP project. It also has an MRF (maintenance reserve fund) element—equipment replacement. So, the lifespan of one PPP building is better compared to a conventionally constructed building. Comparatively, for UITM, for example, for student dormitories, students are more conducive to living in a hostel built using PPP due to the complete facilities regarding furniture, facilities, ICT, cleaning, and other matters involving complaints. The reason is that the company needs to respond to complaints. When there are complaints of faulty lights, leaking pipes, and so on, the repair must be done immediately. Compared to conventional projects, the vast majority of the hostels available at the university, almost 80 percent, are at an obsolete rate and not suitable for occupation. That's an advantage for PPP projects. However, the comparison in terms of cost to cost, apple to apple, is yet to be justified.”

The total asset management component of PPP projects is good, but it is not free. When a project is packaged with maintenance for a long period, it also involves costs to the government during the maintenance period. Indeed, the facility will be well maintained as the concessionaire gets paid for that. P24, a participant representing the MOF, commented:

“...like now the PPP, when we include in the BLMT that we had to cover maintenance and what, recovery assets and all that, we can see that the downside at the government is in terms of cost. The cost is high. The physical condition of the building is good because the company is contracted to do it (maintenance). And we must honor the agreement. There

is a contract for 25 years. Of course, the facilities will be good because they get good money to do it good.”

P27, a participant representing the EPU, also expressed the same view that the maintenance of PPP projects involves costs to be borne by the government. For non-PPP projects as well, maintenance involves costs that will be provided through the same source. However, maintenance costs can be adjusted to the government's financial condition without being bound by an agreement like a PPP contract. P27 commented:

“...my comment here is if the concessionaire does have an agreement and financial allocation needs to be made, but that allocation is also from the government. Since there is already an agreement, the government will prioritize the (commitment in the) agreement first. Meanwhile, the resources are equally needed for others. If, for example, we have enough allocation under the OE, it is likely that we can also do maintenance for other projects that are not under the concession agreement. I mean facilities built conventionally and not PPP projects. But now, the government needs to prioritize the allocation to PPP projects while we know the allocation is out of the same pocket and equally needed by others.

On the other hand, participants representing the MOF agree that PPP includes the maintenance aspect, and it is better for financial planning. P18 stated:

“In my view, the PPP model, in terms of asset management, is better. If we construct a building (conventionally), we do not take into account the maintenance, right? OPEX (operational expenditure), right? It means we have to take into account (the maintenance element) so that we can make a more thorough financial plan. There are a lot of problems with this DE project when they construct the infra without taking into account the OPEX in terms of maintenance, in terms of resources, and human resources so it would be a burden on the government in terms of managing expenses. When the building is completed, the government needs to provide human resources, OPEX for maintenance, so the future financial requirement is not really planned in the conventional project.”

### ***Theme 3: Economic growth***

PPP is also used as a tool for economic growth. As we are aware, the government's expenditure in the country can contribute to the increase in the number of gross domestic products and even more in the expenditure to implement development projects. Apart from government spending, private spending and investment can also contribute to the number of gross domestic products. In the event that the Government has financial constraints to spend on the implementation of development and infrastructure projects, the private company's investment in implementing these infrastructure development projects can offset the need for government investment and expenditure to meet the targeted number of gross domestic products of the country. This is one of the reasons for the establishment of UKAS in 2009, as explained by P9:

“I recall, at that time, the government announced to take out the privatization section in EPU as a separate unit from EPU to focus on the implementation of PPP and to boost the country's economic growth.”

In certain circumstances and situations, especially when the country is in a state of economic slowdown, the government needs to implement a stimulus package so that economic activity continues to be active and vibrant in the country. This stimulus package requires substantial spending and special funds from the government. Apart from providing the special fund, an economic stimulus package can also be made through the implementation of development projects through PPP, which uses private investment as an alternative to government expenditure. In other words, PPP is an option that can be considered by the government when implementing development projects and stimulating the growth of the national economy. P18 explained the Malaysian government's experience in stimulating the economy as follows:

“... there is another one that is the involvement of EPF (employee provident fund). If I am not mistaken, it is called PFI, a private finance initiative. We have in two thousand and nine, a time of crisis of two thousand and nine, in global crisis, we have introduced stimulus packages to stimulate the economy and among the measures in the stimulus package is to promote economic growth through projects. So, at that time, the government discussed with the EPF to finance certain projects under PFI through private financing initiatives.”

Similarly, P19 also mentioned the implementation of PPP and PFI has helped the country to recover from an economic downturn. P19 stated:

“I think, as I mentioned earlier, this PPP had existed with the existing system. I mean the DE system that is projects planned under the Malaysian Plan. Because both exist at the same time, we saw in the period between twenty-ten and twenty thirteen, when we see the economic growth, it was quite healthy growth. So, it is not fair to say PPP caused financial pressure on the government without realizing that PPP has helped to booth the economy. We have enjoyed the benefits of PPP. We have already enjoyed that when our GDP was growing. The benefits of PPP in the form of GDP.”

Rapid economic growth was experienced by the country in the 1980s and 1990s. Among the contributors to growth at that time was the implementation of the national privatization policy. Many Government entities have been incorporated and privatized. As a corporate entity, the course of a corporate company is not subject to government decisions either in terms of financial allocation as well as new investment decisions to grow the business. Privatized entities such as TNB and Telekom, and privatized projects such as PLUS Highway, IPP projects, Sentral Station Development in Kuala Lumpur, and the development of a new administrative center in Putrajaya were implemented with private investment without the government's development allocation. P10 has explained:

“...I think it's a natural progression. I guess. In the eighties and nineties, you see a lot of privatizations, (and) corporatization. We try to push things that the government should allow the private sector to put their money into and

to help in economic growth. And I think for the people who move into privatization companies, they also enjoy the benefits.”

The history and experience of privatization programs since the 1980s have given a legacy to the existence of the implementation of development projects through private investment, which is believed to contribute to economic growth with the mantra of “private sector as the engine of growth”. This can be seen from the responses obtained from the interview participants, for example, from P10 as follows:

“I think PPP needs to be there. There needs to be a balance (between PPP and conventional procurement). We need to be very clear. When our fiscal space is so limited, one way to spur the economy is actually to have construction, you know, things are being built and whatever not. The spillover effect is high. So, we cannot just depend solely on government allocation. Just because we do not have enough budget, we stop building things. It is not a wise thing to do. So, PPP is an alternative that will spur the private sector to also look into how they can spur their own industry in that sense. For example, jobs have been created, and cement manufacturers get to manufacture more cement. All these kinds of things (will help the economy because) the spillover is high. So, to me, if you say we just go back to conventional DE, in the long run, it is not a wise thing to do. Especially now, the government’s revenue is quite limited.”

#### ***Theme 4: Global trend***

The implementation of PPP projects is also influenced by the trend of its implementation at the international level. When the government announced that the government would implement projects through private finance initiatives (PFI) in the Ninth Malaysia Plan, it was driven by the practices made by other countries, especially the United Kingdom. In fact, when the announcement was made, the government did not seem to be aware that the implementation of the project through private financing had been executed in Malaysia before this under the privatization program. This announcement gives the impression that the PFI is a new approach introduced by the government under the Ninth Malaysia Plan.

Response from P1 shows that his understanding is PFI is a new concept that Malaysia is trying to adopt in the Ninth Malaysia Plan:

“During the Ninth Malaysia Plan, the government began to implement projects using the private financing initiative (PFI) method. PFI was implemented in the UK. Before this, it seems that the main distinguishing feature of the project implemented under the previous privatization approach is that we turn a government entity into a business entity. But now, under the PFI method, we see the government generally appointing a qualified company to deliver an asset required by the government. Now, we are focusing on creating a new asset, and we are calling a qualified company that is technically and financially capable of helping the government create an asset under the PFI method where the assets will be used by the government in providing services to the people.”

Most of the participants also believe that the implementation of projects through PFI or PPP is important to be one of the government development programs as it is a global practice that should not be ruled out. It is not appropriate for the government to reject the PPP program as one of the national development options due to a particular issue or weaknesses. The government should take notes and recognize the issues and weaknesses related to PPP and address them prudently. However, canceling or discontinuing the PPP program completely is an unwise move because the PPP program is a universal program implemented by most countries globally. P8 commented:

“PPP is an option, right? So, if we have that option now, it is quite unfortunate for us if we don't even consider exploring that option. And then, as you also know, now this PPP is indeed carried out the whole wide world, right? So, for us to stop or to disown PPP as a concept or method is totally robbing our intelligence, right? Because indeed it is a renowned, internationally recognized concept.”

P14 commented that PPP is an internationally recognized practice, and it must be good practice. P14 stated:

“...for me, PPP is necessary. It is a good program because it is also implemented in other countries. If this program is not good, other countries may start scraping this idea.”

#### **4.3.2 Interview Response to Research Question 2**

The second research question of the study is “What are the experiences of public sector officials in managing PPP projects, especially future payment commitment in relation to PPP projects?”. Although this research question emphasizes the experience in managing future financial commitment with regard to PPP projects, the responses from the participants do not necessarily answer this research question directly. Not all participants are involved with the future financial management of PPP projects. The financial management of PPP also depends on the perspectives of participants, which are diverse by each other. For example, most of the responses from UKAS cluster participants consider that financial management is related to a private company’s investment and how to ensure that the private company is getting a fair and not extravagant return on the investment in terms of internal rate of return (IRR) and/or return on investment (ROI). Meanwhile, the response from the MOF Cluster assumes that financial management is related to payments to be made by the government to the concessionaires. In addition, the perspective of the technical officers is that financial management is related to the price offered for each component of the project by the private partner, and its management is hovering over the means and methods to obtain more value for money to the government.

Responses received from the participants varied, although sometimes they talked about the same thing. Each participant's response and explanation were labeled and encoded to specific codes. These codes were categorized to analyze the meaning presented by the participants and answer the research question. Using the Atlas.ti application, codes, and

code categories are generated to address the participants' experience in managing PPP projects and financial matters related to PPP projects. The codes and code categories are shown in Figure 4.2.

