THE PUBLIC PRIVATE PARTNERSHIP IMPLEMENTATION IN MALAYSIA

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ABSTRACT

Financial constraints, value for money (VFM) and enormous challenges in infrastructure development have led Malaysian government to seek out an alternative method of financing infrastructure provision. In the Ninth Malaysian Plan, the government had employed a new innovative procurement strategy by means of Public Private Partnership (PPP) to overcome public project related problems. The significant purpose of utilizing this alternative is to facilitate the client and private sector to obtain value for money and risk allocation and subsequently, enable the public sector to exploit private sector finance and expertise.

PPP has been subjected to an increasing vigorous criticisms and debates by most practitioners and academia. The purpose of this paper is to provide the key findings of the PPP workshop on the significance of PPP implementation and government policy in Malaysia. Four major issues have been discussed which regards to the policies and implementation of PPP projects; preparedness of the financial and private sectors; VFM and the risk allocation; and knowledge management in PPP project implementation. The findings show that the concepts of PPP in Malaysia were lagging behind as practiced by the UK, Australia and other countries. The absence of 1) PPP guideline, 2) lack of appropriate competitive tendering mechanism 3) Effective management of adviser services, 4) establishment of key performance indicator (KPI), 5) the need for transparency, 6) inappropriate of training and education for PPP 6) and 7) adequate legal and regulatory framework in project implementation are the core criticisms towards PPP in Malaysia.

Keywords: Malaysia, Procurement Strategies, Public Private Partnership (PPP), Qualitative Research, Workshop.

1.0 INTRODUCTION

It is generally recognized that there is a worldwide trend towards Public Private Partnership (PPP) in most public projects and services, aiming to generate greater efficiencies of quality service at the most optimal cost. Various forms of PPP have been applied to attract private sector capital and expertise in developing public services. In fact, in any country adequate levels of infrastructure provision are essential to support and encourage the tremendous economic development. Traditionally, public infrastructure has been delivered by the public sector which is funded directly from fiscal budgets. However, over the decades, there has been a dramatic shift of public projects into private sector owing to the shortage in financial resources, technological and efficiently of management skills. Principally, PPP are arrangements between the government and private sector with the main objective of securing investment and greater efficiency in the delivery of public infrastructure. These partnerships are characterized by a sharing of investments, risks, rewards and responsibilities between the public and private sectors in a long term relationship (Cartlidge, 2006).

Currently, in Malaysia, the demand for the efficiency in public services has increased towards the promptness of development (Imtiaz et al. 2007). The government accorded a very high priority to infrastructure development (Wen, 2006). In a conventional procurement process, projects with a broad scope are generally broken down into their component parts and managed as separate units that have to be implemented sequentially due to budget limitations. As a result, the opportunity to develop an integrated solution that effectively addresses a public sector need is often missed. To a certain extent, most of the public projects have been plagued by delays and shoddy workmanship, which is inherently seen as a major problem to the government (Jayaseelan & Tan, 2006; Endut, 2008). Furthermore, the Malaysian government is reluctant to spend big bucks on development of public infrastructure projects due to insufficient public sector capital funding (Netto, 2006). Therefore, to bridge these issues the Malaysian government is turning to Public Private Partnership (PPP) for transforming the public projects. With PPP procurement, the scope of procurement is expanded to reflect a broader content with the focus being shifted to developing an integrated solution.

Despite PPP being perceived by most governments as the most cost effective means of procuring public infrastructure projects, a debate about the nature of this approach is still widespread among the practitioners. In the case of Malaysia, the implementation and policy of PPP has been the subject of considerable debate and critiques. For instance, the water supply schemes that were privatised have met community rejection and failed to meet the consumer's satisfaction (Zhang, 2005). The north-south highway (PLUS) is another project procured through PPP and it has several inadequacy that prevent it from meeting the utmost societal needs. Some of the reasons as mentioned by Abdul Rashid (2007) are leading to the issues of cronyism, unfair monopolistic advantages, lack of transparency in competitive bidding and, lack of PPP experiences and knowledge in PPP. Besides, there are many aspects within this approach that require fine tuning and improvements in order to make it more cost effective. Areas related to the improvement of key functional skills in technical aspects, finance, personnel management, and value for money, risk allocation and, public knowledge are important to be highlighted. As such, the need for a comprehensive regulatory framework is a matter of some urgency for PPP in Malaysia. A significant reason for this matter is to further encourage participation from the private sector and to make them feel less restrained to exploit their market power.

