

## **PPP: The Right Marriage between Local Government and the Private Sector in Malaysia?**

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**Abstract:** Public-Private Partnership has been employed in some local governments in Malaysia for some time in real estate development making local authorities a key player in the economic development of cities. However, little research exists on both the implementation of such projects and the evaluation of the governance procedures. This paper seeks to fill this gap by examining the working arrangement between selected local authorities and developers in striking a win-win situation. Towards this end, the paper examines the working arrangements between two local authorities and developers in Batu Pahat and Kuantan, as well as the subsequent post-project developments. The two cases in Kuantan exemplify successful partnerships that still exist while the third in Batu Pahat illustrates a failed partnership.

**Keywords:** local government, public-private partnership, privatization

**JEL classifications:** H77, O21, R11, R58

### **1. Introduction**

Public-private partnership (PPP) has existed in Malaysia, at least since the mid-1980s under joint-venture arrangements between local government and developers. PPP is often confused with privatization but both terms are quite clearly distinguishable in Malaysia. PPP is seen as a derivative of privatization (Pongsiri, 2002: 488), a concept that emerged under the administration of Mahathir Mohamad who emulated the initiative of Margaret Thatcher in the United Kingdom. Accordingly, the Malaysia Incorporated Policy was launched on 25 February 1983 followed by the Privatization Policy on 19 March 1983. The latter is a tool used to implement the former. Today, the term privatization has eroded as it is slowly being replaced by the term private financing initiative.

In the past, PPP in Malaysia was subjected to a traditional view and perceived to be a derivative of the privatization policy but of late, it denotes private sector involvement in public infrastructure development. However, the