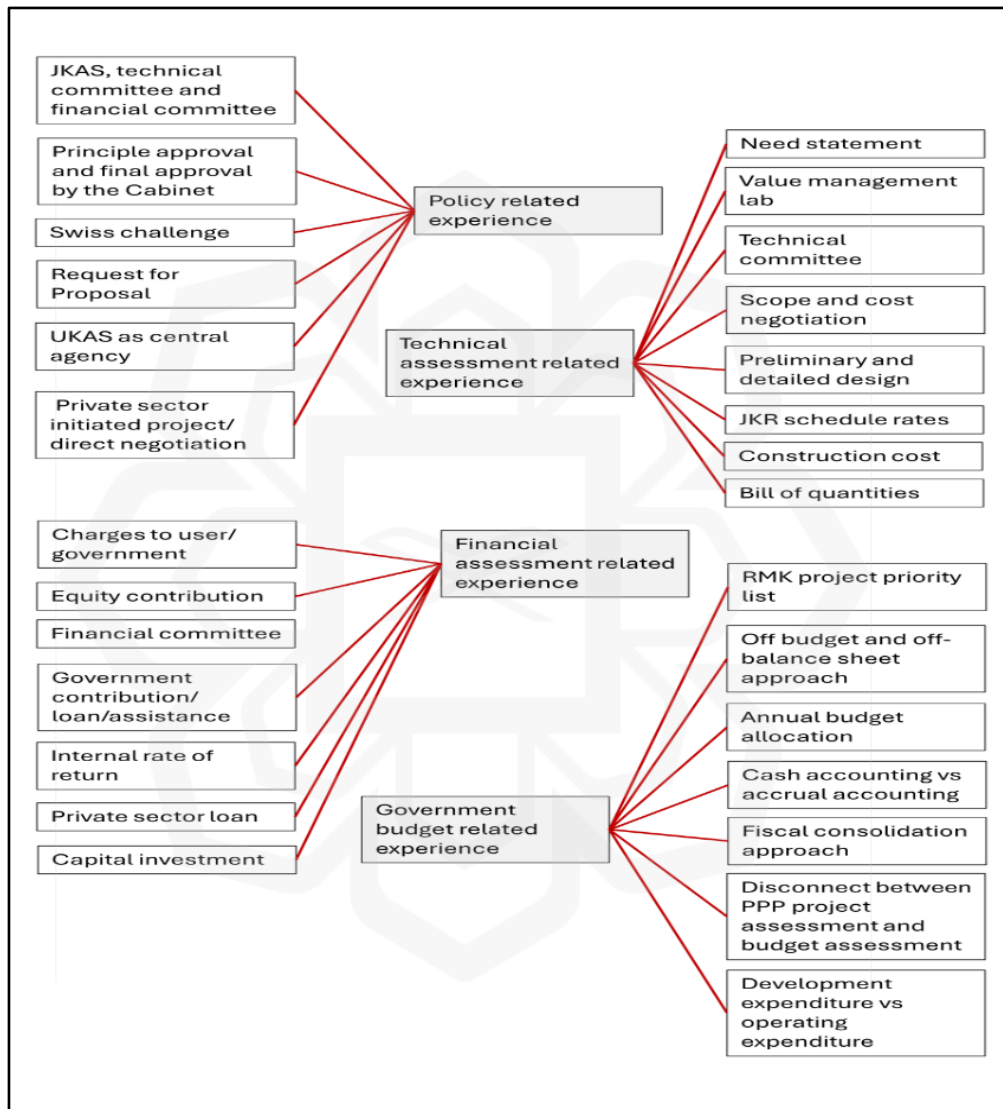


Figure 4.2: Participants' experience in managing PPP projects.

Based on Figure 4.2, there are 28 codes related to the existing experience of participants that have been classified into 4 code categories, namely policy-related

experience, technical assessment-related experience, financial assessment-related experience, and government budget-related experience. The participants' responses based on these codes are then further analyzed to obtain the number of responses based on the codes. The details of this further analysis are shown in Table 4.3.

Table 4.3: Result on Research Question 2.

Code Categories	Codes	Frequency (N=29)
Policy related experience	UKAS, as the central agency	7
	Principle approval and final approval by the cabinet	2
	JKAS, technical committee, and financial committee	7
	Private sector-initiated project/ direct negotiation	5
	Request for proposal	6
	Swiss challenge	1
Technical assessment-related experience	Technical committee	4
	Value management lab	2
	Need statement	2
	Construction cost	3
	Preliminary and Detailed design	1
	Bill of quantities	1
	JKR schedule rates	1
	Scope and cost negotiation	5
Financial assessment-related experience	Financial committee	4
	Capital investment	2
	Equity contribution	2
	Private sector loan	2
	Internal rate of return/ cash flow	4
	Charges to user/ government	2
	Government contribution/ loan/assistance	3
	RMK project priority list	18

Code Categories	Codes	Frequency (N=29)
Government Budget related experience	Disconnect between PPP project assessment and budget requirement	6
	Annual budget allocation	
	Development expenditure vs operating expenditure	8
	Fiscal consolidation approach	7
	Off-budget and off-balanced sheet approach	5
	Cash accounting vs accrual accounting	1

It can be seen that the code in relation to cash accounting and accrual accounting was represented by only one participant. However, the explanation is very convincing, and it is believed that it will be agreed by some other participants as it is existing relevant information, although they are not talking about it. In other words, the small number of participants talking about specific code does not mean that this code represents insignificant data.

The code categories can be regarded as emerging themes in addressing the second research question. The detailed explanations of these themes are elaborated in the subsequent subsection.

### ***Theme 1: Policy-related experience***

The implementation procedure for PPP projects has been set by UKAS, the government department responsible for the implementation of PPP projects. This procedure includes (1) the role of UKAS as the single central agency that processes all PPP project proposals, (2) the evaluation of project proposals carried out by several levels of committees, and (3) the need to obtain approval from the Cabinet. This procedure is a procedure set on a policy

basis by the Government. In explaining their experience in processing PPP projects, P8 and P4 stated:

“...as a central agency, the role of UKAS is to coordinate and negotiate. We have the secretariat role. In fact, we are not even the signatories to all this concession agreement. We are not the signatories, and in the end, it is that implementing agency that will be entrusted to carry forward with that project.”

“...in terms of my experience, I handle project proposals to be discussed at the JPP, JKAS, and JTAS level and prepare Cabinet paper to get cabinet approval. Actually, that is how we actually implement a project. We have strong governance. I would like to say strong governance. Through these committees, we solve issues and make recommendations.”

“...sometimes we (UKAS) have processed and gotten the principle approval from the cabinet. We have got the initial principle approval, but after a few years, it was like two years (doing) the negotiation, it was still not concluded. After three years, it was not concluded. But when we investigate it, the truth is that the status of the land is not ready. It is because we (UKAS) are just like the intermediating agency or mediator, right? We are not the one to settle the land issue (it is the implementing agency).”

The establishment of UKAS in 2009 is a policy resolution made by the Government after taking into account the implementation of PFI and PPP projects that were not coordinated at that time. After the government announced the PFI project in the Ninth Malaysia Plan (the plan period from 2006 to 2010), the implementation was seen as inconsistent, and there was confusion about whether the PFI was part of the privatization program. This is because privatization projects also use private company financing initiatives. At the same time, PFI Sdn. Bhd. was also established by the Ministry of Finance to implement government PFI projects. The issue is the establishment of PFI Sdn. Bhd. to implement PFI projects has received criticism as it is not the same as the implementation of PFI projects abroad, especially those practiced in the United Kingdom. In this regard,

the establishment of UKAS is seen as a solution to the issue of coordinating the implementation of PFI projects taking into account the government's experience in implementing previous privatization projects as well as adopting the PFI model as implemented overseas. In addition, the establishment of UKAS is also linked to the government's intention and policy to boost private investment. P9 is among the officers previously posted in EPU, manages privatization projects, and has been transferred to the newly established UKAS. P9 shared her experience:

“The time when I joined EPU was in two thousand and seven. At that time as I recall, we did not implement PFI. We're still researching the model, the cash flow, and the viability of the project if we are going to implement a project on a PFI model. So, this PFI model is one of the new models under PPP. So, at that time, the privatization section (in EPU) mostly managed projects that have already been implemented on a privatization basis, right? And PFI was a subset or new model at the time. We have no project that involves payment by the government as a long-term commitment. It is only after two thousand nine, we (the government) decided to implement projects through PFI. UKAS was established after that.”

PPP project assessment and planning procedures set by UKAS are also influenced by the previous experience in evaluating privatization project proposals. The assessment of proposed privatization projects was previously made through the Privatization Committee, a committee chaired by the central agency responsible for the approval of development projects, i.e., EPU. The privatization committee consists of other central agencies, namely the Ministry of Finance, the Attorney General's Chambers, the Department of the Director General of Lands and Mines, the Property Valuation Department, and the Ministries and Technical Departments that regulate the relevant industries. The privatization committee acts as a main committee assisted by two sub-committees, namely the technical sub-committee and the financial sub-committee.

After UKAS was established, the privatization committee was renamed the Public-Private Partnership Committee (Jawatankuasa Kerjasama Awam Swasta - JKAS). In view of the large number of project proposals at the beginning of its establishment, JKAS was assisted by another committee called the project steering committee (Jawatankuasa Pemandu Projek – JPP), which coordinates technical inputs and financial inputs before a project proposal is discussed at JKAS. This procedure has been established on a basis to organize the evaluation process of PPP project proposals before the recommendation is made to the Cabinet for approval. There was a time when all PPP projects were discussed at another level of the committee chaired by the Chief Secretary to the Government, who named the PPP Highest Committee (Jawatankuasa Tertinggi Awam Swasta - JTAS). Although it has been very active before, JTAS only convenes as needed and on a case-by-case basis at current practice. P10 explained the role of JKAS and JTAS as follows:

“So now, we have JTAS again. But the terms of reference are not like the JTAS that you remembered. The JTAS that you remember was elevated from the JKAS meeting, and then after that, KSN (Ketua Setiausaha Negara – Chief Secretary to the government) chairs and the KSU (Ketua Setiausaha – permanent secretary at the Ministries) were attending, then they make the decision. Then, it is elevated to the cabinet for approval. Now, the JTAS, which was re-established last year, is still the same. It is chaired by KSN. But I think it is more of a problem-solving (platform) and not as frequent as JKAS. So, this is as and when necessary, for example when we want to flag up certain things, then we have a JTAS meeting. The value of JTAS with a KSN chairing is that with all the decision makers there, the decisions will be quick and fast. All the bottle neck issues, we will take them to task there and then. We solve how to move forward. I think the JTAS mechanism was strong. It was a strong mechanism.”

Policy decisions are also made in relation to procedures on project proposals received from the private sector. Previously, in evaluating privatization projects, the government was open to discussing privatization project proposals from the private sector.

The government acknowledges the practice and term it as a private sector-initiated project. However, this practice is seen as a direct negotiation from the perspective of government procurement. Privatization was not seen as government procurement. Hence, private sector-initiated privatization projects were not perceived as direct negotiations. PFI is perceived as government procurement. Hence, an unsolicited proposal for the PFI project is seen as a direct negotiation from the perspective of government procurement. Direct negotiation in government procurement is perceived as not good practice. Therefore, the government has made a policy decision that all PPP projects should be made through open bidding by a process of request for proposal. P5 commented on direct negotiation practice as follows:

“I think it is quite clear. I think the direction of our new Prime Minister is no direct negotiation. Still, I think even if you see way back in 2021 itself, the cabinet decision says that moving forward, we look forward to RFP (request for proposal). Direct negotiation only comes in certain circumstances, like how MOF highlighted security issues, or maybe it cannot be done (through RFP) because of the technology that only one company has used. Of course, we will go ahead. But we should move away from direct negotiation and go for RFP for a better offer. So, that is possible because that is what the government policy is now. And UKAS policy has always been based on RFP. Direct negotiation (proposal) only comes from the ministry. So, the ministry should be alert on the way forward.”

