SECTION 5

# Fiscal Risk and Liabilities


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SECTION 5

# Fiscal Risk and Liabilities

## Overview

The fiscal risk landscape continues to be shaped by external uncertainties and domestic economic needs. Geopolitical conflicts pose risks to macro stability and trade flows which in turn could cause deviation from fiscal targets. Domestically, factors such as rising cost of living, regional disparity, ageing and climate change may heighten pressure on public finances. Furthermore, the implementation of the national development agenda under the Thirteenth Malaysia Plan, 2026 – 2030 (Thirteenth Plan), mainly through investments in infrastructure, energy transition, improvements in public service delivery and support for economic sectors, will require efficient resource management. Consequently, meeting financing needs through budgetary allocations and borrowings, need to be managed in a prudent and balanced manner.

Prudent management of government debt and liabilities, supported by the medium-term fiscal framework and comprehensive risk assessment, remains a priority in maintaining fiscal sustainability. Against this backdrop, the fiscal reform initiatives that have been consistently implemented over the last four years, supported by resilient growth and a robust financial market, have helped contain fiscal risk exposures. Furthermore, the Public Finance and Fiscal Responsibility Act 2023 [Act 850] mandates the Government to establish a comprehensive fiscal risk management, which is vital for mitigating vulnerabilities and absorbing unforeseen fiscal shocks. In this regard, the Government has progressed steadily towards enhancing fiscal transparency particularly on the disclosure of fiscal risk. These initiatives will collectively help build Malaysia's economic resilience, improve public finance management and enhance stakeholders' confidence.

INFORMATION BOX

### Reining in Risk: Towards the Publication of Malaysia's Fiscal Risk Statement

#### Introduction

In strengthening fiscal resilience and sustainability, effective fiscal risk management is important to ensure the Government remains well-positioned to respond to economic and financial uncertainties, which may result in potential fiscal commitments. While the ongoing reform initiatives have led to a tangible fiscal consolidation trajectory, various risk factors such as the macro-fiscal environment, financial market volatility and contingent liabilities exposure need to be continuously assessed and prudently managed. In this regard, fiscal risk reporting forms an integral part of the Government's efforts to enhance risk management practices and eventually support the sustainability of public finances. Against this backdrop, the publication of a Fiscal Risk Statement (FRS) represents an important step towards further improving Malaysia's fiscal risk management framework.

### What is a Fiscal Risk Statement?

An FRS is a consolidated public document that identifies, quantifies, where feasible, and discusses the risks that could cause the Government's fiscal outturns to deviate from its fiscal baseline and medium-term projections. The FRS provides an integrated assessment of the various sources of fiscal risks, including macroeconomic shocks, contingent liabilities and structural exposures. It also provides an overview of how such risks have materialised in the past, as well as measures implemented and institutional arrangements made to monitor, manage and mitigate the risk. By bringing these assessments together within a single analytical framework, the FRS can promote more informed fiscal decision-making, strengthen fiscal resilience and build confidence in the Government's ability to manage fiscal risks over the medium term.

### International Benchmarking on Fiscal Risk Disclosure

The importance of fiscal risk disclosure is well established in international standards and best practices. As illustrated in Figure 1, Pillar III of the IMF's Fiscal Transparency Code (Fiscal Risk Analysis and Management) calls for risks to public finances to be disclosed, analysed and managed, with fiscal decision-making to be effectively coordinated. The Code adopts a gradual approach, distinguishing between basic, good and advanced practices, recognising that countries may progressively strengthen their fiscal risk disclosure and management frameworks. Similarly, the OECD Best Practices for Managing Fiscal Risks states that fiscal risk disclosure should explicitly identify potential deviations against both medium- and long-term forecasts, prioritising data that supports decision-making and accountability. In order to avoid information overload and promote informed discussions, the OECD recommends using clear risk classifications, numerical disclosure thresholds, visual tools such as risk matrices, and publishing narrative explanations when quantification is not possible.

