



**Asia-Pacific
Economic Cooperation**

2014/SOM3/IEG/DIA/012

Session: 2

PPP in Malaysia

Submitted by: Malaysia

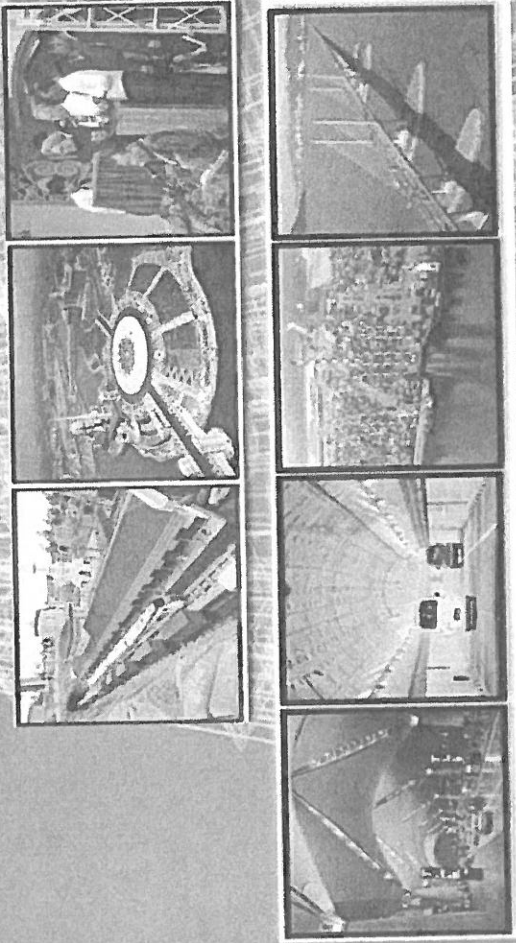


**Promoting Infrastructure Investment
Through Public Private Partnership
Beijing, China
13 August 2014**

UNIT KERJASAMA AWAM SWASTA JABATAN PERDANA MENTERI

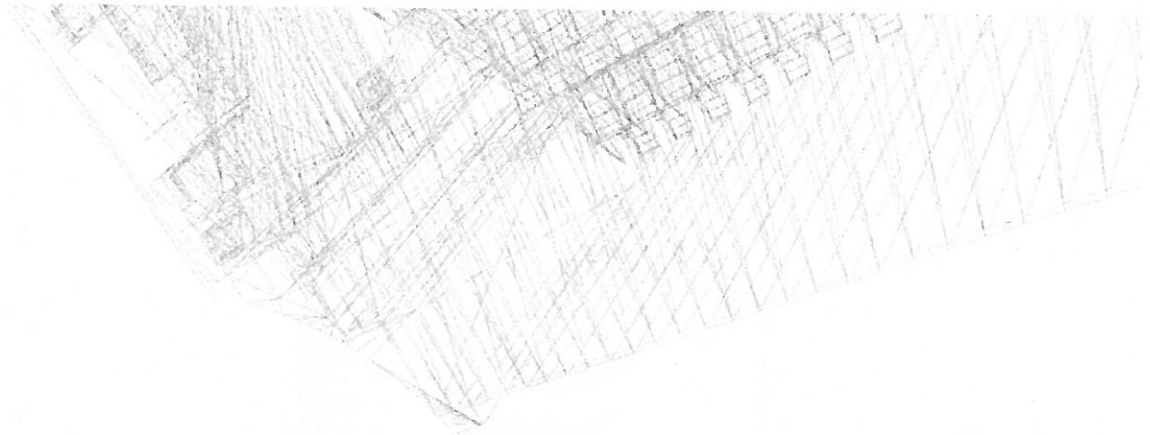


UKAS, JPM



PUBLIC PRIVATE PARTNERSHIP
IN MALAYSIA

PPP Policy
UKAS, JPM



INTRODUCTION

ABOUT PUBLIC PRIVATE PARTNERSHIP (PPP) UNIT, MALAYSIA

- Initially part of the Economic Planning Unit (EPU), Prime Minister's Department
- Increasing need for closer public-private collaborations in developing the economy requires the creation of the new unit
- Established on 22nd April 2009
- Acts as a central agency for planning and coordinating PPP programs in Malaysia



MAIN FUNCTIONS

Secretariat for Public-Private Sector Cooperation Committee.

Carry out the public-private cooperation projects (PPP) through privatisation and Private Finance Initiative (PFI).

Manage the Facilitation Fund.

Coordinate the development in five (5) Growth Corridors.

Consult on the terms and conditions for PPP and Facilitation Fund concessions.

Carry out the Value Management process.

Inspect and evaluate PPP projects' technical and financial proposals with the help of the technical agencies.

Develop strategic and growth collaborations with relevant foreign agencies.



