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ASSESSMENT OF SUSTAINABLE/ GREEN PUBLIC PROCUREMENT IN MALAYSIA



Acknowledgments

This review analysis was done to capture essential status of S/GPP implementation in Malaysia, in a short period of time. This assessment was conducted by a EU-SWITCH-Asia Policy Support Component Team, dedicated to S/ GPP and a National Expert appointed by SWITCH-Asia. The principal author was Dr. Hari Ramalu Ragavan, Malaysia National Expert, with the direction by the research team: Mr. Sanjay Kumar, GPP Expert, Ms. Elodie Maria-Sube, SWITCH-Asia EU Policy Development Expert and Dr. Zinaida Fadeeva, Team Leader, SWITCH-Asia Policy Support. The expert team has made every effort to ensure the quality of this report; however, any errors that may remain are the sole responsibility of the principal author.

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Acronyms

11MP	11th Malaysia Plan
12MP	12th Malaysia Plan
C4	Center to Combat Corruption & Cronyism
CIDB	Construction Industry Development Board
EFT	Ecological Fiscal Transfer for Biodiversity Conservation
ESG	Environmental, Social and Governance
FMM	Federation of Malaysian Manufacturers'
FRA	Fiscal Responsibility Act 2023
GIZ	German International Cooperation (GIZ)
GGP	Government Green Procurement
GLTAP	GGP Long Term Action Plan
GDP	Gross Domestic Product
GOM	Government of Malaysia
GPA	Government Procurement Act
GLICs	Government-Linked Companies
GTMP	Green Technology Master Plan
GPNM	Green Purchasing Network Malaysia
IDEAS	Institute for Democracy and Economic Affairs
INFRASTRA	Infrastructure Rating Tool
ITC	International Trade Centre
LCCF	Low Carbon Cities Framework
MyCREST	Malaysian Carbon Reduction and Environmental Sustainability Tool
MAPS	Methodology for Assessing Procurement Systems
MGTC	Malaysia Green Technology and Climate Change Corporation
MNRES	Ministry of Natural Resources and Environmental Sustainability
MOE	Ministry of Economy
MOF	Ministry of Finance
NDC	Nationally Determined Contribution
NCEC	National Circular Economy Council
NETR	National Energy Transition Roadmap
NGTP	National Green Technology Policy
NIMP	National Industrial Master Plan
PWD	Public Works Department
PLCs	Public Listed Companies
SIRIM	Standard and Industrial Research Institute of Malaysia.

SCP	Sustainable Consumption and Production
S/GPP	Sustainable/Green Public Procurement
SDG	Sustainable Development Goals
SMEs	Small and Medium Enterprises
UiTM	University Technology Mara
UNDP	United Nations Development Programme
UNCITRAL	United Nations Commission on International Trade Law
USD	United States Dollar
VNR	Voluntary National Reporting

1. Introduction

Malaysia has been one of the foremost countries in the Asia-Pacific region to leverage the power of procurement to transform its market, leading to sustainable consumption and production. In 2013, Malaysia launched Green Government Procurement (GGP), which is defined as “ the acquisition of products, services and work in the public sector that takes into account environmental criteria and standards to conserve the natural environment and resources, which minimises and reduces the negative impacts of human activities”. Its commitment to promote green technology and eco-products is reflected in its policies, strategies and institutions that converge to promote green procurement.

The SWITCH-Asia Policy Support component (SWITCH-Asia PSC) provides direct support to national government and regional bodies in adopting sustainable policy and regulatory frameworks relevant to SCP as well as facilitating policy dialogues between countries in the region. The programme provides on-demand advisory to countries on SCP policy and implementation as well as facilitate knowledge exchange through platforms and build capacities of regional institutions. Its key points of intervention focus on SDG 12, specifically SDG 12.7 (Promote public procurement practices that are sustainable, in accordance with national policies and priorities) and SCP-related goals progress and support, integrating SCP into Nationally Determined Contribution (NDC) and climate-related actions, regional stakeholder engagement, with a particular attention to business and industry representatives, and communicating on SCP progress.

Malaysia is one of the countries of support under SWITCH-Asia Policy Support Component. In the past, SWITCH-Asia support was obtained by the then Economic Planning Unit, Prime Minister’s Department of Malaysia, between 2013 and 2016 to develop the National SCP Blueprint and the initial Short Term Action Plan for GGP in Malaysia.

In 2023, SWITCH-Asia launched a multi-country technical advisory on Sustainable/Green Public Procurement which includes Malaysia. In this context, initial assessment was conducted and provided a basis for Malaysian stakeholder to articulate national strategic approaches and potential pilot initiatives. Subject to government endorsement and allocation of national resources, SWITCH-Asia can provide further catalytic support to contribute to the success of national initiative from the policy development perspective. This pilot/initiative will be seen as co-development process with national and international experts working together.

The objective of this review is to consider how S/GPP can support the achievement of key national development strategies, analyzing opportunities to enhance and strengthen Sustainable/Green Public Procurement (S/ GPP). This document is an assessment of S/GPP in Malaysia, using the Sustainable Public Procurement Module of the Methodology for Assessing Procurement Systems (MAPS) as a reference guideline. It was not aimed to carry out detail and full assessment as per the prescribed methodology but to capture essential elements of the methodology relevant to carry out this analysis. Some recommendations were also intended as a result of the assessment.