**FIGURE 1.** *Pillar III of the IMF's Fiscal Transparency Code (Fiscal Risk Analysis and Management)*

| Principle | Focus | What the government should do |
|---|---|---|
| **Dimension 3.1 Risk Disclosure and Analysis – publish regular summary reports on risks to fiscal prospects** | | |
| **3.1.1** | **Macroeconomic Risks** | Report how fiscal outcomes might differ from baseline forecasts under different macroeconomic assumptions. |
| **3.1.2** | **Specific Fiscal Risks** | Provide a regular summary report on the main specific risks to the fiscal forecasts. |
| **3.1.3** | **Long-Term Fiscal Sustainability** | Regularly publish projections of the evolution of public finances over the long term. |
| **Dimension 3.2 Risk Management – specific risks should be regularly monitored, disclosed and managed** | | |
| **3.2.1** | **Budgetary Contingencies** | Maintain adequate and transparent budget allocations for contingencies arising during execution. |

| Principle | Focus | What the government should do |
|---|---|---|
| **3.2.2** | **Asset and Liability Management** | Disclose and manage risks relating to major assets and liabilities. |
| **3.2.3** | **Guarantees** | Regularly disclose guarantee exposure, authorised by law. |
| **3.2.4** | **Public-Private Partnerships (PPP)** | Regularly disclose and actively manage obligations under PPPs. |
| **3.2.5** | **Financial Sector Exposure** | Analyse, disclose and manage potential fiscal exposure to the financial sector. |
| **3.2.6** | **Natural Resources** | Value, disclose and manage the government's interest in exhaustible natural resource assets and their exploitation. |
| **3.2.7** | **Environmental Risks** | Analyse, disclose and manage potential fiscal exposure to natural disasters and other major environmental risks. |
| **Dimension 3.3 Fiscal Coordination – fiscal relations and performance across the public sector should be analysed, disclosed and coordinated** | | |
| **3.3.1** | **Subnational Governments** | Collect and publish comprehensive information on the financial condition and performance of subnational governments, individually and as a consolidated sector. |
| **3.3.2** | **Public Corporations** | Regularly publish comprehensive information on the financial performance of public corporations, including any quasi-fiscal activity. |

Source: Fiscal Transparency Handbook (2018), IMF

Additionally, according to the World Bank, fiscal risk disclosure plays a critical role in fiscal transparency and overall risk management, thus helping governments to identify, evaluate and communicate potential deviations from expected budget outcomes. Disclosing these risks not only strengthens public accountability but also heightens awareness and improves preparedness in the event that financial costs materialise.

Complementing these international principles, the publication of an FRS, which has been institutionalised in several countries is a valuable reference point for Malaysia. These countries demonstrate that fiscal risk reporting does not follow a single, fixed template, but encompasses a spectrum of practices, ranging from a statutory statement embedded within annual budget documents to standalone reports, incorporating probabilistic risk analysis produced by independent fiscal institutions. In particular, five selected countries, representing the advanced economies as well as regional peers, illustrate the varying degrees of maturity and comprehensiveness in fiscal risk disclosure and reporting (Figure 2). Benchmarking against international practices therefore provides useful guidance for Malaysia in shaping its own FRS, allowing relevant practices to be adopted progressively, in line with the country's evolving analytical capacity and institutional readiness.

**FIGURE 2.** *Summary of Fiscal Risk Disclosure Practices Across Selected Countries*

| Countries | Legal basis | Content of the statement | Distinguishing features |
|---|---|---|---|
| **Australia** | Primary legislation (Charter of Budget Honesty Act 1998) | • Statement of Risks in each Budget and the Mid-Year Economic and Fiscal Outlook.<br>• Covers contingent liabilities, guarantees and general economic/policy risks. | • Legally entrenched.<br>• Risks below a materiality threshold are aggregated. |
| **Indonesia** | Executive practice (fiscal risk chapter in the annual financial note) | • Fiscal risk chapter covering macroeconomic assumptions, state-owned entities (SOE) and guarantee exposures, PPP obligations and natural-disaster/ contingent risks. | • Integration of fiscal risks into the budget financial note, extensive treatment of SOEs, infrastructure financing, government guarantees and practical mitigation measures. |
| **New Zealand** | Primary legislation (Public Finance Act 1989; Fiscal Responsibility provisions) | • Statement of specific fiscal risks and contingent liabilities within the Budget Economic and Fiscal Update report.<br>• Quantified and unquantified risks disclosed at each budget and update. | • Legally entrenched.<br>• Pioneer countries. |
| **The Philippines** | Executive practice via the Development Budget Coordination Committee (annual since 2011) | • Annual Fiscal Risks Statement: macro risks, SOE, social security institutions, PPPs and other contingent liabilities, local government unit, natural disasters and a public debt sustainability analysis. | • Closest emerging market and developing economies regional model.<br>• Quantified contingent-liability tables and a Contingent Liability Fund. |
| **United Kingdom** | Independent body under statutory remit (Office for Budget Responsibility; Charter for Budget Responsibility) | • Fiscal Risks and Sustainability report.<br>• Maintains a standing fiscal risk register.<br>• HM Treasury issues a formal government response. | • Produced independently of the executive.<br>• The only such report by an independent fiscal institution. |

Sources: Fiscal Transparency Handbook (2018), IMF; OECD Best Practices for Managing Fiscal Risks and selected countries' fiscal risk statements / reports.