CORE BUSINESS

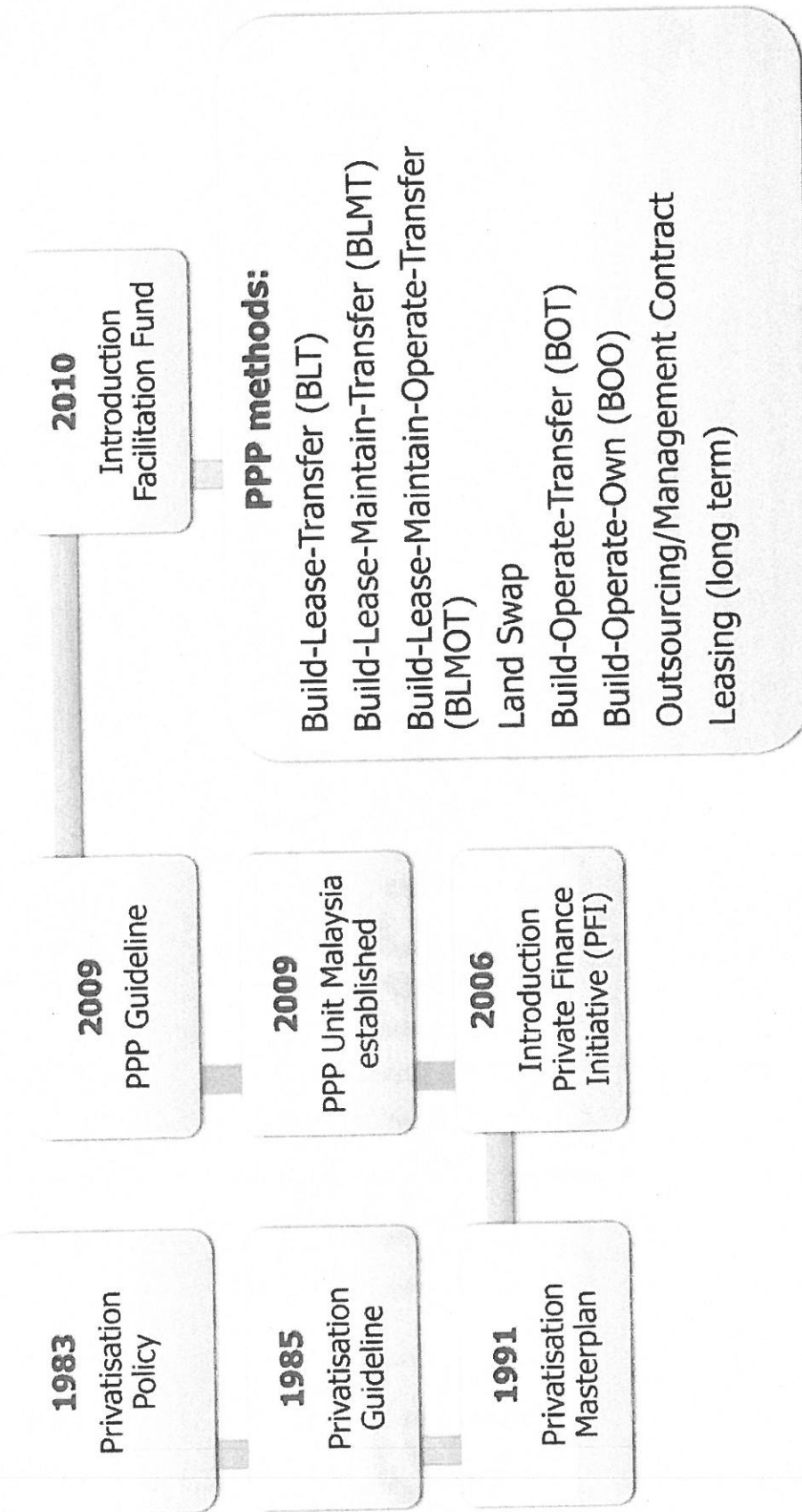
Plan, evaluate, coordinate, negotiate and monitor the implementation of PPP projects through the following:

- Evaluate initial proposal and need statement
- Prepare PPP documents
- Evaluate financial proposals in order to attain value for money
- Negotiate terms and conditions of concession agreements with the cooperation of the Attorney General's Chambers and relevant agencies
- Obtain Cabinet approvals for PPP projects
- Coordinate and monitor implementation

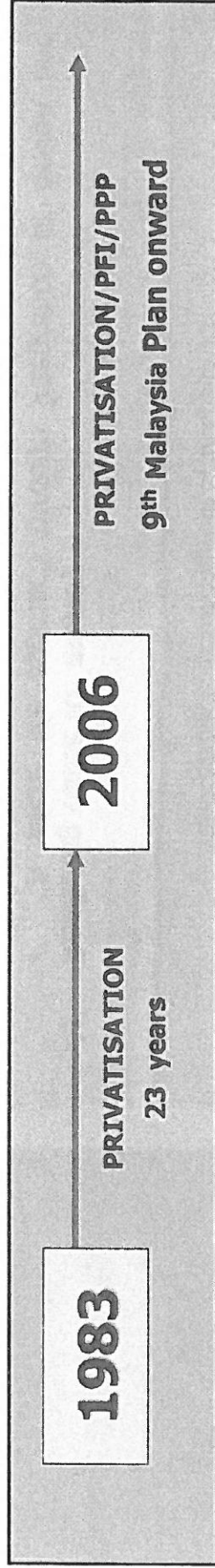
PUBLIC PRIVATE PARTNERSHIP (PPP) MECHANISM



PPP EVOLUTION



MALAYSIA: PRIVATISATION TO PPP



Malaysia Past Successes
& Lessons Learned

Unique Local Conditions

International Best Practices



PFI/PPP

WHY PPP

- Normal procurement:**
- Cost and time overrun
 - Late delivery
 - Quality not assured over long term
 - Defect liability only for 24 months
 - No incentive for private sector to ensure prolonged life span of assets
 - Maintenance and repairs separately by government
 - Private sector not responsible to ensure full functionality of facilities

