

**AN EXPLORATION OF THE BUSINESS
ENVIRONMENT OF THE CONSTRUCTION
INDUSTRY OF NEGARA BRUNEI
DARUSSALAM**

—

**IN THE CONTEXT OF PUBLIC-PRIVATE
PARTNERSHIPS, PRIVATISATION AND PRIVATE
FINANCE INITIATIVES**

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DEDICATION

This thesis is dedicated to my beloved father Haji Awang Adenan bin Haji Awang Sulaiman who passed away on 17 December 2005.

I also dedicate this thesis to my mother Hajjah Dayang Rohana binti Haji Saar for looking after my family, and my two lovely daughters Dayang Rayyana Farzana and Dayang Iwana Syazwina who had to be without me all through these years.

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Together we succeed!

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List of Abbreviations

BGDU	Bumiputera Guidance and Development Unit
BOO	Build Own and Operate
BOOT	Build Operate Own and Transfer
BOT	Build Operate and Transfer
CBI	The Confederation of British Industry
CCT	Compulsory Competitive Tendering
CSF	Critical Success Factors
DBFO	Design build finance and Operate
DCCA	Development Control Competent Authority
DCMF	Design Construct Manage and Finance
DCU	Development Control Unit
DEPD	Department of Economic Planning and Development
DoE	Department of Environment
FRC	Failure Reducing Criteria
GD	Guidance Documents
GDP	Gross Domestic Products
JPKE (also DEPD)	Jabatan Perancangan dan Kemajuan Ekonomi
JPM	Jabatan Perdana Menteri (Prime Minister's Office)
LEIS	Land Entitlement and Infill Scheme
LES	Land Entitlement Scheme
LICHs	Landless Indigenous Citizens' Housing Scheme
MIB (also MIM)	Melayu Islam Beraja
MIM	Malay Islamic Monarchy
MNC	Multinational Companies
MOD	Ministry of Development
NHDS	National Housing Development Scheme
OECD	Organisation for Economic Co-operation and Development
OJEC	Official Journals of the European Community
PBD	Piawai Brunei Darussalam
PFI	Private Finance Initiatives
PPC	Public-Private Cooperative
PPP	Public-Private Partnerships
PSA	Property Services Agency
PSBR	Public Sector Borrowing Requirement
PWD	Public Works Department
R&D	Research and Development Unit
RGS	Resettlement Grant Scheme
SME	Small and Medium Enterprises
SPV	Special Purpose Vehicle
THLGS	Temporary Housing Licence Grant Scheme
UK	United Kingdom

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ABSTRACT

This thesis is about exploring the business environments which influence the construction industry in Brunei Darussalam. It aims to analyse the existing business environments after the crippling effect of the 1997 financial crisis. It also aims to identify the business conditions for public-private partnerships, privatisation and private finance initiatives to flourish in Brunei and the corresponding critical success factors and failure reducing criteria. Relevant literature for public-private partnerships, privatisation and private finance initiatives were used to identify the critiques on these models. Relevant literature on business environments in which these models have been successfully implemented were also studied. The research questions look at the business conditions of successful public-private partnerships, privatisation and private finance initiatives and try to emulate them in the existing business environments by identifying the critical success factors and failure reducing criteria. The difficulties in collecting data in this type of research led to the selection of the Delphi technique. The Delphi technique was carried out in four rounds and six critical success factors and fourteen failure reducing criteria were identified and ranked according to their importance. Retrospective interviews were also conducted to validate the factors and give further insights on the potential implementation of these models in Brunei. Four practitioners validated the interpretations of this research. The results from the synthesis found four layers of business environments in which government influence exist in all levels. The private sector and private support services are only present in the fourth layer and are not the critical success factors in the business environments. The thesis concludes by discussing methods to improve the business environments in which public-private partnerships, privatisation and private finance initiatives could flourish in Brunei, and the direction of future research to improve the business environments for private sector activities in general.

CHAPTER 1

INTRODUCTION

1 Introduction

The motivation for this research resulted from the researcher's observations and experiences working as an engineer in the Construction Planning and Research Unit of the Ministry of Development in Brunei Darussalam. This research aims to identify ways to revive the construction industry in Brunei through public-private partnerships, privatisation and private finance initiatives.

There are two reasons for selecting this topic. Firstly, there has been little or no change in the construction industry since the financial crisis of 1997. The crisis has affected the whole country, with the greatest impact on the construction industry. Construction activities slowed down to a minimum and many private firms went bankrupt. Secondly, the Government of Brunei is currently trying to revive the economy and aspires to use the private sector as the engine of growth. The Government approved the policy on privatisation in 1992 and started to promote public-private partnerships in 2002. To date, however, nothing has been proposed for either privatisation or public-private partnerships in any industry. This research is the next step towards implementation of the policy making the research as confirmative research.

This is exploratory research and research questions are used instead of hypotheses. This chapter, therefore, starts with the definition of the research issue, continues with a discussion of the specific aims of the research and its context, research objectives and the scope of the thesis. Finally the thesis structure is presented.

1.1 Impetus for the research

The research looked at three models used in the UK to induce growth. These are public-private partnerships (hereafter referred as PPP), privatisation and private finance initiative (hereafter referred as PFI). Privatisation was chosen because Grimstone (1989) discussed how it was used to help London grow as an international financial centre. Common (2000) says that governments may use partnerships during a financial crisis to increase growth, believing that partnerships, privatisation and PFI can improve the environment for business (Fisman, 2004; Al-Homeadan, 2004; O'Reilly, 2004).

The three models have one common characteristic: the role of the public sector is reduced in the delivery of public services. The private sector will have increased roles instead. There are many reasons forwarded by advocates of these models. Amongst others, these are value for money, better performance, efficiency, savings and quality (Hyman, 1989; Bekkers, 2003; Froud, 2003; Worenklein, 2003). However, the main reason that these models have emerged was the limit on public expenditure in meeting demand from the public (Pirie, 1988; Grimstone, 1989; Goldsmith, 1997; Li, et al., 2005).

In the light of the financial crisis in Brunei, these models are selected in this thesis as the proposed method to move the construction industry. To ensure success in their implementations, it is first imperative to know whether the existing business environments support private sector activities. This research investigates whether the business environments of the Brunei construction industry support the implementation of all or any of these three models. The critical success factors and failure reducing criteria of successful implementations are also identified. These models have not been used in government projects in Brunei and there seems to have been no research study undertaken to investigate their viability in Brunei's construction industry. The lack of economic information in Brunei such as capital reserves may also produce difficulties for using these models.

This established the research topic as “An exploration of the business environments of the construction industry in Negara Brunei Darussalam – in the context of public private partnerships, privatisation and private finance initiatives”. McQuaid (2000) says that the development of a theoretical basis for understanding and analysing PPP is poor. Akintoye et al (2003b) indicate that there is not enough work on PFI or the types of environment where it flourishes. Towards the conclusions of this thesis Malaysia is announcing its interest in PFI but the situations is still changing. Privatisation has long been introduced in Malaysia and the rest of Asia. Therefore privatisation has been included, in order to study the causes of the delayed implementation in Brunei where this research could assist in its implementation. Thus, the aims and objectives for this research have been established.

1.2 Aims and Objectives

The aims of this research are to:

- Analyse the existing business environments of the construction industry,
- Explore the business conditions where public private partnerships, privatisation and private finance initiatives (hereafter referred as the three models) flourish in Brunei,
- Identify critical success factors and failure reducing criteria which will lead to public-private partnerships, privatisation and private finance initiatives being successful in Brunei.

The understanding of such criteria will contribute to decisions in policy and project delivery.

The objectives of the research are:

- To provide an analysis of the existing business environment of the Brunei construction industry

- To identify which business conditions need to be in place, in order to assist public private partnerships, privatisation and private finance initiatives to flourish in Brunei
- To identify the Critical Success Factors (CSF) and Failure Reducing Criteria (FRC) that might lead to successful public-private partnerships, privatisation and private finance initiatives in Brunei.

Consequently, the following questions emerged as pertinent to these studies:

- RQ1. Which business conditions need to be in place that will strengthen the business environments to promote private sector activities in Brunei?
- RQ2. Which business conditions are currently in place that retards private sector activities?
- RQ3. Is it possible to identify these by the adoption of a replicable methodology?
- RQ4. If identifiable, can these factors be ranked to present an ordered set of criteria collectively considered critical?
- RQ5. What are the business conditions for successful PPP, privatisation and PFI?

1.3 Scope of the thesis

The thesis studies the construction industry of Brunei and its existing environments. The level of analysis for this research is the government sector, private sector and private supporting industries, which are the contractors, consultants and financial institutions. The unit of analysis is the organisations from the government, private sector and private supporting services from construction and construction related industries. The views and opinions of selected representatives from these organisations are analysed to present a picture of the existing business environments. The business environments are limited to

the construction industry in the context of successful public private partnerships, privatisation and private finance initiatives.

There is no existing study which combines and compares the business conditions for successful PPP, privatisation and PFI and so there is no precedent of methodology. Therefore an appropriate method must be set up which considers the limitations and the required data needed in the study. From previous studies and comparisons with various available methods, the Delphi Technique was thus selected. The business conditions for successful PPP, privatisation and PFI are first identified from literature review. Then an eleven-person Delphi expert panel is used separately to identify the CSF and FRC of the business environments in Brunei Darussalam. The business conditions common to both sources are then identified.

The CSFs and FRCs identified in the Delphi analysis are validated through structured retrospective interviews. The results are analysed and submitted as validated CSFs and FRCs to assist the flourishing of PPP, privatisation and PFI in Brunei. Factors which are not identified in the literature review, but which have been identified during the Delphi and validated by the interviews, are considered as factors specific to Brunei conditions.

1.4 Thesis Structure

This section outlines the structure of the thesis by highlighting the important issues in each chapter and showing how these are related to other chapters. The thesis consists of eight chapters. Figure 1.2 illustrates the interdependency of each section within the research where Chapter 2 discusses the research problem. The literature is identified within Chapters 3 and 4. This then leads to Chapter 5, which discusses the research methodology and the validation process. Chapter 6 displays the data and Chapter 7 discusses the synthesis of the results and their validation. Chapter 8 concludes the thesis. The following is a brief description of each chapter.

In Chapter 1, the motivation, impetus and research issues are discussed. These are introduced to provide a broader understanding of the problem domain, by highlighting current issues in practice and theory. Hence, the aims and objectives are proposed. Finally, the scope of the thesis was narrowed to the areas of study.

Chapter 2 briefly discusses the Brunei's management and business structures, the construction industry and introduces the research problems. This chapter also proposes the solutions to these problems. The research questions 1, 2, 3 and 4 are formulated in this chapter.

RQ1. Which business conditions need to be in place that will strengthen the business environments to promote private sector activities in Brunei Darussalam?

RQ2. Which business conditions are currently in place that retards private sector activities?

RQ3. Is it possible to identify these by the adoption of a replicable methodology?

RQ4. If identifiable, can these factors be ranked to present an ordered set of criteria collectively considered critical?

The literature review is discussed in two parts, of which this chapter forms the first part towards understanding the research domain and identifying the gap in literatures. Chapter 3 outlines the relevant theories related to the research domain. It discusses the status of the research domain and analyses the current issues.

Chapter 4 describes the different types of business environments that influence the construction industry. The constituents of each business environment are briefly discussed. The chapter continues with an analysis of the business environment of some successful public private partnerships, privatisation and private finance initiatives within the construction industry. The fifth research question emerged in this chapter. The concept of critical success factors (CSF) is also briefly discussed here.

RQ5. What are the business conditions for successful public-private partnerships, privatisation and private finance initiatives?

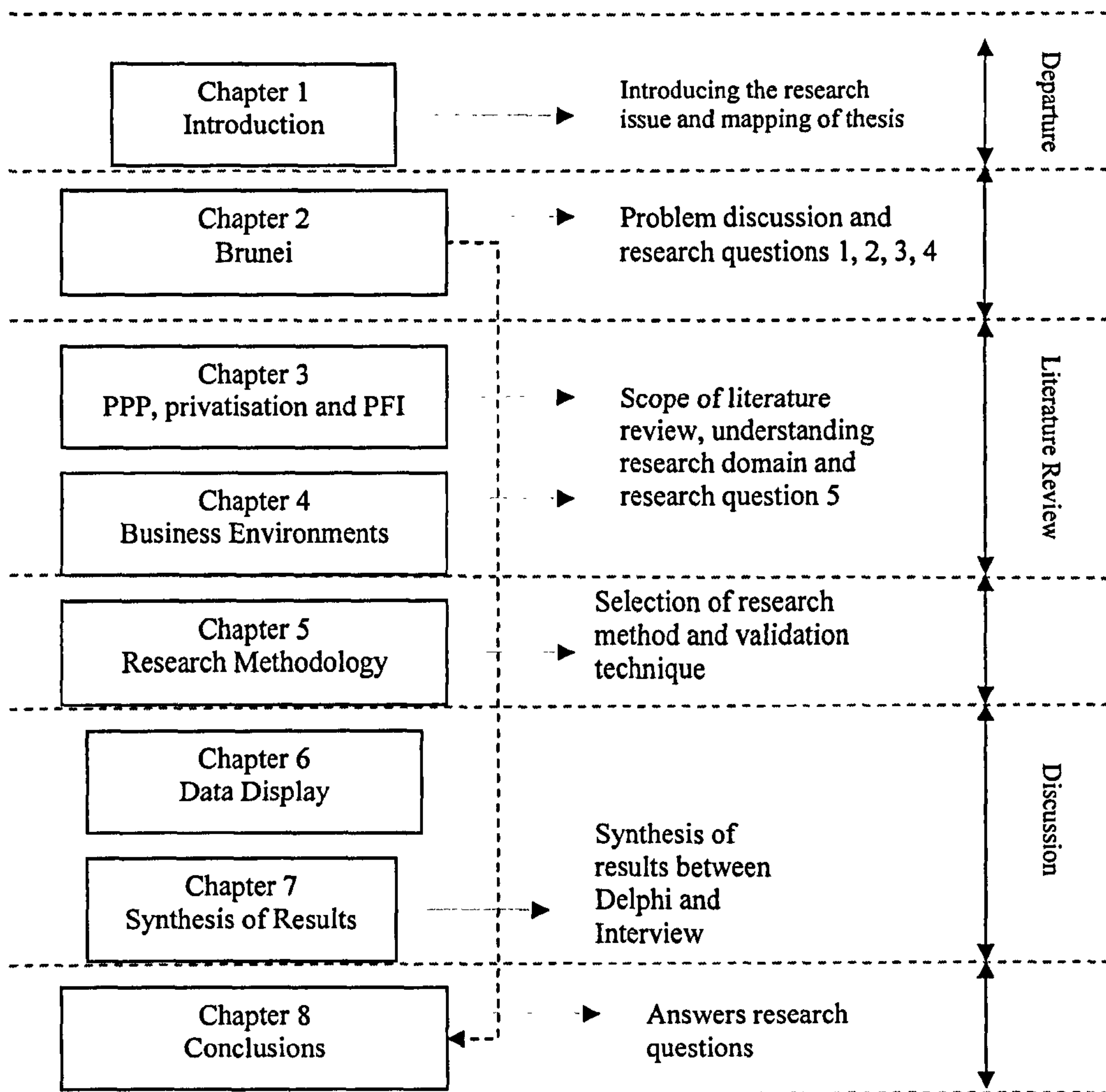


Figure 1-1: Structure Of The Thesis

Having identified the research topic and objectives of this research, the next step was to study research strategies and methods to find solutions to the research problems. Chapter 5 discusses the research method and how it was selected for this research. The validation technique is also discussed in this chapter.

Chapter 6 displays the data of the results from the Delphi method in Chapter 5.

Chapter 7 discusses the synthesis of the Delphi and the interview sessions. The discussion follows the format of the data displayed in Chapter 6.

Chapter 8 summarises and concludes the thesis, answers the research questions and discusses the contributions to knowledge made by this research as well as the limitations. This chapter concludes with a discussion on the potential issues for future research.

1.5 Affirmations (published paper)

Suzana, H.D., Adenan, H.A. & Langford, D. (2005), Privatising the construction industry of Brunei Darussalam. *ASEAN Post Graduate Seminar in Built Environment in conjunction with UM 100 years*. Kuala Lumpur.

1.6 Conclusions

The motivation and impetus for this research stemmed from observing the Brunei construction industry and the futile efforts by the Government to revive the economy after the financial crisis. Based on this, the research topic was identified, i.e. an exploration of the business environments of the construction industry in Negara Brunei Darussalam – in the context of public private partnerships, privatisation and private finance initiatives.

The aims and objectives of the research were established:

- To provide an analysis of the existing business environment of the Brunei construction industry
- To identify which business conditions need to be in place, in order to assist public private partnerships, privatisation and private finance initiatives to flourish in Brunei
- To identify the Critical Success Factors (CSF) and Failure Reducing Criteria (FRC) that might lead to successful public-private partnerships, privatisation and private finance initiatives in Brunei.

The scope of this research is therefore classified as exploratory research. It is also confirmative research because it relates to the policy on privatisation which was approved in 1992. This research is the next step towards implementation of the policy. The thesis contains literature on public private partnerships, privatisation and private finance initiatives from the last 30 years.

CHAPTER 2

BRUNEI DARUSSALAM

2 Brunei Darussalam

This chapter will establish the context of the research studies. It introduces Brunei as the subject of the research issue. The purpose of this chapter is to understand how Brunei works, and to present the correct picture of the country to the reader. This will give a basis for the reader's understanding of the results and discussion presented in the later chapters.

The chapter starts by introducing the country, government and its administrative structure and gives a brief comparison with systems of other countries. The National Philosophy adopted in the country, which shapes the environment, is also presented. The chapter continues by discussing the construction industry and focuses mainly on the housing sector. The chapter concludes by presenting the research problem and questions as the point of departure of this research.

2.1 The country – Negara Brunei Darussalam



Figure 2-1: Brunei Darussalam

Negara Brunei Darussalam (hereafter referred as Brunei) means The Nation of Brunei, the Abode of Peace. It is a Malay Muslim Sultanate and is situated on the northwest coast of Borneo Island, where it faces the South China Sea and is 442 kilometres north of the equator. The country covers an expanse of 5,756 square kilometres, has a coastline of about 130 kilometres and shares a common border with Sarawak, an east Malaysian state. About 75% of the land is covered in jungle, most of which is pristine rainforest. Brunei has a tropical equatorial climate, with a high mean temperature of about 28 degrees Celsius. Average annual rainfall is a high 3,295mm, while the mean humidity level is in excess of 80%. Climate is largely influenced by seasonal monsoons. The dry months are usually during March to May (the period of uncertain winds and changing monsoons), and the wet months are between November to February (North-East monsoons).

The Malays form the biggest ethnic group in Brunei. Malay or Bahasa Melayu is therefore the national and official language of the country. However, English is widely spoken and understood, especially in the business community. The country is divided into four districts, namely Brunei Muara, Belait, Tutong and Temburong. Population is concentrated in Brunei-Muara District, along the coastal regions and major rivers of the country. The 570 square kilometres of the Brunei-Muara District, where the capital, Bandar Seri Begawan is located, is the smallest, but the most important and populous of the four districts. As much as twenty percent of the total population has, over the centuries, settled in Kampong Ayer, which can be seen as a water village settlement off the shores of the capital. The total population in 2003 was estimated at 348,800 (176,300 males and 172,500 females), growing at an average rate of 2.3% per annum for the period 1996-2000 (Department of Statistics, 2003). The figure included everybody staying in Brunei, including foreigners. The 13-sq.km. Bandar Seri Begawan, had the highest population density in 1996, at 3,382 persons per sq. km. Belait, the largest district, had 23 persons per square kilometre. The annual birth and death rates are 2.5% and 0.33% respectively. Life expectancy for men is 72.1 and for women is 76.5 years.

Brunei became more urbanised between 1981 and 1991. The rural to urban migration of Brunei citizens and permanent residents showed an increase trend of 32.1 per cent in 1971-1981 to 51.4 per cent in 1981-1991 and reduced to 37.6 per cent in 1991-2001. These resulted from the government housing programmes and resettlement schemes, such as the National Housing Schemes, as well as the changing employment pattern of the citizens. By 2001, only 28 percent of the country's total population lived in rural areas (Department of Statistics, 2003).

The government is well aware that the growing population of Brunei Darussalam needs to be given a high level of education. Thus, millions of dollars have been allocated for this purpose. The country's resources are devoted to free education, subsidised food and fuels, pensions for the aged and widowed, free medical and health care, including a flying doctor service, and earnings without income tax. Those and many other services are all provided to protect the citizens' welfare.

The road network in Brunei Darussalam is the primary means of movement for people, goods and services on land. It plays a vital role in the overall growth and development of the State. The network has been designed to integrate housing, commercial and industrial development. The various types of road throughout the country include highways, link roads, flyovers and roundabouts. Of the whole network of 2,525 kilometres, about 2,328 km of roads are asphalted, 187 km have pebbles, and 10 km with concrete surfaces. Of the total 1,514 km were in Brunei/Muara, 481 km in Belait, 400 km in Tutong and 130 km in Temburong district. There is also an 11-km road linking Brunei to Sarawak.

During the Seventh National Development Plan period, several new main road projects were completed and opened for traffic. Likewise the upgrading of several minor roads in densely populated and rural areas throughout the state was and is still being implemented. These upgrading works include rehabilitations and widening, as well as providing basic facilities, such as pedestrian walkways and the replacement of timber

bridges with steel. A total length of 247.05 km of minor roads had been upgraded in the high-density and rural areas. Among completed projects were road widening and upgrading into 4 lanes and also interchanges to by-passes (National Development Committee, 2001).

Trade and industry play a vital role in the economy of Brunei. It is heavily dependent on oil and natural gas for its export earnings. Brunei imports most of its needs, such as foodstuffs, chemicals, machinery and transport equipment. Oil and gas continued to be the mainstay of Brunei Darussalam's economy, accounting for more than half of the country's annual revenue. Now, the country's main concern is that its current oil reserves may not last into the next century. This present lifestyle is becoming increasingly unsustainable. A comparative study on sustainable growth and development between Brunei and other oil dependent economies such as The Emirates was done by Ismail Duraman (1998). However the situation in Brunei is different to The Emirates and therefore suitable methods must be found for Brunei. For these reasons, Brunei Darussalam began to pursue diversification of its economy through the maximum exploitation of other natural resources, such as agriculture, fisheries and forestry, as well as encouraging export-oriented industries. The government aims to use the private sector as the engine for growth. However, over 75% of Brunei nationals in the workforce are employed by the government. The increasingly well-educated population has high expectations of working with the government. The government is heavily burdened with this responsibility and its financial ability to undertake these burdens has wavered from the reduced oil and gas revenues and losses in the investment of Brunei's foreign reserves. Government therefore needs the private sector to play a bigger role in providing employment and driving the economy. Currently, Government and government related contracts account for most domestic economic activity. It is the government's assumption that the existing private sector is too small and too dependent on government spending to play a greater role effectively (National Development Committee, 2001). The small population, and the citizens' selective attitude towards their employment, force Brunei to rely heavily on foreign workers. In its effort to reduce

the country's reliance on foreign workers, the government gives priority to training more locals in the technical and professional fields. The flow of foreign workers into Brunei is controlled by means of labour quotas and employment passes issued by the Labour and Immigration Departments respectively.

The population in employment was 145,600 in 2001 (Department of Statistics, 2003) and the rate of unemployment was 4.6% in 1999. Even though there are more than 60,000 foreign workers, the number of registered job seekers increased from 5,047 in 1996 to more than 7,000 in 2000 (National Development Committee, 2001). The government sector employees, excluding the army, the police and the daily rated workers, were 41,100 in 2002. Since 1996 the average growth has been 0.5% per annum, supporting government's policy to reduce the size of the government sector to an optimum level while encouraging the locals to work with the private sector. During the same period, the private sector also grew rapidly, with the total manpower increased from 86,000 to 100,600, growing at 0.6% per annum. The construction industry provided the largest employment: around 43%.

Brunei experienced a financial crisis in 1997, along with the rest of the region. The industry that has been most affected is the construction industry. There has been no change or improvement to the construction industry since then. Government budget was released for existing projects only, and none for new developments. Hence, this thesis sought to explore if the business conditions to move the construction industry, by the use of public-private partnerships, privatisation and private finance initiatives, might be present. Another reason stemmed from observing the government's policy on privatisation, approved in 1992 but which has yet to be implemented. Privatisation is widely applied in Malaysia and the rest of the region. The researcher then questioned the reasons for the delay in implementation and whether the business environments promote private sector activities. This thesis therefore looks at the necessary steps to enable its implementation.

2.1.1 A short history

Historically, Brunei is one of the most ancient kingdoms in Asia. Early European visitors referred to the state and the island as Brunei and Borneo respectively. The royal genealogy of Brunei's sultans dates back nearly 600 years. The second sultan, Sultan Ahmad, was the first to name 'Brunei' from the word 'Barunah'. Darussalam, the Arabic terms for Abode of Peace, was added in the 15th century by the third sultan, Sharif Ali, to emphasise Islam as the state religion, and to enhance its spread. He was a Persian missionary and direct descendent of the Prophet Muhammad. He built mosques and the first defence barriers at Kota Batu (Stone Fort) and across the Brunei River.

In 1888 Sultan Hashim signed a British Protectorate treaty to entrust Brunei's foreign affairs to a British administration. Sultan Muhammad Jamalul Alam II (1906-1924) ascended the throne at 17, also signed an agreement in 1906 to be under British protection and would accept a British officer to be called a Resident. The officer would be responsible for the internal administration of Brunei as well as for external affairs. The signing of the 1905/1906 Treaty brought in the British Residential System. A British Resident was placed in Brunei to advise the Sultan on state matters, excluding Malay tradition and religion. The treaty brought changes to the sultanate's traditional Malay ruling systems. The Custom Department and Land Department were set up with the introduction of the British department system beginning in 1906. The Land Department handled land issues and Kuripan territorial rights and instituted the British system of land grants under the administration of the Land Office.

Sultan Muhammad Jamalul Alam II formed the Brunei Police Force in 1906. In 1911, he introduced Malay schools. Oil drilling exploration commenced during this time. The palace was transferred from Kampong Ayer to Istana Majlis.

Sultan Ahmad Tajuddin (1924-1950) officially opened the Brunei-Tutong highway in 1927. Two years later, oil was discovered in Seria.

Social and economic development in Brunei took off after oil revenues enriched the government coffers in the 1930s. Up until the time of independence, government revenues exceeded expenditures and ensured financial security for the nation.

Facilities for communication, education and health improved during the Residency and laid the groundwork for the modern infrastructure that Bruneians enjoy today. The development of these sectors was interrupted by the Second World War but quickly prospered after the war was over. The range of goods exported from Brunei early in the Residency was greater but the resulting earnings totalled less than exports after the Second World War. The rise in spending power of Bruneians since the beginning of the Residency has been reflected in the steady increase in the variety and amount of goods imported.

In 1953, the national song, Allah Peliharakan Sultan was official declared. Government English-medium schools were set up and the mosque in Bandar Seri Begawan was built.

In 1957, the first Brunei Radio programme was broadcast.

The year 1959 saw the promulgation of a written constitution, which gave Brunei internal self-government and changed the post of British resident, to High Commissioner, who continued to advise the Sultan on matters other than those affecting the Islamic religion and Malay customs. The constitution was proclaimed by Maulana Sultan Sir Muda Omar 'Ali Saifuddien Sa'ddul Khairi Waddien ibni Al-Marhum Sultan Muhammad Jamalul Alam, the twenty-eighth Sultan and Yang Di-Pertuan of Brunei Darussalam.

In 1959, the Brunei Shell Petroleum Company started its first offshore drilling.

In 1962, a rebellion was defeated.

In 1967, Brunei had its own currency. During the 28th Sultan's 17-year reign, he did a lot to develop the country and was regarded as "the architect of modern Brunei".

His Majesty the Sultan and Yang Di Pertuan Brunei Darussalam ascended the throne on October 5, 1967 as the 29th Sultan. He further pushed Brunei Darussalam along the road to greater economic and social development.

Brunei gained full independence in 1984.

“Brunei Darussalam has never been a colony but had a special treaty relationship, with the United Kingdom which began in 1847 when Brunei entered into a Treaty of Friendship and Commerce with the United Kingdom. This Treaty was later succeeded by various arrangements which included the transfer to the United Kingdom, amongst other matters, of responsibility for the conduct of Brunei's external relations, and culminating in 1979 with the Treaty of Friendship and Cooperation under which it was agreed that Britain would by the 31st December 1983 relinquish all its powers and responsibilities in relation to Brunei Darussalam and that on 1st January 1984 Brunei would resume full international responsibility as a sovereign and independent state. Unlike a colonial territory becoming independent, therefore, Brunei resumed its status as an independent sovereign nation with a Declaration of Independence at midnight of 31st December 1983 which we celebrate today” (HM Speech on Independence Day, 1984)

2.1.2 The Government

Brunei is an independent sovereign Sultanate, which is governed on the basis of a written Constitution with the Malay Islamic Monarchy (Melayu Islam Beraja, MIB) as its National Philosophy. It is ruled by His Majesty The Sultan and Yang Di Pertuan of Brunei Darussalam, the 29th monarch in succession to the throne. His Majesty is the

supreme executive authority in Brunei Darussalam and has occupied the position of Prime Minister since resumption of independence in 1984. Being a working monarch, he is involved in the conduct of the State affairs internally and internationally. His Majesty is concurrently the Prime Minister, Defence Minister, Finance Minister, and head of the religion of Brunei Darussalam. Like his illustrious father, who is fondly remembered as the Architect of Modern Brunei, His Majesty is a caring monarch and tirelessly works for the continued well-being of his people. In addition to the usual day-to-day administration of the government and receiving foreign dignitaries, His Majesty is always on the move, visiting government departments and related institutions, security forces on military manoeuvres, and villages including remote parts of the State. This brings him very close to the people, who love and revere him.

As the Prime Minister, His Majesty heads a team of cabinet ministers. The Ministers each head a ministry and Deputy Ministers assist them in some ministries and Permanent Secretaries in all ministries. The ministries are divided into various departments; each headed by a Director (Figure 2-2). Each Director is assisted by Assistant Directors, then the Head of Section followed by officers and junior staffs. Brunei's four districts – Brunei Muara, Belait, Tutong and Temburong are each under the supervision of a District Officer. Each District Officer has a team of Mukim heads termed as Penghulus.

A Mukim is a sub-division of a district. Each Mukim is divided into various villages, headed by Ketua Kampongs (village headmen). Other grassroots representatives are long-house Tuais (elders) and the Pehin Kapitan Cina, who represents the Chinese community. This is the bureaucratic structure of the government, similar to that which also exists in other countries. In Brunei, the system is also centralised whereby decisions go to the Prime Minister's office for approval.

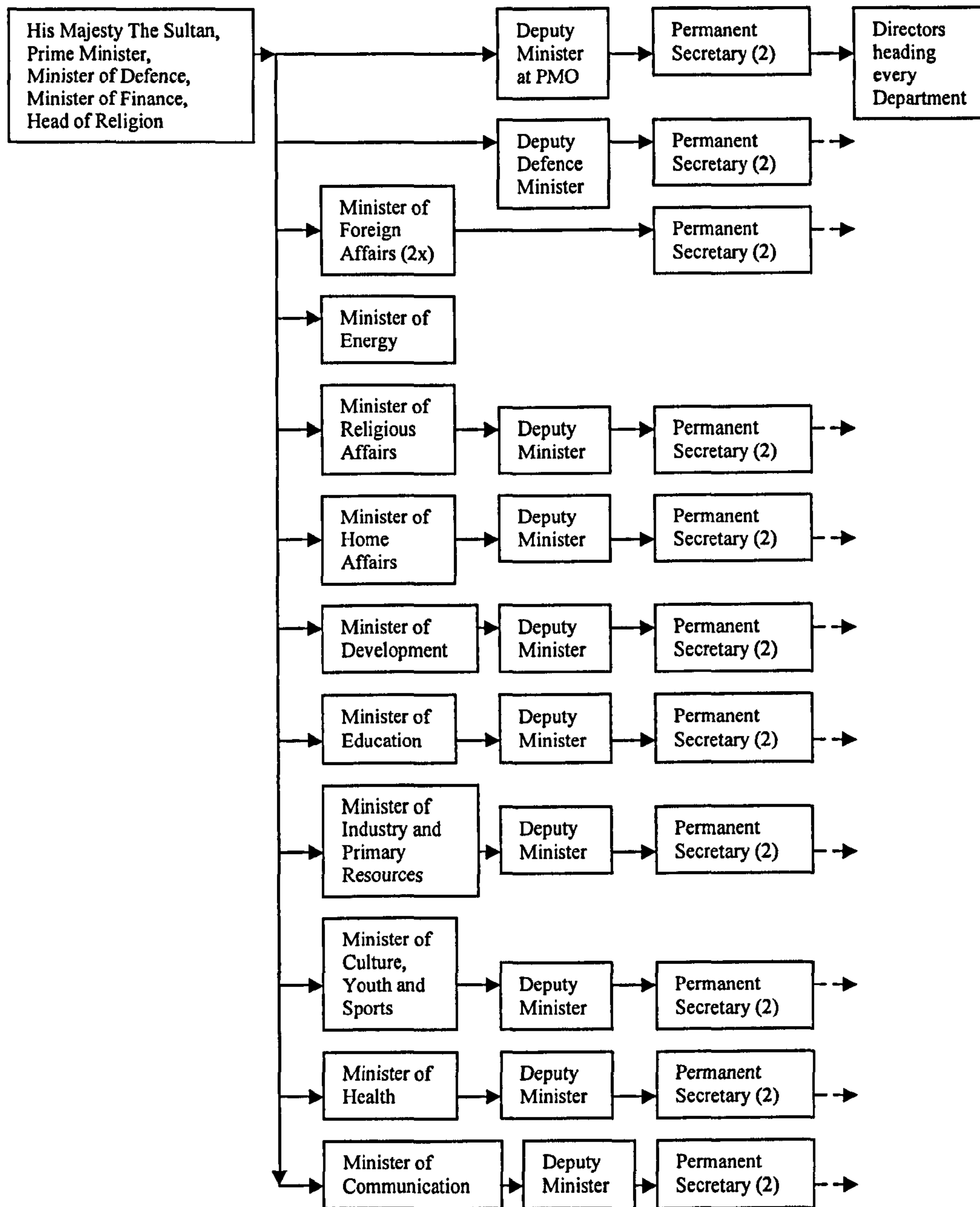


Figure 2-2: The government's administrative structure

Brunei's administrative system is centred on the Prime Minister's Office, which has provided the thrust behind His Majesty's aim to introduce greater efficiency in the

Government. In his National Day speech in 1987, His Majesty pointed out that it was essential to keep the country's administrative machinery up-to-date in line with the development of Brunei as an independent nation. His Majesty has followed a combination of traditional and reforming policies, moving away from a structure of a Chief Minister and State Secretary to a full ministerial system with specified portfolios.

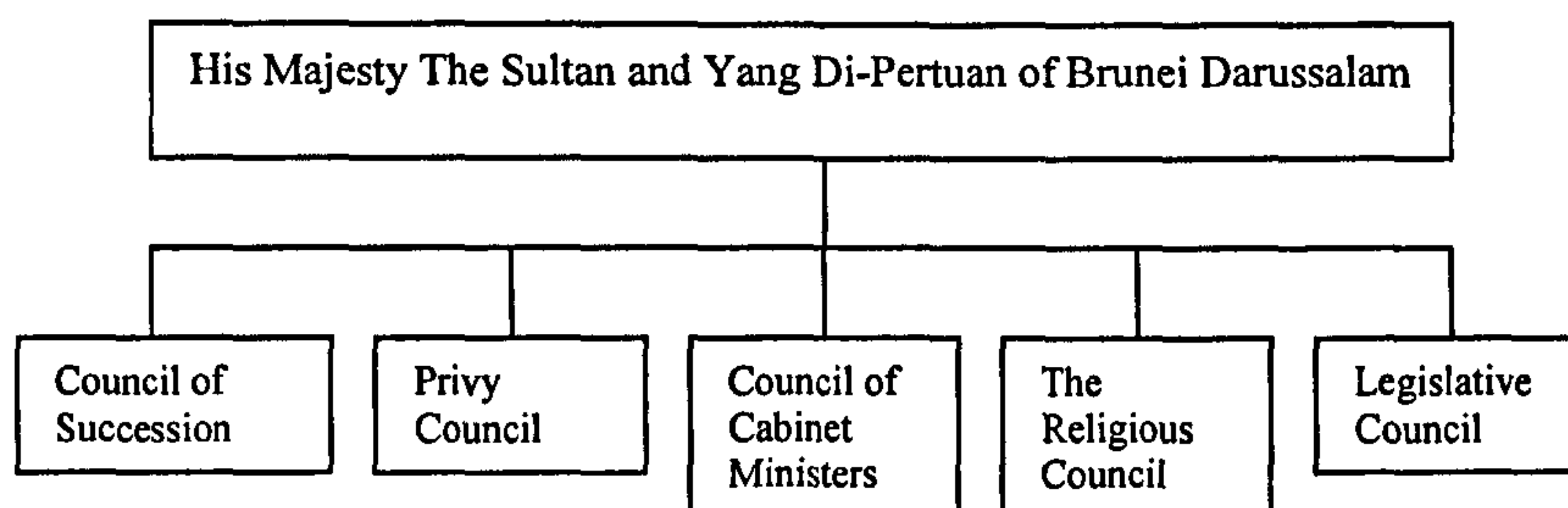


Figure 2-3: The government's advisory structure

Several Councils also advise and assist His Majesty (Figure 2-3):

- **The Privy Council** is presided over by His Majesty The Sultan and Yang Di-Pertuan. Its main functions are to advise His Majesty on matters relating to prerogatives of the royal pardon, and on constitutional matters, and bestow state honours and titles.
- **The Council of Succession** determines, subject to the Constitution and the Succession and Regency Proclamation 1959, the succession to the throne.
- **The Religious Council** advises His Majesty, as the head of the religion, on matters pertaining to the Islamic faith.
- Since 1 January 1984, the Council of Ministers has been known as the **Council of Cabinet Ministers**.
- **The Legislative Council** (referred as Legco) was suspended after the Independence Day but re-enacted in 2005. It discusses bills and budget, but

seldom debates bills initiated by the independent members or private people (Borneo Bulletin, 2005).

A western foreigner who is used to a different kind of civil environment would view the Brunei government in a different way. Clarke (2000) described Brunei's government as exclusively civilian-led semi-democratic authoritarian. Markets were subject to political interference or control and civil society carefully circumscribed or outrightly repressed. The state is a great Leviathan, powerful, overbearing and repressive and the institutions of a free market and civil society weak and ineffective. Common (2000) stated that this is the eastern style of management and varies between the eastern countries according to the culture and religion.

2.1.3 Systems in other countries

Malaysia and UK also have monarchies but their constitutional monarchies are such that the King or Queen has no power beyond what is defined in the constitution. The power rests in the people, as they elect the government every four or five years. Singapore is not a monarchy but a republic, whose government is also elected by the people. In Malaysia, Singapore or UK the people's representatives or MPs sit in parliament and they discuss and approve whatever laws or proposals are submitted by the government. When these are approved by Parliament, they are then submitted to the King or Queen or President (in the case of Singapore) and subsequently become laws. It is unusual for the King or Queen or President to not agree with the proposals unless they are really unfair or done badly. In this case, the King or the Queen can send them back to the Parliament for further discussion. However, if Parliament insists on the laws or bills, then the King or Queen does not have the power to veto them.

The governments can be subjected to vote of no confidence in Parliament, in which case, if they lose, they have to resign and another government has to be formed or new

election called. The government also has a fixed term of power, after which a general election has to be called to form a new government.

In Malaysia there is also another level of checking the proposed laws or bills, called the Senate. They check and discuss the submission from the Parliament before passing them to the King or Queen. In the UK, it is the House of Lords which serves as the check before laws or bills are passed to the Queen. In Singapore, however, there is no Senate or House of Lords and therefore all approved laws and bills from the Parliament go directly to the President. It is important to note that the President in Singapore is unlike the President in the Philippines, Indonesia or USA. The Prime Minister and his government have the executive power because they are elected by the people. The President is identified by the Prime Minister and approved by Parliament and so has very little executive power, as in Singapore's Constitution. The PM appoints all his ministers and does not need the approval of the Parliament. Most of the President's powers are ceremonial, with some important responsibilities for national matters.

In Brunei the Legislative Council takes the place of the parliamentary settings of the other countries. The members consist of senior government officials (all ministers) sitting for the government side and members appointed by the monarch on the opposite side. There are no members elected by the people. The term of members' appointment is decided by the Monarch. The Legco, therefore, has no power to unseat the government as all members are appointed. The establishment of the appointed parliament acts as an additional forum for the opinions and ideas (Borneo Bulletin, 2005).

2.1.4 National Philosophy - MIB Concept

The National Philosophy of Melayu Islam Beraja (Malay Islamic Monarchy) has actually been in existence as far back as 100 AD. The Brunei Malay Monarchy is believed to have been established in early 5th century. Islam spread to the Malay Archipelago in the 6th century and became the official religion in the 14th century when

the Brunei King, Sang Aji Awang Alak Betatar became the first Sultan, known as Sultan Muhammad Shah. Sultan Sharif Ali then outlined the country's administration policy, with Islam as its guiding light. During the Bolkiah reign, Brunei further developed as a Malay Islamic Empire. However, during the past this concept was only declared as a national ideology until the declaration of the current Sultan (Borneo Bulletin, 1997).

His Majesty Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah officially proclaimed this MIB philosophy on 1st January 1984 - the very moment Brunei Darussalam assumed its independent and sovereign status. It has become the nation's formal guiding light and way of life for Brunei Darussalam. It is a blend of Malay language, culture and Malay customs, the teaching of Islamic laws and values and the monarchy system which must be esteemed and practiced by all. Islam is tolerant of all religions, so the MIB philosophy cannot be viewed as a force which stifles the practice of other religions. Rather, it is a vehicle by which other religions can carry on as usual their religious practices and rites with the respect and peace they deserve.

Brunei Darussalam, as an Islamic nation, honours everything which embodies Islam in a moderate way. It observes special days in the Islamic calendar, such as Hari Raya Aidil Fitri and Hari Raya Puasa and important events in Islamic history, such as the birth of the Prophet Muhammad (peace be upon him), Hijrah, Nuzul Al-Quran (The Revelation of The Quran) and Isra' Mikraj. The Brunei government also shows its respect during the fasting month of Ramadan, when all government officers and staff work only six hours daily (as opposed to the seven and a half hours daily of normal working hours outside Ramadan), while all entertainment and sports activities are temporarily suspended. Doa, a very important link to God's blessing, is incorporated in every government function and project. His Majesty also encourages the recital of the Holy Quran every morning prior to the start of work in order to obtain blessing and guidance from God.

The nation hopes that, through the true adoption and practice of the MIB philosophy, the purity of Islam, the purity of the Malay race and the institution Monarchy can be maintained and preserved as a lasting legacy for future generations.

2.1.5 The National Development Plan

The estimated total GDP at constant price for 2003 was B\$4,532.9m, B\$2,420.5m in Oil Sector; B\$2,112.4m in Non-oil sector; B\$1,065.9m in Government sector; B\$1,045.5m in Private sector; and B\$23,615m per capita. Construction contribution to GDP at current price 2003 was estimated at 4.1 percent at a growth rate of minus 17.1 percent (Department of Statistics, 2003).

The current National Development Plan 2001 - 2005 is the 8th in the series and primarily aims at reviving the economy which has remained sluggish since 1998 and continued till the end of the Seventh NDP period. Therefore, efforts towards speedy implementation of economic diversification programmes will be intensified. The other important goal is to achieve the long-term development objectives, which began in 1986 and which include strengthening the government finance and the private sector. A total investment of \$7.3 billion is required to achieve a GDP average growth of 5% to 6% per annum, but the government could only invest 40% of the total requirement. The Seventh NDP reported that problems and constraints which contributed to the delays of implementation were insufficient funds, lengthy implementation procedures, and lengthy approval process for land, allocation, payments, and permits as well as uncoordinated efforts by the various government agencies. The problems which relate to the private sector are the lack of entrepreneurial spirit, experience and exposure, market access, as well as financing. These contributed to the private sector's inability to become more independent of government funding (National Development Committee, 2001).

Brunei Darussalam's National Development Plans were meant for the development of basic infrastructure to provide the various services and facilities, so as to improve the

living standards of the people and to strengthen the socio-economic base of the country. In terms of housing, the national long-term goal is that all the people will have proper accommodation in pleasant environments, with the citizen households owning their own houses.

The respective National Development Plans of 1954-1958, 1962-1966, 1975-1979, 1980-1984, 1986-1990, and 1991-1995 provided the framework for the national housing programmes of Brunei Darussalam. The first National Development Plan (1954-1958) put much emphasis on providing a resettlement programme for residents of Kampong Ayer and housing for government servants, which aimed at reducing the density of the population and housing congestion in Kampong Ayer. With a different emphasis, the Second National Development Plan (1962-1966) tried to strengthen, improve and encourage the development of the economy, social and cultural life of the people in Brunei Darussalam. Perhaps, the objectives also reflected the need to minimise the impact of housing problems in Brunei Darussalam. The Third National Development Plan (1975-1979) aimed to maintain a high-level of employment and the diversification of the economy through the development of agriculture and industry. This plan mentioned the involvement of private and public sector housing production. Similar to the Fourth National Development Plan (1980-1984), the Fifth and Sixth Plans (1986-1990 and 1991-1995), respectively continued to give greater emphasis to housing, with large development expenditure being provided for Government Housing, National Housing Schemes, and the Landless Citizens' Scheme. The Seventh National Development Plan (2001-2005) primarily aimed at giving an all-round enhancement to all facets of life of the people, with emphasis on economic diversification, through the development of export-oriented non-oil based industries. This aimed to include efforts to widen the involvement of the private sector in national development through corporatisation and privatisation of some potential government agencies and activities.

2.2 The Construction Industry

The following describes the early history of construction in Brunei and then discusses the existing business environment surrounding the industry. The housing sector is also discussed at length because it is a major industry in itself, being one of the objectives of the National Development Plan.

The earliest mosque in Brunei was built by Sultan Sharif Ali, the third Sultan of Brunei (1425-1432). The mosque was believed to be located at Kota Batu, the old capital of Brunei. There is no local documentation of the Sultan Sharif Ali's mosque. However, according to a Spanish source dated 1578: "...the Brunei mosque was big and beautiful. The mosque is like the rest of the houses, of wood, of 5 storeys, and the roof of straw, and the highest posts of a black wood that appears to be and they say that it is ebony..." The five storied roofs represented the five pillars of Islam. The five-layer construction also reduced the force of heavy rains, and the resulting high ceiling ensured a cool, open airiness for the interior, the design of the mosque was perfectly suited for the hot tropical climate.

In 1947 there was only 195 km length of road in Brunei and only 64 km with tarmac surfacing. The rest were coastal roads, accessible only during low or medium tides. Ferries were slow moving plank rafts supported on barrels. People frequently failed to make the 144 km trip from one district to the other in one go and had to spend the night in the jungle along the beach. Bridle paths, logging tracks, and river travel provided access to the interior. Parking problems were unheard of in Brunei in 1947 because there were only 64 private cars out of the 356 motor vehicles registered.

The bombing and shelling by Allied Forces during the Second World War liberated Brunei from the Japanese Occupation, but destroyed most of the buildings in Kuala Belait Tutong, Brunei Town and Muara. Buildings and houses of temporary materials dominated the landscape. Leaves of the nipah palm were woven into matting or kajang

to form the walls. There were a few buildings made of concrete in the 1960s and the number increased steadily in 1970s. The construction pace picked up in the 1980s especially after the independence in 1984. It became the second largest industry in the country after oil and gas. In the early 1990s most of the government departments were relocated and provided with new buildings and infrastructures. The housing industry was intensified to implement the National Policy on housing. A new major player from the private sector, the Amadeo Corporation, emerged and constructed many big and costly projects. These included road networks, a 6-star resort, a private medical centre, houses and mini palaces.

The construction industry relies heavily on governmental financial injections into development projects and programmes. Therefore, when the Asian financial crisis hit the region in 1997 this sector experienced an immediate downturn to its development programmes. To balance the deficit in budgets the government adopted the prudent policy in 1998 where allocations were only made available for the on-going projects, and stopped other approved projects. This policy entailed a significant reduction in the country's development allocations from B\$1.3 billion in 1996 and 1997 respectively to B\$957 million in 1998, B\$950 million in 1999 and B\$550 million in 2000. The reduction in the development expenditures affected the growth of the construction industry, which declined from 6.9% in 1997 to 3.1% in 1998. The sector contracted by 4% in 1999 but showed an increase in 2000 to 2.5% (National Development Committee, 2001).

However, during the first quarter of 2000, the government allocated an additional B\$200 million for the country's economic recovery. This allocation was especially to assist private sector development, particularly the local SMEs including contractors. One of the programmes under the B\$200 million package was an allocation to build 300 units of houses for eligible citizens. The package was also to provide infrastructures for the tourism industry and also to create a financial assistance scheme. The steps taken were

in line with one of the long-term national development objectives to develop Malays as leaders of industry and commerce.

2.2.1 Structure

The Ministry of Development (MOD) was set up in 1984 and is responsible for all construction activities. It consists of six units and 13 departments which provide a range of services, from human resources training to basic infrastructure development. The main departments are as follows.

- The Public Works Department (PWD) is responsible for the design and construction of various government projects, such as bridges, roads water and sewerage. It also promotes Bumiputra (local) contractors and keeps a register of consultants and contractors
- The Department of Environment and Recreational Parks is in charge of issue that relate to the environment
- The Housing Development Department is charged with implementing the government's objective for every citizen to own a house
- The Land Department is responsible for registration of privately owned land
- The Survey Department is responsible for surveys throughout the country
- The Town and Country Planning Department is responsible for land use planning and control, covering structure and local development plans, as well as setting and monitoring minimum environmental standards.

The MOD also developed and published Piawai Brunei Darussalam (PBD), Standard and Guidance Documents (GD), to maintain quality and consistency of materials and workmanship in the industry. It registers contractors and suppliers under categories of

classes. Table 2-1 and Table 2-2 list the existing number of registered contractors and registered consultants with the Ministry of Development, Brunei.

Table 2-1: The existing registered numbers of contractors, May 2006 (Courtesy of BGD Unit)

Class	Registered Numbers	Limit of contract value of project B\$	Minimum paid up Capital B\$	Equity for Malays %	Required Qualification (from government recognised institutions)
6	36	Above 5,000,000	1,000,000	10	Relevant degree or specialised qualifications
5	135	1,500,00 – 5,000,000	500,000	30	
4	276	500,000 – 1,500,000	250,000	50	
3	230	150,000 – 500,000	50,000	70	Relevant diploma or specialised level
2	1353	25,000 – 150,000,000	-	100	Course certificates or relevant work experience
1	506	Up to 25,000	-	100	
Total	2536				

There is no information on the number of employed staff in the contractor and consultant organisations. Information for the classes of contractors in Table 2-1 is extracted from the General Guidelines (Jawatankuasa Pendaftaran Kontraktor dan Pembekal Kementerian Pembangunan, 1994). The Table 2-1 shows that only 1.4 percent (Class 6) were not SME contractors in May 2006. This number had reduced from 2.3 percent from the previous year where 24 of the previously registered contractors' licenses had expired.

Table 2-2: Registered Consultants, May 2006 (Courtesy of R&D Unit)

Consultants	Registered Numbers
Architects (ARC)	18
Mechanical Engineering (ME)	7
Civil & Structural (CS)	16
ME & CS	7
Quantity Surveyor	10
Total	58

There are seven work categories to which a contractor or supplier can apply for registration:

- Civil engineering works
- Building construction works
- Water supply, sewerage and drainage
- Maintenance (consists of eight sub-categories)
- Specialist works (consists of 15 sub-categories)
- Supply and services (consists of eight sub-categories)
- Electrical works (consists of three sub-categories)

The development of land and building is basically controlled by three different government bodies in their respective control areas, namely Municipal Board, Development Control Competent Authority (DCCA) and Land Department. The DCCA, established and mandated under the Town and Country Planning Act 1972, regulates, plans, co-ordinates, controls and approves any land or building development within the declared development control areas. The Development Control Unit (DCU) receives, processes and approves the applications for private land or building developments. Upon completion of the project, the DCU carries out a joint inspection with the other members of the approving authority, and gives recommendations to enable an occupancy permit to be issued by the approving authority (Langdon & Seah International, 2000).

The approval of plans for development must be submitted by qualified persons. The plans must be submitted to several government departments namely the Town and Country Planning Department, Land Department, Development Control Unit, Municipal Board and District Offices. Some plans are also required to be submitted to the Fire Department for safety check. These are necessary, however, the process could take as long as a few months to complete.

The construction industry is very dependent on projects from the government sector. As mentioned earlier, government expenditure allocations are set out in five-year National

Development Plans. Presently there are three government organisations involved in the administration for construction finance: Most construction and civil engineering work from the government sector is administered by the Ministry of Development. For development projects, the Ministry of Development needs to request for funds from the Department of Economic Planning and Development. On approval, the finance will be released by the Ministry of Finance. The government may consider this process as a precaution against misuse of funding, but it consumes time and resources.

The private sector relies on the financial assistance from local commercial banks through personal loans to finance their small construction projects. To support the policy on assisting the private sector, the government has made available a micro-credit scheme for SME which is accessible through the commercial banks. There is no direct lending outlet from the government to the private sector.

2.2.2 Housing

Demographic trends and urban development shape Brunei Darussalam's needs and demands for housing. The housing supply is a manifestation of the response made by the Government to meet these demands.

