The Adoption of Private Finance Initiatives in Local Authorities in Malaysia: Understanding the Barriers Factors

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Abstract. The Government of Malaysia embarked on the adoption of the Private Finance Initiative (PFI) as one of the methods of procurement for the provision of public infrastructure development and service delivery. Since its introduction in Malaysia, PFI's project method has leveraged the government as an alternative form of revenue, primarily to reduce government spending and to provide public infrastructure and services more efficiently. PFI is now one of the new alternatives often used by many local governments in many countries for various reasons. In addition to being a way to reduce government spending, PFI also helps in modernizing public services and infrastructure by achieving the best value for money. In addition to receiving many publications as an efficient and effective model, the PFI method is less considered as a method of procurement in the context of local authorities (LAs) in Malaysia. There are studies showing that the PFI procurement method is still under consideration, and is seen to be in the early stages of implementation although this model has long been introduced in Malaysia since 2006. This has created an interest in conducting research to identify barriers to adoption of PFIs in LAs in Malaysia. To obtain such information, surveys were conducted in LA in Malaysia, where 240 questionnaires were distributed to the relevant departments. Research findings have revealed eight key obstacles to the implementation of the PFI approach in LAs in Malaysia. From the findings of this study, the discussion was based on the previous statement.

Keywords — Private Finance Initiative (PFI), Local Government, Local Authority

INTRODUCTION

Private sector involvement in the public sector has seen an increase in recent years. The introduction of government policies on the basis of cooperation between the public and private sectors has further encouraged this type of partnership. The adoption of the distribution of responsibilities between these two sectors has influenced the involvement of private actors in the public sector. The introduction of the Private Finance Initiative (PFI) is one of the private sector involvement models in the public sector, and has become an important tool in government procurement systems at all levels of government and public agencies.

PFI can be described as a long-term contract between the private sector and the government where the private sector plays a key role in designing buildings, financing, and operating facilities for the provision of public services,
and in return, the government makes regular payments to private sector suppliers during the contract period for capital and operating costs incurred [1]. The PFI model was first introduced in United Kingdom (UK) in 1992 as the government initiative to use the financial resources of private sector for government development project. Based on the UK model, using PFI allows the private sector to finance the cost of capital for public projects, which will be reimbursed by the public sector in a set time period or the concession period. Malaysia later adopted the model, and officially announce through the Ninth Malaysia Plan in 2006.

The adoption of PFI is among the effort by the Government to encourage private participation in the local development projects, as well as to reduce government’s expenditure in providing public infrastructure and services [2]. Fundamentally, the early stage of PFI introduction in Malaysia is as a way to protecting infrastructure investment, especially at a time of fiscal constraint. Subsequently, PFI now has become an established method of procurement for the development of public infrastructure and services [3]. Parallel to the characteristic of PFI, the PFI as a procurement strategy aims to curb the burden of government debt, therefore increase value for money of constructed assets, manage risk, time and cost overruns, improve the quality of the final product, increase the efficiency of public services, reduce the cost of the project life cycle, promote local economic growth, accelerate the development and create economies led by the private sector [1][3]. There are numerous studies showing that in certain circumstances PFI has brought many advantages over traditional procurement systems, and since its introduction in Malaysia, PFI model has shown to provide benefits to the government and the public as an alternative form of procurement, particularly for reducing government expenditure, providing public infrastructure and services with efficiency.

PFI scheme is also used by many local government in many other countries as their alternative foam of procurement strategy [4]. However, in the context of Malaysia, most of the studies in relation to PFI is of national perspective, not to a specific context. This situation is raised by Ismail [5], which according to his study the research on PFI must also look to more specific context such as specific projects or specific areas. This is in line with the statement of [6], and [7], where their study stated that not all studies at the national level can be applied at the local level as each level requires a different approach and influenced by different factors. [8] have stated that, the implementation of PFI in the LAs in Malaysia is said still at the early stage even the concept of Public-Private Partnership has been known quite long time ago. Until today, there are not many of empirical study on PFI project at the local level exists. In particular, little research has focused on the possibility of LAs in Malaysia using PFI model as effective way of their procurement strategy. As stressed by [9];

“...an unsystematic introduction of public private partnership program in the local government could worsen infrastructure and service delivery, and this situation is not necessarily beneficial to the ‘client’...”