This review has limitation in the forms of time constraints, lack of clear data, and availability of stakeholders for consultation. The approach is to gain deeper understanding of the needs and challenges involved in sustaining, promoting and strengthening GPP in Malaysia, drawing on valuable lessons learned from previous experiences and feedback from stakeholders. Therefore, the review process is to actively engage the government ministries, development partners, and private sector associations to gather insights and perspectives from both the demand and supply sides. By consulting these stakeholders, the assessment aims to better understand the diverse needs and challenges involved in transitioning from traditional public procurement practices to S/GPP, aligning with global trends and national policies.

2. Analysis of Country Context

2.1. Political, economic and geostrategic situation of the country

Malaysia comprises two regions: the Peninsular Malaysia and the states of Sabah and Sarawak. It is a multi-ethnic and multi-religious federation of 13 states and three federal territories.

Malaysia's population in the first quarter of 2024 is estimated at 34 million, comprised of 90 per cent or 30.6 million citizens and 10 per cent or 3.4 million non-citizens. Malaysia's multi-ethnic citizens consist of the Bumiputra (people of the origin), which included Malays, Orang Asli, and Sabah and Sarawak natives and non-Bumiputra, which included Chinese, Indians and others. Malays accounted for 57.9 per cent of the citizens, while Chinese, Indians, other Bumiputera, and other ethnics are at 22.6 per cent, 6.6 per cent, 12.2 per cent and 0.7 per cent, respectively.

The majority of Malaysia's ethnic Chinese and Indians trace their roots to the British colonialists' recruitment of hundreds of thousands of Chinese and Indians as mine and plantation workers between the early-19th century and the 1930s. In order to create a more balanced socio-economic context in Malaysia, the Malaysian Government in 1971 adopted affirmative action policies that gave preference to the Bumiputera in public university admissions, government jobs and contracts, and property ownership.

Overall, the Malaysian economic growth was at 3.7% in 2023, following a strong growth registered in the previous year (2022: 8.7%). While traditionally the economy depends on agriculture/plantation sector, currently strong services sector and manufacturing output helped drive the economy. The Central Bank expects GDP to expand between 4% and 5% in 2024 and inflation, may average as much as 3.5% this year should subsidies be phased out – as mentioned in the Budget 2014. After the Asian financial crisis of 1997-1998, Malaysia's economy has been on an upward trajectory, averaging growth of 5.4% since 2010, and is expected to achieve its transition from an upper middle-income economy to a high-income economy by 2024. While the ratio of government expenditure to Malaysia's gross domestic product is forecast to decline by a total of 1.9% from 2023 to reach a new low of 20.75% in 2028, it remains a significant contributor to the nation's economy. Malaysia has successfully diversified its economy from one that was initially agriculture and commodity-based, to one that now plays host to robust manufacturing and service sectors, which have propelled the country to become a leading exporter of electrical appliances, parts, and components.

Malaysia is one of the most open economies in the world with a trade to GDP ratio averaging over 130% since 2010. Openness to trade and investment has been instrumental in employment creation and income growth, with about 40% of jobs in Malaysia linked to export activities. According to the data from the International Trade Centre (ITC), there are unrealized export potentials in trade with the US and the EU amounting to USD14 billion and USD22 billion respectively¹.

The EU and Malaysia has a Partnership and Cooperation Agreement since December 2022 that provides cooperation to enhance political dialogue and cooperation on a wide number of policy areas. The EU will support cooperation with Malaysia through a new Cooperation Facility with €20 million for the period of 2021-2027, as well regional programmes worth €180 million.

EU-Malaysia relations go beyond trade. The EU supports a wide range of cooperation projects that benefit Malaysia in areas such as higher education, human rights, and sustainable economic development. Malaysian authorities and civil society organisations receive EU cooperation funding under different programmes.

Malaysia has successfully negotiated for government procurement flexibility under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The flexibilities were part of efforts to continue with the agenda of helping local companies, including small and medium enterprises (SMEs), to obtain government contracts.