Although it is claimed that there are no acute housing problems in Brunei Darussalam, because of the availability of land and cash (Borneo Bulletin, 1991), housing problems do exist, in spite of the size of the country and her small population, and are similar to those experienced by other developing countries, such as overcrowding, housing congestion, as well as poor housing conditions triggered by rapid urbanisation in consequence of a dramatic rate of economic development. Although many of the improvements in the housing stock are attributable to the construction of new buildings, in actual fact there is a slow rate of improvement in the housing stock. The rate of new building has not been able to meet the demands of an increased population and the process of urbanisation.

The housing situation has been transformed since the early 1950s, when the government undertook the resettlement programmes. A deficit of dwellings over households was apparent when it reached 4418 dwelling units (11 per cent) in 1991. However, the situation improved in 2001, when it had reduced to 3156 dwelling units (six per cent).

However, the deficits did not indicate the true relationship between supply and need. Some proportion of the housing stock needed to be replaced, as a result of normal deterioration, age and the construction materials used. The 1981 Census found that 37% of the total housing stock was built from concrete or brick, 55% from timber and 7% in a mixture of solid construction and timber.

In 1981, the total number of houses in the country was 28,860 units, and by 1985 the total number of houses had increased to 35,000 units, of which 67% belonged to private owners and 33% belonged to the Government and Brunei Shell Petroleum. In 1991, the total number of houses in the country was 40,351 units (Statistics Division, 1991). It is also estimated that approximately 68,000 new dwelling units will be required by the year 2005. On the basis of an average household size of 5.82 persons, the average number of households per dwelling unit is 1.15. In fact, Brunei Darussalam as a whole experienced a gradual decline in the ratio [no. of household/no. of dwelling unit], from 1.19 in 1971 to 1.15 in 1981 to 1.11 in 1991 (Ghani, 1995) and to 1.06 in 2001 (JPKE, 2001). See Table 2-3.

Besides the government, the Sultan Haji Hassanal Bolkiah Foundation also provides housing for eligible citizens in the four districts of the country, under its Housing Scheme. Two new villages in Kampong Ayer have been established, namely Kampong Bolkian 'A' and Kampong Bolkiah 'B'. This housing scheme was set up specifically for citizens affected by disasters.

Table 2-3: Population, dwelling units and occupancy, Brunei Darussalam – 1981, 1991 and 2001

District	Year	Population	Number Of Dwelling Units	Number of Households	Average Number Of Persons		Average Number of Households Per Dwelling Unit
					Per Dwelling Unit	Per Household Size	
Brunei-Muara	1981	114,231	15,992	18,443	7	6	1.15
	1991	170,107	24,899	27,892	7	6	1.12
	2001	230,030	34,775	36,855	7	6	1.06
Belait	1981	50,768	8,609	9,933	6	5	1.15
	1991	52,957	9,467	10,542	6	5	1.11
	2001	55,602	10,156	10,732	5	5	1.06
Tutong	1981	21,615	3,391	3,744	6	6	1.10
	1991	29,730	4,784	4,956	6	6	1.03
	2001	38,649	6,120	6,437	6	6	1.05
Temburong	1981	6,218	868	1,024	7	6	1.18
	1991	7,668	1,201	1,379	6	6	1.15
	2001	8,563	1,489	1,672	6	5	1.12
Total	1981	192,832	28,860	33,144	7	6	1.15
	1991	260,462	40,351	44,769	6	6	1.11
	2001	332,844	52,540	55,696	6	6	1.06

2.2.2.1 Housing Policies

Early settlement schemes were claimed in the 1930s when a group of residents from Kampong Ayer were resettled and provided with land, so as to encourage agricultural employment. This was the Resettlement Scheme. Several resettlement projects continued, especially during the 1950s and 1960s. This trend has now changed (Department of Statistics, 2003).

The policy then changed to providing home-ownership to landless Brunei citizens, especially government employees, who are entitled to have housing loans. The present government's commitment is to increase the provision of houses to the target groups, especially for low and middle-income groups. There are three categories of housing schemes being implemented, namely the National Housing Development Scheme (NHDS), Landless Indigenous Citizens' Housing Scheme (LICHHS) and Land

Entitlement and Infill Scheme (LEIS). These schemes are opened to all eligible citizens. The resettlement scheme and NHDS are for landless Brunei citizens and permanent residents. The main objective of the NHDS is to provide sufficient numbers of houses to meet the increasing number of households and to provide each household with a home. The houses are for sale at subsidised prices, in which the government employees in Divisions III, IV and V are to be given the priority. This scheme is executed by the Housing Development Department. The LICHS houses are for the indigenous Brunei citizens who do not presently own any land. This scheme is implemented jointly by the Land Department and the Public Works Department. These Schemes also aimed at meeting the long-term objectives of the National Development Plan, which is to improve the quality of the life of the people; and to have a clean and healthy environment. The following are extracts from the Eighth National Development Plan (2001-2005).

National Housing Development Scheme

Applications for National Housing Development Scheme (NHDS) since 1986 totalled 34,648, of which 6,358 have been allocated with houses or house lots (5,268 houses and 1,090 lots) while about 10,000 are still pending and the rest do not meet the eligibility criteria.

The NHDS is aimed at creating a cohesive and harmonious society, in line with the objective of balanced national development. This is consistent with the NHDP's policy and objective of creating a high standard of living for the people in a well-planned and harmonious environment, besides giving them the opportunities to own land and houses. In 1998, NHDS was allocated B\$181.5 million to implement on-going projects, such as the master Plan Study for Kampong Tanah Jambu Housing Scheme, the construction of Kampong Pandan Housing Scheme, transit housing at Kampong Belimbing Subok for fire victims, Kampong Sungai Bunga, Pulau Berambang housing and semi-detached housing at Kampong Rimba and infrastructure works for the provision of housing lots and earth works for Kampong Lambak Kanan and Kampong Rimba housing areas.

Landless Indigenous Citizens' Housing Scheme (LICHS)

Since the LICHS was first introduced in 1983, a total of 21,428 hectares of land has been designated to be developed in all four districts. Until the end of 2000, a total of 4,982 applications had been approved under the LICHS and out of this, 2,037 had been given housing while the remaining 2,945 are still pending.

Land Entitlement and Infill Scheme (LEIS)

The Land Entitlement Scheme (LES) is divided into two parts, namely the Resettlement Grant Scheme (RGS) and Temporary Housing Licence Grant Scheme (THLGS). By March 2000, a total of 29 applicants had been granted RGS and 1,415 the THLGS.

The continuous housing programme was first implemented under the 3rd National Development Plan, 1975-1979. The on-going Landless Citizens' Housing Scheme also has eight sites in different parts of the country. The site development works and construction of houses are both carried out in stages, to facilitate occupation by the inhabitants progressively in a modern community with public amenities and services all within an attractively landscaped environment.

During the Seventh NDP (1996-2000), the housing sector, comprising national and government housing, was given an allocation of B\$1,418.4 million. The scheme values of national and government housing sectors increased from B\$918.3 million and B\$124 million to B\$999.2 million and B\$419.2 million respectively. About 23,000 hectares of land were made available for various schemes to house about 70,000 people. The government has provided various types of accommodations for its officers and staff with subsidized monthly rentals. In the Seventh NDP, 42 projects were allocated under the government housing. In the second year of the Seventh NDP, several projects were completed, including official residences for senior government officials.

From 1972 to 1997, a total of 3,255 were completed houses and about 1,088 houses were estimated to be still under construction (Brunei/Muara District). A total of 1,412 houses were also completed in the other districts. Of these, 831 houses were in Belait District, 504 houses in Tutong District, and 77 in Temburong District. There were 121 houses under construction: 26 houses in Tutong and 95 houses in Temburong District.

Ghani Metussin (1995) said that both the market mechanism and government mechanism have distinctive roles in the allocations of housing. There are inadequate supplies of housing and the government is the main supplier of houses. The private housing market is very small, mainly because of the non-availability of land for private development. Private land ownership in Brunei Darussalam comprises only 7% of Brunei Darussalam's total land area. Therefore, this limits private sector house production and consequently the cost might be too high for low-income groups. This gives rise to allocation and distribution problems, which justify government intervention in the supply of housing.

The significance of government influence in implementing the housing policies were explained by Ghani Metussin. Various issues have to be considered, including the dwelling-unit, finance, resources allocation and administrative practices in the implementation. Government has to provide the required number of houses to meet housing needs and ensure that the costs are affordable. The housing allocations are based on administrative and social criteria, to establish priorities and conditions of access. However, due to the subsidised costs of construction, cases have occurred where the non-priority group are those who actually benefit from the scheme. The institutional arrangements governing housing policy may choose to give houses to those who are able to pay and not to the needy. Eventually it became obvious that the decisions are more influenced by political processes and decisions. Paradoxically, the low and middle-income groups, known to be at a disadvantage, are unable to access the scheme because they cannot pay and the government fears that the property cannot be repossessed if they fail to keep paying.

2.2.3 Procurement

The main procurement method is the traditional method, where plans are prepared internally by government staff, or externally using the services of consultants. Occasionally the design-and-build method is employed, where projects are considered important and urgent. This type of procurement is usually termed 'fast track' method in Brunei.

Even when the construction industry is administered by the Ministry of Development, it may only recommend suitable procurement method for projects. The decision and approval is made by higher authority based on the recommendations made by the Ministry. Most projects have been procured using the traditional methods which shows the conservative nature of the persons-in-charge of these projects. Proposals by contractors or consultants with alternative procurement methods were turned down and viewed suspiciously.

2.3 Research Problems

The problems that plagued the construction industry in Brunei are similar to those in many countries. They are related to the quality of construction products, raw materials, lack of human resources and finance. However, the present main constraint is the lack of budget to improve the construction industry from the serious impact of the financial crisis in 1997.

The development strategy in the Eighth NDP (2001-2005), amongst others, is to continue providing incentives for the private sector to play a proactive and dynamic role in economic development. A special fund is allocated for industrial development to be controlled by financial institutions and distributed using the banking mechanisms. At the same time, steps are to be taken to increase government revenue and reduce its expenditure (National Development Committee, 2001). The eighth NDP also discussed

the inadequacy of the existing local banking system in expediting the industrial development in this country. It recommended broadening the system, to be more investment-oriented and to amend the Banking Act to achieve the targeted investment of B\$4.4 billion. The need to increase the quality and quantity of human resources, particularly in technical and professional fields, is also recognised as necessary to accelerate the development of the non-oil industries in the eighth NDP. Foreign direct investment is viewed as the solution to the budget deficit, as well as bringing in the needed skills, experience and technology.

During the seventh NDP, the actual development expenditure was B\$3,249.0 million representing 64.2 percent of the total approved budget allocation of B\$5,057.0 million. The financial crisis of 1997 caused a budget deficit. This was compounded by the government having to pay for unaccounted 74 already completed 'special projects'. The deficit caused the government to implement a prudent policy, resulting in the reduction of development allocations for 1998, 1999 and 2000 to half the amount required to finance the on-going projects, while new projects were put on hold. Due to insufficient allocations, problems of delayed payments to contractors arose, which adversely affected the implementation of the projects. The lengthy payment procedures also caused problems in project implementation.

In the eighth NDP, privatisation is looked upon as a development strategy to reduce government expenditure and administrative burdens, and reduce the size of government, as well as encourage and widen private sector participation in the national economic development. It is one of the government's efforts to accelerate economic diversification. The Master Plan Study on Privatisation is to be prepared during the early part of the eighth NDP duration. A committee on privatisation was established in 1994. The strategy used in the process is through commercialisation and/or corporatisation. Corporatisation is defined as the transition of an organisation into a corporate entity under the Companies' Act, with the government as the sole owner of the company. Commercialisation, on the other hand, means the transfer of activities or services to

business and commercial activities. Privatisation is defined as the transfer of equity ownership to the non-government bodies.

Porter (1998) wrote that “It is the confusion about the true causes of competitiveness today that continues to slow progress both in government and in the companies”. The discussion at government level is still focussed on macroeconomic policy when microeconomic issues are often the real constraints to progress. Governments use devaluation and current policies as means to increase ‘competitiveness’, instead of a reflection of their failures. Governments would fare better if they tackled the weaknesses in their national business environments, instead of trying to attract foreign investors by subsidies, to solve their problems. On another hand, companies also misunderstand the implications of globalisation by thinking that outsourcing could solve their competitor problems. Companies also ask governments for the wrong kind of assistance in enhancing competitiveness.

Porter’s discussion made the researcher think whether the existing business environment of the construction industry promotes private sector activities. The constraint in the budget has minimised construction activities and new ways to implement projects must be found to move the construction industry. Since the government’s aspiration is to use the private sector as the engine for growth, the three models proposed to move the construction industry are public-private partnerships, privatisation and private finance initiatives. In these three models the private sectors are involved in delivering services which were previously under the public or government sector. This thesis explores the business conditions which would assist public-private partnerships, privatisation and private finance initiatives to flourish in Brunei. However the lack of economic information in Brunei such as capital reserves may produce difficulties for using these models.

Consequently, the following questions arose in this chapter:

RQ1. Which business conditions need to be in place that will strengthen the business environments to promote private sector activities in Brunei?

RQ2. Which business conditions are currently in place that hold back private sector activities?

RQ3. Is it possible to identify these by the adoption of a replicable methodology?

RQ4. If identifiable, can these factors be ranked to present an ordered set of criteria collectively considered critical?

2.4 Conclusion

This chapter introduced the country, Brunei Darussalam, its government and management system. The National Philosophy of Malay Islamic Monarchy shapes the environment in many ways.

The country is also very much dependent on its oil production. However, the 1997 financial crisis has made the government aim for diversification from oil to other industries. Given the nature of the economic situation in Brunei which is oil-dependent, the nearest comparison is with other oil-based countries such as The Emirates (Ismail Duraman, 1998). However even the situation in The Emirates is different to Brunei. The deficit in government budget also caused the government to seek other ways of raising finance to implement development projects. The government, therefore, expects the private sector to take the role as the engine for growth in the future and share the government's burden in financing projects and giving employment.

This chapter then discussed the construction industry and the housing industry as a continuing project to support the objectives of the National Development Plan. The industry is the most affected by the financial crisis, with cuts in budgets and long overdue payments to contractors for completed projects.

Finally, this chapter briefly discussed the objective of the eighth National Development Plan in getting Foreign Direct Investment to balance the economic environment of the country. Porter (1998), however, thought that this might be the wrong strategy for the government because the problems lie in correcting the internal environment of the country.

With this view, the researcher then proposed three models to move the construction industry, by giving the private sector more roles in the implementation of projects. The three models are public-private partnerships, privatisation and private finance initiatives. However, it is first important to know whether the business environments in Brunei promote private sector activities for these three models to flourish. The lack of economic information in Brunei may also produce difficulties for using these models. This chapter then concluded with four research questions in its exploration of the influencing business environments.

The following Chapters 3 and 4 discuss the literature review of these three models and the environments where they have been successfully implemented respectively. Chapter 5 discusses the research methodology for this research.

CHAPTER 3

PUBLIC-PRIVATE PARTNERSHIPS, PRIVATISATION AND PRIVATE FINANCE INITIATIVES

3 Public-Private Partnerships, Privatisation and Private Finance Initiatives

The literature review of public-private partnerships, privatisation and private finance initiatives is discussed in two parts, of which this chapter presents the first.

Public-private partnerships, privatisation and private finance initiatives are world phenomena. Literature suggests that these phenomena occurred when governments experience problems in meeting public demand from lack of finance. Raising taxes is not always possible, so other financial sources must be sought to plug the hole in government budgets. Finding other financial resources has opened up opportunities to innovate ways for delivering services which were previously government or publicly owned.

This chapter intends to clarify the concepts of public-private partnerships, privatisation and private finance initiatives. The definitions, the drivers and theories which cause them to emerge will initially be discussed. The chapter then continues with an analysis of current work in these areas. Any gap/s will also be identified in this chapter.

3.1 Public-private partnerships

When referring to Public-private partnerships in this thesis, the 'public' refers to the government or state-owned enterprises and/or service providers. Partnerships include partnerships between the public sector, the private sector and the voluntary sector organisations. This thesis does not discuss partnerships between public sectors.

3.1.1 Definition

Rising costs and economic crises have led to budget deficits and the need to control expenditure for many public bodies. At the same time there is social pressure to maintain adequate levels of public services. Linder (1999) discussed six distinctive uses of partnerships. These are management reform, problem conversion, moral regeneration, risk shifting, restructuring public service and power sharing. Many different types of partnerships thus can be formed.

The definitions of Public-private partnerships (hereafter referred as PPP) are influenced by key dimensions and characteristics of each different type of PPP. The simplest definition is an agreed, cooperative venture that involves at least one public and one private sector institution as partners (Carroll & Steane, 2000). It is also termed collaborative advantage because something is achieved only because of the collaboration (Huxham & Vangen, 2000). Other definitions of PPP are in the contexts of social cooperation, funding, policy, commitment, consultation, action and power (McQuaid, 2000).

PPP is also viewed as an institutional arrangement to enable the provision of services to meet public demand (Klijn & Teisman, 2000; Akintoye, et al., 2003). The government and private sectors combine their good qualities to get mutual benefit from partnerships. The government gets the advantage of skills and knowledge from the private sector; and the private sector becomes involved in the operation and management of services which were previously publicly owned. In this arrangement resources and risks are shared.

Figure 3.1 represents the arrangements of a public-private partnership. The term 'promoter' refers to the party who first identified the project. It might be a government department calling for interested parties to make submissions, a contractor who approaches government with the concept or alternatively a financial group, often instigated by a merchant bank (Akintoye, et al., 2003). The formal structure of the

partnerships ranges from legally binding contracts, to unenforceable public agreements or general agreements to cooperate. Formal partnerships generally include specific objectives and mechanisms (McQuaid, 2000). The contract, rather than market forces or statutory regulations, constrains the scope of business and potential profit in all PPP cases. Management is offered incentives to perform, set by the public sector.

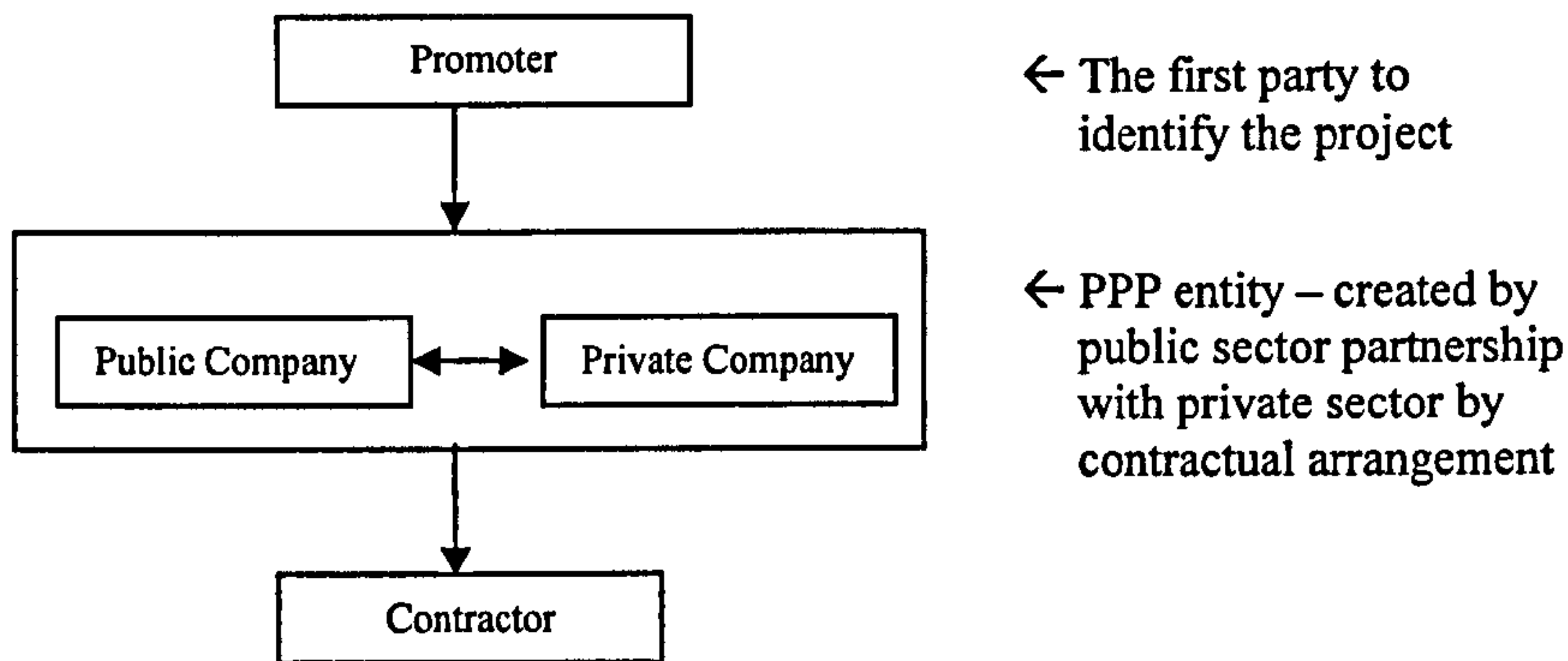


Figure 3-1: Diagrammatic relationship of PPP

The roles and responsibilities of both public and private sectors vary in different PPP projects. However, the public sector is always responsible for the scope, quality and performance standard of services, and taking corrective action if performance falls below expectation. It also pays for the services. The private sector is responsible for delivering the services as value for money to the public sector (Gerrard, 2001).

3.1.2 Why were public-private partnerships introduced?

The origins of PPP in the UK can be traced to the Labour administration in 1978, when the then Environment Secretary, Peter Shore, brought this idea in from the US. In 1979 the Conservative government initially adopted this approach to balance the supply of public services between the public and private sectors. The belief was that private sector enterprise and disciplines could bring gains in efficiency and cost reductions. However,

it was only in 1981 that steps were taken to enhance the use of PPP (RICS, 1995). PPP started in public sector organisations by emulating private management's techniques. Then it continued with the expansion of compulsory competitive tendering (CCT). Here, private companies were allowed to compete for contracts to provide public services. In 1992 the role of the private sector was extended to include designing, building, operating and owning public sector facilities, such as schools and hospitals. This was established in PFI projects (Falconer & McLaughlin, 2000).

PPP was practiced in France in the seventeenth century, when canals and bridges were built by granting concessions. A concession can be granted, based on trust, without knowing all the details. Tenders are decided on the basis of the concept and the track record of the bidders (Cowie, 1996). Teisman & Klijn (2000), however, argued that the French arrangement was not pure PPP. This was because the private sector in the partnerships was not independent of the government. It was only in the middle 1980s that PPPs were reconsidered in continental Europe. Examples of these projects are the Channel Tunnel between Great Britain and France, the Oresund connection between Sweden and Denmark, and transnational high-speed railroad tracks and stations.

Reijniers (1994) and Li et al (2005) discussed how PPP was initiated to find a solution to budgetary shortfalls and/or to enhance existing resources and make use of synergy (McQuaid, 2000). The effect of budgetary shortage is a reduced market for investment companies. Finding new ways to finance projects could create new markets for investment, such that it may improve the business environment (Fisman, 2004; Al-Homeadan, 2004, O'Reilly, 2004). The PPP strategy thus broadens the ownership and stimulates domestic and foreign private investment.

PPP also intends to reform public sector operations to enhance their contribution to growth and the economy. Reform is by changing the role of government from service provider to policy maker (RICS, 1995). Hence, the state sector becomes more business-oriented by letting the private sector take the main roles in the supply of public services

and giving them the opportunity to be involved in decision-making. This was based on the belief that private sector is better than the public sector (Falconer & McLaughlin, 2000) and hence would benefit from the private sector's management skills. Bekkers (2003) described this as introducing efficiency, quality and innovation where previously the major influence was politics. The main advantages of partnerships are:

- Resource availability;
- Effectiveness and efficiency; and
- Legitimacy.

Potential disadvantages (McQuaid, 2000) include:

- Unclear goals,
- Resource costs,
- Unequal power,
- Cliques usurping power,
- Impacts upon other 'mainstream' services,
- Differences in philosophy between partners and
- Organisational problems.

The partnerships may be based on trust or on an expectation of continued partnership. Or they may just be political. McQuaid discusses five main dimensions of partnerships to analyse or develop models. They are purpose, key players, time, location and implementation mechanisms.

The structures of PPP could be viewed in two ways. The first view, as developed by Abdel-Aziz & Russell (2001), describes the key features of government requirements: rights, obligations and liabilities. The government is traditionally responsible for attributes of these key features but, in PPP, various combinations could be temporarily

or permanently assigned to another party. For example, in build-own-operate or full privatisation, all attributes are the responsibility of the private developer. Between these two extremes come all other PPP procurement modes. The second view establishes the forms of PPP as varying between concessions-based business (PFI project) and joint venture (Wider Markets project). A broad spectrum of possible PPP structures having features of both lies in between them (Gerrard, 2001).

The flexibility of the PPP model enables its use in many forms. The Government has used PPP with private sector operators, in public sector contracts, or in privatisation of service providers, such as utilities (Kohli & Sood, 1987; Akintoye et al., 2003). Other measures, such as outsourcing and deregulation, are also employed to enhance PPP.

In the past there were five types of private involvement, namely service contracts, leasing, joint ventures, concessions and privatisation. Now, the UK government is endorsing eight types of PPP models for procurement of public services and facilities. These models are: privatisation, wider markets, sales of business (by floatation or trade sale), partnership companies, private finance initiative, joint venture, partnership investment and policy partnerships. Some existing PPP projects overlap and fit into more than one category, but the most used PPP, at the moment, is the PFI model (Hardcastle & Boothroyd, 2003; Li et al 2005). An example of overlap in PPP models is the Greenwich Hospital, in south-east London, which was designated a PFI hospital to be operated under a 30 year concession using design, build, finance and operate contract (Financial Times London, 1998). Osborne (2000) discussed the theory and practice of Public-Private Partnerships in the international perspective in detail.

Klijn & Teisman (2000) and Gerrard (2001), however, said that PPP should be differentiated from privatisation. PPP is a combination of government and market parties, while privatisation is a shift of production from the public to the private sector. Relational transparency or trust is important for successful partnerships. In PPP, decisions are taken as a result of discussions with both sectors, whereas the privatisation

is entirely dependent upon the decisions of the private sector. Partnerships arise as a derivative reform, in areas where full privatisation seems less tractable (Linder, 1999). Politically, this represents the third way of delivering public services. The first two are either all government or all private.

3.1.3 Discussion

Evidence in the UK showed that projects under PPP have been completed ahead of time and within budget (Gerrard, 2001) and with transfer of risk to the private sector (Worenklein, 2003). The benefit in cost reduction is still being debated. These gains made it worthwhile to use PPP, even when initially very demanding on the public sector.

Cambridge Economic Policy Associates Ltd. (2005) discussed the use of PPP in Scotland. More than half of the public authorities believed that PPPs deliver value for money projects. However, competition reduces with time. Even when procurement takes longer, the percentage of projects delivered on time has improved. There was also greater price certainty of projects, although more expensive than conventional procurement.

BOT or BOO models no longer apply in the development of infrastructure of developing countries (Worenklein, 2003), because the private sector will not invest in infrastructure in emerging markets using this model. New partnership models are needed to provide greater assurance of project viability. The government sector also needs more incentives to perform. The classic project finance approach also does not apply in the poorest countries. Their governments and people are often too poor to pay for the needed infrastructure facilities. The proposed new model was for the private sector to take the leading role in developing, financing, implementing, owning, and operating these priority projects. Western donor countries would pay for the services provided by these projects as part of a programme of official development assistance.

Earl & Regan (2003) use the suggested 8 transactional models in the British Government's PPP Guidelines in their study on the use of PPP in the Australian context. They discussed that PPP showed long term financial benefits to all parties involved in PPP using the social housing/infrastructure case study.

In Hungary, a 'transitional' nation, cooperative arrangements were established to use the human and material resources efficiently. An experimental public-private partnership in both the planning and implementation of much needed local services (Jenei & Vari, 2000) showed a lack of trust amongst the players and a turbulent political and organisational environment.

In OECD countries PPP are used to create employment in the countries. Projects include rural regeneration, small town development, tourism and regional diversification and revitalisation (OECD, 1993). The PPP also include assistance to entrepreneurs and training and retraining of local youths.

In East Asia, partnerships are used to meet economic rather than social goals. Constraints on public resources are unlikely to be a motivation for the development of partnerships. This may be due to the culture variable, as 'culture' may be regarded as a major determinant of social attitudes. Since partnerships are largely an Anglo-American invention, they could be expected to be incompatible with local cultural values. In sum, the context for public-private partnerships appears unpromising in East Asia. The present economic crisis may initiate many partnership activities only because governments are concerned about growth (Common, 2000). However, Bayliss et al. (2004) stated that partnering tools, monthly partnering review meetings and the use of incentives helped to underpin the success of Tseung Kwan O Extension Contract 604 in Hong Kong. Wong & Cheung (2004) studied the importance of developing trust among construction partners to facilitate project success. They found that the contractors' trust level is more sensitive towards their clients' behaviour than vice versa.

The key to successful partnerships lies in the ability to interweave goals and in creating tailor-made arrangements. Institutional barriers are the existing problems of public private partnerships (Klijn & Teisman, 2000).

There are many case studies on PPP. Care must be taken, when trying to generalize partnerships, because of their diverse forms and natures. However, the more general theoretical basis for understanding and analysing them remains poorly developed (McQuaid, 2000).

3.2 Privatisation

3.2.1 Definition

Beesley & Littlechild (1988) defined privatisation as “the formation of a Companies Act company and the subsequent sale of at least 50 per cent of the shares to private holders”.

Pirie (1988) differentiated privatisation from denationalisation. Denationalisation is the reverse of nationalisation, introduced by the Churchill administration of 1951-55. It means handing back state industries to their previous owners. In privatisation, new owners or forms of ownership are sought and created.

Ramanadham (1989) defined privatisation as the introduction into the public sector of conditions which otherwise typify the private sector. These are denationalisation, and liberalisation and deregulation when it involves competition.

Privatisation is also known as ‘asset sales’ when there is divestiture. This means the complete transfer of equity to private sector without time limitation. This transfer may be effected by auction, public stock offering, private negotiation or outright grant to a private organisation that assumes operating responsibilities (Akintoye, et al., 2003).

The two main issues of privatisation are ownership and competition. Firstly, the change of ownership from the public sector to the private sector is based on the view that the private sector is better than the public sector. Being consumer-oriented, the private sector allocates all of its resources for the benefit and requirement of consumers. Some authors see it as more efficient, cheaper and profitable than the public sector, because it is subjected to open market forces and competition (Adam Smith Institute, 1986; Pirie, 1988; Hyman, 1989). Thus, a public sector is transformed into an economic entity when it becomes private. It is no longer subjected to political pressure and is able to make decisions on investment, to improve aspects of its organisation, such as efficiency. Performance is expected to improve with this change. When efficiency increases, the budgetary burden of the state is expected to be reduced (Pirie, 1988; Beesley & Littlechild, 1988; Akintoye, et al. 2003). Other expected benefits from the change of ownership are profitability, freeing enterprises from political influences, encouraging competition, enabling free entry to market and allowing joint venture. The size of the public sector is also reduced. Swann (1988) said that privatisation is possible, even when there is no change in the ownership of public assets. Thus a public enterprise may continue to exist by adopting private sector operation and business attitudes. It opens the public sector up to competition. The justifications for the adoption of a policy of privatisation, or even for taking ad hoc privatisation decisions, can be categorised as government-centred, business-centred, public-centred or employee-centred (Thynne, 1988).

Vickers & Yarrow (1988) argued that public ownership does not imply state monopoly, and private ownership does not necessarily assume competition. In the labour market, it is competition rather than ownership that matters most. There are also views that competition is the strategy and the purpose of privatisation. To Ramanadham (1989), competitive efficiency became the product of privatisation in the UK. Heath (1989) suggested that the strategy of privatisation is to create a competitive situation. This is supported by Veljanovski (1989), who insisted that the whole point and purpose of privatisation is to subject state monopolies to competition.

Grimstone (1989) suggested that financial grounds alone are enough to justify privatisation. This is obvious in developing countries, where privatisation becomes a requirement for getting financial assistance from the IMF and the World Bank (Perotti, 2004).

Other important reasons for privatisation are: to widen share ownership, and to redistribute income and wealth gained from political advantage (Yarrow, 1989). The view is that proper privatisation does work. The World Bank presented eight lessons for readers to learn the experience to implement successful privatisations (The World Bank, 1992).

Privatisation is an approach and not a method, since the U.K. Conservatives' election manifesto in 1979 did not mention privatisation. The British government developed the techniques of privatisation by experience and practice, and many privatisations were successfully implemented (Hastings, 1983; Veljanovski, 1989). The objectives of the national and individual enterprises, as well as other practical factors, decide the approach towards privatisation. Privatisation is flexible and can be applied to so many situations in so many economies (Pirie, 1988). For example, in order to widen the ownership, public offerings of shares are the preferred choice. However, this is a severe test for a company. If this fails, employee buy-outs are the next option but funds must be available and the company's cash flow must be able to support the necessary leverage. Sales to corporate purchasers involving foreign buyers are the most difficult. Priorities are given to local investors, although a minority share sale overseas would help a domestic sale. In practice, political desirability directly relates to the level of capital market sophistication in a successful sale. This hierarchy is demonstrated diagrammatically in Figure 3-2. The public offering represented the highest achievement of privatisation. For countries with undeveloped capital markets, overseas trade sales may be the only option even if politically undesirable (Grimstone, 1989).

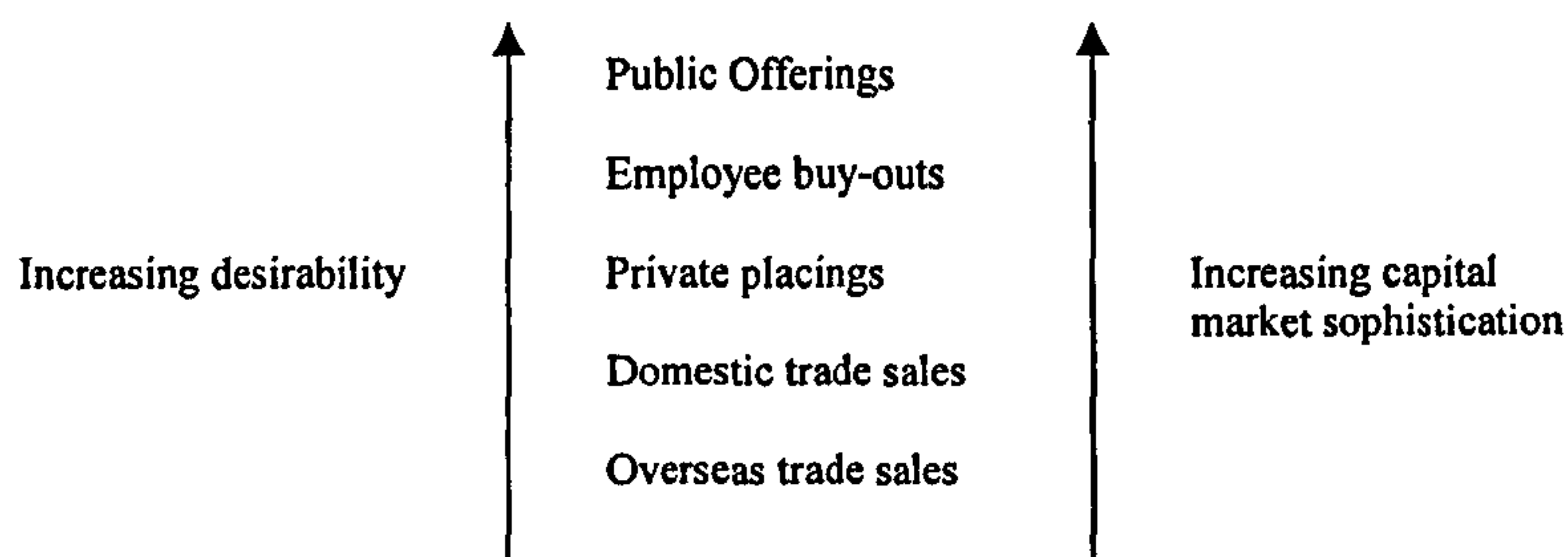


Figure 3-2: Hierarchy of political desirability in privatisation options

Vickers & Yarrow (1988) stated that the Conservative Government did not foresee the importance of privatisation in their economic policies. This view was supported by Abromeit (1988) who considered that the UK privatisation was poorly organised, with deficiencies in the programmes. The aims of privatisation keep changing. A White Paper on privatisation was not formulated and the corresponding official policy document from the opposition was also absent. Delays were caused by lack of experience of the government. There were technical and organisational problems. There was internal disagreement within the government on the reasons and methods of privatisation. This shows that the Government itself did not know what to expect from privatisation. The resistance of some of the privatisation candidates themselves became a major problem. Ramanadham (1993) discussed the constraints and impacts of privatisation to increase its progress and roles in state-owned enterprises.

Privatisation has denationalisation at one end and market discipline at the other. Ramanadham (1989; 1993) categorized them under ownership measures, organisational measures and operational measures. Whitfield & Hall (1983) and Swann (1988) introduced another type of measure: the financial measure. This represents a more advanced type of privatisation compared to the previous methods. Figure 3-3 contains a diagrammatic representation of privatisation. Many techniques offering incentives have been developed to accept privatisation. Consumers of state utilities were offered the option of reduced bills in the years ahead if they become shareholders. Therefore,

customers with shares in British Telecom or British Gas had the choice of vouchers towards their future bills (Pirie, 1988).

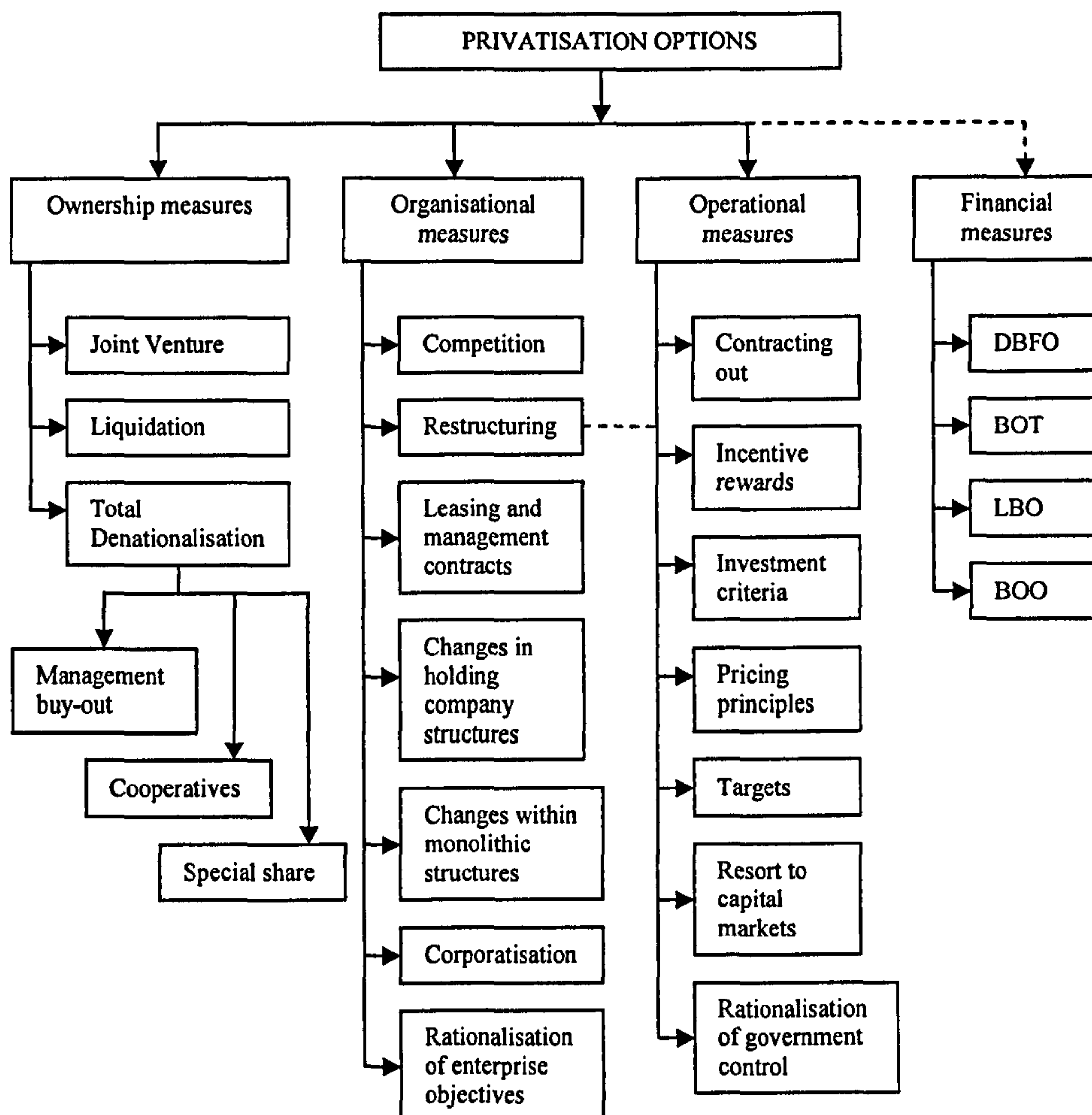


Figure 3-3: Different modes of privatisation

Starr (1988) discussed that political practice often conflict with theory. The meaning of privatisation depends in practice on a nation's position in the world economy. Throughout the world, the privatisation of enterprises with strategic military or economic significance raises especially sensitive questions of sovereignty and security.

The conflict between privatisation and national interests depends on the relative power of a given state in the world system – the weaker the state the more likely the conflict. Economically strong nations, knowing that they can privatise without jeopardising their sovereignty, lecture the weak on the perils of state enterprise and restrictions on investment.

The biggest success of the privatisation programme in the UK was in the sale of state-owned council houses to their tenants. This has had the largest effect and financial implications for the government. In 1979, about 35 percent of British houses were state-owned and occupied by tenants at subsidized rents. Raising the rents was impossible. Privatisation gave tenants the opportunity to own the houses they occupied, at discount prices. The incentives were 20 percent off market value for two years' occupation and 50 percent off (later raised to 60%) for 50 years. By 1985, the yield from sales was higher than that of all the other privatisations added together. At over £12 billion, it was of major importance in the budgetary process. The Labour Party, which initially opposed the policy, also embraced the programme with a 'right to buy' policy of its own (Adam Smith Institute, 1986; Vickers & Yarrow, 1988).

Table 3-1 briefly explains selected examples from ownership measures (joint ventures and trade sales), organisational measures (leasing contract), operational measure (contracting out) and financial measures (build operate transfer).

Table 3-1: Selected examples of each measure of privatisation and what they involved

Privatisation options		Description	Suitability
Ownership measures:	Joint Venture	Combines components of other methods, typically partial trade sale and management contracts. Expertise in production, marketing, management and the capacity to expand the business are expected from the joint venture partners.	Where capital is not available, and technology transfer is a requirement. Government also not willing to divest the project completely.
	Trade Sales	Sales may be of shares or assets to another company. These can be carried out by direct negotiation, tender or auction.	Countries without developed capital markets.

Organisational measures:	Leasing Contract	This involves agreement between the government and the private sector. The contract determines the amount to be paid to the government, as well as the responsibilities of each party towards the other. The amount to be paid by the private sector depends on the condition of the asset and the expected profit. Government sector: leases out its assets or facilities in exchange for payment for a specific period of time. Private sector: provides administrative and technical expertise. Assumes all commercial risks with the operation, is obliged to maintain and repair the used assets or to contribute to the cost of doing so. This is an incentive for the private sector to reduce costs and maintain assets in good condition. Appoints the workforce, including existing government employees, in accordance with the agreed terms of the leasing.	Where divestiture of assets is not an option.
Operational measures:	Contracting out	The Government sector: Specifies the services and desired outputs. Private sector: The contractor or investor is responsible for managing, operating and supplying services for a period of time for an agreed amount of money paid by the government.	Suitable where there are clear goals and rules for tendering, selection and delivery. Not suitable when performance and product indicators are unclear.
Financial measures:	Build Operate Transfer (BOT)	This represents a more advanced method of privatisation. Generally considered better than leasing contracts but implementation is more complicated. This is because a large amount of financing is needed for expansionary obligations. The contract also involves project concession of several years, 20-40 years. Private sector: assumes responsibility for providing the capital, operating and investment expenditure, unlike lessee.	Usually for large infrastructure projects with heavy investments or capital expenditure. Such projects would also provide the private sector with opportunity to have monetary gain from their investment.

3.2.2 Why was privatisation introduced?

The great retreat of government was set in motion in the first half of the nineteenth century in Britain. Privatisation can be traced to Victorian times, when the Municipal Authorities were set up because there was not enough money for sewage disposal in civic governance. During the Railway Age, the railways, canals and roads were built by private sector developers (Harvey & Ashworth, 1996) and Great Britain became known worldwide because of these (Linder, 1994). However, the greediness of the private sector resulted in a crash of 1886 and bankrupted many contractors (Pollard, 1969).

Britain experienced budget deficits caused by the wars. The economic controls were applied from early 1917 onwards. Morton (2002) stated that taxation was used in

wartime for two purposes: the provision of funds for Government departments, and the removal of funds from private hands. The first surplus after the war was in the budget of 1920-1 as the first 'normal' peacetime budget. The government was a major client of the construction industry. The public sector then funded a wider range of public services provided by local authorities throughout Britain. Public funding continued well into the twentieth century by collecting taxes to finance projects. The nationalisation of coal and steel and railways after the war was a necessity. It was also a political decision, since the private sector was incapable of raising the money to restore the capital assets of these industries. The local services gradually expanded and led to a steady rise in local government expenditure. This growth was checked by central government as part of a general policy of reducing public expenditure (Harvey & Ashworth, 1996).

Privatisation made its re-appearance in 1979. The process started with the sterling crisis of 1976 where governments begin to emphasise financial performance in general. The main concern was the effect on the central government public sector borrowing requirement (PSBR) caused by public enterprise. The public sector in Britain was very significant to the economy because of its size. It was the largest producer, the largest consumer, the biggest employer and the biggest owner of property. The public sector then accepted that central planning no longer delivered or provided the motivation (Adam Smith Institute, 1986). The initial reasons for public ownership are no longer important (Vickers & Yarrow, 1988; Littlechild, 1989; Heath, 1989; Yarrow, 1993). Pirie (1988) discusses the public sector and their problems at great length. Twenty-one methods were offered as alternative ways to improve the public sector. Dobrodey et al (2000) presented five views, with contra arguments, on state-owned enterprises' ineffectiveness as compared with privately-owned ones. Perotti (2004) discussed the circumstances when either state-ownership or private ownership should be preferred to each other.

Privatisation arises as a means to improve the performance of the public sector. The structure and organisation of the public sector and its political connectivity causes

inefficiency and low profitability in the public sector (Batkin, 1983; Adam Smith Institute, 1986; Grimstone, 1989; Yarrow, 1993). Bureaucrats and politicians are also bad at running businesses. Public services therefore must be privatised to be efficient (Woodward, 1989). Wiseman (1989) stated that the cure lies in removing the weakness contributed by the large size, statutory monopoly and the opportunity for misuse of social and political purposes.

The role of the government changes and reduces with privatisation. It enhances the role of the private sector. This is the strategy implemented by policy makers all over the world to improve performance of enterprises (Ramanadham, 1989). It has also reduced the size of the public sector where Governments before 1979 had failed (Yarrow, 1993). Privatisation gave permanence to government. It was done once and eliminated repetitions such as in annual cost campaigns.

The privatisation policies led to major public corporations becoming private industries during the second half of the 1980s. The structure of the UK economy was influenced by the privatisation policy and the increased growth of the service industries (NEDO, 1992).

3.2.3 Privatisation in the Construction industry

The economy was primarily and increasingly based on private enterprise, and government policy aimed at encouraging and expanding private sector. The private sector accounted for three-quarters of GDP and a similar proportion of total employment. The British government was trying to create favourable operating conditions for the markets and to encourage entrepreneurship.

In contrast to other industries threatened with privatisation, the construction industry is already largely a privately owned industry. Only one quarter of all workers in the

construction industry work for the public authorities. The Local Authorities are by far the biggest employer of construction workers in the public sector. Some construction work for local authorities is undertaken by their own direct labour departments, usually in the field of new house construction and maintenance of their existing houses. The concerns in privatisation were in job security, employment conditions, health and safety, training and trade union organisation (Secker, 1983).

The Labour Government in 1974 introduced the idea of using housing associations as an intermediary 'third force'. The government argued that the intermediary third force would reduce inefficiency, bureaucracy and unresponsiveness of services. It was meant to take over those services which are difficult, in either political or practical terms, to privatise directly to contractors. Whitfield & Hall (1983) viewed this channeling of government funding and work to such organisations at the expense of public services, as manipulating government policy and funding.

The Department of the Environment (DoE), in charge of the construction industry, was established in 1970. A professional consultancy, the Property Services Agency, PSA, was a subordinate to the DoE and acted as agent for various governments' client organisations. Public sector projects were mainly designed in-house, but private services were used to complement in-house know-how. In early April 1990 the PSA began its privatisation drive. Half of its public sector clients tried out private services and gained the freedom to test and use more sophisticated procurement methods (Harvey & Ashworth, 1996). Burnes & Coram (1999) discussed the privatisation of PSA and the problems encountered in privatising the construction industry. These are due to four factors: the lack of experience among both purchasers and providers and providers of long-term partnership arrangements; the risk-averse nature of the Civil Service; the pressure on departments from ministers to minimise risk; and government guidelines on competitive tendering which make it difficult to enter into long-term agreements.

The major reason for the change in the role of the public sector as client, was the privatisation of the water, sewerage and energy industries in England and Wales. These were balanced by increased capital spending by the privatised agencies and expenditure generated by the European Union. In addition, these changes coincided with the European Union legislation on the quality of water (Hillebrandt, et al. 1995). This was the beginning of a reduced role for the public sector as client of the construction industry. The remaining public non-housing sectors, however, have strong growth, thus making the output of the privatisation insignificant (NEDO, 1992). Construction activity started to pick up after the severe decline, which had gone on for almost two decades. The public sector increasingly attracted contractors in the form of partnership housing with local authorities and housing associations. In the early 1970s, public building and works accounted for over 50% of the construction industry's workload. However, by the late 1980s, this had fallen to less than 25%, and this proportion only recovered slightly due to recession in the private sector. In 1989, about 30% of the new work was in housing, with 70% in the other types of construction work. Of the new-builds, 12% was for the public sector and the remaining 88% for the private sector. Unemployment, however, remained a worry and, even in 1986, was still over 1.5 million.

Falconer (2001) explained that in the last fifty years there has been an increasing demand from the public for better services, welfare, health and education. The Government made commitments to provide these facilities, while at the same time reducing their investment in funding expensive capital projects. The result has been a consistent failure by a succession of governments to make proper provision for renewal of infrastructure. In the late 1980s privatisation partially transferred to the private sector infrastructure works, which for a number of decades had been provided by the public sector.

The government also reduced its role in its support for the development of the construction industry, e.g. in research and development, and in traditional education and training for the industry. It was a similar situation to that in the 1970s, when government

steadily reduced its involvement in improving the efficiency of the industry. Contractors generally accept that the industry can no longer rely on the public sector to provide work, to solve the industry's problems and to subsidise certain activities. The concern is focused on government's role in improving the inadequacies of the regulatory framework in which companies can operate effectively.

Walker & Smith (1995) discussed the concept of BOT or BOOT as part of privatisation. The concept requires the private sector to take the risk of developing a project, with no guarantee of success. Success is measured in terms of meeting the needs of enough customers to ensure its viability. The private sector and their financial sponsors, however, are only willing to take these risks if the legal environment is supportive. Amongst the benefits of BOT or BOOT to the public sector are relief on the financial and administrative burdens, reduction in size of (inefficient) bureaucracy, better service to the public, encouragement of growth, leaving the Government to better focus and fund social services such as health, education, pensions and the arts. Handley (1997) discussed that BOT are by nature too complex and fragile and too highly prone to politicisation. He further viewed the many projects were not successful using BOT especially in Asia.

3.2.4 Discussion

3.2.4.1 Overall view on privatisation

Batkin (1983) labeled privatisation as the ideal halfway house since it did not fulfill all of its objectives. There is only a small saving gain from privatisation for the high political price of eradication of activities. Hastings & Levie (ed. 1983) discussed various arguments against privatisation. These included the negative effects on production, employment and wages, because of less welfare provision in the private sector than in a public enterprise. Products also become more expensive, especially when private enterprises become monopolistic, such as when utilities leaving the public with no

choice. The equipment may not be properly maintained, nor service guaranteed. There may also be a lack of consideration as to the needs of consumers and employees when services are converted to businesses (Scott & Benlow, 1983).

Starr (1988) said that the political uses of privatisation are bound to compromise the avowed efficiency objectives. This can be seen in managerial incentives and in selling assets to political allies. In contracting of public services, contracting is the *locus classicus* of the political pay-off. When governments underprice shares – it may be to ensure that privatisation is successful as well as giving openings for shareholders to repay governments in the next election. These reinforce the political influence which privatisation was meant to escape from.

Grimstone (1989), however, insisted that few policies could claim the benefit of privatisation. It can create its own market capacity and helped London to grow as an international financial centre. The two positive impacts are a widening of the capital market, by introducing new investors, both domestic and international; and a deepening of the market, by introducing mature companies with a strong market position. Privatisation was able to increase industrial efficiency, raise money, boost ownership amongst employees and the wider general public, and carry domestic as well as international prestige. Everybody seemed to gain, provided the relevant interested groups were clearly identified and satisfied at an early stage.