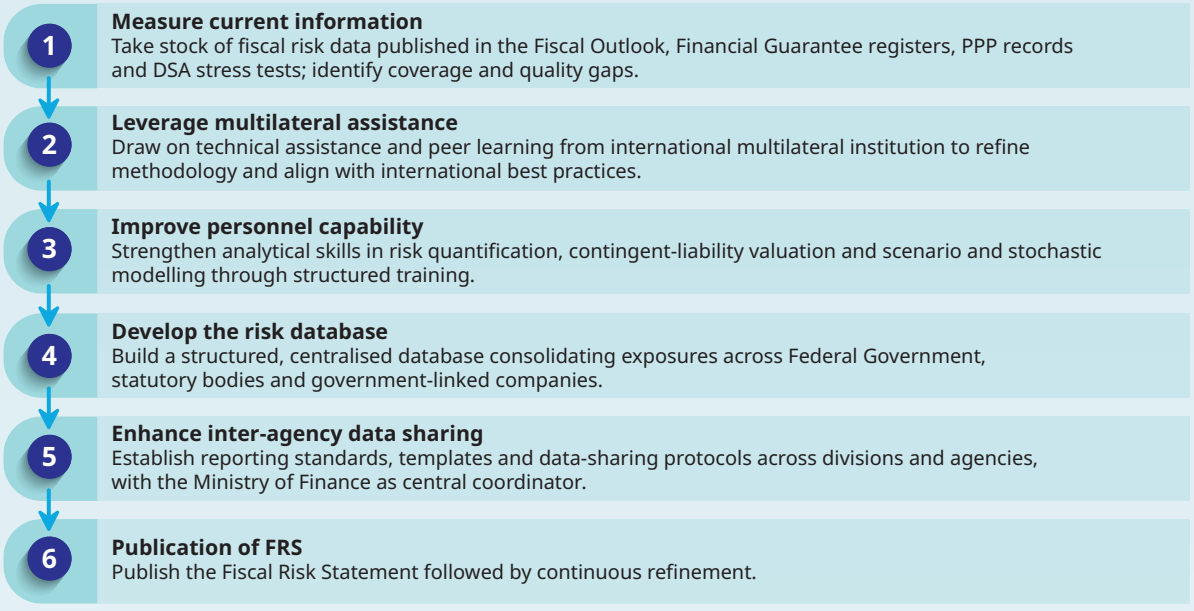
### Malaysia's Progress Towards Publication of a Fiscal Risk Statement

Malaysia has progressively strengthened its disclosure of fiscal risk since 2017. The annual Fiscal Outlook and Federal Government Revenue Estimates (FORE) report, tabled alongside the Budget, includes a dedicated section on Fiscal Risk and Liabilities, which provides information on Financial Guarantees, obligations under PPP arrangements and other liabilities. Furthermore, the debt sustainability analysis (DSA), including stress testing, is published on a biennial basis as part of the Government's fiscal risk disclosure under the FORE.

Against this backdrop, the Government has established the statutory and operational foundations for the planned publication of a dedicated FRS. The Public Finance and Fiscal Responsibility Act 2023 [Act 850] embedded the institutional framework for fiscal risk management policy and the responsibilities of the Minister of Finance in relation to fiscal risks. Notably, Section 37 of the Act provides for the publication of a dedicated FRS, providing a clear statutory basis for strengthening fiscal risk disclosure in Malaysia. In addition, to contain fiscal risk arising from contingent liabilities, a statutory limit of 25% of GDP on Financial Guarantees has been introduced as part of the Act.

Since the gazettement of Act 850, the Government has set in motion the groundwork for the publication of a dedicated FRS. The publication is envisaged to be undertaken in a measured and phased approach where each phase strengthens the foundation for the next, as illustrated in Figure 3. This will allow the necessary data, analytical capacity and institutional coordination to be developed progressively, ensuring the eventual FRS is supported by robust foundations and is aligned with Malaysia's institutional capacity and readiness.

