

MINUTES OF MEETING FOR CITP IWG18 - EXPORT OF CONSTRUCTION SERVICES BIL. 3 (2017)
(CITP-IWG18/ I2 & I3)

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| Date | 13TH February 2017 (Monday) |
| Venue | Kempas Meeting Room, Level 32, PWTC |
| Time | 2.00 pm – 5.00 pm |
| Chairman | Datuk Matthew Tee Kwai Woon (CIDB BOD) |
| Dep. Chairman | Datin Nik Roslini Raja Ismail (MOF) |

Meeting Notes:

| Topic | Meeting Notes | Action |
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| Welcoming Remarks | <p>Chairman of welcome and thanks to all the committee members, sponsors, owners and the secretariat attending the IWG18 Bil. 3.</p> <p>Chairman informed that the purpose of this meeting is to:</p> <p>1) Discuss and finalize the refined KPIs and action plan for i2 and i3 and Internationalization thrust outcome</p> <p>2) Discuss on newly proposed Initiative i5 – Promote Usage of Malaysian Resources locally and abroad, in line with National Export Council (NEC) strategies.</p> <p>3) Endorsement of Inception report</p> | Info |
| Confirmation for Minutes of Meeting IWG8 Bil. 2 | <p>Chairman pointed the need to attach the attendance of the IWG members in previous meeting for meeting reference.</p> <p>Minutes of Meeting for IWG Bil. 2 have been endorsed by IWG members.</p> | Info |
| Matter Arising in TWG 4, MC & NEC | <p>IWG18 member has been informed on the highlighted issues relating to Internationalization discussed at TWG 4 :</p> <p>1) G8 is not a new class for contractors but only categories to facilitate the industry to identify contractors - local contractor capacity to export overseas.</p> <p>2) Meeting informed of the results of the meeting of the National Export Council (NEC) Bil. 4/2016 which</p> | <p>Info</p> <p>CIDB revisit the proposal to create a category G8 and discuss the criteria more stringent requirements for that category to be</p> |

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| | <p>discussed the issue of increasing the use of local resources for projects locally and abroad. For example, Malaysia is a leading manufacturer of wood furniture that meet international quality and standards, while Malaysia's consultants also have extensive expertise and experience in engineering and design of building skyscrapers.</p> <p>Mdm Zainora introduced the 7 new members of IWG18, rationalized from the merger of CITP and NEC Export of Construction. Currently, IWG18 having 21 members on board, well-balanced mixture of Government, GLCs, association and private sector.</p> <p>Sr Sariah pointed that Dato Sri Judin will added to the IWG Members list to represent MRCB due to the fact that he is no longer the Co-Chairman of TWG4 after rationalization of members exercise being done in line with the merger of CITP and NEC working group.</p> | <p>discussed in the forthcoming meeting IWG18.</p> <p>PIC IWG18 to take note on Dato' sri Judin appointment</p> |
| 2016 Progress Report for I2 & I3 | <p>The PMO department will measure the yearly targets achieved by IWG18 on initiatives I2 and I3. As of now, the overall progress for these initiatives is at more than 90% of the total target.</p> <p>One of the IWG18 members have asked the reason behind the progress for consortia KPIs 108 (number of projects) and 109 (value of projects) being the same. Mdm Zainora has responded the progress is similar for both of the KPIs because it is measured against the same project.</p> <p>Chairman suggested a separate meeting to be held with the PMO division to discuss on the criteria and methodology to measure the progress of KPI achievement and to sanitize the process.</p> <p>The representative from PMO division has stated that the PMO team is still in the midst of collecting evidences on the progress, the findings of which will be presented to the Ministerial Committee (MC) on 9th March 2017. The findings will also be presented to the cabinet.</p> <p>Initially, the IWG18 meeting is supposed to be held 6 times a year but later reduced to 4 times a year. But in 2016, the IWG18 meeting was held only twice.</p> | <p>CIDB PMO team to organize a meeting session with the IWG18 members to discuss on the criteria and methodology to measure the progress of KPI achievement.</p> |