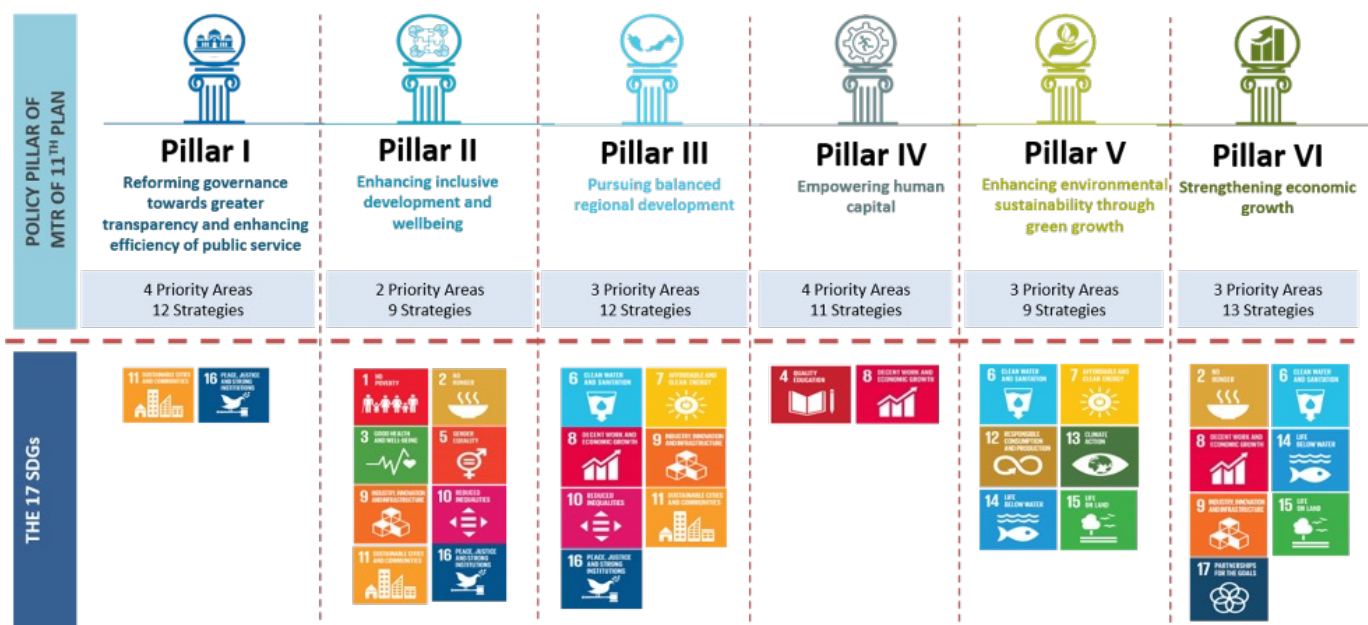
¹ <https://www.businesstoday.com.my/2023/07/11/rethinking-trade-policy-matters/>

Most experts agree that the focus of the economy should be on diversification, innovation and sustainable development. To ensure long-term economic stability, there should be a focus on diversifying the economy by developing sectors such as manufacturing, services, technology and tourism. In addition, Malaysia should prioritise sustainable development to address environmental challenges and promote long-term growth. This includes transitioning to a low-carbon economy, promoting renewable energy sources and adopting green technologies, sustainable agriculture and responsible resource management. This is also in line with the requirements of global sustainability in trade and supply chain. GGP will play an important role to stimulate this development in future.

2.2. National strategic development framework, climate change policy objectives, sustainable development goals and green agenda

The alignment of SDG and national development is realised through a mapping exercise involves the integration of the national development plan's action plans, initiatives and outcomes to the SDGs' goals, targets and indicators.

The mapping exercise begins with the **Eleventh Malaysia Plan (11MP)**, 2016-2020, then continue with the Mid-Term Review (MTR) of 11MP, 2018-2020, and subsequently with the **Twelfth Malaysia Plan (12MP)**, 2021-2025. Malaysia formulated a **National SDG Roadmap 2016-2020** to guide implementation of the SDG initiative under the framework of the 11th Malaysia Plan which focused on green growth that is resource-efficient, clean, and resilient and prioritize environmental-friendly goods and services and comply with green technology standards. In 2023, Malaysia stood at the 78th position among 166 nations, scoring a Sustainable Development Goal index of 69.85%.



Source: 11th Malaysia Plan

The **Shared Prosperity Vision (SPV) 2030** was announced in 2019 that included to maintain sound economic development while protecting vital natural resources and environment, promote resilience and inclusive infrastructure which are sustainable. The 12MP, covering three development dimensions – economic empowerment, environmental sustainability and social reengineering has further crystallised the implementation of the SPV 2030.

Operationalising the Twelfth Malaysia Plan, 2021-2025

Environmental Sustainability

Conservation and preservation

- Climate change mitigation and adaptation
- **Disaster risk management**
- Disaster risk insurance scheme



- **Green technology**
- **Management of green and blue economy**
- Biodiversity conservation
- Sustainable forest management
- Sustainable Consumption & Production
- Energy efficiency
- **Renewable energy**
- **Integrated water resource management**
- Marine litter
- Waste as commodity
- **Circular economy – reducing waste and creating value from waste**
- Valuing ecosystem services
- Carbon Tax

Source: 12th Malaysia Plan

The **National Policy on Climate Change** was introduced in 2009 to mainstream climate change, provide policies, and strengthen institutions to reduce climate change impacts. In September 2021, the Government announced under the 12th MP that legislation on climate change would be formulated to increase coordination and enhance the effectiveness of climate change actions.

Under its **Nationally Determined Contribution (NDC)**, Malaysia announced its climate change mitigation ambition with an unconditional target to cut carbon intensity of its GDP by 45% by 2030 compared to 2005 levels. The latest revised NDC covers seven greenhouse gases, compared to the first NDC which only covered three. The country also expanded the adaptation component, with particular focus on protecting biodiversity and mainstreaming climate resilience into urban planning. A National Adaptation Plan and NDC Roadmap will be developed to help achieve NDC targets.

The Government launched the **National Energy Transition Roadmap (NETR)** in 2023, outlining Malaysia's efforts towards achieving a sustainable and inclusive energy system. The first part of the NETR has identified ten flagship catalyst projects based on six energy transition levers. The second part introduces the Responsible Transition (RT) targets and expands on two critical parts: namely, the energy transition ambition and macro position, and the five cross-cutting enablers. The NETR sets ambitious targets for Malaysia, aiming to achieve net-zero emissions by 2050. The plan is comprehensive and outlines a gradual increase in renewable energy shares, targeting 31% by 2025, 40% by 2035, and an impressive 70% by 2050.

Most recently, the Ministry of Environment and Water announced that the ministry and other agencies are presently drafting the **National Climate Change Legal Framework**, which will set the foundation for a **Climate Change Act** that is expected to come into force in 2024.