Better and quick delivery through effective allocation of risks:

- ✓ Zero completion and rework risks to the Government
 - Design and construction risks are with private sector
- ✓ Quality delivery of public service
 - Built quality responsibilities are with private sector
 - KPI implementation ensures uncompromised service quality
 - Sinking fund built-up through out concession period for heavy maintenance, refurbishment, upgrading

Realizing value for money

- ✓ A whole life approach through integration of design and service
 - Great desire and incentive for private sector to undertake careful planning right from the design stage as it has direct implication on service quality which subject to KPIs
- ✓ Project selection, structuring
- ✓ Procurement strategy
- ✓ Contract management

PPP CONCEPT

Smart partnership arrangement between Government and private sector for the purpose of providing public infrastructure, community facilities and related services

Characterized by the sharing of investment, risk, responsibility and reward between the partners

Reasons for establishing such partnership:
-Efficient design, construction, operation and maintenance of infrastructure
-Enhanced services

PUBLIC PRIVATE PARTNERSHIP METHODS

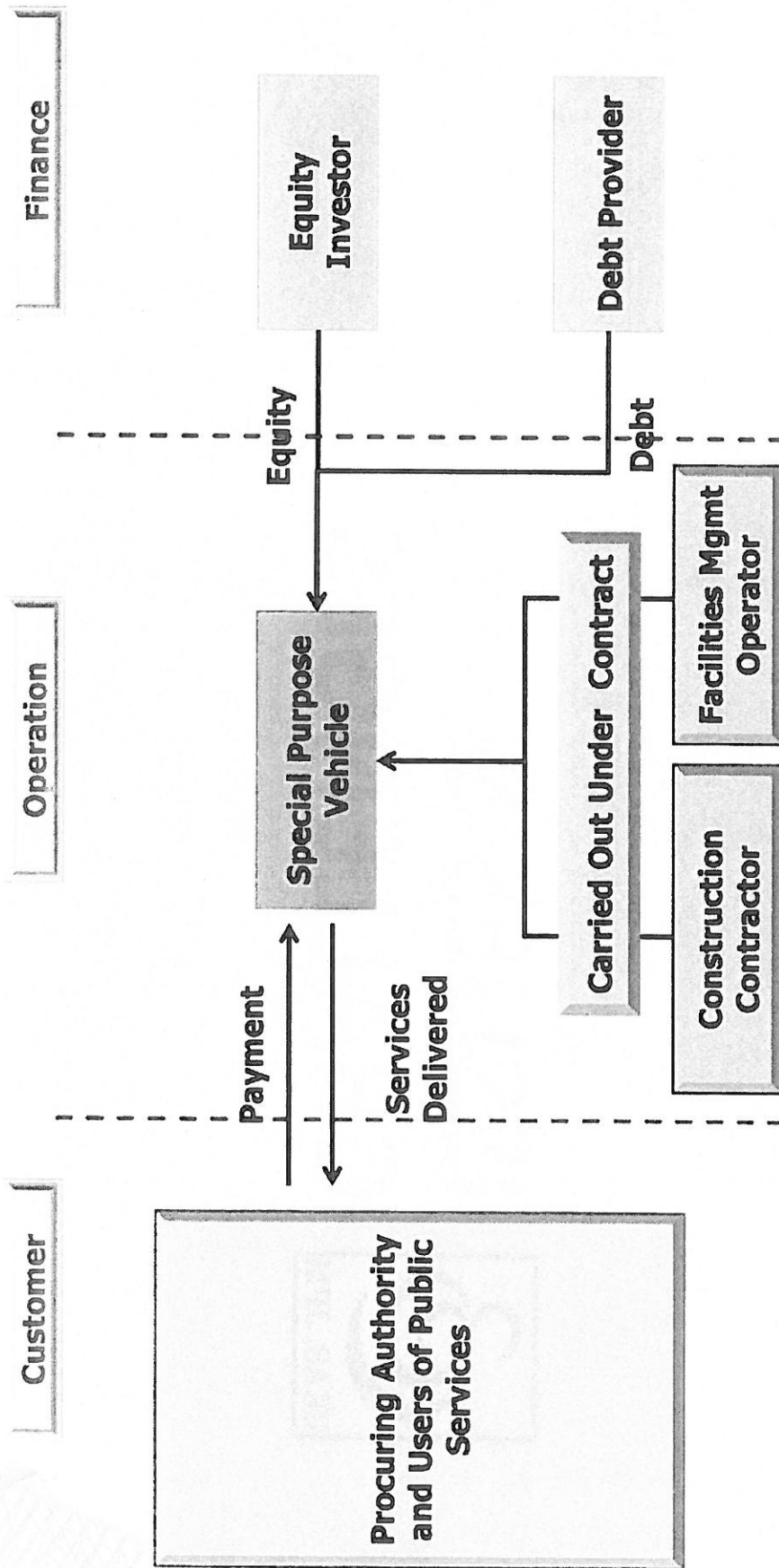
- Sales of Assets or Equity
- Corporatisation
- Land Swap
- Build-Operate-Transfer (BOT)
- Build-Operate-Own (BOO)
- Outsourcing/Management Contract
- Leasing (long term)

