

## **PART VII**

### **REFORMS AND TRANSFORMATION OF GOVERNANCE**

## TRANSFORMATION OF GOVERNMENT PROCUREMENT IN MALAYSIA: DIRECTIONS AND INITIATIVES

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**ABSTRACT.** Malaysian Government procurement plays a crucial role as a catalyst for economic and social development. For the past ten years, Malaysian economic reports have indicated that public expenditure amounted to approximately 24-33 percent of Gross Domestic Product (GDP). The Malaysian Government has realized the importance of Government procurement mainly in creating innovation opportunities and enhancing competitiveness of local companies. In addition, Government procurement has been identified as one of the potential fields to encourage investments and instill business confidence in Malaysia. For these reasons, Malaysian Government has been committed to improving Government procurement processes and has provided a number of initiatives and strategies as outlined in the 10th Malaysia Plan (10MP; 2011-2015), Government Transformation Program (GTP), Economic Transformation Program (ETP), and the New Economic Model (NEM). Steps towards implementation of government green procurement (GGP) have also been undertaken as part of the transformation processes. This paper reviews the Malaysian Government procurement practices and highlights the Malaysian Government's directions and initiatives towards its improvement.

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## INTRODUCTION

Government procurement, which refers to the acquisition of supplies, services and works in accordance with current rules and regulations of the Government plays a prominent role as a driver for economic development and tools to achieve national policy. In the developing countries, Government procurement consumes a vast amount of allocation ranges from 9-13% of Gross Domestic Product (GDP) (Wittig, 2002). Hence, it is one of the key economic activities (Thai, 2001) and essential to enable Government performs its function and operation efficiently (Coggburn, 2003).

Records show that public expenditure is between 8-25% of GDP for the Organization for Economic Cooperation and Development (OECD), 11-17% for EU countries (OECD, 2000; Alfonso et al., 2005; Ho et al., 2010) and 45% in a number of developed countries (Alfonso et al., 2005). For the past ten years, reports have indicated that Malaysian public expenditure amounted to approximately 24-33% of GDP. Hence, Government purchasing power can be a lever to deliver broader Government objectives (McCrudden, 2004). Effective implementation of Government procurement will help the Governments to achieve respective national policy and create a favorable public service (OGC, 2008).

Furthermore, Government procurement has emerged as a powerful instrument to spur innovation as highlighted in the Europe 2020 Flagship Initiative Innovation Union (EC, 2010). The document has also recognized the Government procurement roles in improving the quality and efficiency of public services at a time of budget constraints. In the continued uncertainty global economic, efficient and fair Government procurement can significantly impact the economic growth as it will encourage investments and instill business confidence. For these reasons, Government procurement discipline has received great attention at the international arena. It has become an important agenda of the World Trade Organization (WTO), Free Trade Agreement (FTA), Organization for Cooperation and Development (OECD), European Union (EU), North American Free Trade Agreement (NAFTA) and World Bank (McCrudden & Gross,

2006). Among others, WTO plurilateral agreements such as WTO Government Procurement Agreement (GPA) aim to promote international trade by enhancing access and transparency in Government procurement (Bolton, 2008).

At the international level, Malaysia is actively involved in discussing matters related to Government procurement, particularly in terms of improvement of procurement processes and procedures to curb corruption and initiatives to improve transparency and integrity. Malaysia is a member of the Government Procurement Experts Group (GPEG) under the Asia Pacific Economic Cooperation (APEC), Procurement Working Group under United Nations Commission on International Trade Law (UNCITRAL) and signatory to the United Nations Convention against Corruption (UNCAC) (MOF, 2012, Adham et al., 2012). Even though Malaysia has not yet signed the GPA, Malaysia has been a member of the WTO and has signed the General Agreement on Tariffs and Trade (GATT) and the ASEAN Free Trade Area (AFTA) (Adham et al., 2012)

In recognizing the importance of managing public expenditure efficiently and effectively, the Malaysian Government has taken drastic steps to transform its Government procurement practices since 1990s. Malaysian Government has recognized Government procurement as one of the critical disciplines to boost innovation, support the domestic market, and achieve social and environmental objectives (EPU, 2010; NEAC, 2010). One of the promising transformations in Malaysian Government procurement is the implementation of electronic procurement system (or known as e-Procurement; e-P) in 2000. It has been acknowledged that the implementation of e-P has lead to tremendous improvements in the Malaysian Government financial management. The e-P system allows the Government to procure in an online environment to ensure a more transparent and efficient Government procurement, and reduce bidding costs. As of 2010, a total of 2,534 suppliers and 72,599 procurement entities has been e-P enabled, and the transaction value has reached RM11 billion (USD3.1 billion) (Ali, 2010).