Although the policy now is not to entertain a direct negotiation project, the government is still open to ideas from the private sector in proposing PPP projects. It is further explained by P5 as follows:

“I feel that with the private sector, because the idea of PPP is to have a very good relationship with the industry and private sector, we should always work together. Compared to the government, the private sectors have more knowledge and experience in (construction and building) in the region, even overseas. So, they might have some ideas that the government may not have. Moving forward, I feel there is. I think we have actually in our policy. Still, we have not actually looked into it, something called the Swiss challenge, where the company can propose and we can go for RFP by giving the company a plus point on whatever project. Maybe they might reduce the

price knowing there are other participants participating in the RFP. I think we shouldn't stop totally or not allowing (unsolicited proposals). So, the unsolicited proposal is still okay.”

### ***Theme 2: Technical assessment-related experience***

The responses of the interview participants regarding their experience involved in the PPP project implementation procedures varied and depended on their latest tasks and roles. Interview participants who are involved with the technical evaluation process will recount their experience evaluating the PPP project from a technical point of view. Meanwhile, participants who are involved in the financial evaluation process will recount their experience in evaluating the PPP project financially. Interview participants who are involved in both the technical evaluation process and the financial evaluation process will recount a mixed experience. Usually, their explanation is not as detailed as the participants who focus only on one of the processes either technical assessment or financial assessment.

Details of the technical assessment process were mostly obtained from participants who focused only on technical assessments. Generally, the technical aspect that is given attention to PPP projects is the detailed project requirements, especially the design desired by the Ministry as the project owner. This design will be discussed in a value management workshop, or they like to call it a value management lab, to detail each component of the project. Once the details of the scope and components of the project are determined, it is evaluated in terms of the construction cost of each component of the project. This scope and cost determination process is done many times, and it is finalized in value management lab sessions coordinated by technical experts from various disciplines, including civil engineering, mechanical engineering, electrical engineering, architects, and quantity

surveyors. All these experts are government employees serving in the Public Works Department. P1 commented:

“When we look at any proposal, the first person we will turn to is our technical agency. They advise us in terms of technicalities. It is the technical reason that determines the cost. Do you want a four-hundred-bed hospital? How do you want to do it? Do you want an A grade? Do you want seven-star rated facilities? Or do you want enough stars? Everything is determined by the technical agency. From that, we can determine the cost, and from the cost, he will further evaluate. But the most important thing is to determine the scope and to determine the cost. We need to get advice from the technical agency.”

In explaining the process of technical assessment, P12 explained:

“...when we have a value management lab, we are going to break it down into a few groups. This is where the customers, along with technical agencies, and technical advisors such as JKR (Public Work Department) and DID (Department of Irrigation and Drainage), will see. We will sit down together, and we will review the requirements that they have, i.e. the customer's requirements—the previous Statement of Needs (prepared by the government) to match with the company's proposal. So, to match the two, the government and the company will come up with the optimal scope and cost to make sure that there is no waste. At UKAS, we are not just looking at construction projects. We have an ICT project; we have a unique project; waste to energy is also there. It is diverse. And then, every project is different, and we have to sit down and design back-to-back. Arrange the value management lab to ensure we get the optimal cost and value for money.

“I would like to inform you that it is important to prepare documents before going to the value management lab. The documents, in terms of the adequacy of the documents, play a vital role. Normally, we are going to ask for the design drawing up to thirty percent. When the VM lab is finished, the company will re-design it until the detail. After that, the process in construction, from A to Z is all the same.”

### ***Theme 3: Financial assessment-related experience***

Details of the financial assessment process were obtained from the interview participants who carried out the financial assessment. Generally, the financial aspect that is given

attention starts with the cost of project implementation in terms of capital expenditure (capex). From this capex, a simulation of the projected cash flow will be made assuming the Company's equity contribution of 20% and project financing of 80%, project borrowing cost of 8%, and financing tenure of 20 years. Through these cash flow projections, the Government can determine the reasonable payment to the concessionaire so that the concessionaire gets a fair payment, which is equivalent to equity internal rate of return (equity IRR) at around 10%. P21, a participant representing the MOF who has experience attending meetings in UKAS, explained:

“Okay. If I could still recall, one of the financial assessment guidelines that we (MOF) issued at the time was in terms of specifically assessing financial viability aspects of the PPP project, which included capping the return to the private partner. We also determine other financial requirements, for example, the WACC (weighted average cost of capital), as well as the determination of the debt-equity ratio. A reasonable return to a private partner is important to achieve project viability, with the correct cash flow projection, and to ensure that the project is sustainable commercially.”

The previous financial assessment process influenced this financial assessment process in the privatization project. For example, in a toll-highway privatization project that was implemented through build-operate-transfer under a user-pay concept, the cost to construct the highway and other related costs during the construction is termed capital expenditure (capex). From this capex, a simulation of the projected cash flow will be made, assuming certain amounts of traffic using the highway throughout certain concession period, the Company's equity contribution of 20% and project financing of 80%, project borrowing cost of 8%, financing tenure of certain years, and maintenance as well as operating cost throughout certain concession period. Through these cash flow projections, the Government can determine the reasonable toll rate for the highway and reasonable

concession period so that the concessionaire gets a fair return, which is equivalent to equity internal rate of return (equity IRR) at around or at least 10%.

In relation to maintenance fees in PFI projects (availability type PPP) are not calculated through cash flow projections by the Financial Committee. Still, it is negotiated and determined by the technical committee based on the scope of maintenance work involved. The scope of maintenance work is divided into technical services, cleaning services, and security services. The technical committee details the cost of each scope of these services. Regarding the revision of maintenance fees in the PFI project, the concessionaire may apply for the payment rate to be revised every five years to take into account the impact of the changes over the five years. In this regard, the government will make the review process based on the new scope and cost proposal submitted by the company. The proposed new scope and cost will only be considered subject to the government's willingness to provide additional allocation for these costs.

Participants representing the implementing agency, P14, have commented on the maintenance fee review as follows:

“There are several companies that have applied (maintenance fee review). And there are some companies that we have had meetings with. In the meeting, the company has indeed mentioned the rise in cost, the minimum wage that the government set has caused the cost to rise and so on. At the time, we were on the government’s side, taking notes that the company wanted to request a review because there was an increased cost. We are asking the company to provide documents and details. For example, how many workers do they have? How many employees are paid? What is the cost of maintenance components that they have? All we asked for is for them to prove, to justify it. What are the details for us to review these maintenance charges? Only then would we know that the maintenance charges are indeed low or high. At that time, we asked them to provide supporting documents. The company said they could provide. But until now, the company has not come up with the details. They keep silent. It has been nearly over a year now.”

#### ***Theme 4: Government budget-related procedure***

When PPP projects were actively implemented after the establishment of UKAS in 2009, there was a loophole in terms of procedures regarding the evaluation of PPP projects, especially with regard to the provision of future financial allocations. As the participants have told us, the evaluation of PPP projects covers two main aspects, namely, the technical aspect and the financial aspect. The financial aspect involves matters relating to the amount of private investment, equity amount, project loan amount, borrowing cost, concession period, and availability payment rate. In both aspects, this technical examination and financial assessment do not take into account the need to apply for financial allocation from the relevant department of the government. The financial allocation for the development project is as explained by P4:

“...in the Malaysian context, the implementation of Malaysia's development project is all about budgeting and allocation, right? The Ministry has to apply allocation from development expenditure. It is all about budget, budget, and budget. However, the development of PPP projects is the same. However, for PPP, such as the BLMT model, right? It is easy because we can do the project first, and we do not have to get the budget. It is a private investment. But we made a financial commitment throughout the concession period.”

The loophole happens because of two factors, namely (1) the evaluation process of the PPP project is influenced by the evaluation process of the privatization project. The evaluation of privatization projects does not involve future government payments as they are mostly user-pay. (2) The allocation application mechanism adopted by the government does not involve an application to provide future allocation. Application for allocation by government agencies to the Ministry of Finance involves allocation for operating expenses and allocation for development expenses. The allocation for operating expenses is based

on the needs of the department's operation in the current year while the allocation of development expenses is based on the implementation of development projects that have been approved in the five-year Malaysia Plan. In this regard, there is a gap at the beginning of the implementation of the PPP project in relation to the allocation application. The general opinion at that time was that the application for allocation for PPP payment would only be made after the relevant ministry had started making availability payments, and this payment is operating in nature, i.e., the application will be made for operating expenses. It was explained by P24:

“We allocate the expenditure for the PPP payment. We used to put under the OE (operating expenditure) for PPP, right? It was just that we were going to pay some sort of rent. However, the thing that we pay for is a package for a building (such as) UITM. That was supposed to be the thing we spent under DE (development expenditure), but we were doing it on PPP. Then, we start to look at the bottom of the OE. The amount is enormous.”

“...we look back and feel that it is reasonable for us to use the DE (for PPP payment). It is done. We use DE (for PPP payment) because the project is a physical project.”

The issue related to PPP payments began to arise after the government, in particular the Ministry of Finance, realized that the increase in government budget applications by Ministries and agencies was a consequence of the impact of financial commitments for completed PPP projects. At that time, the Ministry of Finance initiated a fiscal consolidation process to reassess the government's payment commitments either in the form of operating expenses, development expenses, or other payments, including loan repayments, debt service payments, commitments related to PPP projects and commitments

related to projects borrowed by other entities with government guarantees. It was explained by P20:

“...starting from the year two thousand and seventeen, the government has begun to make a more comprehensive report on government liability. Prior to this, PPP projects, government guarantees as well as MKD company debt were not reported in any report but only used for internal reference. Starting in two thousand and seventeen or two thousand and eighteen, we have done more comprehensive reporting to include all of these elements. So, the issue that arises over the PPP is a huge commitment from the PPP project itself, resulting in the inability of the government to finance payments arising from PPP using operating expenditure. (payment for) PPP needs to be reclassified as development expenditure.”

After the fiscal consolidation process was implemented, a resolution was made that all payments related to PPP be made through the development expenditure even though it was previously seen as an operating in nature to be paid through the operating expenditure. Development expenditure comes from Development Funds. According to P18, this resolution is in accordance with the Development Funds Act, 1966, where Schedule 1 of the Act has listed the purpose to which the Federal Development Funds may be applied. The list includes the acquisition of capital assets as well as the repair and maintenance of public property. According to this list, maintenance payments for PPP projects may also be made through the allocation of the Development Funds.