The STRATEGY 3.4: Shift towards green infrastructure of the **National Industrial Master Plan 2024** has provided for the introduction of circular economy. It stated that green infrastructure in industrial complexes is typically powered by RE and operated sustainably via waste-to-wealth activities that are aligned to circular economy principles and the utilisation of energy efficient equipment.

In 2023, the government established the National Circular Economy Council (NCEC) that has agreed to a legislative transformation to ensure the circular economy for solid waste management can operate smoothly nationwide. NCEC stated that there is a need to conduct a study for the drafting of the Circular

Economy Bill to develop a more specific and comprehensive Act that covers the product lifecycle from production to post-consumer stages that can be adopted by all states. It was announced recently that the NCEC is also conducting a study on Circular Economy Blueprint.

These policies, plans and framework require transformation of consumption-production systems for market transformation. The strengthening and expansion of GGP implementation will support and stimulate behavioural and technological advancement for this purpose.

2.3. Public Procurement System and its linkage with PFM and public governance system: description of legal, regulatory, institutional context

There is no specific legislation in Malaysia that governs the government procurement process. Government procurement processes in Malaysia are largely governed by the treasury instructions and treasury circulars ("Treasury Instruments") issued by the Ministry of Finance.

The primary sources of the law for public procurement stem from several statutes and Government instruments, which are as follows:

a) **Financial Procedure Act 1957** (Revised 1972) - provides for the control and management of public finances in Malaysia and outlines financial and accounting procedures. It includes procedures for the collection, custody and payment of the public monies of the Federal Government of Malaysia and the States in Malaysia, and also the purchase, custody and disposal of public property and related matters.

b) **Government Contract Act 1949** - empowers the Contracting Authorities in the respective Ministries to enter into contracts and also empowers the respective Ministers to delegate powers to Government Officers to enter into contracts on behalf of the Government, and the Governments of the States.

c) **Treasury Instructions** - issued by the Ministry of Finance detailing the financial and accounting procedures and the regulations that need to be adhered to in the management of Government funds, including matters related to public procurement.

d) **Treasury Circulars** - issued by the Ministry of Finance from time to time to inform, clarify, implement, improve and amend certain policies, rules and procedures, including matters related to public procurement, whenever required by the Government and financial authorities.

e) **Federal Central Contract Circulars** - issued by the Ministry of Finance to inform the users on the availability of common user items which are centrally purchased. The Federal Central Contract Circulars normally contain details such as items, name of suppliers, areas of supply and time of delivery. Apart from the objectives to promote local products and develop vendors, the Federal Central Contracts Circulars also contain procurement principles and objectives. The principles that guide the Malaysian procurement policy are:

- public accountability;
- transparency;
- value for money;
- open and fair competition;
- fair dealing.

The Malaysian Government Procurement Policies are designed to achieve the following objectives:

- to ensure continuous supply of materials and services to meet the Government needs from the best and reliable sources;
- to ensure efficient, effective and ethical procurement practices to enable the Government to achieve best value for money without compromising on quality, delivery and other price and non-price factors;
- to stimulate and encourage the growth and development of local industrial sectors as a means of transfer of technology and expertise; and
- to promote alternative and multiple sourcing through supplier/vendor development.

One recent study² shows that government suppliers perceive that the most important public procurement objective is “to ensure a continuous supply of material and services to meet the government needs from the best and reliable sources”. On the other hand, the objectives “to expand the local industrial sector by means of transfer of technology and expertise to suit the nation’s needs” and “to promote alternative and multiple sourcing through supplier development according to the aspirations and vision of the government” are perceived as not important.

The **Government Procurement Management Division** of the Ministry of Finance (MOF) the Ministry of Finance (MOF) is responsible for all procurement procedures, both internal and external to Malaysia. The primary functions of MOF in government procurement are in the areas of controlling, enforcement, supervision, reconciliation, usage, distribution and storage of procurement for government departments. It sets out the rules governing procurement in government projects.

There are four levels of government machinery involved in public procurement, namely: the Federal Government, the 13 State Governments, Local Authorities comprising city councils, municipalities and district councils, and finally statutory bodies. Government procurement is divided into three categories, namely:

- (1) **works**, which include construction and engineering activities;
- (2) **goods**, which include the supply of raw, intermediate or finished goods and products; and,
- (3) **services** which include engagement of manpower, expertise and consultants for various purposes.

There are three methods of procurement used by the Malaysian government, namely:

- **Direct Purchase:**

Procurement of goods, services and works up to the value of RM20,000 can be done through direct purchase and suppliers do not have to be registered with the government. For procurement of works, all contractors must be registered with the Contractors Service Center and Construction Industry Development Board (CIDB) Malaysia.

- **Quotations/closed tender:**

Procurement of goods, services and works between the amount of RM20,000 to RM500,000 should be done through quotations (at least 3-5 quotations to be invited) or closed tender and all suppliers must be registered with PKK. As for works, the minimum quotations to be invited is five and all contractors must be registered with the PKK and CIDB.

- **Open tender:**

Procurement for goods, services and works that are above RM500,000, it has to be done through open tender processes. Similarly, all contractors must be registered with the Government.