Despite various reforms of Government procurement in the Southeast Asia, there are still many weaknesses that need to be addressed. These include fragmented procurement procedures; the lack of professional procurement expertise; the absence of open and competitive tendering especially for foreign suppliers, widespread corruption; and the lack of transparency (Jones, 2007). Therefore, the improvement in Government procurement is essential. However, this paper does not intend to discuss in detail all the weaknesses in the context of Malaysia. This paper provides an overview of Government procurement in Malaysia, discusses its direction and highlights the Malaysian Government's initiatives towards improving its Government procurement.

## **AN OVERVIEW OF MALAYSIAN GOVERNMENT PROCUREMENT**

### ***Policies, Objectives and Strategies***

In the context of Malaysia, Government procurement refers to the acquisition of supplies, services and works in accordance with Malaysia's current rules and regulations to achieve the set objectives (Adham & Chamhuri, 2011a). In line with good governance practices, the Malaysian Government has emphasized the importance of ensuring all Government procurement is conducted in compliance with the principles of public accountability, transparent, best value for money, open and fair competition, and fair dealing (MOF, 2007a). To facilitate Government procurement's planning and monitoring, any individual, company and corporate body that intend to participate in the Government procurement of supplies and services must register with the Ministry of Finance Malaysia (MOF), and for works, they must register with the Contractors Service Centre (Pusat Khidmat Kontraktor; PKK) and the Construction Industry Development Board Malaysia (CIDB), which are agencies under the Ministry of Works Malaysia (MOF, 1997; 2007a; 2010). Figure 1 illustrates the overall components of the Malaysian Government's procurement system. Malaysian Government procurement is based on the policies, strategies and objectives as shown in Table 1.

**FIGURE 1**  
**Malaysian Government procurement**



Malaysian Government procurement is based on the policies, strategies and objectives as shown in Table 1.

**TABLE 1**  
**Malaysian Government Procurement Policies, Objectives and Strategies**

Government Procurement	Descriptions
Policies	<ul style="list-style-type: none"> <li>• To promote the growth of local industries through the maximum use of local materials and resources</li> <li>• To encourage and support the participation of Bumiputera (indigenous) entrepreneurs in line with the national aspiration to create a Bumiputera Commercial and Industrial Community (BCIC)</li> <li>• To increase and enhance the capacity of institutions and local industries through the transfer of technology and expertise</li> <li>• To stimulate and promote local industries and services such as freight and insurance</li> <li>• To accelerate the country's economic growth whereby Government procurement is used as a tool to achieve socio-economic and development objectives</li> </ul>
Strategies	<ul style="list-style-type: none"> <li>• Priority to local products and services in which products and services can only be imported when there is no local resources</li> <li>• Price preference to local products and services</li> <li>• Procurement through central contracts for common products and services</li> <li>• Procurement via the use of contracts from other Ministries/Departments</li> <li>• Transfer of technology through offset programs and industrial cooperation</li> <li>• Priority to Bumiputera companies</li> <li>• Price preference to Bumiputera companies</li> <li>• Priority for Bumiputera manufacturers and producers</li> <li>• Development of local service industries such as the use of local insurance services, transport and banks</li> <li>• Reduction of Malaysian currency outflow through the use of Malaysian Ringgit in the local tender</li> <li>• Usage of Free On Board (FOB) price for imported products and services</li> </ul>
Objectives	<ul style="list-style-type: none"> <li>• To ensure continuous supply of products and services to meet the Government needs from the best and reliable sources</li> <li>• To ensure that procurement practices are efficient, effective and ethical in manner to achieve the best value for money without compromising the aspects of quality, delivery and other price and non-price factors</li> <li>• To stimulate and encourage the growth and development of local industries through the optimal usage of local resources and materials</li> <li>• To develop and revitalize the local industries through the transfer of technology and expertise in accordance to the nation's needs</li> <li>• To encourage alternative sources and a variety of sources through the development of supplier/vendor</li> </ul>