The determination of PPP payments using the allocation from the Development Fund is a strategic and critical decision as the government needs to ensure a controlled fiscal position where the government's borrowings to cover the shortfall in government income each year can only be made for development expenses. The government shall not borrow for operating expenses. This was explained by P18:

“If you look at the Federal Constitution, Article Nine states that all government spending for operating expenses, such as the Supply Bill, must

be covered by the government revenue. So, if there is (enough) revenue, then you can finance the OE (operating expenditure). If there is no (enough) revenue, there is no OE. We cannot do it. That means the government must ensure the revenue is always sufficient to fund the Supply Bill's expenses.”

P20 further explained:

“...the operating expenditure is funded using revenue. The Federal Constitution and the Financial Procedure Act do not allow the government to finance operating expenses through borrowing. This means that OE can only be funded using revenue. So, as the amount of OE grows because it includes PPP, as well as other operating expenses such as emoluments, pensions, subsidies, and so on, the government has decided to transfer this PPP commitment to development expenditure.”

Financial commitments related to PPP have also been included in the list of development allocation requirements for each Ministry involved. In this regard, each Ministry should take into account the need for PPP payment when applying for development allocation. This affects the Ministry in applying for the annual allocation from the MOF and applying for new projects in the Malaysia plan every five years. It was explained by P25:

“...an example, the implementation of the university by PPP, (including) the development of the Pagoh higher education hub, residential college, many residential colleges. It does not fit in with the development plan made by the Ministry of Higher Education itself. When it happens like this, in a very short time with so many PPP projects, now the allocation for the development expenditure to the Ministry of Higher Education is just to pay for this PPP. (As a result) We cannot submit or create new development projects (in the Twelve Malaysian Plan). The allocation requires a lot to be spent on PPP projects that were not planned and are not in line with the initial plan in the (five-year) Malaysia Plan.”

### **4.3.3 Interview Response to Research Question 3**

The third research question of the study is, “How can the existing PPP implementation process and procedure be modified/improved with particular interest in managing

government financial commitment?”. Although this research question emphasizes the suggestion to improve government financial commitment in relation to PPP projects, the researcher does not get the answer directly related to financial commitment. Participants were eager to suggest things that, in their opinion, are necessary to improve the implementation of PPP projects. However, it is not directly related to the improvement of government financial commitment. Again, the responses are so dependent on the perspective of the participant that the participants representing implementing agencies may not necessarily have perspectives similar to those of participants representing MOF cluster or UKAS cluster and vice versa.

Each participant's response and explanation were labeled and encoded to specific codes. These codes were categorized to analyze the meaning presented by the participants and answer the research question. Using the Atlas.ti application, codes, and code categories are generated to address the participants’ suggestions to improve PPP project implementation, especially in relation to its financial commitment. The codes and code categories are shown in Figure 4.3.

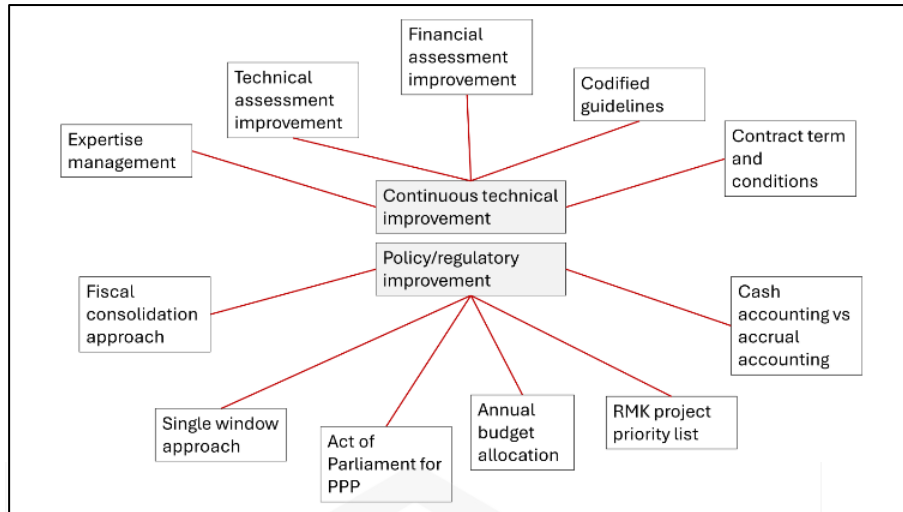


Figure 4.3: Participants' Suggestions for Improving the Implementation of PPP Projects.

Based on Figure 4.3, there are 11 codes related to the participants' suggestions to improve the implementation of PPP projects that have been classified into two code categories, namely continuous technical improvement and policy/regulatory improvement. The responses based on these codes are then further analyzed to obtain the number of participants' responses based on the codes. The detail of this further analysis is shown in Table 4.4.

Table 4.4: Result on Research Question 3.

Code categories	Codes	Frequency (N=29)
Continuous technical improvement	Expertise management	8
	Codified guidelines	4
	Contract terms and conditions	8
	Technical assessment improvement	2
	Financial assessment improvement	1

Code categories	Codes	Frequency (N=29)
	Exploring new model	3
	Engagement and promotion	4
Policy/Regulatory improvement	Act of parliament for PPP	9
	Single window approach	19
	RMK project priority list	18
	Annual budget allocation	4
	Selective PPP	11
	Fiscal consolidated approach	7
	Cash accounting vs accrual accounting	1

The code categories can be regarded as emergent themes in addressing the third research question. The detailed explanations of these themes are elaborated in the subsequent subsection.

### ***Theme 1: Continuous Technical improvement***

In the participants' opinion, continuous technical improvement is related to matters that can further improve the implementation of PPP projects. The codes collected under this theme of continuous technical improvement include expertise management, improvement of the technical evaluation process, improvement of the financial evaluation process, improvement of the terms and conditions of concession agreements, and improvement in terms of guidelines for the reference of the officers involved.

The code that gets the most attention from the participants is the management of expertise among government officers who are constantly redeployed to other departments

or agencies. The redeployment process may cause officers with substantial knowledge and experience in PPP-related matters in UKAS to be transferred, due to promotion or other reasons, to other Ministries or government agencies dealing with matters unrelated to PPP projects. This situation has resulted in using experienced and knowledgeable officers in PPP matters being squandered. It was explained by P3:

“Another thing is we have seen a lot, and we have this issue: there are not enough SME and subject matter experts. We used to have ten years of experience serving in UKAS, but he was not promoted here. The officer has left for MOT (Ministry of Transport). For ten years, we (UKAS) trained him. He got this (promotion). He did not get (promotion) here. He is now JUSA C, right?” That is (dilemma in) government service in Malaysia.”

This is the situation where officers from other agencies are being transferred to UKAS due to promotion. Since the previous work experience of those officers is not related to PPP projects, those officers need to learn matters related to PPP from the very beginning before they can fully understand the processes and procedures of PPP projects. It was explained by P10:

“...and also, is the nature of how government servants are being moved around. The institutional memory is lacking. For example, you leave after four years, and then the next person who comes in to take over your projects, you know, has to start from scratch. Right? And if you have the background before, it is easier for you. But for somebody like me who comes in, you know, to pull the project forward, it will take some time to manage.”

Since the transfer orders of public officials are an inevitable policy matter, expertise management should not be dependent on officers but should be dependent on clear and comprehensive guidelines. Clear and comprehensive guidelines relating to PPP are important to guarantee that matters related to PPP can be implemented with good continuity, even if managed by different officers. P8 commented:

“To me, in terms of guidelines. For me, I am new. I am comfortable with guidelines, with instructions, which will indeed protect civil servants. To me, when it (involves) procurement and finance, it is subject to the Financial Procedure Act 1963, and you have to follow the MOF instructions. They got a Circular, a Treasury Circular, right? To govern expenditure, to govern procurement and so on, I feel very protected and secure when implementing a portfolio under finance and procurement. Because sometimes top management requests impossible things, right? So, for us to justify, it would be truly helpful if we had those circulars and regulations. So, we will say (to top management) yes, we understand your concern, Dato'. But we are limited by these (regulation), unless, if we can follow this kind of procedure, then we are protected.”

P22 has commented on guidelines for implementing PPP projects compared to conventional projects:

“I would like to compare PPP and conventional (procurement) in terms of different processes. As far as I know, we do not have any circulars in PPP for government procurement. It is already there. People said a guideline or framework. If it is PPP, we do not have a specific legal framework. We just have general guidelines. Guidelines are issued by UKAS, but not all matters have clear guidelines. For example, in what condition do we have to do an RFP (request for proposal) process? As far as I know, I have never seen that one.”

These clear and comprehensive guidelines should take into account every aspect starting from the general aspects of the implementation of the PPP project, the technical evaluation aspect, the financial evaluation aspect, as well as the terms and conditions aspects of the concession agreement. General guidelines for the implementation of PPP projects have been established. However, guidelines on the technical evaluation aspect and the financial evaluation aspect were seen as underserved. This can be seen through the management of unorganized guidelines by UKAS as compared to the government procurement guidelines administered by the Ministry of Finance. The government procurement guidelines are seen to be more organized and always updated through the

government procurement circular. Meanwhile, for PPP, the officer has no guidelines to hold to but only the project agreement. P14 explained:

“...it is actually a lot of different kinds of problems. The public university will often ask the PPP Unit (a unit in the Ministry of Higher Education) if they encounter specific issues. They will submit a letter requesting the views of the PPP Unit. Our job is to look at the issue and refer to the concession agreement normally. It is because this concession agreement is our book now. It is arguably our book that we are referring to. We do not have a proper circular (from UKAS).”

Although technical evaluation guidelines, financial evaluation guidelines, and guidelines on the terms and conditions of concession agreements, if there are any, are seen as more relevant guidelines for internal use, they do not necessarily need to be kept secret from public knowledge. It is best that the technical evaluation guidelines and financial evaluation guidelines are shared with the general public so that they are more transparent and known to all parties. P21 explained that they have certain guidelines in evaluating financial proposals, but that guideline is believed to be kept for internal use. P21 explained:

“Okay. One that, if I could still recall, one of the financial assessment guidelines that we (MOF) have issued at the time was in terms of specifically assessing financial viability aspects of the PPP project, which included capping the return to the private partner. We also determine other financial requirements, for example, the WACC (weighted average cost of capital), as well as the determination of the debt-equity ratio. A reasonable return to a private partner is important to achieve project viability, with the correct cash flow projection, and to ensure that the project is sustainable commercially.”

Since the implementation of privatization projects in the 1980s, there has been a lot of experience gained by the government and many improvements have been made in relation to privatization projects. The establishment of UKAS in 2009 for the PPP project was also not built from zero, but rather, it is a continuation of the experience of the

implementation of privatization projects. In fact, since 2009, UKAS has gained a lot of experience related to the implementation of PPP projects and many improvements have been made in relation to the implementation of PPP projects. This experience should not be kept to the officers who are experiencing the course of the implementation of the project but should be codified in the form of continuous updates of comprehensive guidelines so that it can be used as a reference to new officers who take over the functions and responsibilities of the former officers. This clear and comprehensive guideline is one of the most effective forms of expertise management, taking into account the issue of high dependency on experienced officers.