**FIGURE 3.** *Phased Roadmap Towards Publication of the Fiscal Risk Statement*




Source: Ministry of Finance, Malaysia

### Proposed Elements of the Fiscal Risk Statement

Section 37 of the Act stipulates that the FRS contains elements pertaining to, among others, macroeconomic risk, level of Financial Guarantees, exposure to other liabilities as well as mitigation plans to contain fiscal risk exposure. Nevertheless, considering relevant international best practices and other countries' publications, there are several potential areas to be incorporated in Malaysia's first FRS as shown in Figure 4.

**FIGURE 4.** *Elements of the Fiscal Risk Statement*

| Component | Coverage | Disclosure approach |
|---|---|---|
| **1. Overview and context** | Purpose, scope and legal basis; summary of the fiscal baseline; and how risks may cause deviation. | Narrative. |
| **2. Macro-fiscal risks** | Possibility of having a sensitivity analysis of revenue, expenditure, deficit and debt to changes in GDP. | Sensitivity and scenario analysis; fan charts over time. |
| **3. Explicit contingent liabilities** | Financial guarantees, PPP obligations and other relevant commitments not captured as government debt. | Quantified (face value); materiality threshold applied. |
| **4. Implicit contingent liabilities** | In advanced phases, disclosure of potential support to SOEs, the financial sector and state level exposure. | To start as qualitative disclosure with possibility of moving towards quantified value, where feasible. |
| **5. Specific risks** | Risks related to natural disasters and climate change, legal claims and other structural exposures. | Qualitative to quantitative; disaster-loss estimates. |
| **6. Risk management and mitigation** | Statutory ceilings (e.g. 25% of GDP guarantee limit), guidelines, intervention plans and provisioning. | Narrative and current status against the limits. |
| **7. Summary risk matrix** | Consolidated view of principal risks by potential fiscal impact. | Heat-map / Matrix. |

Source: Ministry of Finance, Malaysia

## Conclusion

The planned FRS represents a logical and important extension of the fiscal governance framework established under Act 850. Malaysia has already disclosed key elements of its fiscal risk landscape through the FORE, including Federal Government debt, Financial Guarantees and debt sustainability stress tests. The publication of the FRS will complement the current fiscal surveillance report, taking into account international standards and best practices. Moving towards a comprehensive FRS, this will require a whole-of-government approach, institutional coordination, as well as a phased implementation, which progressively expands from established areas such as macro-fiscal risks and contingent liabilities to more complex and harder-to-quantify exposures, including climate and institutional risks.

A comprehensive FRS can further strengthen Malaysia's fiscal risk management framework by promoting a more systematic internal risk assessment, enhancing parliamentary and public oversight, and reinforcing the credibility of the Government's fiscal management. This is particularly relevant as Malaysia's fiscal risk exposure continues to require close monitoring and prudent management. In essence, the FRS should not only be viewed as a means of fulfilling the requirements of Act 850, but as a quintessential step towards strengthening the resilience, transparency and long-term sustainability of Malaysia's public finances.

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# Debt and Liabilities Exposure

The Government remains steadfast in its commitment to enhance the transparency of fiscal reporting, guided by prominent international benchmarks such as the International Public Sector Accounting Standards and the IMF's Public Sector Debt Statistics framework. As at end-June 2026, aggregate debt and liabilities[1] amounted to RM1,763.3 billion, equivalent to 80.7% of GDP (2025: RM1,710.2 billion; 84.4% of GDP). The Government will continue to closely monitor the level of these exposures and the associated risks, particularly commitments that may trigger future fiscal obligations, to ensure the risks remain manageable and aligned with the fiscal objectives mandated by Act 850.