Government Procurement	Descriptions
	<ul style="list-style-type: none"> <li>To support Government programs and as a tools to achieve Government aspirations and visions</li> </ul>

Source: Adham & Siwar (2011a); MOF (1995, 1997; 2007a; 2008a, 2010)

### ***Financial Authorities, Laws and Regulation***

Government procurement system in Malaysia is mainly decentralized whereby a procurement exercise is delegated to procurement agencies/entities. The MOF is the Federal Government financial authority (MOF, 2008a). Federal Financial Officers are appointed by the Minister of Finance, and State Financial Officers are appointed by the respective Chief Minister (MOF, 2008). In Local Authorities and Statutory Bodies, the financial authority is vested with the respective Chairpersons and the Councils or the Board of Directors (MOF, 2010). All Government agencies must comply to the Government procurement laws and regulation including Financial Procedure Act 1957 (Amendment 1972) (Act 61), Ministerial Functions Act 1969 (Act 2), Government Contracts Act 1949 (Revised 1973) (Act 120), Delegation of Powers Act 1956 (Act 358), Treasury Instructions, Treasury Circular Letters, Federal Central Contract Circulars, Treasury Circulars, Treasury Instruction Letters, Manual and Guidelines (Adham & Chamhuri, 2011a). Table 2 shows details of the Malaysian Government procurement laws and regulations.

**TABLE 2**  
**Malaysian Government Procurement Laws and Regulations**

Laws/Regulations	Descriptions
Financial Procedure Act 1957 (Amendment 1972) (Act 61)	An Act to provide for the control and management of the public finances of Malaysia, and for financial and accounting procedure, including procedure for the collection, custody and payment of the public moneys of the Federation and of the States, and the purchase, custody and disposal of public property, other than land, of the Federation and of the States and for matters connected therewith.
Ministerial Functions Act 1969 (Act 2)	An Act to make provisions for declaring the functions and the transfer of functions of Ministers, for declaring the styles and titles of Ministers, and for incidental and connected purposes.
Government Contracts Act 1949 (Revised 1973) (Act 120)	An Act for the making of contracts on behalf of the Government, and the Governments of the States, and for matters connected therewith.
Delegation of Powers Act 1956 (Act 358)	An Act relating to the delegation of certain statutory powers and duties and the signing of certain documents.
Treasury Instructions	The Treasury Instructions detail out financial and accounting procedures including procurement. It includes the instructions in relating to budget management, revenue, expenditure, procurement and public assets that need to be adhered.
Treasury Circular Letters	Treasury Circulars are issued from time to time to inform, clarify, implement, improve and amend certain policies, rules and procedures whenever required by the Government and financial authorities
Federal Central Contract Circulars	Federal Central Contract Circulars are issued to inform the users on the availability of common user items which are centrally purchased.
Treasury Circulars	Treasury Circulars are issued from time to time to clarify and remind about the rules and procedures of Government procurement.

Source: TCLRM (2006a; 2006b; 2006c; 2006d), MOF (2008a; 2010)

### ***Modes of Procurement***

Government procurement can be implemented through various methods such as Direct Purchase (MOF, 2007b; MOF, 2008a), Quotation (MOF, 2009b), Tender (MOF, 2007a), Federal Central Contracts/Panel Contracts (MOF, 2008a; 2007a), Emergency (MOF, 2008a), Requisition (MOF, 2008a), Communal Work (MOF, 2004; 2008a), Consulting Services (MOF, 2006a; 2007c), the use of Contract from other Ministries/Departments (MOF, 2008a),

Procurement through Technical Department (MOF; 2006b), Petty Cash (MOF, 2002a) and Direct Negotiation (MOF, 2002b; 2008b). Table 3 shows details of the three most common types of Malaysian Government procurement namely direct purchase, quotation and open tender.

