

Financing Sustainable Infrastructure through Private Participation and the Capital Market

– Malaysia's 40-year Journey

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“ Build them first and they will come”

Today's Touch Points

- 1. Malaysia's enviable Sustainable Infrastructure**
- 2. How did Malaysia achieve this?**
 - The 5-Year Plans
 - Developing a robust local Capital Market that supports Infrastructure bonds and equity
 - Using NDFIs (National Development Financing Institutions)
- 3. Way Forward**

Malaysia's Enviably Sustainable Infrastructure

- Ranks one the highest in 'Quality Score' for sustainable infrastructure (Goldman Sachs)
- One of the **highest road densities** in ASEAN based on km/1000sqkm of land area) (ADB's 'Meeting Asia's Infrastructure Needs' report)

Infrastructure	Achievements (10th MP – 2011-2015)
• New roads added in the 5 years	93,100 km
National Road Development Global Index	From 1.42 in 2010 to 2.29 in 2015
Increase in air passengers handled	39%
Increase in urban rail ridership in the 5 years	32%
World Bank Logistics Index ranking	29 in 2013 to 25 in 2014
Household broadband penetration	70% in 2014
Population served with clean and treated water	95% by 2013
Sewerage coverage in population	41 million
Generation capacity added	5,458 MW
Electricity coverage of population	98%



Expressway routes in Malaysia

2,000 km of toll roads

The North-South Expressway (toll)

(966 km stretching from North to South)

Opening up the country for development



Ampang Elevated Toll Highway, KL (along the Ampang River)



Tanjung Pelapas Port

(14 berths over 5 km , handling 12.5 million TEUs)



URBAN REDEVELOPMENT

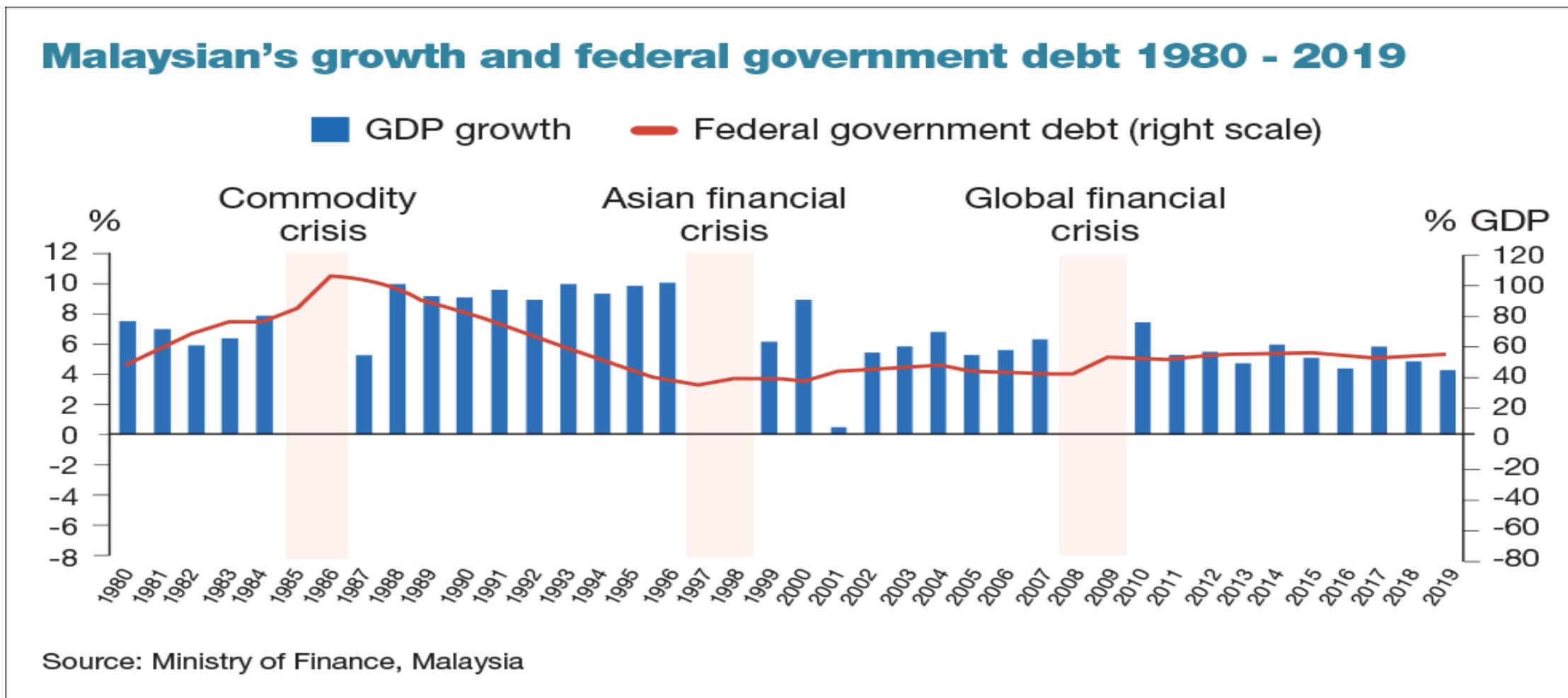
(14 acre – the Pavilion Shopping Complex)
formerly site of a girls' school



