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My Say: Make direct negotiations in public-private partnerships transparent

By Suhaiza Ismail / The Edge Malaysia

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As Malaysia continues its journey towards robust socioeconomic growth and governance reforms, a critical aspect of public sector management — the use of direct negotiations in public-private partnership (PPP) projects — has come under increased scrutiny. While such negotiations are often justified as a means

of expeditious project implementation and maintaining close collaboration with the private sector, they have led to mounting public concerns about transparency, governance and fiscal responsibility.

Understanding the issue: Transparency and efficiency concerns

Direct negotiations in PPP projects occur when public contracts are awarded without open competitive bidding. Advocates argue that such arrangements can expedite processes, particularly for urgent projects. However, critics highlight significant challenges: the lack of competition can result in inflated costs, reduced value-for-money for public funds and potential for cronyism or conflict of interest. This issue has long been a challenge in Malaysia's public sector, and it continues to prompt calls for reform.

Recent findings indicate that direct negotiations have contributed to inconsistencies in the implementation of PPP projects, leading to underperformance and suboptimal outcomes. Projects negotiated without proper transparency have faced budget overruns, delays and a mismatch in public needs versus private interests.

Leveraging the Madani framework for greater accountability

The Madani framework, championed by the Malaysian government, aims to promote good governance, inclusivity and social responsibility. As Malaysia moves to embed Madani principles across sectors, reforms in PPP management have become increasingly critical to ensure compliance with the values of accountability and integrity.

Under the Madani framework, it is envisioned that direct negotiations would be minimised or, where necessary, tightly regulated. This approach aligns with the broader ambition of fostering a sustainable and inclusive economic model while reducing corruption and fostering trust among stakeholders.

Pikas 2030 and economic resilience

Aligned with Malaysia's Madani principles, the PPP Master Plan 2030 (Pikas 2030) initiative reflects the strength of public-private collaboration but also raises pertinent lessons about regulatory transparency. Pikas demonstrated the importance of structured and transparent frameworks to ensure widespread participation, equitable outcomes and strategic partnerships. Policymakers are expected to extend this ethos to broader PPP projects to ensure that direct negotiations do not undermine the principles of inclusivity and fair competition.

Impact of Budget 2025 on PPP projects

The recently announced Budget 2025 presents a pivotal moment to embed necessary reforms in PPP project management. Budget allocations have earmarked significant resources for public sector infrastructure development, and there is heightened emphasis on transparent procurement processes. Stricter conditions are expected for awarding PPP contracts, with a focus on competitive bidding and value-for-money assessments.

Analysts highlight that while flexibility in procurement may be required for strategic projects, relying too heavily on direct negotiations without transparent checks creates loopholes for inefficiency and potential graft. Budget 2025 emphasises digitalisation and the use of technology to streamline procurement, aiming to reduce human error and eliminate opaque processes.

Way forward

Malaysia's ambition to establish a robust public sector under the Madani vision will depend on sustained reforms to its PPP negotiation processes. Adopting more competitive procurement methods, enhancing oversight mechanisms and leveraging digital tools for transparency will be crucial. Stakeholders have emphasised the need for stringent evaluation criteria to justify the use of direct negotiations when warranted, ensuring that public interest remains paramount.

The move towards fair, transparent and competitive PPP management is necessary to foster trust, maximise public benefits and strengthen the nation's economic resilience. By aligning these reforms with Pikas 2030 and Budget 2025 goals, Malaysia can position itself as a model for inclusive and transparent governance in the region.

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