The many different approaches of privatisation and its objectives made the assessment and evaluation of privatisation difficult. Cook & Kirkpatrick (1995) used five approaches in their examination and failed to identify broad patterns of experience or general lessons for policy.

In transitional economies, performance was found to be influenced by the process of selecting the enterprises to be privatised. Enterprises were selected non-randomly, whereby profitable enterprises were selected, in order to ensure a successful

privatisation (Marcincin & Van Wijnbergen, 1997; Nellis, 1999). These authors also discussed the way in which the two goals of mass privatisation of transitional economies contradict each other. The first goal is to ensure the political feasibility of the programme and its fairness. The second goal is to create concentrated ownership structures as the prerequisite to corporate control and restructuring. Dobrodey et al (2000) found negative selection bias in their sample, where the worst industrial enterprises were selected for privatisation and hence leading to failure.

3.2.4.2 Ownership

Performance did not improve with changes of ownership when there was an absence of competition (Swann, 1988; Bhaumik & Dimova, 2004). Performance was also not influenced by the size of the public sector *per se* (Kirkpatrick, 1989). It is more important to use the resources allocated to the public sector effectively.

Starr (1988) and Yarrow (1989) suggested that managerial incentives were the likely benefits in transfer of ownership. Concessions may be made to existing managers, whose cooperation is instrumental to divestiture. This is obvious in the privatisation of state-owned enterprises of Great Britain, France and other countries, where little or no change is seen in top management. It is also beneficial to industrial performance for competitive product markets, when other influences are not considered.

Ramanadham (1989) said that public enterprise should be preferred as long as it is still contributing satisfactorily to the national wellbeing. A comparative advantage study should be performed before deciding on privatisation. Deficit or other negative symptoms in the public sector should not be the argument to implement privatisation.

More than 15,000 state-owned enterprises, at a conservative estimate, were privatised across the world between 1980 and 1992, most of them since 1990. In Russia alone, the number is more than 80,000 and most were privatised in 1992-1995. However,

privatisation in Russia has not improved the performance of the relevant organisations (Nellis, 1999). Performance of privatized organisations becomes worse as one goes further towards the east, due to the lack of preparation in processes such as financial discipline, competition and freedom of market entry. Even so, privatisation is considered to be successful, because the process has not been reversed. The two approaches used by these countries: rapid transition or gradualism, greatly affect the result of privatisation. Gradualism, as followed by Poland and Slovenia, proved to be the right approach for successful privatisation (Stiglitz, 2000). The sequence of reforms is crucial and a competitive environment must be created prior to privatisation.

Dobrodey et al (2000) found that privatisation produces little improvement in operating profit margin and the productivity of labour. They found that privatisation has no influence on total profitability of the business, revenue growth, employment or level of worker's wages. Performance was also not affected by the size of firms. However, they recommended that Russian enterprises should continue with privatisation. The emphasis should be on improving and correcting privatisation in institutionally weak settings.

3.2.4.3 Competition

Bhaumik & Dimova (2004) concluded, in their sample on banks, that competition does not affect performance.

Dobrodey et al. also found that competition in industry increases costs per unit of revenue and decreases labour productivity. This contradicts the common view on the role of competition. In contrast, Delfgaauw & Dur (2003) developed a model to explain the empirical observations that firms in a competitive market provide stronger monetary incentives to workers, reach higher productivity, employ fewer workers, and pay higher wages than a public monopoly.

Hu et al (2004) studied the relative importance of the effects of competition, ownership and corporate governance on the performance of 736 firms in China. Independently, each determinant does influence the efficiency of firms. However, when they are jointly examined, ownership and corporate governance are relatively more important than competition.

3.2.4.4 Cost

Prescription charges more than doubled in two months, in spite of the UK Conservative Party's election pledge. From 1979 to 1981 they went up by 550 per cent. Charges for dental and optical treatment and to road accident victims also increased, by at least 45 per cent. In June 1980 a lot of hospital staff were unemployed. During these three years of Conservative government in the UK, 182 hospitals were completely closed and 345 were partially closed or suffered change of use of departments. Between 1980 and 1981, 5,768 hospital beds were lost through hospital closures alone, resulting from these policies (Oldfield, 1983).

3.2.4.5 Employment

Privatisation encourages blackmailing of employees into working at reduced conditions of service. Services were only cheaper because there were fewer employees (Scott & Benlow, 1983). The years of privatisation in Britain were also years of high rates of unemployment. The issue of jobs was very sensitive, even when privatisation policies gave assurances of employment (Pirie, 1988). Privatisation widened the gap of social inequality and also could lead to a further concentration of economic power in the hands of a few families (Ramanadham, 1989). Davidson (1998), though, preferred to view job cuts as successful privatisation because of increased productivity from reduced employment.

Privatisation was seen as the Conservatives' economic and political strategy. There were cuts and changes in the pattern of public spending with more centralised control. This may be considered as a strategy to weaken the unions and their members (Whitfield & Hall, 1983; Haskel & Szymanski, 1994). Workers were forced to work for contractors, a strategy that reduced the strength of the trade union movement since many private firms were not unionised. The public was forced to turn to the private services because standards and expectations of public services were lowered. Privatisation also encouraged conflict and reinforced divisions within the working class. However, Vickers & Yarrow (1988) disagreed with this view because privatisation by itself did not reduce union power. It may reduce the number of employees in the enterprise but could not prevent strikes from being organised.

The 1988 Education Act of Thatcher's government has affected education in the UK. This was supported by the Labour government who considered that the involvement of the private sector in the British school system was necessary to overcome the conservative and bureaucratic resistance of teachers and local authorities. Subsequently the 2002 Education Act provided the legislative framework to encourage commercial activities by schools themselves. It empowered school governing bodies to engage in education as a business entity. The aim was to create an education market in which entrepreneurial schools could sell educational goods and services. It created a quasi-market of parental choice and competition among schools. This in turn increased social inequality in the United Kingdom, as middle-class families benefited at the expense of the poor. When Labour came into power, it actually added to the problem by encouraging different types of schools, which increased social inequalities in education (Rethinking Schools, 2004).

3.3 Private Finance Initiative

3.3.1 Definition

Wright (1994) considered private finance initiatives (hereafter referred as PFI) as part of privatisation, applied with increasing frequency in the 1980s and 1990s. The principles of PFI are: value for money for the public and placing risk with those best able to manage it (HM Treasury, 1995). An example of a PFI is the design, construction, financing and operation of the Channel Tunnel, which was done with parameters set by the British and French Governments but which included little public finance (Hornagold, 1995).

Unlike other procurement methods, buildings and infrastructures are not PFI's main products. Mustafa (1999) discussed the nature of PFI in detail, from conception to its implementation strategies. Froud (2003) described PFI as a policy for managing risk, since the existence of risk justifies the PFI policy. Risk became the backbone in the change in public services management. Risks also enabled the quantification of value for money in a project. In PFI, a privately-funded project must be demonstrably cheaper than a conventional publicly-funded benchmark. However, there are still problems with regard to the definitions of risks in PFI projects (Mustafa, 1999; Froud, 2003).

Broadbent & Laughlin (2003) do not consider PFI as part of privatisation, because it only started when major privatisation of the public sector came to a halt in the early 1990s. They consider it to be the design build finance and operate (DBFO) system in its purest form. Akintoye et al (2003a) and Hardcastle & Boothroyd (2003) describe PFI as a type of public-private partnership (PPP), where the project is mainly financed by the private sector. Here, public services are provided by the private sector and paid for by the public sector on a long-term basis. Handley-Schachler & Gao (2003) describe it as a means of outsourcing large-scale services. This involves the use of fixed assets provided by the private sector, under a long-term agreement. In this case, PFI is neither an

alternative means of financing for the public sector, nor a form of privatisation. The public sector continues to provide the service, assisted by the private sector. Lemos, et al. (2003) defines PFI as an integrative, holistic, social and economic developing policy of the UK Government. It integrates a hierarchy of four levels of concepts: government ideology, principles, practices and tools. This definition is based on the UK government's published regulations, the background of PFI, and its implementation procedures.

English & Guthrie (2003) reported that debate about the nature of the PFI remains unresolved. If the PFI is a financing arrangement for the procurement of public sector infrastructure assets, then the related asset and liability must be recognised and accounted for in the public accounts. Alternatively, if the primary purpose of the PFI represents the procurement of infrastructure-based services, then generally accepted accounting practices for executory contracts mean that the related assets and liability are not recognised.

The mechanism used for implementing PFI is concession contracting. This includes joint ventures, DBFO (Design, Build, Finance and Operate) or DCMF (Design, Construct, Manage and Finance) contracts, facilities management contracts and any other initiative where the private sector finances the development of a capital project (Hornagold, 1995; Mustafa, 1999; Hardcastle & Boothroyd, 2003; English & Guthrie, 2003; Li et al., 2005; Dixon et al., 2005). The concessions are normally for twenty to thirty years. There are two views on the ownership of the project under the concession contract: owned by government or leased by a public authority from the private consortium. The private sector carries the risk on supply and production, including financial investments. Supply and production may include secondary services as part of the contract. The public sector then pays the private sector for the whole package which includes the use of provided services. The payments are usually structured to encourage the private sector to perform.

Performance is measured in terms of early completion, better quality infrastructure and services. In doing so, PFI projects are supposed to avoid the problems associated with conventional public sector procurement, such as high construction costs, time overruns and operational efficiency caused by poor design. The relative efficiency of PFI compared with traditional procurement system was the rationale of PFI (RICS, 1995). Akintoye et al (2003a) discussed how PFI also introduces commercial discipline and eliminates the differentiation between the public and private sectors. It encourages awarding organisations to consider whole-life costs of projects rather than just initial capital costs (May & Askham, 2005). The private sector contractors could also profit by refinancing existing debt, on completion of the construction phase. This is the phase considered most susceptible to cost overruns. To gain from this, the government then changed its guidelines, so that it would be a condition in new contracts that all refinancing profits be shared equally between the contractor and the government (Structured Finance International, 2003).

Walker & Smith gave an account of concessions:

“From the late 1700s, tax revenues on the wealth generated from the ongoing phases of the Industrial Revolution enabled governments to fund their own infrastructure. However, the concession or franchise arrangement was sometimes adopted for large or specialist undertaking. The mid-1800s saw a number of these being established in different parts of the world, the French being the leading activists of the concept. According to Monod (1982) the need for water distribution initiated the first concession being granted in 1782 to the Perier brothers in Paris. From a small start the network expanded rapidly but political events overtook the agreement and the City of Paris cancelled the franchise following the French Revolution. The most notable spread in the use of concessions occurred after about 1830 in France. Their use, however, was not confined to France, and concessions were let in Spain, Italy, Belgium and Germany. The use of concession contracts declined in industrialized countries as the initial

infrastructure was completed but the wonder of the age, the 195 km Suez Canal which opened for international navigation on 17 November 1869, was a 99-year concession. Championed originally around 1840 by Englishman Thomas Waghorn and later by Frenchman Ferdinand de Lesseps, the Suez Canal Company was empowered by the Egyptian government to build and operate the canal. They could fix and levy transit dues at maximum defined rates of which government were to receive 15%. De Lesseps was to later promote the Panama Canal adopting a similar concession approach.

Industrialized countries generally funded new infrastructure between the late 1800s and the 1970s from their respective fiscal resources or identifying needs, setting strategic policy and procuring the construction either by direct ownership or a closely controlled franchise (e.g. Bell Telephone Co. of USA). This traditional approach has by and large been followed by less developed countries with public finance supported by bond instruments or direct sovereign loans by such organisations as the World Bank, Asian Development Bank and the International Monetary Fund.”

PFI projects are advertised in the Official Journals of the European Community (OJEC). The PFI market is very competitive, and bidders are keen to deliver on quality, effective risk management, innovative and state of the art facilities, price and so on. All these efforts by the private sector contribute towards a better value outcome for the client (Mustafa, 1999; Akintoye, et al. 2003a). Now the driving force for PFI is HM Treasury, in the heart of the government.

3.3.2 Drivers for PFI

In the early 1990s, the UK government again became involved in consideration of the performance of the construction industry. The government participated in a debate about

research, education and training and contractual arrangements. The DoE was more business oriented in 1993 and, therefore, became more open, receptive and proactive and initiated wide-ranging discussions with industry at several levels. It also contributed funds and ideas to relevant research projects, including the 1991 Latham Report and the Private Finance Initiative. The policies were subsequently changed to implement the recommendations made in these reports (Falconer, 2001).

Sir John Egan later published 'Rethinking Construction' in 1998, to report from the client's perspective on the opportunities to improve the efficiency and quality of delivery of UK construction, to reinforce the impetus for change and make the industry more responsive to customer needs. The recommendations were for better quality construction, faster deliveries and reduced costs without sacrificing safety and environmental factors. This prompted the government to search for sources of funding other than public funding, to deliver projects. One of the alternatives was the Private Finance Initiative (PFI). The first project under this initiative was the Skye Bridge, which was built in 1997 (Monbiot G, 2001). Monbiot discussed how the existing Government was interested in business and the policy changed to pursue that interest. The interest and welfare of the public became unimportant in the new policies.

Lord Falconer said that the ability to raise capital from the markets does require the prospect of a commercial return. Private Finance Initiative, with the concept of paying for a service over 20-30 years, rather than paying for a building in one go, has created a means of providing a commercial return on such projects. This is then the government vehicle to draw private capital into projects.

The PFI was introduced by the Conservative Government. It was announced by the Chancellor of the Exchequer in the Autumn Statement of 1992. Its intention was to include the private sector in providing public services and infrastructures. The two essential elements in PFI are value for money and transfer of risk. Changes were made in the rules on procuring projects. Joint ventures between public and private sectors were

encouraged. The public sector was encouraged to involve the private sector into the operation of capital assets. The purpose is to take advantage of the private sector's management skills as well as transferring risk from the public sector to the private sector (RICS, 1995).

The PFI is applicable to achieve any kind of public sector objectives which involve buildings or any other form of capital expenditure. The services required from these objectives include healthcare, education and other social service. The responsibility for the services could also be divided between many contractors. The private sector would supply a building, heat it, light it and maintain it, whilst the public sector would provide the education, the healthcare or other social service which goes on inside it. It is believed that the role of the service provider is the more important in the long run. Hence the requirements of the PFI could not be fulfilled without a credible service provider.

The Conservative Government made PFI mandatory for all new projects but the Labour Government later removed this compulsory requirement especially for smaller projects.

The Treasury published guidance for government departments in March 1994 (Competition and the Private Finance Initiative) while still considering competition wherever possible. Private finance would have to be considered first before commencing on traditional procurement routes. The PFI was quite slow in taking off after it was announced in 1992. Work only began in earnest in 1994 and measures to accelerate the progress of the scheme were taken in November 1994 (Allen, 1995). Measures to increase the incentives for public sector to use PFI principles throughout their fields of activity were introduced in April 1995 (RICS, 1995).

In 1997 the Government reviewed its policy, commonly known as the Bates' review, to improve PFI. Two phases of improvement for the short term and medium term were identified. The recommendations fall into four categories:

Institutional structure,

Improving the process,

Lessons learned,

Bid costs (Mustafa, 1999).

The Treasury task force was set up as a result. Mustafa (1999) discussed that PPP was formulated after the conception of PFI as an improved model for project procurement.

The PFI gives a boost to the development of public/private joint ventures and partnerships in housing, economic development and the environment. This is similar to the grant assistance in England, Northern Ireland, Wales and Scotland, awarded on the same principles since 1983. Nowadays, more flexible longer-term arrangements, such as joint ventures and the PFI are preferred.

3.3.3 Fundamental concept

PFI is said to contribute to best value service in public services. Besides the concession agreement, there are also simultaneous contracts for design and build; and operation and maintenance. These contracts are meant to allocate risks appropriately to those best able to manage them. The roles between the contractor, operator and concessionaire are also separated to prevent role conflict (RICS, 1995).

In PFI, the traditional construction team consists of architects, engineers, surveyors and project managers, who work for the private sector instead of the public sector. PFI construction projects typically comprise three main parties (Figure 3-4). These are: the awarding authority; the special purpose vehicle (SPV); and third party financiers.

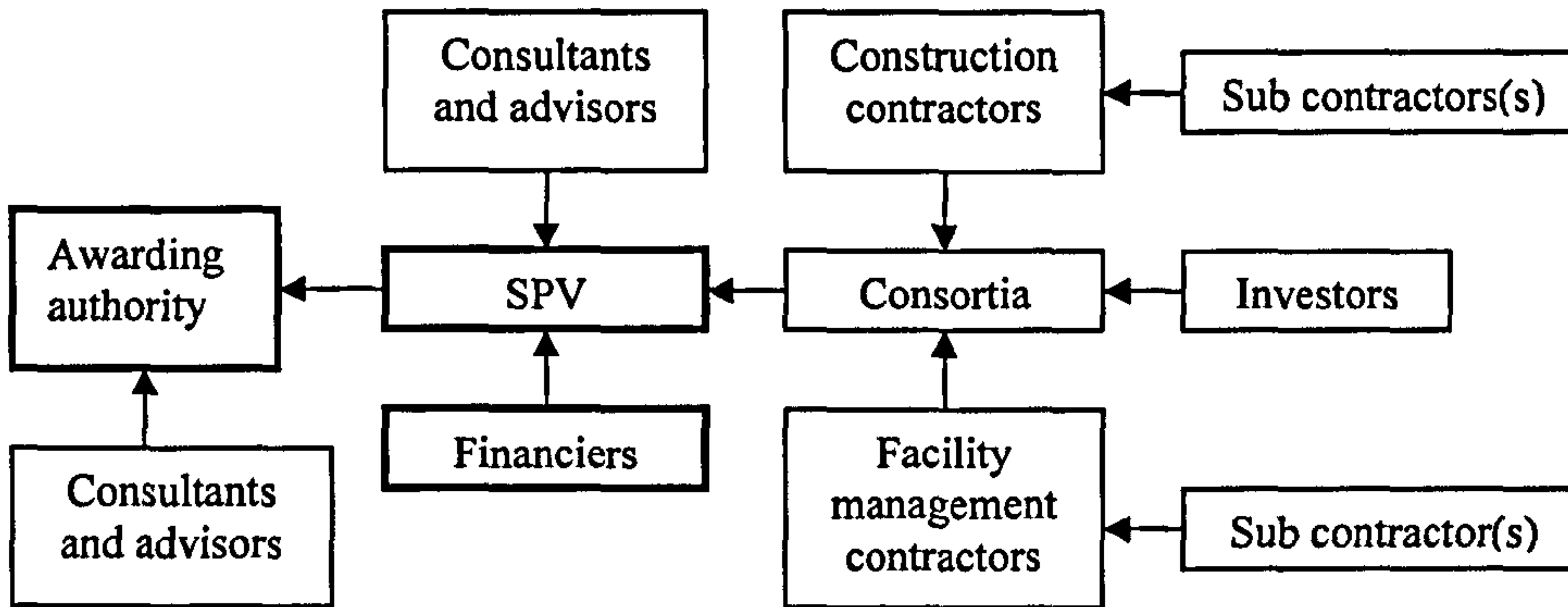


Figure 3-4: PFI project structure (Dixon et al as cited by RICS, 1995)

The awarding authority is responsible for procuring the project. This is the public sector client, such as the central government department, local authority or government agency. Its objective is to achieve value for public money, by transferring the risks associated with providing infrastructure and services to the private sector. It specifies the output or services required from the project. The SPV then has the responsibility for designing and delivering the project to provide the specified output or services.

The SPV is a limited company that is set up for the sole purpose of delivering the PFI project. It comprises parties from the winning consortium, which will typically include a construction contractor, facility management provider, investors and other specialist contractors. The objectives of the SPV are to minimise the risks of delivering the project and to generate profits. The risks are passed down to sub-contractors. It is important to limit risks in the SPV to gain access to third party funding such as equity, bank loans or bonds. The third party financiers' main objective is to make a profit from their investment (RICS, 1995).

3.3.4 Discussion

3.3.4.1 PFI against conventional procurement system

The problems that the PFI system has faced have been widely reported (RICS, 1995; Ball et al. 2000; Mustafa, 1999; Handley-Schachler & Gao, 2003; The Economist, 2003). PFI is flexible in nature and it is difficult to draft rules to cover its every application (RICS, 1995; Hornagold, 1995). The definitions of value for money and risk allocation are ambiguous. Public sector clients need to understand the types of risks that the private sector could manage, as well as the types of projects that the banks or capital markets are willing to finance. Scope for innovation is limited because the private sector has limited opportunity to participate in the development of parameters of the required service.

The Confederation of British Industry (CBI) reminded the government not to use PFI as a means to cut spending. The PFI mechanism is 'for more and better provision of infrastructure and capital-driven services'. In 1996 the CBI PFI steering group noted that failures in policies accounted for losses in opportunities in PFI. These were caused by the lack of experience, on the part of both the public and the private sectors. There was also a need to revise the use of the preferred bidder system of candidates and the comparison method of PFI with public sector alternatives. The bidding process is inefficient, expensive and non-refundable. The high transaction costs could also strip away any potential PFI-delivered benefit. Estimates of bidding costs reached as high as seven times higher than in traditional tendering. This caused financial problems with some private sector bidders, which reduced their chances of being selected. Improvements in the process could cut bidding costs in half. Mustafa (1999) developed an alternative model of PFI, called the Public-Private Cooperative (PPC), aimed at sector level. It redressed some of the constraints of the existing PFI arrangement, which included the regulations, characteristics, incentives and implementation of the services.

Ball et al. (2000) explored the features of PFI and concluded that PFI may be a drain on future generations. There is little value added to public investment, such as in accessing new sources of funding, overcoming the PSBR constraint and the volume in investment. There is also no evidence that PFI brings value for money, since PFI projects are more expensive than those procured under traditional methods. There might also be insignificant risk transfer from the public sector to the private. These views are supported by Gaffney, et al. (1999) and Pollock, et al. (2005). The PFI projects are more expensive than those procured conventionally. To meet the higher cost, there will be cuts in clinical spending locally and subsidies in NHS capital budget nationally.

The Comptroller and auditor general (2001) reported that financing competition generates additional value and may have a role in future PFI deals. Its potential benefit is that the most appropriate form of financing will be arranged at a competitive price. However significant risks are also expected which include not attracting competitively priced funding and longer deal leading to increased procurement costs and delay.

PFI does not work for information-technology projects, because IT changes so fast that it is difficult to specify long-term contracts, making long term agreement difficult (Ball et al., 2000). UNISON (2002) discussed evidence which indicated that PFI has failed, supporting an earlier report on the “Seven Reasons Why Public Private Partnerships and the Private Finance Initiative Will Not Improve Public Services”. The new report also discussed new problems emerging in the quality and design of PFI projects.

The government has decided not to use PFI for projects costing less than £ 20 million because they take too long to procure and bidding costs are too high, in relation to the contract cost. Substantial benefits were seen in big projects, such as prisons and roads, resulting from the private sector’s project management skills, innovative design and expertise in risk management. Gains were only marginal for new hospitals and schools (The Economist, 2003). Nevertheless the government continues to encourage the use of PFI in the NHS (May & Askham, 2005). Since May 1997, 92 percent of new hospital

schemes have been funded through PFI. It is now the standard to use PFI for large capital hospital schemes.

The unions continue to oppose PFI, because they mistrust the Treasury's intentions in using PFI. It is suspected that the Treasury supported PFI in big projects, as a device to get borrowing off the books. Pollock et al. (2005) investigated The Treasury's policy with regard to value for money and its appraisal used as the basis of comparison on cost and time overrun. The Unions also claimed that private companies in PFI make profits by giving low salaries and bad working conditions to workers (Pollock et al., 2005).

3.3.4.2 Value for Money and Risks Transfer

It is important to realise that private finance does not provide value for money in all cases. Project location and market demand play very important roles in the success of PFI projects (RICS, 1995). The overall price of a PFI project is usually high when compared with traditional projects. In hospital projects, numbers of public employees, such as medical and nursing staff, could be reduced to pay for the projects. Gow (2002) highlighted that PFI is expensive because of the need to support high salary rises of chairmen of PFI projects instead of spending on improving schools and hospitals. Macalister's report (2003) confirmed that construction companies are expected to make profits as high as ten times in PFI, as compared with the traditional procurement methods. This is deemed appropriate to compensate for the higher risks expected in PFI projects. The government argues that the higher costs of private borrowing are outweighed by the transfer of risk, preventing expensive construction overruns and maintenance bills.

Akintoye et al. (2003a) studied the best value requirements of PFI. They conducted 68 interviews with PFI participants and case studies of eight PFI projects. The recommendations from the study are that there should be a detailed risk analysis and appropriate risk allocation, drive for faster project completion, project cost escalation

should be curtailed, there should be encouragement of innovation in project development, and maintenance cost should be adequately accounted for. They also found factors which do not lead to best value, such as the high cost of the PFI procurement process, lengthy and complex negotiations, difficulty in specifying the quality of service, pricing of facility management services, potential conflicts of interests among those involved in the procurement, and the public sector clients' inability to manage consultants.

Handley-Schachler & Gao (2003) and Pollock et al. (2005) discussed how the scale and duration of the project and the payment structure could contribute to higher risks to the public sector. Such risks include the financial risks of spending more money on the projects, as well as getting poor value for money. The public sector could also be paying for unnecessary services over the duration of the project. Pollock et al. (2005) reported that there was no evidence of PFI offering value for money or a genuine transfer of risk from the public to the private sector. The Treasury has not been comparing projects of similar nature in their support of PFI. The differences are in types of projects, locations and the selected contractors.

PFI projects should be better-maintained throughout their duration compared to traditional procurement. This would enable the government to keep its promise to improve public services without raising income tax. Even if well-maintained, at the end of the contract, the projects will still be outdated because of the duration of the contract (Guardian Unlimited, 2002).

Many papers have also been written on value for money, such as developing tests for it and means of achieving value for money and also risks assessment and transfer (Rodney & Gallimore, 2002; Pottinger, et al. 2002; Hardcastle & Boothroyd, 2003; Asenova & Beck, 2003; Heald 2003). There were also some papers on facility management and accounting. May & Askham, (2005) studied the impact of PFI on estate services in the

NHS. However, there is not enough academic scrutiny of PFI and less so on the types of environment where PFI flourishes (Hardcastle & Boothroyd, 2003).

Broadbent & Laughlin (2003) provided an overview of the development of PFI across the world. They also studied the outline of seven papers, of which four discussed the different aspects of PFI and three covered country-based studies of PFI/PPP. These papers addressed many questions about the nature, regulation, pre-decision analysis and post-project evaluation. Questions which remained unanswered included the merit and worth of PFI (PPP), the process of decision making on PFI (PPP) in different areas of the public sector and the effects of these decisions and whether PFI (PPP) is a form of privatisation.

3.4 Conclusions

The literature review has presented a wide panorama of the public-private partnerships, privatisation and private finance initiative concepts in diverse contexts, bearing in mind the research focus. It discussed how they have emerged, the reasons for implementation, and the current works in these areas. Public demand for better services with limited government budgets forced both the government and the private sectors to search for new ways of delivering public projects. The two sectors must work together in a new way and profit from it, at the same time giving the public what they want.

The researcher found gaps in the literature review on comparison and selection between PPP, privatisation and PFI. This is important because major players need to know which models are the best to emulate for their own situations or projects.

One common reason for the emergence of the three models is the need to find another source of funding. Government has a limited budget, which reduces expenditure for the provision of public services. The three models are similar because public and private

sectors work together. The differences between them depend on the responsibility, the form (such as concession) and length of project to be operated as well as the contractual arrangement between them.

Authors such as Abdel-Aziz & Russell (2001) and Akintoye et al (2003) believed that PPP and privatisation are variations of each other, while authors such as Klijn & Teisman (2000) and Gerrard (2001) insisted that the two should be differentiated. Wright (1994) considered PFI to be a part of privatisation. However, Broadbent & Laughlin (2003) did not agree with this view. They stated that further research is required to establish its nature and identify factors to ensure successful implementation. Akintoye, et al. (2003a) and Hardcastle & Boothroyd (2003) considered PFI to be a type of PPP.

PPP is described as introducing efficiency, quality and innovation, where previously the major influence was politics. In its simplest form, PPP is the public and private sector working in a partnership, where the ownership is still with the public sector. PPP could be described using the dimensions of the partnerships, key features or by establishing the forms. In its extreme form, PPP involves divestiture and becomes privatisation. To be called privatisation, the enterprise or organisation must be of public sector origin before it becomes private. In privatisation, the two main issues are ownership and competition, whereas in PFI the two essential elements are value for money and transfer of risk.

The literature review continues in Chapter 4 where it discusses the successful business environments of public-private partnerships, privatisation and private finance initiatives.

The last research question emerges in chapter 4.

CHAPTER 4

BUSINESS ENVIRONMENTS

4 The Business Environments of PPP, privatisation and PFI

This chapter is a continuation of the literature review on public-private partnerships, privatisation and private finance initiatives in chapter 3. It discusses the successful business environments in which public-private partnerships, privatisation and private finance initiatives occurred.

The chapter starts by introducing the concept of a business environment and defining the various influential existing business environments in the literature. It continues by briefly discussing business conditions which influence competitive nations and the construction industry. The chapter then discusses and analyses the business environments of public-private partnerships, privatisation and private finance initiatives.

The fifth research question emerged in this chapter. In this chapter, the concept of Critical Success Factor (CSF) and Failure Reducing Criteria (FRC) are also discussed.

4.1 Business Environments Defined

4.1.1 General business environment

A business environment can be defined as those conditions affecting a business. The conditions can be either internal or external or both (Surrige et al., 1993). A business is subject to constant changes, such as change in policy or the introduction of new products, which may alter the environment in which it operates and exists. Changes in the business environment could be restrictive for business or supportive. A business, therefore, has to respond to survive. The main focus in this thesis is the external conditions in which the Public-private partnerships (PPP), privatisation and Private

Finance Initiatives (PFI) exist and operate. This thesis also includes a list of project Critical Success Factors (project CSF) for each PPP, privatisation and PFI.

In the 1980s, business environments were analysed using Political, Economic, Social and Technological factors, known as STEP (Armson, et al. 2000) or PEST (Cartwright, 2001). By the early 1990s, Environmental factors had been added, reflecting the growing importance of environmental issues, changing PEST to STEEP. By the late 1990s, many authorities had added Legal, changing it to PESTLE. Cartwright (2001) presented another set of business environment known as SPECTACLES (for Social, Political, Economic, Cultural, Technological, Aesthetic, Customers, Legal, Environmental and Sectoral). Cartwright suggested that the critical internal environment analyses should also be considered, in order to support the analyses of the external environment.

The following sections define each different external business environment briefly and separately. However, it is important to understand that they do not work singly or in isolation. They work together and interact with one another. The writing of this chapter presents a big challenge to the researcher because of the various variables which exist and overlap in the business environments.

4.1.1.1 Political Environment

Politics is the art and science of government (Cartwright, 2001) and about the governance of people. Organisations need to understand the political process because it is politicians who make laws, decide priorities and set tax rates. Governments produce legislation and legal issues but this will be discussed under the legal environment. The political environment discussion is concerned with those external policy developments that affect organisations. Its effects also include the stability of the country, decisions of a political nature by government, which affect the country internally and externally, political risks (Kamga Wafo, 1998) and policies of government (Harvey & Ashworth, 1996). An investor is mostly concerned with political risks. Governments can be said to

cause political risks by their daily activities, but controls them through the administration of its internal and external affairs. The political risk originated from government instability as well as in societal instability. Blanning & Reinig (2003) defined political risk as

“... the possibility that political decisions, events, or conditions in a country, including those that might be defined as social, will affect the business environment such that investors will lose money or have a reduced profit margin”.

Examples of political risks may include corruption, punitive taxation, and arbitrary rejection of license applications. Political risks are best defined in terms of political events. Political events result in part from decisions made by political actors – such as government officials (examples are chief executives, legislators and regulators).

The way a government thinks strongly influences the decisions it makes. A government places all developments in their political framework. It has the power to allow or ban an organisational development, depending on whether it supports or goes against the government’s political philosophy. Employment policies, fiscal policies, foreign policies (as they affect overseas investment and even exports and imports), environmental, transportation and educational policies may act as either drivers or constraints upon the organisation. Other aspects of the political environment include the system employed in the government of the country, planning permit systems, the minimum number of local workers to be employed – or where subsidies (sweeteners) are offered and every step taken to encourage this inward investment. Businesses trading overseas may be welcomed or resisted by the countries they are trading with. They are usually welcome if they can create jobs, aid growth and improve the standard of living.

Power is also a component of political environment. Businesses have power because of the links between their performance and economic performance. The balance of power and influence which emerges between governments and business interests within a state

is dependent on factors such as globalisation (Chen, 2000). The size of companies and the resources they bring would also give companies the capacity to exert influence on government (Bennet, 2000). The relative value of the sector, prestige and clout would also encourage deeper social and political networks to develop.

4.1.1.2 Economic Environment

Surridge et al. (1993) define economic environment as *“those factors relating to the state of the economy which contribute to the framework in which businesses make decisions”*.

The economic environment is concerned with unemployment, inflation and balance of payments. It is influenced by strong work ethics (Walker & Smith, 1995), sources of finance for organisations (Cartwright, 2001) and also the effects of regional, national and international economies, including exchange rates and interest rates. The economy consists of people, firms, government and local authorities. They form groups within society, such as consumers, trade unions and other pressure groups, major companies, international bodies, and local government. They influence the level of economic activity when they take decisions such as in prices, buying, selling, importing, etc., and these shape the business environment. The government is the most influential by far.

In the governance of a state, the existence of a strong economy is a prime requirement, for it guarantees political and social stability (Callaghan, et al. 1982). By means of legislation, in relation to economic policy, a government can strive to ensure that such stability is maintained. This includes government policy aimed at reducing inflation, unemployment and achieving growth with a satisfactory balance of payments. If, in order to achieve some or all of these aims, a country raises interest rates and taxes, imposes import controls and withdraws subsidies then it will be difficult for a foreign business to trade there.

It can be argued that the economic environment is the dominant environment in terms of its influence on business behaviour (Lucas, 2000). Changes in the state of the economy affect all type of businesses in different ways. Businesses always monitor the current state of the economy and the government's economic policies more than other external factors. This is because changes in these areas will affect the financial resources of the private sector.

The government adopts an economic system to organise the economy. An economic system is quite simply the way in which a country uses its available resources, such as land, workers, natural resources, machinery, etc. to satisfy the demand of its inhabitants for goods and services. The three main economic systems are planned economies, market economies and mixed economies. Governments are mainly concern with economic growth. Increase in factors such as export sales, investment and government expenditure will increase the level of economic activity which, if sustained, leads to economic growth. Governments, therefore, can help promote economic growth by increasing their own expenditure when appropriate. They can also do so by attempting to create an environment whereby exports can flourish and businesses consider investment worthwhile (SurrIDGE et al., 1993). Strategies are important and they are supported by incentives. Government normally offers incentives such as no taxes in the first few years, low interest rates, easy payment scheme and SME's schemes.

4.1.1.3 Social Environment

Business is affected by changes in society and has to respond accordingly. Business also helps to shape society which in turn affects business (SurrIDGE et al., 1993).

Hall (2000) traces the roots of sociology as the study of society. He outlines the three major concepts which form the basis for sociological analysis – social relations, social processes and social divisions – arguing that it is these which give society its 'distinctive

shape' or structure. Cartwright (2001) considered that sociology to be the study of the organisation and functioning of human societies.

The social business environment includes discussion of the 'social trends', using statistics to describe the changing picture of demography and social attitudes over a period of time (Hall, 2000) and what trends, within those societies, are likely to have implications for the organisation (Cartwright, 2001). This can be seen in employment patterns, in terms of female participation in paid employment (gender) and occupational mobility (class). Businesses' behaviour towards their employees is intrinsically linked to the structure or shape of society. Also included are: consumerism, role of media, demographic changes (size, age, etc. of population).

Hall (2000) stated that pressure groups also exert influence on the social environment. A pressure group is any group of people who work together to promote a particular view or interest. Examples of pressure groups are trade unions, in existence since the 1850s, and, more recently, pressure groups concerned with protecting the environment, such as Friends of the Earth and Greenpeace. Pressure is exerted to attempt to influence the actions of governments, by making both voters and politicians aware of their opinions. Businesses also try to influence the behaviour of government. They also form pressure groups, to attempt to make their actions more effective (such as to get the government to introduce policies which will help businesses to prosper).

4.1.1.4 Legal Environment

The government influences business activities in many ways. The laws passed by governments and international bodies affect the way in which businesses work. Indeed the law determines the structure, powers and responsibilities of the business organisation itself. SurrIDGE et al., (1993) discussed three major elements of the legal environment which affect business activities: The competitive structure of markets (to promote free and fair competition), consumer protection and employee protection.

All organisations need to be aware and take account of the law in those areas where they operate. It is important to be aware of current legal practice and proposed legislative changes that may affect the organisation (Cartwright, 2001). The legislative rules would be the essence of their relationship with the government (Lucas, 2000). Since legislation affects organisations or businesses, they consequently seek to influence it.

The legal environment includes the laws, by-laws, regulation and other legislation of the particular countries. Some of these are the health and safety regulation, planning regulation, employment legislation, consumer protection legislation, environment conservation laws, land policy and so on.

4.1.1.5 Technological Environment

Technology includes new scientific knowledge, techniques and equipment introduced in the market. This includes business skills and research and development in the business areas. Technology has had a huge impact on business and is predicted to continue to do so at an increasing rate, in areas such as biotechnology and microelectronics. Changes in technology can render whole product ranges obsolete and can rapidly alter methods of production with extensive commercial and social effects (SurrIDGE et. al 1993).

In an era of globalisation, the ability, of any industry in any country, to prosper, depends on its ability to innovate and both to adopt and to improve upon global; best-practices quickly and efficiently (Bhaumik & Dimova, 2004). This includes leadership, training and education of human resources.

4.1.1.6 Cultural Environment

The most important development in the study of the social environment in recent decades is the cultural analysis (Hall, 2000). This includes the attitudes of society towards such areas as business ethics and the way the firm reacts and interacts with the

environment. Companies should learn the culture, acceptable business interactions methods and the life of the surrounding people in general. For the international construction business, it may also include knowing that a certain wage level has to be paid to the firms' employees – even if that is way above (or below) the national average in its country of origin.

Cartwright (2001) stated that much human and, therefore, organisational behaviour could be traced back to culture. Culture can be organisational, such as culture of suppliers, customers and competitors. Each organisation needs to interact with different types of organisation, displaying different cultures. There are also national cultures, and business needs to take much more cognisance of the cultures of the target market. The simplest definition is “the way things are done around here”. From this definition it can be seen that there may well be different ways of doing the same thing. Different does not imply a judgement; it is a pure statement of fact. Culture is something that develops over long periods of time and is transmitted from one generation to the next.

4.1.1.7 Aesthetic Environment

Cartwright (2001) discussed how aesthetic analysis considers the way in which those in the external environment respond to organisational image and design – design of products, packaging design and even building design (may link to culture in the case of design taking into consideration the Feng Shui concept for companies of Chinese origin).

4.1.1.8 Customers

Every organisation, no matter what its type or products/services, has customers. Indeed, customers are the most important stakeholders of any organisation. No customers eventually equals no organisation (Cartwright, 2001). Organisations need to analyse the needs of current and most importantly, potential customers.

4.1.1.9 Environmental

One of the major movements of the late 20th century was that of environmentalism. An environmental impact analysis may well be a condition of planning permission or funding of new projects. Organisations cannot ignore the environmental implications of their actions and the effects these may have on waste disposal, pollution, biodiversity etc. (Cartwright, 2001). It also considers the health and safety issues, both of which link to the political and social. Opportunities, such as a new market overseas, might arise from recommendations of government and international conservation groups, provided that the firm has an environmental reputation of 'being at one' with the environment (Hall, 2000).

4.1.1.10 Sectoral

This concerns other organisations operating in similar markets, including collaborators and competitors. The actions of both of these can have a dramatic effect on an organisation (Cartwright, 2001). Analysis of the competition (and collaborators) includes looking at their strengths and weaknesses, plus analysing the competitive forces that are operating within the marketplace.

Surridge et al. (1993) defined this as a competitive environment – another element in the business environment that affects business activities. Competitors may set standards of quality, reliability and after-sales services which have to be matched if the business is to be successful.

4.1.1.11 Project CSF

The business environments which are discussed as project CSF include all the variables which affect projects. Examples are clear tasking and responsibilities, implementation procedure, teamwork, joint decision-making and others.

4.1.2 Competitive Nations and Construction Industry

Porter (1980) stated that the behaviour of companies is strongly influenced by the environment in which they operate. Porter (1998) proposed that the study of competitive nations revealed human resources and technology as the two driving factors in competitiveness. Countries which strive to be competitive should strengthen their human resources and be versatile with advances in technology.

Hillebrandt (1984) discussed the three aspects of environmental factors that affect construction demand. These are the general economic situation and the expectations on the manner of its change; the cost of construction in relation to the cost of other products and services; and lastly, the operation of the rules and regulations governing land use and construction.

Seymour (1987) surveyed the major competitive features of the construction industry, the contractor's organisational hierarchies and the markets in which firms operate. He argued that project financing arrangements and home government support for contractors are major determinants of success. The recommendation was that to remain competitive, contractors should reassess their overseas operations as part of a globally coordinated strategy.

The frequency and degree of entrepreneurship are the first elements to understand, followed by the reasons associated with a low or high frequency or degree of entrepreneurship in any region. One of the important input elements is financing. Without an opportunity, or absence of key resources, the entrepreneurial process is likely to fail with little in the way of positive outcomes. Even with the right input, outcomes are not certain. Albert-Doucet (1997) stated that Small and Medium Enterprises (SME) are a vital part of the economy but, each year, a large percentage of small business fail, from lack of access to resources. They reported that failures and start-up problems are often attributed to inadequate or inappropriate capital structure and

under-capitalisation. This is supported by Williams (2003) in his study on SME in developing countries. Financing gap, business skills and policy are the problems; and governments, civil society and significantly the private sector should work together to complement each other to overcome them. The atmosphere must change to one of cooperation and joint purpose. The private sector should now recognise and accept that their role in economic development is changing. It should be stronger and, in some cases, become the leading role. Local business and civil society groups provide essential knowledge on the ground. Finally, the governments are the only players that can create the correct policy environment and have access to financial resources.

Castells et al. (1990) discussed the importance of government and its roles in the development of the economy. These include the control of financial systems and external trade policy, the repressive control of labour, and the building of basic infrastructure in industrial facilities. The most successful experiences of development and growth were where the politically determined goals of national development have overridden the consideration of specific interests. The strength is more pronounced for development and growth when government policies support the market economy, instead of suffocating it. This is in a context of mobilisation of national resources. The government must be able to plan and rationalise the market in allocating scarce resources. However, for greater success in the development process, the government roles must be integrated within a broader framework of interactions in the international economy. The development strategies must have appropriate targets and the right allies to succeed in climbing the ladder of the international division of labour.

Hillebrandt et al. (1995) said that the behaviour of companies is strongly influenced by the overall economic and political conditions. The status of the construction industry and the nature of the demands being made upon it are also influential. In their view, the five major influences on the behaviour and performance of the construction industry are: economic and industrial factors, government policy, social and technological changes, external influences and the changes which are brought about by the industry itself.

4.2 Public-private partnerships

4.2.1 Political and Social Environment

Establishing and maintaining trust are very important in PPP (Cowie, 1996; Klijn & Geert, 2000 and McQuaid, 2000). This is because partners should have expectations of partnerships continuing. In Hungary, a lack of trust, together with a turbulent political and organisational environment, has caused difficulties in PPP for community building. Wong & Cheung (2004) studied the importance to project success, of trust amongst partners in Hong Kong. They found that system-based trust is the most important trust factor. The contractors' level of trust is found to be more sensitive towards their counterparts than vice-versa.

McQuaid (2000) suggested that the success factors are political and vary according to local circumstances, the issues to be dealt with, institutional frameworks and the partners themselves. Gerrard (2001) supported this and said that successful PPP requires reform of both public and private sectors. It is also essential for both sectors to realise the need to work in partnerships (OECD, 1993).

In the UK, the success was in the change attitude of the government towards the business sector – the government believed that achievement would only be possible by working with the private sector (Falconer & McLaughlin, 2000). The government then created a framework for the private sector to make profits, create employment, and become involved in public service delivery. In Central and Eastern Europe, lack of success was caused by the underdeveloped legal system. However, the main problem was in the way public sector thought. Success was, therefore, possible only with clear, high-level political support and the will to support it, which has not always been forthcoming.

Partners in PPP should be able to interweave goals and to create tailor-made arrangements for their requirements (Klijn & Geert, 2000). The success depends on how the partnership is led, legitimised, resourced, managed and evaluated (McQuaid, 2000). Beach et al. (2005) studied PPP in the construction industry supply chain. They found the success factors are commitment, processes, tools and outcomes. The clients are the major barriers to the adoption of partnering in the construction industry.

4.2.2 Economic Environment

Reform in the private sector includes building capacity to provide long-term asset-based services and long-term financing. The private sector is likely to prefer projects in countries with familiar and predictable financing environments (Stewart et al., 2000). In a small scale Dutch PPP, success was achieved because the project was orderly, there was no conflict of interest in policy, the entrepreneurial risks were reasonably well estimated and the entrepreneur was capable of independently controlling benefits (Reijniers, 1994). The main core problem was the level of compliance of benefits and financial compensation if the targets were not achieved.

4.2.3 Legal Environment

Reform in the public sector includes development in skills and guidance on best practice, enactment of enabling legislation. Klijn & Geert (2000) stated that institutional barriers have caused failures in PPP. Countries move towards political and administrative decentralisation and the role of government changes from initiating and delivering to enabling and coordinating the activities (OECD, 1993).

4.2.4 Political and Cultural Environment

Common (2000) stated that PPP appears unpromising in East Asia. This is because of the culture of PPP which is Anglo-American. The marketisation of public services, as a

characteristic of PPP, and privatisation changing to competitive states, has not widely happen in East Asia. The application of public management reforms tends to avoid major structural changes to administrative systems. In East Asia, the management and political systems are highly centralised and bureaucracy is very strong. Governments in East Asia will only adopt PPP because of their concern to meet economic goals (growth), rather than social. The implications for partnerships, where they exist, are likely to be in the form of vertical, hierarchical arrangements, rather than voluntary collaboration. Political systems and culture act as considerable obstacles, despite the apparent impact of the homogenisation of public and social policy implicit in economic globalisation. The public sector has traditionally led the way for private sector development. The development of the local private sector is usually weak and foreign enterprises were usually favoured above local companies.

4.2.5 Technological and Projects CSF

Failure in PPP in Hungary was caused by weak civil organisations, and lack of human and managerial organisational and financial resources. The organisations need clear tasking and partners need to understand their tasks, including capacity building in management, delegation and skills, and teamwork as well as joint decision-making. This is necessary for long-term cooperation and successful partnerships.

The technology of transmission networks was found to limit competition in basic utilities industries, such as gas, water, electricity and parts of the telecommunication industry. The contours of natural monopoly, however, could be altered significantly by technical changes (Veljanovski, 1989). Multinationals now are partnering with governments and local groups to provide seed money and skills, and to improve the policy environment for small firms to take off with technology (Williams, 2003).

4.2.6 Project CSF

Reijniers (1994) listed the critical success factors for Dutch PPP projects:

- ‘Key’ decision makers form part of the project team right from the start of the preparation of the project (the project ‘kick off’)
- Measurable results are available to enable active monitoring of the progress (clear goals and well organised phasing)
- There is a focus on results, and the project is goal-directed
- There is active, periodic progress monitoring during implementation
- There is an independent project team and an independent project leader, who report to a steering committee consisting of top representatives from both the public and private sectors (project organisation)
- The political and economic risks are distinctly spread at an early stage
- There are adequate and clear working methods and agreements
- The private sector is allowed to fulfil its entrepreneurial role
- There is mutual confidence.

4.3 Privatisation

4.3.1 Political Environment

The government’s power and commitment were critical in the success of privatisation programmes (Oldfield, 1983; Asher, 1988; Ramanadham, 1989; Worenklein, 2003). In the 1970s and 1980s, government at all levels can be seen to have influenced many, if not all, aspects of industry structure, both directly and indirectly. In many industries, a government is a buyer or supplier and can influence industry competition by the policies

it adopts. Often a government's role as a supplier or buyer is determined more by political factors than by economic circumstances (Ramanadham, 1989). The objectives and commitment of the government on any programmes are very important (Heath, 1989; Ramanadham, 1989; PSRC, unknown; Worenklein, 2003). If there is unquestionable political commitment at the top, there is more likely to be consensus in the public at large. This is essential to overcome the practical problems that all reform programmes must face.

Transparency is critical for political success. A lack of transparency can result in political backlash, as in the early days of privatisation in Poland, or even bring the process to a halt, as in Guinea (The World Bank, 1992). Transparency is critical for economic success. Mexico and the Philippines made the sale of enterprises transparent, by adopting competitive bidding procedures, developing objective criteria for selecting bids, and creating a clear focal point with minimal bureaucracy to monitor the overall programme (The World Bank, 1992).

Concession contracting is used in all BOT projects. Trust and commitment is important, because a concession agreement usually lasts for around 30 years. It is, therefore, important to establish a good relationship by marrying the concession with local laws. Lawyers and the formalised documentation are an essential early requirement for its success. Concessions are for the promoter to champion, by convincing the government that they are needed to ensure success of the project (Walker & Smith, 1995).

Privatisation must aim to transform society as a whole for centrally-planned countries in transition to a market economy. Media publicity can be used as a marketing technique (Ramanadham, 1989). Critical participants should be identified early on in the process (Grimstone, 1989). Insufficient determination, lack of expertise and credibility ensure failure of the programme. The government must want to sell and the public must want to buy, such as in the privatisation of housing in UK (Adam Smith Institute, 1986; Vickers & Yarrow, 1988) and Hungary (Gunther, 2000). The private sector also must have

money to spend for privatisation to take place. In Eastern Europe, reform of the banking sector was necessary to secure high investment to make the industries competitive. This also reduced the problem that property rights may not be reallocated efficiently if potential buyers do not have access to credit (Schwartz, 1995).

4.3.2 Economic Environment

However, Pirie (1988) stated that the will of a government is not enough to ensure success of the process of privatisation. There must also be considerable creativity in policy innovation. New, and sometimes intricate, techniques are required, each to be tailored to the particular problems caused by individual needs. Policy creativity is needed to ensure that the new reality will be willingly supported by enough of its participants to make it a success, and to guarantee its permanence. Policies are required especially where the government holds a large portfolio of enterprises. Such a policy would be a political act of considerable importance, enabling the measurement of privatisation success (Heath, 1989). The political support for these policies is worth noting. The uninterrupted spell of governmental power, which the Conservative party enjoyed from 1979-1990, was a major factor in the UK's pursuit of privatisation measures (Ramandham, 1989).

The Government of the United Republic of Tanzania has gone as far as reforming its policy to give a sharper focus to the Government's traditional role of maintenance of law and order and provision of economic and social infrastructure. This was to ensure a level playing field for efficient economic competition and balancing of economic and social activities. It was intended to improve the efficiency of public enterprise, as well as giving the private sector opportunities to widen their participation in economic activities. The concentration was on trade liberalisation of the economy, review of tax structure, banking and public sector reforms. This reform policy is seen today as the main cornerstone for unleashing private initiative to play a dynamic role in the management of the economy (PSRC, unknown). The Malaysian Government formulated the

Privatisation Master Plan (PMP) to accelerate privatisation progress. Constraints and problems were caused by the lack of clear and precise information and understanding, within and outside the policy circles, on the concepts, modalities, roles and implementation procedures of privatisation (Ministry of Public Enterprises, 1989).

A country's credibility is important if attracting investment is an objective for successful privatisation. The overall assessment on creditworthiness gives weighting to foreign and domestic debt levels, economic policy and political risk outlook. If confidence in the legal and fiscal structure is low, the government often sets up inducements, such as tax breaks, relaxation of import controls on equipment, fixed currency transaction rates, guaranteed toll revenue and intellectual property protection. (Walker & Smith, 1995; Worenklein, 2003). A labour force with a strong work ethic is a factor which influences the economic environment, even when high risks are associated with a country such as Korea. Korea has domestic political tensions and strong pressures from the labour unions. Inflation is also high. However, the strong work ethic of the Koreans has helped them to build up industries in steel, shipbuilding, cars and construction, successfully. So, despite obvious risks, Korea proved to be an outstanding investment opportunity in 1984.

Transparency is also critical for economic success. Mexico and the Philippines made the sale of enterprises transparent by adopting competitive bidding procedures, developing objective criteria for selecting bids, and creating a clear focal point with minimal bureaucracy to monitor the overall programme (The World Bank, 1992).

4.3.3 Social Environment

The nature of public regulation to be applied once the organisation is privatised also contributes to successful privatisation, because of its impact on its earning power or net earnings (Ramanadham, 1989). Laws to enforce contracts and ensure competition and effective corporate governance are also required. Ineffective public regulation in

developing countries has given rise to fears of economic concentration. This was compounded with the lack of understanding of privatisation concepts, modalities, roles and implementation procedures (Ministry of Public Enterprises, 1989). Politically, therefore, a government should also try to get the trades' unions on their side and understand the benefit of their privatisation programme. The government should try to create an environment that produces healthy competition between contractors. Unhealthy competition between contractors and unsupportive unions could cause programmes to be delayed and viewed with suspicion. (Scott & Benlow, 1983; Ramanadham, 1989). The resistance from interest groups that stand to lose from privatisation is likely to form a powerful political constraint. These may be more immediate and vocally expressed than the expected benefits from economic efficiency (Kirkpatrick, 1989). Strong opposition from the workforce was one of the serious problems that the government has had to reckon with in the UK privatisation programmes (Ramanadham, 1989).