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| <p>NEC Presentation – Strategies to Accelerate Export of Construction Services</p> | <p>Mdm Zainora has briefly presented on the presentation paper submitted by CIDB to National Export Council in December 2016. The strategic paper includes strategies to reduce the Balance of Payment for Construction industry.</p> <p>The IWG18 members have queried the reason behind the reducing interest from the local contractors for overseas projects to which, Mdm Zainora responded by saying that it is mainly because there are more opportunities locally.</p> | <p>Info</p> |
| <p>Presentation of Refined Charter for i2 & i3</p> <p>KPIs for Initiative i2 (Strengthening Access to Financing for Malaysian Champions going abroad)</p> | <p>KPI #3: RM10 Billion worth of overseas projects or contract works submitted by Malaysian companies for financing by 2020.</p> <p>The IWG18 members have not approved this new KPI. They questioned on how realistic the RM10 billion project is financing value and what would happen if the project is not materialized. Given these uncertainties, the IWG18 members deemed that it is difficult to assess the impact of this KPI.</p> <p>Instead of measuring the value of the project, the members suggested that Working capital is a more relevant indicator.</p> <p>The IWG18 members have approved the other 3 KPIs specified for initiative i2.</p> | <p>To remove the new proposed KPI #3 under initiative i2.</p> |
| <p>KPIs for Initiative i3a (Support Consortia Formation)</p> | <p>KPI #1: One-Stop Integration Source for Construction Service Providers established by 2018 and annually updated.</p> <p>The IWG18 members have approved this KPI but suggested CIDB to propose a champion who can collate all the information from the existing databases into the new database. This is because the new database will be used not only for export purposes, but also for investment, capacity building etc.</p> <p>A decision is also need to be made on whether to enhance the existing databases available or create a new database. This will form as part of the action plan.</p> | <p>The IWG18 members have approved this KPI but requested to review the action plan items.</p> |

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| | <p>KPI #2: RM15 billion worth of bids submitted by Malaysian consortia going overseas by 2020.</p> <p>The IWG18 members did not approve this KPI as they opined that emphasis should be put mainly on projects “won”, instead of bids or proposals submitted, which could end up worthless if the contractors did not win the projects.</p> <p>As such, instead of being a stand-alone KPI, this should be denoted as an action plan for KPI #1 of Initiative i3b, which is <i>“RM8 billion worth of overseas projects won by Malaysian players by 2020”</i>.</p> <p>The KPI for amount of projects to be won by the consortia has already been addressed in KPI #3 of this initiative i3a.</p> <p>KPI #3: Minimum of 8 consortia to be formed and winning overseas projects by 2020 in the amount of RM5 billion.</p> | <p>Remove this KPI and put it as an action plan for KPI #1 under initiative i3b.</p> <p>The IWG18 members have approved this KPI.</p> |
| <p>KPIs for Initiative i3b (Strengthen Overseas Market Intelligence)</p> <p>KPI #2: 6 Malaysian Players securing 10 overseas projects under multi-lateral development banks & agencies</p> | <p>KPI #1: RM8 billion worth of overseas projects won by Malaysian players by 2020</p> <p>The IWG18 members have approved this KPI but suggested to add an action item “RM15 billion worth of bids submitted by Malaysian consortia going overseas by 2020”.</p> <p>KPI #2: 6 Malaysian Players securing 10 overseas projects under multi-lateral development banks and agencies.</p> <p>Mdm Zainora explained the reason for introducing this KPI is because during one of the stakeholder engagement workshops organized by the consultants, the representative from World Bank has mentioned that the multi-lateral development banks such as World Bank are keen to support the Malaysian contractors to explore opportunities overseas but very few Malaysian companies are currently registered with them</p> <p>Chairman has suggested reviewing the strategy and action plan items before finalizing this KPI.</p> | <p>IWG18 members have approved this KPI but suggested to add an action item.</p> <p>IWG18 members to review the strategy and action plan items before finalizing this KPI.</p> |

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| | <p>KPI #3: 10 SMEs and 2 Mid-Tier Malaysian Construction Players going overseas assisted every year.</p> <p>MATRADE currently offers the “Go-Ex” program and the “Mid-Tier Development Program” to assist Malaysian SMEs and companies going overseas. They also organize missions to assist the companies.</p> <p>MATRADE’s definition of Mid-tier companies broadly encompasses companies with revenue ranging from RM20 million up to RM500 million while the SMEs are those with less than RM20 million revenue.</p> <p>Chairman has suggested for MATRADE to identify the list of Mid-Tier Companies.</p> <p>Representative from MATRADE has clarified that players in this context also include contractors, consultants, architects, engineers and suppliers. Building Materials Suppliers who are classified as SMEs can also be assisted via the MATRADE program. Currently, there are 139 companies registered under the Go-Ex programme but most of them are services companies, not necessarily construction companies.</p> <p>Therefore, it was suggested to the IWG18 members that it will be more appropriate to measure the outcome from the programme instead of measuring the number of companies being assisted. For instance, the KPI could be “10 SMEs and Mid-Tier companies going overseas under Go-Ex and Mid-Tier Development Programme”.</p> <p>Responding to the suggestion, Mdm Zainora has stated that the suggested KPI has already been addressed as Thrust-level KPI which is “10 more companies exporting construction services in the global market.”</p> <p>In the end, the members have approved the KPI but suggested to rephrase by adding Malaysian construction-related players.</p> | <p>Rephrase this KPI into “10 SMEs and 2 Mid-Tier Malaysian companies from construction and related services going overseas assisted every year.”</p> <p>MATRADE to identify the list of Mid-Tier Companies.</p> |
| <p>New KPIs proposed for Initiative i5 (Promote Usage of Malaysian Goods & Services Locally and</p> | <p>KPI #1: XX% local resources usage for Mega-projects undertaken by local and foreign players.</p> <p>The IWG18 members, though agreed to the relevance of this KPI, have quickly pointed out that the 30% target is too low as most of the mega projects are awarded by Government which will have mandate for local resources</p> | <p>Propose to change /increase the target to 50%.</p> |