Therefore, this paper attempts to put forward the issues in the implementation of PPP in Malaysia through the workshop findings. The paper then addresses deeper into core PPP concerns and emerging issues in order to formulate innovative strategies towards a more efficient and effective PPP procurement and delivery services for public projects in Malaysia.

2.0 PUBLIC PRIVATE PARTNERSHIP IN MALAYSIA

Public Private Partnership (PPP) has been introduced in Malaysia since the mid 1980as under the concept of joint venture involving local government and private developers (Abdul Rashid, 2007). PPP is seen as a derivative of privatization, a concept that emerged under the administration of the former Prime Minister Tun Dr Mahathir Mohammad who adopted it from the UK. Malaysia has relied on the private sector provision of toll roads for over twenty years using public-private partnerships (PPPs). The programme has been successful in providing close to 1,800 kilometers of highway at that time. Since then, more than 25 privatized highways are operated under this procurement approach.

PPP is gradually seen as a favorable method in alleviating problems to stimulate economies growth. According to Yahya & Chee (2007), since the Asian financial crises, Malaysia has undertaken a series of appraisal to stabilize the economy and put it on a growth track. Accordingly, the enhancement of partnerships between public and private sectors is one of the elements that need to be fostered in ensuring sustainable economic growth. This was brought in line with the government's effort in promoting PPP as a new innovative procurement approach as mentioned in the Ninth Malaysian Plan (Government of Malaysia, 2006). In the Ninth Malaysia Plan, the Malaysian government has embarked on using PPP as one of the methods to procure building and infrastructure development projects. Malaysia appears to have taken a positive view on the potential benefit of a PPP model for its infrastructural needs. These projects include the construction of schools, government quarters and economic zones (Imtiaz et al. 2007). Nevertheless, in the light of the complexities and massive growth of PPP concept, Malaysia is still in the midst of developing her own concept and methodology for PPP projects. Therefore, it is vital to gain fundamental lessons from the past privatization projects which have been implemented in Malaysia and any other developed and developing countries.

3.0 METHODOLOGY OF RESEARCH

This paper is purely based on the qualitative research technique through a brainstorming workshop as the primary means of data collection. A well planned workshop has been conducted on the 2nd of Mac 2009 at the Faculty of Architecture, Planning and Surveying, Universiti Teknologi Mara, Malaysia in order to extract the initial views and ideas from the experts and experienced practitioners in the Malaysian construction industry. The workshop is aimed to enhance the knowledge of PPP among the academia and industry players. Prior to conducting a discussion on PPP projects in Malaysia, a keynote speech entitle "Why Private Partnership" is given by an expert from University of Central Lancashire, United Kingdom to give an overview of the PPP procurement concept and rationality.

A total of 52 (50%) invitees participants from academia and PPP experts of the three Malaysian Universities (i.e., Universiti Teknologi MARA, Islamic International University, University Malaya) and Construction Industry Development Board (CIDB), Malaysia have attended the two hours workshop to discuss and debate on the four major issues which formed the themes of the discussion. These are: PPP policies and implementation; finance and financial instruments; value for money (VFM) and risk allocation; and knowledge management of PPP projects in Malaysia. A facilitator and a rapporteur were assigned to each group of 10-15 participants. To ensure a fruitful discussion, a set of questions and discussion issues pertaining to the four themes were provided to each group. In addition, 2 additional observers /experts from the University of Central Lancashire, United Kingdom also attended the session. Table 1 provides some details in the respondent's experience. Based on the designation, professional background and work experience of the participants, it is reasonable to infer that the majority of the participants have a sound knowledge of activities associated with PPP/PFI projects in Malaysia.