**TABLE 3**  
**Types of Malaysian Government Procurement**

<b>Types</b>	<b>Descriptions</b>
Direct Purchase	The direct purchase is used for procurement of supplies and services up to the value of RM50,000 (USD14,164) through the issue of a Government Order to any known suppliers of products or services consistently supplying goods at acceptable quality and reasonable price. Procurement of works up to the value of RM20,000 may be done through the issue of a Works Indent to a contractor who is registered with the Contractors Services Centre (PKK) and Construction Industry Development Board (CIDB) Malaysia
Quotation	The quotation is used for procurements between the value of more than RM50,000 (USD14,164) and RM500,000 (USD141,643). Quotation requires call for quotations from at least five registered suppliers with the Government.
Open Tender	The open tender is used for procurements above the value of more than RM500,000 (USD141,643). Only registered suppliers with the Government can participate in the bidding. Local tenders are advertised in at least one local daily newspaper in the Malay language whereas international tenders in at least two local daily newspapers (one in the Malay language and one in the English language). In addition, the tender advertisements are posted on the procuring agencies' websites, MyProcurement and MyGovernment portals. However, call for international tender is only permitted if there are no locally produced products or services available or when local contractors do not have the expertise and capability, and a joint venture is not possible. The minimum cost of tender document is RM50 (USD176) and bidding period is 21 days for local tenders and 56 days for international tenders.

Source: MOF (2002a; 2002b; 2004; 2006a; 2006b; 2007a; 2007b; 2007c; 2008a; 2008b; 2009b)

## METHODOLOGY

A qualitative content analysis method was applied to identify the Malaysian Government directions and initiatives towards transforming the Government procurement. Related official Government documents namely 10<sup>th</sup> Malaysia Plan (10MP; 2011-

2015), Government Transformation Program (GTP), Economic Transformation Program (ETP) and the New Economic Model (NEM) were analyzed. Descriptions of the analyzed documents are as in Table 4.

**TABLE 4**  
**Descriptions of the Analyzed Documents**

Documents	Descriptions
10 <sup>th</sup> Malaysia Plan (10MP)	10MP outlines the Government's development plan from 2011-2015 to achieve high-income and developed nation status by 2020. 10MP focuses on unleashing economic growth, promoting inclusive socio-economic development, developing and retaining talent, building an environment that enhances quality of life, and transforming the Government. 10MP attuned to the National Key Result Areas (NKRAs) outlined in the Government Transformation Program (GTP), National Key Economic Areas (NKEAs) of the Economic Transformation Program (ETP) and the Strategic Reform Initiatives (SRIs) in the New Economic Model (NEM) to achieve high income, inclusiveness and sustainability nation. The central themes of the 10MP are encapsulated in 10 Big Ideas – (i) Internally driven, externally aware; (ii) Leveraging on our diversity internationally; (iii) Transforming to high-income through specialization; (iv) Unleashing productivity-led growth and innovation; (v) Nurturing, attracting and retaining top talent; (vi) Ensuring equality of opportunities and safeguarding the vulnerable; (vii) Concentrated growth, inclusive development; (viii) Supporting effective and smart partnerships; (ix) Valuing our environmental endowments; and (x) Government as a competitive corporation.
Government Transformation Program (GTP)	GTP is a Malaysian Government roadmap for improving its service delivery to the people by radically transforming the way Government addresses real solutions to real issues. GTP acts as a foundation to improve socio-economic growth of Malaysia and the lives of all Malaysians. There are six NKRAs under the GTP namely (i) Reducing Crime; (ii) Fighting Corruption; (iii) Improving Student Outcomes; (iv) Raising Living Standards of Low-Income Households; (v) Improving Rural Basic Infrastructure and (vi) Improving Urban Public Transport.
Economic Transformation Program (ETP)	ETP is an initiative by the Malaysian Government to turn Malaysia into a high income economy that is both inclusive and sustainable by the year 2020. ETP targets to lift Malaysia's Gross National Income (GNI)

Documents	Descriptions
	per capita from RM23,700 (USD6,700) in 2009 to more than RM48,000 (USD15,000) in 2020. ETP provides strong focus on the 12 NKEAs namely (i) Oil, Gas and Energy; (ii) Palm Oil; (iii) Financial Services; (iv) Tourism; (v) Business Services; (vi) Electronics and Electrical; (vii) Wholesale and Retail; (viii) Education; (ix) Healthcare; (x) Communications Content and Infrastructure; (xi) Agriculture; and (xii) Greater Kuala Lumpur/Klang Valley.
New Economic Model (NEM)	NEM is a framework to propel Malaysia to an advanced nation, inclusiveness and sustainability through ETP and SRIs. Eight SRIs have been identified under NEM namely (i) Re-energizing the private sector; (ii) Developing a quality workforce and reducing dependency on foreign labor; (iii) Creating a competitive domestic economy; (iv) Strengthening the public sector; (v) Transparent and market-friendly affirmative action; (vi) Building the knowledge base and Infrastructure; (vii) Enhancing the sources of growth; and (viii) Ensuring sustainability of growth.