Therefore it is important to have in-depth survey to identify the barriers and factors that are faced by the LAs in implementation of PFI, and determine the critical factors that influenced the PFI implement in LAs as their procurement strategy. To look at these shortcomings and the growing importance of PFI implementation as well as the existence of the criticism and weakness in its implementation, this article aimed to undertake the present study to review on the PFI implementation in the perspective of local government. Therefore, the purpose of this study is to examine the barriers faced by Malaysia LA in implementing the PFI project, and finally, the discussion of the findings is based on the findings of the previous study.

LITERATURE REVIEW

Private Involvement in Local Government Procurement

Nowadays, local government level is dealing with a challenging situation and dynamics, particularly in the development agenda, and in the wake of the increasing awareness of the important role played by LAs, every aspect of it has become spotlight [10]. LAs are now experiencing ongoing challenges in the implementation of sustainable development such as the environmental, economic and social aspects [30] Private involvement is one of the innovative
procurements introduced by the Government to enable public sector procure infrastructure, and offer opportunities to improve service delivery and assure better Value for Money of government spending [11][12].

Among the reasons local governments require the involvement of the private sector is due to lack of government funds, and at the same time local governments have to carry out its role in providing facilities and services to the people they represent [13]. Another key reason to consider using Public Private Partnership (PPP) and Private Finance Initiative (PFI) within the local government is due to the ability of the program, particularly in promoting competition in the provision of services, whether between private companies and public sectors [14]. In addition, local governments have also seen pressure on the financial burden, which is to carry out its functions and responsibilities, coupled with the growing gap between income and expenditure [15]. In this situation, local government should actively explore how to refocus their self-financing, taking a serious look at how they deliver their services, what resources they hold and how to make best use of their financial capacity.

The introduction of Public-Private Partnership, mainly related to the experimental "front runners" or "best run" for the local government, which is trying to explore new ways to deliver better public services with minimal cost [16]. The term "public - private partnership", or PPP was first used to describe the ‘Urban - Renewal’ project, where the local government and city administration is trying to work with private business to create the conditions that will support the investment and job creation [17]. PPP programs was also said as a set up to provide procurement advice to local government, which PPP program in many countries has demonstrated their ability to finance public projects such as schools, hospitals, transport project, waste and water project, communication, leisure facilities etc. [11].

In the early introduction, local governments do not see the need for this Public Private Partnership program, and is sometimes seen as difficult to involve. Later, the government has acknowledged that the system is needed, especially at the LAs level on several factors. [12] has listed several reasons for local government need to involve in Public Private Partnership program, which are:

i. Local government means very big business.
ii. Local government offers a strong agreement for the confidence of banks and partners as well as to private sector partners that have the potential.
iii. Changes already shows that investment and capital allocation provided by traditional revenues will continue to decline.

Besides, the cooperation between the public and private sectors hold certain promises for local governments, which will limit the local governments’ financial situation, and public services can be delivered more effectively at a lower price as well as a lead to innovation [16].

**PFI in Local Government**

PFI is a form of PPP, with the aim to achieve a close partnership between the public and private sectors [18]. PPP program has played as an important role in developing the knowledge of PFI in LAs. In the PPP procurement agenda, PFI less attention as a concept that can stand alone, and how it can bring VFM and innovation, particularly to the taxpayer in transactions of LAs [11]. Based on several studies, there are many local governments in many other countries have shown success in implementing PFIs especially in the delivery of public infrastructure projects. In the United Kingdom (UK), the Conservative Government in UK set out six specific benefit of using the PFI into local government, which are;

i. To promote private investment,
ii. To improve value for money,
iii. To encourage the rationalisation and upgrading of local LAs property holdings,
iv. To encourage the transfer to the private sector of trading asset,
v. Facilitate joint ventures scheme, and
vi. To remove unnecessary obstacles to partnerships.
PFI scheme was used by many of LAs as their strategy to continue their role and functions, especially in the time of financial constrain. The implementation of PFI model is said to have changed the role of LAs rather than just being the owner and operator of the asset to the provision of services, as well as will able to assist the LAs and the community for the long-term benefit, particularly in terms of private sector expertise and investment [19].

The implementation of PFI model is also said to have changed the role of LAs rather than just being the owner and operator of the asset to the provision of services, as well as will able to assist the LAs and the community for the long-term benefit, particularly in terms of private sector expertise and investment [19]. Through PFI, LAs are also able to make contracts with private sector to provide infrastructure and services, and among the purpose of the PFI grant is to give LAs with the support of sustainable income for their projects development.