Table 1: Profile of Respondents and their Experiences

Sample			Experience in the construction industry (years)			
Type of Organisations	Expected participants	Participants attended	Max	Average (Mean)	Min	Std. Deviation
CIDB, Malaysia	20	5	20	15.0	10	5.000
University Malaya	20	5	30	18.5	7	16.263
International Islamic University	20	5	15	9.5	5	3.391
Universiti Teknologi MARA (UiTM)	40	35	25	20.0	15	3.535
University of Central Lanchester, UK	2	2	25	12.7	3	7.318
Total	102	52				

4.0 KEY RESEARCH FINDINGS

Table 2.1 and 2.2 present the findings of the outcomes of the four themes: PPP policies and implementation; finance and financial instruments; value for money (VFM) and risk allocation; and knowledge management of PPP projects in Malaysia. The outcomes of the workshop discussion were processed by means of content analysis techniques. In this study *conceptual analysis* technique was adopted in which a concept is chosen known as thematic analysis or manifest content (McBurney, 1998; Takim, 2005). Conceptual analysis is much simpler compared to *rational analysis*. In this method, the data were analysed by means of transcription of information, categories of themes, level of generalization, organizing the coding process and finally analysing the result. The outcomes are discussed in turn.

4.1 PPP Policies and Implementation

PPP has commenced in Malaysia since the 1980s; however, the outcomes of PPP policies are yet to be developed. Little information is publicly available on the nature of PPP in Malaysia. As a result, the Malaysian government's organization and advisory council need to enhance the transparency and availability of data in the assessment and procedures of the PPP projects. There are many critiques on the implementation of PPP policy in Malaysia. As mentioned by Netto (2006) many privatized projects have been enjoying profits but have not suffered losses since many risks are still absorbed by the government. This may be attributed to the cronyism, lack of transparency in competitive bidding and lopsided fixed contract (Abdul Rashid, 2007). Supported by Wen (2006), the main criticism in the privatization policy in Malaysia is due to lack of transparency. Further, since PPP policies and implementation come in so many types and forms, four major issues emerged out of the discussion. These are; the need of PPP, market for PPP, opportunities and hurdles; and end-user expectations from PPP projects in Malaysia.

The Need for PPP procurement in Malaysia

Presently as shown in Table 2 there is a necessitate demand for infrastructure facilities to stimulate the economic development in Malaysia. Conversely, insufficiently of public sector capital to meet this demand is leading to an unsustainable gap in investment. Consequently, to bridge these issues the government is turning to PPP for interpreting the public projects. This is brought in line with literature indicated the significance of PPP procurement as an alternatives approach to a conventional system.

According to Akintoye & Beck (2009), public private partnership has become an increasingly popular around the world means for procuring public and infrastructure projects. The endeavor of PPP is to generate better efficiency, increase competition and innovation and quicker market development for government. Many researchers claim that PPP will diminish government risk exposure by transferring risks to the private sectors, which is better competent to manage the risks (Zhang, 2005; and Akintoye & Beck, 2009). Furthermore, the Malaysian government anticipates into PPP to reduce upfront payment for projects, enhance quality and efficiency in public facilities and stimulate growth in the construction sector (Abdul Rashid, 2007). Cartlidge (2006) reckons there are two principle advantages of PPP, which are: value for money (VFM) and risk allocation to the private sectors. Supported by Jomo & Chowdhury (2008), the main reason for PPPs is to improve service delivery and to create better value for money. Thus, Malaysian's government may have PPPs to draw on the capacity of the efficiency of private sector in delivery of the services to the nations.

Market for PPP in Malaysia

The Malaysian PPP market is already among the most sophisticated PPP market in the Asia. Among the earlier examples of PPPs were in the utility and transport sector i.e. the supply of electricity in Central Perak and the Slim River- Tanjung Malim tolled road. Between 2001 and 2005, a total Of 35 projects were privatized and accumulation 604.5km of roads valued at RM17.96 million were procured through PPP (Government of Malaysia, 2006). The outcomes of the workshop discussion seem to fit the opinions of other researchers (Rai, 2008; Dixon et al 2005). Some of them signify that, shortage of infrastructure, constrained public resources and rising pressure from citizens have combined to drive many governments to discover new ways in managing these services. This is also inline with study by Dixon et al. (2005) indicating that most of the public projects had a lack of reputation for being poorly managed leading to cost and time overruns with long term technical problems. Traditionally, procurement of public sector projects had been subject to many criticism, most notably are late delivery and over budget in many different sectors such as transport, technology, water, prisons and urban generation. Hence, priorities projects to be implemented under PPP schemes in Malaysia are remarkably significant.