Another key feature of the procurement policy of Malaysia is the preferential treatment for Bumiputera as one of its policies is to encourage and support the involvement of Bumiputera entrepreneurs in line with the nation’s aspirations to create the Bumiputera Commercial and Industrial Community. Procurement of goods and services valuing between RM50,000 to RM100,000 will be open to Bumiputera companies only. They also enjoy preference in terms of price of difference percentage for procurement of goods and services from RM100,000 to RM15 million. Procurement of works under RM200,000 is open to Bumiputera companies only. In addition, 30% of the total value of government procurement of construction services is set aside for Bumiputera companies only.

The public can now access complete details of government procurement through an online portal set up by the Treasury at <https://myprocurement.treasury.gov.my/>. Recently, the Treasury made it compulsory for all government agencies to display the details on the portal, beginning from the tendering process right up to implementation. There are at least 3 systems that are being used for the government procurement processes. These are:

2 Journal of Economic and Administrative Sciences Vol. 37 No. 4, 2021, pp. 694-710

1. E-procurement - that enables procurement of goods and serves completely online (end-to-end) with supplies.



2. Integrated Information System – to record and keep procurement information of all government agencies that use Federal government’s allocation.



3. The eGPA system that receives and processes application from government agencies that require MOF’s approval.



2.4. Public Procurement Reform

There are studies that indicated some challenges in the current public procurement processes. The findings of the study³ revealed that the top five reported are non-compliance to scope, specifications and terms of contracts; delayed completion/non-completion of project; poor documentation; low quality of products, service and work; and little or no prior planning. It is also found that direct negotiation mode was reported with the highest issues of public procurement, while the procurement mode with the least public procurement weaknesses is direct purchase. Moreover, it was found that work category is the highest with public procurement issues reported compared to supplies and services. Over the years, the **Auditor-General’s reports** also gave recommendations to improve internal control, to enhance monitoring, to establish planning, and to improve assets management, among others. The above study also revealed the top five recommendations based on the most frequently highlighted are:

1. to improve internal control;
2. to enhance monitoring during the implementation of procurement activities;
3. to establish planning in details;
4. to improve assets management; and
5. to take appropriate actions toward contractors or procurement officers who fail to carry out responsibilities effectively.

In the **National Anti-Corruption Procurement (NACP) plans 2019 -2023**, GOM planned to “introduce legislation on public procurement” (Initiative 3.1.5). As per the plan, procurement legislation that the government hopes to put in place by 2023 will be able to replace multiple circulars and directives that presently control the practise. The legislation can cover various government entities, including statutory bodies and government-linked companies, as well as government projects that are procured through concessions and public-private partnerships.”

³ “Weaknesses of Malaysian public procurement: a review of auditor general’s reports”, Journal of Financial Reporting and Accounting, Vol. 21 No. 5, pp. 999-1020. <https://doi.org/10.1108/JFRA-05-2021-0132>

The Cabinet's Special Committee on National Governance announced on 14 September 2023 that it had decided at a meeting to enact a **Government Procurement Bill** to "strengthen governance on the government's procurement through laws aimed at increasing accountability of those involved in government procurement". This has a significant impact on the implementation of GGP in Malaysia, as more stringent and wider scope of requirements may be imposed using green procurement principles. At the moment, the Government Procurement Act (GPA) draft is not available to the public for stakeholder's feedback. There are initiatives to provide civil society's input in the discussion leading up to the development of the Act. The Center to Combat Corruption & Cronyism (C4 Center) brought together key stakeholders from civil society, the private sector, the Ministry of Finance and the Parliament for introductory procurement dialogue. Participants identified good practices that should be included in a draft Procurement Bill – Freedom of Information provisions; extensive and diverse consultations; media engagement; harmonization between State and Federal procurement processes; effective and robust e-procurement systems, among others. Similarly, MGTC also noted that there were lessons learned from GGP implementation that were submitted to MOF during discussion within government agencies.

According to IDEAS4, the enactment of the GPA, would reflect the government's commitment to greater budgetary prudence and adherence to several governance standards. The act should include high transparency criteria, improving procurement processes, diverse procurement procedures that are competitive and address the difficulties of procurement exercises, and a strong domestic review system. Some even suggested that the government-linked companies (GLICs) should also be governed by this Act and be run by appointing a team of professionals.

Another related reform that took place recently is the passing of the **Public Finance and Fiscal Responsibility Act 2023**, which is aimed at providing provisions for the government's fiscal responsibility, accountability, governance, and transparency in managing public finances and fiscal risks. The Act would act as check and balance on the government when setting fiscal targets. The Act included several components such as capping the government's debt percentage at 65 per cent of the GDP and debt service charges at 15 per cent of the federal government's annual budget. This law also mandated the government to spend at least 3% of our GDP on development expenditure and to keep the national budget deficit to be not larger than 3% of GDP. Under this law, the government will also need to keep the national government debt to be lower than 60% of GDP. Many observers noted that the Act can increase the country's competitiveness and ensure good governance in a variety of ways, especially for ensuring macroeconomic and budgetary stability, and improve the government's credibility in managing public finances.

The enactment of the **GPA** and **FRA** holds significant implications for Malaysia's economic competitiveness and governance standards. By fostering a conducive environment for investment and growth, these reforms are poised to attract domestic and foreign investors, spur innovation, and drive sustainable development. Moreover, by aligning with international best practices and commitments under agreements like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), Malaysia can enhance its global standing and promote inclusive economic growth.