**TABLE 5.1.** *Federal Government Debt and Liabilities Exposure, 2025 – 2026*

| COMPONENT | RM MILLION | | SHARE OF GDP (%) | |
|---|---|---|---|---|
| | 2025 | 2026[1] | 2025 | 2026[1] |
| Federal Government debt | 1,320,777 | 1,378,894 | *65.2* | *63.1* |
| Committed guarantees | 245,777 | 248,285 | *12.1* | *11.4* |
| Other liabilities | 143,683 | 136,151 | *7.1* | *6.2* |
| **Total** | **1,710,237** | **1,763,330** | ***84.4*** | ***80.7*** |

[1] End-June 2026

Source: Ministry of Finance, Malaysia and Public Private Partnership Unit (UKAS), Prime Minister's Department

# Financial Guarantees

Malaysia continues to leverage both public and private resources to support national development and invest in strategic infrastructure. While direct fiscal allocation is provided to fund essential public goods and services such as healthcare, security and education, quasi-fiscal mechanisms are strategically deployed to support targeted financing programmes and major infrastructure rollouts. As one of the mechanisms, Financial Guarantees support the implementation of strategic programmes and infrastructure projects while promoting economic activities and prudent fiscal management. Governed by four primary legislations, namely the Financial Procedure Act 1957 [Act 61], Loan Guarantee (Bodies Corporate) Act 1965 [Act 96], as well as the Loan Guarantee Acts of 1963 [Act 412] and 1972 [Act 66], the management and reporting of Financial Guarantees have been further consolidated within the broader fiscal responsibility framework following the introduction of Act 850. As at end-June 2026, outstanding Financial Guarantees stood at RM447.3 billion, representing 20.4% of GDP, remaining below the 25% of GDP statutory limit, as required under Schedule 1 of Act 850.

**TABLE 5.2.** *Financial Guarantees[1], 2025 – 2026*

| COMPONENT | RM MILLION | | SHARE OF GDP (%) | |
|---|---|---|---|---|
| | 2025 | 2026[2] | 2025 | 2026[2] |
| Guarantees under Act 96 | 352,856 | 354,418 | *17.4* | *16.2* |
| Guarantees under Act 61 | 89,785 | 92,906 | *4.4* | *4.2* |
| Undertakings and Supports | 28,017 | 28,953 | *1.4* | *1.3* |
| Guarantee Schemes | 61,768 | 63,953 | *3.0* | *2.9* |
| **Total** | **442,641** | **447,324** | ***21.8*** | ***20.4*** |

[1] No outstanding obligations under Act 66 and Act 412

[2] End-June 2026

Source: Ministry of Finance, Malaysia

[1] Comprising Federal Government's debt, committed guarantees and financial commitments derived from public-private partnership (PPP) and private finance initiative (PFI)

*Guarantees under Act 96*

Guarantees issued under Act 96 represent the largest share of outstanding Financial Guarantees, primarily extended to statutory bodies and government-linked companies. These guarantees predominantly support capital-intensive infrastructures such as public transport and utilities, which typically involve long gestation periods and require partial government support to achieve financial viability. This approach enables the Government to facilitate strategic investments while optimising financing costs to support national development. As at end-June 2026, outstanding guarantees under Act 96 stood at RM354.4 billion or 16.2% of GDP.

A segmental analysis shows that infrastructure accounts for the largest share at 60.2%, driven by large-scale public transportation projects such as the East Coast Rail Link (ECRL), Mass Rapid Transit (MRT), Light Rail Transit 3 (LRT3) and highway networks. The services segment constitutes 30.4%, mainly comprising guarantees supporting public servant home financing and tertiary education loans, followed by utilities (3.6%) and investment holdings (3.4%). Notably, the exposure is concentrated among the top 10 beneficiary entities, which comprise 92.7% of total guarantees under Act 96. From the currency risk perspective, 88.5% of total exposure is ringgit-denominated, shielding the Government's exposure against foreign exchange volatility. Furthermore, the portfolio has a weighted average financing maturity of 10.7 years.