Opportunities and Hurdles of PPP

It is essential to scrutinize the major factors that make PPP projects successful or otherwise. PPP can be regarded as an alternative to the conventional approach in undertaking development projects and the delivery of public services. To date, Malaysia had benefited a lot from PPP, which it had been practiced over the past 20 years. Malaysia expanded the concept to cover the divestment of equity and the development of new projects, mostly on Build Operate Transfer basis. The PPP approach distinguishes both the public and private sectors have certain advantages relation to other in the performance tasks. Hence, by allowing each sector to do what it does best, public and infrastructure services can be provided in the most economically efficient manner. Through the partnership, operating efficiencies, management skills and financial insight of the private sector can be capitalised. PPP also encourages quick delivery of infrastructure and public services compared with the conventional method. Tetrevova (2006) reveals that PPPs offer opportunities for the transfer of economic power to the local population through greater participants in and ownership of businesses.

Cheung et al. (2009) reckon that there have been a lot of reasons to the government favoring the approach of PPP to provide for their public services. Some of the reasons are to bring private investment for public services and to create business opportunity for the private sector. Moreover, Cheung et al. (2008) in their study shows that the top reason to adopt PPP by government is to leveraging the private sector involvement in public projects. While, according to Yahya & Chee (2007), PPP project will allow the participation of private sector into public projects and generate certain cash flow over the long term. Hence the findings signify that PPP/PFI projects in Malaysia will present greater opportunities for Malaysian-based companies to develop their skill sets and track record and consequently, help to compel the growth in the construction sectors.

Nevertheless, some observers argue that many public clients are still lack of adequate experience and knowledge in PPP projects (Zhang, 2005). He added that various problems have been encountered in PPP due to the short of expertise, lacking of guideline and knowledge in many countries. For example, the failure of two PPP projects in Thailand and Malaysia were appropriate to these barriers. In Malaysia, although PPP had been implemented over 20 years, there is still unclear set of guideline for all PPP projects as mentioned by the workshop participants and in line with the opinion of Wen (2006).

End user expectations from PPP project in Malaysia
Previously, when PPP were launched in Malaysia, the government expects value for money (VFM) is achieved in terms of exceptional quality and efficiency in the delivery of public services. The Malaysian government transforms to PPP in order to prolong upward demands for world class public services as viewed by participants. In essence, PPP effort is to address the inefficiencies in the delivery of public services by government. Most of the researchers claim that, PPP offer the most promise for developing infrastructure and improving services by using expertise, management and skill from private sectors (Sawyer, 2003; Wen, 2006; and Rai, 2008).While, privatization with particular reference to PPP in Malaysia has been intended to serve a number of objectives including efficiency and equity (Wen, 2006).Therefore, PPP is expected to help governments improve their services and provide benefit to end users.

4.2 Finance and Financial Instruments for PPP in Malaysia

Private financing is the fastest growing method to finance for construction of assets needed for public services. According to Siminson et al. (2001) sources of project financing to raise debt capital are two folds; project loans backed by the revenue individual project facilities and project developer debt backed by cash flow leveraged and non-leveraged ownership interests in a number of projects. Back to the workshop discussion, two (2) major issues are emerged. These are: financial option and its implementation and functions of financial sectors in the PPP projects in Malaysia

Financial Options and it Implementation
In view to enhance the knowledge of PPP among the academics and industry players, this workshop sought to establish the scenario of financial instruments for PPP in Malaysia. PPP/PFI projects are usually financed by the private sector including private banks, development banks, credit corporations, insurance companies and other financial institutions. Funding options include on balance sheet, equity and subordinated debt from the consortium members, leasing, and the bond market, debts provided by banks or independent specialists. Meanwhile, Islamic banking, finance and capital markets, Islamic finance is poised to become one of the key sources for project finance for future PFI schemes (Sawyer, 2003). This seen the similarity of opinion with Barry (2001) indicated that bank project finance market always been the principal source of debt funding for PFI projects in UK. The bank market characterizes deep and wide ranged involvement of banks, ex-building societies and overseas mortgage banks. Before the introduction of PFI, banks normally would provide long term financing up between 18 years to 20 years, but prior to PFI implementations the maturity date are extended up to 30 years.

