The Malaysian Trust School Programme: Is it a Public – Private Partnership (PPP)?

Sivakumar Velayutham and Rashedul Hasan

Email Corresponding Author:
sivakumar@nilai.edu.my

Background

- The Malaysian Trust Schools Programme (TSP) is a collaboration of Yayasan Amir (a foundation set up by Khazanah a sovereign wealth fund of the Government of Malaysia) and the Malaysian Ministry of Education to improve accessibility to quality education in public schools in 2010 (Yayasan Amir, 2017). The above programme has been promoted as a public-private partnership by both Khazanah and the Ministry of Education (Wan Jan, 2014; Devi, 2018; Yaysan Amir, 2017).

Objective

- 1. examine whether the Trust School Programme is a PPP as claimed by both Khazanah and the Malaysian Ministry of Education and
- 2.interrogate the possible reasons for structuring of the above collaboration as a public-private partnership in light of the Malaysian 1MDB scandal.

Origins of TSP

- Concerns about the detoriation of Malaysian Education outcomes measured by PISA and TIMSS
  - In 2012, Malaysia ranked 58th out of 64 in Reading, 52nd in Maths and 53rd in Science, underperforming all its Asian neighbors except for Indonesia.

Main Features of TSP

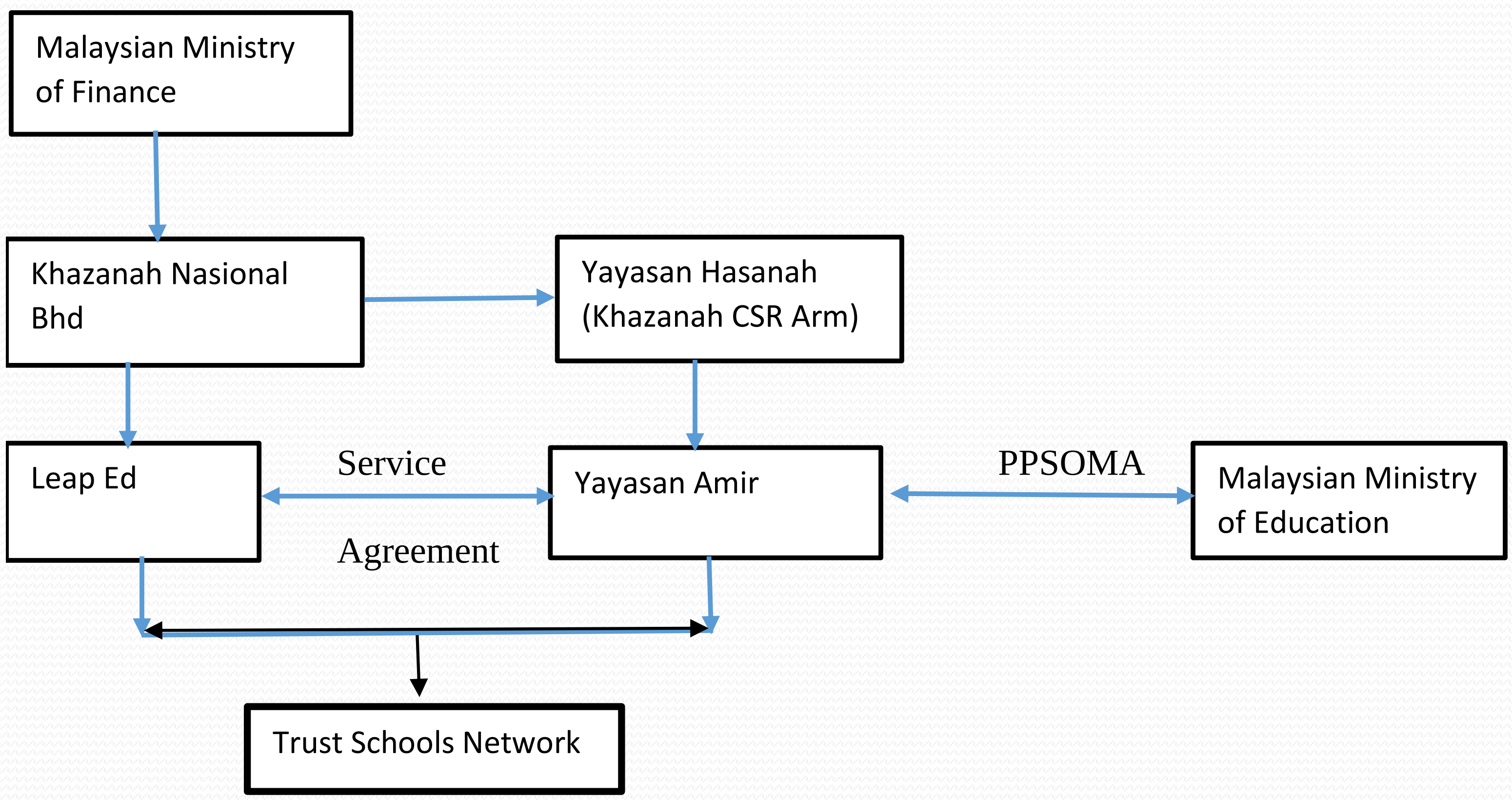
- Initiative and Mainly funded by Khazanah Nasional a sovereign wealth fund through Yayasan (foundation) Hasanah.
- Other funding: Corporate Donors and Islamic Sukuk (bond)
- Administrator of Programme: Yayasan Amir
- Operator of Programme: LeapEd
- Start: 2010
- Initial Number of Schools in Programme: 90
- Current Number of Schools in Programme: 90

Cont.