The reform mentioned above will have positive impact to the implementation of S/GPP in Malaysia, particularly for the implementation of GGP Long Term Action Plan and moving beyond green criteria to social and governance aspects of sustainability procurement.

In the **budget 2024**, the government has announced fiscal reforms are necessary to provide the fiscal room to support economic growth and restructuring while also attending to the needs of the people. This includes commitment to gradually reduce the fiscal deficit and rationalise subsidies - a gradual shift from a broad-based to a more targeted subsidies programme. The shift can be effectively executed taking into consideration various factors, such as income level, geographic location, demographic and work status.

The current government also recognises that green finance can truly be a catalyst to advance green development. A case in point is the issuance of the world's first sovereign USD **Sustainability Sukuk** by the Government of Malaysia in April 2021 to the value of USD800 million which was oversubscribed by 6.4 times across the world. The proceeds from the issuance were used to finance sustainability related programmes and projects.

4 <https://www.nst.com.my/business/2023/08/944328/fiscal-responsibility-government-procurement-acts-will-help-meet-malaysias>

The Budget 2024, also marks a significant milestone in the country's journey towards sustainable development. The budget presents a comprehensive roadmap for Malaysia's economic transformation, focusing on **Environmental, Social, and Governance (ESG)** principles. The budget has allocated substantial funds for renewable energy, sustainable agriculture, and green transportation, signalling the government's commitment to reducing the country's carbon footprint and promoting sustainable practices.

To preserve natural treasures and to support the state governments' efforts in protecting endangered wildlife such as elephants, tigers and tapirs, besides increasing the percentage of protected forest areas, Budget 2024 sees an allocation of RM200 million (RM50 million up from the original RM150 million) for **Ecological Fiscal Transfer for Biodiversity Conservation (EFT)**. Besides this, the Government will extend the tax exemption application period on all social enterprises income until 2025 to support the social enterprises' movements in producing positive environmental and social impacts that are in line with the pillars of sustainability (i.e. economy, environmental and social aspects) and well-being under Malaysia MADANI⁵. There is a noticeable increase in the allocation for the Ecological Fiscal Transfer for Biodiversity Conservation (EFT), raising it from RM150 million to RM200 million.

Additionally, the government will pioneer the issuance of biodiversity sukuk, generating up to RM1 billion to replant degraded forests and produce carbon credits. To encourage private sector participation, tax deductions will be provided to entities sponsoring certified tree planting and conservation projects. Furthermore, the tax exemption application period for social enterprise income will be extended until 2025. These initiatives reflect the government's commitment to biodiversity preservation and engaging diverse stakeholders in environmental conservation efforts.

Moreover, the budget has also addressed social issues such as education, healthcare, and affordable housing, demonstrating the government's dedication to ensuring that the benefits of economic growth are shared equitably among all segments of society. The budget also includes measures to enhance corporate governance and combat corruption, reflecting the government's determination to promote ethical business practices and increase transparency in the corporate sector.

2.5. Stakeholder Analysis

At the moment, the GGP development and implementation seems to be done by and within the government sector's stakeholders. Not all stakeholders in the ecosystem who have interest and impact on GGP implementation and progress, are involved in the design, development and implementation of the GGP objectives, processes and targets. They can be categorised as **internal and external stakeholders** that can provide input to and be impacted by, the GGP in Malaysia. The 3 committees that are operationalising GGP in Malaysia do not involve stakeholders outside the government systems. Each stakeholder has specific role and benefit from GGP.

In the private sector for example, in the construction sector in Malaysia, it is noted that project stakeholders play an important role in the greening of construction projects⁶. Research shows that the stakeholders' commitment to green construction, and the associated competencies (commitment, awareness, knowledge sharing and technical competencies) involved, need to be cultivated as early as the beginning of the project. This shows that the willingness and capacity of the private sector is available and as such it is important to involve the private sector at the design phase of the GGP, particularly in the works sector.

Internal stakeholders

GOVERNMENT AGENCIES

- **Ministry of Finance: Government Procurement Division**

Issuance of Government Procurement Policy, Treasury Circular and Guidelines.

⁵ Malaysia Madani is a policy framework and government slogan introduced by the administration led by the 10th Prime Minister, Anwar Ibrahim. The concept focuses mainly on good governance, sustainable development and racial harmony in the country.

⁶ *Key stakeholder values in encouraging green orientation of construction procurement*. Journal of Cleaner Production, Volume 270, 10 October 2020, 122246. <https://www.sciencedirect.com/science/article/abs/pii/S0959652620322939>

- **Ministry of Economy: Environmental and Natural Resources Division**
Development of 5 Years Malaysia Plan including direction of SCP and GGP.
- **Ministry of Natural Resources and Environmental Sustainability: Environmental Management Division and Climate Change Division, Coordination of the green technology development, National Green Technology Policy and Green Technology Master Plan (GTMP).**
- **Ministry of Energy Transition and Water Transformation: Sustainable Energy Division,**
Coordination of the energy and water industry development including policy, action plan and initiatives.
- **SIRIM QAS International: Product Certification and Inspection Department,**
Providing technical assistance for environmental criteria and green certification for products and services.
- **Malaysian Green Technology and Climate Change Corporation (MGTC)**
 - Green technology technical agency for guiding Ministries on the implementation of Government Green Procurement (GGP);
 - Developing Guidelines for Government Green Procurement (GGP) for products and services;
 - Monitoring, evaluating, and coordinating the reporting of GGP implementation and achievements in each Ministry and Government Agency;
 - Developing a capacity building program for GGP.
- **Ministry of Works: Procurement & Asset Management Branch,**
Coordination of the building construction industry development including policy, action plan and initiatives.
- **Public Works Department (PWD)**
Involved in developing works contract and project implementation.
- **Ministry of Housing and Local Government: Urban Sustainability and Green Environment Division,**
Coordination of the government initiatives related to states and local authorities including policy, action plan and initiatives.
- **Department of Local Government**
Implementation of the government initiatives related to states and local authorities including policy, action plan and initiatives.
- **State Governments: Secretary of the State Government**
Policy direction and project implementer of GGP expansion to the States and Local Authorities.