The outcomes of the workshop's discussion indicated that, PFI in Malaysia are usually funded through the sale of corporate bonds or directly by banks. Apart from that, for the Government sector initiated PFI projects which fall within the RM 20 billion scope, the financing of PPP projects were driven by Employees Provident Fund (EPF). This means to say that some of the financing risk will be borne by EPF as they provide funding for the projects. This arrangement has not following the PFI concept of risk sharing with the private sector, in the sense that EPF would be accepting the construction and performance risks that are supposed to be transferred to the private contractor and deviated from the basic definitions of international PFI framework.

Table 2.1: Key Research findings

Theme 1 **Policies and Implementation of PPP projects**	**Theme 2** **Finance and Financial Instruments of PPP**
A. The need for PPP in Malaysia *"Yes, Malaysia is in need for PPP procurement option for Mega projects to obtain greater value for money, quality services, innovation solution in particular in the current economic recessions. One of the attractive factors of implementing PPP is the transfer of risk to the right people i.e., private sectors* *"Three critical considerations for PPP schemes in Malaysia are: Transfer of appropriate risk to private sectors; project efficiency and new innovation solutions".* **B. Market and priorities for PPP in Malaysia** *"The Malaysian population growth is about 1% for each year and the need for better infrastructure development is paramount. Currently, there are too many complaints to the local authority services such as lacking of workmanship, delay and cost overruns. Therefore, much of the priorities projects to be implemented under PPP in Malaysia include the social and economic infrastructure projects such as hospital, transportation, highways and schools".* **C. Opportunities and Hurdles of PPP** *"The opportunities for PPP projects are for the sake of business opportunities and to leveraging the private sector participation for public projects". Three obstacles to PPP project implementation in Malaysia. These are: unclear set of guideline, lack of knowledge and culture"* **D. End user expectation for PPP in Malaysia** *"Better quality, value for money, transparency in project implementation, and protection of privacy are the main aspects of end users expectations when government announced to privatize the public project in Malaysia".*	**A. Financial option** *"Financial options for PPP projects in Malaysia are from the conventional banking, Islamic banking, bond market and public issue of shares".* **B. Financial sector readiness** *"Yes, but based on the market's ability and the need for transparency and clear guidelines of PPP/ PFI ".* **C. Current credit crunch affects PPP:** *"At present government may not be able to afford investing in newer infrastructures developments by means of conventional method, instead PPP/PFI is the alternative options.* **D. Drivers of PPP.** *" Yes, financial sectors in Malaysia are ready to handle PPP because it is based on the market's ability to fund privatization project since the 1980s* **E. Government reform/policies.** • *Clear guidelines on PFI/PPP projects* • *More transparent PFI transaction* • *Public participation and* • *Capacity building (training)* **E. Subsidy for PPP projects** • *May be difficult to give subsidy but some forms of longer term of fiscal and monetary policies may be possible.*