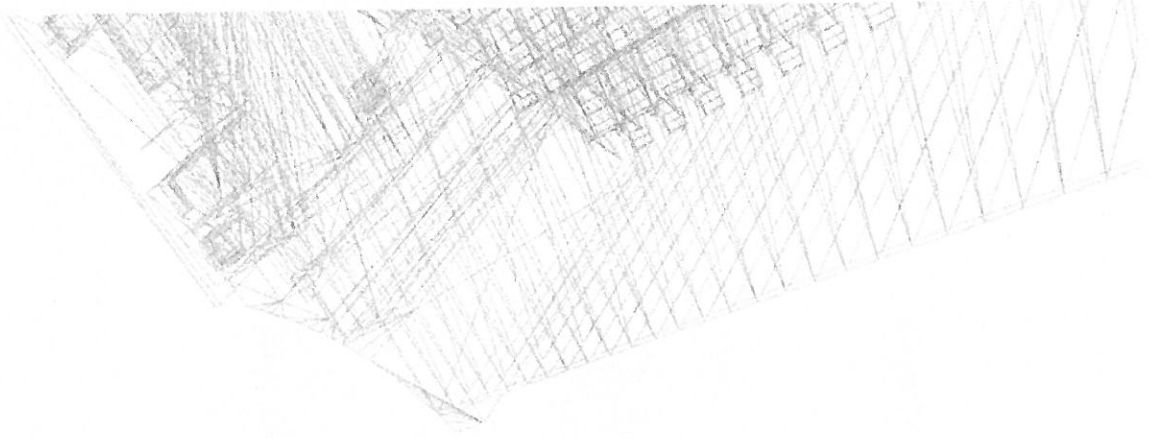
- Build-Lease-Transfer (BLT)
- Build-Lease-Maintain-Transfer (BLMT)
- Build-Lease-Maintain-Operate-Transfer (BLMOT)

PRIVATISATION

PRIVATE FINANCE INITIATIVES (PFI)

PPP STRUCTURE



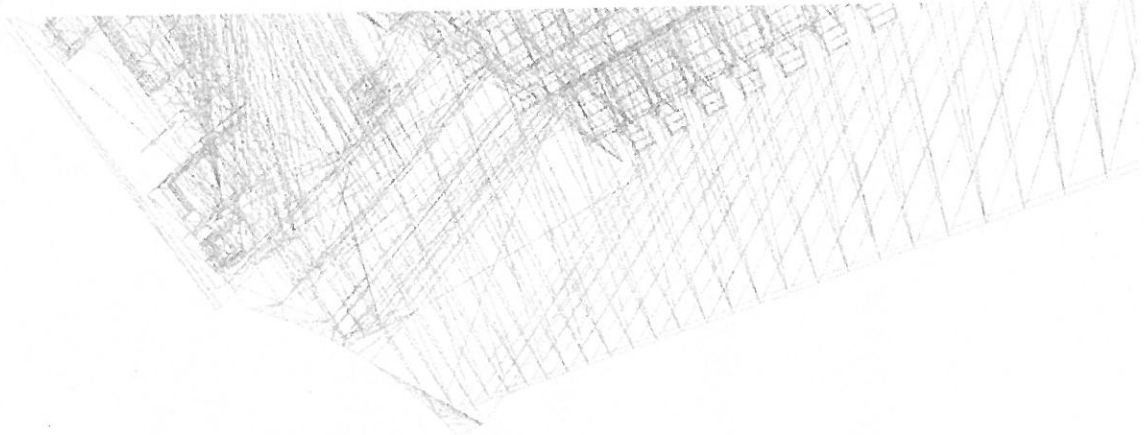


ISSUES & CHALLENGES



ISSUES & CHALLENGES

- **High expectation:** Complexity of the process requires time and specialist skills from public sector;
- **Risk transfer:** Not all risks can be transferred cost-effectively to the private sector;
- **Project finance:** financing arrangements and risk pricing in PPP can result in potentially higher cost - high contracting rules out many projects;
- **Long term commitment:** Government involved in long term financial commitment which requires a systematic budget planning;
- **Monitoring:** Ministry/agencies (appointed project director-PD) roles to monitor through out the concession period and ensure the project is carried out as per concession agreement and agreed KPI.



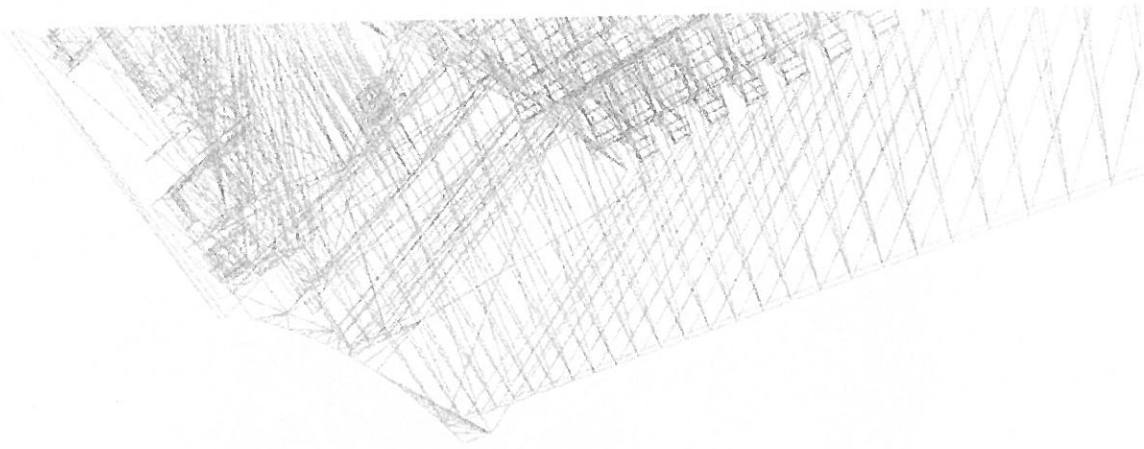
WAY FORWARD



PPP: WAY FORWARD

- PPP will continue to be one of the key instruments in implementing Government projects
- New areas such as green technology, energy-efficient design will be given priority
- Sectors that generate high spill-over effects will be main focus