The introduction of PFI has been said as the appropriate method and was a successful step in providing public sector infrastructure and service delivery that are commonly provided by local governments [12]. PFI also hold certain promises for local governments such as will limit the local governments’ financial situation, innovation and delivered public good and services more effectively [12][20]. According to [21], among the reasons of why the government implement the PFI program is because the program offers benefits to service quality and innovation more effectively through the use of private sector expertise and encouragement through performance incentives. However, there are several studies indicating that the implementation of PFI in local government said still at the early stage even though this concept has been known from a long time ago [8][5][22].

Local Government in many countries nowadays see PFI program as a suitable option to consider as a way of improving the local infrastructure, and as a procurement tool. [23] Have listed a number of reasons why the Conservative of UK government introduce PFI in local government, which are:

- To encourage private investment in capital assets required by the authorities to provide public services efficiently, for example, to building schools, hospital, and road.
- Financing and operational management of the private sector and at the same time take responsibility for any risk.
- To improve VFM by allocate risk to those best able to manage it, whether public or private sector.
- To promote the rationalization and upgrading of LAs property holdings.
- To encourage the transfer of trading assets to the private sector, which benefited from better use of resources, such as the use of surplus land and buildings to a more profitable activity.
- To eliminate unnecessary barriers to public-private sector cooperation, particularly in the field of economic development and regeneration, for example, projects such as the construction of a new city center, which LAs can encourage private investment by transferring the assets and to use the value of assets, rather than using its own financial resources.

During PFI was launched in the UK in 1992, it is more focused on private sector participation in infrastructure projects which provide financial allocation by the central government, and the failure of the project is at the minimum level [24]. However, at the first half of introduction in the UK LAs, the project under the PFI scheme was seen as a disappointment, mainly there are obstacles in its implementation such as in legal issue, political reservation [25].

**METHODOLOGY**

This study is more to the survey research type, using a quantitative approach. This study uses postal delivery method for questionnaire distribution. For each LAs, selected, three (3) sets of questionnaires were attached together to be submitted to the related departments or section to research topics. Therefore, the number of LAs used in this study was eighty (n = 80), with a total of 240 set of questionnaire surveys distributed. Since the postal method was used for data collection, the minimum number of sampling for this study was adequate with 30% of the total sampling. This is based on [26], which stated that the sending method via mail and postal will cover a wide geographical area, and 30% response rate of total respondents is considered acceptable. The questions presented are based on previous studies, which is have been through the verification process. In forming a set of question, the questionnaires used in
this study was adopted from [27], and [6]. The data related to the barrier factor obtained from the questionnaire were analysed using Factor Analysis through Social Science System Package (SPSS), version 23. Factor Analysis and Reliability test of the Instrument are carried out using the SPSS procedure. Respondents were asked to provide their assessment of barriers factors related to LAs to adopt the PFI approach in the provision of public infrastructure, in accordance with the scale of ‘1’ to ‘5’. The scale of ‘1’ indicates ‘Insignificant’, the scale ‘2’ means ‘Slightly significant’, ‘3’ scale means ‘significant’ scale, ‘4’ means ‘very significant’ and ‘5’ scale ‘Extremely significant’. 36 factors have been submitted for respondent assessment.

Before the factor analysis was done, the value of Cronbach alpha variable must be determined first. The value of Cronbach alpha for barrier factor variables is 0.967. The next analysis is to conduct Kaiser-Meyer-Olkin (KMO) and Sphericity Bartlett tests for barrier factor variables. The result of the test showed that the value of the KMO obtained was 0.6 greater than 0.695, and the Sphericity Bartlett test was significant (p = .000). Therefore, the value of KMO is seen as the average value (mediocre), and it is reasonable for this study to be carried out. The Principal component Analysis via SPSS is used to extract factors for influencing factor variables. Principal components analysis is a variable-reduction technique that shares many similarities to exploratory factor analysis. Its aim is to reduce a larger set of variables into a smaller set of ‘artificial’ variables, called ‘principal components’, which account for most of the variance in the original variables.

In addition, the findings from the research are then discussed based on the statement and also the findings from the relevant past studies. The statements and findings are based on empirical studies as well as from the reports submitted, either from government documents, books, publications, or sources of the internet.

**FINDINGS AND DISCUSSION**

Out of the 80 LAs that were submitted questionnaires, only 38 LAs provided feedback, which 99 questionnaires were returned to researchers. The summary of the respondents' profile is shown in the accompanying Table 1.