Privatisation objectives must be to secure the national interest and to protect customers' interests (Grimstone, 1989; Schwartz, 1995). Privatisation has failed when the objectives were only to increase efficiency and productivity with no consideration to social and cultural context (Woodward, 1989). It is also considered to have failed when private sectors are not committed to accomplishing specific goals for specific benefits (Perotti, 2004). The parastatal reform of Tanzania has two goals to support the programme: the gains of privatisation to be shared with public and allowing employees with managerial skills and entrepreneurial flair to do business. This was not allowed by their previous policy.

4.3.4 Political and Technological Environment

Grimstone (1989) stated that creating the right organisational structure within the public sector before privatisation is important. In the UK, the Treasury was responsible for the privatisation policy and the overall coordination of the programme. Among the benefits

were that the nexus between the Treasury and the Prime Minister's Policy Unit could be used to good advantage. The UK Treasury's desire for revenue would sustain the programme's momentum; and the Treasury's innate abilities could be deployed to advance a policy that was central to the government's thinking. This was supported by Hyman (1989) & Ramanadham (1989), who suggested that preparation for change of ownership to the private sector should include re-structuring and other changes to encourage a more commercial operation. This should begin before the point of privatisation, so as to get the full effect of the privatisation. There should also be policies to improve the performance of public enterprises. This could be seen as part of the preparation for privatisation (Heath, 1989). Schwartz (1995) said that the techniques and strategy are important for success in privatisation. The design of a simple and unambiguous system of corporate control is a priority task. Some local and national government ownership is compatible with the establishment of a market economy. Other techniques include breaking up organisations into competitive and marketable units, settling past liabilities and shedding excess labour, as carried out in The Philippines and Mexico (The World Bank, 1992). Avoid large new investments for plant modernisation and equipment because the whole point of privatisation is to get the private sector to manage the enterprise. Marcincin & Wijnbergen (1997) said that the selection of profitable enterprises for privatisation is a success factor.

Lack of experience, among both purchasers and providers of long-term partnerships, caused an early difficulty in the privatisation of the PSA. The civil service was also risk-averse in nature. There was pressure on departments, from ministers, to minimise risk and hence departments tried to push the risks onto the private sector. Government guidelines on competitive tendering also made it difficult to enter into long-term agreements (Burnes & Coram, 1999). More incentives in the government sector to perform also assist privatisation programmes (Worenklein, 2003). Heath (1989) suggested that the people with the best personal qualities should be selected to lead privatisation. Poor leadership contributes to failure. Al-Homeadan et al (2004) said that, in order to provide effective and efficient services to the private sector, it is necessary

for those who will be in charge of providing such services to be familiar with the private sector needs and culture.

4.3.5 Legal Environment

Two views on the privatisation process have been proposed: rapid process plus low-cost (Schwartz, 1995; Gunther, 2000; Kazalevitch & Smyth, 2005) and gradualism with patience (Grimstone, 1989; Heath, 1989; Stiglitz, 2000). Rapidity includes rapid creation of legal frameworks, such as happened in Eastern Europe and for attaining macroeconomic financial stabilisation in China. More importantly, it aims to achieve a genuine mass of market forces and competition in the microeconomic sphere. Patience is arguably better, because it is a lengthy process and emphasises building an institutional infrastructure, such as happened in Poland and Slovenia. Rapidity failed in Russia because the process was inconsistent: rapid in macro-finance but slow in other processes. In China, it was a combination of micro and macro reforms which made privatisation a success.

Reform includes financial restructuring of the public sector (Ramanadham, 1989; Heath, 1989; Stiglitz, 2000), changes in legal and constitutional aspects (Grimstone, 1989), clarification of the legal framework (McKay, 2000), and the legal structure being made and modified to support privatisation needs (Perotti, 2004). Both under- and over-regulation contributed towards problems in the privatisation programme. Since privatisation involves risks, the law must be able to protect private sector partners from losses, to make them willing participants in these programmes. Specific regulatory regimes are also required to be developed for natural monopolies and keeping financial systems sound (Grimstone, 1989; Heath, 1989; The World Bank, 1992; Stiglitz, 2000). Stewart-Smith (1995) stated that regulation is not required when infrastructure is provided on a monopoly basis by government or state-owned enterprises. This is because regulation is used at the discretion of the provider. Regulation is subsumed within state-ownership as a control mechanism. When the provider changes to the

private sector, some form of regulation is necessary. In the process of granting a licence or concession to a private entity, the government is essentially redefining its role from provider to regulator.

4.3.6 Cultural Environment

Abromeit (1988) said that privatisation success depends on the culture of the countries. Social attitudes against certain classes of buyers present as barriers to successful privatisation (Kirkpatrick, 1989; Ramanadham, 1989). Privatisation is unlikely to be carried out with indifference to these social situations (Starr, 1988). In developing countries, the governments are unwilling to transfer assets to certain groups of potential buyers. Difficulties in establishing appropriate market values for the assets in developed countries, due to their lack of a sophisticated financial infrastructure, were factors of failure. Certainly, the absence of well-developed financial systems in developing countries does not assist the implementation of privatisation programmes.

4.3.7 Project CSF

Walker & Smith (1995) compared the different environments between the successful construction of Dartford Bridge and the failed bridge constructed nearby. The five significant factors for Dartford bridge were: an early champion in the form of Trafalgar House (contractor), a willing government, which then consented to including the existing tunnels in the package, early completion, realistic revenue predictions and lower than expected interest rates. In comparison the factors in the failed bridge were: protracted construction, indecisive risk allocation, no champion to control the project, high interest rate, low revenues, and unrealistic traffic projections.

McCarthy & Tiong (1991) discussed the use of BOT in infrastructure projects in Asia. They stated that host government support must be available and the necessary legal framework must already exist. Tiong (1996) discussed critical success factors for

promoters to win BOT contracts. Handley (1997) said that the critical success factors of BOT in Asia depend on the project sponsors and on the governments focusing on their goals. These include acceptance of high profitability and very early payback for the sponsors, in return for their commitment to provide the service; making procurement of services through private investment as the sole aim of the BOT; starting with small BOT projects; clear goals and an apparent general support for BOT approach; consensus building among participants and the government strengthened by the openness of the terms and decision-making process.

Successful BOO requires both public and private sectors to change their mindsets and adopt new skills, roles, responsibilities and risks (Love et al., 1999). The private sector must acquire expertise, not only to justify such joint-ventures, but also to be successful in promoting, winning and managing them. The project owner/promoter (usually a consortium of contractors and operators) must have the necessary technical, financial and legal skills. There should be commitment and trust from both sectors, by using a policy that includes guidelines for assessing proposals – reducing uncertainties, forms of investment, property provisions and confidentiality

There are three conceptual characteristics which were found to be similar between different BOT projects in countries which do not have liquid capital. Firstly, the government is unwilling or unable to provide refurbished or new infrastructure. Secondly, there is identification of an omnipotent need, and thirdly, funding bodies are comprehensively convinced of the potential for commercial success. Build-Operate-Transfer (BOT) and Private Finance Initiative (PFI) were successful in infrastructure developments in developed countries. The expectation of financiers and developers of a return on their investments, through operation of the facility, was the factor for this success. On the other hand, governments in developing countries do not have the funds, nor can the users afford to pay for the services from BOT and PFI. So the same measure of success has not been achieved in these countries. The biggest challenge is the means of paying for these projects and new approaches to financing them should be studied. An

example is where the private sector is responsible for the finance, in return for beneficial development rights elsewhere. These rights could be on land adjoining a new train interchange or other strategic locations to further add to the return of their investment.

Worenklein (2003) also discussed how the existing BOO and BOT model does not work in developing and poorest countries. He proposed a new model for success, where the private sector takes the leading role in delivering projects and the services are paid for by western donor countries. In BOT, governments must understand exactly what they are consenting to; constructors must understand what, where and when they are to build and how they will be paid; financiers as to who has the first claim on the debt and what happens when the money is not forthcoming. Since a BOT agreement is a marriage between public and private, public officials must recognise the importance of legal and fiscal credibility, as well as incentives for the concept to flourish. Officials are in touch with the political considerations which control decisions in policies. An example is in recognising that a traditional procurement method no longer applies (Walker & Smith, 1995).

4.4 Private Finance Initiatives

4.4.1 Political and Legal Environment

The government is the driver of PFI, by making it mandatory for all projects (RICS, 1995; UNISON, 2002). The will and commitment of government, to make PFI a success, should be noted, even when there are oppositions and failures in the PFI projects. Instead of stopping the initiatives, the government made recommendations through the Bates Review to improve the process (Li et al., 2005). PFI is about value for money and transfer of risk. The private sector was only willing to take risks when the government introduced a concession contract, to reduce the risk faced by the private sector. In the health sector, the 1997 NHS (Private Finance) Act and the 1996 NHS

(Residual Liabilities) Act together gave the private sector the guarantee that the public sector is tied into PFI payments, even in the event of a health trust bankruptcy (Ball et al., 2000).

The government created the Treasury task force to improve PFI. In the Bates review the four identified factors in the political environment are mostly related to the government sector, and are the institutional structure, improving the process, lessons learnt and the bids costs (Mustafa, 1999).

4.4.2 Economic and Social Environments

Transfer of risk is a key element of PFI and is closely related to the value for money issue. The valuation of risk is central to the value for money calculations of the PSC (public sector comparator). From the inception of PFI, the private sector has been reluctant to take on risk, for a number of reasons. One reason is undoubtedly the cautious nature of parts of the British banking system, which is not accustomed to providing long-term funding. The financial partners in the PFI consortium have been described as the 'secret project managers' because a project will only go ahead if it has financial backing. Official reports on major infrastructure projects and experiences of Ball et al. (2000) indicated that most contracts are based on availability of a facility, rather than occupancy.

Mustafa (1999) said that the financial environment was the greatest influence on the conception of PFI. In the 1980s, the UK government was committed to a budget-control policy in an effort to reduce the public sector borrowing requirement (PSBR). At that time, the government expenditure on the road network was too high and there was an increasing demand for more road networks and the procurement system was not very satisfactory and plagued with cost and time overruns. This became the reason for the Department of Transport to develop an alternative means of provision of infrastructure: by the private sector. The construction demand was also reduced and the contractors

started to take a pro-active role in generating work by participating in the financing, construction, and operation of infrastructure facilities. These were the combined forces which led to PFI.

4.4.3 Project critical success factors (CSF)

Hornagold (1995) summarised that the secrets of a successful and painless PFI experience are detailed forward planning, an open-minded but realistic attitude, a comprehensive client brief, an objective appraisal of the various bids, a realistic look at risk and value for money and finally a comprehensive development agreement.

Li et al. (2005) identified three factors which are the most important in the development of successful UK PPP/PFI projects. These are: a strong private consortium, appropriate risk allocation and available financial market. The 18 critical success factors CSF, identified from literature reviews for the UK PPP/PFI were also grouped in five factor groupings: effective procurement; project implementability; government guarantee; favourable economic conditions and an available financial market. These represent the basic elements of CSF for PPP/PFI project development. In developing countries, two CSF will also be added to the groupings: political support and technology transfer.

4.5 Critical Success Factors

This section briefly discusses the concept of Critical Success Factors.

The concept of critical success factors, CSF, was first used by Daniel (1961) in Management Information Crisis. He said that, in most industries, there are usually three to six factors that determine success: these are key jobs that must be done exceedingly well for a company to be successful. He continued to add that many of the most successful companies are characterised by well-developed planning information systems. The three basic categories of planning data are environmental, competitive and

internal. Rockart (1979) defines critical success factors as the limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organisation. He said that they are the few key areas where “things must go right” for the business to flourish. If results in these areas are not adequate, the organisation’s efforts for the period will be less than desired. Management, therefore, should give constant and careful attention to these activities of critical success factors.

There are four prime sources of CSF: the structure of the particular industry; competitive strategy, industry position, and geographic location; environmental factors and temporal factors. Therefore, a particular industry will exhibit similar CSF but will have few differences generated by the differences in environmental situation, temporal factors, geographic location or strategic situation.

Rockart (1982) redefined critical success factors in information systems as those few key areas of activity in which favourable results are absolutely necessary for a particular manager to reach his or her goals. He again emphasised that there is a generic set of CSF for each industry, but that they may differ among companies, because of factors such as size and competitive strategy.

Jugdev & Muller (2005) said that the development of critical success factors was the result of literature being filled with lists of project success criteria. They stated that CSF was still narrowly limited to the project’s lifecycle itself. Jugdev & Muller investigated various compilations and discussions on CSF in the literatures and concluded that the literature on project CSF continues to evolve as more holistic frameworks emerge.

Critical factors may fall into one or two categories:

- i. Necessary for success but not critical, and
- ii. Critical for success.

Owen (2002) proposed that factors which are necessary, but not critical, for success should be called Failure Reducing Criteria (FRC). These factors may reduce the chances of failure but will not increase the chance of success. They may also increase the chance of success but will also increase the chance of failure if left out.

4.6 Discussion

No literature was found on combination study of successful business environments and comparison of PPP, privatisation and PFI. Table 1 is a compilation of business environments, to give an overview of the most influential business conditions in each PPP, privatisation and PFI.

Table 2: The business environments which are influential on PPP, privatisation and PFI

Business Environments	Competitive Nations	Construction Industry	Public-private partnership	Privatisation	Private Finance Initiatives
Political		√	√	√	√
Economic		√	√	√	√
Social	√	√	√	√	√
Legal		√	√	√	√
Technological	√	√	√	√	√
Culture			√	√	
Aesthetic					
Customer				√	
Environment					
Sectoral					
Project CSF			√	√	√

It can be seen from Table 1 that all three types (public-private partnerships, privatisation and private finance initiatives) satisfy the business environments of competitive nations. The table also indicates that the influential business environments for PPP, privatisation and PFI are similar to those of the construction industry, where the influential business environments are political, economic, social, legal and technological environments. However, all three, PPP, privatisation and PFI, are also influenced by the individual project critical success factors. Culture also influences PPP and privatisation, but not

PFI. Privatisation programmes alone are influenced by the Customer. There are gaps in the literature on the influence of the Customer on the success of PPP and PFI and the influence of Culture on PFI.

Overall, there is not much work done on the impact of aesthetics, customers, and environmental and sectoral environments on PPP, privatisation and PFI. This could be because these environments do not have weight in the success of PPP, privatisation and PFI. They are potential areas for research.

In the analysis of the influential business environments, it was also noticed that finance plays more roles than just being a part of political and economic policy, where finance is defined as including allocated budget, financing arrangement and available resources. This is more obvious in the private finance initiatives, because finance was discussed as 'financing environment', indicating a requirement that could influence the success or failure of a programme. This literature review indicated a gap in the understanding of finance as a powerful environment on its own, which covers a broader aspect besides provision of capital and sources.

The following lists the most important factors under each business environment common to PPP, privatisation and PFI:

- **Political Environment:** The will and commitment of the government and its role, political risks, a country's credibility, trust, reform in both government and private sectors (including banking sector) and realising the need. The proper mindset is also very important.
- **Economic environment:** Economic and financial policy, financial resources, incentives, banking sector reform, and strategies and incentives. Strategies such as preparation before privatisation in legal and organisational structure change are very important in privatisation.

- **Social environment:** Human resources, acceptance by society (including Unions).
- **Legal Environment:** Institutional framework which include legal and financial policies.
- **Technological Environment:** Leadership qualities, business skills and knowledge, capacity of government or public bodies, private sectors and banking institution in being creative in management, policy, techniques and strategies.

4.7 Conclusions

This chapter has established the influence of business environments on the construction industry, public-private partnerships, privatisation and private finance initiatives, as well as establishing the different types of influential environments.

The literature review on business environments revealed ten different types of influential business conditions: Political, Economic, Social, Legal, Technological, Culture, Aesthetics, Customer, Environmental and Sectoral environments. There are also business conditions which specifically apply to individual projects and these are termed in the thesis as project CSF.

The business environments that influence competitive nations are Social (human resources) and Technological (technology) environments. In the construction industry, the influential business environments are Political, Economic, Social, Legal and Technological environments. These influential business conditions are found in public-private partnerships, privatisation and private finance initiatives. However, all three are also influenced by individual project CSF. Except for PFI, culture also influences both public-private partnerships and privatisation. Only privatisation has the added influence of the customer environment.

Thus, this chapter has answered the fifth research question:

- What are the business conditions of successful PPP, privatisation and private finance initiatives?

This chapter has also identified gaps in the literature:

- i. There is no literature on combined study and comparison of successful business environment between PPP, privatisation and PFI
- ii. The influence of Culture environment on PFI
- iii. The influence of Customer on both PPP and PFI.
- iv. The influence of Aesthetic, Customer, and Environmental and Sectoral environments in the success of PPP, privatisation and PFI.
- v. Some literature has used the term 'financing environment' to explain the need of finance and the lack of its sources. There is a gap in the literature on the influence of finance in the success of PPP, privatisation and private finance initiatives to establish its importance.

This chapter has also explained the concepts of the critical success factor and failure reducing criteria and the sources of CSF. However, this thesis does not use the CSF methodology, which involves measuring and reporting sequences, hence the decision of the researcher not to use the list of critical success factors to postulate the business environments in the collection of data.

This chapter listed the most important factors under each business environment common for PPP, privatisation and PFI. These factors will be used to compare with the business environments from the empirical research in chapter 7.

The following Chapter 5 discusses the research methodology selected for this research. The chapter will discuss the technique for the selection of the methodology and the reason for its selection. The actual data collection method is also described in the following chapter.

CHAPTER 5

RESEARCH METHODOLOGY

5 Research Method

This chapter aims to explain the step-by-step research approaches adopted while doing the thesis. It includes discussion on the research strategy, research method and procedures, analytical methods and the limitation of the procedures.

Briefly, the data collection used the Delphi Technique as the most appropriate method. The thesis is exploratory research because the scope of study is exploring the business environment of the Brunei construction industry for factors which would assist public-private partnerships, privatisation and private finance initiatives to flourish. It is applied research because it aims to understand a phenomenon, in order to bring change to a situation. The type of information sought in this thesis is qualitative.

The chapter starts by discussing the research strategy and the potential research methods and the selection procedure. It then continues by explaining the research methodology and the actual data collection method used in this thesis. A panel of experts participated in a four-round Delphi process designed to identify the factors. Included in this chapter is a discussion of the research method utilized and its application to the current study, a discussion of how the participants or experts were identified and selected, an explanation of how the survey instruments were designed and implemented, and a description of the data analysis process.

This chapter also discusses the Retrospective Interview, which was to validate the factors identified from the Delphi process. It also briefly discusses the validations of the researcher's interpretations by practitioners in the industry.

5.1 Research strategy

Fellows & Liu (2003) said that Research Methodology refers to the principles and procedures of logical thought processes, which are applied to a scientific investigation.

Although academic disciplines vary in content, their broad approach to a research enquiry is similar. It can be quantitative research, qualitative or a combination of both, depending on the objective of the study. In real life, most research is a combination of both methods. A piece of research can also be looked at from three perspectives: application, objectives and type of information sought (Kumar, 1999). Application divides the research between pure or applied. The objectives of the research classify it as: descriptive research, correlational research, explanatory research or exploratory research. The type of information sought could also classify the research as qualitative or quantitative.

From the application point of view, this research is applied science because the findings of this research will be used in understanding a phenomenon/issue, which could bring a change in a situation. The issue to understand is “public-private partnerships, privatisation and private finance initiatives of construction industry in Brunei”. The research aims to analyse the existing business environments of the construction industry, identify the business conditions which will assist PPP, privatisation and PFI to flourish in Brunei and also identify the critical success factors and failure reducing criteria.

The objectives of this thesis classify it as exploratory research (Greenfield, 2002). Exploratory research is carried out to explore unknown areas before deciding to undertake a further full and detailed study. The objectives are:

- i. To provide an analysis of the existing business environment of the Brunei construction industry,

- ii. To identify which business conditions need to be in place in order to assist public-private partnerships, privatisation and private finance initiatives flourish in Brunei,
- iii. To identify the Critical Success Factors (CSF) and Failure Reducing Criteria (FRC) that might lead to successful public-private partnerships, privatisation and private finance initiatives in Brunei.

The type of information sought in this research is qualitative. This will be discussed further in 5.4. The unit of analysis in this thesis is the organisation from the construction and construction related industries.

Consequently the following questions emerged as pertinent to these studies:

- RQ1. Which business conditions need to be in place that will strengthen the business environments to promote private sector activities in Brunei?
- RQ2. Which business conditions are currently in place that retards private sector activities?
- RQ3. Is it possible to identify these by the adoption of a replicable methodology?
- RQ4. If identifiable, can these factors be ranked to present an ordered set of criteria collectively considered critical?
- RQ5. What are the business conditions for successful PPP, privatisation and PFI?

5.2 Selection of research method

The aim of this research is to forecast whether PPP, privatisation and/or PFI will flourish in Brunei. In order to do this, it is first necessary to establish if the business environment for successful PPP, privatisation and/or PFI is present and what the critical success factors and failure reducing criteria are.

The selection of a suitable method considered the following:

- i. That PFI is a new procurement method and relevant parties of the construction industry only recognised PPP and privatisation.
- ii. No one single organisation in the Government sector compiles data on construction work or information relating to it. Most information will be kept by individual organisations, so that access by anyone outside the organisations can be quite difficult, if not impossible.
- iii. Very little research and development work has been done on Brunei's construction industry and the private sector. Available MSc dissertations are on housing policies, project implementation and banking policy.
- iv. The Brunei business environments, especially the political environment, might prevent the collection of true data. Therefore it is important that the selected method provides anonymity to collect honest opinions.

A quantitative method would not be useful for this, because the nature of the research study is forecasting and, therefore, data were not yet known, and also there was not enough information to carry out a quantitative method. Therefore, a qualitative method was chosen.

A qualitative method was used to describe the variation in the business environments. Opinions or judgements were sought from people identified as experts from Brunei in construction and construction related industries.

Not a lot of changes or differences of opinions were expected from these experts. The feedback was not expected to be 100 percent. Structured types of questions were used in acquiring both qualitative and quantitative information. Structured methods are those consisting of systematic and detailed steps that can be described and replicated. The questions were in questionnaire form and retrospective interviews were used, to explore

some critical issues further. Unstructured questions were not used because of the time limit in this study.

Statistics were used to confirm or contradict conclusions drawn from analysed data, to provide an indication of the magnitude of the relationship between the variables under study, to help to establish causality, and to ascertain the level of confidence that can be placed in the findings.

The literature review on forecasting methods revealed a few forecasting methods that can be adopted for this research. Since quantitative methods are not suitable, a qualitative method which is grouped under the judgemental methods for forecasting techniques was thus selected. There are six structured forecasting techniques and out of these only two involve grouping. These are the Delphi and prediction Markets. The Delphi technique was thus selected because opinions were sought without the need of evidence or proof. Among the advantages of this technique are it provides anonymity which removes politics and biased estimates, avoids domination by quantity or by strength of personality (“bandwagon effect”), eliminates geographical limitations or logistical barriers and is cheap.

In practice, many methods are used in forecasting to minimise biases. Many forecasters prefer to use at least five methods to increase accuracy. However, the gain from adding more than five approaches decreases rapidly while costs increase.

In this study, a structured retrospective interview was carried out as the next step to increase accuracy of forecast and to validate the results from the Delphi. It was also used as a means to further explore the critical issues identified from the Delphi.

5.3 Research method and procedures

5.3.1 Data collection

The required data was collected through the Delphi process and the Retrospective Interview validated the CSF and FRC identified from the Delphi. These will be compared with the business environments of successful PPP, privatisation and PFI from literature review.

5.3.2 Unit of Analysis

Four main organisations which have specific and different roles in the construction industry were chosen as the units of analysis in this research. Experts and interviewees from these organisations were selected based on their experiences and decision-making positions. This would ensure that the opinions and perceptions gathered would reflect the true data for the research to be useful.

5.3.3 Literature Review

During literature review various documents on Brunei and public-private partnerships, privatisation and private finance initiatives were examined. This review provided the basis of the research and identified several gaps in literature which supported the research issue. Literature reviews were not only focused on the Construction Industry but also covered various sectors which have used these three models. The reason was to see if the business environments changed with the type of Industry.

5.3.4 The Delphi Technique

The Delphi technique consists of interrogations of experts by means of successive iterations of a given questionnaire. Each iteration constitutes a 'round' and is the

medium for the experts to state their views. The number of rounds required in any given study depends on the level of consensus that the survey aims to achieve. In most instances, three rounds were enough and not enough new information was gained to warrant the cost of more iterations.

The Technique depends on the selection of relevant experts and the questions to be asked of the experts in order to get useful data for the research.

5.3.4.1 Sampling of the Experts

In this study, the factors that influence the business environment of the construction industry in Brunei were sought. In Brunei, the Government is the main client of the construction industry. The private sector is a proliferation of small businesses and a very few large organizations. In Delphi a group communication process must be structured in order to obtain a useful result to reach the objectives (Rowe & Wright, 2001). Each participant must be justifiable as in some way “expert” on the matter under discussion (Dalkey & Helmer, 1963; Linstone & Turroff, 1975 & 2002). The research was, therefore, restricted to experts, from both the Government and private sectors, whose activities related to the construction industry.

The majority of Delphi studies have used between 15-20 respondents (Ludwig, 1997) and 30 experts proposed as sufficient (Czinkota, et al., 1997). A good Delphi group would include at least one key individual from all major stakeholder organisations. Based on these, therefore, a list of 20 possible experts from the Government, private and support services’ sectors was constructed. These candidates were chosen based on their knowledge and experience in the construction industry. They included clients, project managers, contractors, consultants and financial experts. Letters were sent out to invite these experts to take part in the research, of whom 10 were from the Government sector and 10 were in the private sector. From these 20 candidates, eleven participants responded and agreed to take part. Three of them came from the Government sector and

eight came from the private sector. Steps were taken to ensure confidentiality in order to encourage honest responses. Brunei is a small country, and therefore, people are easily identifiable by position or organization. For anonymity, the participants are therefore identified by code name and sector. The participants are listed in Table 5.1.

The participants consisted of 9 percent female and 91 percent male. Their backgrounds are 33 percent engineer, 33 percent economist and 33 percent financier (government sector); and 50 percent engineer, 25 percent financier, 12.5 percent quantity surveyor and 12.5 percent constructor (private sector). The age ranges from 35 to 62 years old and their experiences in their sectors and type of organisations usually started from the age of 22 (when they started with their employment).

Table 5-1: List of Experts

Type of Organisations	Government Sector	Private Sector
Construction Services	No response	P3, P9
Design Support Services	No response	P2, P6
Financial Services	G6	P7, P8
Project Management Services	G4, G7	P1, P4

5.3.4.2 Instrument Design and Implementation

5.3.4.2.1 Round One: Initial Survey

The first round consisted of two open-ended questions designed to help define and identify potential subject matters to be included in subsequent questionnaires:

- i. Please identify five factors which will strengthen the business environment to promote private sectors activities.
- ii. Please identify five factors that are currently in place that retard the private sector.

The participants were also encouraged to list more than five if they felt that more should be listed. The researcher also included in the questionnaire a few factors that influenced the business environment of the construction industry as found from the literature review. The purpose of this first round questionnaire was to establish and identify a broad range of factors from all participants, which could then be reduced and weighted according to total agreement and priorities in later rounds.

The questionnaire was sent out to participants as a Word attachment via electronic mail. Respondents were asked to return the survey by e-mail or post (see Appendix A).

The replies were then grouped together under a limited number of headings and statements, and became the questionnaire one of Round Two. It is important throughout the Delphi process to be certain that steps are taken to eliminate the chance of research bias.

5.3.4.2.2 Round 2: Questionnaire One

In this round, the experts were asked to review all items identified by the first round of the Delphi. A list of 102 statements was compiled from the information obtained in Round 1. Obvious repetitions were eliminated, though items that were similar but not exactly the same were retained. Items were listed into two parts – Part A: the factors which would strengthen the business environment to promote private sector activities, and Part B: the factors which were currently in place that retarded the private sector. The statements were then sorted under different categories. Both Parts A and B were sorted under the different business environments: Political, Economic, Social, Legal and Technological. Statements, which could not be placed under these categories but were too few to be categorized on their own, were placed under Other Environments.

Participants were asked to rate each feature on a Likert-type scale, identifying each feature as “agree strongly” (5), “agree” (4), “neither agree nor disagree” (3), “disagree”

(2), or “disagree strongly” (1) for each category under the different parts of the questions to establish preliminary priorities among items. Experts were invited to comment on their rationale for the rating and add additional items. The results of this second round were then fully analysed.

5.3.4.2.3 Round 3: Questionnaire Two

Experts re-rate each item during the third and any additional rounds. Here Questionnaire Two listed only the statements that had received a consensus of 90 percent and higher in the previous round. Once again, these statements were listed into Part A and Part B and sorted under different categories. Experts commented that some of these statements were similar to other statements under other categories. These statements were, therefore, combined. To assist in their consideration, experts were provided with: (a) statistical feedback related to their own rating on each item, (b) how the group of experts rated the same item and (c) a summation of comments made by each of them. This feedback process makes the Delphi respondent aware of the range of opinions and the reasons underlying those opinions. They were challenged to justify their own answers in the context of the total panel and given the opportunity to change their views as they wish.

There were 57 statements under Part A and 36 statements under Part B. The experts were again asked to rate the remaining statement on the same five-point scale used previously. In this round, these statements were listed according to the consensus of their importance, based on a numerical coding. The mean was not used for ranking because it did not provide a range of values of agreement. When two statements had the same consensus, the scoring 4 determined the next selection of importance for the statements. The new results were re-analysed.

5.3.4.2.4 Round 4: Questionnaire Three

The third and final questionnaire listed the 27 statements that received 90 percent consensus and higher in Round 3. The statements were listed in order of their importance, from the scores given by the experts. The experts were once again asked to rate these statements, using the same five-point scale as previously. They were also told that the statements were listed in order of the highest score from the previous round. As in previous rounds, the ranking of the statements used numerical coding for the consensus, i.e. the highest score was 5 and the next highest score was 4 when the consensus was similar in more than one statement. The experts were also given their previous score and the group overall score for their information. The experts were encouraged and given the opportunity to change their score in view of the overall score.

5.3.4.3 Data Analysis

A total of 132 statements were received from Round 1, of which 102 were used in Questionnaire 1.

- i. Responses from Questionnaires 1, 2 and 3 (from Round 2, 3 and 4 respectively) were analysed to determine the group ranking of the statements.
- ii. Percentage consensus and ranking of importance were computed for each statement.
- iii. Score of 4 (agree) and 5 (agree strongly) assigned to each statement were tallied for consensus and ranking.
- iv. The level of agreement for each item was determined by calculating the percentage of experts who rated an item as agree (4) or agree strongly (5). When a statement had equal consensus, the total score 5 determined the ranking of the statement. If this was also equal, the total score 4 was used next to determine its importance.

- v. Items that received consensus less than 90 percent were removed, because of the lack of agreement from the experts. The 10 percent disagreement meant that one expert did not agree with the rest of the group. Only statements that received consensus 90 percent and higher were used in Round 3 Questionnaire 2
- vi. The statements were scanned to see the degree of importance to give hierarchies of importance to the factors. All statements above 90 percent in the final round are success factors identified from this research. Statements with 100 percent consensus are classified as Critical Success Factors and statements with consensus between 90 and 100 percent are classified as Failure Reducing Criteria.
- vii. The rounds of Delphi were stopped when the level of agreement between experts in the subsequent rounds were seen to converge satisfactorily towards total agreement.

5.3.4.4 Limitations of method

The Delphi process started in November 2004 and each round was designed to be completed in one month. Because of the geographical location of experts distant from the researcher, the questionnaires were sent via electronic mail. However, the responses were slow and various follow-up electronic mails and telephone calls were made to get the Delphi response. Respondents complained of bad internet connections and busy work schedules which caused their delays in responding. The process was finally completed in March 2005.

5.3.5 The Interview

The questions for the interviews were developed from analysing the results of the Delphi. The Delphi became the framework for the interview. There were five questions;

the first two questions were designed to validate the results from the Delphi and the next three questions were to gain more information and insight into what business environment would promote PPP, privatisation and PFI.

5.3.5.1 Selection of experts

Eight ‘experts’ were selected for the interview. Four experts were from the government sector and another four from the private sector. Equal numbers of experts were selected from construction and design support services from both sectors, and another four from support services. These experts were selected because of their experience and knowledge in construction and construction-related areas. They were also selected because of their capacity to make decisions and give directions in their respective sectors. However, because of confidentiality, the positions of these experts were kept anonymous. See Table 5.2.

It was necessary to select these experts carefully, because of the purpose of the interviews. A wrong selection would be useless for the research, because in-depth information would not be obtained and hence the Delphi results would not be validated.

The participants consisted of 12.5 percent female and 87.5 percent male. Their backgrounds are 25 percent engineer, 25 percent economist, 25 percent business administrator and 25 percent financier (government sector); and 25 percent engineer, 25 percent financier, 25 percent quantity surveyor and 25 percent business owner (private sector). The age ranges from 35 to 62 years old and their experiences in their sectors and type of organisations usually started from the age of 22 (when they started with their employment).

Table 5-2: List of Interviewees

Type of Organisations	Government Sector	Private Sector
Design & Construction Services	I-G1, I-G3	I-P2, I-P7
Financial & Project Management Services	I-G4, I-G5	I-P6, I-P8

5.3.5.2 Developing the Questions

The questions were developed such that they would provide the researcher with the required information in one session. The questions were in two parts, the first to validate the Delphi and the second part was to explore further the concept of PPP, privatisation and PFI and its success in Brunei. This step was necessary because the number of experts or related persons in construction is limited in Brunei; and also it was not going to be possible to repeat any interviews because of the distance and difficulty of securing the interviews with the experts.

The questions in the interviews were:

- i. What, in your opinion, are the factors that will strengthen the business environment to promote private sector activities?
- ii. What, in your opinion, are the factors that are currently in place that retard the private sectors?
- iii. In your opinion, why do you think we should move towards privatisation?
- iv. What, in your opinion, needs to be in place to be successful in privatisation? (the pre-conditions of privatisation).
- v. How do you think can privatisation take place in Brunei?

These questions are also listed as Appendix B for easy reference.

5.3.5.3 Methods

A letter was sent to each selected expert outlining the aims and objectives of the study and followed with a telephone call to provide further details of the proposed interview. Experts were selected from the government and private sectors in Brunei.

Interview questions were discussed and agreed with the research supervisor. They were kept as focused as possible, to ensure that interview time was kept to between 45 minutes and one hour. A copy of the questions was given during the interview, to give each expert an overview on the scope and nature of the issues to be covered. It also gave the experts the assurances on the timing of the interviews and gave them the opportunity to focus during the sessions.

Due to the sensitivity of the issues being discussed with senior government's representatives anonymity is essential. However, representatives from all key government ministries and from key industry confederations were interviewed. Therefore, while it is acknowledged that this study has limitations, it is considered possible to use the fieldwork results to suggest some generalised findings that apply across the construction industry.

5.3.5.4 Analysis

A tape recorder was used to record the interviews. The responses were also handwritten at the same time. One interviewee did not wish to be recorded. Two interviewees sent their sub-ordinates: one because he was worried about the questions to be asked of him (as explained by the sub-ordinate) and the other one was delayed by an ad-hoc meeting in the department. The verbatim transcripts were analysed for contents. The analysis used colour coding to separate the different themes which emerged from the interviews. Some of the interviews were conducted bi-lingually, therefore the researcher has translated these responses into English.

5.4 Validations of the interpretations

The interpretations of the factors from the synthesis of the Delphi and the Interviews were further validated by four practitioners of the industry of which three are from the government sector and one from the private sector. The practitioners consisted of equal

percentage of male and female. Their backgrounds are 75 percent engineer, and 25 percent business owner (private sector). The age ranges from 35 to 43 years old and their experiences in their sectors and type of organisations usually started from the age of 22. The overall conclusion is written in view of this validation.

5.5 Summary

This chapter discussed the differences in research approaches and strategy. It has concluded that this research was an exploratory research because its emphasis was on forecasting the future. This was done by studying the existing conditions and translating them to a preferred or ideal set of future conditions, based on results from literature review.

This chapter highlighted the selection process of the research method, which was based on the research objectives. The Delphi technique was selected because of the nature of the research and the unavailability of data in Brunei for the study. The chapter discussed the data collection process using the Delphi technique in detail. The rounds or iterations in the Delphi process increase the accuracy and strengthens the confidence in the validity of the results. The interview technique used to validate the Delphi results was also briefly discussed. Finally the chapter also presented the analysis methods used for both research techniques.

This chapter also briefly explained the validation technique of the interpretations of the factors by the researcher.

The following chapter 6 displays the data collected from both the Delphi and the Interview. Chapter 7 discusses the analysis and synthesis of both the Delphi and the interview.

CHAPTER 6

DATA DISPLAY

6 Data Display

The previous chapter discussed the Delphi technique for data collection and the interviews used to validate the results from the Delphi.

This chapter displays the data collected from both the Delphi and the interview in an organised manner, to enable the synthesis of both for the drawing of conclusion. It presents the results in terms of their relevancy to the research questions. Most of the data are displayed in tables and figures which are easier to understand than the rounds of the Delphi and verbatim transcripts from the interview sessions. The data displayed in this chapter do not refer to the literature review and are restricted to a presentation of collected data. No general conclusions are drawn, nor are results compared to the literature review at this point of the thesis. The synthesis of data from the Delphi and the interview will be discussed in the following Chapter 7 to enable the drawing of general conclusions from the research.

The data are laid out in three sections:

- i. Overview of response to Delphi questions in general
- ii. Identification of business environments of the factors
- iii. Public-private partnerships, privatisation and private finance initiatives

6.1 Summary of the Delphi technique

The Delphi Technique is a qualitative method of collecting data when the best information on an issue is only obtainable by the judgement of knowledgeable individuals or groups with wide diversity of answers. Eleven experts responded and participated in the Delphi. The organisations, represented by these experts were chosen as the unit of analysis whose expert opinions would be examined in this research.

Table 6-1: Table of Delphi Experts

Type of Organisations	Government Sector	Private Sector
Construction Services	No response	P3, P9
Design Support Services	No response	P2, P6
Financial Services	G6	P7, P8
Project Management Services	G4, G7	P1, P4

The questions in the Delphi were:

- i. Please identify five factors which will strengthen the business environment to promote private sector activities.
- ii. Please identify five factors which are currently in place which retard the private sector.

Delphi Question (i): The aim of this question was to identify the factors that would promote private sector activities in Brunei. This is because PPP, privatisation and PFI are procurement systems where there is a high involvement of the private sector. For these three models to flourish in Brunei it is first imperative to identify what conditions are presently in place or need improvement in the business environments, before a general conclusion can be made.

Delphi Question (ii): This question sought to find out if there are presently any factors which retard the private sectors in Brunei and to identify the natures of these factors.

The results from the Delphi are categorised into two: Critical Success Factors (CSF) and Failure Reducing Criteria (FRC). These will be further discussed in Chapter 7.

6.2 Summary of the Interviews

The interview aimed to validate the success factors identified from the Delphi and also gain further insight into implementing PPP, privatisation and PFI from the interviewees'

points of view. There were eight respondents, carefully selected based on their capacities as decision makers and being pioneer in their sectors (Table 6-2).

Table 6-2: Table of Interviewees

Type of Organisations	Government Sector	Private Sector
Design & Construction Services	I-G1, I-G3	I-P2, I-P7
Support Services	I-G4, I-G5	I-P6, I-P8

There were five questions in the interview. The first two questions were to validate the Delphi and the last three questions were to gain insight into the views if PPP, privatisation and PFI will flourish in Brunei (Appendix B). This was to understand the forms of the business environments which influence these three models.

The interview sessions were kept within one hour and the interviewees were encouraged to give their views as much as they thought necessary. The results from the interviews were analysed for content by colour coding. Verbatim transcripts of the interviews were analysed and categorised under the business environments identified from the Delphi. Other issues which arose are also indicated and discussed.

6.3 Results

The Delphi process aimed to identify the factors which promote and retard the private sector activities in Brunei. The results from the Delphi are listed in Table 6-3. Twenty factors of importance were identified from the Delphi. They are listed according to their ranking, with the most important first, followed by the less important as perceived by the experts. The experts' responses were analysed for critical success factors, failure reducing criteria, hierarchies, and experts' preferences. The business environments of these factors were identified and data from both Delphi and interviews are displayed under each environment. Data from the last three questions of the interview are displayed for discussion on the PPP, privatisation and PFI.

Table 6-3: Experts' responses

<i>Factors</i>	<i>T.C</i>	<i>S=5</i>	<i>G. S</i>	<i>P. S</i>
1. Good governance	100	10	67	100
2. Too much bureaucracy and centralization leading to too many procedures	100	10	100	88
3. Transparent government free from corruption, nepotisms and cronies	100	10	100	88
4. Speedy decision-making	100	8	100	63
5. Effective leadership with effective system should be pursued in Government	100	8	100	63
6. Training and employment of high-calibre national personnel, overseeing and guiding privatisation development programmes are required	100	7	67	63
7. Efficient implementation of projects	91	10	100	88
8. Statistics to be updated	91	9	67	88
9. SMEs are crucial to the nation's economic success because they constitute the bulk of total enterprises in terms of number	91	8	67	75
10. Prompt payment from both government and private sectors for completed works	91	8	100	63
11. Clear and firm government policies and directions at strategic level and on medium and long term period	91	8	67	75
12. Government and private sector must continue to develop the sense of partnership in the pursuit of national goals (drafting policies, programmes, getting input and suggestions from private sector) such as practiced by JPKE	91	7	67	63
13. Government processes to be business friendly	91	7	67	63
14. Entrepreneurs and managers must have mindsets that are attuned to the dynamics of the process of globalisation particularly of the market place	91	6	33	63
15. Financial knowledge of the business community itself	91	6	67	50
16. The business community must do what it takes to be competitive, and keep abreast with the developments in the market place	91	6	67	50
17. Delayed payments for work completed from either the public or private sector	91	6	67	50
18. Solid banking system	91	5	33	50
19. Networking to market products both domestically and overseas	91	4	67	25
20. Awareness of professional ethics, duties and responsibilities to be instilled	91	3	67	13

T.C - % Total Consensus (Based on Score 5 and 4)

S=5 – Number of experts that scored 5

G.S - % Preference from Government Sector (Based on score 5)

P.S - % Preference from Private Sector (Based on Score 5)

6.4 Overview of responses to Delphi questions

Twenty factors of importance were identified, of which eighteen factors were the responses from the first question on factors to promote private sector activities. The experts identified two factors as retarding private sector activities: factors 2 and 17 from their responses to the second question in the Delphi. Refer to Table 6-4.

Table 6-4: Number of responses for each Delphi questions

Delphi Questions	Number of responses	Identified Factors
i. Please identify five factors which will strengthen the business environment to promote private sector activities	18 factors	All factors except 2 and 17
ii. Please identify five factors which are currently in place which retard the private sector	2 factors	Factors 2 and 17

6.4.1 Identification of factors as CSF and FRC

These factors identified by the experts were separated into Critical Success Factors (CSF) and Failure Reducing Criteria (FRC). CSFs are factors which are necessary for success of implementation and FRCs, are factors which will not increase the chances of success, but which are necessary to reduce the chances of failure. The Delphi identified six CSF and fourteen FRC (see Table 6-5). The CSFs are factors with 100 percent consensus and FRCs are factors with consensus between 90 and 100 percent.

Table 6-5: Success factors identified as CSF and FRC

Type of response	Categorisation of factors	Factors
100 % total consensus	Critical Success Factors	Factors 1 to 6
90% ≤ consensus < 100 %	Failure Reducing Criteria	Factors 7 to 20

6.4.2 Hierarchies of Identified Factors

The factors were separated in hierarchies of four levels, based on the percentage consensus and ranking as tabulated in Table 6-6. The CSFs were assigned to three levels, based on the highest score of importance, score 5. Level 1 is where ten experts scored 5 to the factors, Level 2 is where eight experts scored 5 to the factors and Level 3 is where seven experts scored 5 to the factor. Level 4 was for the factors identified as FRCs.

Table 6-6: Hierarchies of Identified Factors

% Consensus	Success factors		Hierarchy
100	CSF	1 - 3	Level 1
		4 - 5	Level 2
		6	Level 3
91	FRC	7 - 20	Level 4

Figure 6-1 gives the translation of the business environments into a diagram to better understand their level of influence.

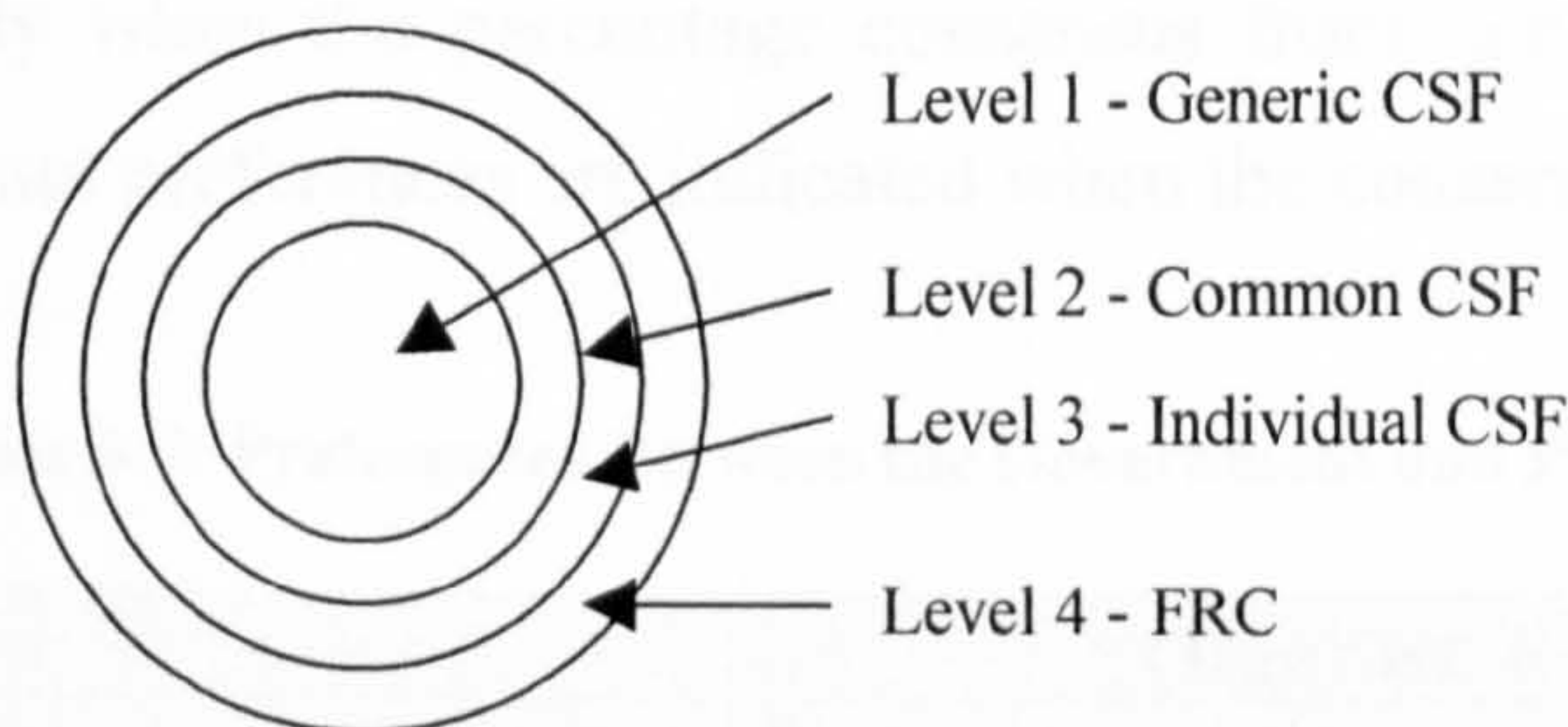


Figure 6-1: Levels of CSF and FRC

Owen (2002) discussed the different hierarchies of CSFs for implementing PFI projects in privately financed infrastructure projects. In this thesis:

- The generic set – contains CSFs which must exist in the business environments to promote private sector activities. These are the most important CSFs to promote private sector activities.
- The common set – are CSFs which are necessary for most private sector activities.
- The individual set – exists for individual types of projects. In this case, the experts have identified the project type to be privatisation programmes.
- Failure Reducing Criteria – required to reduce the chances of failure but will not increase the chances of success

6.4.3 Experts' Preferences

Total consensus represented the level of agreement between experts. This was obtained by using scores 5 and 4 to determine a total consensus. The percentage preference from government and private sectors means the number of experts from the respective sectors who gave the highest score of 5 to indicate importance of factors to the experts. The preferences of the different sectors are given in Table 6-7. The preferences are indicated only when the percentage consensus from one sector is higher than the other sector. Equal preferences are indicated when the consensus are almost equal. See Table 6-8.

Table 6-7: Preferences Between the Government and Private Sectors

Organisation					
Government Sector			Private Sector		
Factors	What the factors relate to	% Consensus	Factors	What the factors relate to	% Consensus
2, 3, 5	Government Sector	100	1	Government Administration	100
5	Government human resources	100	8	Economic Data	88
4, 7, 10	Government activities	100	9, 11	Economic players and policies	75
19, 20	Products and professional awareness	67	14	Human resources	63

Table 6-8: Equal Preferences From Both Government And Private Sectors

Factors	What the factors relate to	% Consensus	
		Government Sector	Private Sector
6	Human resources	67	63
12	Relationship between sectors	67	63
13	Government Process	67	63
15	Business Community	67	50
16	Business Community	67	50
17	Finance	67	50
18	Finance	33	50

6.4.4 Changes In Experts' Responses

Table 6-9 gives the changes in the responses from the experts between the Delphi rounds. These were obtained by using statistical analysis, two-tailed t-test, to test the significant level of changes between Delphi rounds. These changes were either between experts for the same factors (for consensus) or between factors from the same experts (for level of reliability of expert). The table indicates the significant changes in percentage. For example if it is 100 percent, it means that the changes in the responses are significant. If the changes are 0 percent, it means that there is no change in the response between the rounds making it insignificant. There are 6 CSF and 14 FRC and 3 government and 8 private sectors' experts.

Table 6-9: Changes Of Experts' Responses Between Rounds

Type of changes	Sector	CSF		FRC	
		Round 2-3	Round 3-4	Round 2-3	Round 3-4
Between experts (consensus of same factor)	Government	0%	0%	0%	0%
	Private	33.3%	16.7%	21.4%	7.1%
Between factors (reliability of experts)	Government	33.3%	0%	100%	0%
	Private	12.5%	0%	75%	50%

Changes between experts:

- 0% = no difference between government experts
- 33.3% = 2 out of 6 factors, the private experts differ with each other
- 16.7% = 1 out of 6 factors, the private experts differ with each other
- 21.4% = 3 out of 14 factors, the private sector differ with each other

7.1% = 1 out of 14 factors, the private experts differ with each other

Changes between factors:

0 % = No changes within experts

33.3% = 1 out of 3 government experts changed his score between rounds

100% = All government experts changed their scores between rounds

12.5% = 1 out of 8 experts (for private) changed his score

75% = 6 out of 8 private experts changed their score

50% = 4 out of 8 private experts changed their score

Table 6-10 is a summary of the identified experts and factors with significant changes during the rounds. For example, in round 2-3, only P3 showed significant changes in his response for the CSF. In round 3-4, the only CSF which showed significant changes was CSF 5.

Table 6-10: Experts And Factors Which Changed Significantly During The Rounds

Location of changes	Sector	CSF		FRC	
		Round 2-3	Round 3-4	Round 2-3	Round 3-4
Experts	Government	-	-	-	-
	Private	2, 5	5	18, 19, 20	16
Factors	Government	G4, G7	-	G4, G6, G7	-
	Private	P3	-	P1, P2, P3, P4, P6	P1, P4, P7, P8

G – Experts from the government sector

P – Experts from the private sector

“Location of changes” in the above Table 6-10 means that the changes occurred either between the experts (on the same factor) or the factors (from the same expert).

The following histograms (Figure 6-2 to Figure 6-7) displayed the changes in experts’ responses in different rounds for the same factors. Only the histograms of the CSFs are displayed since the observations of these factors will give insight into the business conditions that affect their importance.