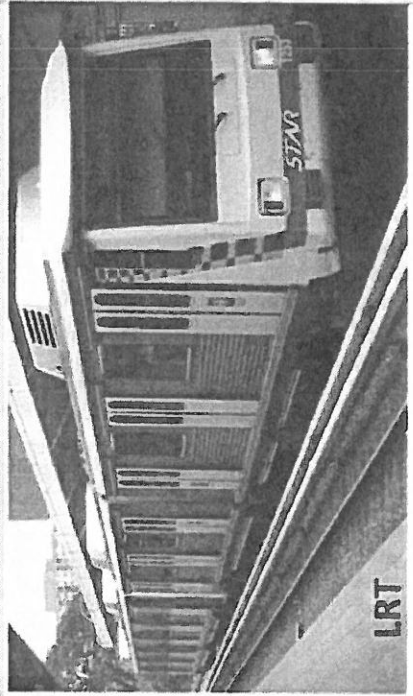
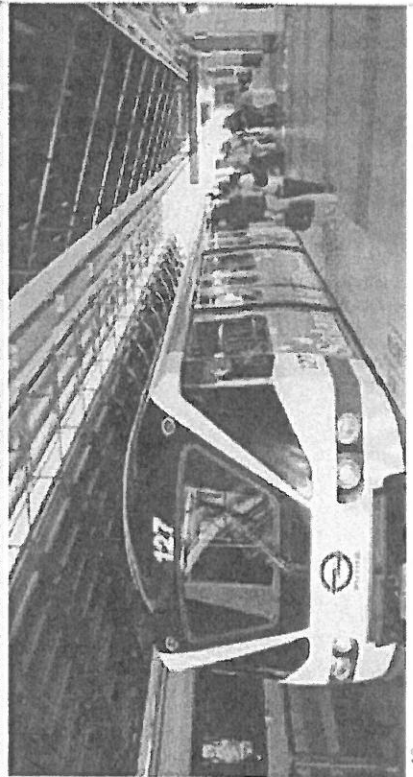
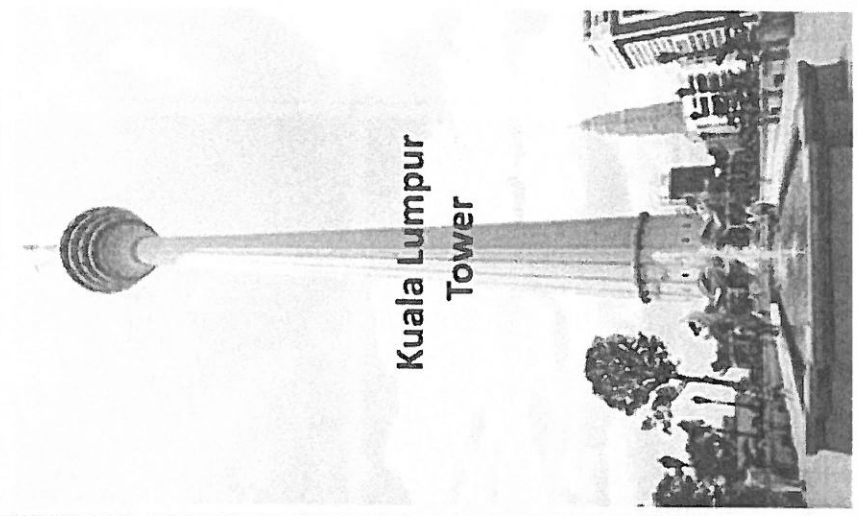
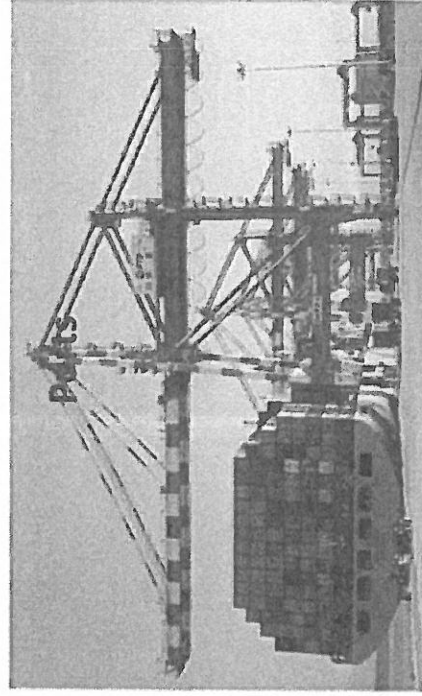




