

**Financial Evaluation of
Two Privatised Water Supply Projects**

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ABSTRACT

Privatisation is an important strategy used in the implementation of infrastructure projects in Malaysia. The purpose of this research project is to carry out a financial evaluation on two different modes of privatisation used in the Sungai Selangor Water Treatment Plant Scheme. These two modes are Management Contract (MC) and Build-Operate-Transfer (BOT). Discounted Cash Flow and Equivalent Annual Annuity analyses will be used in this study.

The findings of this study show that using BOT gives a higher perpetuity value. It appears that BOT used in this water privatisation is a better mode of privatisation as compared to MC. However, it is important to note that values obtained from the financial evaluation are affected by many factors apart from the mode of privatisation. These factors include water tariff rates, operation and maintenance costs and interest income/expenses. Therefore, when financial managers make decision on the types of privatisation mode, other factors affecting the financial analysis must be considered.

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