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| Abroad) | usage. They opined that 50% target is easily achievable. | |
| KPI #1: XX% Local Resources Usage | <p>However, Sr Sariah has opined that the issue of insufficient local resources usage is specific to the Chinese investors who imports 100% of the materials and labor from China. Case in point is the Forest City project.</p> <p>Therefore, this KPI is crucial to address the gap in Balance of Payment. This KPI will be imposed for both local and foreign investors in order to drive the demand for construction services.</p> | |
| New Proposed International Thrust Outcome/ KPIs | <p>The 3 Thrust level KPIs presented to the IWG18 members were:</p> <ol style="list-style-type: none"> 1. X% Yearly improvement in Construction Balance of Trade by 2020 2. 10 more construction-related companies export construction services in the global market. 3. 6 times increase in volume of overseas construction projects and construction-related projects secured by Malaysian Companies by 2020. <p>The IWG18 members have approved the Internationalization Thrust outcome proposed which is the 5% yearly improvement in construction balance of trade, which effectively has replaced the old KPI of "10 companies achieve 5-star SCORE rating". However, the IWG18 members have also requested to retain the old KPI as well, effectively resulting in 4 Thrust-level KPIs.</p> | To remain the existing KPIs of "10 more companies achieving 5-star SCORE rating". |
| Endorsement of Inception Report for Study to Strengthen Access to Financing | <p>The final agenda of the IWG18 meeting was the presentation of Inception report by consultants from RSM-ARCADIS on the Initiative I2 study to the Steering Committee members who are present during the workshop.</p> <p>The presentation was conducted by Fiona Soh from RSM and Mohamed Najib from ARCADIS, the Project Director 2 and Project Manager for the study respectively.</p> <p>The steering committee members have commented on the following:</p> | Info |

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| | <p>Country Risk Assessment</p> <p>The IWG18 members have requested the consultant to show the position of Malaysia in the country ranking to see where our country stands in the global arena.</p> <p>Chairman has opined that the Malaysian players will not be able to provide competitive services in China due to the stiff competition and thus, it may not be a relevant target market for the Malaysian contractors. Same goes to Japan and Korea where not many Malaysian companies have done projects in the past.</p> <p>The consultant responded that these 3 countries were shortlisted as target markets due to their strong GDP value and Growth as well as favorable results from the PEST (Political, Economic, Social and Technological) Analysis conducted by the consultants.</p> <p>The consultants have also mentioned that in the next stage of reporting, which is the Interim Report, they will be able to identify which sector is the most attractive in those target markets for Malaysian players to venture into.</p> <p>Proposed Solution Groups</p> <p>Chairman has queried if the Malaysian banks and financial Institutions are really keen to support the local contractors to go overseas to which, the consultant has responded positively by saying that from the management interview conducted with RHB, they have shared that their loan approval rate stands at 40% to 50%.</p> <p>However, Chairman also pointed out that recently, RHB bank has requested for 50% cash collateral from the company to do a project in Thailand. The consultant has agreed to look further into the products and financing terms offered by the local banks in the next stage of reporting.</p> | <p>Consultant to conduct sector analysis on the target markets to identify suitable areas or sectors for Malaysian players to venture into.</p> <p>Consultant to do an assessment on the current financing products and terms of financing offered by the local banks for overseas projects.</p> |
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| Moving Forward | <p>The IWG18 Steering Committee has approved the Inception Report presented by the consultant.</p> <p>The next step for the consultant is to submit the Interim Report by 22nd February 2017 and organize a site visit to China, Japan, Korea and Singapore by 1st week of March to benchmark on financing products and schemes offered in these countries which could be emulated for the local market.</p> | Info |
| Meeting Adjourned | <p>The meeting was adjourned at 5.00 pm.</p> | Info |