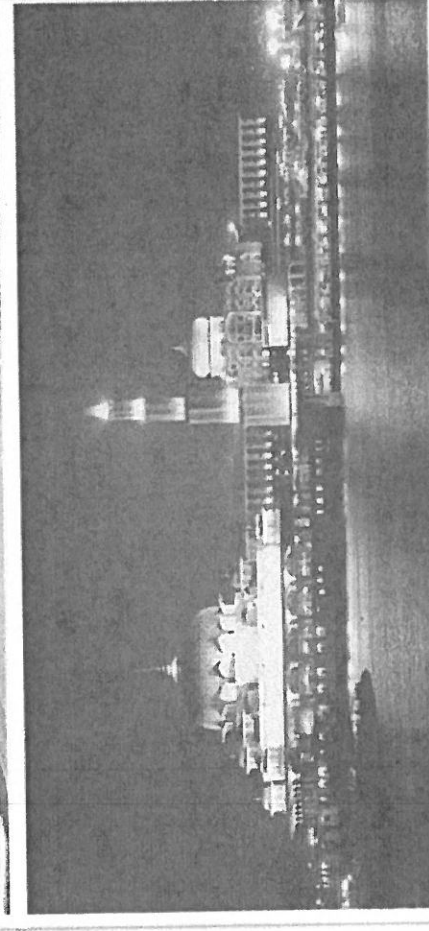
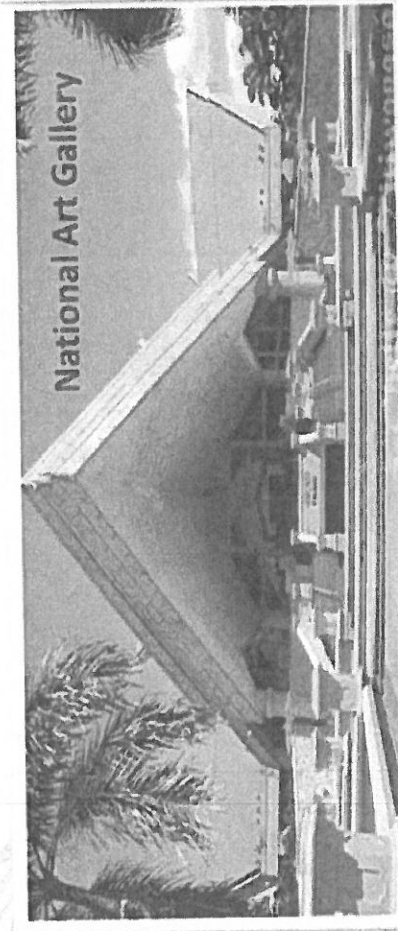
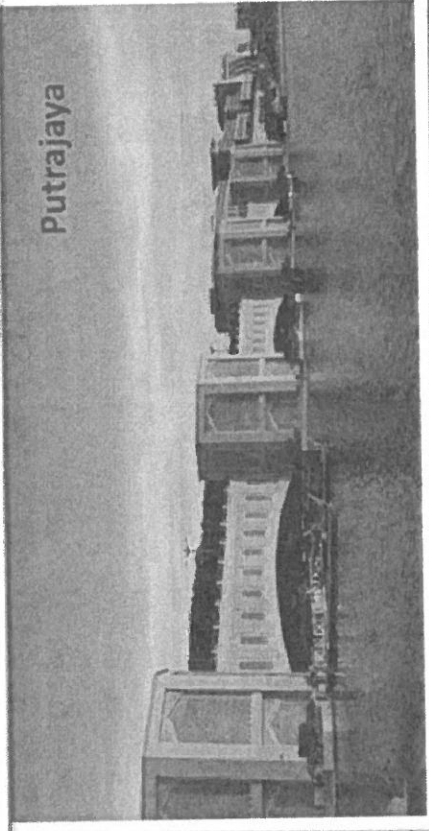
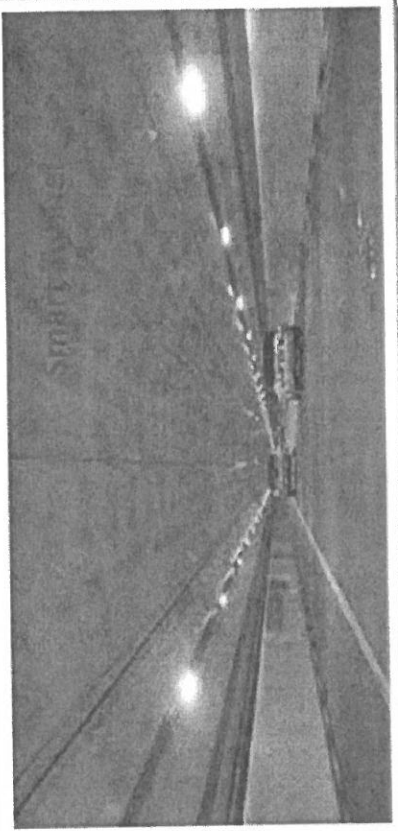
PPP PROJECT IN MALAYSIA