**TABLE 5.3.** *Major Recipients of Guarantees under Act 96, 2025 – 2026*

| ENTITY | RM MILLION | | SHARE (%) | | SHARE OF GDP (%) | |
|---|---|---|---|---|---|---|
| | 2025 | 2026[2] | 2025 | 2026[2] | 2025 | 2026[2] |
| DanaInfra Nasional Berhad | 92,395 | 92,095 | *26.2* | *26.0* | *4.6* | *4.2* |
| Lembaga Pembiayaan Perumahan Sektor Awam | 56,820 | 60,045 | *16.1* | *17.0* | *2.8* | *2.8* |
| Malaysia Rail Link Sdn. Bhd.[1] | 54,264 | 58,967 | *15.4* | *16.6* | *2.7* | *2.7* |
| Prasarana Malaysia Berhad | 42,650 | 43,950 | *12.1* | *12.4* | *2.1* | *2.0* |
| Perbadanan Tabung Pendidikan Tinggi Nasional | 41,450 | 42,450 | *11.7* | *12.0* | *2.0* | *1.9* |
| Projek Lebuhraya Usahasama Berhad | 11,000 | 11,000 | *3.1* | *3.1* | *0.5* | *0.5* |
| Federal Land Development Authority (FELDA) | 7,328 | 5,880 | *2.1* | *1.7* | *0.4* | *0.3* |
| 1Malaysia Development Berhad | 5,000 | 5,000 | *1.4* | *1.4* | *0.2* | *0.2* |
| Suria Strategic Energy Resources Sdn. Bhd.[1] | 4,729 | 4,641 | *1.3* | *1.3* | *0.2* | *0.2* |
| Pengurusan Air SPV Berhad | 5,790 | 4,390 | *1.6* | *1.2* | *0.3* | *0.2* |
| **Total of Top 10 Recipients** | **321,426** | **328,418** | ***91.0*** | ***92.7*** | ***15.8*** | ***15.0*** |
| *Other Recipients* | *31,430* | *26,000* | *9.0* | *7.3* | *1.6* | *1.2* |
| **Total guarantees** | **352,856** | **354,418** | ***100.0*** | ***100.0*** | ***17.4*** | ***16.2*** |

[1] Subject to exchange rate valuation

[2] End-June 2026

Source: Ministry of Finance, Malaysia

*Guarantees under Act 61*

Guarantees under Act 61 encompass undertakings, supports and public guarantee schemes. Undertakings and supports are instruments tailored for specific purposes such as strategic investments and corporate restructuring exercises. As at end-June 2026, undertakings and supports registered RM28.9 billion or 1.3% of GDP. Going forward, the Government will continue to strengthen risk mitigation measures for instruments related to undertakings and supports, including through the establishment of prudential parameters governing the issuance of these instruments.

Meanwhile, public guarantee schemes are administered by three entities, namely Syarikat Jaminan Pinjaman Perniagaan Berhad, Syarikat Jaminan Kredit Perumahan Berhad and Credit Guarantee Corporation Malaysia Berhad. These schemes are designed to support SMEs, sustainable and green investments as well as homeownership, particularly among youth and first-time homebuyers. As at end-June 2026, outstanding exposures under these schemes stood at RM64 billion, equivalent to 2.9% of GDP. Nevertheless, the associated fiscal risks from these schemes remain contained, with guarantees extended within prudent credit risk parameters established by participating financial institutions, complemented by rigorous oversight by Bank Negara Malaysia.

## Committed Guarantees

Recipients of Financial Guarantees that receive various forms of support such as partial interest servicing, working capital provisions or temporary cash injections are

**TABLE 5.4.** *Committed Guarantees, 2025 – 2026*

| ENTITY | RM MILLION | | SHARE (%) | |
|---|---|---|---|---|
| | 2025 | 2026[3] | 2025 | 2026[3] |
| DanaInfra Nasional Berhad | 92,395 | 92,095 | *37.6* | *37.1* |
| Malaysia Rail Link Sdn. Bhd.[1] | 54,264 | 58,967 | *22.1* | *23.7* |
| Prasarana Malaysia Berhad | 42,650 | 43,950 | *17.4* | *17.6* |
| Urusharta Jamaah Sdn. Bhd.[2] | 24,786 | 24,274 | *10.1* | *9.8* |
| Federal Land Development Authority (FELDA) | 7,328 | 5,880 | *3.0* | *2.4* |
| 1Malaysia Development Berhad | 5,000 | 5,000 | *2.0* | *2.0* |
| Suria Strategic Energy Resources Sdn. Bhd.[1] | 4,729 | 4,641 | *1.9* | *1.9* |
| Jambatan Kedua Sdn. Bhd.[1] | 3,491 | 3,446 | *1.4* | *1.4* |
| Turus Pesawat Sdn. Bhd. | 3,360 | 3,360 | *1.4* | *1.4* |
| GovCo Holdings Berhad | 3,300 | 2,900 | *1.3* | *1.2* |
| MKD Kencana Sdn. Bhd. | 2,000 | 2,000 | *0.8* | *0.8* |
| MKD Signature Sdn. Bhd.[2] | 1,560 | 1,560 | *0.6* | *0.6* |
| Syarikat Perumahan Negara Berhad | 265 | 212 | *0.1* | *0.1* |
| TRX City Sdn. Bhd. | 650 | - | *0.3* | - |
| **Total** | **245,778** | **248,285** | ***100.0*** | ***100.0*** |