Table 2.2: Key Research findings

Theme 3 **Value for money and risk allocation of PPP projects**	**Theme 4** **Knowledge Management in PPP projects**
A. Value for money criteria for PPP in Malaysia *"There are three primary criteria that could be affected to the achievement of VFM in Malaysia i.e., output specification, open system (transparency) and post occupancy stage. They further added that: "project duration, clear communication and clear objective are also the important criteria that reflect on VFM achievement".* **B. Long term risk management for PPP in Malaysia** *"There are many issues relay to long term risk management for PPP in Malaysia. Financial economic pressure and political issues are the most important matters contributes to this substance. Apart form that, technological advancement and research & development also had been identified as another risk management factors in Malaysia'.* **C. Critical success factors (CSF) of PPP in Malaysia** *"There are many CSF for PPP project in Malaysia. However, among others, clear guideline, skill & knowledge, government policies, financial readiness and political culture had been identified as the most significant".* **D. Risk retained by government for PPP in Malaysia** *"There are three risks that should be retained by the Malaysian government. These include: regulation and policy changes, profit sharing and political uncertainties"*	**A. Barriers/ Challengers** • *Culture and mindset* • *Philosophy of PPP - not understood by most public and private sectors* • *Different definitions and objectives on project outcomes* • *Lack of the fundamental knowledge on PPP by project stakeholders* ***B.* Malaysian Context** • Different perceptions, characteristics and definitions of PPP/PFI from country to country • Enforcement by government & key enabler to PPP approach • People's reluctance to change and thus professionals can take the lead **C. Key requirements** • *Who should KM be focused to-identify the key players, capacity building and training* • *Strengthening legislation and governance* • *Change management* • *Change mindset* • *Transparency* • *General conception* • *Lessons learned* • *Innovation* • *Awareness.*

Function of Financial Sector in PPP
Prior to the introduction of PFI, the construction of public facilities were implemented through contracts awarded by the government or its agencies either through a conventional procurement or direct negotiation processes. In this arrangement, the contractors were paid based on the work done. For the purpose of progress payment, the government introduced deferred payment program in which, contractors were paid through Bank Pembangunan on the behalf of Government. Usually, in Malaysia, Bank Pembangunan could finance the construction of the facility by giving a term loan to projects that have a high impact on social economic development. Depending on the risk profile, the project company can also seek financing by issuing private debt securities or by obtaining term loans from commercial financial institutions. Once the project was completed, the government would pay the bank the total sum of money plus interest.

Other participants expressed their opinion towards PPP in the UK, in which the UK style may not suitable to the Malaysia's environment with regards to financial matters. The financial institutions in Malaysia are not ready to make large commitment in this scheme. Financiers need to examine the proposed risk allocation among project participants within the specific political and economic environment of the project to ensure the soundness of a PPP project

4.3 Value for money (VFM) and risk allocation

PPP facilitates governments to obtain the benefit VFM, derived from the use of private money to promote risk sharing and resourcefulness. Principally, there are two fundamental characteristics of PPP: There must be a genuine transfer of risk to the private sector and a project must provide VFM for the taxpayer (HM Treasury, 2006). Heald (2003) captures the key factors that have been put forward for PPP in most country, that it delivers VFM for the public projects and distribution of risk between public and private sectors. Thus, in the workshop they had raised some issues pertaining to VFM and risk allocation as follows:

Value for money criteria for PPP in Malaysia.
Under the PPP regime, VFM is the forefront of client expectations. A study on VFM by Andersen (2000) identifies six criteria for the achievement of VFM for PPP projects. These include: risk transfer, output-based specification, long-term nature of contract, performance measurement, competition, and private sector management skills. The above findings seem to match with the opinion Pit et al. (2006). They reckoned several VFM criteria in the UK model such as risk allocation, output specification, competition and private sectors management expertise, nature of contracts (scope, bid cost etc.) and performance measurement. They suggested that, in order to achieve effective VFM criteria; the procurement needs to be well planned, managed, executed and have a transparent process. The lack of output specification and transparency in PPP process might make it difficult to show whether VFM had been achieved in PPP projects. This leads to the necessity for government to retain overall control of the contract to prevent the acceleration of project cost and time.

Long term risk management issues for PPP in Malaysia
The workshop also underlines the role of risk allocation in PPP projects. A Study conducted by Lam (2004), concluded that financial risk, economic risk and political risk are the significant of risk allied to PPP projects. Therefore, it is a fundamental factor to identify the party that can manage the risk at the lowest possible cost. However, Akintoye et al. (2003) argued that many governments believed the private sector should bear the whole risks in PPP projects which are not always the case. Government should be considering as a party that could also bear risk in PPP projects. The findings reveal that financial economic pressure, political, technological advancement, and the need for R&D are potential risk management factors for PPP projects in Malaysia.