Source: Adham et al. (2011b); EPU (2010); NEAC (2010); PEMANDU (2010a; 2010b; 2011)

## FINDINGS

### ***Recognizing the Significance of Government procurement: Malaysian Government Directions***

Based on the analyses, transformation of Government procurement has been identified as an important component in the Malaysia's administrative system. Obviously, the Malaysian Government has shown its commitment to further improve its existing Government procurement in order to reduce leakages of funds allocated for public expenditure (PEMANDU, 2010a; 2010b). Under the NEM, the Malaysian Government has been committed to implement a more open, efficient, and transparent Government procurement (NEAC, 2010). Government procurement has also been regarded as a vital tool to achieve socioeconomic and development objectives, support domestic markets, encourage local and foreign investment, instill business confidence, driver of innovation, and to push small and medium enterprises (SMEs) to develop products in areas that are beneficial to the nation and have larger commercial potential (NEAC, 2010; EPU, 2010; PEMANDU, 2010a).

In addition, the efficient use of public expenditure will save cost and reduce the fiscal deficits that allow the Government to invest in other development program. Malaysia's success in introducing electronic passports in the global arena which were produced by local vendors is one of the examples of how Government procurement can catalyze innovation (EPU, 2010). The Government is also committed to venture into Government green procurement (GGP) as one of the mechanisms to minimize the impact on the environment (MOF, 2009a; EPU, 2010; PEMANDU, 2010b; Adham & Siwar, 2011).

***A Step towards a Better Government Procurement: Malaysian Government Initiatives***

The Malaysian Government has aggressively taken up efforts in transforming its Government procurement to ensure best value for money and reduce corrupt practices. Among initial measures that have been taken include the implementation of Outcomes-Based Budget (OBB) or Performance-Based Budget to improve the structure of budget allocation and expenditure. Compared with previous approaches, OBB focuses on optimizing the use of budget based on specific objectives and measured results, so that the allocation can be utilized efficiently and effectively. This approach could also avoid redundancy of Government programs and ensure that the budgets are allocated according to priority (EPU, 2010). At the same time, the enhancement of the e-Bidding Module in the e-P systems that adopted the concept of a real-time reverse auction also leads in greater cost saving, faster procurement processing, and faster payment.

Since the launch of GTP, several initiatives have been implemented such as the enforcement of Whistleblower Protection Act 2010, development of convicted corruption offenders online database, establishment of additional corruption courts, amendment of general orders on discipline of civil servants, issuance of guidelines on the job rotation of personnel, creation of MyProcurement, issuance of circular to reduce the practice of support letters to intervene civil servants, and the implementation of Integrity Pacts (PEMANDU, 2011). Table 5 and Table 6 show details of the initiatives and their present achievement.

Additionally, under the 10MP the Malaysian Government is dedicated to a number of initiatives which are (i) To implement value management-analysis and life cycle cost evaluation for procurement of projects costing RM50 million (USD14.2 million) and more to optimize costs without compromising performance; (ii) To procure centrally common items such as office supplies, Information Communications Technology (ICT), and selected services to achieve savings across Government; (iii) To strengthen common procurement standards and policies; and (iv) To expedite the procurement processes in accordance with the procurement standards by giving autonomy to the ministries and government agencies (EPU, 2010).

