

**25/11/2015 - Commonwealth Business Forum: "Investing In Infrastructure: Building For The Long Term -Malaysia's PPP Experience**

**Assalamualaikum wrt wbt & Good morning**

Investment in things which will sustain us throughout life shall yield us the best return. Thus, investing in infrastructure that will fuel us for generations to come is the right way forward for an economy built to last.

- In this regard, Malaysia has always believed in the role of public-private partnerships in infrastructure development in order to promote the growth and development of the country's economy. Therefore, I am truly honoured to stand before you today to share Malaysia's PPP experience with the commonwealth business fraternity and all the others present today.

- Malaysia views PPP as "smart partnership arrangement between the Government and private sector for the purpose of providing public infrastructure, community facilities and related services. PPP is characterized by the sharing of investment, risks, responsibility and reward between the partners.

- Malaysia's PPP experience is indeed unique but relevant to developing economies. It has been over 30 years since Malaysia focused on PPP and launched its Malaysian Incorporated Policy and Privatisation Masterplan. Malaysia's PPP has evolved and resulted in the creation of the Public-Private Partnership Unit under the Prime Minister's Department (UKAS) in 2009 to further strengthen the implementation of PPP in Malaysia.

- As of June 2015 Malaysia has so far successfully implemented 698 PPP projects. Overall, the Government has saved a total of RM211.3 billion; namely, total capital expenditure of RM195.65 billion, total operating expenditure of RM9.25 billion and total proceeds from sales of Government equity and assets at RM6.5 billion. The Government has eliminated 113,487 jobs from the payroll.

- As of 31 December 2014, market capitalisation for privatisation was valued at RM293 billion. The main sectoral distribution of PPP programmes are in the fields of construction (28.5%), transportation & communication (12.2%), manufacturing (9.6%), whole sale & retail, trade, hotel and restaurant (11.7%), finance, real estate and business services (8.0%), Government services (7.5%) and other services (7.3%).
- In terms of economic performance, Malaysia's economy grew by 6.2% for the period from 1971 to 2014. The National Income per capita has expanded from USD402 in 1970 to USD10,796 in 2014. National Incidence of Poverty has declined from 49.3% in 1970 to 0.6% in 2014.
- Infrastructure investments should not only be viewed as an economic stimulant but it should be viewed as a strategy. Strategic investment in infrastructure leads to the building of foundation for long term growth. In this regard, Malaysia's approach is "private sector led growth with the government as enabler". Private sector interest could only be sustained as long as there are attractive profits to be made.
- The current development policy is the National Transformation Policy (NTP) which is being implemented from 2011 to 2020. Malaysia is now at the end of the 10<sup>th</sup> Malaysia Plan and is about to enter into the 11<sup>th</sup> Malaysia Plan which will be implemented from 2016 to 2020. Under the NTP, the vision is for Malaysia to achieve high income advanced economy status by the year 2020.
- The original target for economic growth under the 10th Malaysia Plan, was primarily to achieve growth of 6.0% p.a. towards achieving a high- income nation, where growth was to be led by the private sector and at the same time, narrowing down the Federal Government's fiscal deficit to a manageable 3.2% of GDP from 2015. Whilst under the 11<sup>th</sup> Malaysia Plan, the target for economic growth is 5 - 6% p.a.

- In the Malaysian context, PPP generally include Privatisation and Private Finance Initiatives (PFI). Privatisation methods include; i) sale of Assets or Equity; ii) corporatisation; iii) land Swap; iv) Build-Operate-Transfer (BOT); v) Build-Operate-Own (BOO); vi) outsourcing/management contract; and vii) leasing. As for Private Finance Initiatives (PFI), the methods include; i) Build-Lease-Transfer (BLT); ii) Build-Lease-Maintain-Transfer (BLMT); and iii) Build-Lease-Maintain-Operate-Transfer (BLMOT). The PPP structure implemented in Malaysia is carried out via a Special Purpose Vehicle (SPV) which acts as an operator and typically implements projects by appointing construction contractors and the facilities management operators. In most cases, the SPV company is financed through equity and debt. It delivers services to customer and users of public services in return for payment for services rendered.

- PPP can deliver value for money through harnessing the private sector's expertise in combining the design and operations of an asset thereby providing services in a more efficient manner compared to traditional forms of procurement. However, careful consideration, assessment and review need to be carried out to get the best value for money for the government and allowing a reasonable return to the private sector due to the complex nature of PPP projects in terms of risk allocation, contract negotiation, statement of needs and the key performance indicators (KPIs) related to design, construction, maintenance and services rendered.

- In Malaysia, the development of toll highways, ports, airports, flood mitigation tunnel, and government office buildings, among others, has been made possible through PPP arrangements. Projects like the North South Highway, Smart Tunnel, KLIA and government office buildings in Putrajaya spurred Malaysia's economic growth, created new areas of development as well as improved accessibility and mobility. To date, 31 toll highways and toll bridges have been built using the Built-Operate-Transfer (BOT) method involving varying concession period from 30 to 50 years.

- Under this method, the private sector as concessionaire is allowed to collect toll charges in return. Apart from facilitation of movement of passengers and goods, new highways created spill-over effects by creating new townships and industrial areas. Among the PFI mega privatisation projects in Malaysia is the development of the Federal Government Administrative Centre, in Putrajaya. The method involved is Built-Lease-Transfer (BLT) where the return to the private sector is in the form of lease rentals for a 25 year concession period. It created a well-planned integrated administrative township with iconic buildings that also has tourism appeal. In the education sector, 12 UiTM branch campuses have been built via the Built-Lease-Maintain-Transfer (BLMT) method for a 20 years concession period.

- PPP will continue to be one of the key instruments in implementing government projects particularly in light of market liberalisation and globalisation. In this regard, infrastructure projects shall remain relevant in PPP albeit with a focus on new growth areas such as green technology, energy-efficient design, opening up of new and strategic townships, development corridors and sectors which generate high spill-over effects.

- Among the major PPP infrastructure projects recently launched or in the pipeline include, the Pan-Borneo Highway which is undertaken through a smart partnership between private and public sector by way of a project delivery partner approach, and the Kuala Lumpur-Singapore High Speed Rail (HSR) project. The HSR project shall indeed be a game-changing infrastructure project not only for Malaysia but also the region.

- PPP is only possible through smart partnership ventures between private and public sector with high level commitment from the Government. This include the allocation of the Facilitation Fund under the 10<sup>th</sup> Malaysia Plan to the amount of RM20 billion to encourage private sector investments in strategic key economic areas.

- PPP has been implemented in Malaysia for more than 30 years. It has contributed significantly towards Malaysia's rapid economic growth – spurred Malaysia's economic growth, created new areas of development as well as improved accessibility and mobility.

· Before I conclude, I would like to thank the organisers for inviting me and according me this opportunity to share Malaysia's PPP experience. It is hoped that at the very least I have managed to provide you with some awareness of PPP implementation in Malaysia.

I thank you for your attention and am looking forward to answer any questions that will be pose

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