***Theme 2: Policy/regulatory improvement***

There are also proposed improvements by participants that are related to policy changes that should be considered by the government. Proposed improvements related to policy changes differ from technical improvements in that they change the existing established approach. The codes collected under this theme of policy and regulatory improvement include a single window approach, a fiscal consolidated approach, and a proposal to enact an Act of Parliament for the implementation of PPP projects.

The most talked about by the participants was the need to create a single source of approval for all government development projects, whether it is a development project directly funded by the government using development allocation or a development project that is not implemented through development allocation but is implemented through PPP or privatization. Most interview participants termed this approach a single window. The single window approach has been nicely summarized by P19 as follows:

“I think it would be very timely for DE projects, and also, these PPP projects are coordinated under the same (five-year) Malaysia Plan, especially to avoid redundancy. So, we can list all the projects, even PPP projects, under a big umbrella. It means that one umbrella, what we are going to do, where we differentiate, which projects are going to need DE, which projects are going to use PPP, which projects are going to use off-balance sheet (approach). So, we have it all in one place. And then, even in terms of the ceiling, we can actually control it. That means we can anticipate how much the government has under the Malaysia Plan moving forward. Let's say that in this Malaysia Plan, the limit is five hundred billion, for example. So, within five hundred billion, maybe we carve out, let's say, one hundred for PPP. One hundred for the off-balance sheet project. The remaining for DE. So, maybe we can do something like that. At least, in terms of... when we talk about long-term development, it all the encompass in one master plan.”

Interview participants from the MOF cluster proposed the fiscal consolidated approach. This approach means that all forms of project implementation, either through development budget or PPP or through entities that raise project financing with government guarantees, should be consolidated so that the Government can get a clear picture of the impact of the implementation of those projects in the form of financial commitments both short and long-term. The fiscal consolidated approach can also give the government a clear picture in terms of spending and revenue. With this clear picture, the government can take steps to balance government spending against revenue, either through spending reductions, increased revenue, or borrowing to cover the fiscal deficit. This measure is done as reported by P18:

“...in 2016, when I came back from my study leave, I was placed in this Fiscal Division. I was placed in the Risk Unit. So, it is also related to PPP. At that time, I had to review all matters related to PPP. In 2016, MOF created a technical committee on contingent liabilities and fiscal risks, the Fiscal Risk and Contingent Liability Technical Committee. Back then, we compiled data from UKAS, especially the PPP projects list that involved a financial commitment to be monitored by the government so that we know how much our liabilities really are.”

This explanation is also supported by the explanation by P20:

“...starting from the year two thousand and seventeen, the government has begun to make a more comprehensive report on government liability. Prior to this, PPP projects, government guarantees as well as MKD company debt were not reported in any report but only used for internal reference. Starting in two thousand and seventeen or two thousand and eighteen, we have done more comprehensive reporting to include all of these elements. So, the issue that arises over the PPP is a huge commitment from the PPP project itself.”

The single window approach and fiscal consolidated approach are related to each other. The single-window approach can make it easier for the Ministry of Finance to implement the fiscal consolidation process and control the government's spending commitments, particularly long-term ones. This has actually happened currently, where all PPP projects have been listed in the government's annual budget every year. In this regard, each Ministry with payment commitments for PPP projects has taken note of their existing financial needs, and any proposed addition of projects involving the addition of financial allocation will depend on the limits of the government's financial ability and allocation for the relevant sectors. For example, it is explained by P25:

“...an example, the implementation of the university by PPP, (including) the development of the Pagoh higher education hub, residential college, many residential colleges. It does not fit in with the development plan made by the Ministry of Higher Education itself. When it happens like this, in a very short time with so many PPP projects, now the allocation for the development expenditure to the Ministry of Higher Education is just to pay for this PPP. (As a result) We cannot submit or create new development projects (in the Twelve Malaysian Plan). The allocation requires a lot to be spent on PPP projects that were not planned and are not in line with the initial plan in the (five-year) Malaysia Plan.”

One of the responses is related to transparency and the government's accounting reporting approach, which now practices cash accounting rather than accrual accounting.

The cash accounting approach has certain disadvantages, among other things, as it does not

explicitly reflect the real position of commitment and revenue. Cash accounting only records transactions when cash is received or paid by the government. Once the government implements the accrual accounting reporting approach, all the government's payment commitments will be more transparent. These payment commitments include PPP-related payment commitments. The accrual accounting will be implemented soon. When the researcher asked about the amount of PPP payment that was only reported in 2018, P24 explained:

“We did not mean to hide it. We are heading towards accrual accounting. So, when we are going to do accrual accounting, all this (liability and payment for PPP), we cannot hide because we have to match all the assets with liabilities. So, in terms of intention, there is no intention in us to hide that thing. It is just a requirement now regarding reporting, and we are based on a cash basis. There is no requirement for disclosure. It is just that in terms of accrual (accounting), it is not yet implemented. That is all. But when Tun Mahathir said we were starting to do so (disclosure) in our fiscal outlook book. The fiscal outlook report now has detailed all the liabilities, contingent liabilities, and GG (government guarantee). It is all in there. (We have disclosed all) without us waiting for accrual accounting.”

Another proposed improvement related to policy matters raised by the interview participants was the proposal to enact a specific Act of Parliament for the implementation of PPP projects. With the enactment of this specific Act, the implementation of PPP projects will be an activity regulated by law. On the plus side, the implementation of PPP projects will be more transparent with the control of the law, and any violation of the Act can be considered an offense of law. This approach will make the implementation of PPP projects more open and structured with legal control compared to the current practice of a policy approach that can change, especially after political changes. P18 commented:

“UKAS is (responsible for) making this PPP policy. It should be more careful. The PPP model in countries like the UK and Thailand has a special Act or law for PPP to govern this PPP. So, to improve in terms of

transparency and accountability, we also should consider (special Act). Furthermore, PPP involves a process of giving concessions and financial commitments for a long period of time. For me, twenty years, thirty years of that concession, there needs to be some sort of responsibility and accountability. And also in terms of transparency. How one such project is approved?”

P29 commented that an Act of Parliament regarding PPP is important because it can be supported by regulation under this Act, especially matters related to procedure and so on. The procedure set for PPP later can be gazetted as a regulation to be followed by the practitioner. P29 explained:

“... this PPP management mechanism needs to be improved. One, in terms of the procedure. Secondly, in terms of instruction letters or circulars, which is more comprehensive. It is not a mere guideline because this guideline can be legislatively published. (Hence, there is no question of) follow or not follow the guidelines. Because it is a mere guideline, but if it is gazetted, it will be a procedure that needs to be adhered to. There are certain principles where (there is no question of) to follow or not to follow the guideline.”

#### **4.3.4 Addressing Research Question 4**

The fourth research question of the study is, “What kind of new procedure needs to be established to control government financial commitment with regard to PPP projects?”. At a glance, the fourth research question is similar to the third research question of the study. When the interview participants gave suggestions to improve the implementation of PPP projects, they were also actually answering the fourth research question. However, the fourth research question is actually intended for the researchers to conclude on the responses given by the participants and to fulfill the fourth objective of the study, that is, “to propose a well-directed budgetary management framework for the implementation of PPP projects.”

From the responses received from the interview participants, it can be noted that each participant had a different perspective on the control of financial implications regarding PPP projects. For participants involved in the financial evaluation, the control of financial implications is more focused on the method to ensure that the concessionaire does not profit extra-ordinarily from the implementation of the PPP project. The method they use is to evaluate the PPP projected cash flow and the appropriate charge rate to the user or the appropriate availability payment set out in the concession agreement. The government's ability to pay for the availability payments does not fall within the scope of the evaluation by the financial evaluation committee.

For participants involved in the technical evaluation, the control of financial implications is about how to obtain the construction design at the lowest and optimal cost. Each component of the project is refined through a value management lab, and each cost of the components is checked to suit the market price. The scope of this assessment also does not take into account the government's ability to meet the payment requirements involved.

The existing procedures inherited from the government's experience in implementing privatization projects prior to the UKAS era became one of the factors that led to the existing loophole in the need to obtain financial allocations in advance. The previous privatization project evaluation procedure was suitable for previous privatization projects as the privatization project did not involve payment from the government, but they are mostly user-pay projects. When PFI projects, which involve payment from the government in the form of availability payments, are processed through the privatization

project procedure, the government's ability with regard to the payment component is not taken into account in the evaluation process.

Another reason why there is a loophole is that there is confusion over the allocation to be applied for PFI projects when it was first implemented after 2009. The common opinion at that time is that the allocation will only be applied in the future after the availability payment starts which is after three or four years when the project is completed by the concessionaire. The allocation to be applied for in the future is believed to be under operating expenditure, as all rental payments are made under operating expenditure. So, with that belief, the need for development allocation does not arise.

The issue related to the financial implications of PPP began to arise after the Ministry of Finance realized the high number of operating expenditure applications from Ministries that have PPP projects completed by the concessionaires. Since this PPP payment commitment is a contractual obligation, the Ministry of Finance has no option to postpone or to reduce the relevant allocation. In addition to the implications of PPP projects, the Ministry of Finance also faces the same issue when many strategic projects are implemented by business entities owned by government companies that raise project financing with government guarantees. Since the government companies are unable to meet the financing repayments, the government, as a guarantor, needs to provide allocation for the repayments, these two events lead to a fiscal consolidation process implemented by the MOF.

The fiscal consolidated approach that was implemented by the Ministry of Finance has led to a new approach, and it affects the implementation procedures of PPP projects. Among the approaches that have been taken are:

- (i) To ensure that all PPP project payments are made through Development allocation;
- (ii) all PPP-related payment commitments are listed in the Development commitment for each Ministry each year in the annual budget;
- (iii) the commitment to PPP projects and government guarantee projects are monitored every fiscal year through the annual fiscal outlook report.

Since the issue of financial commitments was raised, the response from PPP practitioners, especially government officials, began to turn to the Single window proposal. This is because most participants are of the view that procedures processed by different central agencies have resulted in the widespread implementation of PPP projects without regard to the government's financial capabilities. The single window campaign was observed coming from UKAS or participants who believed in the advantages of PPP, and who wanted to maintain the implementation of PPP as one of the project implementation options by the government.

The common opinion at this time is for EPU to review all development projects in the five-year Malaysia plan and determine all the projects to be implemented through the Development allocation and the projects to be implemented through PPP either through the user-pay method or availability payment method. Nevertheless, it is noted that this matter is ultimately up to the Ministries to determine their projects and the method of implementation of their projects, taking into account the Ministry's commitments for new development allocation projects, extension of the previous development allocation project, and PPP payment commitments. This is because the EPU usually sets the ceiling of development allocation to the Ministry, and it is the Ministry that will formulate the project

implementation strategy based on the ceiling or the allocation given to them. After all, the commitments for PPP projects have been listed in the list of the Ministry's development expenditure requirements in the annual budget. This makes the Ministry more aware of their total development expenditure commitments yearly, including commitments for PPP-related payments.