<table>
<thead>
<tr>
<th>Types of Information</th>
<th>Items</th>
<th>Quantity/Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Types of LAs</td>
<td>City/Hall</td>
<td>7%</td>
</tr>
<tr>
<td></td>
<td>Municipal</td>
<td>20%</td>
</tr>
<tr>
<td></td>
<td>District</td>
<td>11%</td>
</tr>
<tr>
<td>2. Department/Unit Section</td>
<td>Engineering</td>
<td>56%</td>
</tr>
<tr>
<td></td>
<td>Contracts and Procurement</td>
<td>8%</td>
</tr>
<tr>
<td></td>
<td>Administrative</td>
<td>8%</td>
</tr>
<tr>
<td></td>
<td>Town and rural planning</td>
<td>8%</td>
</tr>
<tr>
<td></td>
<td>Development and Maintenance Unit</td>
<td>4%</td>
</tr>
<tr>
<td></td>
<td>Treasury department</td>
<td>2%</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>12%</td>
</tr>
<tr>
<td>3. Respondents Position</td>
<td>Engineer</td>
<td>41%</td>
</tr>
<tr>
<td></td>
<td>Quantity Surveyor</td>
<td>14%</td>
</tr>
<tr>
<td></td>
<td>Administrative</td>
<td>11%</td>
</tr>
<tr>
<td></td>
<td>Director/Asst.</td>
<td>9%</td>
</tr>
<tr>
<td></td>
<td>Accountant/Asst.</td>
<td>6%</td>
</tr>
<tr>
<td></td>
<td>Urban/Town Planning/Asst.</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>Information Technology Officer/</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>Setiausaha Majlis</td>
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</tr>
</tbody>
</table>
The objective of this study is to identify the barriers faced by LAs from adopting PFI procurement methods for their development projects. The findings of the study show that out of thirty-six (36) factors presented to respondents to assess the most significant barrier factor to the implementation of PFIs in LAs, and from these factors, the eight most important factors were presented as the main barrier factor. The findings of the study pertaining to the major barrier factors identified are as shown in Table 2 that are included.

**TABLE 2. The Barrier factor for PFI Implementation in LAs**

<table>
<thead>
<tr>
<th>No.</th>
<th>Identified Barrier Factors</th>
<th>RCM&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>LAs have to hire external expertise to support the procurement and management of PPP/PFI project.</td>
<td>0.852</td>
<td>3</td>
</tr>
<tr>
<td>2.</td>
<td>LAs find that PPP/PFI require too much effort for a contracting method that is probably applied only once.</td>
<td>0.828</td>
<td>5</td>
</tr>
<tr>
<td>3.</td>
<td>The PPP/PFI approach is considered too risky by the LAs.</td>
<td>0.891</td>
<td>2</td>
</tr>
<tr>
<td>4.</td>
<td>The Competitive Dialogue Procedure is experienced as complex by LAs.</td>
<td>0.807</td>
<td>8</td>
</tr>
<tr>
<td>5.</td>
<td>Possibility that initiatives for PPP/PFI project are cancelled.</td>
<td>0.822</td>
<td>6</td>
</tr>
<tr>
<td>6.</td>
<td>PPP/PFI schemes are experienced as complex by LAs.</td>
<td>0.815</td>
<td>7</td>
</tr>
<tr>
<td>7.</td>
<td>The way of working in PPP/PFI scheme does not fit the working methods of LAs.</td>
<td>0.893</td>
<td>1</td>
</tr>
<tr>
<td>8.</td>
<td>Lack of knowledge and experience about PPP/PFI at LAs.</td>
<td>0.838</td>
<td>4</td>
</tr>
</tbody>
</table>

<sup>a</sup>RCM=Rotated Component Matrix<sup>4</sup>

Sources: Field study in 2018 against 99(n=99) Respondent

**Discussion Based on Previous Research Findings**

The main barriers identified in this study was the factors associated with the working way in PFI project seen to be incompatible with LAs work practices. The study finds that the first major barrier is that the use of the PFI scheme requires LAs to adapt their work methods. Based on the [6], two reasons have been identified as being an important obstacle factor. First, as opposed to more traditional contracting methods, local PFI schemes need to spend more especially in terms of cost, time and effort in managing contracts because the nature of PFI contracts is in the long run, which can reach up to 20 to 40 years. Secondly, the multi-faceted work methodology in local government is not in line with what is required to work with the PFI project method, in which the PFI method of transferring tasks from the public sector to the private sector, reduces the power of local governments to influence maintenance, and reduction this control does not match LA's current and actual work method.