[1] Subject to exchange rate valuation
[2] Guarantees provided under Act 61
[3] End-June 2026

Source: Ministry of Finance, Malaysia

categorised as committed guarantees. The provision of financial support is to ensure continued implementation of critical projects and programmes with broader economic and developmental objectives. As at end-June 2026, committed guarantees stood at RM248.3 billion or 55.5% of total outstanding Financial Guarantees. This position remained broadly stable compared with end-2025, as additional financing requirements for the ECRL project and DanaInfra Nasional Berhad were offset by the redemption of financing obligations by GovCo Holdings Berhad, TRX City Sdn. Bhd. and the Federal Land Development Authority (FELDA).

## Other Liabilities

Other liabilities comprise financial obligations arising from public-private partnership (PPP) and private finance initiative (PFI) arrangements. These financing mechanisms provide alternative avenues for supporting infrastructure development and public service delivery by mobilising private sector financing and participation. While such arrangements can facilitate the delivery of strategic projects without requiring upfront budgetary allocations, the resulting long-term payment obligations remain an important component of the Government's overall fiscal exposure and require careful consideration in assessing fiscal space and affordability.

### *Public-Private Partnership*

The PPP framework facilitates collaboration between the public and private sectors in delivering infrastructure, assets and public services. Under the framework, private partners may finance, develop and operate projects in accordance with contractual arrangements that specify the respective obligations, risk-sharing arrangements and deliverables. The PPP projects are implemented through various financing models, including the user-pay model, which is primarily funded by the private sector and the co-financing model, where funding is shared between the Government and private sector.

As at end-June 2026, outstanding financial obligations under PPP finance lease arrangements amounted to RM97.7 billion or 4.5% of GDP. New and ongoing PPP commitments will continue to be assessed in terms of value for money, affordability and the Government's overall fiscal capacity, to ensure such arrangements remain feasible and financially viable.

### *Private Finance Initiative*

The PFI supports the delivery of public infrastructure and facilities by mobilising long-term financing from institutional investors. Since inception, PFI financing has funded projects across various sectors, including public utilities, education, affordable housing, skills development and maintenance of government facilities. Under these arrangements, financing was provided by institutional investors, including the Employees Provident Fund (EPF) and the Retirement Fund (Incorporated) (KWAP), with the Government undertaking the corresponding repayment obligations. As at end-June 2026, outstanding PFI obligations decreased to RM38.5 billion or 1.7% of GDP, compared with RM41.4 billion as at end-2025. Combined with PPP finance lease obligations, other liabilities amounted to RM136.2 billion, or 6.2% of GDP, as at end-June 2026.

# Conclusion

Malaysia's fiscal risk exposure remains manageable and well-contained, underpinned by a comprehensive risk management framework that continues to strengthen the identification, monitoring and mitigation of potential shocks to public finances. Under the institutional framework established by Act 850, the Government has progressively enhanced fiscal risk management by issuing formal guidelines and adhering to the statutory limit of 25% of GDP for Financial Guarantees. These measures, together with strengthened monitoring of contingent liabilities and other sources of fiscal exposure, provide an important foundation for safeguarding fiscal sustainability.

Further refinements to the PPP framework will support more effective allocation and management of public resources. Concurrently, ongoing efforts to enhance the governance and oversight of goverment-owned entities through the proposed legislation on goverment-owned entities will help contain potential fiscal risks arising from the operations, financial obligations and reliance on government support. Furthermore, the enactment of the Government Procurement Act 2026 [Act 882] will reinforce governance, transparency and accountability throughout the public procurement cycle. This will strengthen controls over procurement-related risks while mitigating inefficiencies, cost overruns and broader fiscal exposures.

Moving forward, the Government will continue to institutionalise fiscal risk management, notably through the development of a Fiscal Risk Statement to provide a comprehensive and transparent assessment of the Government's fiscal risk exposures and the potential public finance implications. Together with more forward-looking and dynamic risk assessment embedded within public financial management, these measures will enhance the Government's capacity to anticipate and manage emerging risks, enhance fiscal resilience, safeguard sovereign creditworthiness and preserve fiscal space to support the nation's development aspiration.