EXAMPLE FOR PRIVATISATION PROJECT



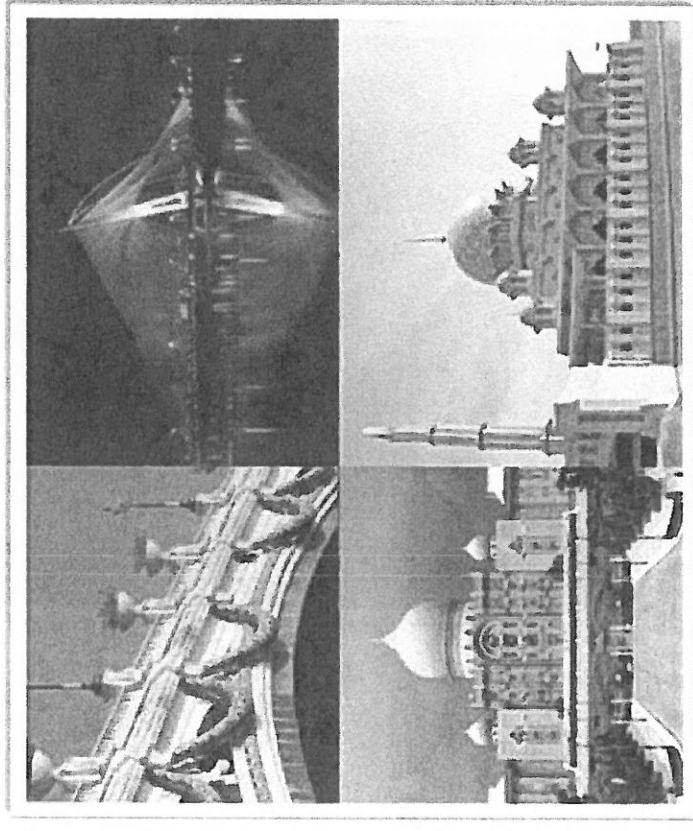
EXAMPLE FOR PRIVATISATION PROJECT



PRIVATISATION OF GOVERNMENT OFFICE BUILDING

Federal Administration Complex Putrajaya

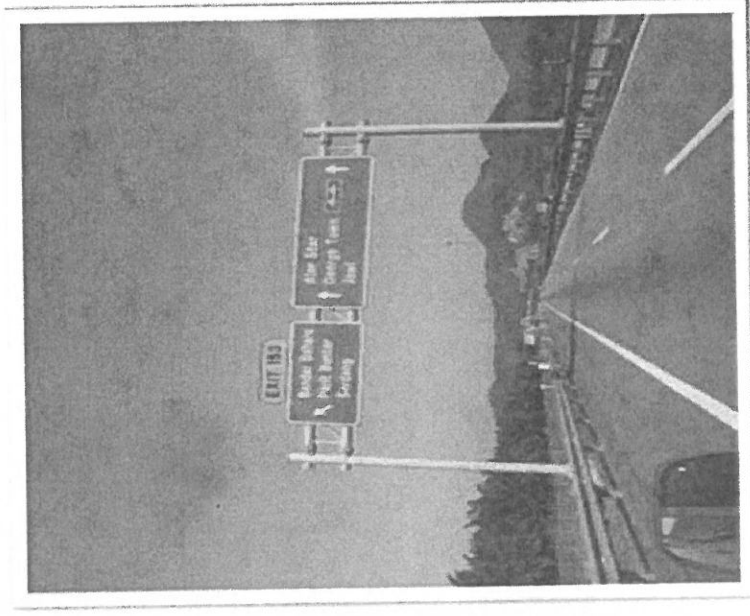
- PPP method: BLT (Built-Lease-Transfer)
- Return to private sector in form of lease rental
- Concession period: 25 years
- Tourist spot for well-planned integrated township, iconic buildings



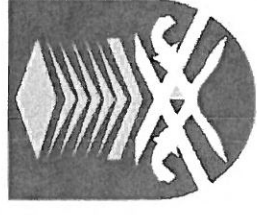
PRIVATISATION FOR TOLL HIGHWAY

Toll Highways

- 27 toll highways have been built
- PPP method: BOT (Build-Operate-Transfer)
- Concession period: 20-40 years
- Return to private sector: toll charges
 - North-South Highway
 - Puchong- Damansara Highway (LDP)
 - Elite Highway (Elite)
- Spill-over effects: created new townships and industrial area