Another factor seen as a second important factors is related to the risks to be faced. The PFI procurement approach is considered too risky for LAs. Factors associated with these risks are factors that are often expressed in the event of a PFI project. Analysis of [43] on risk and uncertainty attracted some key conclusions about PFI. [43] Argues that there is a tendency in the decision-making process in the PFI method, primarily to apply risk and uncertainty. [43]
Also considers a great risk term in pursuit of the development of the public service sector through the PFI method as it produces 'system risk' for the country. This differs from the reduced possibility to adapt to 'future society change', the impact of continuing commitment to respecting long-term contracts in the PFI method. The same conclusions have been reached by [49]. [49] Challenged PFI on the basis of the decision to pursue PFI failing to recognize 'system risk', which the public sector was 'locked' with private sector partners. This will block the public sector in a number of ways. [49] Sees the risk transfer, which he sees as a fundamental reason for allowing PFIs. With the public sector being 'locked up' for contracts that are often tied. The argument is that there is little room for risk transfer, which often happens in the final analysis.

Risk transfer is a fundamental principle in PFI's project method, where risk-related implementation and delivery should be given to the best person who can effectively manage the risk [50]. In the context of the PFI project is usually to the private sector with expertise, and more advanced innovation from the public sector. Risk management is one of the priorities for organizations involved in the type of PFI project. This situation may result in the PFI project which has already begun its implementation had to be canceled due to LA's inability to manage the risks that may arise. The kind of situation will further increase the risk of LAs finance. This may also why LAs in Malaysia is less involved in PFI projects, which may be due to LA's inability to manage risks. This can be further verified by reports revealing that LAs in Malaysia has issues in management, administration and leadership [42]. All this identified obstacle factors may be a challenge to LAs, and require more efforts from LAs if they want to engage in PFI projects.

For LAs to consider PFI for the first time, development process and procurement process can be very challenging. In the majority of PFI projects, external advisors are required to support the skills, experience and internal resources of the local authority. Any skill gaps should be identified at the beginning, and the options considered to acquire the necessary additional resources (e.g. technical, financial and legal advisors). The main role of this advisor is to provide appropriate advice in their area of expertise to the Project Team. In appointing an outside advisor, experience has shown that individual expertise for assignments should be the most important factor in the assessment. To engage in the PFI project, decisions related to the external expertise are needed during the planning stage as this will have long-term implications for LAs, particularly those that involve the sustainability of financial resources as it will affect LAs budget planning.

The lack of knowledge and experience in PFI is a factor that is often raised in every discussion regarding the PFI project. These have also been discussed in the previous findings of the factors influencing the use of PFIs in LAs. The PFI project requires specialized knowledge from, among others, architects, design engineers, cost consultants, tax consultants, lawyers, facility managers and project managers. Managing current and future knowledge of the project is a major challenge posed by the organization involved. The advantages of the organization's competitiveness are dependent on the ability to learn and adapt more quickly. This ability is highly dependent on capacity organization to create, acquire, store and use the experience, knowledge, skills and lessons learned in the past. Projects that have the potential to improve the future performance of the organization, according to [38] it is important for effective project execution, choosing the best project, winning bids and also for organizational efficiency.

Other obstacle factors that are also considered as the main barrier factor for the use of PFIs in LAs in Malaysia are those relating to; LAs find that PFI require too much effort for a contracting method that is probably applied only once. The Competitive Dialogue Procedure is experienced as complex by LAs. Possibility that initiatives for PFI project are cancelled by new executive boards before formal decisions have been taken, and PFI schemes are experienced as complex by LAs.

This finding is also confirming the statement from [34], "the concept of role of local government as a producer akin to the private entity is said to be simplistic, inaccurate, naive and manifestly". [8] Also, it is being pointed out that the implementation of PFI procurement methods in LAs in Malaysia was said at the early stage even though the concept of public private partnership has been known since the first introduction in 2006.

