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My Say: Public-private partnership: Addressing critical challenges for its sustainability

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Since the early 1980s, public-private partnerships (PPPs) have played a pivotal role in Malaysia's development, driving infrastructure growth, improving public services and boosting the nation's economy. Over the years, Malaysia's PPP models have evolved to meet the diverse needs of the government and its

citizens. This evolution reflects the growing demands for innovative solutions in public service delivery.

Despite their widespread use and the benefits they bring, PPPs in Malaysia face several critical challenges. Key concerns include the affordability of PPP commitments for the government, the transparency of direct negotiations, the adequacy of public disclosure on PPP projects and the effectiveness of governance structures overseeing these partnerships.

Government financial commitment and affordability

Despite their success, PPP projects are alleged to have increased the fiscal commitment of the government. This has resulted in the government having to limit funds for other critical projects.

In addressing this challenge, the government may consider alternative financing mechanisms such as concession monetisation and infrastructure investment trusts for brownfield assets, which can provide new avenues of funding without having to directly tap into limited public funds.

These alternatives not only diversify the sources of capital, but also distribute financial risk more evenly between the public and private sectors, thereby protecting the government's fiscal health. Ultimately, these measures enhance the affordability of the government's financial commitments to PPP projects.

Direct negotiation and competitiveness

Excessive use of direct negotiation in awarding projects to private concessionaires is not a trivial concern. The lack of competition among private sector concessionaires during the early stages of the PPP process could lead to several adverse outcomes, such as the government having to face higher costs and reduced efficiency in the delivery of public services and infrastructure projects.

Without competitive pressure, concessionaires might not feel incentivised to innovate or optimise their performance, resulting in subpar service quality and delayed project timelines.

To address these issues, it is crucial to establish a more competitive and transparent bidding process. Competitive bidding fosters innovation and efficiency as companies are incentivised to optimise their offerings to win the contract. Hence, the government would secure the best possible deal for public infrastructure and services.

Public disclosure of PPP information

The recognition of assets resulting from PPPs as government assets presents significant challenges under current accounting practices. At present, many PPP assets are not recorded on the government's financial statements until the end of the concession period. This delay can obscure the true financial impact of PPPs on the government's financial position.

To address this, adopting accrual accounting principles as outlined by international public sector accounting standards would offer a more transparent and accurate depiction of the government's financial situation. Specifically, the International Public Sector Accounting Standards (IPSAS) — including IPSAS 32: Service Concession Arrangements; IPSAS 17: Property, Plant, and Equipment; IPSAS 29: Financial Instruments: Recognition and Measurement; and IPSAS 24: Presentation of Budget Information in Financial Statements — provide guidelines that could enhance the recognition and reporting of PPP assets.

Adopting accrual accounting and aligning with these IPSAS standards would not only reflect the true value and obligations associated with PPP assets, but also enhance transparency and accountability in financial reporting, thus providing a clearer picture of the financial impact of these arrangements.

Governance and accountability

To enhance governance and accountability in PPPs, it is crucial to establish a robust legal and institutional framework. This framework should address key aspects such as project selection, management and accountability.

A dedicated PPP Act can provide a solid legal foundation for managing PPP projects. The legislation should encompass the rights and obligations of both

public and private entities and outline the procedures for project approval, procurement, contract management and dispute resolution.

Clear guidelines should be established in the PPP Act for project identification, feasibility studies, risk assessment and performance evaluation. The legislation should mandate transparent bidding processes to ensure that projects are awarded based on merit and value for money.

The PPP Act should also incorporate provisions for regular audits, performance reviews and reporting requirements. This would ensure consistency and reduce the risk of corruption or mismanagement.

Additionally, all government officials involved in PPPs should participate in capacity building and training programmes. These programmes will enhance their understanding of PPP processes, risk management and project execution, leading to more effective and efficient partnerships.

At present, the implementation of PPP projects and conventional development projects is not well coordinated. PPP projects are overseen by the Public Private Partnership Unit (UKAS), while conventional development projects are managed by the Ministry of Economy. Centralised coordination would ensure that projects are aligned with national development goals and priorities as well as streamline decision-making, reduce redundancies and improve overall project management.

Aligning with international standards, such as those set by the World Bank or the Organisation for Economic Co-operation and Development (OECD), can help ensure that PPPs are managed according to global best practices. This includes adhering to principles of fairness, accountability and transparency in all phases of the project life cycle.

Furthermore, regular benchmarking against international peers and conducting independent evaluations can provide valuable insights into the effectiveness of PPP governance frameworks. This helps identify areas for improvement and ensures that the framework remains relevant and effective.

Conclusion

PPP initiatives have been instrumental in advancing Malaysia's infrastructure and public service delivery. To fully maximise their effectiveness and sustainability, strategic enhancements are needed. Hence, the launch of the 2030 Public-Private Partnership Masterplan is timely, providing a new framework to improve policy, strategy and governance structures related to PPP implementation.

By introducing this new PPP master plan, Malaysia can enhance the value and impact of its PPP projects, ensuring continued success and public trust. It will also support the country's long-term development goals, fostering resilient and sustainable economic and social impact in the future.

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