(i) CSF1 – Good Governance

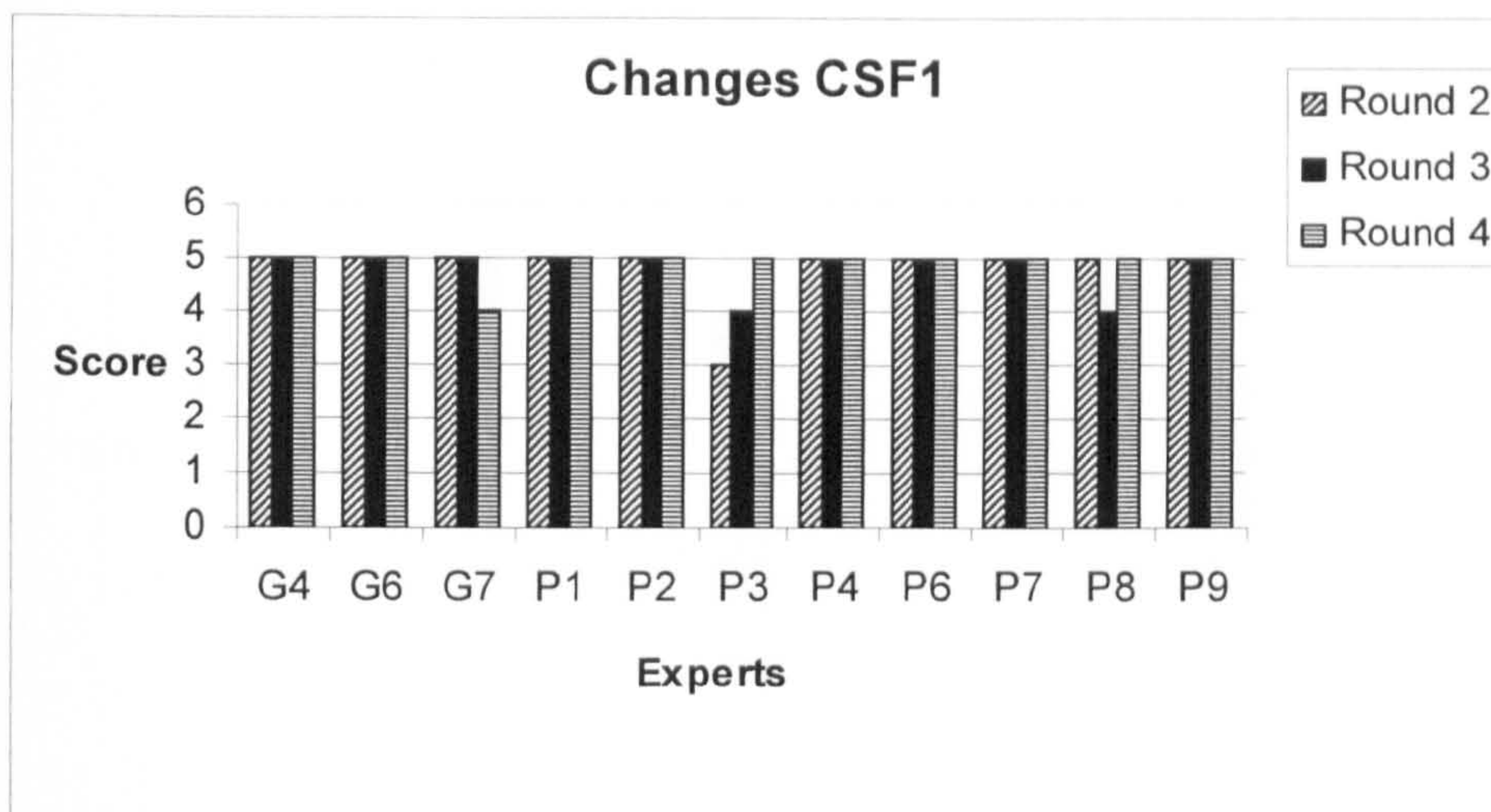


Figure 6-2: Changes In Responses Between Experts on CSF1 In Different Rounds

(ii) CSF2 – Too Much Bureaucracy And Centralisation Leading To Too Many Procedures

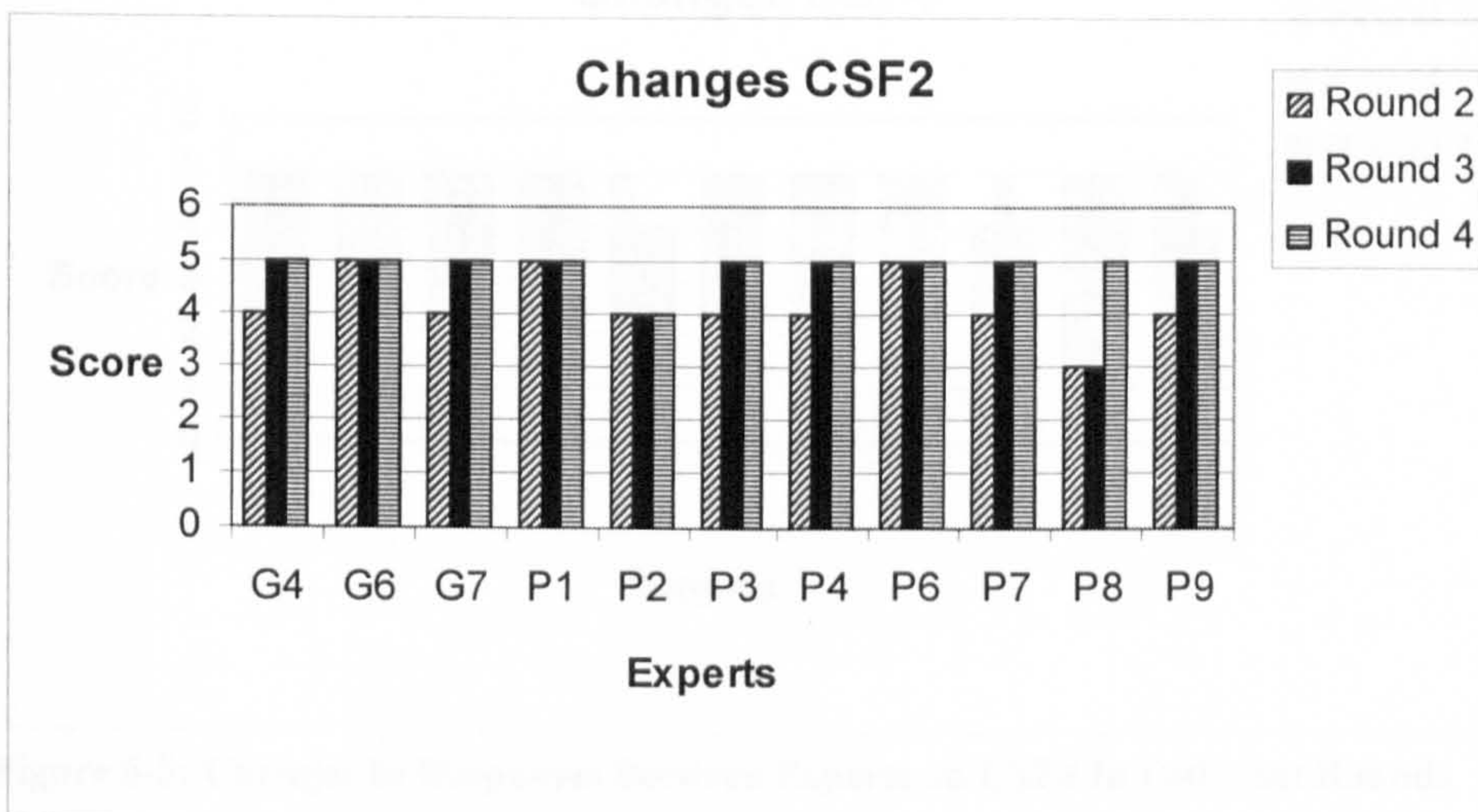


Figure 6-3: Changes In Responses Between Experts on CSF2 In Different Rounds

(iii) CSF3- Transparent Government Free From Corruption, Nepotisms And Cronies

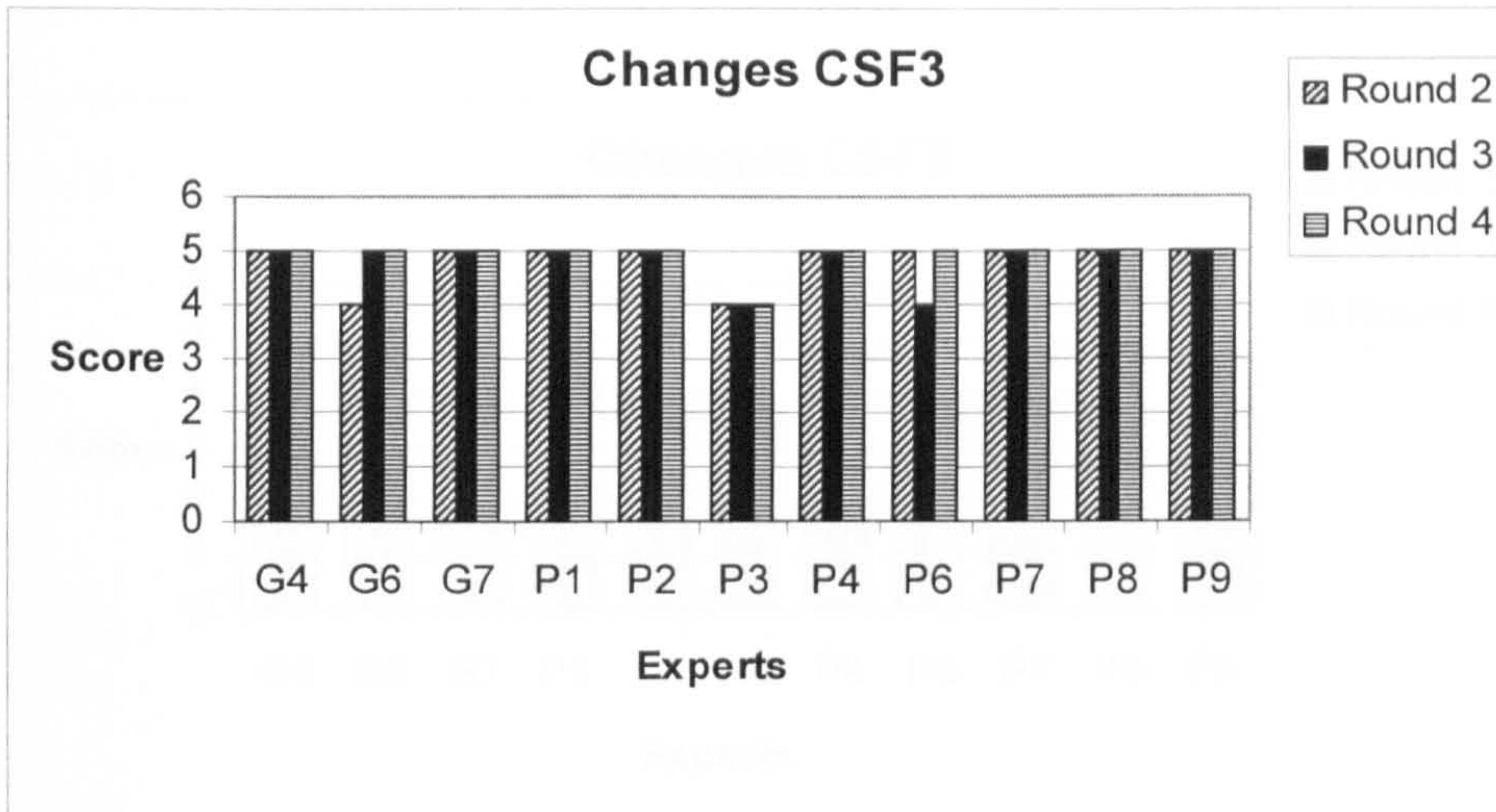


Figure 6-4: Changes In Responses Between Experts on CSF3 In Different Rounds

(iv) CSF4 – Speedy Decision-Making

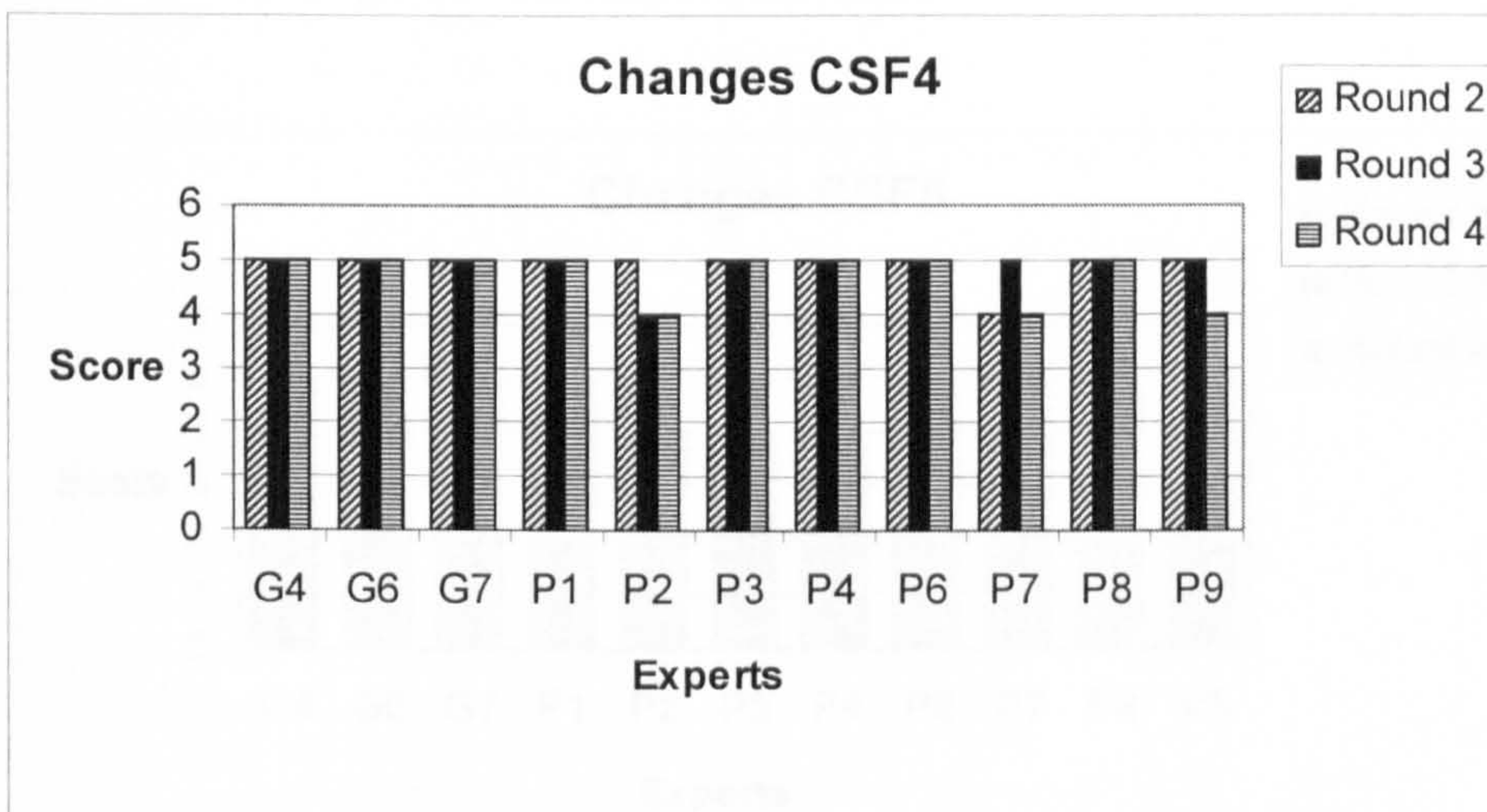


Figure 6-5: Changes In Responses Between Experts on CSF4 In Different Rounds

- (v) CSF5 – Effective Leadership With Effective System Should Be Pursued In Government

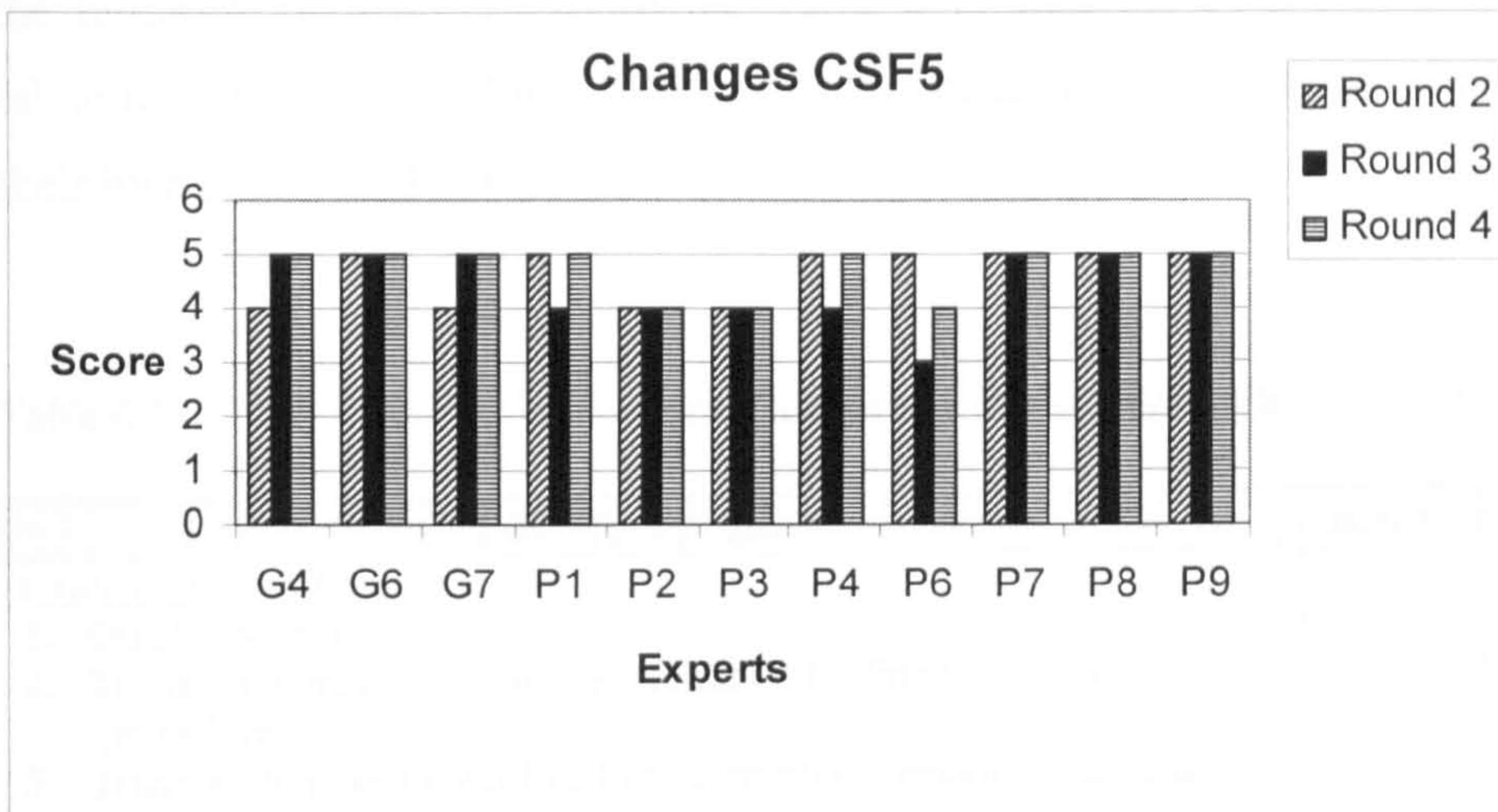


Figure 6-6: Changes In Responses Between Experts on CSF5 In Different Rounds

- (vi) CSF6 – Training And Employment Of High-Calibre National Personnel, Overseeing And Guiding Privatisation

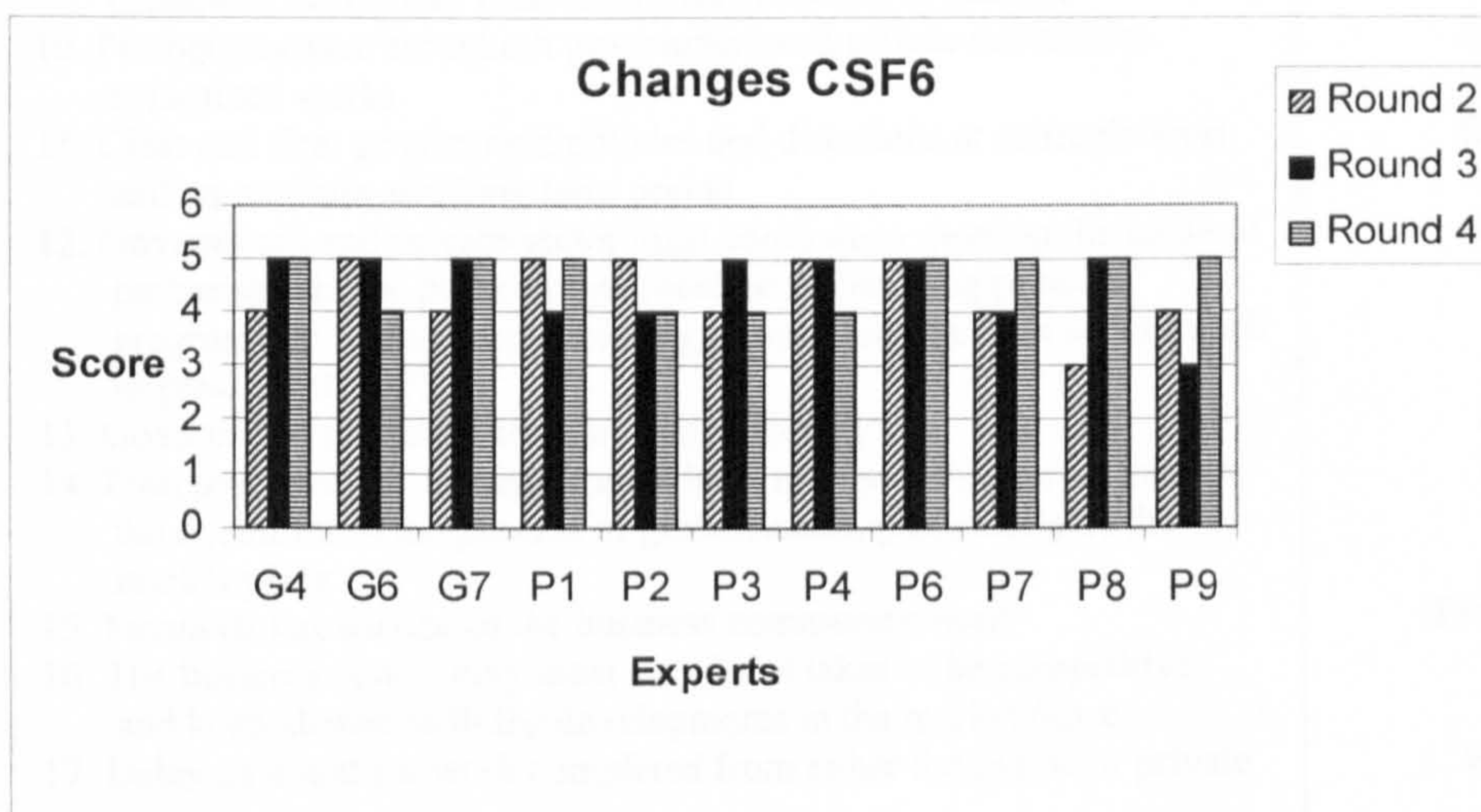


Figure 6-7: Changes In Responses Between Experts on CSF6 In Different Rounds

6.5 Identification Of Business Environments Of The Factors

The identified factors were categorised under the appropriate environments as defined in the literature review. The following Table 6-11 lists the business environments which relate to both CSF and FRC. The most influential environments are the CSF because of their hierarchies in the list.

Table 6-11: Table Of Identified Factors, Categorised Under Appropriate Business Environments

<i>Identified Factors</i>	<i>Business Environment</i>
<i>Critical Success Factors:</i>	
1. Good governance	Legal
2. Too much bureaucracy and centralization leading to too many procedures	Political
3. Transparent government free from corruption, nepotisms and cronies	Political
4. Speedy decision making	Political
5. Effective leadership with effective system should be pursued in Government	Political + Technological
6. Training and employment of high-calibre national personnel, overseeing and guiding privatisation development programmes are required	Technological
<i>Failure Reducing Criteria:</i>	
7. Efficient implementation of projects	Project CSF
8. Statistics to be updated	Economic
9. SMEs are crucial to the nation's economic success because they constitute the bulk of total enterprises in terms of number	Economic
10. Prompt payment from both government and private sectors for completed works	Economic
11. Clear and firm government policies and directions at strategic level and on medium and long term period	Economic
12. Government and private sector must continue to develop the sense of partnership in the pursuit of national goals (drafting policies, programmes, getting input and suggestions from private sector) such as practiced by JPKE	Political
13. Government processes to be business friendly	Political
14. Entrepreneurs and managers must have mindsets that are attuned to the dynamics of the process of globalisation, particularly of the market place	Political
15. Financial knowledge of the business community itself	Technological
16. The business community must do what it takes to be competitive, and keep abreast with the developments in the market place	Social
17. Delay payment for work completed from either the public or private sector	Economic
18. Solid banking system	Economic
19. Networking to market products both domestically and overseas	Economic
20. Awareness of professional ethics, duties and responsibilities to be instilled	Project CSF

Table 6-12 summarises all the business environments which were listed in Table 6-11. The business environments of some factors overlap with another environment. However, for discussion purposes, factors are only discussed in their most influential business environments. Factors highlighted in bold are factors which were identified to retard the business environments. Factor 5 discusses two issues and therefore is split into political and technological environments.

Table 6-12: The Business Environments Of CSF and FRC

Business Environments	Type of factors	
	CSF	FRC
Legal	1	
Political	2, 3, 4, 5	12, 13, 14
Technological	5, 6	15
Economic		8, 9, 10, 11, 17 , 18, 19
Social		16
Project CSF		7, 20

The business environments are translated to the hierarchical diagram Figure 6-8 to see its importance in the construction industry of Brunei Darussalam.

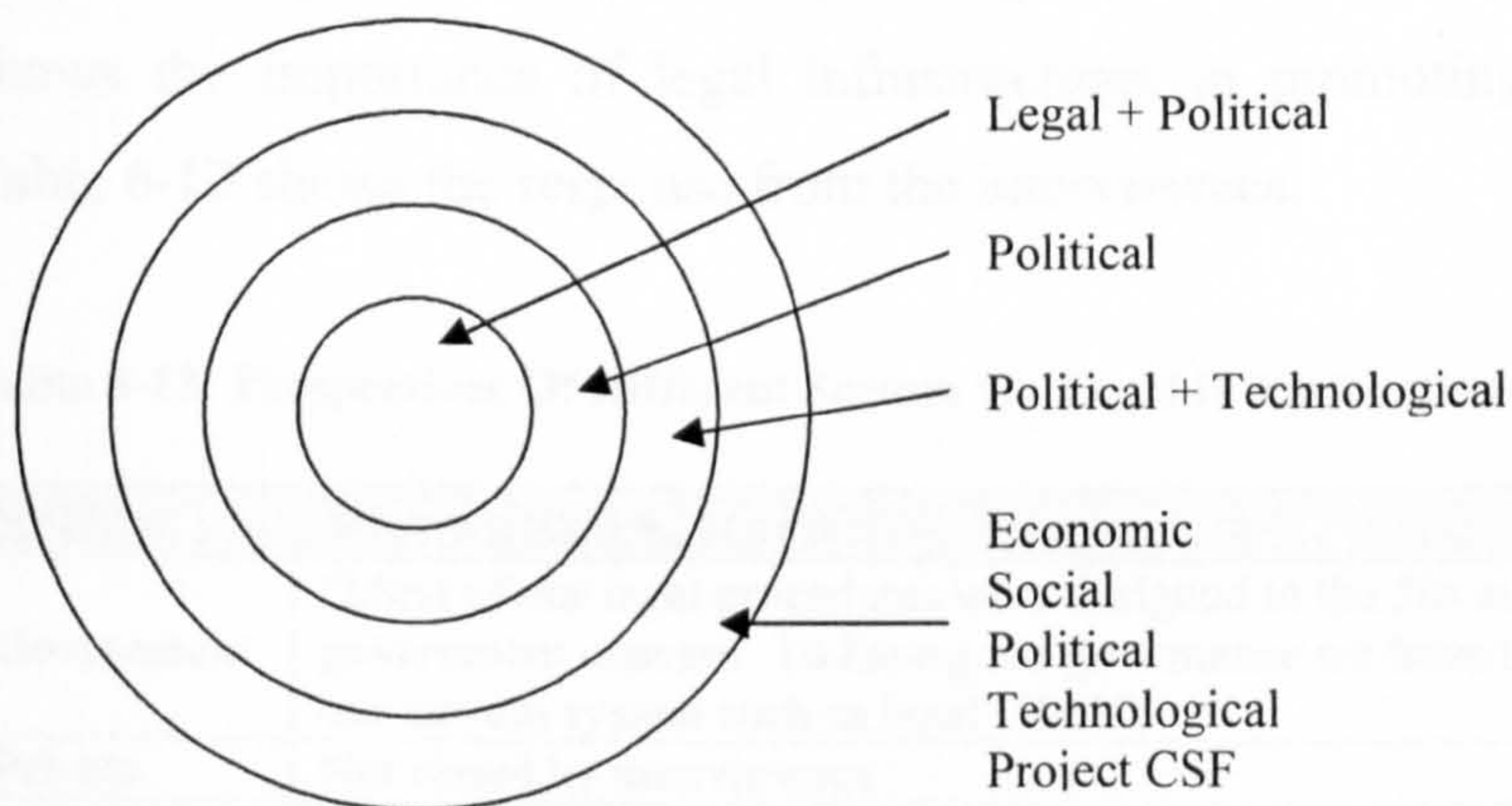


Figure 6-8: Hierarchy of Business Environments Of The Delphi Results

The following section displays the charts of the business environments, as identified by the Delphi. Each chart indicates the factors which make up the environment as interpreted by the researcher. Factors with double-lined boxes are factors identified as retarding the private sector activities.

6.5.1 Legal Environment

The legal environment (Figure 6-9) is concerned with the physical law, acts and regulations, set up by countries to gain control over their administrations.

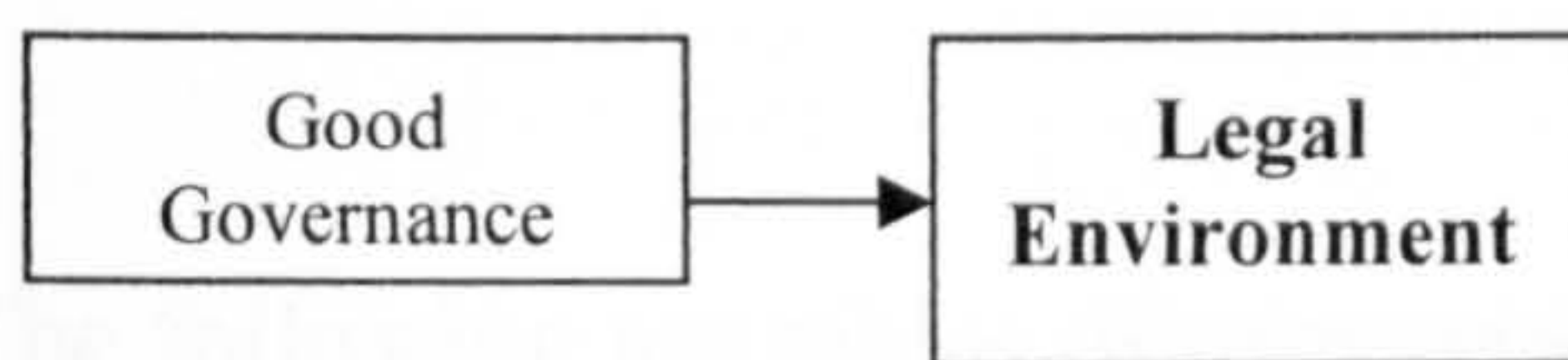


Figure 6-9: The Identified Factor Of Legal Environment

6.5.1.1 Good Governance

This factor relates to the act of governing, and the government’s administrative methods for exercising its authority, mainly through the use of laws and regulations. This factor shows the importance of legal infrastructures in promoting private sector activities. Table 6-13 shows the response from the interviewees.

Table 6-13: Perspectives Of Different Sectors On Legal Infrastructure

Sector	Views from sectors
Government	“Most of our legal procedures were designed in the 50s and 60s. This is among government concern. To have good governance we have to improve the procedures of our current system such as legal” (I-G5)
Private	Not raised by interviewees

6.5.2 Political Environment

The chart below (Figure 6-10) shows the factors identified by the Delphi process as important in the way that the political environment influences private sector activities.

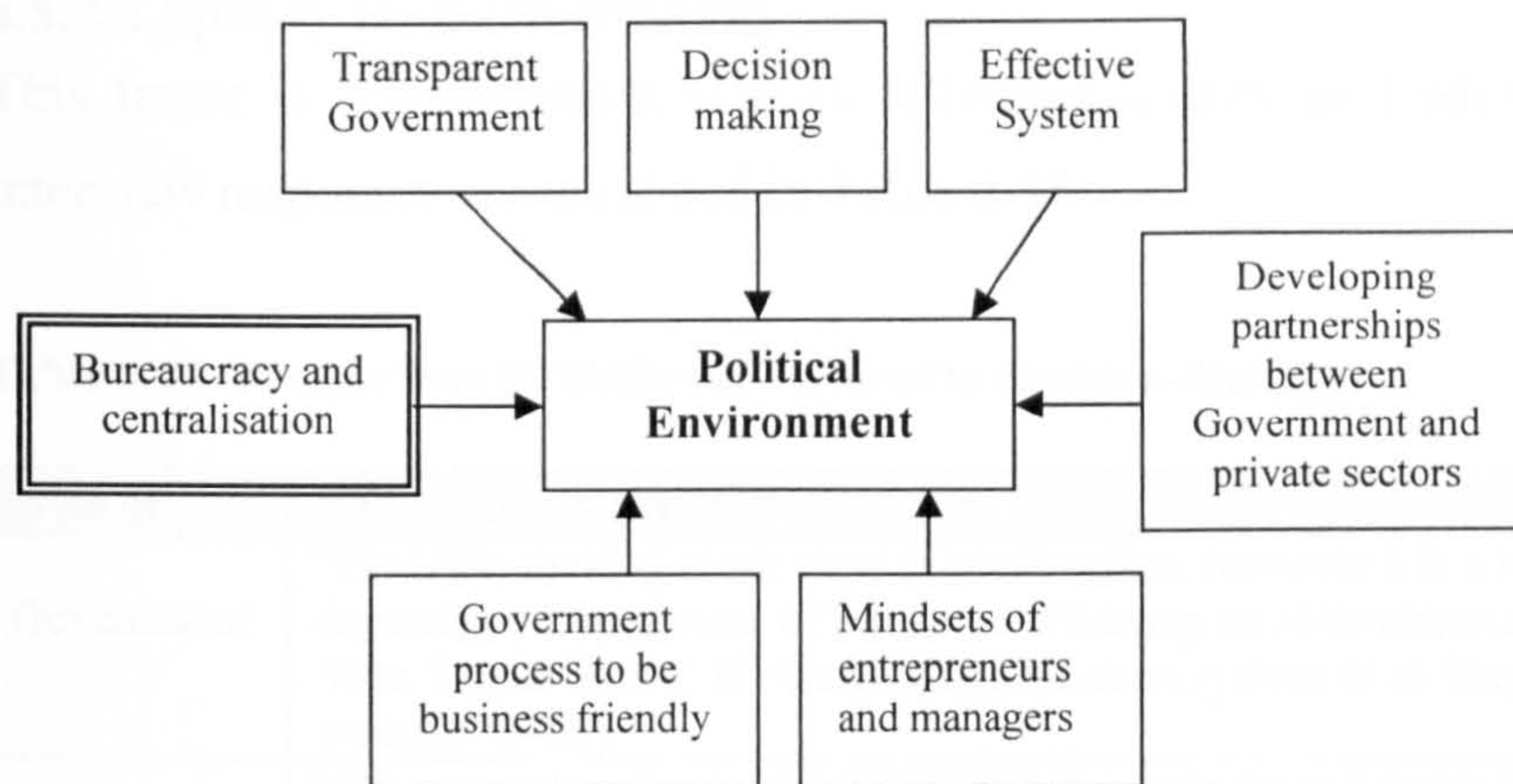


Figure 6-10: The Identified Factors Of The Political Environment

The following are tables of responses from the interviewees, to validate the factors from the Delphi responses on seven different factors.

6.5.2.1 Transparent Government Free From Corruption, Nepotism And Cronies

This factor relates to the characteristics of the administration and also the political risks, such as corruption, nepotism and cronies that result. The interview responses are tabulated in Table 6-14.

Table 6-14: Perspectives Of Different Sectors On Transparent Government

Sector	Views from sectors
Government	“The tender process here is competitive bidding so it is very clear. Of course there are some levels of corruption but how far is it retarding our private sector? I think we need to have further study on that. I have no comment on cronies because we don’t have data” (I-G3)
Private	“In Brunei private sectors don’t have to do lobbying to get jobs. It’s very simple here. Sometimes people have tea breaks together; meet in social gathering and sponsoring events. It is more of socialising. I don’t think it is part of corruption at all” (I-P2, rewritten)
	“Consult the private sector before you make decision. Be transparent on what you are going to tender. How are you going to develop this country? At the end of the day billions are spent without the participation of local private sectors” (I-P6)

6.5.2.2 Speedy Decision-Making

This factor is a government activity reflecting quality of leadership and system. The interview responses are tabulated in Table 6-15.

Table 6-15: Perspectives Of Different Sectors On Decision-Making

Sector	Views from sectors
Government	“Decision-making is not slow in construction, however it is a long process. In Brunei it depends on Department of Economic Planning and Development, Ministry of Finance, State Tender Board. If Brunei adopt the same system as in Singapore, it will speed up the process” (I-G1)
Private	“Of course decision -making is slow but people are not dying from it. People just need to manage everybody’s time. Record keeping is important for references” (I-P2)
	“They say things like payment are not ready. They don’t think about the costs that are borne by the private sectors. Everybody should be aware of the consequences of their actions. Costs go up the longer it takes to do projects. Instead of profits, private sectors will end up with debts” (I-P8)

6.5.2.3 Effective System

This factor studies the implementation of the government system and its effectiveness. The interview responses are tabulated in Table 6-16.

Table 6-16: Perspectives Of Different Sectors On Effective System

Sector	Views from sectors
Government	“The government is very supportive, just may be not very committed. Presently the government gives corporate advice, especially on finance, such as loan and cash flow. It is accessible to the people but not many know about it” (I-G4)
Private	“The labour department act on their own without realising industrial needs. Some of the posts are not given to foreigners. In a year there could be different barriers from the labour department. There is no mechanism here. Enterprises also need government’s help in their management to be on time in project delivery” (I-P2, rewritten)

6.5.2.4 Too Much Bureaucracy And Centralisation Leading To Too Many Procedures

The experts identified this as a retarding factor. The data on bureaucracy and decentralisation are separated, to highlight their different issues. The interview responses are tabulated in Table 6-17.

Table 6-17: Perspectives Of Different Sectors On Bureaucracy

Sector	Views from sectors
Government	“There are too many levels making decision, slow decision and payment” (I-G1)
	“Yes, bureaucracy to a certain extent, such as the registration process especially miscellaneous license and payment in government procurement, retard the private sectors. These and certain areas of the government process need to be address. It’s very hard to say if coordination and integration is the problem. In industry, BDEC has produced an Industrial Coordination Act. Basically this is to address coordination between government sectors. So government is addressing coordination between relevant Ministries to speed up process of establishment and creation of industry” (I-G3)
	“I don’t think there are factors that retard the private sector. The private sector might say its bureaucracy. Do you think people will purposely delay the work or application for projects? I don’t think so. I don’t think it’s because of disintegration of Ministries. Singapore still has problem like ours even when everything is done under one roof. If you ask private sector they will say it’s bureaucracy, but this is normal. Too much decentralisation is also not good. Brunei is a small country” (I-G4)
	“We should maintain bureaucracy because it is the management system. Once bureaucracy is in place, red tapes are the issues” (I-G5)
Private	“I don’t think red tapes are slowing down private sector. Recently a lot of junior officers took over from senior expatriates without administration experience and past information. This slowed down decision-making. Employees are also scared of criticism and making mistakes. Everybody has some contribution in delay. Too many people handle one job. Issues resolved very fast when it is directly under PWD or Housing Department” (I-P2, rewritten)
	“Bureaucracy cannot be removed because it gives power to government agents. From clerks to top men. The clerks have power to help you or not” (I-P6, rewritten)

6.5.2.5 Government and private sector must continue to develop the sense of partnership in the pursuit of national goals (drafting policies, programmes, getting input and suggestions from private sector) such as practiced by JPKE

This factor looks at the relationships between government and the private sectors and the nature of the relationships. The interview responses are tabulated in Table 6-18.

Table 6-18: Perspectives of different sectors on relationships between sectors

Sector	Views from sectors
Government	“There should be synergy between relevant sectors. To be competitive and profitable, the relevant sectors must listen to customer needs” (I-G4)
	“In Brunei, government must do everything such as facilitating, regulating and also providing services because Brunei is still not ready for privatisation” (I-G5)
Private	“The labour department, banks and doers must work together. To achieve some goals, call all the respective and relevant authorities and support departments. Attending officers must be able to do these things and can make decisions” (I-P2)
	“Government is already aware of the problems surrounding the private sector. Government doesn’t do meetings or listen to private sectors. The government still takes foreign consultant even when it said it wouldn’t. After paying so much money then the

	government doesn't follow the consultants' recommendation" (I-P6, rewritten)
	"Government is in its circle and the private sectors are in theirs. So what are the government objectives actually?" (I-P7)

6.5.2.6 Government Process To Be Business Friendly

This factor discusses the ease of the government process in dealing with the private sectors such as business registration, etc. The interview responses are tabulated in Table 6-19.

Table 6-19: Perspectives of different sectors on Government process

Sector	Views from sectors
Government	"I do admit that government process is one of the stumbling blocks for start up. Certain areas of the government process do limit the creation of new enterprise as well as those still trying to develop. The rest I think the government is quite supportive" (I-G3, rewritten)
	"I don't think we have any problem here. Actually we encourage the private sector" (I-G4)
Private	"The process is the same as in other countries but there the facilitation is good. Business discussion and process is quite difficult here with the government. Its only business friendly with some people" (I-P6, rewritten)

6.5.2.7 Entrepreneurs and managers must have mindsets that are attuned to the dynamics of the process of globalisation particularly of the market place

This factor explores the thinking of the leaders and how it influences the government through its actions. The interview responses are tabulated in Table 6-20.

Table 6-20: Perspectives Of Different Sectors On Mindset

Sector	Views from sectors
Government	"Is it worth to do joint ventures with foreign contractors with only 10% return to local?" (I-G1 rewritten)
	"The government needs to have a National Policy to change the mindset from employee to entrepreneur. A body of authority should be set up where employees have different kind of mindset such as in Singapore. Officers in charge of helping local entrepreneurs do not understand the concept of investment" (I-G5, rewritten)
Private	"There could be a body to guide and be responsible for the industry" (I-P2, rewritten)
	"If there is a lack of vision, then create one. I am sure they have mission and vision. But there is no timeframe for achievement of target" (I-P6)

6.5.3 Technological Environment

The technological environment covers factors such as technology, new knowledge and skills and the quality of the players (government, business community, and the society in general). These are shown in Figure 6-11.

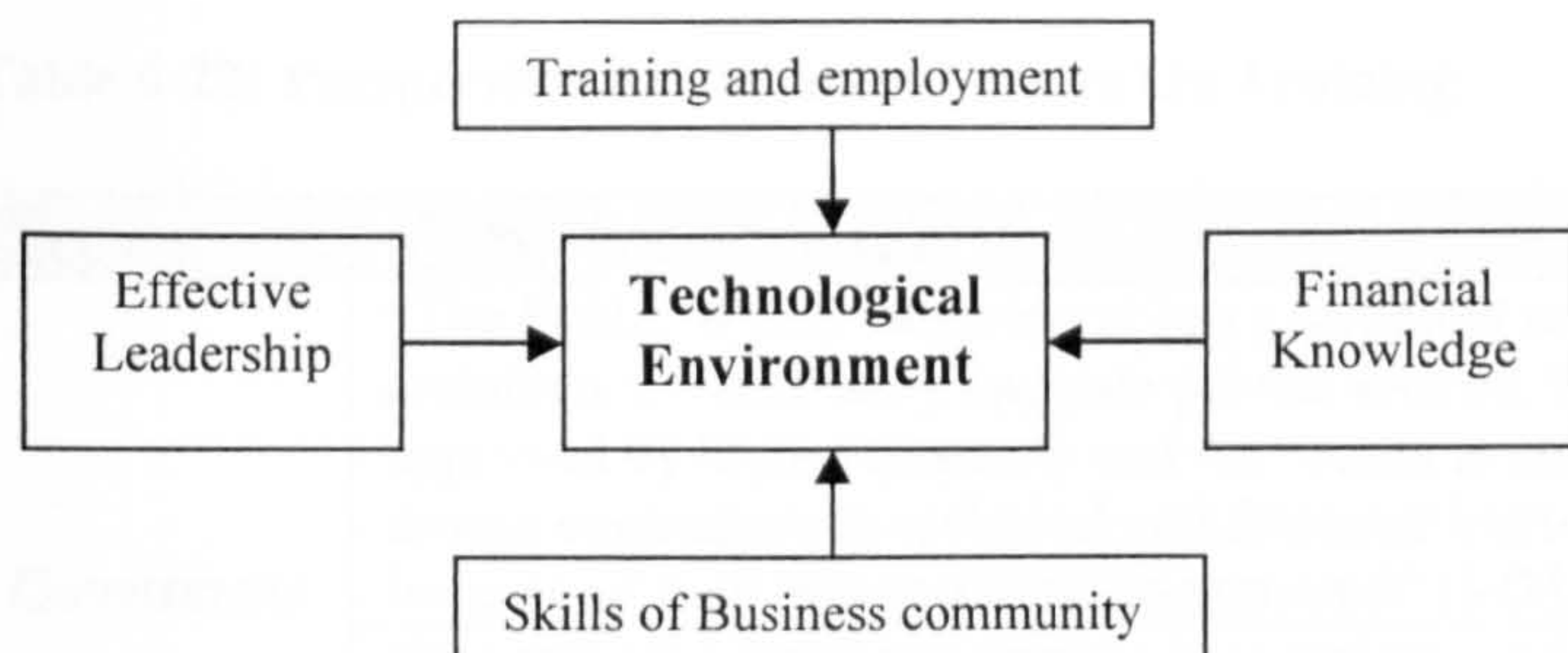


Figure 6-11: Identified Factors Of Technological Environment

There are four factors identified under this business environment.

6.5.3.1 Effective Leadership

This factor is about government employees, especially those in management positions and considered as leaders. This factor looks at the quality of these leaders and the issues that influence the leaders. The interview responses are tabulated in Table 6-21.

Table 6-21: Perspectives Of Different Sectors On Effective Leadership

Sector	Views from sectors
Government	“Bruneians are cautious and scared of making mistakes. Scared of being fired” (I-G1)
	“Your questions.... No wonder my boss doesn’t want to talk to you” (I-G3)
	“The human resources are not enough. These caused too many portfolios for one person. If we are to run the organisation like Singapore we must have lots more skilled people in that organisation. We can use IT and consultants to make up for the lack of human resources” (I-G4)” (I-G4)
Private	“The forum is not there where people can talk freely and not have to worry on consequences from it. People only dare when they have written authority and responsibility and then things move fast. A slight ambiguity will cause people to be careful” (I-P2, rewritten)
	“Brunei government doesn’t allocate money for research and development like other countries. The government has become complacent and lazy because it’s already established. Anything is possible with government before” (I-P7)

6.5.3.2 Training And Employment Of High-Calibre National Personnel, Overseeing And Guiding Privatisation Development Programmes Are Required

This factor identifies issues that relate to the skills and experiences of the employees in both government and private sectors. The interview responses are tabulated in Table 6-22.

Table 6-22: Perspectives Of Different Sectors On Training

Sector	Views from sectors
Government	“The Public Works Department has a technical scheme to encourage engineers and architects to retire early and join private sectors. But this scheme has never been approved by higher authority and the reason is unknown. There was also a scheme to groom contractors in technical and financial knowledge, however they have difficulties because of their non-technical background” (I-G1, rewritten)
	“Presently the HRD programme is on training, education and entrepreneurship and for those that have skills to encourage them to go to private sector” (I-G3, rewritten)
Private	“Construction management course is very highly required in this country. Engineers automatically become managers without knowing much managerial skills” (I-P2)

6.5.3.3 Financial Knowledge of the business community itself

This factor is about the knowledge and skills of entrepreneurs in finance. The interview responses are tabulated in Table 6-23.

Table 6-23: Perspectives of different sectors on financial knowledge

Sector	Views from sectors
Government	“Contractors have problems with cash flow. They don’t know how to make use of their financial facilities. They are not good in planning, in financial management” (I-G1)
	“The banks don’t give advice on how to control and monitor cash flow. The government encourages them to give financial advice and learn the problems of their customers. Both SMEs and banks are not knowledgeable enough. They should learn new financing technique, the present one is not very creative” (I-G4, rewritten)
Private	“Previously in 1988/9 government has consultant under the Bumiputera Development Unit to help the private sector but the consulting company was from the Philippines and was not very helpful. If the locals cannot understand the business they must find persons which could help them. They don’t like the government to help but they would have to let the bank help them because the bank lends them money” (I-P2, rewritten)
	“Of course bank monitors their cash flow. It’s the prerequisite of the banking group. But private sectors are not always available. Each bank has its own criteria. The product and role of the bank are the same. It will always be like that. It restricts decision and there is the cost element” (I-P8)

6.5.3.4 Other skills of business community

This factor looks at the technological background of entrepreneurs and their skills. This was raised by the interviewees and not by the Delphi experts. The interview responses are tabulated in Table 6-24.

Table 6-24: Perspectives Of Different Sectors On Technical Capabilities Of Business Society

Sector	Views from sectors
Government	“None of the existing local contractors has technical background especially on construction. They could survive up to a certain stage. Consultants have more knowledge because they are technical people” (I-G1)
	“Most of our human resources are in art streams so may be in a few years time we will have the expertise” (I-G5)
Private	Not raised by the private sector

6.5.4 Economic Environment

Economic environment factors influence economic growth. The experts identified four issues relating to policies, information, finance and the Small and Medium Enterprises (SMEs). These are shown in Figure 6-12.

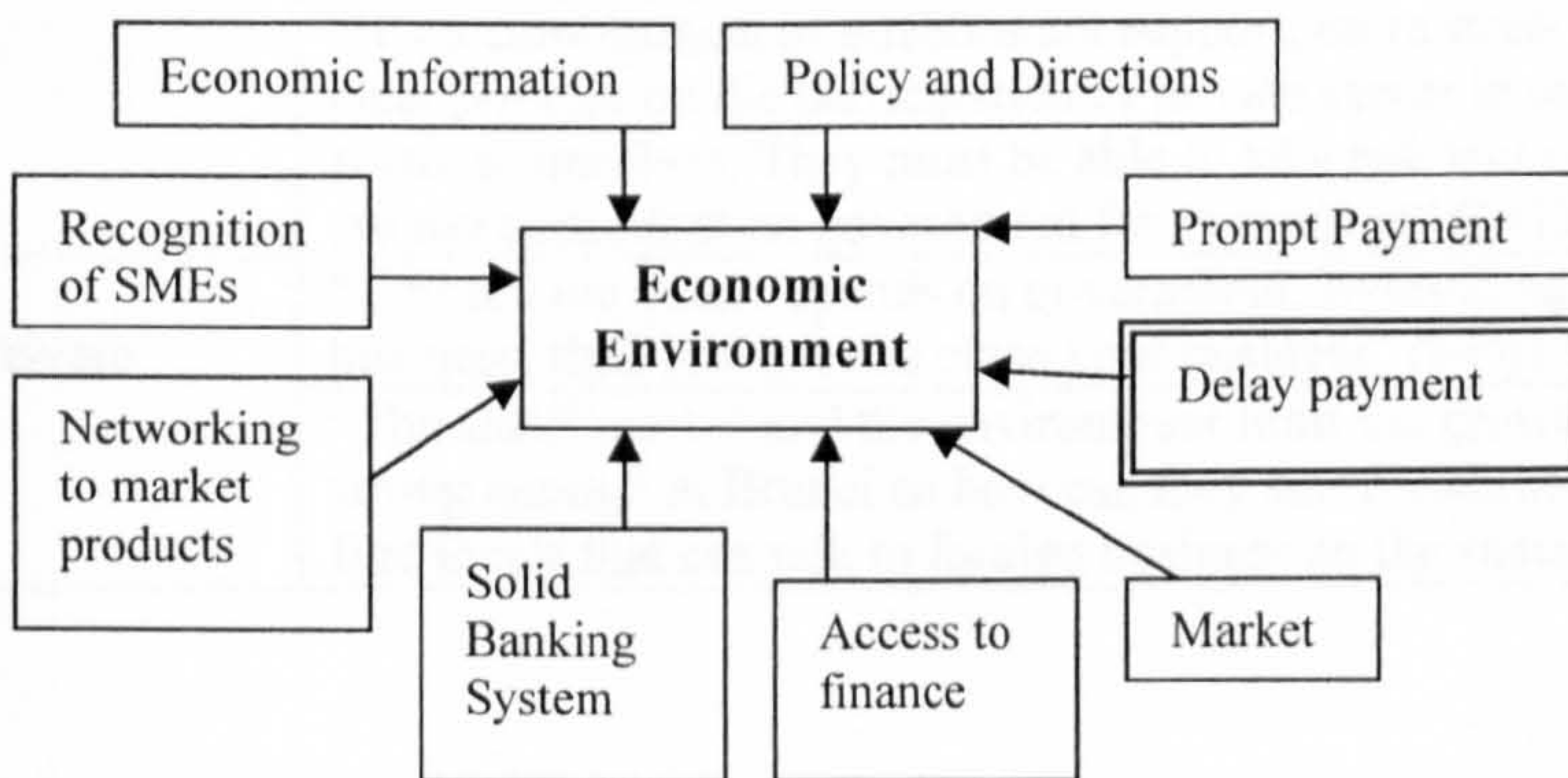


Figure 6-12: The Identified Factors Of Economic Environment

There are eight factors tabulated under the economic environment, including two new issues raised during the interview sessions. The two factors on payment are compiled together to get an overall view of the issue. Delay payment was identified as a retarding factor.

6.5.4.1 Information Such As Statistics

This factor refers to economic information relevant to economic growth. However, none of the interviewees raised this issue during the interview sessions.

6.5.4.2 SMEs are crucial to the nation’s economic success because they constitute the bulk of total enterprises in terms of number

This factor identifies Small and Medium Enterprises as the engine for growth in the economy, the quality of SMEs and the government efforts, if any, to assist them in business. The interview responses are tabulated in Table 6-25.