There have also been a few studies or discourses which similarly explain the barriers in PFI implementation in Malaysia. [29] in his research on respondents' perceptions comprising managers of financiers, construction companies, local governments, state governments and federal governments, in relation to factors that prevented the use of PPP arrangements in Malaysia, revealed that among the top five major barriers are;
i. Lack of government guideline and procedure on PPP.
ii. Lengthy delays in negotiation.
iii. Higher charge to the direct users.
iv. Lengthy delays because of political debate.
v. Confusion over government objectives and evaluation criteria.

Although these factors were also presented to the respondents in this study, the factor was not the primary choice as a barrier factor in the implementation of PFIs in LA in Malaysia. This can be explained as, though many researchers have identified different critical factor lists for PFI projects based on other literature studies, or through empirical studies, but the factors identified as "critical factors" are different. This is due to different geographical settings and administrative systems [18][30].

The findings of the barrier factor for LAs in Malaysia from this study are also seen as similar on a few factors with the study conducted by [16]. In his research on "why local government rarely utilizes PPPs for their road development projects in Netherland Local Government" found that four key factors were identified as a main barrier factor;

i. Applying this method of contract requires them to adapt their current working methods, which are a major obstacle to implementing PPPs for local governments;
ii. Applying PPP, in the same way, can exclude contractors from engaging in projects, and they want to improve local employment;
iii. Local governments experience the overall PPP scheme as complicated; and
iv. Local governments see PPP contracts as complicated.

The factors of LAs need to 'adapt the way of work' and 'projects of this type are considered 'Complicated and complex' are seen showing similarities with the findings in this study. [31], in the study of LAs in Nigeria found that the main reason for the use of slow PPP was on corruption and ineffective government policy.

The factor of 'Lack of knowledge and experience' about PPP / PFI is a common factor in many studies related to PFI. The low level of knowledge is due to the minimal experience of government officials, as well as the lack of references in PFI / PPP procurement schemes. [32] A study on the PPP / PFI project in Nigeria emphasized that lack of knowledge and experience of clients gives impact and constraints on the implementation of PPP / PFI, where the success of a PFI / PPP project depends on the effective communication experience, expertise and skills of all parties involved in the project. [29] Also stressed the same on the implementation of PFI in Malaysia where he said there were constraints on the experience, knowledge, awareness of many agencies involved, and the absence of specific frameworks for the implementation of PFI projects in Malaysia also contributed to the least use of these methods as a procurement strategy in most government agencies.

In recent years, the implementation of PFI in Malaysia context was also widely debated and criticized, particularly in terms of knowledge, understanding and experience of the whole concept of PFI [33-36]. In the case of PFI implemented in Malaysia, there is criticism that the PFI executed, technically is not coincide with the actual of PFI concept [22]. [2] Argued that the implementation of the PFI in Malaysia is overly 'rushed in planning' and the planning are still unclear. Besides, there are many research and report in Malaysia about the vulnerability of the project under the PFI scheme. In a newspaper report [37] report that the weakness in the past that led to a problem that PFI projects including weakness in the early stages of planning, implementation and monitoring in addition to the weaknesses in post-project evaluation.

Another area that has received criticism and debate is on managerial and processual associated of PFI procurement. In providing of criticized and issue arise as discussed in previous studies, especially on the implementation process in Malaysia. [33] Insisted, among the challenges faced in Malaysia is both the public and private sectors still lack understanding of the actual concept of PFI. Their study also pointed out that, the government 'adopted the PFI Malaysia’s own version’ but did not provide effective training programme to the public officers as well as private sector [33]. [36] Also stresses that, the importance of 'management skills by stakeholders’ particularly in building basis of support to ensure the success of PFI projects. Thus, it is important for the public sector client to analyse human capital skill to ensure that it has the kind of expertise to ensure better results in PFI projects.
Public private partnership program in Malaysia LAs also criticized, and allegedly failing for several reason, such as; poor in the delivery of public infrastructure project [38], weakness on administration and management [39] [30], and also financing issue [40]. To reaffirm this statement, the Auditor General’s report for the year 2014, revealed that LAs in Terengganu and Pahang were incompetent to manage PFI projects due to the poor in corporate governance. The report reveals that, the audit of Majlis Perbandaran Kemaman (MPK) and Majlis Daerah Besut (MDB), from July to September 2014, their procurement management is less satisfactory, because of there are some non-compliance in the procurement procedure, such as procurement tendering and direct negotiations. Other weaknesses as identified by the National Audit Department in audit 2014, such as; payments made to work that is not done, the project is not completed within the prescribed period, the completed projects are not utilized, and the contract documents were not available and late signed [41].

