Chapter 10
Leveraging the Power of Public-Private Partnership Collaboration for Sustainable Growth

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ABSTRACT

The government has long pursued the public-private partnership (PPP) model to develop sizeable projects jointly with the private sector. By doing so, governments can be relieved of their total commitment to these large and heavily resource-dependent projects. Moreover, governments can leverage the private sector's expertise and share the project risks with them. On the other hand, the private sector that works with the governments on PPP projects can gain commercially while enhancing their competencies and competitiveness. Despite its significance, SMEs are often left out of the PPP model due to their lack of resources and know-how. To play a more prominent role in PPP projects, SMEs must intensify their efforts to overcome the obstacles preventing them from such projects and enhance their internal operational efficiencies. This chapter aims to identify and discuss the critical areas that need to be addressed to prepare SMEs for PPP projects in the future.

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INTRODUCTION

The public-private partnership (PPP) model is well recognised and has been extensively implemented by the government to reduce fiscal burdens and promote sustainable development. Ironically, sustainable development focuses on achieving long-term stability for both the economy and the environment. This objective can be accomplished only by integrating and recognizing economic, environmental, and social considerations throughout the decision-making process (Emas, 2015). In other words, sustainable development seeks to fulfil current needs without compromising the future generation's capability to meet their needs (WCED, 1987). The efficient execution of an appropriate PPP model, along with rigorous monitoring, can stimulate more development initiatives and attract investment. Notably, many countries, particularly developing economies, use PPP to encourage private sector participation in infrastructure development projects. According to the Benchmarking Infrastructure Development report, countries that made significant reforms to their PPP frameworks saw an average increase of US$488 million in infrastructure investment between 1990-2022 (The World Bank, 2024). According to the World Bank, the PPP model involves long-term cooperation and contractual relationships between the public and private sectors in providing public assets or services. Typically, the funding for these projects is complex and often includes contributions from the private sector and other stakeholders, such as multilateral development banks. In this sense, the private sector typically assumes significant risk and management responsibility, and the return from such PPP projects is closely linked to performance. Due to the nature of the PPP projects, which are usually large and complex, they are driven primarily by large corporations.

In Malaysia, PPP was first introduced in 1981, with the implementation of the Malaysia Incorporated Policy to encourage cooperation between the public and private sectors. It was further developed with the privatization policy in 1985, where the government began to rely on market forces by encouraging the private sector's participation in delivering public services (Ismail & Haris, 2014). Some prominent and successful PPP developments include the North-South Expressway, the Light Rail Transit (LRT) and the Kuala Lumpur International Airport (KLIA). Three hundred thirty-three projects were implemented from 1981 until 2009, when the government established the formal PPP unit. Malaysian PPP investments from 2009 to 2023 stood at RM185.45 billion (US$42.63 billion) across 175 projects. The transportation, storage, information and communications outpaced the other sectors, followed by government services. These projects contributed RM50.5 billion (US$11.61 billion) to the national GDP and created 696,061 jobs (PPP Unit, 2024). The government will continue to drive PPP initiatives by increasing private investment to RM78 billion (US$17.93 billion), contributing RM82 billion