Table 6-25: Perspectives Of Different Sectors On SMEs

Sector	Views from sectors
Government	“There are already government supports for SME in terms of finance through various facilitation schemes. This will be expanded in the next NDP-9 into export” (I-G3)
	“It’s a combination of government support, more streamlined government process, more clear policies on the participation of private sector in certain sectors as well as the private sector themselves. They must be able to take risk and venture out. At the moment they are too dependent on government for everything” (I-G3)
Private	“You tell me what depends on government. Everything. If tomorrow they said close your business, then you have to close your business” (I-P6)
	“The small market and the environment limit the growth of private sectors. They are not strong enough in Brunei so how can they survive abroad? Because of that you couldn’t find locals that can talk to foreign business on the same level” (I-P8)

6.5.4.3 Clear and Firm Government policies and directions at strategic level and on medium and long term period

This factor is about the government policies which support economic growth. Other economic policies, such as incentives and strategies, are also included. The interview responses are tabulated in Table 6-26.

Table 6-26: Perspectives Of Different Sectors On Government Policies And Directions

Sector	Views from sectors
Government	“The government policy is to award to lowest tender, without knowing the capacity of the contractor. We don’t have policy that allows us to pay contractor for work done without Banker’s Guarantee. In Brunei, policy is difficult to change. It must be proposed by Ministry officers and then go to cabinet for approval” (I-G1)
	“Incentives are required, such as advance payment to the contractor and facilities such as free tax, lease on land, assistance in bringing in equipment” (I-G1)
	“There are two factors. The strengthening of the human factors and the enterprises so that we can start up, grow and then going to exploit to international. Encouragement is there of course but a proper programme and implementation strategy is not” (I-G3)
Private	“I don’t agree with the award policy. Awarding to lowest is good for cutting corruption and decision-making is easy. However the concern is whether they are capable or not” (I-P2)
	“There is no government backing. Government work up policy but only to make things more difficult for private sector. The procedures should be streamlined for private sector to support government’s aspiration. Give power to the Ministers then thousands of projects will be awarded “ (I-P7, rewritten)

6.5.4.4 Prompt and Delayed Payment from both government and private sectors for completed works

This factor is about the system of payment and policies which support payment. The interview responses are tabulated in Table 6-27.

Table 6-27: Perspectives Of Different Sectors On Prompt Payment

Sector	Views from sectors
Government	“The policy for payment is complicated. It allows private sector to start work without Banker’s Guarantee but not for payment. Banker’s Guarantee is required for signing contract and private sector can only be paid after the contract is signed. Contract period starts even without signing the contract and work should start 10 days after award. Our contract also does not compensate for interest caused by delayed payment. But payment is on time when everything is ok” (I-G1, rewritten)
	“I accept for example in the government procurement, very long payment period it’s really posing difficulties for private sectors” (I-G3, rewritten)
Private	“Problem is not government but at the department. Even when the money is there sometimes officers forget to ask for warrant because they did not closely monitor the projects. So contractors cannot be paid. Of course finance retards the private sectors. If private sector can predict delay, they can work it out with the bank” (I-P2)
	“The environment must be friendly. All facilitation must be done on time. Just pay for the completed work. If there is a mistake, tell them. Don’t wait for them to ask” (I-P6)
	“What actually happen is there is no more money to pay the contractor so they have to wait for next year’s budget” (I-P8)

6.5.4.5 Solid Banking System

This factor identifies issues which influence the financial institution and its system. The interview responses are tabulated in Table 6-28.

Table 6-28: Perspectives Of Different Sectors On Banking System

Sector	Views from sectors
Government	“There is not enough support from banks, such as overdraft facilities, very high collateral, high interests. The bank also has less trust on local contractors. Bank in Brunei is monopoly and the Ministry of Finance cannot control them. They left it to Bank Associations to determine everything” (I-G1)
	“I would say that our banking industry is not fully mature, as far as supporting industry and we have yet to develop our capital market. It’s a long process to educate” (I-G3)
Private	“Banks don’t have mechanism for control and many people take advantage of it. They are tough on Banker’s guarantee but still give a big amount of overdraft. Bank needs consultant or people who could understand what they are talking about in construction language. Bank is as unorganised as contractor” (I-P2, rewritten)
	“The bank business is to make profit from lending. They will lend as long as it’s bankable. Security is secondary. Collateral is required to show the private sector’s commitment. The bank is always keen to finance construction work. The facility and criteria for new and old players are the same. Bank is not choosy in granting contract” (I-P8)

6.5.4.6 Networking To Market Products Both Domestically And Overseas

This factor is about marketing products and the efforts from both sectors on achieving this objective. The interview responses are tabulated in Table 6-29.

Table 6-29: Perspectives Of Different Sectors On Networking

Sector	Views from sectors
Government	“The government support the production of construction materials but unfortunately the private sectors are not honest. They want to depend on government forever. They are not helping the local economy. Government has helped them all these times in terms of losses in cost” (I-G1)
Private	“The company always shows losses and the government do not gain anything and this could be another reason for things not moving very fast. The private sector lacks competitiveness. The moment the market is open, the private sector became shut down because they cannot compete” (I-P2)
	“There is no point in saying that the market is small because you are not creating something needed by the region” (I-P6)

6.5.4.7 Access To Finance

This factor identifies issues that surround access to finance and financial support for the private sector. It was not identified during the Delphi. The interview responses are tabulated in Table 6-30.

Table 6-30: Perspectives Of Different Sectors On Access To Finance

Sector	Views from sectors
Government	“The construction industry should have its own financial institution which can lend money and give facilities to contractor. We could have joint venture with local banks to finance loans and housing constructions” (I-G1)
	“At the moment financial support for them to go out is not there. Access to finance is going to be greatly expanded in the next NDP-9 for SMEs, access by having the scheme itself, which they can get access to. If you leave it to the bank, their culture is risk averse. Most of the loans are on personal rather than entrepreneurial. We encourage the banking sector. I have no idea of any policy to interfere with the banking sector” (I-G3)
	“The government has given money to local entrepreneur but access to it is difficult because of the conventional financial ruling such as collateral, etc.” (I-G5, rewritten)
Private	“The financial institution here needs to be a lot more proactive. The last 5 th year plan did not take place at all even when budget of B\$1billion was allocated, may be less than \$200million was spent. No jobs were awarded for three years in a row 2003-2005. Suddenly many projects will be awarded and costs will escalate and there will be shortages in machineries and workforce. There is no balance. Labour department, banks and awarding body are not synchronised” (I-P2, rewritten)
	“The government micro credit scheme is good. You are entitled to borrow B\$1.5 million. Everybody knows about it. Access is not difficult if you have a good project. I don't know however if the other supporting agencies want to help or not” (I-P6)

6.5.4.8 Market

This factor is about the status and nature of the existing construction market in Brunei. It was not identified during the Delphi. The interview responses are tabulated in Table 6-31.

Table 6-31: Perspectives Of Different Sectors On Market

Sector	Views from sectors
Government	“In Brunei demand is so small, a small piece of cake so it is difficult to divide” (I-G1)
	“Of course improving access to market is also important and government try to lower barriers to penetrate market. The small market is limiting the development of SME, so it is quite small for the government to groom. But it's more towards the attitude of entrepreneurs. Facilitation has been made by government for them to go out through various multilateral agreements making the market factor insignificant” (I-G3)

Private	“I don’t think this country lack anything. There is no proper maintenance and a lot to be improved as far as new construction, availability and facilities.” (I-P2, rewritten)
	“The market is small but it is ok. How can we go outside the country when it is even difficult to survive here” (I-P7)

6.5.5 Social Environment

The factors of the social environment relate to the social activities and identification of the social players, the business community. These are shown in Figure 6-13.

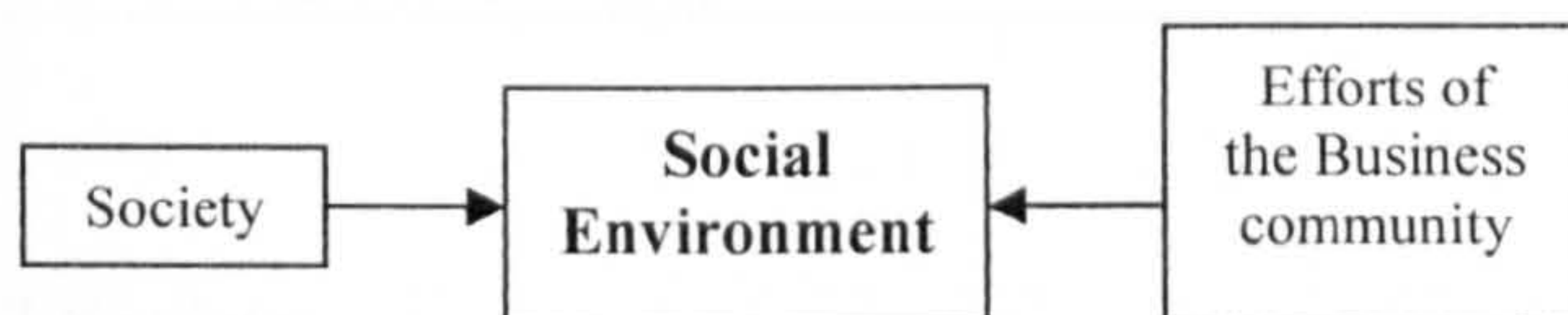


Figure 6-13: The Identified Factors Of Social Environment

There are two factors tabulated under the social environment, including one new issue raised by interviewees: society.

6.5.5.1 The Business Community Must Do What It Takes To Be Competitive, And Keep Abreast With The Developments In The Market Place

This factor looks at the quality of the business community and entrepreneurships. It is different from the earlier factor on SME because here the comments are on the number of private sectors and how they interact in the business environment and society in general. The interview responses are tabulated in Table 6-32.

Table 6-32: Perspectives Of Different Sectors On Business Community

Sector	Views from sectors
	“We depend on overseas for human resources such as labourers, both skilled and unskilled and materials. We could not control the prices. The environment is controlled by outside forces. Many contractors collapsed last year because the pricing for reinforcement was based on the previous year” (I-G1)

Government	“The private sectors have attitude problems which hold them from developing. Sometimes they let people use their name for 4% profit” (I-G1)
	“The government is encouraging entrepreneurship by providing the environment and support. But the entrepreneurs have to take risk. No matter how good is government support if there is no takers to the programmes, its not going to happen” (I-G3)
	“There is no many local in the private sector, only foreign. How far can we depend on them? The existing entrepreneurs are experienced and should go to international rather than stay in Brunei. The new entrepreneurs might have capital or not. I presume we still have to provide the seed capital for them to start business” (I-G3)
Private	“The private sector are prepared to do work with tight or no profits. Presently they are losing money but hope to balance it soon with big projects. But nowadays not many are active because they are using their name only” (I-P2, rewritten)
	“Try to identify the private sector. Who do we have? We must take risk, both the people and the government. The government sure must know how to take risk” (I-P6)
	“The private sector would be scared of taking risks if everything is not clear, unless it is transparent such as doing this will result in this and approval will be given if this is done” (I-P8, rewritten)

6.5.5.2 Society

This factor looks at the quality of the society and its mindset. The interview responses are tabulated in Table 6-33.

Table 6-33: Perspectives Of Different Sectors On Society In General

Sector	Views from sectors
Government	Not raised by interviewees
Private	“Labour department should monitor employment in the private sector, if they are serious about the employment of local youths. The overall management of the whole event is important. People also don’t like to work for private sector because they prefer government. There is always a fear that private sector will not pay their salary. So labour department has to be involved in payment and its structure” (I-P2)
	“The people prefer to work with the government. The government gives better facilities than the private sector” (I-P6)
	“How many people would want to join the private sector? They are either not interested or don’t have the ability to run a business. The environment is not conducive. People have become complacent because Brunei has improved when compared to the 1960s” (I-P8)

6.5.6 Project CSF

These are factors which relate to the successful implementation of projects and considered as internal influencing environments for project success. These are individual factors for particular projects. See Figure 6-14.

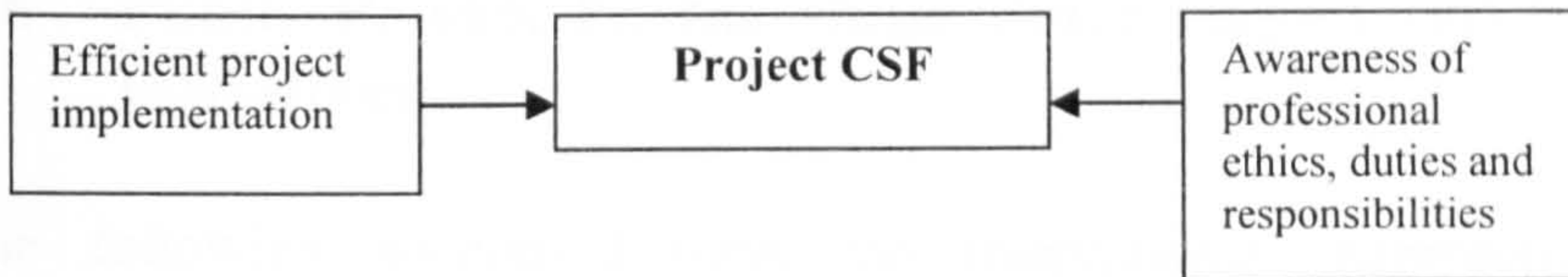


Figure 6-14: The Identified Factors For Project CSF

6.5.6.1 Efficient Implementation Of Projects

This factor looks at the various activities which influence project implementation, such as financial backing, joint decision-making and others (Table 6-34).

Table 6-34: Perspectives Of Different Sectors On Project Implementation

Sector	Views from sectors
Government	Not raised by interviewees
Private	“There need to be proper and coordinated efforts. The focus is on educating private sector. But there should be other things as well in term of implementation. The environment must be conducive. The initiative should be structured and planned. But there is no proper organisation to carry things through and take the role of coordinating all these initiatives” (I-P8)

6.5.6.2 Awareness Of Professional Ethics And Instilling Duties And Responsibilities

This factor is about the professionalism of technical people, as well as instilling the sense of duties and responsibilities to all relevant players in construction projects (Table 6-35).

Table 6-35: Perspectives Of Different Sectors On Professional Ethics, Duties And Responsibilities

Sector	Views from sectors
Government	Not raised by interviewees
Private	“Architects or consultants also don’t want to be responsible at times especially when they are promoted or transferred to other department. Everything starts from scratch because information is not properly compiled and these cause delays” (I-P2)

6.6 Public-Private Partnerships, Privatisation and Private Finance Initiatives

The following section displays the interviewees' perspectives on reasons for implementing PPP, privatisation and PFI. Only one interviewee has heard of PFI, so the interviews proceeded based on the PPP and privatisation concepts.

6.6.1 Objectives

The purpose of this was to gain insights as to the reasons and drivers for implementing PPP and privatisation in Brunei. The interview responses are tabulated in Table 6-36.

Table 6-36: Perspectives Of Different Sectors On Objectives Of PPP And Privatisation

Sector	Views from sectors
Government	"The advantage is to introduce the element of competition. Increase efficiency" (I-G1)
	"To give opportunity to private sector to provide services, to right size the government, savings on capital expenditure, efficiency, profitability, and to develop MNCs" (I-G3)
	"To improve efficiency and effectiveness of service delivery" (I-G4)
	"To reduce red tapes by making government smaller. Sooner or later we have to privatise or corporatise the government sector especially those which hampered or hindered the SMEs" (I-G5)
Private	"Efficiency and better services because budget constraint. Services have to be earned to survive" (I-P2)
	"Become more efficient and less burden to government. If the government wants to mix nationalisation and privatisation, it's very difficult. Privatisation is the maximisation of profit for the private sector. Without profit, they don't want to do anything. That is their job to make money. The government therefore has to understand the pros and cons of PPP and privatisation. It should safeguard itself" (I-P6)
	"Not efficiency but to make money. Also to improve services" (I-P7)
	"Efficiency of running company and resources be used properly. The government wants to privatise but still run the organisation like before. May be just improving the sections, become more efficient, payment and so on. I believe and think that quality can be adopted. There are so many government related companies which are supposed to be efficient but not. So the question is what do you want?" (I-P8)

6.6.2 Preparations for PPP, Privatisation and PFI

This section aimed to enable the researcher to gain insights into the commitment of government for implementation of these programmes. It also gave a view of the

groundwork, between the approval of the policy and the present day. The interview responses are tabulated in Table 6-37.

Table 6-37: Perspectives Of Different Sectors On Preparations Before PPP And Privatisation

Sector	Views from sectors
Government	“Identify the areas and sectors to be privatised which will profit the government and country” (I-G1)
	“Depends on the projects and the readiness of the government politically. However NDP-8 already identified a few agencies for privatisation and corporatisation. We are still in the process of identification. The plan is in the early stage of development” (I-G3)
	“The market must be there to privatise, only then can we get the revenue” (I-G4)
	“We are preparing. We are still in the process. We are still not ready. The government is committed but in terms of the individual itself, is not” (I-G5)
Private	“When government decide on a policy, the decision should be firm. The government should have highly paid gentlemen, shrewd in business and can make decision if they want to work with the private sector. The country is English speaking and other infrastructures are there already, so it won’t take long to start the programme. The government have to understand which system will work in Brunei, and give incentives to the persons in charge to avoid corruption” (I-P2)
	“The government must know what they want. Are they prepared to transfer ownership for forty years such as in concession? A good company should be formed” (I-P6, rewritten)
	“First identification and then the objectives. Is it efficiency which cut cost and hence savings, or political objectives? May be it can be done as long as government is committed. The government should start training people similar to those trained for the Brunei Investment Agency. The coordination between government departments should be improved” (I-P7)
	“The mindset should be clear and bold decision. The operation of a private company and how government should change must be understood. The government should be fully committed. At the moment we cannot attract business. We don’t have the capital and expertise. If it helps to bring in the expertise, why not? What is missing in Brunei? We have difficulty to find people who can manage business procurement, run the private sector and has the expertise and commercial orientation to run a company. Are we providing enough and the right training? Are we grooming enough people? The government staffs and departments are not effective. They should find a few people from the private sector, if there is a requirement to establish a company, because they are commercially oriented” (I-P8)

6.6.3 Factors That Need To Be In Place To Be Successful In Privatisation

This section identifies the existing infrastructures and whether they will enable PPP and privatisation to flourish in Brunei. The interview responses are tabulated in Table 6-38.

Table 6-38: Perspectives Of Different Sectors On Factors That Need To Be In Place For PPP And Privatisation

Sector	Views from sectors
Government	“There should be financial facilities, assistance and guarantee for a certain number of years” (I-G1)
	“The banking industry and its infrastructure, clear policies and legal frameworks as well as implementing strategies, and the players themselves. If we encourage FDI into Brunei, they will bring with them their technology, skills and knowledge. Of course supportive and committed government. It’s very difficult for me to say whether the government is going to provide support such as grant, credit sharing, and enhancement since the plan is still at the formulation level. The government has to have clear policies and strategies, and committed to the programme. The policies involve economic and political aspects. What are needed now are a clearer detail policies and implementation strategies, which would have to be endorsed by the government. A committee was set up in since 1990 which is inter-ministerial in nature. There are room to bring in private sector as resource person, if and when necessary, but not as voting member” (I-G3)
	“We must know how to look at our own cash flow and calculate it. The persons must be business-minded. The banks must concentrate on giving financial solution. If they don’t have the expertise they can joint venture with foreign banks. The legal instrument is also not ready to support privatisation” (I-G4)
	“Government regulatory board must be strong to avoid monopoly. The government needs experts in this area, and at the moment this is lacking” (I-G5)
Private	“Financial institutions, development of human resources, government educational institute which responds to market requirement, for the next ten years human resources requirement for economic development. This is important. Legal infrastructure will take place, its important but it’s not so difficult. There must be a very good policy to be able to do that. And human resource is the biggest problem” (I-P2)
	“The law should be there already because they have been advocating for the past ten years” (I-P6)
	“There is no expertise, no technology and no business model. There must be legal documentation, or amendment of law if the government wants to create something” (I-P7)
	“Legal preparation should be there and must be clear to protect the people at the end of the day. This is because there is no Union in Brunei. The educational institution must provide early the infrastructure. All these must be there and in place when PPP, privatisation starts” (I-P8)

6.6.4 Possible Methods Of Privatisation In Brunei

The interviewees were asked for possible methods that would apply to Brunei. The responses are tabulated in Table 6-39.

Table 6-39: Perspectives Of Different Sectors On Possible Methods For PPP, Privatisation

Sector	Views from sectors
	“A simple and faster method is to introduce new company rather than privatising existing one” (I-G1)

Government	“Initially turn organisation into MNCs, then corporatise, then go overseas. This is only possible when they are not government departments. Divestment might not be possible. It is too early to say in concrete terms. Of course it is going to happen, but where and how it is going to be done is still being reviewed. A 20 year master plan would look at the appropriate activities and mode of PPP, privatisation” (I-G3, rewritten)
	“No successful privatisation has taken place so I could not suggest any” (I-G4)
	“There is no point in privatising government agency when government is still involved in everything from operation and finance. Privatisation means the agency can be on its own and the government earn money from it through corporate tax” (I-G5)
Private	“Government to regulate only” (I-P6)
	“If PPP, privatisation is to take place, there should be government ownership or involvement to ensure security. First political security, second investment security. This also instils confidence to foreign investor. And the policy will not be changed whenever they wish because the government is involved as well” (I-P7, rewritten)
	“Cut off preferably by our own local” (I-P8)

6.6.5 Possible Problems

The interviewees were asked for possible problems that might arise when implementing PPP and privatisation in Brunei. The responses are tabulated in Table 6-40.

Table 6-40: Perspectives Of Different Sectors On Possible Problems In Implementation Of PPP And Privatisation

Sector	Views from sectors
Government	“Possibly the concentration of shares because there will only be one private strong enough to access the market” (I-G1)
	“I presume if we have a developed capital market the process will be easier on the Initial Public Offering. Presently we have to conduct a survey on how people are responding to privatisation” (I-G3)
	“If the organisation is open to IPO then there will be no opportunity for concentration of share holders or cronies. This is because the shares are open to the public and anybody can buy them. There is no means to compare in Brunei which organisation is making money or losing money. So we don’t know which organisation should be privatised” (I-G4)
	“Privatisation does not only sell National asset to private but also involves politics. The people will think it is no longer secure. The government power will also be reduced. There will be fragmentation and accountability and may be corruption. These have to be studied further before we embark on privatisation” (I-G5)
Private	“Charges might go up if there is no control. If it is well managed, good service is provided with less cost and this will create competition” (I-P2)
	“What is the means to measure success? There is no account. We re not able to measure against our competitor. Construction is continuous so what is there to privatise?” (I-P7)
	“It is difficult to issue IPO because in Brunei there is no enforcement of audited account, for example the methods of reporting profit, etc. If there is only effort and everything else is not there and not clear, how is it going to be done? Secondly is whether Brunei is big enough for investors to come in with their investments. The number of investors presently in Brunei is not apparent” (I-P8)

CHAPTER 7

SYNTHESIS OF RESULTS FROM DELPHI TECHNIQUE AND INTERVIEW

7 Data Synthesis and Discussion

This chapter synthesises and further explains the data given in Chapter 6. As Chapter 6 only laid out the data obtained from the Delphi and Interview, this chapter discusses and explains the data, leading to the drawing of general conclusions from this research. Comparison with information from other references will be made whenever necessary.

The discussion in this chapter is arranged in the same format and sequence as the data displayed in Chapter 6. The data from the interview are used to validate the Delphi in the discussion. The sequence of the discussion is:

- i. Overview of response to Delphi questions in general
- ii. Identification of business environments of the factors
- iii. Public-private partnerships, privatisation and private finance initiatives

The Delphi process was used to identify the factors that influence business environments to promote private sector activities. The interview was used to validate the factors identified from the Delphi and to gain further insight into whether public-private partnerships, privatisation and private finance initiatives flourish in Brunei. Ackoff (2000) said that synthesis and analyses are complementary processes and require systems thinking to combine any discussion of the two. Both analysis and synthesis are used in the discussion because business environments do not exist on their own. They overlap and depend on each other in a system, hence the use of systems thinking to look at the data.

All the Tables and Figures were reproduced from Chapter 6 to avoid confusion and serve as easy references for the reader.

7.1 Summary of the Delphi technique

The Delphi Technique is a qualitative method of collecting data when the best information on an issue is only obtainable by the judgement of knowledgeable individuals or groups with wide diversity of answers. Twenty experts were invited to participate, from construction and construction-related services, such as the design support services and financial institutions. However, only eleven experts responded, from which three were from the government sector and eight from the private sector (Table 6-1). These organisations, represented by these experts, have specific roles in the construction industry. Therefore, they were chosen as the unit of analysis whose expert opinions would be examined in this research.

The participants consisted of 9 percent female and 91 percent male. Their backgrounds are 33 percent engineer, 33 percent economist and 33 percent financier (government sector); and 50 percent engineer, 25 percent financier, 12.5 percent quantity surveyor and 12.5 percent constructor (private sector). The age ranges from 35 to 62 years old and their experiences in their sectors and type of organisations usually started from the age of 22 (when they started with their employment).

Table 6-1: Table of Delphi Experts

Type of Organisations	Government Sector	Private Sector
Construction Services	No response	P3, P9
Design Support Services	No response	P2, P6
Financial Services	G6	P7, P8
Project Management Services	G4, G7	P1, P4

Question 1 of the Delphi aimed to identify the factors which would strengthen the business environments to promote private sector activities in Brunei. Public-private partnerships, privatisation and private finance initiatives require the involvement of the private sector in public sector activities, especially in delivering public services.

Question 2 of the Delphi aimed to identify the factors which retard private sector activities in Brunei. Knowing these factors would enable appropriate steps for improvements to be taken.

The Delphi process started in November 2004 and ended in March 2005. Experts were given three weeks to respond and the rounds started again on completion of the analysis of the previous round. The Delphi was in four rounds, and any factors with a consensus of 90 percent and higher was brought forward into the next round. Consensus of 90 percent represents the total agreement of ten out of the eleven experts. The Delphi process was stopped when the change in level of consensus was seen to satisfactorily converge towards total agreement. The experts were asked to give a score of importance to the factors in every round, by using Likert Scale of score 5 (most important) to 1 (least important). The factors were listed by ranking of importance by using numerical coding, by using the score 5 to decide the ranking. Where the consensus was the same for both factors, the next score 4 was used as the deciding score. To monitor the changes in responses and its significance, the two-tailed t-test was used in the analysis.

In this thesis, the success factors were those factors considered necessary to promote private sector activities. They were divided into two categories: Critical Success Factors (CSF) and Failure Reducing Criteria (FRC). Critical success factors are defined as factors which are critical for success. They received 100 percent level of agreement or consensus from the experts. Failure reducing criteria are factors not critical for success, but necessary to reduce the chances of failure. These are factors which had a level of consensus between 90 and 100 percent. The 10 percent disagreement indicated that one of the experts did not agree with the rest of the experts.

7.2 Summary of the Interviews

The business environments identified from the Delphi formed the framework for the interviews. The interviews aimed to validate the Delphi and also gain further insight into implementing PPP, privatisation and PFI from the interviewees' points of view.

The interviews were arranged with eight individuals, four from the government sector and another four from the private sector (Table 6-2). The interviews were semi-structured and the participants were carefully selected to get wide-ranging in-depth views of the research subject. The participants were selected based on their capacities as decision makers and pioneers in their sectors.

The participants consisted of 12.5 percent female and 87.5 percent male. Their backgrounds are 25 percent engineer, 25 percent economist, 25 percent business administrator and 25 percent financier (government sector); and 25 percent engineer, 25 percent financier, 25 percent quantity surveyor and 25 percent business owner (private sector). The age ranges from 35 to 62 years old and their experiences in their sectors and type of organisations usually started from the age of 22 (when they started with their employment).

Table 6-2: Table of Interviewees

Type of Organisations	Government Sector	Private Sector
Design & Construction Services	I-G1, I-G3	I-P2, I-P7
Support Services	I-G4, I-G5	I-P6, I-P8

There were five questions in the interview. The first two questions were to validate the Delphi and the last three questions were to gain insight into the views if PPP, privatisation and PFI will flourish in Brunei. This was to understand the forms of the business environments which influence these three models. The following questions were asked in the interview (please also refer to Appendix B):

- i. What, in your opinion, are the factors that will strengthen the business environment to promote private sector activities?
- ii. What, in your opinion, are the factors that are currently in place that retard the private sectors?
- iii. In your opinion, why do you think we should move towards privatisation?
- iv. What, in your opinion, needs to be in place to be successful in privatisation? (the pre-conditions of privatisation).
- v. How do you think privatisation can take place in Brunei?

The interview sessions lasted between forty-five minutes to one hour, except for one which lasted for almost two hours. Even though the questions were semi-structured, it was quite difficult to control the conversations during the interview. The interviewees were encouraged to give their views as much as they thought necessary.

The results from the interviews were analysed for content by colour coding. Verbatim transcripts of the interview were analysed and categorised under the business environments identified from the Delphi. Other issues which arose are also indicated and discussed.

7.3 Results

The purpose of the Delphi is to identify which factors promote and which retard private sector activities in Brunei. Results from the Delphi are given in Table 6-3. The factors in the table are factors of importance as perceived by the experts. They have been selected because they received 90 percent consensus and above from the experts and are subsequently referred to as success factors. Total consensus represented the level of agreement between experts by using scores of 5 and 4. The 10 percent level of disagreement meant that only one expert disagreed with the level of importance of the factor, i.e. a total of ten experts gave the score 5 to one factor except for one expert.

Table 6-3: Experts Responses (reproduced for easy referencing)

Factors	T.C	S=5	G. S	P. S
1. Good Governance	100	10	67	100
2. Too much bureaucracy and centralization leading to too much procedures	100	10	100	88
3. Transparent government free from corruption, nepotisms and cronies	100	10	100	88
4. Speedy decision making	100	8	100	63
5. Effective leadership with effective system should be pursued in Government	100	8	100	63
6. Training and employment of high-calibre national personnel, overseeing and guiding privatization development programmes are required	100	7	67	63
7. Efficient implementation of projects	91	10	100	88
8. Statistics to be updated	91	9	67	88
9. SMEs are crucial to the nation's economic success because they constitute the bulk of total enterprises in terms of number	91	8	67	75
10. Prompt payment from both Government and private sectors for completed works	91	8	100	63
11. Clear and firm Government policies and directions at strategic level and on medium and long term period	91	8	67	75
12. Government and private sector must continue to develop the sense of partnership in the pursuit of national goals (drafting policies, programmes, getting input and suggestions from private sector) such as practiced by JPKE	91	7	67	63
13. Government processes to be business friendly	91	7	67	63
14. Entrepreneurs and managers must have mindsets that are attuned to the dynamics of the process of globalization particularly of the market place	91	6	33	63
15. Financial knowledge of the business community itself	91	6	67	50
16. The business community must do what it takes to be competitive, and keep abreast with the developments in the market place	91	6	67	50
17. Delay payment for work completed from either the public or private sector	91	6	67	50
18. Solid banking system	91	5	33	50
19. Networking to market products both domestically and overseas	91	4	67	25
20. Awareness of professional ethics, duties and responsibilities to be instilled	91	3	67	13

T.C - % Total Consensus (Based on Score 5 and 4)

S=5 – Number of experts that scored 5

G.S - % Preference from Government Sector (Based on score 5)

P.S - % Preference from Private Sector (Based on Score 5)

The factors are listed according to their ranking, with the most important first, followed by the less important according to the experts. Numerical ranking was used in the analysis. The responses from the two sectors were separated to identify preferences in different sectors, if any.

7.4 Overview of responses to Delphi questions

The Delphi identified twenty factors which the experts considered to be important. Eighteen of the factors were identified as factors which promote private sector activities in the responses from the first question. The experts also identified two factors as retarding private sector activities in the responses to the second question in the Delphi. Table 6-4 lists the number of responses for each of the Delphi questions. All the factors, except factors 2 and 17, are factors which would encourage business in private sector activities. Factors 2 and 17 are factors that hold back private sector activities in Brunei.

The eighteen factors which the experts selected as factors which would strengthen the business environments to promote private sector activities are mostly related to the government sector, the business community, finance, products and project implementation. The retarding factors relate to the government management system and finance. These will be discussed further in the following sections.

Table 6-4: Number of Responses For Each Delphi Questions

Delphi Questions	Number of responses	Identified Factors
i. Please identify five factors which will strengthen the business environment to promote private sector activities	18 factors	All factors except 2 and 17
ii. Please identify five factors which are currently in place which retard the private sector	2 factors	Factors 2 and 17

7.4.1 Identification of factors as CSF and FRC

The success factors were divided into two groups of importance: Critical Success Factors (CSF) and Failure Reducing Criteria (FRC). Critical Success Factors are factors which are critical for the success of implementation. Failure Reducing Criteria are factors which would not increase the chances of success but are necessary to reduce the chances of failure.

Success factors with a 100 percent consensus were considered to be the CSF. Those factors with consensus between 90 and 100 percent were considered to be the FRC. The Delphi identified six CSFs and fourteen FRCs (Table 6-5).

Table 6-5: Success factors identified as CSF and FRC

Type of response	Categorisation of factors	Factors
100 % total consensus	Critical Success Factors	Factors 1 to 6
90% ≤ consensus < 100 %	Failure Reducing Criteria	Factors 7 to 20

All the factors of the CSF, factors 1 to 6, relate to the government sector. These factors refer to the government and its system, characteristics, activities, process and human resources. The fourteen FRCs, factors 7 to 20, relate to the government, the business community, finance and financing institution, products and project implementation.

These factors indicate the importance of the government and its roles in promoting private sector activities. The government must also be supported by the business community and finance institutions for private sector activities to be successful. Activities, such as networking to market products and relationships between government and private sectors, are necessary to make the environment conducive for private sector activities. Human resources' skills and knowledge in both government and private sectors are also important as prerequisites of competitive nations.

The identified factors also confirmed the status of the government as the main client of the construction industry, since all factors seemed to revolve around the government. The factors also emphasised the political influence the government has on the business environments in promoting private sector activities.

7.4.2 Hierarchies of Identified factors

The success factors are seen in four different groups or hierarchies of importance (Table 6-6). They are separated, based on the percentage consensus and ranking. The consensus firstly separates the CSFs from FRCs. The CSFs are in three levels, based on the highest score of importance, score 5. Level 1 is where ten experts gave a score of 5 to the factors, Level 2 is where eight experts gave a score of 5 to the factors and Level 3 is where seven experts gave a score of 5 to the factor. Level 4 consisted of factors identified as FRCs.

Table 6-6: Hierarchies of Identified Factors (reproduced for easy referncing)

% Consensus	Success factors		Hierarchy
100	CSF	1 - 3	Level 1
		4 - 5	Level 2
		6	Level 3
91	FRC	7 - 20	Level 4

It can be seen, from Table 6-6, that thirty percent of the factors belong to the CSFs which are in Level 1, 2 and 3. Level 1 has fifteen percent of the factors which emphasise the importance of good governance and transparency in government in promoting private sector activities. It also indicates that bureaucracy and centralisation is the critical factor which holds back private sector activities. Level 2 and Level 3 have ten percent and five percent of the factors which are critical in strengthening the business environments for private sector activities, respectively. These factors related to the quality of the human resources of the government sector and their activities. It

highlighted the need for proper training of the employees and the employment of the right people suitable for the needs of government programmes. Level 3 also covers the quality of the government system required to promote private sector activities. This is shown in Figure 6-1.

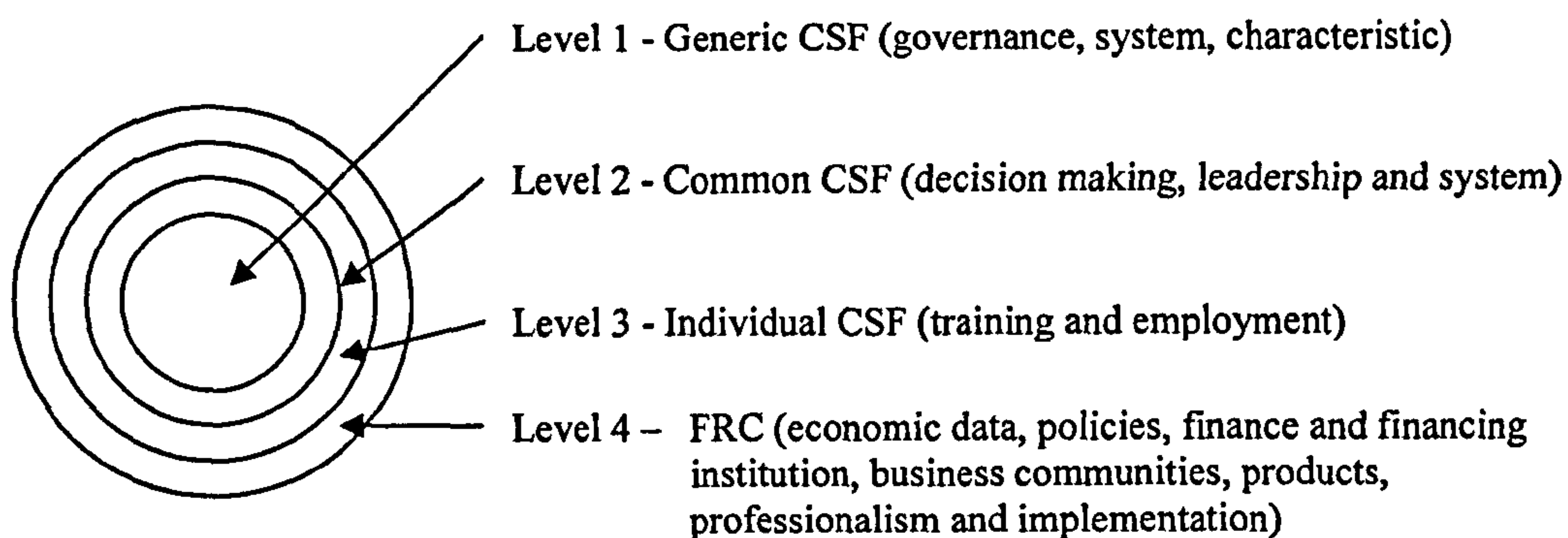


Figure 6-1: Levels of CSF and FRC (reproduced for easy referencing)

The different hierarchies of critical success factors were discussed by Owen (2002) for implementing PFI projects in privately financed infrastructure projects.

The generic set contains CSFs which must exist in the business environments to promote private sector activities. These are the most important CSFs selected by the experts and all of them relate to the government sector. They are the most critical for all private sector activities to flourish and be successful.

The common set is those CSFs necessary for most private sector activities. Some activities do not need speedy decision-making nor efficient leadership and systems because they do not have a direct impact on the financial resources for the private sector.

The individual set exists for individual types of projects. In this case, the experts have identified the projects to be in privatisation programmes. This means that training and employment of high calibre national personnel, and overseeing and guiding privatisation

development programmes are necessary for the concept to flourish in Brunei. Other types of programmes would require different kinds of training and levels of involved personnel.

Failure Reducing Criteria are required to reduce the chances of failure but would not increase the chances of success. These factors are required to support all the other factors in strengthening the business environment to promote private sector activities. Level 4 has seventy percent of the identified factors from the Delphi. This shows the importance of the FRCs in reducing failures for all private sector activities.

7.4.3 Experts' preferences

The percentage preferences from government and private sector experts are indicated by the number of experts from the respective sectors who gave the highest score of 5 to indicate their views of the importance of factors.

It can be seen from Table 6-3 that the experts from the government sector had a 100 percent consensus on six factors, of which four are critical success factors and two are failure-reducing criteria. The experts from the private sector had a 100 percent consensus on one critical success factor. Table 6-7 shows the factors in different categories, to highlight the preferences of the different sectors. The table shows that the government experts' preference are for improving the government sector (less bureaucracy, transparent government and effective system), activities and processes within the government (speedy decision making, prompt payment and efficient implementation of projects) and the quality of human resources (effective leadership in government). The private sector preference is for the management and administration of the government (good governance). This is usually through using laws and regulations in the act of governing the country.

Table 6-7: Preferences Of Government And Private Sectors (reproduced for easy referencing)

Organisation					
Government Sector			Private Sector		
Factors	What the factors relate to	% Consensus	Factors	What the factors relate to	% Consensus
2, 3, 5	Government Sector	100	1	Government Administration	100
5	Government human resources	100	8	Economic Data	88
4, 7, 10	Government activities	100	9, 11	Economic players and policies	75
19, 20	Products and professional awareness	67	14	Human resources	63

The government experts' views indicated that improvements would be required within the government sector itself if the intention were to promote private sector activities. One factor which is holding back the private sector is bureaucracy and centralisation. The government system is presently not very effective in achieving the targets. The private sector, on the other hand, preferred improvements in the way the government is administered.

The government experts also had higher consensus than the private sector for networking of products and professional awareness. Government is a major client of the construction industry, so this preference is expected, since it is in the interest of government to get value for money. This is achieved by having awareness of professional ethics and instilling duties and responsibilities. The government experts also agreed on the need to have networking to market products both locally and overseas.

The private sector gave higher preferences than the government sector to economic data, economic policies and players and also the human resources of the private sector. This indicates the concern of the private sectors with any activities that relate to the economy. Any changes in the economy could seriously affect the private sector financially. Therefore, updated economic data is crucial for the private sector. Economic policies

and directions also need to be clear and firm to enable the private sector to make long-term plans with reference to their financial and human resources. The private sector highlighted the structure of the economy, where SMEs play a crucial role to the nation's economic success. The acknowledgement of SMEs as major economic players would ensure less failure in promoting private sector activities. The private sector experts also indicated that entrepreneurs and managers needed to keep up with the changes resulting from globalisation, to be competitive. Interpretatively, this factor shows that the human resources in the private sector lack competitiveness and the mindsets are only attuned to the government as their main client or source of work.

There are also seven factors where both government and private sectors have equal preferences, as tabulated in Table 6-8. These are in training and employment of the right people for privatisation programmes, cooperation between both government and private sectors to achieve national goals and in the need for the government process to be business friendly. Both sectors also agreed that the business community skills and knowledge needed to be improved to be competitive. There is also agreement that payment needs to be speeded up from both government and the private sector for completed works. Delayed payment is a factor which retards private sector activities.

Table 6-8: Equal Preferences From Both Government And Private Sectors (reproduced)

Factors	What the factors relate to	% Consensus	
		Government Sector	Private Sector
6	Human resources	67	63
12	Relationship between sectors	67	63
13	Government Process	67	63
15	Financial knowledge	67	50
16	Business Community	67	50
17	Payment	67	50
18	Banking system	33	50

7.4.4 Changes in experts' responses

The Delphi technique measures changes in responses from the experts between rounds. Changes are measured to study the stability of responses, to indicate their reliability. Table 6-9 shows the changes in responses of the experts, between rounds of the Delphi. Statistical analysis (two-tailed t-test) is used to test the level of significance in the changes. The table shows changes between round 2 and round 3, and also changes between round 3 and round 4.

The table shows the difference in changes in responses between the government sector and the private sector. These changes are either between experts, for the same factors (for consensus) or between factors, from the same experts (for level of reliability of expert). The figure in the table indicates the significance of the changes in percentage. For example, if it is 100 percent, then the changes in the responses are significant. If the changes are 0 percent, it means that there is no change in the response between the rounds, making it insignificant.

Table 6-9: Changes of experts' responses between rounds (reproduced for easy referencing from Chapter 6)

Type of changes	Sector	CSF		FRC	
		Round 2-3	Round 3-4	Round 2-3	Round 3-4
Between experts - horizontal (consensus of same factor)	Government	0%	0%	0%	0%
	Private	33.3%	16.7%	21.4%	7.1%
Between factors - vertical (reliability of experts)	Government	33.3%	0%	100%	0%
	Private	12.5%	0%	75%	50%

For CSF (6 factors) and FRC (14 factors)

Between experts (Government = 3; Private = 8):

0% = no difference between experts from government sector

33.3% = 2 of 6 factors, experts from the private sector differ with each other

16.7% = 1 of 6 factors, experts from the private sector differ with each other

21.4% = 3 of 14 factors, experts from the private sector differ with each other

7.1% = 1 of 14 factors, experts from the private sector differ with each other

Between factors:

0 % = No changes within experts

33.3% = 1 of 3 experts from government sector changed his score between rounds

100% = All experts from government sector changed their scores between rounds

12.5% = 1 out of 8 experts from private sector changed his score

75% = 6 out of 8 experts from the private sector changed their score

50% = 4 out of 8 experts from the private sector changed their score

Table 6-9 shows that experts from the government sector agreed with each other that all factors are important in all rounds of the Delphi. There is no significant change from round 2 to 3 to 4 for both CSFs and FRCs. However, the private sector experts significantly changed their responses in all rounds for both CSF and FRC. The changes reduced from 33.3 percent to 16.7 percent for CSFs and from 24.1 percent to 7.1 percent for FRC. This indicates a convergence in the opinions of experts towards total agreement.

The changes in the agreement from the same expert, on different factors in different rounds were also measured. The measurement was by observing the total number of experts within each sector who changed their responses. For the government sector, the changes were 33.3 percent to 0 percent for CSFs. This means that one government expert significantly changed his response from round 2 to 3. However, from round 3 to 4, no government expert significantly changed his response. For FRCs, all three experts significantly changed their responses initially from round 2 to 3 but significantly reduced to zero from round 3 to 4. For the private sector, only one expert significantly changed his response between round 2 to 3, for the CSF which reduced to zero from round 3 to 4. For the FRC, there was a significant change of 75 percent (6 experts) from round 2 to 3 but reduced to 50 percent (4 experts) from round 3 to 4. The results highlighted that the changes significantly reduce from the second round to the final round, indicating a convergence in opinion and level of agreement.

Table 6-10 is a summary of changes of responses between experts for the same factors as well as changes of responses of the same experts for different factors.

Table 6-10: Experts And Factors Which Changed Significantly During The Rounds (reproduced for easy referencing)

Location of changes	Sector	CSF		FRC	
		Round 2-3	Round 3-4	Round 2-3	Round 3-4
Experts	Government	-	-	-	-
	Private	2, 5	5	18, 19, 20	16
Factors	Government	G4, G7	-	G4, G6, G7	-
	Private	P3	-	P1, P2, P3, P4, P6	P1, P4, P7, P8

G – Experts from the government sector

P – Experts from the private sector

The histograms displayed in Chapter 6 (Figure 6-2 to Figure 6-7) again showed the changes of the responses of the experts in all the rounds of the Delphi. It can be seen that the experts mostly differentiate with each other on CSF2, CSF5 and CSF6. These were probably because of the different sectors they represent and the way they view the effects of these factors on their sectors. The identified factors on bureaucracy, effective leadership and system, and training on personnel were mostly about the government sector. Both sectors however identified their importance on promoting or retarding private sector activities in Brunei. The differences in the scores therefore might represent personal dissatisfaction and experiences from internal and external point of views.

In general, the observed trend was a reduction in the changes in the responses of the experts. The changes reduced and became insignificant between experts in subsequent rounds for the same factors. Experts however changed their responses between different factors. This was explained by the experts to indicate a change in the environment during the rounds of the Delphi. One such change was the appointment of a senior official in the Government sector, whom the experts believed would improve the business conditions. These changes in level of consensus between experts for the same factor are acceptable because there was a convergence of opinions of experts towards total agreement (Table 6-9). Hence the Delphi rounds were appropriately stopped.

7.5 Identification of business environments of the factors

The following is the synthesis of data from the Delphi and the interviews for an all round discussion. The identified factors are categorised under the appropriate environments. Table 6-11 listed the business environments to which both CSFs and FRCs belong.

Table 6-11: Table Of Identified Factors Categorised Under Appropriate Business Environments

Identified Factors	Business Environment
<i>Critical Success Factors:</i>	
1. Good Governance	Legal
2. Too much bureaucracy and centralization leading to too many procedures	Political
3. Transparent government free from corruption, nepotisms and cronies	Political
4. Speedy decision making	Political
5. Effective leadership with effective system should be pursued in Government	Political + Technological
6. Training and employment of high-calibre national personnel, overseeing and guiding privatisation development programmes are required	Technological
<i>Failure Reducing Criteria:</i>	
7. Efficient implementation of projects	Project CSF
8. Statistics to be updated	Economic (Information)
9. SMEs are crucial to the nation's economic success because they constitute the bulk of total enterprises in terms of number	Economic (Players)
10. Prompt payment from both Government and private sectors for completed works	Economic (Finance)
11. Clear and firm Government policies and directions at strategic level and on medium and long term period	Economic (Policy)
12. Government and private sector must continue to develop the sense of partnership in the pursuit of national goals (drafting policies, programmes, getting input and suggestions from private sector) such as practiced by JPKE	Political
13. Government processes to be business friendly	Political
14. Entrepreneurs and managers must have mindsets that are attuned to the dynamics of the process of globalization particularly of the market place	Political
15. Financial knowledge of the business community itself	Technological (Finance)
16. The business community must do what it takes to be competitive, and keep abreast with the developments in the market place	Social
17. Delay payment for work completed from either the public or private sector	Economy (Finance)
18. Solid banking system	Economy (Finance)
19. Networking to market products both domestically and overseas	Economic
20. Awareness of professional ethics, duties and responsibilities to be instilled	Project CSF

The most influential environments are those of the CSF because of their high hierarchies in the list. The business environments defined in Chapter 4 are:

The political environment is concerned with government and its activities, the political risks associated with government actions and the credibility of the country.

The economic environment is influenced by the activities and decisions made by all the economic players, which include the government, the private sector, banking sector and the public. The activities can take the form of policies, finance, information, strategies and incentives and so on.

Social environment includes the trends and statistics of society. The culture that society practices and the way it influences society is also part of the social environment.

Legal environment deals with legal infrastructure, acts, rules and regulation set up to govern the country.

Technological environment is concerned with knowledge, experiences and skills. It also includes technologies and scientific advancements which are adopted and used as competitive measures in the market.

Table 6-12 is a summary of the business environments of the CSFs and FRCs. Some factors have overlapping business environments. However, only the most influential environment will be used in the discussion of each factor. For example, factor 1 belongs to the legal environment and overlaps with the political environment. The discussions will be under the legal environment and references will be made where it overlaps with the political environment when necessary.

Factors highlighted in **bold** are factors identified as retarding the business environments for private activities. Factor 5 discusses two issues of leadership and system and,

therefore, there are two different discussions on this factor, referring to the appropriate business environments.

Table 6-12: The Business Environments Of CSF and FRC

Business Environments	Type of factors	
	CSF	FRC
Legal	1	
Political	2, 3, 4, 5	12, 13, 14
Technological	5, 6	15
Economic		8, 9, 10, 11, 17, 18, 19
Social		16
Project CSF		7, 20

The business environments are translated to the hierarchical diagram of Figure 6-8 to see their importance in the construction industry of Brunei Darussalam. This shows the importance of legal and political environments as the core influencing environments in promoting private sector activities in Brunei. The influence of the political environment is again seen in the next level of hierarchies, Level 2, 3 and 4 indicating its strong role in the business environments. The influence of the technological environment is only obvious at Level 3. Other business environments are only influential from Level 4.

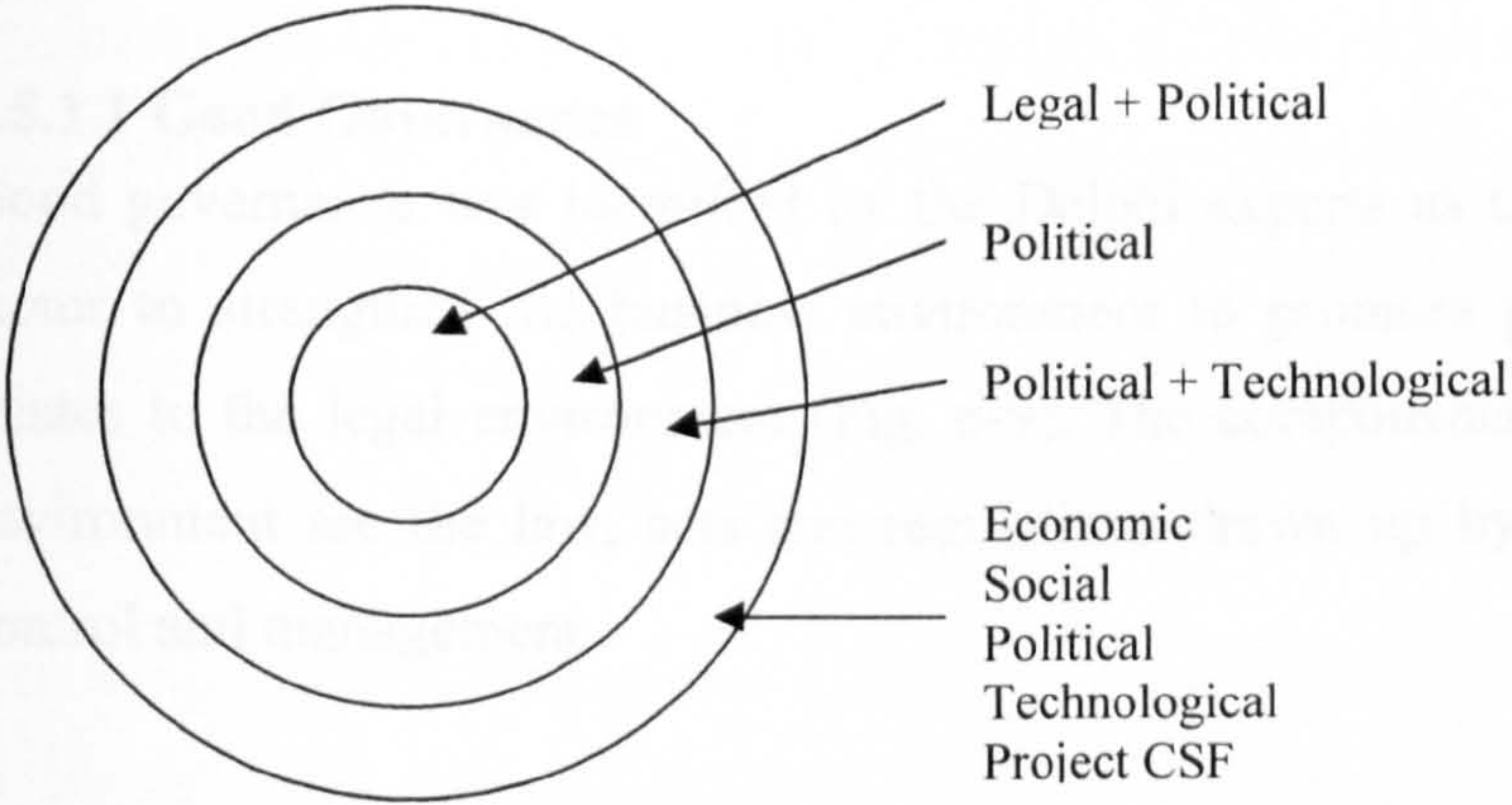


Figure 6-8: Hierarchy Of Business Environments Of The Delphi Results (reproduced for easy referencing)

The analysis suggests that improvements should be made first in the legal and political environments if private sector activities are to flourish in Brunei. The technological environment also plays an important role in strengthening the business environments for the private sector. Figure 6-8 also indicates that improvements made in Level 4 would not have much impact on the whole system in building up private sector and its activities, unless the first three layers are first improved.