**FIGURE 5.1.** *Financial Guarantees*

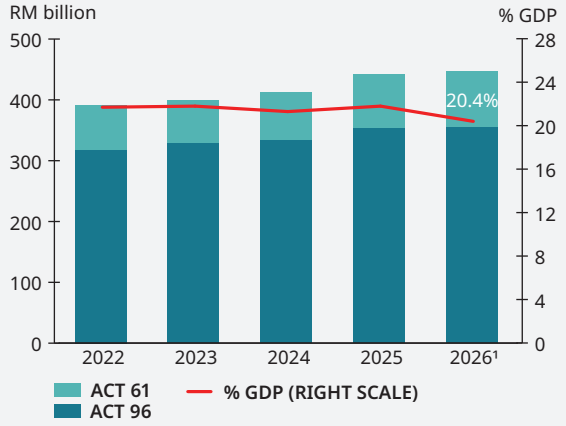



**FIGURE 5.2.** *Maturity Profile of Guarantees under Act 96*[1]

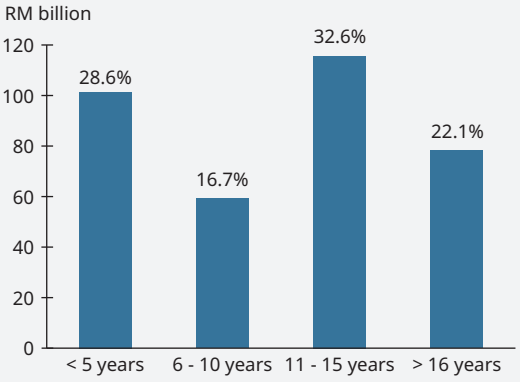
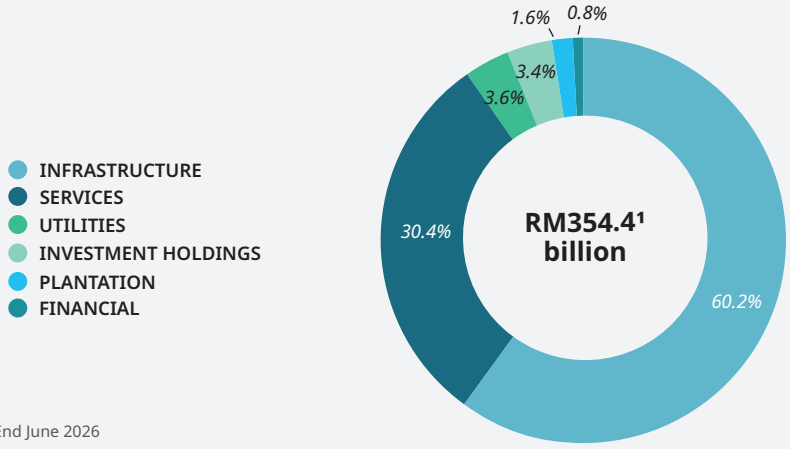


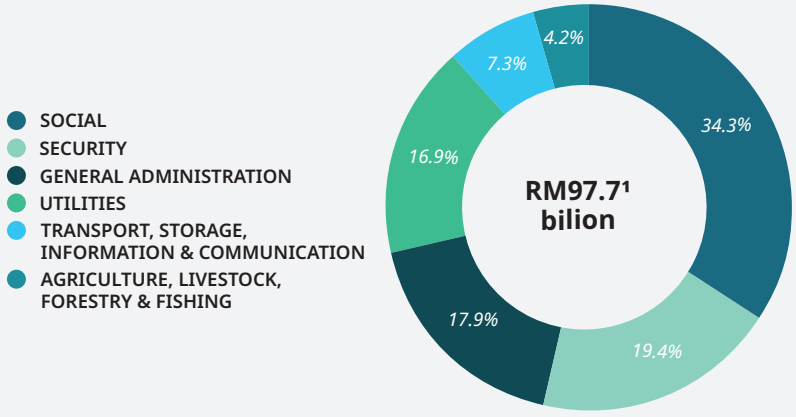

**FIGURE 5.3.** *Guarantees under Act 96 by Segment*




[1] End June 2026

Source: Ministry of Finance, Malaysia

**FIGURE 5.4.** *Outstanding PPP Obligations by Sector*




[1] End-June 2026

Source: Public Private Partnership Unit (UKAS), Prime Minister's Department