Critical success factors for PPP project in Malaysia.
Many studies have developed different lists of critical success factor for PPP projects. Project identification, risk allocation, political and economic situation, financial, good governance, suitable legal and administrative framework and technology transfer are among the most significant CSF for PPP projects (Qia et al. 2001; Jefferies et al. 2002; and Zhang 2005). The evidence from workshop suggest that five CSFs are regarded to be important to PPP in Malaysia i.e., clear guidelines, skill and knowledge, government policies, financial readiness and political culture. These seem in line with the idea of Dixon et al. (2005) that reckoned five significant CSF for PPP projects. These are robust business case, well drafted of output specification, performance measurement, commitment by government and involving financiers at early stage.

Risk retained by government for PPP in Malaysia
Appropriate risk transfer was also viewed as an important criterion of success in PPP projects. Thus, it is important that risk allocation is clearly communicate and understood between the parties. Li (2005) advocates five risk should be retained by the government i.e., nationalisation, political decision making, site availability, political opposition and government stability. However, with regards to the finding above, out of the three risks, regulation and policy changes was the main concerned amongst participants for the PPP project in Malaysia.

4.4 Knowledge Management in PPP

This section presents the results on of the knowledge management group. They concluded that, the main barrier/challenges currently leveled against PPP/PFI in Malaysia fall in the following broad areas: culture and mind set; philosophy of PPP/PFI; different definitions and objectives on project outcomes; and lack of the fundamental knowledge on PPP/PFI by project stakeholders. In this group, four major issues have been debated which include training and knowledge sharing, scale and complexity, knowledge management action, and knowledge transfer.

Training and knowledge sharing in PPP
Given that the drivers and barriers are factors for PFI as identified by the group, three main issue/areas in which improvements recommended: First, Political will/political support/ political empowerment; second, capacity and finally public value. Improving consultation and dialogue with end-users is important to ensure the users' expectations are entertained to increase public value (Mohamed et al. (2006). These include the concepts of innovation and service quality of PPP/PFI projects. Consultation processes are to address the strategies of PPP contract for future flexibility to deal with obsolescence and changing demand for services.

Scale and Complexity
The finding indicated on how the scale and complexity of PPP projects acting as a main barrier to entry in PPP projects. PPP imposes a new and more complex procurement process on the public sector. It is part tendering and part contract negotiation among public bodies, private sector consortia and their advisers. Ezulike et al. (1997) found that there is an amount of time used in contract transactions time between the public sector client, its project advisers, and the private sector consortia and their advisors, over the terms and conditions of the contract. Some PPP projects are also subjected to lengthy political debate before they go to tender, causing further delay in their execution. PPP can be inflexible due to length of contract and difficulty of changing requirements. Furthermore, in practice the public sector is often reluctant to appoint a new provider because of the consequent complexity and potential for conflict that could be generated (Deloitte, 2006). Therefore, the success of PPP is dependent on retaining and recycling expertise within the public sector, particularly project management skills, so that awarding authorities can operate from a position of equal strength with their private sector partners when negotiating contract and

operating facilities. There is a need for improved sharing of experience, lessons and expertise within the public sector across organizational and departmental boundaries.

Knowledge Management Action

The government should offer more incentives such as tax discount rate to private sectors to attract them to participate in PFI projects. The intent, in any case, could help the company to expand their businesses, boost trust relationship between the government and private sectors, and combine the resources of the public and private sectors, in the quest of providing services at optimal levels to the public. In addition, the need for PFI/PPP body of knowledge management is paramount to encourage continuous improvement from lessons learned of past projects experienced. A wide range of knowledge management action were highlighted such as: commercial knowledge (e.g. payment mechanisms, financial modeling, facilities management cost benchmarking, forecasting data, whole life cycle costing, and value management); legal/contract documents (e.g. legal obligations, risk allocation and risk management); sector knowledge (e.g. health care provision, medical innovation, space requirements); technical knowledge (e.g. design requirements, construction health, buildability, scope of works); best practice and project debrief; client interface; and staff expertise, availability and mobility.

The above findings seem to match the ideas of Madhaven and Grover (1998), stressing that, effective knowledge management system in PPP projects requires attention to both tacit and explicit knowledge, involving people, processes and technology. Therefore, public and private sectors should take a wider perspective of the role of knowledge management as a valuable asset. This could be done by sending more staff to attend short courses and seminars to increase the level of knowledge in the implementation of PPP projects.