Putrajaya at night



Constricted Wriggle Room and the Need for Private Participation



How did Malaysia achieve these – the 5-Year Plans?

The 5-Year Plans – embedding Private Participation in the Planning

- 5-Year Plan PPP Development
- 4 (1981-85) Privatisation incorporated into Plan
- 5 (1986-90) Privatisation Policy 1985
- 6 (1991-96) Privatisation Masterplan **(PPP 1.0)**
- 9 (2006-10) PFI was introduced **(PPP 2.0)**
- 10 (2011-15) PPP further emphasised
- 11 (2016-20) PPP further emphasised
- 12 (2021-25) PPP further emphasised **(PPP 3.0?)**

The Many Types of PPP's (Alphabet Soup)

PPP Modalities

- Public provision of collective goods
- Service provision contracts
- Outsourcing/contracting
- Design and construct (D & C)
- Sale and leaseback
- Operate and maintain (O & M)
- Operate maintain and manage (OM & M)
- ?
- ?
- **Build transfer operate (BTO)**
- **Build operate transfer (BOT)**
- **Build lease transfer (BLT)**
- **Build lease transfer maintain (BLTM)**
- **Build own operate remove (BOOR)**
- **Build own operate transfer (BOOT)**
- **Lease renovate operate transfer (LROT)**
- **Design build finance operate (DBFO)**
- **Design construct manage finance (DCMF)**
- **Design build finance operate manage (DBFOM)**
- **Build own operate (BOO)**
- **PFI**
- ?
- Franchise
- Concession
- Joint venture (JV)
- Regeneration partnership
- Outright privatization

Developing a Robust Local Capital Market for Infrastructure Financing

- PPP projects in Malaysia are financed through a mix of equity, bank loans and projects bonds
- Mobilisation of long-termed **local currency** financing
- Infrastructure bonds accounted for 26% of overall bond issuance (1993-2019)
- Malaysia is a Global Centre for Islamic Bonds (sukuk)
- Attracting conventional investors such as pension funds
- Launched the world' first **green project-finance sukuk**
- **ESG-compliant** loans and bonds (eg YTL Power's RM1.1 billion LEED-certified Islamic term Financing Facilities for their 48MW IT Load Hyperscale data Centre (HDC) project)

Using NDFIs (National Development Financing Institutions)

- What's in a Name? – SIBs, Mission-oriented banks, Challenged banks, Promotional Policy banks
- Roles played by Malaysia's NDFIs
- Patient Capital and Blended Financing, crowding in philanthropic/donor financing
- Rebooting NDFIs

The Way Forward - Issues

- Refining the Art of Crowding In the various actors
 - conflicting/complementary interest
 - national infrastructure needs
 - equity investor
 - patient capital & philanthropic/donor financing (Current annual giving to climate action was between \$7.5 billion to \$12.5 billion out of **\$810 billion in total global giving to all causes** in 2021)
 - local/international capital market
 - ESG compliant
- The demise of PFI and the 'new' PPP 3.0

Thank You