- Duration for each school: Five Years
- In every Trust School, the Ministry of Education retains ownership as well as responsibility for the teaching staff and funding. Yayasan Amir is given responsibility, and held accountable for, learning practice and curriculum delivery.
- Cost per year per student: RM900
- Yayasan Amir Expenditure 2017:
  - Programme Cost: RM74.34 million
  - Operating Expenditure: RM7.54 million

Ownership and Operational Structure

Figure 1: Ownership and Operational Structure of the Trust School Programme



Public-Private Partnership (PPP) and Public Accountability Defined

- PPP Defined:
- “ongoing agreements between government and private sector organizations in which the private organization participates in the decision-making and production of a public good or service that has traditionally been provided by the public sector and in which the private sector shares the risk of that production” (Forrer, Kee, Newcomer and Boyer, 2010, p.476).

Government – Nonprofit Partnership

- Partnership is a dynamic relationship among diverse actors, based on mutually agreed objectives, pursued through a shared understanding of the most rational division of labor based on the respective comparative advantages of each partner. Partnership encompasses mutual influence, with a careful balance between synergy and respective autonomy, which incorporates mutual respect, equal participation in decision making, mutual accountability and transparency (Brikerhoff, 2002, p.21)

Public Accountability

- Accountability in PPPs requires the creation of proper safeguards to ensure that public services are not compromised for the sake of private profits.
- three types of controls that have evolved to ensure public accountability: accountability to other governmental bodies, hierarchical accountability, and accountability to impersonal standards (Dicke and Ott 1999, 511).
- Westminster system of government that Malaysia practices the Dewan Rakyat (lower house of parliament) is the prime political institution of the country to hold the government accountable and public officials, as servants of the public, are accountable to the latter through the parliament (Siddiquee, 2006)

Is the Trust School Programme a Public-Private Partnership?

- the state is not paying the private partner for the service rendered, and second there is no profit to be gained by the private partner.
- Is the trust school programme a public-private (non-profit) partnership?
- the main contribution of the private partner is the finance as Yayasan Amir nor Khazanah have any prior expertise in the area of education, and Leap Ed was established for this particular purpose. It must also be noted as pointed out earlier that expertise is a key public accountability dimension in PPPs

Cont.

- there also does not appear to be any clear performance criteria for measuring the success of the partnership and hence no sharing of risk between the partners.

Conclusion

- the Trust School programme is a corporate social responsibility (CSR) project of Khazanah through its CSR arm Yayasan Hasanah.
- Based on the ultimate ownership of the two parties in the partnership it can also be concluded that it is public-public partnership. The Ministry of Finance funding the Ministry of Education.

1MDB and the abuse of CSR arm

- 1MDB established in 2009 as a Malaysian Strategic Development Company owned by the Malaysian Ministry of Finance
- Total Assets 31/3/2014: RM51 billion
- Total Liabilities 31/3/2014: RM48 nillion
- Chairman of Board of Advisors: Malaysian Prime Minister Datuk Najib Razak
- Court case: RM42 million transferred from 1MDB to Najib Razak personal account via CSR arm Ihsan Perdana

Sovereign Wealth Funds (SWF) and Public Accountability

- SWF defined:
- "government-controlled pools of assets designed to engage primarily in foreign investment" (Behrendt, 2009).
- Khazanah was formed in 1994 to assume a custodial role in managing the Government's commercial assets as well as investing in strategic and high-technology sectors (Khazanah website, 2019).
- Malaysia unlike many countries with SWFs does not have budgetary surplus and its national debt amounted to more than 50% of Gross Domestic Product (Bank Negara, 2019).

Recomendations

- Question 1: Should countries with substantial debt be investing through sovereign wealth funds?
- First, in countries with substantial debt the SWF is not investing surpluses of the state but rather forcing the state to borrow to fund its investment activities. There is little support in the literature that shows, SWF are capable of investing borrowed funds effectively. Second, SWFs have limited public or no public accountability unlike government departments, statutory bodies, or the central bank.

Cont.

- Question 2: Should SWFs be involved and allocate funds to corporate social responsibility (CSR) activities?
- In the case of SWFs the power given to Managers to make decisions and spend on CSR activities further reduces their public accountability and their objectives become more ambiguous. SWFs should be responsible for investing tax-payers funds effectively and the returns on the investment should be returned to the Ministry of Finance for allocation to public interest projects. The power of SWF managers to invest in CSR projects also increases the scope for abuse and corruption in SWFs and government departments as SWFs do not have to answer to shareholders.