**TABLE 5**  
**Initiatives towards Improving Malaysian Government Procurement**

<b>Areas</b>	<b>Initiatives</b>	<b>Aims</b>
Corruption	<ul style="list-style-type: none"> <li>• The enforcement of Whistleblower Protection Act 2010 on 15<sup>th</sup> December 2010</li> <li>• The development of the convicted corruption offenders online database (known as 'MACC Name and Shame Lists') on 4<sup>th</sup> March 2010 as a reference point and societal pressure to deter people from corruption</li> <li>• The establishment of additional corruption courts in February 2011 and amending of the Criminal Procedure Code (CPC) on 10<sup>th</sup> June 2010</li> <li>• Amendment of General Orders on Discipline of Civil Servants</li> <li>• Issuance of guidelines by the Public Service Department on</li> </ul>	<ul style="list-style-type: none"> <li>• To encourage whistleblowers to report on any misconduct or corrupt practices as well as to protect the whistleblowers (by granting protection of their identity, immunity from criminal or civil liability or any detrimental action against them)</li> <li>• To enable public to access detailed information of convicted corruption offenders (names, pictures, identity card numbers and case)</li> <li>• To expedite corruption trials with the aim to complete prosecution within one year, particularly for cases of public interests</li> <li>• To enforce stiffer punishment for civil servants who are involved in bribes</li> <li>• To lower the risk of the incidence of corruption and to avoid insulation of Government procurers</li> </ul>

Areas	Initiatives	Aims
	<p>the job rotation of personnel according to areas, sensitivity of the position and the nature of jobs every three to five years.</p> <ul style="list-style-type: none"> <li>The launch of Corporate Integrity Pledge (CIP) on 31 March 2011</li> </ul>	<ul style="list-style-type: none"> <li>To foster better collaboration between the Government and corporate sector in fighting corruption</li> </ul>
Transparency	<ul style="list-style-type: none"> <li>The creation of Malaysian Government procurement Information Center (known as My Procurement) website on 1<sup>st</sup> April 2010</li> <li>Issuance of Public Service Reform booklet</li> </ul>	<ul style="list-style-type: none"> <li>To disclose detail of Government procurement related information (procurement policies and processes, advertised and awarded tenders and dates, values of contracts, winners of tenders)</li> <li>To promote awareness on the correct systems, processes and procedures to avoid/reduce misuse of power</li> </ul>
Integrity	<ul style="list-style-type: none"> <li>Issuance of circular by Malaysian Administrative Modernization and Management Planning Unit (MAMPU) on the 2<sup>nd</sup> April 2010 to provide guidance to civil servants on how to deal with unmeritorious support letters</li> <li>The implementation of Integrity Pacts on 1<sup>st</sup> April 2010 as a commitment between Government and bidders</li> </ul>	<ul style="list-style-type: none"> <li>To reduce/eliminate the practice of support letters to influence civil servants</li> <li>To reduce/avoid any involvement in corrupt practices</li> </ul>

Source: EPU (2010); NEAC (2010); PEMANDU (2010a; 2010b; 2011)

**TABLE 6**  
**Present Achievement of Malaysian Government Initiatives**

Areas	Achievements
Corruption	<ul style="list-style-type: none"> <li>Improvement in perception on Government's efforts in fighting corruption as being effective based on Transparency International's Global Corruption Barometer. The percentage has increased from 48% in 2010 to 49% in 2011.</li> <li>Improvement in perception on corruption in Malaysia based on Transparency International Corruption Perception Index Score in 2010. However, many efforts need to be undertaken as the TI CPI has been dropped from 4.4 in 2010 to 4.3 in 2011.</li> <li>The enforcement of Whistleblower Protection Act 2010 on 15<sup>th</sup></li> </ul>

	<p>December 2010 and issuance of guidelines and instructions to public prosecutors</p> <ul style="list-style-type: none"> <li>• Establishment of 14 special Corruption Sessions Courts and 4 special Corruption High Courts to expedite corruption trials (more than 424 cases have been processed and 249 cases have been completed)</li> <li>• The listing of 496 convicted corruption offenders in the 'MACC Name and Shame Lists'</li> <li>• Completion of 59% corruption trials within one year</li> <li>• Amendment of General Orders on Discipline of Civil Servants to enforce stiffer punishment for civil servants who are involved in bribes</li> <li>• 64 companies have signed the Corporate Integrity Pledge (CIP) as their pledge to fight against corruption</li> <li>• Issuance of reward and recognition guidelines on rewarding civil servants who report instances of corruption and which lead to successful prosecutions in June 2011</li> </ul>
Transparency	<ul style="list-style-type: none"> <li>• Establishment of Malaysian Government procurement Information Center (MyProcurement)</li> <li>• The listing of more than 3,500 contracts in the MyProcurement</li> <li>• Improvement in transparency and accountability in Government procurement</li> </ul>
Integrity	<ul style="list-style-type: none"> <li>• Issuance of circular to provide guidance to civil servants on how to deal with unmeritorious support letters</li> <li>• The implementation of Integrity Pacts. A total of 132,459 integrity pacts had been signed between the government and its vendors/suppliers (77% of government procurement with Integrity Pact).</li> <li>• The implementation of Procurement Accountability Index (18 out of 25 ministries scored above 90% in 2011)</li> </ul>