External Stakeholders

PRIVATE SECTOR

- **Federation of Malaysian Manufacturers' (FMM)**
Many members are in the product categories of the GGP Directory. FMM could potentially mobilise members advancement in green technology with further improvements in the GGP criteria and performance. Have a procurement committee that can contribute. FMM can contribute in determining the type of products and services that members are providing. have a procurement committee that can contribute.
- **SME Associations**
Members are facing various sustainability requirements through the supply chain ecosystem by customers, client companies and regulators from export markets, particularly. The organisation can contribute in determining the type of products and services that members are providing. They can support supply chain sustainability initiatives through GGP. This will require incentives and capacity building initiatives.

- **Large Construction Companies**

There are a few large property development/construction companies that are involved in infrastructure and works projects in Malaysia. Among them are Sunway Group, GAMUDA Bhd, MAHSING Bhd, and project management companies like Minconsult, and HSS Engineering. These companies are important stakeholders in the implementation of GGP in works sector. They will be able to contribute to the development of practical guidelines and requirements for GGP elements in the tendering and subsequent construction process.

- **Construction Industry Development Board** is a statutory body under the Ministry of Works that was established in 1995. It is driven by the private sector to establish, develop, review and coordinate training of construction personnel & contractors in the construction industry, promoting technology, developing & conducting research, and advancing and promoting quality assurance of the industry. CIDB has taken the initiative to assist industry players to incorporate sustainability in a more cohesive and seamless manner. These include the establishment of Sustainable Construction Excellence Centre, tools such as MyCREST, Sustainable Infrastructure Rating Tool, Industrialised Building System (IBS), Building Information Modelling (BIM) and CR 4.0 In Construction (Construction Strategy Plan 4.0, 2021 – 2050).

- **Financial Institutions**

The role of financial institutions has evolved to being the driver of capital in the transition towards a green and sustainable future. They can support the industry to acquire technology, systems and material that support green products and services by providing sustainable financing schemes and facilities. Green procurement will be part of the sustainable practices that goes into their decision-making processes.

RESEARCH INSTITUTIONS

- **Universities**

The universities have experts to undertake both social and scientific research on procurement reforms, green procurement through policy and guidelines, particularly related to supply chain and procurement impact to sustainability performance. Currently, Universiti Teknologi MARA (UiTM), Universiti Teknologi Malaysia (UTM), Universiti Malaya (UM), and Universiti Tunku Abdul Rahman (UTAR), to name a few, are actively involved in research in this area.

- **The Institute for Democracy and Economic Affairs (IDEAS)**

IDEAS is a nonprofit research institute dedicated to promoting solutions to public policy challenges. It has actively involved in the discussion on government procurement and the impact on the economy. Currently, it has involved in the public finance reform such as the Fiscal Responsibility Act and the Government Procurement Bill discussion. Among the research done by IDEAS are *Procurement Legislation, Compliance, Transparency and Accountability in Malaysia: A Final Report, 2020* and *Public Procurement and Bumiputera Company Development in the Construction Industry: Reviewing Policies, Exploring Possibilities, 2021*.

CIVIL SOCIETY

- The **Green Purchasing Network Malaysia** was established in 2003 GPN Malaysia works very closely with other NGOs to raise awareness on Green Purchasing among industry and local authorities. In the past, the GPN Malaysia was able to provide a platform to increase the adoption of green purchasing among private sector. It organised a few workshops and conferences to increase awareness and build capacity of the private sector, working with the International Green Purchasing Network. It had conducted a few initiatives including:
 - First International Green Tech and Eco Products Exhibition and Conference (IGEM), in Kuala Lumpur from 14-17 October 2010.
 - Green Productivity Expo (GPX), 2013
 - 4th World Conference on Green Purchasing, 2013
 - International Workshop on Green Procurement and Ecolabels, 2014
 - MOU signed with SIRIM to promote Ecolabel products, 2016

- MOU on green procurer certification and training, 2019
- Green Supply Chains with SIRIM/Malaysian Palm Oil Council (MPOC), 2020

Currently the organisation is not active due to lack of possible funding and capacity support.

Further engagement and coordination are needed to create awareness, capacity building and obtain feedback from industry stakeholders, by activating GPN Malaysia.

- **Environmental Management and Research Association of Malaysia (ENSEARCH)**

ENSEARCH can provide industry a platform for lessons learned, awareness and feedback on promoting green procurement/purchasing among private sector including the relevant incentives and guidelines. ENSEARCH has the industry membership and the capacity to engage the private sector. Currently, it has done trainings as and workshops related to green procurement and sustainable supply chain for the industry.