Knowledge Transfer

The need for knowledge management to be retrieved by the public and private sectors from a PPP project for the purpose of future decision making and problem solving are paramount. Based on the findings, more improvements in terms of knowledge management and knowledge transfer are required to the Malaysian local construction organizations. The first is to strengthen legislation matters and government to be client driven; second is cultural change which involve the government institutions together with public and private organisations; third is to change the mind-set/mentality of top management; fourth is the transparency in procurement process dealing on how project risks are calculated and manipulated; lessons learned; innovation and awareness and, finally to have a proper guidelines and framework of PPP/PFI projects with regards to knowledge transfer. Carrillo et al. (2006) affirm both government and the construction organisations recognised that there is a tremendous scope for improvement in the execution of PPP projects. The most significant factors are to transfer knowledge management from previous projects on to future projects and to other PPP teams. Since PPP is a costly commitment, any mistake made due to the lack of current knowledge could be critical for the length of the service period of the contract. Therefore, they suggested that a systematic process of knowledge transfer could make the organisations to be better equipped to cope with a more complex demands expected from PPP projects as well as effective mechanism for mitigating risks.

5.0 CONCLUSION

In overall, this paper has presented findings of four important themes of PPP workshop that includes: policies and implementation; financial instruments; value for money and risk allocation; and knowledge management in PPP. The findings reveal a number of potential advantages and drawbacks. Whilst there are examples of good practice of PPP projects in Malaysia, a wide range of PPP deals show a contractual arrangement between a public sector agency and private sector concerned in delivering public sector services need to firmly managed for the fact that some of the risks may be unbearable for the private sector alone, forcing public bodies to share the financing and risk bearing. Furthermore, an integrated and sustainable approach must be initiated by the professional bodies and regulated by government bodies to eliminate negative practices that may be available in the industry for procuring PPP projects. For construction companies, the effort to implement knowledge management system within them could lead to a better and a more competitive performance.

In confronting the challenges of implementation of PPP projects in Malaysia, some seven recommendations from the workshops have to be taken into considerations. The first is with regards to the Malaysian Government to have a clear set of guidelines for PPP projects; secondly is to promote for open competitive tender to evaluate all the proposals; thirdly is to appoint an experienced advisory for PPP/ PFI project implementation; and fourthly is to set up an effective regulator to evaluate and monitor the performance of PFI projects. The fifth factor, however deals to the transparency of PPP procurement process. Government should invest in capacity building, educating government agencies as well as private sector on the systematic approach of PPP/PFI projects. The utmost important point is to develop a clear framework or guideline with a comprehensive legislation to govern the PPP/ PFI schemes. In considering of these initial variables, a further empirical research in the form of case studies of PPP/PFI projects in Malaysia is needed. A combined approach of the two methodologies would be useful for data elicitation prior conclusion.

The research presented in this paper is part of an ongoing PhD research at the Faculty of Architecture, Planning and Surveying, Universiti Teknologi MARA (UiTM) to develop a framework of VFM assessment for PPP projects. The results of the study would provide an insight into the Malaysian construction project development and forms the basis of **a** valuable guideline, especially to public and private sectors in Malaysia.

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***Dr Intan Rohani Endut** joined Universiti Teknologi MARA (UiTM) as a lecture in 1997. Her career to date covers almost 25 years experience in government and higher institution related to construction industry. The wide variety of positions starting as technical assistant in several government agencies followed by the current position give her wide exposure to the construction industry in Malaysia. She started her carier with the Lembage Kemajuan Terengganu Tengah, followed by Drainage and Irrigation Department, Public Work Department and Pusat Khidmat kontraktor. She holds a degree in Civil Engineering and a Master's Degree from Universiti Teknologi MARA, and a PhD from the Glasgow Caledonian University in the UK. She is currently a lecturer in Faculty of Civil Engineering at Universiti Teknologi MARA. Her research areas concern the use of Public Private Partnerships, risk management application, and customer satisfaction related to construction industry.*