The following discusses the synthesis of the Delphi results and the interviews. The discussions are presented in the order of the most influential business environments, as identified from the Delphi and references to literature will be considered. Factors identified in the business environments are displayed in chart form. Each chart indicates the factors which make up the environment, as interpreted by the researcher. The factors with solid boxes are factors which would strengthen the business environments to promote private sector activities. Factors with double-lined boxes are factors identified as retarding the private sector activities.

7.5.1 Legal Environment

7.5.1.1 Good Governance

Good governance was identified by the Delphi experts as the most important success factor to strengthen the business environment to promote private sector activities. It relates to the legal environment (Fig. 6-9). The components which make up the legal environment are the law, acts and regulations drawn up by government as means of control and management.

Good governance covers the activities of government in governing and exercising authority. In order to do this, it must have power and therefore make use of 'tools' such as legal infrastructure to enforce its power. Legal infrastructure is important to government because it helps in the smooth running of the government and protects it

from abuse and uncertainty. Government services of a monopolistic nature do not usually have regulations. However, legal infrastructures are required by the private sector to guide them in running their businesses and daily activities. The laws, acts and regulations help them to work within areas allowed and approved by the government. However, both too much and too little regulation can contribute to problems in the operation of government and private sectors. The impact is not damaging to the government because it is a strong, authoritative body. However, it affects the private sector in many areas and can contribute to failures in project implementation.

The factor implies that the government administration and legal infrastructures need improvement. Required laws, acts or regulations known to assist private sectors should be considered and drafted. Interviewee I-G5 said that the existing legal procedures in Brunei were designed in the 1950s and 60s and need to be improved in practising good governance. The verbatim transcript is tabulated in Table 6-13. None of the interviewees from the private sector, however, raised this issue. Revised laws are required to enforce contracts, ensure competition and execute effective corporate governance to assist entrepreneurs. Laws are also needed to protect the consumers and public interests.

Brunei was one of the protectorates of Britain and continued to practise English common law, even after Brunei declared independence in 1984 (Borneo Bulletin, 1997). The laws of Brunei are brief and general. The processes of updating and modifying the laws are, however, slow and usually take more than two years. Concern for security is a priority in Brunei and changes in laws may severely affect it (Borneo Bulletin, 2005).

Interpretatively, both sectors are not very concerned with the lack of legal infrastructures in Brunei. This may be caused by their lack of knowledge on their importance and impact on private sector activities. However, the construction industry in Brunei is government-driven and the government cannot be sued or brought to court for any problems. This might have influenced the mentality of both sectors and hence the lack of concern on the existence of legal matters in the business environment. The impact of this

is thus a weak private sector with little drive to progress their future in the construction industry.

7.5.2 Political Environment

Seven factors are discussed under this environment, as displayed in Figure 6-10. Six factors in solid boxes were identified by the Delphi experts as factors which strengthened the business environment to promote private sector activities. The factor in double-lined box was identified as the retarding factor.

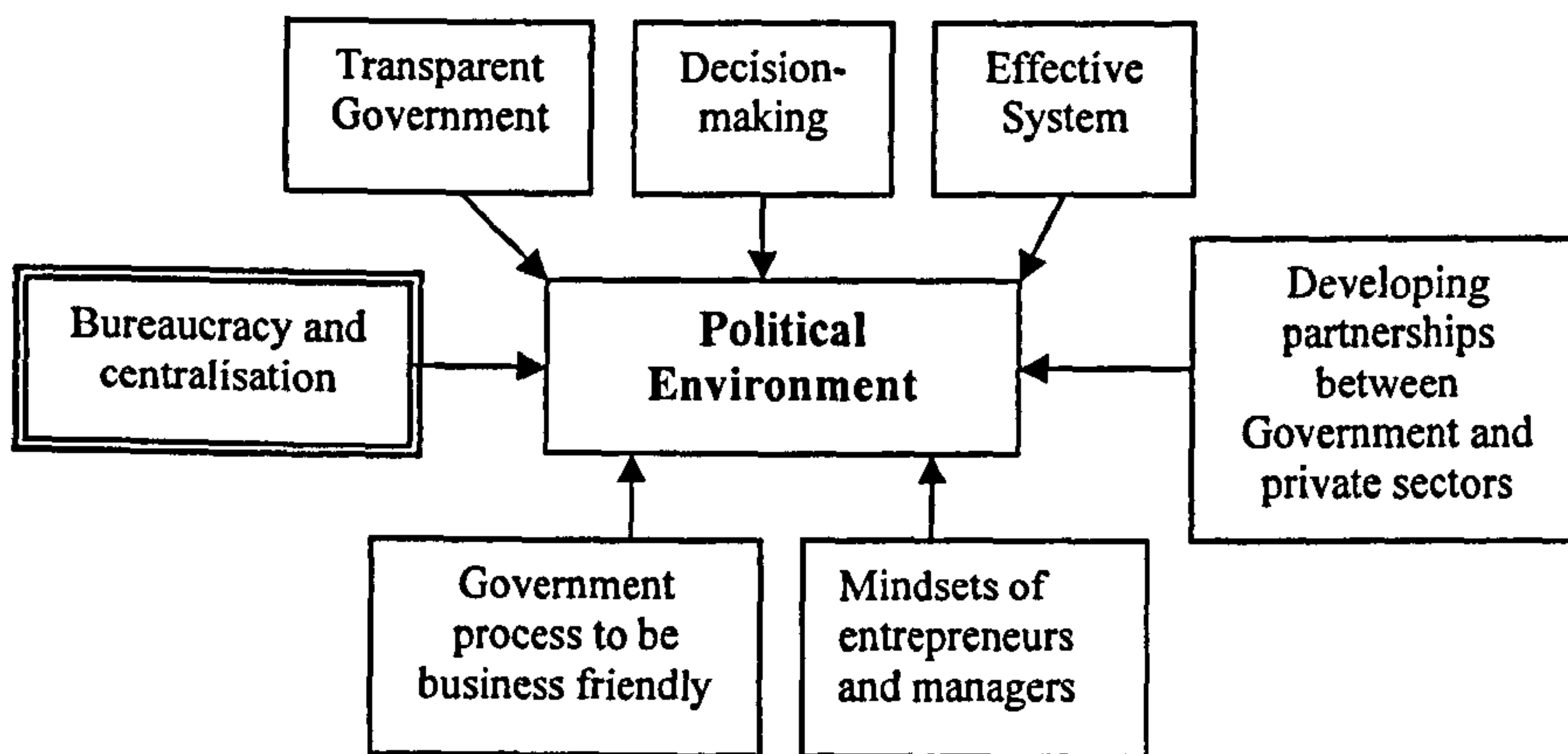


Figure 6-10: The Identified Factors Of The Political Environment

7.5.2.1 Transparent government, free from corruption, nepotism and cronies

Transparency in government relates to political issues. Being transparent means letting outsiders know the government's activities and the processes involved, such as in decision-making. Transparency minimises corruption, nepotism and cronies. Non-transparency gives both government and private sectors the opportunity to abuse power and to take advantage from it. Cartwright (2001) and Blanning & Reinig (2003) discussed the importance of transparency in the business environment. However, government feels vulnerable if it is transparent, because this opens it up to scrutiny and risk, threatening the security of the government. Loopholes will be obvious.

Interestingly, the advantage of transparency is a stronger and more efficient government from knowing and fixing its weaknesses. It also gives the private sector confidence in the government, which would enable cooperation between the two sectors.

The Delphi experts agreed that the government in Brunei is not transparent and not free from corruption, nepotism or cronies. Corruption, nepotism and cronyism influenced the construction industry negatively. Corruption increased the actual costs of projects and could cause delay in projects being awarded and implemented. The negative effect from nepotism and cronyism are in the selection and award of projects. The capability and capacity of private sectors are not looked at, which could result in bad quality in completed projects. Corruption, nepotism and cronies would cause a concentration of project awards going to selected private sectors while others remain without jobs. Projects which may not aid the development of the country can still be proposed, because of corruption, nepotism and cronyism. The impact is huge on the economy, especially when these projects, worth billions of Brunei Dollars do not bring any return to the economy. The private sectors also experience losses in opportunities to gain experiences and new knowledge from technology transfer during project implementation.

The government sector relates transparency to the tender and award of projects. Refer to the verbatim transcripts in Table 6-14. Interviewee I-G3 agreed that there is some corruption in Brunei but there is no data to indicate that it is a factor which retards private sector activities. I-G3 also stressed that data is unavailable on the practise of cronyism in Brunei. This is supported by the private sector interviewee I-P2, who said that lobbying is not practised in Brunei to get projects. Employees of both sectors sometimes meet to have tea breaks together, in social gatherings and sponsoring events for some causes. He also said that this is more of a socialising culture of working than corruption. Interviewee I-P6 discussed transparency as involving the private sector in government plans and consulting private sector representatives before making decisions involving (or not involving) them. Interpretatively, he said that a vast amount of money

is spent in developing the economy but not on the major player, which is the local private sector. In the long run, both the country and the private sector do not profit if the government keeps overlooking this factor.

The result from the Delphi is not supported by the interviews. The Delphi was started during a case of alleged construction corruption and this could have influenced the factor being selected as a critical success factor (Anti-Corruption Bureau, 2004). Corruption is a cultural factor, since what one society might consider as corruption and another considers to be normal social behaviour. In the light of the views from the interviewees, transparency in this thesis refers to the government's decisions and development plans of the country, which preferably should involve the private sector.

7.5.2.2 Speedy decision-making

One of the political activities which a government undertakes is decision-making. The process of decision-making depends on good governance, the management system that is in place, and the availability of information. It needs accurate and up-to-date information to make good and fast decisions. A system should be in place where employees clearly understand their responsibilities and roles in decision-making and the accountability to either make or not make decisions. Good decision-making depends on strong relationships between management and employees, a positive and encouraging work environment and guidelines on decision-making, prepared by management. The ability to make decisions reflects on the integrity, reliability and effectiveness of the process and on the professionalism of the employees concerned (ANAO, 2000). There are many levels of decision to be made. The ability to prioritise and make good decisions depends on the skills, discernment and discipline of the person. Goals, knowledge of other options and facts on the matters to be decided upon, are necessary to support intelligent decisions (Josephson, 2002).

The Delphi experts identified this factor as a critical success factor in strengthening the business environment to promote private sector activities in Brunei. However, I-G1 from the government sector, said that decision-making is not slow in construction. He continued saying that the process is long because there are many government agencies involved in making decisions in construction. He said that the process would speed up if Brunei adopts the system used in Singapore, where everything is done by one Ministry. The private sector interviewee I-P2 said that slow decision-making is not a problem when information is properly recorded and government employees appreciate and manage time. Private sector interviewee I-P8 supported this and said that government employees do not think of the consequences of their actions. He added that they are ignorant of the impact on costs borne by the private sector resulting from delay. Instead of profits, private sector players may end up with debts as an indirect result of government employees' actions or inaction. The verbatim transcripts are tabulated in Table 6-15.

The results imply that the procedure for decision-making is not effective, and the human resources and information supply need improvements. Management should revise the system, especially on reward and penalty of workers. The purpose is to encourage employees to make decisions and not worry about making mistakes, whilst still being made accountable and responsible for their actions. However, to support this, necessary information must be readily available, of good quality and up-to-date.

Speedy decision-making is important for smooth implementation of projects. It enables cost management and planning of expenditure for both the government and private sectors. It influences the efficiency and profitability of an enterprise. It enables the private sector to plan their human and financial resources effectively. Slow decision-making causes them to lose opportunities in projects, pay high interest and overhead costs.

7.5.2.3 Effective leadership with effective system should be pursued in Government

This success factor overlaps between two different types of environments: political and technological, which are the system and the leadership respectively. This success factor mentioned the word effective twice, indicating a concern in this area of management. 'Effective' is defined as achieving the objectives within the allocated time or the shortest time possible. An effective government system relies on the method of managing or exercising authority, which is political in nature. Effective leadership belongs to the technological environment because it refers to knowledge, skill and experience of leaders. The discussion on leadership is elaborated under the technological environment.

The discussion here is on effective systems. Brunei is a planned economy, whose government plans the development of the country in intervals of five years. Budgets are allocated at the start of each National Development Plan (NDP) and NDP9 starts in 2006. The management system also includes bureaucracy and centralisation. The Delphi experts agreed that this system of planning and overall management is ineffective and unable to cope with the changing demands of globalisation.

Interviewee I-G4 from the government sector said that the government is very supportive but not fully committed. He explained that government provides corporate advice, especially on finance such as loans and cash flow. The service is accessible to the public but not many people know about it. Interpreting this he said that the government makes efforts to help the private sector but the system is ineffective due to lack of commitment. Hence the objectives are not achieved.

Private sector interviewee I-P2 discussed effective systems, by referring to the Labour Department's activities, especially those concerning foreign labourers. He said that the Labour Department always acts without due consideration to industrial needs. He added that within a year the Labour Department might put up many barriers, which would hold back private sector activities. He also said that the private sector needs government to

assist it in project management to deliver on time. The verbatim transcripts are tabulated in Table 6-16 for both the government and private sectors' interviewees.

The discussion implies that government sector reform to increase the effectiveness of system should be considered. An effective system provides the necessary elements to make informed decisions. It also provides the transparency to assess the performance of the organisation in meeting its objectives (ANAO, 2000). Management should consider becoming more flexible and increasing personal accountability.

An effective system would ensure the achievement of objectives within the best possible times at optimum costs. Both the government and private sectors would benefit from an effective system. There would be savings in cost and time because resources would be used effectively.

7.5.2.4 Too much bureaucracy and centralisation leading to too many procedures

The Delphi identified this factor as retarding private sector activities in Brunei. It belongs to the political environment because it discusses the management system used by government. Bureaucracy and centralisation are management systems put in place by a government to control the activities of its employees and the flow of information. All governments employ bureaucracy in their management systems; the difference is in the thickness and thinness of the bureaucracy. This depends on the political decision of the government in power.

In Brunei, bureaucracy is very thick and every level has its own person of power in – charge, who in turn reports to the person above. The management system is also centralised and all the important decisions are made at this point. Brunei is a sovereign state: the Head of State is also the Head of Government. Bureaucracy added to centralisation concentrates power within a minority group, which is usually workable when the group is small. It ensures order and the proper operation of the group. The

group members move together, based on loyalty to a common heritage and always united in a common destiny (Borneo Bulletin, 2005). However, when the group becomes larger it introduces a large amount of unnecessary red tape, causing system failure. It slows down the process within government, while increasing costs for the private sector. One major problem with red tape is in the area of importing skilled workers and labourers (Borneo Bulletin, 2005). Red tape causes delayed decisions on approval of foreign workers. The delays cost the private sector lost opportunities in new projects, delayed project start-up and inefficient implementation of projects.

Interviewees from the government sector agreed that bureaucracy causes slow decision-making and delayed payments, which retard private sector activities. However, government sector interviewee I-G4 did not think that there were any factors that retard private sectors. He thought that the private sector might blame problems on bureaucracy. However he did not believe that people would purposely delay the government process. Another interviewee, I-G5, said that bureaucracy should be maintained because it is a management system. He said bureaucracy itself is not the problem but the red tape which emerges from bureaucracy.

An interviewee from the private sector, I-P2, did not think that red tape slows down the private sector. He said that, in recent years, many expatriates have been replaced by young local engineers and architects, who lack experience and management skills. He explained that record-keeping is poor and this caused decisions to be slow, and not bureaucracy. He also said that government employees are scared of criticism and making mistakes. Interviewee I-P6 said that bureaucracy could not be removed because it gives government power. Some employees take the opportunities to abuse power. The verbatim transcripts for both the government and private sectors are displayed in Table 6-17.

Both sectors agreed that bureaucracy itself does not retard private sector activities. Interpretatively, red tape resulting from bureaucracy causes delays by setting up too

many procedures. Delays are also caused by replacing experienced expatriates with inexperienced locals, who lack management skills. Employees also have opportunities to abuse power as a result of bureaucracy.

Both sectors also agreed that centralisation is not a problem in Brunei. Interviewee I-G3 said that the Brunei Development Economic Council has produced an Industrial Coordination Act to facilitate the coordination between government sectors. She said that this Act was introduced to speed up the process of establishment and creation of industry. Interviewee I-G4 said that too much decentralisation is not good for Brunei because it is a small country. He added that Singapore still has the same problems as Brunei, even though it decentralised its management system. The private sector interviewee I-P2 said that it is faster to resolve issues when only one department is responsible for the projects. He said that too many people handling one job caused project delay. The verbatim transcripts are also displayed in Table 6-17.

Hence it would seem that, in this situation, centralisation is not the factor which retards the private sector. The existing structure of government contains overlapping layers of responsibilities between Ministries in handling one job. Legislation has been produced to assist in the coordination and integration between Ministries. Interestingly, this Act might result in better coordination and integration but might still not solve the problem of delays. This is because the government has added another procedure, on top of the existing procedure making the process longer.

7.5.2.5 Government and private sector must continue to develop the sense of partnership in the pursuit of national goals

This factor was identified from the Delphi as a success factor, which would strengthen the business environment to promote private sector activities in Brunei. It is a political decision of the government to form a partnership and work together with the private sector. It involves good governance, transparency and trust. The government sector is

by nature suspicious of the private sector, whose nature is to make profit from its activities. To be able to work in a partnership with the private sector, the government sector must change its mindset and realise the benefits. The private sector must also want to cooperate with the government and prepare to work to achieve mutual benefits other than profits. Both sectors need to learn to make joint decisions and work as a team. Trust would then be formed from transparency, which is necessary if both sectors want to work in long-term partnerships. In Brunei, the government is the regulator, provider and facilitator, but with a non-transparent management system. The government is also a major client of the construction industry. A good and long term partnership between the two sectors would only be formed if both sectors were willing to trust and realise the potential of working as a team.

The verbatim transcripts for both the government and private sectors are displayed in Table 6-18. There are two views from the government sector. The government sector expert I-G4 said that there should be synergy between relevant sectors, and that they must listen to customer needs to be competitive and profitable. But interviewee I-G5 believed that government must do everything, such as facilitating, regulating and providing services.

The private sector interviewee I-P2 discussed that the labour department, banks and implementers must work together. He said that, to achieve some goals, meetings should be conducted between the respective and relevant authorities and the support departments. He stressed that those attending officers should be those with power, able to make decisions. Interviewee I-P6 said that the government is ignoring their problems and does not meet or listen to them. One such issue is when the government promised to help the private sector by giving consultancy jobs to the local firms, but did not do so. The government continues to engage foreign consultants in their programmes and ends up losing money because the consultants' recommendations were not in line with the aspirations of the government. Interviewee I-P7 questioned the government's real objectives because it is not actually working with the private sector.

Interpreting the comments, there is no synergy between all relevant sectors. The government aspires to make the private sector the engine for growth but the actions do not support the aspiration. The government is still thinking and acting as the facilitator, regulator and provider of services. There is no discussion between the sectors, making it difficult to form any long-term relationships. This also indicates the lack of trust between the two sectors.

7.5.2.6 Government processes to be business-friendly

This factor was identified by the Delphi experts as a success factor in promoting private sector activities. Government processes include decision-making, payment, registration for business licences, etc. These processes are political because power is used to influence the outcome. There is also an opportunity to abuse power, either positively or negatively, depending on the people in power. These processes are also executed following existing guidelines or procedures. The absence of these guidelines or non-transparency in government would increase the chances of processes unfriendly to business. Business friendly processes are short and clear. They are properly prepared and explained to assist everyone dealing with the business transactions. A supportive business-friendly process would save time, money and human resources for both the government and private sectors, because the business transactions would be executed more quickly.

The government sector expert I-G3 admitted that the government process is one of the stumbling blocks for private sector start-ups. She confirmed that certain areas of the government process limit the creation of both new and developing enterprises. She thought that the government is quite supportive of other areas. Interviewee I-G4 agreed that there is no problem in Brunei, because the government encourages the private sectors. Interviewee I-P6 said that the business process in Brunei is similar to other countries, however, the facilitation in other countries is good. He said that business

discussions and processes are difficult with the Brunei government. He commented that the business processes are only friendly towards some people. The other interviewees did not make any comments with regard to this issue. The verbatim transcripts are displayed in Table 6-19.

The factor indicates that the existing government processes are not business-friendly towards the private sector. Even though the processes are similar to other countries, they are very selective and only help some people. The government believes that it is not restricting private sector activities. However, it also realises that some government processes do limit the development of the private sector. Interpretatively, the government processes are not friendly because of transparency and confidentiality, too many procedures, lack of understanding of business culture and unprofessional attitude. The government is also cautious and needs to protect itself from costly mistakes, from lack of legal infrastructure. The lack of dissent amongst the interviewees indicated that this factor is either such a common occurrence in the government's processes that it is taken as the norm or it is not a serious issue.

7.5.2.7 Entrepreneurs and managers must have mindsets that are attuned to the dynamics of the process of globalisation particularly of the market place

This factor was identified as a success factor by the Delphi experts in promoting private sector activities in Brunei. The mindsets of those in authority are the key in improving the government sector. Changing their mindsets would allow a paradigm shift in the management system and the acceptance of new methods of doing things. With centralisation and a bureaucratic management system in Brunei, the mindset of the leaders at the core of the system is crucial. For changes to take place, sufficient information and encouraging evidence need to be prepared to give weight to proposals of improvement. The inherited culture in Brunei is that the welfare of the public is the government's priority, and therefore, any proposals must be for the benefit of all.

The interviewees discussed the current mindset of managers and entrepreneurs. Refer to the verbatim transcripts which are displayed in Table 6-20. Interviewee I-G1, from the government sector, said that the government needed to consider the worth of joint ventures with foreign contractors because the return is only ten percent to locals. Interviewee I-G5 said that officers in charge of helping local entrepreneurs do not understand the concept of investment. He explained that a national policy is required to change the mindset of government employees towards entrepreneurship. He stated that an authoritative body should be set up and run by employees with entrepreneurs' mindset. Private sector expert I-P2 agreed that a body to guide and be responsible for the industry should be considered by government. Interviewee I-P6 commented that the government's mission and vision should have a timeframe for achieving targets.

This factor implies that the mindsets of leaders are influenced by political issues such as awarding projects to foreign contractors. They, and the people they entrusted to promote entrepreneurship, need to understand what is involved in business and investments. Their programmes do not have targets for achieving the set objectives. The lack of national policy in this area and accountable people nor an authoritative body implies that either the government is not committed or just inexperienced.

Both government and private sectors need to adjust their mindsets to accomplish mutual benefits. The government's attitude towards the private sector should change if their objectives are to promote the private sector. The private sector also needs to attune its mindsets to accomplish a wider goal than just mere profits to be successful in promoting themselves and in executing projects.

7.5.3 Technological Environment

The technological environment covers factors such as technology, new knowledge, skills and also the quality of the players (government, business community, and the society in general). Four factors are discussed under this environment. Refer to Figure 6-11.

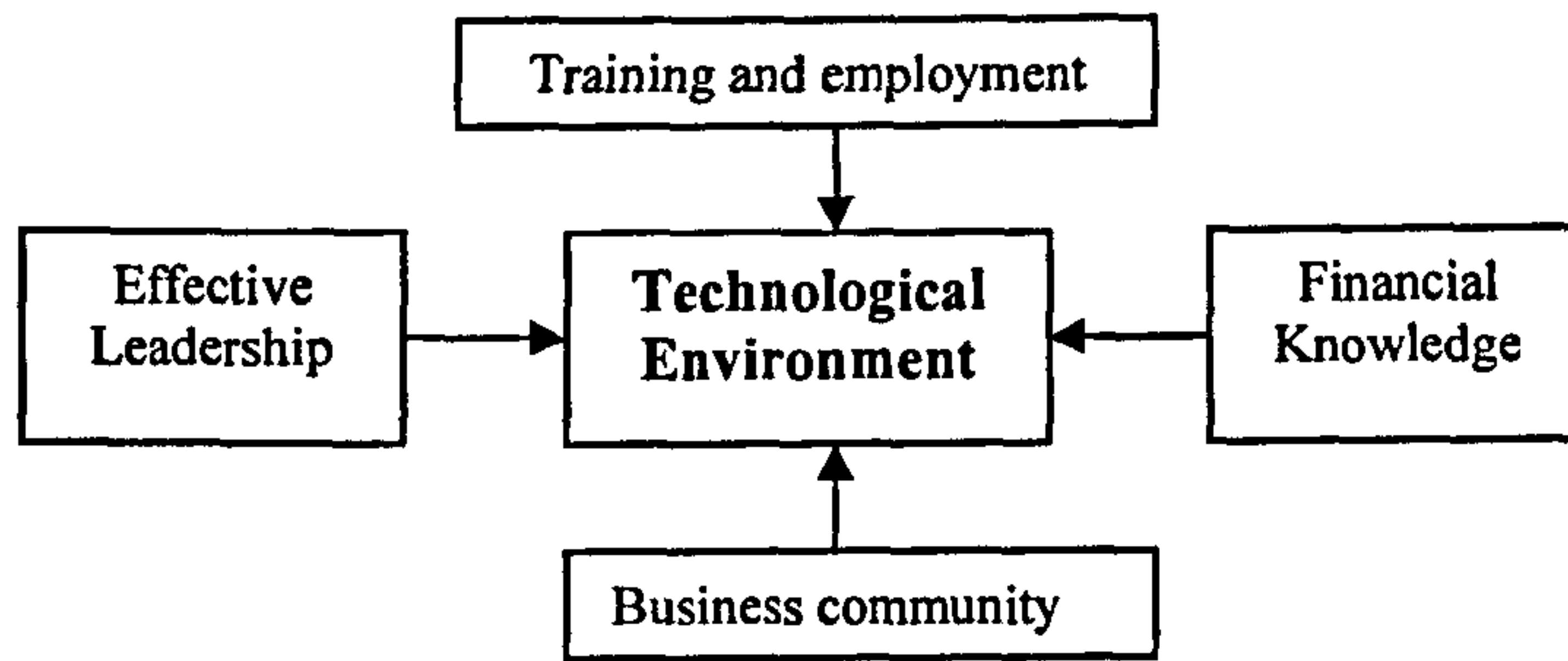


Figure 6-11: The Identified Factors Of The Technological Environment

7.5.3.1 Effective Leadership

This factor was identified by the Delphi experts as a critical success factor in strengthening the business environment to promote private sector activities. It is part of the success factors that says that “effective leadership with effective systems should be pursued in government”, discussed earlier under the political environment. Leadership is concerned with the quality of the people in authority. Effective leaders achieve their targets and objectives within the targeted resources. To be effective, leaders need to change the way they think and adopt new skills, roles and responsibilities. Leaders also need to build their capacity for management and delegation. Leadership involves setting clear and defined values and standards of performance of individuals and the organisation. Leadership is important in securing the trust and confidence of employees and also the public in general. Without their support and commitment, credibility can be compromised and the probability of success is reduced. Clients have been identified as major barriers in the success of implementing projects.

The government sector interviewee I-G1 viewed effectiveness as happening when people are confident and accountable to their tasks. He said that government employees are cautious and scared of making mistakes. They are scared of being fired. This is observed from interviewee I-G3’s response, when she said that her superior excused himself from being interviewed because he was worried about what he might be asked

during the session. Interviewee I-G4 said that ineffectiveness is caused by the lack of skilled human resources. He explained that, in Brunei, one person usually holds many portfolios. He said that more skilled people are required if organisations are to be managed as in Singapore.

The private sector expert, I-P2, said that government employees do not talk freely, because they worry about the consequences from saying things. Obviously, he said, government employees do things quickly when they have written authority and responsibility. They become cautious when the instructions are not clear. Private sector expert I-P7 said that the government does not allocate money for research and development like other countries. He also explained that previously anything was possible, but being long-established has caused government employees to be complacent and lazy.

The verbatim transcripts for both the government and private sectors are displayed in Table 6-21. The interviewees imply that government leaders are cautious and worried about making mistakes. This is noticeable when the directions are not clear, and their authorities and responsibilities are not written, making them less creative. There is also not enough skilled manpower, so that the leaders are responsible for too many jobs. The government does not consider research and development as being important, so there is no improvement in technology and knowledge in Brunei. In the long run, this makes the leaders ineffective because there is no investment in developing technologies and professional development of staff.

This factor stressed the need to educate and train the available human resources to increase their capacities and knowledge to be effective. Higher capabilities can also make up for the lack in numbers of skilled people. The system of management also needs to be improved. This is to encourage creativity of the leaders for long-term benefits and higher achievements. A better management system would make the leaders responsible and accountable for their leaderships making them effective.

7.5.3.2 Training and employment of high-calibre national personnel, overseeing and guiding privatisation development programmes are required

This factor was identified by the Delphi experts as critical in promoting private sector activities. Training is important as part of government programmes, to maintain and improve the capability of human resources. Employing the right people for specific tasks is also critical for ensuring that programmes are executed as planned and completed within the target time and cost. This factor specifies the need to train and employ the right personnel when implementing privatisation programmes in Brunei. The word privatisation used in this factor refers to privatisation programmes and any projects which involve the private sector.

The government sector discussed the government's efforts in grooming its employees to join the private sector as well as grooming the private sector to improve their capabilities. The government sector interviewee I-G1 said that there used to be a technical scheme which aimed to get government engineers and architects to take early retirement and join the private sector. That the scheme was never approved by higher authorities and the reasons for not getting the approval were unknown. He said that the government also had a scheme to groom the contractors, by increasing their financial and technical knowledge. However, he said the contractors had difficulties in grasping the technical aspects of the course because of their non-technical background. Interviewee I-G3 said that the present programmes to develop human resources were on training, education and entrepreneurships. She said that the programmes encourage government employees with skills to join the private sector. The private sector interviewee I-P2 commented that the construction management course is much sought after in Brunei. He said that newly-graduated engineers joining the government automatically become managers, but without managerial skills. The verbatim transcripts are tabulated in Table 6-22.

This factor implies that the government's programmes for training and educating human resources in entrepreneurships are selective. Only the government knows what kind of

programmes it is willing to support and promote. Interpretatively, it does not support programmes in construction, even in the education curriculum. The construction industry contributes seven percent of the annual GDP. However, more efforts should be made to strengthen the human resources of the industry. The government needs to formulate better training programmes which look at the capability and availability of the human resources as a whole. The human resources of competitive nations are properly and continuously trained. This would help build up Brunei in the long run.

This factor also indicates that many of the people who are overseeing and guiding privatisation development programmes lack training and are not of high-calibre. The impact of employing low-key employees to run these programmes is zero. Privatisation programmes have been approved since the early 1990s. However, by early 2006, no government sector has been successfully privatised.

7.5.3.3 Financial Knowledge of the business community itself

This factor was agreed by the Delphi experts to be an important factor in strengthening the business environment to promote private sector activities. It belongs to the technological environment because it refers to the knowledge of the business community. Financial knowledge is very important, because business is about investing money. Private sector firms would have difficulties sustaining their businesses if they lacked financial knowledge and skills. They could not allocate appropriate resources and project financial expenditure, which could lead to bankruptcy. Financial credibility is important and is built through knowledge. Knowledge and skills in finance would help both sectors to appraise bids objectively and to look at the risk and value for money realistically.

The verbatim transcripts for both the government and private sectors are displayed in Table 6-23. The government sector interviewee I-G1 said that contractors have cash flow problems because they do not know how to make use of their financial facilities.

He said that they are not good at planning and financial management. Interviewee I-G4 explained that the banks do not give contractors advice on how to control and monitor cash flow. He said that the government is encouraging the banks to give financial advice and understand the customers' problems. He added that both SMEs and banks are not knowledgeable enough. He thought that the banks should learn new financing techniques because their existing procedures are not very creative.

Private sector interviewee I-P2 said that, in 1988/9, the government had a consultant to help the private sector with their financial problems. He said that the consultant was not very helpful because the consulting company was from the Philippines. He added that the local private sector should find people who could help them in this area if they do not understand it themselves. The private sector might not appreciate the government helping them, but they have to accept the banks' assistance because the banks loan them money. Interviewee I-P8 said that it is the banks duty to help the private sector in monitoring their cash flow. However, he said, the private sector firms are not always available for discussion. He explained that he does not know the criteria used by different banks, however, the products and roles of banks are the same and always will be. He said that this method of financing restricts decisions and the impact on cost must be considered if banks are considering on revising their methods.

Both sectors agreed that the business community lacks the skills and knowledge in accountancy and finance. Interpretatively, there are two types of business sectors: those that seek help and those that continue to do business without much knowledge. Unfortunately, the government does not have the appropriate people to help them. The banking groups themselves also do not have enough skills and the existing financing techniques are no longer applicable to support new business structures.

All sectors have shortages in finance skills and knowledge. Improving this is most necessary if Brunei wants to be able to compete with foreign business communities. It would instil confidence, in that investment would be fruitful and trust would be formed

between sectors. This is critical if long-term relationships are to be formed between sectors for implementing successful projects.

7.5.3.4 Other skills of the business community

This factor was not identified by the Delphi experts, but was raised by the government sector during the interviewee sessions. Here only the capabilities of contractors with regard to their knowledge and skills were discussed. Refer to the verbatim transcripts in Table 6-24. The government sector expert I-G1 said that, unlike consultants, the existing contractors do not have technical backgrounds, especially on construction. The existing human resources have come mainly from art streams, so technical expertise is expected to be available only in the future.

Interpretatively, this factor implies that there is a lack of proper human resources planning within government to support industry and its requirements. The large number of non-technical contractors is expected, since this is the common structure of construction industry throughout the world. However, there should be a few reliable contractors with enough technical background to be successful in the business. This seems to be the problems in Brunei, where there are too few contractors in the higher hierarchy of contractors.

7.5.4 Economic Environment

The economic environment encompasses the people and their activities which influence and support the economy. The factors of the economic environment influence economic growth and the Delphi experts identified six issues relating to policies, information, finance and the Small and Medium Enterprises (SMEs). The two factors on prompt and delayed payment are discussed together, to get an overall view of the issue. Two other factors, on market and access on finance, were raised during the interview sessions and will be discussed accordingly. These are displayed in Figure 6-12.

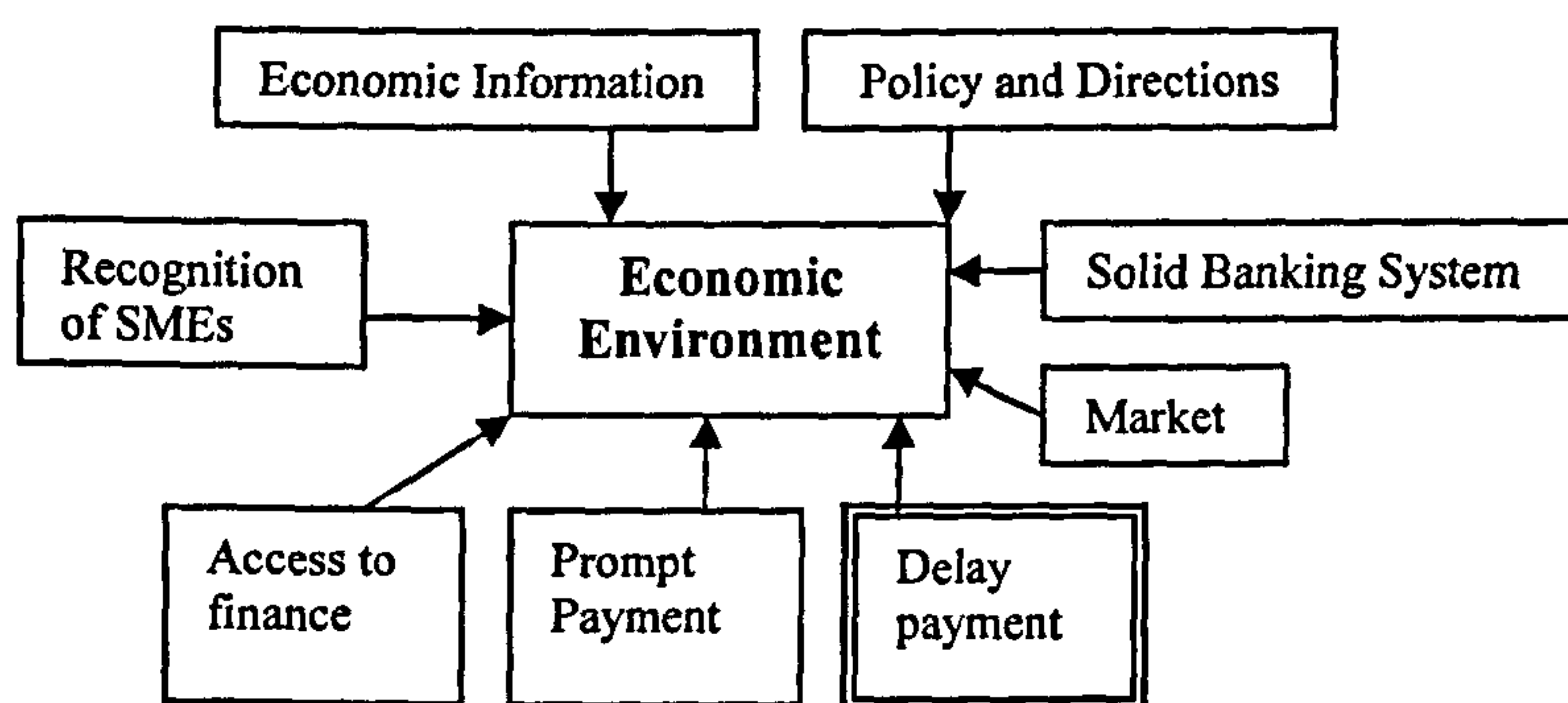


Figure 6-12: The Identified Factors Of The Economic Environment

7.5.4.1 Statistics to be updated

This factor was identified as a success factor by the Delphi experts, to promote private sector activities. However, none of the interviewees made any reference to it or on anything concerning economic information. This indicates that the requirement or lack of updated data is only obvious at the project implementation level but not at the higher management level. Higher management deals with other issues, such as decision-making and planning, based on information provided by employees in the lower hierarchy of management.

Earlier discussion highlighted the importance of good quality information to enable quick and accurate decision-making. Wrong decisions based on false data can be costly and a waste of time and resources. Statistics referred to by the experts are information on construction, such as numbers of existing contractors and consultants, housing, products and material indexes, basic material requirements and usage in the country, available and required human resources and others. These are difficult to acquire from the government sector, due to complacency of employees in the government sector.

The unavailability of quality information in the government sector could cause difficulty in establishing project expenditure and other judgements, which need comprehensive

information, such as in planning. The private sector would only be able to make rough estimates of bid costs and risks of implementing projects and this would unnecessarily increase total project expenditure. Lack of knowledge and skills of government employees have caused this factor to emerge as one of the success factors during the Delphi.

7.5.4.2 SMEs are crucial to the nation's economic success because they constitute the bulk of total enterprises in terms of numbers

This factor was identified by the Delphi experts as a success factor which would strengthen the business environment to promote private sector activities. It is discussed under the economic environment to study its influence in the growth of the economy. Any discussions which refer to its social context are considered under the social environment. Small and Medium Enterprises (SMEs) are defined by the European Commission as employing fewer than 250 staff members and as having an annual turnover of less than 50m Euros. The groups of SMEs are subcontractors, members of clusters and fairly small firms which are independent of others. Bigger companies may tie a country into the global economy and act as catalysts for change. However, SMEs are increasingly becoming the engine for growth in Brunei, as happened in Britain. The employees are usually multi-skilled because of the very nature of the firms wanting to compete and aim for rapid growth but they rely on other institutions for their inputs, staff training and marketing needs. SMEs are thus critical for Brunei's construction industry future if the government is serious in its objectives to diversify the economy from oil to other private sector activities. This would only be achieved with government assistance and SMEs' participation. The SMEs need to be technically competent and have strong financial support. They must be willing to compete and be versatile in their business ventures.

The interviewees discussed several issues relating to the SMEs. The verbatim transcripts are displayed in Table 6-25 for both the government and private sectors' interviewees.

The government sector interviewee I-G3 said that the government is already supporting SMEs in terms of finance through various facilitation schemes, which would be expanded into export in the next National Development Plan 9. She continued that improving SMEs involved government support, more streamline government processes and more clear policies on the participation of private sector firms in certain sectors. She also said that it would depend on the private sector firms themselves, in being able to take risks and venture out of Brunei. She said that, presently, private sector firms are too dependent on the government for everything.

Private sector interviewee I-P6 disagreed with this view that private sector firms are depending on the government for everything. He said that the government could close the private sector firms' businesses anytime they want. Interviewee I-P8 said that the small market and the business environment limit the growth of private sector companies. He added that the private sector is quite weak in Brunei and so survival outside Brunei would be difficult. This has handicapped local private sector firms where they are not on the same level as foreign businesses.

Interpretatively, the government has schemes to support and facilitate the SMEs in Brunei. However, these schemes are not well integrated and coordinated throughout the government, which prevents the smooth running of its operations. The policies are also not transparent, so that government employees are not sure in which areas the private sector firms are allowed to participate. Contrasting with this, the government continues to urge the private sector firms to not depend on the government for projects. Consequently, it is not surprising that the private sector companies are turned down for some project proposals because those projects are not allowed. To save resources, the private sector would fare better by depending on the government for projects. Taking risks and venturing out of Brunei are not the private sector's priorities, even when the government has planned for these in the NDP9. This would again be a waste of money and effort for the government. The government fails to see that the private sector needs

to be strengthened financially and technically at home first before it can be exported abroad.

7.5.4.3 Clear and firm Government policies and directions at strategic level and over medium and long term periods

Government policies and directions belong to both political and economic environments. They are political because of their political effects on the country and the people, in such areas as security and risks. The discussion here will focus on their economic aspects which influence growth and the economy in general. This factor was selected as a success factor by the Delphi experts as influencing the business environment to promote private sector activities.

Clear and firm government policies and directions are related to the government's vision and commitment to progress. The term 'directions' used in this context refers to higher authorities because of the bureaucratic and centralised management system. Directions may be verbal or written. Policies on the other hand should be written, because they serve as physical guidelines to both government and private sectors. There should also be creativity in policy innovations to implement projects successfully. This includes interweaving goals and creating tailor-made arrangements to serve the needs. Clear and firm policies give the private sector confidence in government and its programme. They become the basis for long-term relationships between sectors and create trust. The overall effect is mutual confidence between both sectors.

The verbatim transcripts for the following discussions are displayed in Table 6-26. The interviewees referred to several issues concerning policies in the interview sessions. The government sector interviewee I-G1 discussed the government policy of awarding the contract to the lowest tender without knowing the capacity of the contractor. He also said that, in Brunei, there is no policy to pay the contractor for work done without the Banker's Guarantee. He said it is difficult to change policies in Brunei because it must

be proposed by the Ministry Officers before submitting for approval by the Cabinet. The private sector interviewee I-P2 said he does not agree with the awarding policy even if it is good for cutting corruption and decision making. He said there should be a greater concern to check the capability of the contractors to deliver. Interviewee I-P7 said that there is no government support for the private sector. He said that more policies are produced by government but they only make things more difficult for the private sector. The government procedures should be streamlined to enable the private sector to support government aspirations. He argued that the Ministries should be given power to award projects to increase the speed of award.

The government sector interviewee also mentioned the incentives and strategies of government for strengthening the private sector. Interviewee I-G1 said that incentives, such as advance payment to the contractor and tax-free facilities, lease on land and assistance in bringing in equipment are required to promote the private sector. Interviewee I-G3 explained that the government is looking at two factors to promote private sector activities. She identified these as strengthening the human factors and the enterprises. She said these would be the starting point that would create growth, which would subsequently be exploited internationally. She added that government encouragement is definitely there but that a proper programme and implementation strategy are not.

Employment policies, fiscal policies, foreign policies, environmental, transportation and educational policies may act as either drivers or constraints upon the organisation. This factor implies that the existing policies are not supportive of private sector activities. This is compounded by the difficulties in the processes to change these policies. The lack of them presents a constraint to both government and private sectors, such as payment for completed works without the Banker's Guarantee. These policies have been inherited from the British government and changes have not been made to tailor them to accommodate new business conditions. New policies formulated are more restrictive to the private sector. These policies contrasted with the government's aspirations for the

government and private sectors to work together to develop the economy and nation. One interviewee also said that the government does not delegate some of its power, causing delay in project implementations. This implies that policies are also used as political tools in controlling the government's activities.

Unclear directions at strategic level imply that there are no incentives or strategies from government at present to promote private sector activities. Interpreting this, higher authorities have given verbal instructions and encouragements on entrepreneurships and long-term government objectives. However, it is apparent that a proper programme and implementation strategy is not yet in place. The government talked about the plan to strengthen the human factors and enterprises but obviously it is just paying lip service, to please either higher authorities or the private sectors. Therefore, it can be concluded that until a proper programme and implementation strategy is formulated, the government's aspirations such as start up, growth and exploitation to international level will not materialise.

7.5.4.4 Prompt and Delayed Payments from both government and private sectors for completed works

The Delphi experts selected prompt and delayed payments as success and retarding factors, respectively influencing the business environment in Brunei. Payment was identified twice by the experts, indicating a high concern about finance in private sector activities in Brunei. Finance plays a major role in the development of the private sector. Without finance, the private sector is unable to participate or maintain its businesses.

The interviewees discussed several issues concerning payment and their verbatim transcripts are displayed in Table 6-27. The government sector, interviewee I-G1 said that the policy for payment is complicated. He explained that the policy allows a private sector firm to start work without the Banker's Guarantee. Banker's Guarantee is required for signing contracts and contractors can only be paid after the contract is signed. He said the contract period starts before the signing of the contract and works should start

10 days after the contract has been awarded. However many contractors have problems in getting Banker's Guarantee from the banks hence the delay in payment. He added that the existing contract does not have provisions to compensate for interest accrued caused by delayed payment. He confirmed that payment is on time if everything is in order. Interviewee I-G3 agreed that the very long payment period in government procurement is really posing difficulties for the private sector.

The private sector expert described some of the issues which caused payment to be delayed. Interviewee I-P2 said that the cause of delay is at the department level and not the government. He said that officers sometimes forget to ask for the warrant because they are not closely monitoring projects. So contractors cannot be paid even when the money is there. He stressed that finance does retard the private sector. He said if private sector firms can predict the delay, they could make some arrangement with the banks. Interviewee I-P6 said that the business environment must be friendly and all facilitation must be done on time. He suggested that the government should arrange payment on completed works only. He said that government officers should tell private sector contractors about any mistakes in their claim to avoid delay. He explained that officers should be proactive in their work and not wait for private sector companies to make queries on their claims first.

The responses indicated that prompt payment is possible if all documents and information in claims are in order and acceptable to the government. However, there are more factors which cause delay in payments than there are for prompt payments. These are the long payment process and also the complicated payment policy of the government sector. The government is aware of these problems but steps are not being taken to rectify them. Delayed payment is also caused by the attitudes of the government employees. They tend to misjudge the progress of work and are not held accountable towards their jobs. There are also cases where there is no more budget to make payment. All these imply that both the policy and human resources need improvement. A better policy should be introduced to assist payment and monitor employees' activities for

better facilitation. As discussed earlier, government employees need to be educated on the impact of their actions on the private sector. This may be caused by the differences in work culture between government and private sectors.

7.5.4.5 Solid Banking System

This factor was identified by the Delphi experts as a success factor in strengthening the business environment for private sector activities. It also separates the financial issues from the banking aspects. The banking sector is an important element in support of business activities. Therefore, it is vital that a good banking system is in place to serve as the backbone to the private sector.

Both the government and private sector experts discussed the banking system and its human resources. The verbatim transcripts for both the government and private sectors' interviewees are displayed in Table 6-28. The government sector interviewee I-G1 said that there is not enough support from banks for the private sector, because banks always ask for very high collateral, charge high interest rates and do not offer enough overdraft facilities. He believed that the banks do not trust the local contractors. He commented that the banks in Brunei are monopolistic and the government could not control them. He disagreed that the Ministry of Finance left it to the Bank Associations to determine everything. Interviewee I-G3 said that the existing banking industry is not fully mature in supporting industry. She said that Brunei has yet to develop its capital market and, therefore, it is a long process to educate the banks.

The private sector interviewee I-P2 said that the banks do not have the mechanism to control and, therefore, many people take advantage of the system. He continued saying that the banks are strict about giving Banker's Guarantee but give big overdrafts. He said that the banks are as disorganised as the contractors and that banks need consultants or people who would understand the construction language. Interviewee I-P8 discussed the nature of the banking industry. He said that the bank business is to make profit from

lending money and would continue to do so as long as it is profitable. He said that consideration on security is secondary. He continued to say that collateral is required from the private sector as proof of their commitment to work. The bank is always keen to finance construction work. Finally he said that the facilities offered and criteria used by banks to both new and old borrowers are similar. The bank is not choosy in granting finance.

Interpreting this there are obviously some issues about the lack of financial support from the banks. These are caused by the banking procedures, such as collateral, high interest rates and overdraft facilities. There are two contrasting views on the banks. One is that the banks are taking advantage of the private sector firms by asking for difficult requirements and rulings to get a loan. The other view is that banks lack the mechanism to control their facilities, so that the private sector is taking advantage of them. The interviewees also gave two views on the reasons for the difficult procedures. The first is that the banks lack knowledge in construction, causing them to be careful and hence ask for high collateral and so on. However, the contrasting view is that this lack in knowledge gave the private sector opportunities to get high overdrafts from the banks. The argument for the high collateral was based on the belief that the private sector would thereby show more commitment to the works. The banking industry denies any favouritism in granting finance and certainly they were always keen to finance construction work. The main concern is that the project makes a profit. The implications of this factor are that the banking system in Brunei needs to be clearer and transparent. The banks and the private sector should discuss openly their concerns and learn to cooperate with each other and build up trust for longer-term relationships.

7.5.4.6 Networking to market products both domestically and overseas

This factor was identified by the Delphi experts as a success factor to promote private sector activities. The two issues discussed for this factor were networking and products. This factor implies that there are surpluses of products in Brunei not being used locally

or exported internationally. The question is whether Brunei is producing enough construction products to support local needs before exporting them out of Brunei. Another question is about the demand for these products. Networking involves good marketing abilities and entrepreneurship. It also requires good quality products to create demand in the market. Political power may also be used to create demand and hence stimulate the corresponding supply of products.

The comments from the interviews were on the producer of the products and on the demand for the products. The verbatim transcripts are tabulated in Table 6-29. Interviewee I-G1 from the government sector explained that the government has been supporting the production of construction materials. However, he described the private sector companies as not being honest and wanting to depend on the government forever. He said their attitudes are not helping the local economy. He stated further that the government had been covering their capital losses. This was supported by the private sector interviewee I-P2. He also said that the private sector firms show losses and government had not profited from them. He said that this might be one of the reasons why the construction sector activity is slow. He explained that the private sector lacks competitiveness, and, as a consequence, when the market was open and the local producers were no longer protected they went bankrupt. Interviewee I-P6 believed that the products are not in demand in other countries. He said the small market in Brunei is not a good excuse to export the products because they are also not required by the other countries.

Interpreting this shows the private sector as taking advantage of the government's generosity. The private sector relies on the government fully and hence the lack of need to be competitive. Being the main client of the construction industry, the government can guarantee income for the private sector. However, from the researcher's own knowledge, the greediness of the private sector made them increase costs disregarding the terms in the contract with the government. This action also made local consumers turn to imported products because they are cheaper and of the same quality as the local

products. The government may use its political power to export the products but the demand is not there unless the products can prove to be cheaper and of better quality than other countries' local products. Conclusively, the government should first realise if there is demand for the products and what are the factors of influence of these demands.

7.5.4.7 Access to finance

This factor was not identified during the Delphi but during the interview sessions it was considered important to promote private sector activities. Access to finance is a major factor which enables private sector companies to participate in projects. The government may allocate budgets for development but the expenditure depends on how well the budgets are distributed to the private sector. Financial institutions from both government and private sectors draw up procedures and guidelines to access the finance. However, these procedures may assist or deter private sector firms from entrepreneurship. In the earlier discussions, both the government and banking sectors were said to have capital for development so capital resource is not the problem.