This Malaysian experience has demonstrated one of the forms of a well-directed management framework to address the issue of Government payment commitments in relation to PPP projects. It can be replicated by any other government in addressing the issue of future commitments related to PPP. It may not suit other countries as the way they implement development and PPP projects may vary. However, the Malaysian experience is one of the case studies that other countries may learn if they have the same or similar problems.

#### **4.4 DISCUSSION OF EMERGENT FINDINGS**

The main purpose of this study is to explore the importance and the need for the implementation of PPP projects even though it has a financial impact on the government in the form of future payment commitments. This study also aims to analyze Malaysia's ways and experience in addressing the issue of PPP financial commitments. This study has outlined four main objectives, namely, to investigate the main reasons why PPP projects need to be implemented, the existing experience of government officials in processing the implementation of PPP projects, suggestions for improvement that can be implemented, and the proposed budgetary management framework for PPP projects.

The four main objectives were explored through the four research questions discussed in Section 4.3 above. The findings from the four research questions of the study unraveled the answers to meet the four objectives of the study as detailed in the following subsections:

#### **4.4.1 The Reason and The Need For PPP**

Based on the codes and code categories that have been analyzed with the help of the Atlas.ti application, there are four themes related to the importance of the implementation of the Development project through PPP as follows:

##### ***4.4.1.1 Alternative funding:***

The responses related to the alternative funding theme are the explanation of the limitation in terms of allocation by the Government to implement development projects, an explanation of the use of private sector investment in PPP projects, and an explanation of the government's opportunities to use the existing allocation for other matters if the development project is implemented on PPP basis.

##### ***4.4.1.2 Better implementation***

The response related to this better implementation theme includes the explanation of the participants on the transfer of project implementation risk to a private company, the risk of project implementation to the financier, the role of the financier in ensuring that the company fulfills the concession agreement, the motivation of the concessionaire to complete the project in accordance with the terms and conditions of the concession

agreement, innovation and creativity of the concessionaire in fulfilling the contract, the lack of government resources and ability in implementing many projects at once which can cause the project implementation performance to be affected. Better implementation is relatively compared to the way the project is implemented through a normal procurement approach.

#### ***4.4.1.3 Economic growth***

The responses from the interview participants also include the role of PPP in boosting the country's economy. Among the explanations of the participants are the role of private companies as an engine of economic growth, the government's option to stimulate the economy through the use of funds from private companies, the contribution of PPP in increasing private investment in the country and thus contributing to the gross domestic product figures. Economic growth is not only dependent on government investment and expenditure but is also contributed by private investment and private consumption. The implementation of government projects through PPP is one of the options to boost and stimulate private investment and private consumption.

#### ***4.4.1.4 Global trend***

The participants' responses also touched on matters related to international phenomena that should be taken into account by the country. Since PPP is a global practice and is among the headlines related to the implementation of public infrastructure projects, it is appropriate for the country to participate in the practice and institutionalize matters related to PPP so that they can be adapted to existing practices. Participants also touched on the

government's wisdom in following the global trend in nation-building, including the emergence of PPP as one of the development options.

This finding suggests that there are four reasons, at least from the perspective of public officials in Malaysia, for the implementation of PPP projects that are PPP offers alternative funding, PPP proposes better implementation methods, PPP helps in accelerating economic growth, and PPP has emerged as a global trend that a country should consider. Literature and previous studies have shown many motivating factors for PPP. For example, Li et al. (2005) identified 15 factors that make PPP attractive. All the 15 factors identified by Li et al. (2005) either come under the themes of alternative funding, better implementation, or economic growth. The factors are (1) “solves the problem of public sector budget restraint,” (2) “enhances government integrated solution capacity,” (3) “reduces public money tied up in capital investment,” (4) “caps the final service costs,” (5) “reduces the total project cost,” (6) “saves time in delivering the project,” (7) “reduces public sector administration costs,” (8) “benefit to local economic development,” (9) “non-recourse or limited recourse public funding,” (10) “transfer of risk to the private partner,” (11) “improves maintainability,” (12) “facilitates creative and innovative approaches,” (13) “improves buildability,” (14) “accelerates project development,” and (15) “technology transfer to local enterprise.” Motivating factors that relate to the theme “global trend” were not identified by Li et al. (2005), which shows that this theme has emerged as a new motivating factor that pushes governments to embark on PPP projects.

#### **4.4.2 Existing Experience with PPP Procedure**

The participants' existing experience with the procedures and work processes regarding PPP projects is diverse, and it depends on the current role of the interview participants. The experiences described by the participants contributed to several themes as follows:

##### ***4.4.2.1 Policy-related experience***

The participants' responses on the PPP project implementation procedures are mostly similar to the work process that has been set on a policy basis. It includes the role of UKAS as the single central agency to process the implementation of PPP projects, the evaluation process through several levels of the committee, which consists of representatives from other central government agencies, and the recommendation of PPP project by the committees is brought to the Cabinet for final approval.

##### ***4.4.2.2 Technical Evaluation Experience***

More detailed responses from participants on how technical assessments are made are grouped under this theme. It includes the process of determining the need statement, scope and design determination, value management lab process to detail each scope of construction and detail cost for each component.

##### ***4.4.2.3 Financial Evaluation Experience***

The participants' detailed responses on how financial assessments were made are grouped under this theme. Among the procedures explained by the participants are the process of evaluating the projected cash flow, which takes into account the estimated cost of

construction and capex, the concessionaire's equity contribution and the amount of financing taken by them, the source of financing, the cost of financing, the analysis of the project internal rate of return (project IRR) and the return on the concessionaire's equity investments.

#### ***4.4.2.4 Government Budget Application Experience***

The participant's responses to the process related to the government's application for allocation for PPP projects are grouped under this theme. Among them is the explanation of the existing methods in applying for development expense allocation and the allocation of government operating expenses. The loopholes of the PPP project evaluation process are in relation to the need to apply for the Government's allocation and the initial confusion over the application of the allocation, which is believed to be using the operating expenses allocation that only arises when the project is completed over the next three or four years.

This finding suggests that there are four types of procedures experienced by the participants. Many literatures suggest that good governance is one of the critical success factors for PPP implementation (Ismail, 2013). However, there is no study that elaborates how the governance was put in place by the government. This research has closed the gap by exploring and explaining how governance was practiced through the experiences of the practitioner. The literature also identified sound financial packages as one of the important factors for successful PPP projects (Yang et al., 2024). However, How the financial packages are considered sound is not clarified. This research has closed the gap by

exploring and explaining how financial packages of PPP projects are evaluated and determined through the experiences of the practitioner.

#### **4.4.3 Suggestion for Better PPP Implementation**

The participants voiced many responses regarding the proposed improvement of the work process and the implementation of the PPP project as a whole. The suggestion was also associated with the participants' views on the existing weaknesses in the work process. These improvement proposals are divided into two themes as follows:

##### ***4.4.3.1 Continuous technical improvement***

This theme includes suggestions for improvements, or the existing actual improvements made that were recounted by the interview participants. These improvements include technical assessment, financial evaluation, terms and conditions of the concession agreement, and management of the talent and expertise of PPP-related officers. Through the researcher's observations, it was found that the preparation of comprehensive guidelines is the most significant suggestion that can address all the weaknesses and issues addressed by the interview participants.

##### ***4.4.3.2 Policy-related improvement***

This theme sums up the responses of interview participants who suggest policy improvements that change the way things work. Among the proposed improvements under this theme are the fiscal consolidated approach, the determination of the use of national development funds for PPP-related payments, the inclusion of the list of PPP projects and

PPP commitments in the national budget list, monitoring fiscal commitments in addition to national debt commitments, and preparing guidelines for the treatment of expenses related to PPP projects ahead for future accrual accounting implementation. In addition, the improvement response under this theme includes the suggestion to create a specific Act of Parliament on the implementation of PPP projects by the Government so that it is legally regulated and to increase the transparency of its implementation compared to existing practices that rely solely on policy resolutions. This suggestion is in line with the conclusion in certain literature that good governance and a favorable legal framework are among the keys to successful PPP implementation (Ismail, 2013).

#### **4.4.4 Well-directed Budgetary Management Framework for PPP**

This objective is fulfilled through the study's findings as a whole, especially the experience of the Government of Malaysia in addressing the issue of PPP project payment commitments. It began with the history of PPP implementation, which began to be actively implemented after the establishment of UKAS in 2009. The implementation experience of PPP projects was influenced by the implementation procedures of privatization projects experienced in Malaysia since the 1980s. There is a loophole in procedures in relation to the application of financial allocations, and confusion regarding the source of application for allocation of either operating allocation or development allocation. The fiscal consolidation process is implemented after the PPP payment commitment increases. This process led to fiscal management resolutions specifically to take into account the Government's commitments, which include PPP commitments. Government guarantee commitments and national debt commitments every year during national budget evaluation.

It is now clear that the management framework for addressing the issue of payment commitments related to PPP has been updated. It can be formulated that the PPP payment commitment management framework includes 4 points as follows:

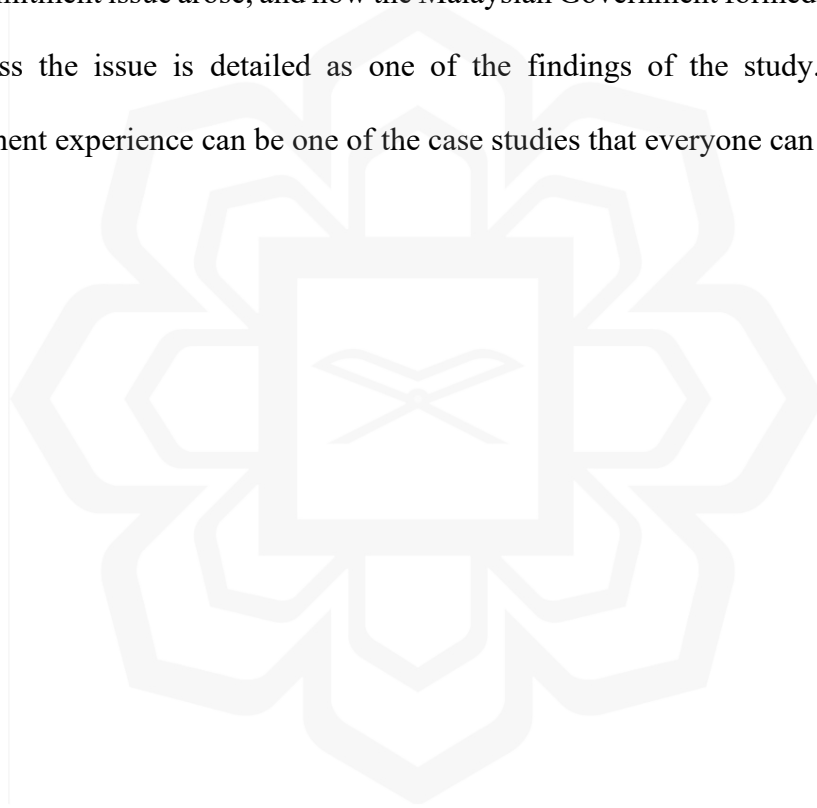
- (i) To ensure that all PPP project payments are made through Development allocation;
- (ii) all PPP-related payment commitments are listed in the Development commitment for each Ministry each year in the annual budget;
- (iii) the commitment to PPP projects, and government guarantee projects are monitored every fiscal year through the annual fiscal outlook report.

