

# 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

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- 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 (10 <sup>th</sup> MP – 2011-2015)
• New roads added in the 5 years	<b>93,100 km</b>
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	<b>95% by 2013</b>
Sewerage coverage in population	41 million
Generation capacity added	<b>5,458 MW</b>
Electricity coverage of population	<b>98%</b>

# 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

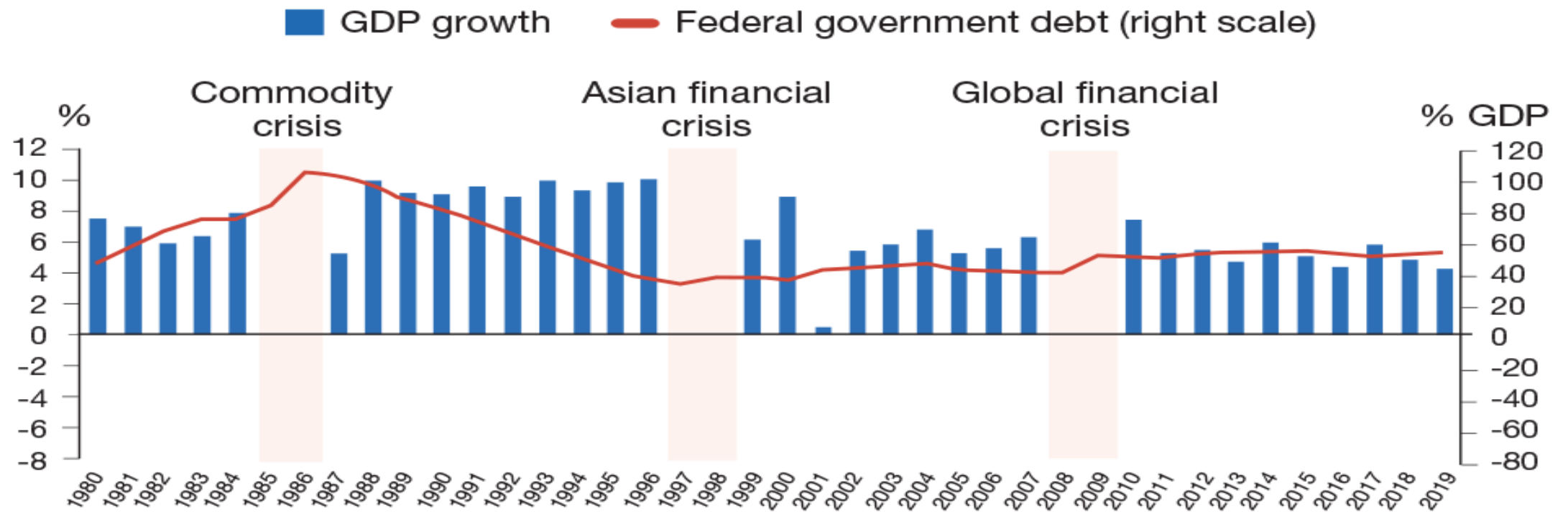


## Putrajaya at night



## Constricted Wriggle Room and the Need for Private Participation

### Malaysian's growth and federal government debt 1980 - 2019



Source: Ministry of Finance, Malaysia

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

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## 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

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- 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)

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- 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

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- 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