Reference [34] Mentioned that the concept of the role of LAs as a producer, similar to a private entity is said to be ‘simplistic’, ‘inaccurate’ and ‘naive’. There are also studies that reveal that the lack of private sector participation is also due to the difficulty in obtaining project financing. [40] In their study stated that, local funding bodies still relatively inexperienced and less confident to finance PFI projects. This factor was also submitted by [2], which according to him, local funding bodies are still inexperienced and skeptical to provide financing for PFI projects over a variety of reasons, and one of them is the involvement of a large capital investment for a long-term concession. This is seen in parallel with the statement of [8] which is, most LAs are not interested in PFI projects mainly due to lack of experience and confidence, and influence or impact of failure in public private partnership program in several LAs. This is as disclosed in the study by [42], which revealed that, the Majlis Perbandaran Kuantan (MPK) and Majlis Perbandaran Batu Pahat (MPBP) had a bad experience in implementing PPP/PFI project, especially in the issue of management (such as in leadership, human capital skill and expertise), legal issue (such as land title), and local issue (such as ‘petty trader’).

In many cases, investments on construction projects and facilities in LAs under the PFI project was a failure mainly due to the factors of poor management and administration [39] [30] [42]. The Construction Industry Development Board (CIDB) report in 2014 (CIDB is a statutory body which aims to lead the industry strategy construction integrated in Malaysia) revealed that, lack of satisfaction with the overall performance of the ‘employer’ and also ‘employer’s agents’, especially for projects for the regional or districts councils. The report also mentioned that the management of verification order and the claims process for the contractor at local level seems to be a difficulty.

Another study by [30] has mentioned that, the inefficiencies of management can contribute to the failure of project development. This statement may be parallel with the one reported by [39], which a lot of money invested in the construction of buildings and facilities in Malaysia LAs, either from the government or private, has been wasted because of the failure to utilize of property management. This point is revealed based on an audit of thirteen (13) selected projects in LAs, which mentioned that, there are some weaknesses, particularly in the planning, implementation and monitoring by LAs. Other factors were also revealed in that audit report are as; poor maintenance, delay of project due to unexperienced of contractors, lack of monitoring by LAs, poor documentation and record system and weakness of enforcement. Among recommendations made by the auditor to overcome that issue are; LAs can imitate the marketing strategy adopted by private developers, to ensure that the property is managed by giving VFM for each spending, and the need for changes to the administration and management, especially to the councilors [39].

Among others cases that may relate to management and administration issue are the cases in Selangor, where RM2.3 million allocated to LAs in Selangor for infrastructure development have been returned to the MHLG due to the weaknesses of management and administration [45]. The Contract Design also reported plays a crucial role for a successful implementation of PFI project. According to [46], it is almost impossible for the parties to specify all potential contingencies that might occur throughout the 20-30 years duration of the contract. Furthermore, there are also cases of political interference and corruption, especially in tender application procedure [47].
Based on the discussion above, it can be summarized that most of the barriers faced by the LAs in implementing the PFI are weaknesses in terms of LAs management and administration skill in the process of PFI implementation. Other factors that are often raised are the weaknesses in terms of monitoring or post-project evaluation by LAs to the projects under the PFI. Besides, other factors such as weaknesses of planning, lack of experiences, understanding, and knowledge toward PFI also add factors to hinder the implementation of the PFI in LAs. Besides, most of the factors raised by studies in Malaysia's PFI are also factors produced by other countries or factors adopted from previous studies. This situation shows a lack of accuracy as not all of the experiences and lessons from other countries are relevant to PFI in Malaysia, especially when their resources, capabilities, socio-political context, as well as institutions in Malaysia are considered. Even in Malaysia, the issues and solutions at national levels and local levels are not the same, and require a different approach. This is because not all studies on the national level can be applied to the local level. Furthermore, based on the issues and criticized toward the PFI implementation as presented by several reports and previous studies, especially on the failures of infrastructure projects in Malaysia LAs, has raised the question of whether the key factors that influence the adoption of PFI for infrastructure projects in LAs in Malaysia and, how these influenced factors have been or are being addressed. Hence, the study related to PFI implementation process in LAs is a necessary step to fill the gap, especially by investigating the LAs experiences, knowledge and awareness on PFI procedure and practices in Malaysia LAs as well as the influencing factors, in order to make better use of PFI taking into consideration in the procurement strategies for LAs in Malaysia.

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