Source: EPU (2010); NEAC (2010); PEMANDU (2010a; 2010b; 2011)

### ***Government Green Procurement (GGP): A way forward***

As a rapidly developing nation, impressive socioeconomic development in Malaysia has significantly impacted the environment. Hence, Malaysian Government could potentially use its purchasing power to promote the use of environmentally sound goods and services. The implementation of Government procurement that takes into accounts the need to conserve and minimize the impact to the environment or known as government green procurement (GGP) will help the Government to deal with the issue of environmental degradation. Furthermore, GGP could have a positive impact on economic and social development. In the context of Malaysia, GGP refers to procurement of supplies, services and works by the

Government that takes into account environmental criteria to conserve and minimize the impact on the environment, accelerate the national economy and promote sustainable development (Adham & Siwar, 2012). Environmental criteria refer to products, equipment or systems that minimize degradation to the environment, have zero or low green house gas (GHG) emission, safe for use and promote healthy and improved environment for all forms of life, conserve the use of energy and natural resources, and promote the use of renewable resources (KetTHA, 2009). However, GGP is relatively a new concept in Malaysia. Besides that, there is no such policy, regulation and legal framework with regards to GGP at this point of time (Adham & Siwar, 2012; Adham et al., 2011b).

Although GGP implementation is somewhat behind, the Malaysian Government has shown its commitment as outlined in the 10MP, ETP, NEM and National Green Technology Policy (NGTP). GGP has become one of the Entry Point Projects (EPPs) under the ETP to boost green technology industry (PEMANDU, 2010). In this regard, several measures have been taken with the target that 50 percent of the goods and services purchased by the Malaysian public sector will have eco-label certification by the year 2020. To achieve this, various initiatives have been implemented which include the Green Technology Financing Scheme (GTFS), Malaysia Green Procurement Program (MGPP), Malaysia Green Labeling Program (MGLP) and the Malaysia Green Directory (MGD) (Adham et al., 2011).

GGP could be used as an instrument to help Malaysia achieve the carbon dioxide (CO<sub>2</sub>) emissions reduction targets by up to 40 percent of the intensity of GDP by 2020 as compared to its levels in 2005. Moreover, the use of environmentally friendly products and services is expected to increase the potential of energy efficiency by 40 percent by the year 2020 which will result in cost savings of RM295 billion, generate RM7.2 billion in incremental Gross National Income (GNI) and create over 47,000 jobs in the green industries (PEMANDU, 2010b). GGP implementation however requires proper planning and a shift in existing government procurement practices. In achieving that, as part of its Government procurement transformation,

Malaysian Government could enforce GGP practices by providing GGP policies, regulations and guidelines.

### CONCLUSION

Government procurement is vital in shaping the future economic and social development of Malaysia. Being an open economy, the resilience of Malaysia's economy performance depends on its ability to quickly adapt according to surrounding environment. Therefore, Malaysian Government procurement reforms are needed to cope with rapidly changing global economy. More than that, the measures towards transforming the Government procurement will lead to more accountable Government administration and enhanced governance. In realizing the importance of Government procurement, the Malaysian Government has in fact, recognized the importance of Government procurement and endeavored to improve its practices. Although initial initiatives have been implemented, much work remains to be done as many issues relating to Government procurement are still persistent.

Apart from the lack of transparencies issue that often invites criticism, larger issues such as preferential margin and quota to local products and services, and Bumiputera should be tackled wisely. In general, the authors view that preferential margin and quota implementation in Malaysian Government procurement are noteworthy in creating a level playing field for local people and industries. In addition, its implementation is in line with the Malaysia's national agenda to strengthen the domestic economy and balance the social gap. More importantly, Malaysian Government must intensify efforts to increase transparency and accountability in Government procurement. Indeed, the success of Government procurement transformation in Malaysia is dependent on the effectiveness of its initiatives. It requires a comprehensive transformation, involving commitment of all parties and across sectors. Consequently, it is essential to ensure that all initiatives can be understood by all so that they could be translated into practices.

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