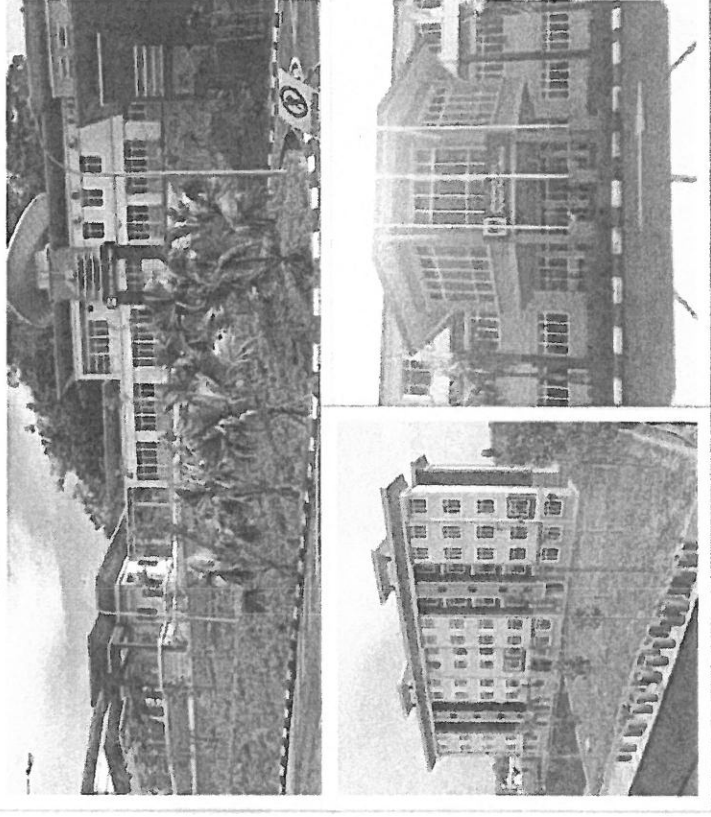
PFI PROJECT: UNIVERSITY CAMPUSES

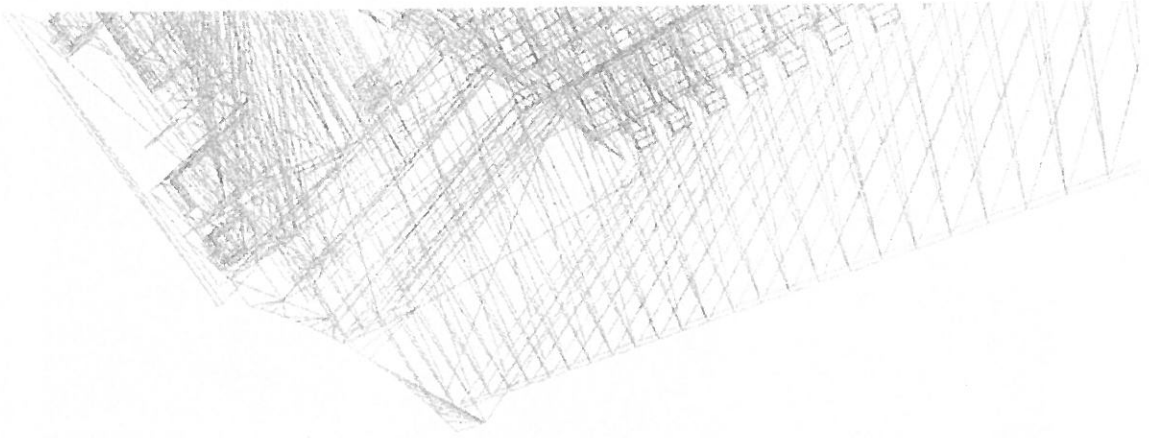


UNIVERSITI
TEKNOLOGI
MARA

UiTM Branch Campuses

- PPP method: Built-Lease-Maintain-Transfer (BLMT)
- Concession period : 20 years
- Ensuring value for money (VfM)
- Involves creation of public assets and procurement of services
- Government-pay principle based on established KPIs

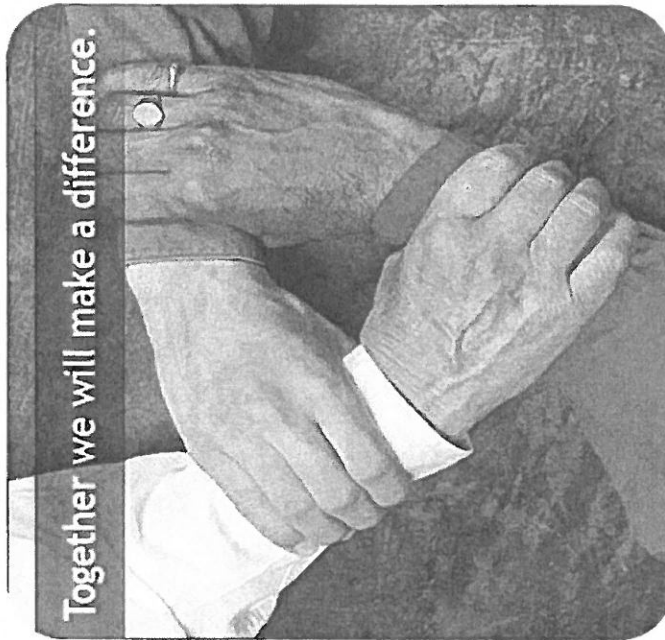




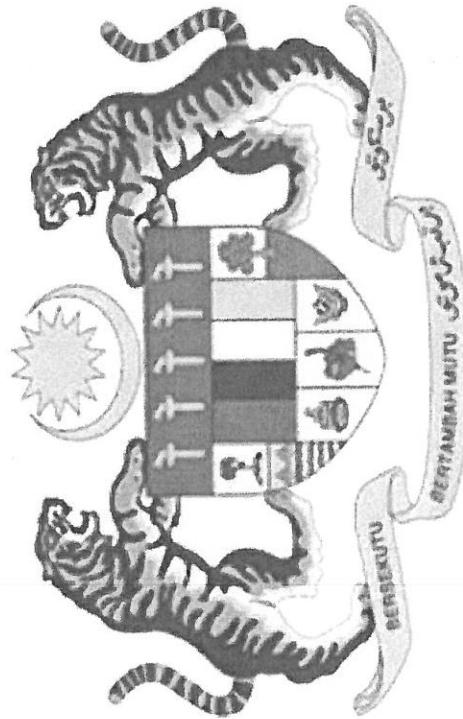
CONCLUSION



CONCLUSION



- Rapid infrastructure development was made successful through PPP
- Performance delivery improved through private sector efficiency
- PPP approach is only possible through smart partnership venture between private-public sector with high level commitment from the Government



-THANK YOU-
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Malaysia