This PPP payment commitment management framework has also addressed issues related to PPP that have always been discussed in the literature, for example, the use of PPP as a way to avoid budget constraints (Cepparulo et al., 2024), PPP allows deferred payments for the project and an off-balance-sheet treatment of the financing associated with PPP (Buso et al., 2017), and the final payment for PPP later is made by the government through its budgetary sources (Benito et al., 2008) and this will burden the government in the future (Jomo & Chowdhury, 2018).

#### **4.5 CHAPTER SUMMARY**

This chapter initially discusses the data collection, data management and data analysis methods implemented by the researcher. This is reported to give a clear picture of how this study was conducted, particularly to achieve the study's trustworthiness. It was followed by a report of the study findings based on four identified research questions. In answering

the four identified research questions, several themes that make up the study's findings have arisen and are clarified with the source of information in the form of the original quotation of the interview participants. Finally, this chapter discusses the emergent findings of the study. This discussion is tailored to the four objectives that have been determined from the very beginning as the foundation of the study. In conclusion, the Malaysian Government's experience in dealing with the issue of PPP payment commitment from the beginning of this commitment issue arose, and how the Malaysian Government formed a new framework to address the issue is detailed as one of the findings of the study. This Malaysian Government experience can be one of the case studies that everyone can learn.



## **CHAPTER FIVE**

### **CONCLUSIONS, IMPLICATIONS AND RECOMMENDATIONS**

#### **5.1 INTRODUCTION**

This chapter provides conclusions and recommendations based on the findings of the study. It briefly explains the problem statement and the research questions that want to be solved through this study, how the study's findings can be unraveled through the answers to the research questions, and the description that meets the research objectives. Finally, this chapter recommends further research in the future to expand the findings of this study further.

#### **5.2 SUMMARY OF STUDY**

PPP is one of the options for the implementation of development projects that do not involve the government's financial allocation during its implementation as it involves investments from the private sector. Apart from being an alternative to the implementation of infrastructure projects that require government funding allocation, the advantages of PPP projects are associated with more efficient implementation methods with the transfer of implementation risks to the private sector and catalyzing economic growth with private investment.

Despite all the advantages of PPP, it also invites controversy, especially regarding the government's future financial commitments. When it took over the government after winning the election in 2018, the political government, which was newly formed, revealed that the national debt commitment and other payment commitments by the previous

political government were extremely high, amounting to RM1 trillion, including the payment of PPP commitments which is more than RM200 billion. This surprised many who thought the country's financial position was stable.

The controversy surrounding the government's financial commitments, as announced in 2018, was the cause and inspiration for this study. The main goal is to dive into the history of PPP project implementation, the experience of government officials in implementing PPP projects, project implementation procedures, and matters related to payment commitments by the government on PPP projects. Prior to the fieldwork being carried out, through literature reviews and desktop studies, the researcher learned that PPP is generally divided into two types, namely, user-pay PPP and availability-payment PPP. The researcher has also learned that the government has started to report on PPP payment commitments every year in conjunction with the annual budget since 2018. Fieldwork is more focused on existing procedures that may have certain weaknesses, particularly the procedure that results in the government's financial commitments related to PPP becoming enormous.

With four research questions, the interview process was carried out with government officials involved with PPP. The samples for data collection were divided into several clusters, namely the UKAS cluster, MOF cluster, and implementing agencies cluster. The most important findings are related to the loophole in procedures related to the government's allocation application to implement PPP projects.

Procedures and work processes in evaluating proposals of PPP projects are influenced by the procedures and work processes in evaluating privatization projects. UKAS has become the central agency in evaluating PPP projects through several levels of

committees, which are also made up of representatives of other central agencies. By being influenced by the work process of the privatization projects evaluation, which was mostly user-pay and did not involve the government's financial allocation, the evaluation procedures of PPP projects also did not involve the application of financial allocation from the government.

There was also confusion at the beginning of the PPP project implementation after 2009 regarding the financial allocation to be applied with regard to availability payments. This payment is not due at the beginning of the project's implementation but will only be made after the company has completed the project four or five years after the agreement is signed. In this regard, applying for government allocation at the beginning of the project implementation is unnecessary. The general view is also related to the source of the allocation, which is thought through the allocation of operating expenditure and not the allocation of development expenditure. Availability payment is similar to rental or lease payments allocated through operating expenditure. Payment for maintenance work has also been allocated through operating expenditure.

Since 2017, the Ministry of Finance has been aware of the high amount of payment commitments from the implementation of off-budget projects, especially payments for projects implemented through government guarantee loans, as well as payments for projects implemented through availability-type PPP. Since 2017, the Ministry of Finance has implemented a fiscal consolidation process whereby all government payment commitments are monitored based on government revenue to control the deficit in fiscal position. Through this fiscal consolidation process, several new approaches to managing

the government payment commitments for PPP projects were established, and steps have been taken to undertake the following resolutions:

- (i) To ensure that all PPP project payments are made through Development allocation;
- (ii) all PPP-related payment commitments are listed in the Development commitment for each Ministry each year in the annual budget;
- (iii) the commitment to PPP projects, and government guarantee projects are monitored every fiscal year through the annual fiscal outlook report.

### **5.3 CONCLUSION**

This study outlined four objectives and four research questions. The four objectives and the four research questions are related to the issue of PPP payment commitment by the government. Through an exploratory qualitative study, the researcher interviewed 29 individuals. All the individuals interviewed had their own experience in handling PPP projects and the responses from these individuals were analyzed to formulate answers to the research questions and to meet the objectives of the study.

The results of the study formulated 4 themes to answer the first research question on the importance of PPP, which is (1) alternative funding, (2) better implementation, (3) economic growth, and (4) global trends. To answer the second research question on the experience of officers in handling PPP projects, the findings formulated 4 themes, namely (1) policy-related procedure, (2) technical assessment-related procedure, (3) financial assessment-related procedure, and (4) government budget-related procedure. Regarding the proposed improvement from the interview participants, the findings formulated 2 themes,

namely (1) continuous technical improvement, and (2) policy/regulatory improvement. Finally, the fourth research question on the proposed new procedures for controlling financial commitments related to PPP projects was resolved through the formulation of responses related to the "single window" theme.

In summary, the study's findings offer a new view on PPP. The findings of this study were the result of responses from a combination of 29 individuals with their own experience of PPP based on the place of duty and function of their respective tasks. The findings of the study have led to several theoretical contributions. The methodological contributions of the study and recommendations for future studies will also be discussed further in the next section of the chapter.

#### **5.4 THEORETICAL CONTRIBUTIONS**

Theoretically, PPP is related to the development of public infrastructure implemented by the private sector through private investment. The terms and conditions of project implementation are determined through long-term contracts with the government. The theory of PPP also evolved when researchers started categorizing two types of PPP, namely the user-pay PPP and availability-payment PPP, in which government has to pay for the service rendered. With these two types of PPP, we can identify PPP projects that will have financial implications for the government in the future and PPP projects that will have no direct financial implications for the government.

The theoretical development of PPP is also related to the theory of privatization. Theoretically, privatization involves the transfer of roles and functions traditionally performed by the government to the private sector. The privatization process usually

involves corporatization where a government agency or department is made into a corporate entity that can conduct business commercially without having to rely on the financial allocation from the government. Apart from the government's existing roles and functions being transferred through the corporatization process, privatization also involves the transfer of roles and functions of the Government to build new infrastructure projects to the private sector, where the new infrastructure project is made into a commercially driven project where the implementation does not have to depend on the government's financial allocation. Still, it is made through private investment by the private sector. Based on the privatization experience in Malaysia, the privatized infrastructure projects involving private sector investments include toll highway construction projects, new port construction projects, independent power producer projects, construction of a new administrative center in Putrajaya, and several other projects.

The theory of privatization and the theory of PPP have been combined because they have certain elements involving the same thing. If viewed from the perspective of privatization theory, private investment in public infrastructure projects is considered a privatization project. At the same time, private investment in public infrastructure projects can also be considered PPP projects because both theories are formed on the same characteristic of private investment in public infrastructure. Similarly, the theory of PFI also shares the same characteristics of private investment in public infrastructure. To differentiate between privatization, PFI, and PPP, the PPP central agency in Malaysia, namely UKAS, has established that if the infrastructure project involves user pay, it is known as a privatization project. In contrast, if the infrastructure project involves

availability payment by the government, it is known as a PFI project. UKAS also stipulates that both privatization projects and PFI projects are PPP projects.

The formation of these theories was also influenced by global practice and developments. In certain eras, especially after the second world war, global developments talked a lot about the privatization agenda. It is also associated with developments that can be seen through two perspectives, namely, the economic policy perspective and the public administration perspective.

Through the perspective of economic policy, we can observe how economic management has changed in terms of policies from a planned economy to a free market-based economy. The privatization program is seen as one of the theories and approaches related to changing economic policy towards the free market policy. From the perspective of public administration, global changes in bureaucratic practices have turned into more result-oriented management practices under the new public management (NPM) regime. The theory of privatization, PFI, and PPP are part of the NPM theory in public management if they are viewed from the perspective of public administration. Nevertheless, whatever and however the theories originated, it is part of the process of classification of knowledge that expands our understanding of the matter in question.

This study directly touches on the theory of PPP project implementation, focusing on four research questions to fulfill four research objectives. Although this study focuses on the implementation of PPP projects in Malaysia, the results of this study have suggested an expansion of our understanding of PPP theory. These can be explained through the study's findings in meeting the objectives as enlightened in the next subsection.

#### **5.4.1 Fulfilment of the first objective**

The first objective is to investigate the reason and the need for the implementation of PPP projects. However, they cause financial implications in the form of future payment commitment and fiscal risk to the government. When asked about the importance of PPP and why the government should maintain it, the participants gave various reasons. These responses have been analyzed and categorized into four main reasons hovering over alternative funding, better implementation, economic growth and global trends. In other words, the findings of this study suggest a theory that, at least from the perspective of public practitioners, there are four main reasons for PPP that are alternative funding, better implementation, economic growth and global trends.