A few issues on accessing finance from both the government and the banks were raised during the interview sessions. The verbatim transcripts of the interviews are tabulated in Table 6-30. The government sector interviewee I-G1 suggested that the construction industry should have its own financial institution which could lend money to contractors. He said that this bank could be a joint venture with local banks, to finance loans and housing construction. Interviewee I-G3 said that presently financial support is not available for the private sector to work internationally. She said that the next NDP9 would expand access to finance by actually having an accessible financial scheme. She said that the banks are risk-averse in nature and mostly gave out personal loans rather than corporate. She said that the government is encouraging the banking sector to look into this because she is not aware of any policy which interferes with the banking sector. Interviewee I-G5 highlighted that the government had allocated money for local

entrepreneurs. However, access to it is difficult because of the conventional banking requirements, such as collateral.

The private sector interviewee I-P2 said that the existing financial institutions need to be more proactive. He said that the last five year plan did not take place at all. Even though a budget of B\$1 billion was allocated to the construction industry, only about B\$200 million was used. He explained that no construction contracts were awarded between 2003 and 2005 and a sudden rush of job awards would escalate costs, and shortages in machinery and workforce would be experienced. He said that the labour department, banks and awarding body are not working together, causing the imbalance. Interviewee I-P6 said that the government's micro-credit scheme is good and private sectors are entitled to borrow B\$1.5 million. He also said that access to the finance is not difficult if the private applicants have good projects. He was unsure, however, if other supporting agencies want to help the private sector.

Interpretatively, finance has been allocated by the government to help the private sector to develop. The money is entrusted to the banks to be distributed using the banking system because the government does not have its own lending outlet or mechanism, but the banks have their own financial rules which control access to it. Because the banking industry is risk averse in nature, the capital loans are very cautiously done and take a long time to process. Most of the given loans are personal loans and not entrepreneurial. So why would the bank be so cautious to loan out the government's money allocated to help the private sector? The majority of opinions pointed towards the procedures of the banking sector, though one private sector interviewee said that other agencies are also not supporting the banking industry. A not so obvious reason is the bank being charged for two percent by the government for 'using' the government money to help the private sector. The government financial assistance scheme is making money through its loans to the banking sector, while the banks are only making money when private sector firms implement good projects. The banks, therefore, gain interest when it does not loan out the money. However, there is no independent evidence to support these statements.

7.5.4.8 Market

The market was not identified by the Delphi experts as a factor which could strengthen or retard the business environment to promote private sector activities. This was raised during the interview sessions and discussed here because of its relevance to the research issue. The market is taken here to mean the supply of and demand for products which would create growth and keep the economy healthy. It depends on factors such as cost, differentiation of products and competition. It also depends on demography and location.

The government sector interviewee I-G1 said that demand in Brunei is very small, which makes it difficult to give projects to everyone. Interviewee I-G3 emphasised that improving access to the market is important and government does try to lower the barriers to penetrate the market. She continued by saying that the small market is limiting the development of SMEs and is, therefore, quite small for the government to groom. She said that it depends more on the attitude of the entrepreneurs, and that the small market is insignificant if private sector firms venture out of the country, since the government has made various multilateral agreements. Interviewee I-P2 said that Brunei still has enough markets for new construction, including maintenance works. Interviewee I-P7 said that, even when the market is small, it is still sufficient for the private sector. He argued that it is difficult for the private sector firms to get jobs in Brunei, let alone outside the country. The verbatim transcripts for both the government and private sectors are displayed in Table 6-31.

The government sector believes that the size of the market is actually restricting the growth of the private sector. However, the private sector believes that the market is enough for the local private companies in the area of new construction, maintenance and facilities. It seems that the government does not wish to groom the local private sector because of the small market. However, paradoxically, the government expects the private sector to go abroad to expand. The reluctance of the private sector to do so is blamed on their attitude but the government failed to realise that the private sector is not

yet stabilised locally. They have not gained the necessary skills and experience to work out of the country and compete with foreign private sector firms which are more mature, skilled and experienced. The government may have provided them with the infrastructure to work abroad, but not the strength or resources to do it. This would guarantee failure of the private sector in the international arena. Interpretatively, the government has either given up on helping the private sector or lacks the appropriate knowledge of how to encourage the private sector.

7.5.5 Social Environment

There are two success factors which belong to this business environment, including one identified during the interview sessions. These are shown in Figure 6-13.

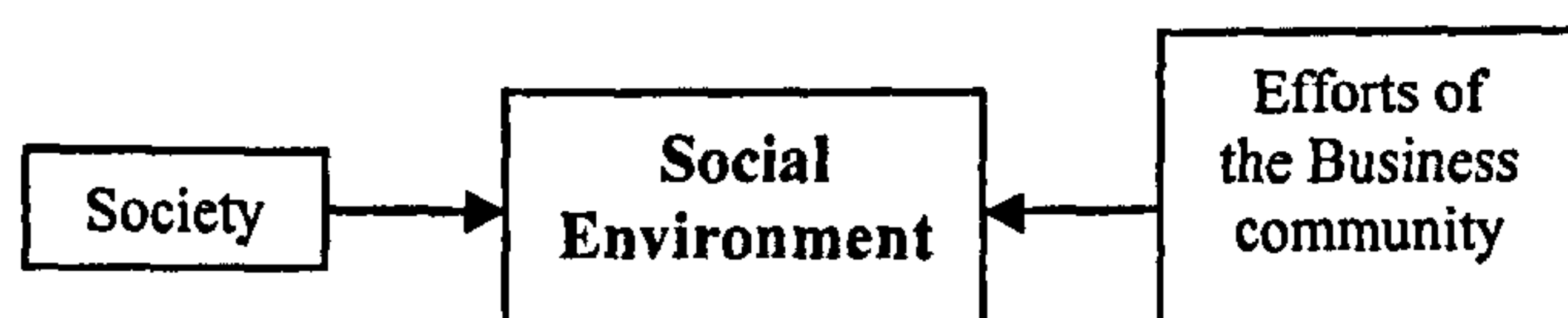


Figure 6-13: The Identified Factors Of The Social Environment

7.5.5.1 The business community must do whatever it takes to be competitive, and keep abreast with the developments in the market place

This factor was identified by the Delphi experts as a success factor in strengthening the business environments to promote private sector activities. The business community is part of the social environment. To be competitive it needs to keep abreast of the developments in the market place through technological competency and marketing techniques. The private sector needs to be competent technically and financially. The competitive nations are competitive because of advancements in their technology (Porter, 1998). Private sector companies must consider the social and cultural impacts of their works to gain support from both government and public. They would not be able to accomplish anything if their sole target was only profit. The private sector must be able to evolve with the market place and be convincing in selling its expertise. In Singapore,

the government has to import foreign private services because the local private sector is weak (Common, 2000).

The interview sessions discussed entrepreneurship and its sources. The verbatim transcripts of the interviews from both sectors are tabulated in Table 6-32. The government sector interviewee I-G1 explained that Brunei depends on overseas for its supply of materials and human resources, such as labourers, both skilled and unskilled. He said the business environment is controlled by outside forces and, therefore, the government could not control the prices. He argued that many contractors had collapsed the previous year because the cost of reinforcement in their contracts was based on the previous year's pricing. He continued, saying that the contractors also have attitude problems which influence their development. He said that some contractors let others use their name for 4 percent commission. Interviewee I-G3 said that the government is encouraging entrepreneurship by providing the environment and support. She said the private sector firms have to take risks. She pointed out that good government programmes would not work if the private sector companies were not willing to participate in them. She also said that the existing private sector firms are mostly foreigners and questioned the length of Brunei's dependency on them. She believed that the existing entrepreneurs are quite experienced and should go abroad rather than just staying in Brunei. She was not sure if new entrepreneurs have the capital to start their business. However she presumed that the government would still have to provide them with the necessary seed capital to start up.

The private sector representative I-P2 said that the private sector firms are prepared to work with little or no profits. He explained that the private sector is currently losing money from existing projects and, therefore, hopes to balance it out with big projects in the future. He then commented that not many local private sector companies are active and their licenses are rented out to foreigners. Interviewee I-P6 questioned the existing number of local private sector companies. He could not identify any strong private sector companies. He said that both the private sector and especially the government

must take risks to be able to develop. Interviewee I-P8 explained that the private sector is scared of taking risks because of non-transparency. He said that everything is not clear and things do not happen as they are expected to.

The discussions implied that there are shortages of materials and labourers, both skilled and unskilled in Brunei. Existing entrepreneurs are mainly foreigners because the locals prefer to lease out their licenses for a 4 percent profit. The government is providing the environment and support for the private sectors and expects the private sector to take the risks in these programmes. Judging from the private sector's responses, the support from government is there but this is not the only requirement of the private sector. For example, the government knows that there are not enough local private sector firms at present. However, the government expects the existing ones to venture out of the country. The government itself is not willing to encourage them on home ground but then expects them to flourish abroad. The statement from the government is self-contradictory.

The private sector obviously prefers to work in the country for tight or no profits, rather than venture out. The implications from this is that the private sector firms do not have the capital and knowledge to compete with foreign private companies, even in Brunei, let alone abroad. The lack in confidence in the government also caused them to be wary of taking risk. To overcome this barrier and reduce the wastage of unnecessary government expenditure on unsuitable programmes and support, the government must make efforts to have open discussions with the private sector proprietors.

7.5.5.2 Society

This factor was not identified as a success factor by the Delphi experts for strengthening the business environment to promote private sector activities. It was raised during the interview sessions and considered relevant to the research issue. Society here refers to the people and how they influence the social environment through culture, mindset and

knowledge. Understanding society and its aspirations gives insights into the potential strength and capabilities of the country as a whole. A weak society would have weak human resources whether they work in the governmental or the private sectors.

The government sector did not make any comments which refer to this factor. The private sector representatives, however, discussed three issues. The verbatim transcripts are displayed in Table 6-33. Interviewee I-P2 said that the Labour Department should monitor employment in the private sector if it is serious about the employment of local young people. He said the overall management of employment issues are very important, including payment and its structure. He commented that people in general do not like to work with the private sector because they prefer the government sector. He said they always fear that the private sector would not pay their salaries. Interviewee I-P6 explained that this preference is because of receiving better facilities when working for the government, compared to working with private sectors. Interviewee I-P8 said that people are either not interested or do not have the capabilities to run a business. He also said that the environment is not conducive and people in general have become complacent because Brunei has improved compared with the 1960s.

Hence it can be seen that the concern of government seems to be in the employment of the locals. However, the concern may just be political because a proper plan does not seem to exist to monitor and manage employment. The environment also does not seem to encourage the people to work with the private sector. The government offers better facilities than the private sector, which also does not try to attract more employment in its sector. Added to this is the reputation that private sector employers do not pay their employees (Rahman, 2003). There are also other influencing factors, such as the lack of interest and entrepreneurial capabilities of the people. There is also no genuine concern in society about unemployment if they could not be working for the government. Interpretatively, if the government really wants to improve the private sectors it must strengthen the human resources. This is an important feature of competitive nations.

7.5.6 Project CSFs

Project CSFs are those factors that influence the internal environment of successful projects. The Delphi experts identified two factors of the internal environment which would strengthen the business environment to promote private sector activities as shown in Figure 6-14.

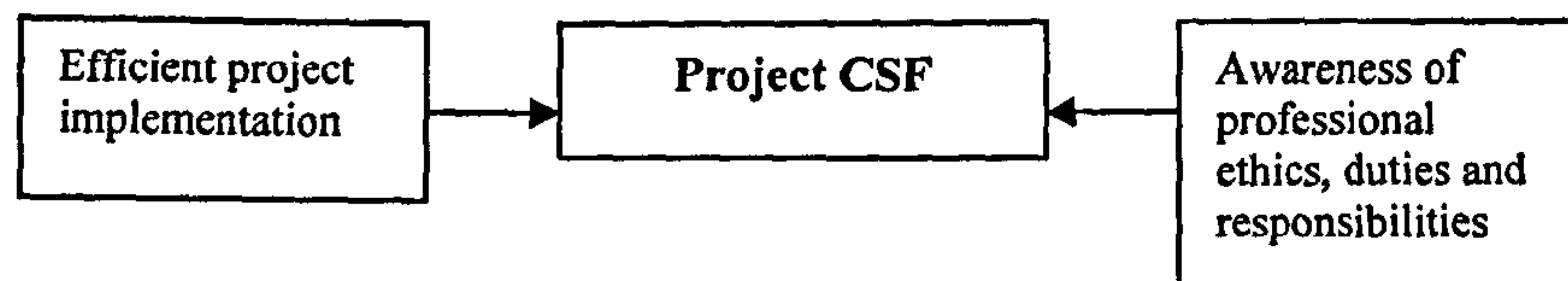


Figure 6-14: The Identified Factors For Successful Projects

7.5.6.1 Efficient implementation of projects

Some factors which contribute to efficient project implementation are: financial backing, good planning, project participants identified early and understand their tasks and responsibilities; key decision makers form part of the project team from the start of the preparation of the project, etc.

The government sector representatives did not make any comments which relate to this factor. The private sector expert I-P8 said that the government is currently focusing on educating the private sector. However, he argued that there needs to be proper and coordinated efforts in terms of implementation. He said the environment must be conducive and the initiative should be structured and planned. He explained that, in Brunei, a proper organisation to carry things through and take the role of coordinating all these initiatives does not exist. The verbatim transcript is tabulated in Table 6-34.

Interpretatively, there are a lot of efforts from the government which are trying to increase private sector activities, especially through education. However, all these efforts are carried out by individual government departments. There is no champion or

responsible body which could be made accountable for any actions (or inactions) to improve the private sector. So these efforts are wasted, because the government does not have a proper plan to follow. This may be from lack of good leaderships or knowledge.

7.5.6.2 Awareness of professional ethics and instilling duties and responsibilities

Experts also selected “awareness of professional ethics and to instil duties and responsibilities” as success factors for promoting private sector activities. This indicates that some practices of contractors and consultants disregard quality and social safety, for the sake of profit.

The government sector experts also did not raise any comments concerning this factor. The private sector interviewee I-P2 said that architects or consultants sometimes do not want to be responsible, especially when they are promoted or transferred to another department. He said that this caused delay, because information was not properly compiled and everything has to start from scratch. The verbatim transcript is displayed in Table 6-35.

Hence, some consultants and contractors lack a sense of responsibility and accountability. This may be caused by the management system which lacks a system of rewards and penalties for employees. The factor also indicates a poor quality of record keeping in the government sector.

7.6 Public-Private Partnerships, Privatisation and Private Finance Initiatives

The discussion on the analysis of PPP, privatisation and PFI was based on the information gained during the interview sessions. Most of the interviewees were not familiar with PFI. All of them were familiar with privatisation and only some with PPP. The following analyses therefore mainly refer to the privatisation concept and only occasionally to PPP.

7.6.1 Objectives

The objectives of implementing any programmes are important because they will structure the implementation plans to enable the achievement of those objectives. Objectives would also give insights into the issues to be tackled by organisations and what level the priorities are. Everyone involved in the programmes should know the objectives and work together to bring them to fruitful reality.

There were several views on the objectives of implementing PPP, privatisation and PFI in Brunei. The verbatim transcripts are displayed in Table 6-36. The opinions of the government sector were that the objectives were to increase efficiency, introduce the element of competition, to improve the effectiveness of service delivery, profitability, and savings on capital expenditure, to give the private sector opportunity to provide services and to develop MNCs (multi-national corporations). Another objective was to set the level and size of the government correctly because a smaller government would have the effect of reducing red tape. The government sector which hampered or hindered the SMEs would sooner or later have to be privatised or corporatised.

The private sector interviewees also agreed that efficiency, better and improved services would be expected as a result of running service contracts because of the need to survive in the face of competition. The budget constraints would force government agencies to be privatised and there would be proper use of government resources. Privatisation would lessen the burdens of the government. Interestingly, one private sector interviewee said that the government's objective is not efficiency, but to make money. However, another private sector interviewee argued that the government could not mix privatisation and nationalisation. He defined privatisation as the maximisation of profit for the private sector. He said that the private sector would not want to do anything without profit, because it is their job to make money. He urged the government to

understand the pros and cons of PPP and privatisation to safeguard itself. Interviewee I-P8, though, questioned the government's real objectives. He said that, even without privatisation, efficiency and quality can be adopted and government departments can be improved. He was surprised that the government wanted to privatise whilst still intending to run the operation as before. He highlighted that many government-related companies were formed and still operated inefficiently.

Most of the objectives described were the expected responses from the interviewees. Interpreting this, both sectors were aware of the potential benefits from implementing PPP, privatisation and PFI. The approval for privatisation was given by the higher authorities in the early 1990s. However, no government department has been successfully privatised so far. Brunei is a Malay Islamic Monarchy country and the inherited system of government prioritises the welfare of the people. The concepts of PPP, privatisation and PFI also make the government smaller and less powerful and this kind of effect does not agree with the inherent system. The definition of privatisation as "the maximisation of profit" given by one private sector interviewee could make the government cautious, causing delay in implementing the programme. Interestingly, as mentioned earlier, one private sector representative commented that the programmes would be implemented because the government wants to make money. This fits better with the inherent government system and a suitable method of implementation, if found, would be successfully implemented because of the government's commitment. The importance of the objectives of privatisation was stressed again by one private sector interviewee (I-P8), because he had observed many inefficient government-related companies. The government may want to privatise but is not willing to operate things in another way. The government should, therefore, look at other ways of increasing efficiency and improving government processes besides PPP and privatisation.

7.6.2 Preparations for PPP, Privatisation and PFI

For any programme to be successfully implemented, it is very important to be as prepared as possible to minimise risk and unforeseen occurrences. This question sought to identify both government and private sectors' preparations over the last 10 years since the approval of privatisation by higher authorities. It would enable insights into the commitment of the government to implementing the programmes, as well as the private sector towards accepting the challenge.

The verbatim transcripts for both the government and private sectors are tabulated in Table 6-37. The government sector interviewees gave a few opinions on the preparation done by the government sector. Interviewee I-G1 said that the sectors and areas to be privatised which would profit the government and country must be identified first. I-G4 said that the market to privatise must be there first, before revenue can be collected. I-G3 said that implementation of privatisation depends on the types of projects and the readiness of government politically. She continued by saying that in NDP-8 a few government sectors were identified for privatisation and corporatisation and the identification process is continuing. She also said that the privatisation plan is in the early stages of development. Interviewee I-G5 agreed that the government is committed and the preparation for privatisation is in process. However, he said the country is still not ready for privatisation. He said that some authoritative people are still not committed to the programmes.

The private sector interviewees also discussed a few issues on preparation for implementation from the government sector. Interviewee I-P2 said that the government should be firm when it decides on a policy. He felt that the government should select authoritative and shrewd businesspeople to run the programme, giving incentives to avoid corruption. He also said these people must be able to make decisions if they aim to work with the private sector. He also stressed that the government would need to understand which programmes would work in Brunei. He believed that it would not be

difficult to start the programme because the country is English speaking and other infrastructures are already in place. Interviewee I-P6 said that it would be important for the government to know what they want from privatisation. He questioned whether the government would be prepared to transfer ownership to the private sector for 40 years, as in concession contracts. He recommended that a good company should be formed for implementing PPP, privatisation and PFI. Interviewee I-P7 suggested identifying the sectors and then formulating the objectives. He questioned whether the objectives are efficiency, which cuts cost and hence brings savings to the government, or if the objectives would be political. He said that it would be possible for privatisation to take place, as long as the government is committed. He continued, saying that the government should start training people, in a similar way to those trained for the Brunei Investment Agency. He also said that coordination between government departments should be improved to implement privatisation successfully. Interviewee I-P8 said that the mindset must be clear and bold decisions must be taken. This would indicate the government's full commitment. He said that the government must understand the operation of a private company and, to understand that, the government would have to change accordingly. He explained that presently Brunei could not attract business. It lacks capital and expertise. He suggested bringing in foreign expertise if that would help. There is difficulty in finding people who are business-oriented with the ability to run the private sector. He said the government's staff and departments are not effective. They should ponder on whether enough and proper training is provided and also whether enough people have been trained. He suggested that the government ought to select a few people from the private sector to run the company, whenever required, because of their commercial orientation.

Looking at the responses from both sectors, it can be seen that neither is ready for PPP, privatisation or PFI. Even when some services have been identified for privatisation, politically the government is still not ready for the programme. There is still the question of whether the market is there or not to bring in the revenues. Interpretatively, the private sector companies are also not ready, for various reasons. Firstly, they have

learned from past experiences that the government's policy always changes and so they are expecting the same with the privatisation programmes. They are also not included in the plan for privatisation and, therefore, are not aware of the government's real objectives in privatisation. Therefore, they suggested that the government really understands the different methods of privatisation to enable the selection of those suitable for Brunei. The private sector also observed that the government has not sent people for training to run any privatisation programme, indicating a lack of commitment from the government. The existing employees still lack business abilities and foresight. The private sector would only believe of government's commitment when it is seen to be forming a good company, making changes to its operation and providing the capital and expertises. The government should also consider importing expertise from abroad or engaging the local private sector firm to assist it in running its newly-formed companies. This would be more beneficial to the government because of their commercial orientation and experience.

7.6.3 Factors that need to be in place to be successful in privatisation

From the literature review there are some factors which need to be in place to be successful in privatisation. Such factors are legal and financial infrastructures, policies tailored to reach the objectives, political support and commitment, strong and experienced private sector bodies, skilled and technologically-competent human resources. However, it should be understood that some factors are only applicable in some circumstances and what works in one area / place / country might not be applicable in another.

The verbatim transcripts of the interviews are displayed in Table 6-38. The government sector interviewees discussed a few factors which need to be in place to be successful in privatisation. Interviewee I-G1 said that financial facilities, assistance and guarantees for certain years should be in place. Interviewee I-G3 emphasised the importance of a supportive and committed government. She added that the banking industry and its

infrastructure, clear policies and legal frameworks, implementing strategies and the players are also other important factors for success. She stated that the policies involve economic and political aspects. She added that technology, skills and knowledge could be transferred by encouraging FDI into Brunei. It was also difficult for her to say whether the government would provide support measures, such as grants, credit sharing and enhancement, since the plan is still at formulation level. However, she said the present requirements are to have clearer, detailed policies and implementation strategies. These are still waiting to be endorsed and committed by the government. She explained that an inter-ministerial committee was set up since the early 1990s. In this set-up the government would only invite the private sector to the meeting as resource people, if and when necessary, but not as voting members. Interviewee I-G4 said that the government sector must know how to look at cash flow and calculate it. He said that the people responsible for the programme must be business minded. He also said that the banks must concentrate on giving financial solutions. He suggested that banks should look at joint ventures with foreign banks if they do not have the expertise. He also said that the legal instruments are also not ready to support privatisation. Interviewee I-G5 agreed that the government regulatory board must be strong to avoid monopoly. He said the government is lacking expertise in this area.

The private sector interviewees also discussed a few issues and especially emphasised the need for an appropriate legal infrastructure. Interviewee I-P2 said that financial institutions are important. He described the lack of development of human resources as the biggest existing problem. He also recommended that government educational institutes should respond to market requirements, by preparing the human resources required for economic development for the next 10 years. He said that legal infrastructure is important, but not difficult to prepare. Interviewee I-P6 agreed that the legal infrastructure should already be in place because the government has been advocating privatisation programmes for the past ten years. Interviewee I-P7 was very sceptical, saying that there were still insufficient expertise, technology or business models. He said that legal documentation must be there or amendments of law, if the

government wants to create something. Interviewee I-P8 also supported this by saying that a clear legal infrastructure must be in place to protect the people. He said this is important, because there are no trades' unions in Brunei. He also said that the educational institutions must provide the infrastructure early. He concluded by saying that all these factors must be in place when the programmes start.

The common issues from both sectors are implied from the discussion. Firstly, the legal infrastructures are not ready, even though the programme has been approved since the early 1990s. This will be especially required during the implementation phase to protect the consumers, to avoid monopoly and for confidence in the programme. A factor which may not be so obvious is to get support for the programme from society.

Secondly, the interviews also implied that there is a serious lack of skilled and experienced human resources to support the programme. The main concern is in the area of entrepreneurship and financial knowledge. The banking industry is also lacking in this knowledge. The government hopes to get the expertise and the technology through FDI. The private sector, however, recommended that the educational institutions should prepare and plan the human resources ten years in advance to support the upcoming industries. No suitable business model has been recommended from lack of expertise and technology.

The third issue is financial support from both the government and the banking sector. One of the views was that the government should give financial assistance and guarantees for a certain number of years to the privatised enterprise. It was also suggested that the banking industry now should focus their services on giving financial solutions.

One interviewee (I-G3) discussed the importance of government support and commitment to the success of the programme. She also raised the importance of clear policies and implementing strategies. Hence it seems that, presently, the government is not supportive and committed to the programme. There is a lack of clear policies and

implementing strategies to support the implementation of privatisation. It is also obvious that that the discussion is only limited to the government sector, even though the programme is to promote private sector activities in Brunei. Consequently, it is not surprising that the privatisation programme has not been implemented.

7.6.4 Possible methods of privatisation in Brunei

There are various methods of privatisation which depend on the objectives. The methods may consider privatisation from the ownership, operation, organisation or financial measures. Discussions of this subject will give insights into the thinking of both sectors in the success of implementing privatisation in Brunei.

There were very diverse responses from the interviewees on the possible methods of implementation and the verbatim transcripts can be seen in Table 6-39. Initially, the interviewee I-G1 suggested that forming a new company would be simpler and faster for privatisation. Interviewee I-G3 said that an existing government department should be turned into a MNC first and then be corporatised before going overseas. She said that divestment might not be possible. She said privatisation will happen, however, it is still too early to say a definite date. The location and method are still being reviewed by the government. She also said that a 20-year plan would look at the appropriate activities and mode of PPP and privatisation. Interestingly, I-G4 could not suggest any model because he said no successful privatisation has yet taken place in Brunei. Interviewee I-G5 thought that there should not be any governmental involvement in the privatised enterprise in either operation or maintenance. He stated that privatisation means the privatised enterprise can be on its own and government can earn money from it through corporate tax.

The private sector suggested a contrasting model to those suggested by the government sector. Interviewee I-P6 said that the government involvement should just be regulating the privatised enterprise. Interviewee I-P8 recommended that cut-off or divestment

would be the best method and preferably operated by the local private sector firms. Interviewee I-P7, however, cautioned that if PPP and privatisation were to take place, government ownership or involvement would be necessary to ensure security. These are categorised as both political and investment securities. He said that government involvement would give foreign investors confidence to invest in the programme. Politically, there would be less inclination on the government's side to change the policy whenever they please because it would also impacted the government.

Interpreting this, it can be seen that the plan for privatisation is in a closed circle. The government and private sectors are not working together to brainstorm possible solutions to reach a common goal. The government sector is interested in methods of privatisation, which do not involve transfer of ownership, whereas transfer of ownership would be the preferred method to the private sector. This comment contrasted to the government definition of privatisation discussed in Chapter 1. In this context, the objectives of the government have to be clear before the correct methods of implementation can be selected. There is a view from the government sector that the government should not be involved in the privatised enterprise because privatisation implies an organisation being run privately. The government can earn revenue by collecting corporate taxes from the enterprise. However, one private sector interviewee discussed the advantage of government's ownership or involvement. Government's involvement would generate investors' interests and confidence so that the probability of a successful privatisation is increased. It also protects the privatised enterprise from any political events, such as a sudden change in policy or any other legal issues.

7.6.5 Possible problems

The interviewees were asked for possible problems that they could foresee with the implementation of privatisation programmes. These gave insights into the issues they worry about or fear would arise as a result of implementing privatisation. Knowledge in

this area would enable better preparations to be made prior to the implementation of the programmes.

The government and private sectors discussed various and contrasting issues on the possible problems during implementation. The verbatim transcripts of the interviews for both sectors are tabulated in Table 6-40. Interviewee I-G1 said that there might be a concentration of shares, because presently there is only one private sector company which has the capacity to penetrate the market. Interviewee I-G3 said that the government is presently conducting a survey on how society is responding to the concept of privatisation. She also said that an Initial Public Offering (IPO) would be easier if Brunei had a developed capital market. Interviewee I-G4 thought that an IPO would be the best method to prevent concentration of shares or the involvement of cronies, because the organisation is open to the public. He said the present problem is to identify which organisation should be privatised, because there is no means in Brunei to know which organisation is making or losing money. Interviewee I-G5 said that issues concerning fragmentation, accountability and corruption must be studied further before embarking on the programme. He said that privatisation would result in the sale of national assets and also involves politics. He worried that the people would no longer feel secure. He said that the government's power would also be reduced.

Some of the discussions with the private sector supported the government sector. Interviewee I-P2 was concerned that charges for services might increase if there was no control on privatisation. However, he said that when a privatised enterprise is well managed and provides good services with less cost, competition would be created. Interviewee P-I7 supported the government sector by saying that there is no means to measure success in Brunei and there is no account keeping. He said this means that comparison cannot be made against the competitors. He also said that privatisation may not apply in construction because it is a continuous process. Interviewee I-P8 thought that it would be difficult to issue an IPO because in Brunei there is no enforcement of audited accounts. He quoted an example, such as the method of reporting profits. He

commented that the government has shown their efforts while everything else are either not there or not clear. He also questioned whether Brunei is big enough for investors to come in and invest, because the present number of investors in Brunei is not apparent.

Hence, the interviewees discussed problems concerned with implementing the programme itself as well as those that might arise during implementation. The problems prior to implementation include identifying the right organisation to privatise, because presently there is no means to know which organisation is making or losing money. There is no enforcement of audited accounts in Brunei. There are also political issues to be considered, such as reduced government power and insecurity of the people. This is based on the judgement that privatisation would mean selling national assets instead of gaining expertise and financial assistance from the private sectors. To avoid a political backlash the government is collecting information from the public on implementing privatisation programmes. Presently, the government sector is putting a lot of efforts but other factors are still missing. Another question posed was whether investors would be interested in investing in Brunei if the government is aiming to start privatisation through FDI.

The problems foreseen during implementation include concentration of shareholders, fragmentation, accountability and possible corruption. However, a contrasting view from the government sector is that a privatised company with an IPO would not have problems with concentration of shareholders and cronies. Empirical evidence, though suggested that incidence of corruption is closely connected with contracting out, concessions and privatisation (Hall, 1999).

7.7 Validation of the Interpretations by Practitioners in Industry

The interpretations were further validated by four practitioners in the construction industry. Three were from the government sector and one was from the private sector. They were asked to give their views on the interpretations and write comments as

explanations for their disagreements. This process was necessary to ensure that the interpretations were valid and acceptable by others.

It was found that there were more similarities in the responses than differences between the interpretations of the researcher and the practitioners. Two practitioners from the government sector and one from the private sector agreed with the interpretations. Only one practitioner from the government sector responded with differences in interpretations on three success factors. The following describes the practitioner's interpretations on each of the three success factors.

7.7.1 Transparent government free from corruption, nepotism and cronies – CSF 3

The practitioner commented that information is power and, therefore, to withhold it is the prerogative of the government. Information is withheld because of security reasons, although much necessary information has been made available to the public such as in the National Development Plan and also by reviving the Council of State for wider public information on government discussions at a high level of management.

Tender awards are quite transparent, however, nepotism and cronyism are more likely in the approval of use of construction materials, although still difficult because of the involvement of government. There are many processes involved and decisions are taken as a group and not by individuals.

7.7.2 Clear and firm Government policies and directions at strategic level and over medium and long term periods – FRC 11

The practitioner commented that necessary policies do exist, except that they are not formally written. The implementers use this advantage to make their own judgements, and interpretation and policies change to suit their liking. The Prime Minister's Office

(PMO) has frequently reiterated its statement on the issue of realigning and strategic planning towards government policy. He said that the PMO has invested time and money to guide the various Ministries to follow suit, to establish and document various policies that have existed and been adopted since the pre-independence era.

7.7.3 Government processes to be business friendly – FRC 13

The practitioner said that being government, the processes are not meant to be business friendly. It needs to be meticulous to help it in scrutinizing ‘the share of the pie’ and prudent spending of its funds.

The practitioner also said that it is necessary to be cautious and restrictive. An example is in establishing strict regulations to set up a business, which could act as a deterrent to any ‘Tom-Dick and Harry’ in the construction industry who might not be serious in a competitive bid to participate in a tender.

7.8 Summary

This Chapter discussed the synthesis of the Delphi and Interview stages. It was discussed in three sections by generally following the format of data display in Chapter 6.

i. The overview of responses to the Delphi questions

Twenty success factors were identified, of which six were categorised as Critical Success Factors and fourteen as Failure Reducing Criteria. The interview sessions validated the factors. The success factors were analysed for hierarchies, preferences of experts and also the changes in responses during the Delphi rounds. It was found that critical factors are related to the government sector. The preferences from the government sector were for improvements in the government sector, human resources

and products. The preferences of the private sector were in the management of the government sector and the economic factors, such as policies and recognition of SMEs as the engine of growth. The changes in the responses during the Delphi stages were also monitored and converged, indicating agreement between the experts. The changes were acceptable and the Delphi method was appropriately concluded.

ii. Identification of the influencing business environments which promote private sector activities

The **legal and political environments** were found to be the most important business environments, followed by the technological environment. Other identified business environments were the economic, social and project CSF.

The synthesis found that the existing legal infrastructures have not been updated to support entrepreneurship in the globalisation era. Both government and private sectors were, in general, not concerned about this issue. This was due to the monopolistic nature of services which are government-based and do not require regulations.

The **political environment** covered the role of the government in the business environments. Firstly, the government is very supportive of the private sector. However the support has not been well planned, indicating a lack of commitment. Government agencies also do not support each other and act independently, with no consideration to the total impact on the government's objectives. This has been caused by the lack of an authoritative body or person to take responsibility or be accountable for carrying out the government's plan. The government system is not flexible and would need to be improved for businesses to flourish, especially the process and transparency. The government needs to learn to trust the private sector to be able to create long-term partnerships and cooperation.

The **technological environment** discussed the capabilities of both government and private sectors. The human resources from both sectors lack the knowledge and experience, especially in entrepreneurship. The leaders in government lack the confidence to be effective. There are also not enough skilled people in the government sector, where one person can hold too many roles, thus reducing his effectiveness. The lack of clear policies and system of government has also not shown good leadership. The private sector has also displayed weak technical and financial knowledge which has reduced its competitiveness.

The **economic environment** covered the roles of both the government and private sectors in the economy. Acceptably, the government has made efforts to assist the development of the private sector firms, such as by providing financial and educational schemes. However, these schemes have not supported the important issues relating to the private sector. They might be important, from the government's point of view, but have been of no significant interest to the private sector. The government has neglected the more important issues, such as providing up-to-date information, clear and firm policies, prompt payment and access to finance. A proper plan and implementation strategy has also been absent. The government's concern and insistence that the private sector ventures out of Brunei is worrying and not properly sound. That plan would prove to be a waste of effort and resources, because the private sector companies are not competent either technically or financially. They have not received proper training and there has been no financial support for them to develop. They have had problems accessing finance. Even the banking sector people do not have enough knowledge in construction, so that they prefer to give out personal loans rather than corporate loans. The government has realised that there are not enough local private sector firms in the country, but does not want to groom the private sector because of the small market. The government's view on the products has also been similar. The government wants to export products beyond Brunei, because they cannot sell them locally. An underlying cause for the poor state of the market has been that the private sector lacked credibility

and the government has bad experiences with it. Both government and private sectors have to discuss methods and find ways to help each other.

There were only two issues discussed under the **social environment**. Here the social issues of the business community and society were raised, to gain insights into the factors which influence entrepreneurship in Brunei. Here the lack in numbers of the local private sector firms was emphasised. Many of the private sector proprietors are foreigners and they are using the licences of local private sector firms for a 4 percent rental charge. The existing local private sector companies have been willing to work with tight or no profits. They also lack knowledge and finance. There is also an indication that the private sector firms have been reluctant to take risks, especially when government has provided them with the necessary support. However, the non-transparency of the government, and its insistence that the private sector should venture out of Brunei, are the factors which have scared the private sector proprietors. People in general also do not want to work in the private sector, as they have perceived that there are better facilities working for the government, and the private sector has gained a reputation for not paying their workers. There is a need for the Labour Department to take more of a role in the employment of locals within the private sector, which should include monitoring and producing the payment structure guidelines. In the long run, the government must look at the social issues more seriously if the objective of government is to be competitive in business.

The **project CSF** discusses those factors of the internal environment which influence the success in project implementations. The two internal environments raised were the efficient implementation of projects, and awareness of professional ethics and instilling duties and responsibilities in the human resources.

iii. Implementation of PPP, privatisation and PFI in Brunei

This chapter then discussed factors which influenced PPP, privatisation and PFI to flourish in Brunei. All of the interviewees understood the privatisation concept and most of them had knowledge of PPP. The interviewees did not understand the concept of PFI. So the discussions mostly proceeded with the privatisation and PPP concepts. The discussions revealed that, even though the proposals for privatisation were approved by higher authorities in the early 1990s, the government is still not ready for privatisation. The objectives of privatisation have not been made clear. The government is still identifying the departments to be privatised, while the plan is still in the early stages of development. It is also questionable if the market is there for privatisation, and a survey is still being conducted to collect data on the public's views on privatisation. There has also been a lack of clear policy and direction on the strategy to take for privatisation. The legal infrastructures are also not ready.

Another issue is the human resources, from both the government and private sectors. Both sectors are lacking in qualified, skilled and experienced employees. There is no plan or strategy for developing and training the human resources. It is important that the sectors have competent technical and financial knowledge because PPP and privatisation programmes involve the measurement of success, such as value for money and transfer of risk.

Presently, the government is planning for the programme, but without any discussion with the private sector. This is not a good start to long-term partnerships between the government and private sectors. This shows that the government does not really understand the concept that is involved in PPP and privatisation programmes.

Lastly, the financing institutions do not have the experience to finance projects of this nature. Their experiences are in the area of personal loans for quick return of profits. The

banking sector also needs reform if PPP and privatisation is to flourish in Brunei, especially in their procedures and knowledge of the construction field.

Broadly, the interpretations have been validated by four practitioners of the construction industry and there are more similarities in the responses than differences. Three practitioners completely agreed with the interpretations of the researcher. Only one practitioner from the government sector responded with comments on three success factors. The practitioner implied that human resources and the need for security are the reasons for the differences in his comments.

The next Chapter 8 discusses the general conclusions from the research.

CHAPTER 8

CONCLUSIONS

8 Summary, Conclusions and Recommendations

As stated in Chapter 1, this research was undertaken to explore the business environment of the construction industry in Brunei for public-private partnerships, privatisation and private finance initiatives to flourish. There were two reasons for selecting this research. The 1997 financial crisis has immobilised the construction industry and a new way has to be found to restart it. The government wants to use the private sector as the engine for growth. It approved a privatisation programme in 1992 but has not implemented it. The government then started to promote public-private partnerships in 2002. This research did not propose any hypothesis because it did not intend to prove that public-private partnerships, privatisation and private finance initiatives could be implemented in Brunei. Instead, research questions were formulated at the beginning of the research to help focus on the research study which was to explore the business conditions for public-private partnerships, privatisation and private finance initiatives to flourish in Brunei.

During this research, evidence has been gathered through qualitative research approaches. The Delphi technique allowed the collection of subjective information from the government sector, private sector and support services, so as to identify factors in the business environment which promote private sector activities. Evidence of the reliability of the research was then provided through the use of four Delphi rounds, wherein eleven experts reached over 90 percent agreement. Retrospective interview sessions were conducted to validate the factors identified from the Delphi and interview transcripts as additional evidence.

The validity of the interpretations of data was established by sending them to four practitioners in the construction industry, from both the government and private sectors. All except for one agreed with the interpretations. This practitioner from the government

sector gave three views with regard to the interpretations which were discussed in Chapter 7.

This chapter starts by summarising the main findings of the research. Then it continues by answering the research questions, discussing the contributions to theory and practise. Finally, the chapter concludes with a discussion on the limitations of the research and suggestions for future research.

8.1 Summary of main findings

The aims and objectives of this research were to:

- Analyse the existing business environments of the construction industry in Brunei,
- Identify the business conditions for public-private partnerships, privatisation and private finance initiatives to flourish in Brunei,
- Identify the Critical Success Factors and Failure Reducing Criteria which would lead to public-private partnerships, privatisation and private finance initiatives being successful in Brunei.

These are addressed in the following paragraphs.

8.1.1 Analysis of the existing business environments of the construction industry

The Brunei construction industry is influenced by five external and two internal business environments. There are also four layers of business environments with hierarchical importance as discussed in Chapter 7 (7.4.2). The most important business environment was found to be the political business environment, which relates mainly to the government sector. It exists on all hierarchical levels. The legal and political

environments were identified as the core factors which would strengthen the business environments to promote private sector activities. However, the legal environment is not as critical now, because all services are under the government sector, making them monopolistic with no requirement for regulation. The technological environment is influential only on the third level of the business environment hierarchies. The last level is a mixture of political, economic, social, technological and project CSF. The influence of the private sector and support services are only evident in this level. This shows that their presence is only as players of the construction industry but they do not have enough power to move the industry themselves.

The general conclusion is that the government is very powerful and the most influential factor in the business environments of the construction industry. The existing retarding factors in the business environments also relate to the government sector; bureaucracy and centralisation and delayed payment. However, further study is required on bureaucracy and centralisation. There is contrasting evidence on the influence of bureaucracy and centralisation in the business environment which indicate that some bureaucracy and centralisation are necessary in the government management and process. The thick layer of bureaucracy has actually disintegrated the government sector to such an extent that one government department does not know what the other department is doing. This has caused overlaps in responsibilities and created more red tape for the private sector. As a consequence, the private sector has become weak and dependent on the government because they are always unsure of the 'right thing' to do. If the government's objective is to use the private sector as the engine for growth, then it needs to have open discussion with the private and banking sectors. Otherwise, the government will continue to waste effort and resources in what it believes to be the need of the private sector. The private sector will stay weak with feelings of frustration towards the government. And the banking sector will continue with their existing business methods which is not helpful towards private sector and entrepreneurship in general.

The government is also not ready for the human resources of the private sector to be stronger than the government sector. There are two pieces of evidence which support this. Firstly, the government has not made much effort to control the differences in salary and other facilities, between working for the government sector and the private sector. Hence the motivation is to gain employment with the government sector. Secondly, the government makes it difficult for the existing government employees to leave the government services or to do part time businesses. This contrasted with the stated government's objective which is encouraging government employees with skills to join the private sector. It could then be concluded that the government still wants to be the main driver of the industry with the private sector as its supporter.

8.1.2 Business conditions for Public-Private Partnerships, Privatisation and Private Finance Initiatives to flourish in Brunei

In the literature, public-private partnerships, privatisation and private finance initiatives were found to have been used to increase growth during financial crises and to improve the environment for business. Most importantly, these models were adopted in order to meet public demand which governments have been unable to meet because of reduced public expenditure. The concept of these models is to increase private sector involvement in public services delivery.

Literature reviews reveal that the most important business condition for all three models is the political environment. The government's commitment, drive and power are the main factors for success. This is obvious in the UK's PPP, privatisation and PFI programmes, where the full backing of the previous Conservative Party government and the existing Labour Party government have successfully implemented these models. If PPP, privatisation and PFI are to flourish in Brunei, the government must be committed and firm in its decision towards implementing these models. The government must first know its real objectives. It seems that the approval for privatisation was made during the privatisation phenomena in 1992 and Brunei might not want to be left behind other

countries. This would be the wrong objective for implementing privatisation in Brunei. Neither should this be a motive for PPP or PFI. There may be a genuine shortage of government expenditure but the objectives must first be sound for them to materialise and be achievable.

All sectors must want to change and take risks. It will involve reforms of legal infrastructures, government structure and policies, banking regulations and a proper plan and implementation strategies. Presently, the government, private and banking sectors have their own procedures and are averse to risk taking. They neither cooperate nor discuss their concerns openly with each other. The government departments also have cooperation and integration problems between themselves. Everyone must be willing to work together and be transparent to create trust for successful long-term relationships. The existing government's authoritative body to be responsible and accountable for these programmes could be said to be unsuccessful because not many people are aware of its existence. Its programmes have been unsuccessful and the business conditions have not improved.

The human resources in all sectors must also be strengthened with skills and knowledge, especially in entrepreneurship, financial practices and technology. They must be trained to be professional in their works and be accountable for their actions. A good motivational system needs to be established to encourage employees to give more effort to their work. The mentality of the workforce must change to be more competitive and a working environment with 'survival instinct' must be created.

Lastly, a viable project must be chosen and the most appropriate method must be selected, from amongst the options of PPP, privatisation, or PFI, which will be profitable for all sectors. Since divestment will not be considered, the methods should concentrate on operational, organisational and financial measures. There must be consideration of the rights (possession and revenues), obligations (development, environment, operation, financing) and liabilities (liability, risks and taxes) of the projects. Government should

also realise that its definition of privatisation and its objectives contrasted with each other. This must be clarified first before privatisation could flourish in Brunei.

8.1.3 Identification of Critical Success Factors and Failure Reducing Criteria which would lead to public-private partnerships, privatisation or private finance initiatives being successful in Brunei

The research identified 6 critical success factors and 14 failure reducing criteria. These factors were discussed in Chapter 7 and tabulated in Table 6-3 and Table 6-5 (in Chapters 6 and 7). All the critical success factors relate to the government sector. The government is the key to the success of the implementation of any of the three models in Brunei. It encompasses the management and administration systems, processes, and human resources within government. Issues which relate to these factors must be improved and strategised because they are critical for success. The failure reducing criteria include factors which refer to the government, private sector, finance sector, and support services such as banking institutions, products and project implementation. Though these factors are not critical, their existence is necessary to reduce failure in the implementation of these three models in Brunei.

8.2 Answers to research questions

8.2.1 RQ1. Which business conditions need to be in place to strengthen the business environments to promote private sector activities in Brunei Darussalam?

Data were collected using the research method in chapter 5, displayed in chapter 6 and analysed and synthesised in chapter 7. There were eighteen factors identified as business conditions which need to be in place to strengthen the business environments to promote private sector activities. They are:

- Good governance
- Transparent government, free from corruption, nepotism and cronyism

- Speedy decision making
- Effective leadership with effective systems should be pursued in government
- Training and employment of high-calibre national personnel, overseeing and guiding privatisation development programmes are required
- Efficient implementation of projects
- Statistics to be updated
- SMEs are crucial to the nation's economic success, because they constitute the bulk of total enterprises in terms of number
- Prompt payment from both government and private sectors for completed works
- Clear and firm government policies and directions at a strategic level over the medium and long term periods
- Government and private sectors should continue to develop the sense of partnership in the pursuit of national goals (drafting policies, programmes, getting input and suggestions from the private sector) such as practised by JPKE
- Government processes should be business friendly
- Entrepreneurs and managers must have mindsets that are attuned to the dynamics of the process of globalisation, particularly of the market place
- Financial knowledge of the business community itself
- The business community must do what it takes to be competitive, and keep abreast with the developments in the market place
- Solid banking system
- Networking to market products both domestically and overseas
- Awareness of professional ethics, duties and responsibilities to be instilled

8.2.2 RQ2. Which business conditions are currently in place that retard private sector activities?

Data were collected using the research method in chapter 5, displayed in chapter 6 and analyse and synthesise in chapter 7. The Delphi identified two factors that retard private sector activities in Brunei. They are:

- Too much bureaucracy and centralisation leading to too many procedures.
- Delays in payment for completed work from either the public or private sectors.

8.2.3 RQ3. Is it possible to identify these by the adoption of a replicable methodology?

A qualitative research method was chosen because there were no data to carry out a quantitative research method. The Delphi technique was selected because opinions were being sought without evidence or proof. The Delphi process was in four rounds and the experts validated each other with consensus of 90 percent and above. To answer this research question:

Yes, it was possible to identify the factors which promote and retard the business environments using the Delphi technique. This technique was discussed in Chapter 5. There were 20 factors in total, of which 18 were factors which promote private sector activities and 2 which retard private sector activities. These factors were tabulated in Table 6-3 and Table 6-4 in Chapter 7 (reproduced from Chapter 6).

8.2.4 RQ4. If identifiable, can these factors be ranked to present an ordered set of criteria collectively considered critical?

The Delphi technique also required the experts to score the success factors they perceived as important. This has enabled the ranking of the success factors, using

numerical coding. These factors were also categorised and put in hierarchies, according to the ranking. To answer this research question:

Yes, it was possible to rank these factors. Using the level of consensus, 6 factors were considered to be critical success factors and 14 to be failure-reducing criteria. The critical success factors are factors with consensus levels of 100 percent and the failure reducing criteria had consensus of between 90 and 100 percent. These factors were discussed in Chapter 7 and tabulated in Table 6-3 and Table 6-4 (Chapters 6 and 7).

8.2.5 RQ5. What are the business conditions of successful public-private partnerships, privatisation and private finance initiatives?

This research question was answered in Chapter 4 where the literature review identified six business environments as influencing the success of public-private partnerships, privatisation and private finance initiatives. These are the political, economic, social, legal, technological and project CSF. The factors of the business environments vary according to the country and culture where they are implemented. However, the common factors were found to be the government, legal infrastructures, human resources (leadership, skills and knowledge), willing private sector and supportive financing institutions. There must also be creativity and innovation in policies.

8.3 Contributions

As established in Chapter 2, this research is exploratory and evidence was being sought to identify business conditions which would encourage the flourishing of public-private partnerships, privatisation and private finance initiatives in Brunei. As such, this research has made two contributions to theory and practice.

8.3.1 Contribution to theory

This research has identified 20 success factors which will have impact on Project CSF. Although there are some similarities, these factors are different from those applicable in many other parts of the world because they only apply on project CSF in Brunei. This is due to the government system, culture and religion, location of the country and so on.

8.3.2 Contribution to practice

There are no successful public-private partnerships, privatisation or private finance initiatives as yet implemented in Brunei. This research should help the government to look at these models and the implementation policies in a fresh way. The identified factors would enable the tackling of issues in a more systematic way, to enable the models to flourish in Brunei eventually.

8.4 Limitations

There are three limitations to the research.

- i. The scope of the research was time-limited, as it had to be completed in the period required for a doctoral submission. In the time available, it was not possible to monitor and observe the findings through ethno-methodology.
- ii. There is only a limited literature on the research issue from countries in the same region. A wider range of relevant literature would have helped to make better comparisons because of their similar backgrounds and origins.
- iii. With the limited number of people involved, the views are quite critical because power is concentrated with only a few. Therefore, if these people change, the views are likely to change as well.

8.5 Suggestions for future research

This thesis has studied the business conditions of the existing construction industry in Brunei and identified factors which would strengthen the business environments to promote private sector activities. The following are the suggested areas of future research:

- i. To study the various methods of implementing public-private partnerships, privatisation or private finance initiatives as the most suitable for Brunei. This could address issues such as rights, obligations and liabilities of partners in the intended partnerships.
- ii. To measure the influence of government in the success or failure of private sector activities. This could be done by the application of case studies on existing and bankrupt companies in Brunei, addressing main influential factors including factors relating to the private sector and support services such as the banking sector.
- iii. To study the effects of “effective leadership versus effective system”. It would be very useful and beneficial to understand if the system has caused the leadership to be ineffective or vice versa. It could show the strength and capabilities of the existing human resources. It would also give insights into the flexibility of the system and whether reformation is possible, if at all on whether Brunei is intending to pursue public-private partnerships and privatisation.

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APPENDICES

Dear Sir or Madam,

Following our meeting / telephone conversation, I am writing to further explain a research initiative that I think will interest you.

Because of your position and experience in the construction industry, I hope you will be intrigued to know the consensus view of your industry peers regarding the future use of private sector as the engine for growth. What I have to offer you is the chance to test your theories on the future with other industry experts from which a picture of the industry into the next century will we hope emerge. I am sure this picture is of as vital interest to you, your organisation, and the other experts I am contacting as it is to me for the purpose of my study.

I would therefore like to invite you to be a member of the panel of experts in this Delphi study. Being a member of the panel will involve no more than completing a 10 - 15 minute questionnaire every month or two. You will have the opportunity to propose your own topics and questions for the panel to consider. If you agree to be a member of the panel of experts, the identity of the other panelists will be kept secret from you. The intention of this is simply to remove the influence of peer pressure and group dynamics from the research which will be conducted by post.

The results of the study are to be used as follows.

- * To be submitted as part of a PhD thesis in Construction Management.
- * To generate future scenarios on the growth of private sectors in the construction industry.
- * To be issued to members of the Delphi panel.
- * For comparison with the construction Industry in the United Kingdom and Singapore.
- * To consider other various ways to strengthen the construction industry.

If you agree to help me in my research please complete the enclosed questionnaire and return it in the envelope provided. If however you would like any further information please do not hesitate to contact me.

Thanking you in advance on your cooperation and assistance.

Hjh Dyg Suzana Hj Awg Adenan
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PhD in Construction Management
Empowering and Developing the Private Sector in Negara Brunei Darussalam

1. Please identify five factors which will strengthen the business environment to promote private sector activities.

2. Please identify five factors which are currently in place which retard the private sector.

Please return your completed questionnaire by 15th November 2004 in the envelope provided or call 8859588 for collection.

Thank you for taking the time to complete the questionnaire. Please tick below if you are willing to take part in a follow up questionnaire. For your information, there will be three more rounds to complete the research process. (YES _____ NO _____)

If you wish to participate via electronic mail (e-mail), please write your e-mail address here: _____

Your code is G / P

Questions for the interviews

Part 1 - To validate the Delphi:

- i. What, in your opinion, are the factors that will strengthen the business environment to promote private sector activities?

- ii. What, in your opinion, are the factors that are currently in place that retard the private sectors?

Part 2 - To explore further the concept of PPP, privatisation and PFI and its success in Brunei.

- iii. In your opinion, why do you think we should move towards privatisation?

- iv. What, in your opinion, needs to be in place to be successful in privatisation? (the pre-conditions of privatisation).

- v. How do you think can privatisation take place in Brunei?

Note:

Business environments identified were Political, Economic, Social, Technological, Legal and Project CSF.