#### **5.4.2 Fulfilment of the Second Objective**

The second objective is to evaluate the existing process and procedures that the government uses to manage future payment commitments in relation to PPP, especially the loopholes and weaknesses. This study focuses on the experience of government officials involved with the implementation of PPP projects in Malaysia. Their experience was explored through interviews with a focus on their respective involvements in the process of evaluating and implementing PPP projects. This study summarizes the four main processes and procedures in the evaluation of PPP projects, namely procedures related to government policy, technical aspect assessment procedures, financial aspect assessment procedures, and procedures related to government allocation. In other words, the findings of this study suggest a theory that, at least from Malaysian experience, there are four main processes and procedures in the evaluation of PPP projects, namely procedures related to government

policy, technical aspect assessment procedures, financial aspect assessment procedures and procedures related to government funding allocation.

#### **5.4.3 Fulfilment of the Third Objective**

The third objective is to explore areas where the existing PPP implementation process and procedure can be modified/improved with a particular interest in managing government financial commitment. Although the emphasis is on improving government financial commitment in relation to PPP projects, the researcher does not get the answer directly related to financial commitment. Participants were eager to suggest things that, in their opinion, are necessary to improve the implementation of PPP projects. However, it is not directly related to the improvement of government financial commitment. This study lists the responses and feedback of PPP practitioners on improvements that deserve attention. The list of suggestions is divided into two main themes, namely continuous technical improvement and policy/regulatory improvement. Although not directly related, this third objective has helped fulfill the fourth objective, which is the main objective of this study.

#### **5.4.4 Fulfilment of the Fourth Objective**

The fourth objective is to propose a well-directed budgetary management framework for the implementation of PPP projects. This study has described the formula for the financial allocation management framework for PPP projects in Malaysia. This framework was formed due to Malaysia's experience in implementing PPP projects, particularly after a specialized agency related to PPP was established in 2009. In a nutshell, this framework is hovering around the financial allocation to be provided for PPP projects. Since PPP is used

for economic development, the financial allocation for PPP projects should come from the development expenditure of the country. However, the nature of payment seems to be operating in nature. In other words, this study suggests a theory that, at least from a Malaysian experience perspective, the PPP project is a development project and should be funded from the country's development expenditure.

## **5.5 METHODOLOGICAL CONTRIBUTIONS**

The contribution of this study in the form of methodology is a result of the constraints faced by the researcher in perfecting the research. To account for the methodological contribution of this study, the researcher chose to narrate the constraints or the methodological limitation first before the methodological contribution was achieved as the result of the constraints faced.

### **5.5.1 Limitations**

This study is qualitative and cannot escape certain weaknesses that are closely related to the qualitative method, among which is in relation to the suitability of the sample, the sample size and the demographics of the sample. Even if the researcher tries to get as many as 29 samples to ensure that the data obtained is saturated, it is still possible that certain information is still not accessed through these 29 samples. Accordingly, the results of this study are limited to data obtained from 29 samples only. The demographic composition of the sample also plays a role because each sample responds based on their respective opinions, and perspectives that are influenced by the point of view of their task and work function and their place of duty. Although the researcher has classified the samples into

specific clusters, the lack of involvement of samples from certain clusters in this study is a constraint that the researcher must accept in continuing the process and moving on further to data analysis.

Another constraint associated with methodological limitations is the instrument used for data collection. The researcher has used an interview method for data collection and personal observation of the researcher on the data obtained through the interview process. Although the interview process is an appropriate process to obtain an honest response from the participants, it is nevertheless influenced by the views of the individual, which is not necessarily accurate as it is limited to the personal point of view. Other processes, such as focus group discussions, can help in data collection as they combine several individuals who can exchange views. However, the process of focus group discussion is not feasible as it is not an easy process to get good participation from government officials who have their own respective priorities. The researcher also has limited resources and time constraints to implement the focus group discussion process. Accordingly, the primary data used for analysis purposes is limited to data from interview sources and researcher observations.

The Researcher also had difficulty obtaining confirmation of the interview participants on their interview transcripts. This is because the interview transcripts were only finalized a few weeks after the interview date, and it is possible that the interview participants will not be able to recap their memories during the interview. On the other hand, interview participants are government officials who have their own job priorities, and the researcher finds it inconvenient for the participants to check their transcripts. Another

constraint is related to personal bias whether it is bias by the individual sample or bias by the researcher himself.

Qualitative studies involve time-consuming processes. The process of designing interview guidelines, semi-structured interview questions, finding samples, and performing interviews is part of the beginning of the process. The next process is a lot more time-consuming. The transcribing and translation processes are very labor-intensive. The analysis process using a thematic analysis procedure is also time-consuming. Starting by diving into the contents of all data, labeling the data to code, categorizing code, reviewing and rationalizing code categories, identifying the theme of the results, and writing the report of the findings, the researcher feels that these works are too heavy to be carried out and completed within a specific time frame. Furthermore, this study was conducted by the researcher without the help of individuals or a group of individuals because it was not a group study. Therefore, it depends only on the ability of an individual who has to go through all the processes alone without any assistance from any individual.

### **5.5.2 Contributions**

The Researcher has made efforts to address all the limitations. Firstly, the researcher subscribed to a computer-generated transcription application, namely Gotranscribe, to assist in the transcription process and used an auto-translating tool in Microsoft Word applications to assist in translating work. Although the use of computer-generated transcription applications and the use of auto-translating tools helped in speeding the work process, they need to be reviewed to ensure the accuracy of the data before the analysis process starts.

On the accuracy of the raw data being transcribed and translated, and since the researcher did not request every participant to review their interview transcript, the researcher has engaged with an independent reviewer to check the Malay transcript and the English translation of the transcripts to be in line with the audio recordings. In this regard, the independent reviewer has been asked to listen to all the interview audio recordings, review the Malay transcription text and English translation texts, and verify that the English texts are fairly accurate with the interview audio records. This verification is a peer review process that helps the researcher to address the credibility and trustworthiness of the research.

The researcher also has made efforts to address personal bias issues. For bias by the sample, the researcher has obtained as many samples as possible so that each response by the sample can be analyzed through the triangulation process. The samples were also divided into several clusters to represent different perspectives among the population. For bias by the researcher, the researcher always carries out a self-reflection process on personal bias and always answers the research questions of the study based on the data obtained without being influenced by the personal opinion of the researcher. In this regard, all the findings were the result of an analysis of raw data that was uploaded to Atlas.ti application. The use of the Atlas.ti has helped the researcher to prove that the results of the study are grounded and based on the analysis of data collected from the samples of the study. The conformability of this study may be reviewed anytime as all the records or audit trails have been kept securely in the Atlas.ti application.

## **5.6 IMPLICATION TO POLICY AND PRACTICE**

This study offers a practical approach to address issues related to the financial implications of PPP projects. Indeed, the implementation of infrastructure projects through PPP is a policy approach, and this policy approach can be further streamlined with more practical details. This study has revealed the details of the policy approach taken by the Government of Malaysia, which is to put the implementation of PPP projects as part of the planning of development projects that require development allocation. Development project planning is made every five years within the framework of the Malaysian Plan, and its allocation is reviewed annually through a process called “rolling plan.” Listing PPP projects as part of development projects that require development allocation that will be reviewed annually through a “rolling plan” process has facilitated the planning of development financial allocations to be spent in the future.

This latest practice implemented by the Government of Malaysia has been proven to control the financial implications of PPP projects on government spending. During the 2024 budget, the Ministry of Finance has indicated the position of the Government's financial commitment, including commitments for PPP projects in the 2024 Fiscal Outlook and Federal Government Revenue Estimates. The report shows that the government's financial commitment to PPP projects has decreased to RM142.2 billion in 2023, representing 7.7% of the Gross Domestic Product (Ministry of Finance, 2023). Comparing this number to the number of commitments in 2018, this decline is a significant change. The government report shows the decline in its debt and liability exposure, as shown in Table 5.1.

Table 5.1: Government Debt and Liabilities Exposures from 2018 to 2023.

Component	RM Billion					
	2018	2019	2020	2021	2022	2023*
Federal Government Debt	686.8	793.0	874.3	979.8	1,079.6	1,145.0
Committed Guarantees	199.1	194.0	209.3	197.3	224.1	221.4
Other liabilities (PPP, PFI, PBLT)	201.4	182.2	173.3	151.1	142.2	142.2
<b>Total</b>	<b>1,087.3</b>	<b>1,169.2</b>	<b>1,256.9</b>	<b>1,328.2</b>	<b>1,445.9</b>	<b>1,508.6</b>

\* As of June 2023.

Source: Researcher's compilation from data attained on the website.

The practice of development project planning in Malaysia may not be the same as the practice of development project planning in other countries. What is seen as appropriate in Malaysia may not align with the context of development project planning in other countries. Nevertheless, Malaysia's latest approach in addressing the financial implications related to PPP projects is a result of practical involvement that has been experienced by the Malaysian government since PPP projects, in particular the availability-type PPP, were actively implemented in 2009. This latest policy approach can serve as a guide to other PPP practitioners in planning PPP projects elsewhere.

## **5.7 RECOMMENDATION FOR FUTURE RESEARCH**

Among the study's findings are suggestions for improvement by interview participants, which are believed to improve further the efficiency of PPP project implementation and the expansion of PPP-related theory. In many PPP improvement suggestions, the researcher wanted to focus on two suggestions that deserve special attention, namely the suggestion to provide comprehensive guidelines on PPP assessment procedure and the suggestion to enact specific Acts on the implementation of PPP projects.

Both suggestions necessarily require further specific study as they are not small things that can be implemented without particular details. For example, for the process of providing comprehensive guidelines, since the guidelines are related to all procedures related to the PPP project evaluation process, the involvement of all existing practitioners is important, and the data for the purpose of the study should not be focused on data obtained from interview sources only. Further research should also be done through the process of focus group discussion and other techniques that can form an agreement between all parties on the outcome of the guidelines that will be provided in the future.

The same goes for the suggestion to enact a specific Act on PPP so that the implementation of PPP projects is regulated through a written law and not just through a policy approach. The proposal to enact this specific Act can also increase the transparency of implementation as it is based on written laws, and non-compliance with regulated procedures can be considered non-compliance with the law. This suggestion is a policy or regulatory change that requires a political decision. This process involves a multi-level engagement process, and the suggested content needs to be scrutinized from a legislative aspect. This involves further research, which can be done if the suggestion to enact this

specific Act becomes the government's resolution for the implementation of PPP projects in the future.

## **5.8 CHAPTER SUMMARY**

This final chapter gives a summary of the results of the study. This chapter begins by providing a summary of the entire study and the results achieved through the study findings. It also explains the contribution of studies in the form of theoretical development and methodological contribution. Every study is not meant to answer all questions, and the findings of a study will necessarily lead to new research questions that require further study. The researcher has recommended two further studies that, in the opinion of the researcher, should be given special attention as they are part of the findings of this study and need to be looked into in more detail.

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