- **ESG Association of Malaysia**

The association's objective to be the catalyst, facilitator, and enabler on ESG adoption and development in Malaysia, can be useful to promote GP within the industry. It provides better understanding of the ESG risks and opportunities for the industry and can be a training and education platform for the industry to adopt GP.

- **The Center to Combat Corruption and Cronyism (C4 Center)**

The C4 is a policy advocacy, non-profit center, dedicated to fighting corruption. Recently, it has actively encouraged the government to establish the Procurement Bill. In the past, C4 has published studies⁷ to review the existing procurement policy of Malaysia, identify its problems and propose recommendations for the consideration of Malaysian governments at federal, state and local level.

INTERNATIONAL DEVELOPMENT AGENCIES

- **European Union**

In the past, the EU has supported Malaysia in sustainable practices, such as preserve biodiversity, reduce carbon dioxide emissions, green technology to renewable energy and sustainable forest management for a number of years.

Specifically, the EU SWITCH-Asia project SCP Policy Support, Malaysia (2012-2016) has produced a number of important documents for GGP implementation. These are:

1. GGP Short-term Action Plan (STAP) (2013-2014) was developed as an initial step towards GGP implementation in Malaysia,
2. Government Green Procurement (GGP) Guidelines for Government Procurers, Version July 2014 (GGP 1.0),
3. Government Green Procurement (GGP) Long-term Action Plan 2016-2030, and
4. Draft SCP National Blueprint (2016-2030). SCP was included in the Eleventh Plan 2016 - 2020, subsequently, which includes initiatives to promote green public procurement, eco-labelling as well as to raise standards and develop incentives for green production.

Under the grant related project, the EU SWITCH-Asia project "Environmental Declaration Scheme for Construction and Building Materials" (2012-2015) also helped to developing guidelines, tools and the supporting mechanism for product footprinting and labelling that meet the needs of the local and international market and creating the recognition and preference for sustainable products from SMEs in the Malaysian construction and building materials sector. Through this project at least 13 companies had met the requirements of the audit process and received license to use the SIRIM carbon footprint logo and 10 product categories that have been identified / labelled for the pilot programme, namely wall coatings, sanitary ware, plumbing pipes, ceilings ceramic tiles, floor finishing, wall panels, masonry units, structural steel, architectural steel and architectural roofing provide impetus to other manufacturers to improve their environmental performance. The partners for this project included Building Materials

7 C4 Center Position Paper: PROCUREMENT AS PART OF GOOD GOVERNANCE IN NEW MALAYSIA, Challenges and Recommendations

Distributors Association of Malaysia (BMDAM), Federation of Malaysian Manufacturers (FMM) and Malaysia Green Building Confederation (MGBC).

Recently, the European Union (EU) and Malaysia signed the EU – Malaysia Partnership and Cooperation Agreement (EU – MY PCA) on Dec 14, 2022 which lays the ground for mutually beneficial cooperation in multiple policy areas – environment, transport, trade, and employment to name a few.

- **United Nations Development Programme**

The GOM also collaborated with UNDP on the project “Implementing the National Sustainable Consumption and Production Blueprint through Government Green Procurement (SCP-GGP)” from 2018 to 2021. Among other things that the UNDP/EPU project achieved were:

- National SCP Blueprint was finalised and training module for it was developed
- An updated GGP Guidelines 3.0 was completed, training module developed and 3 training sessions conducted with relevant stakeholders
- GGP Works Short Term Action Plan & Guidelines were completed
- MyHijau programme review was completed

- **The German International Cooperation (GIZ)**

GIZ supported a project called Scaling Sustainable Consumption and Production: Ecolabelling and Green Public Procurement (GPP) for a Low-Carbon Pathway in ASEAN. Under this project, there are 3 areas of focus for Malaysia:

1. Enhancement of Ecolabelling Scheme and MYHIJAU Directory – the responsible agencies are MGTC & SIRIM,
2. GGP Product & Services Expansion to State & Local Authorities (Pilot) – the responsible agency is MGTC, and
3. GGP Works Guidelines Implementation Trial (Pilot) – the responsible agencies are UiTM, MGTC and Ministry of Economy. Other partners involved in this area are Oeko Institute, PWD, and CIDB.

The GGP Product & Services Expansion to State & Local Authorities pilot project is currently being implemented in three state governments: Sarawak, Melaka, and Johor, along with two local authorities: Ipoh City Council and Petaling Jaya City Council. In addition to its primary goals, the project also aims to evaluate and refine the newly designed GPP monitoring and evaluation system. This GIZ project is still on going and expected to be completed by end of 2024.

3. Assessment of country preparedness for S/GPP

3.1. Legal, Regulatory and Policy Framework

3.1.1. Public procurement legal framework for integrating sustainability in purchasing decisions

Presently, there is no specific law for the implementation of GPP in Malaysia. As mentioned in Section 2, all government procurement, including green procurement are done using the federal government administrative order in the form of Government Circulars.

The foundation to the implementation of GPP in Malaysia was the inclusion of green procurement in the strategic agenda of the National Green Technology Policy 2009 by the then Ministry of Energy, Green Technology, and Water. The Policy has stated that in its Mid-Term Goals (2016-2020) via 11th Malaysia Plan, green technology becomes the preferred choice in procurement of products and services. Subsequently, the Government's intentions in implementing GPP were announced in the Federal Government's 2010 Budget. The budget states that priority will be given to environmentally-friendly products and services that comply with green technology standards. However, preference to environmentally-friendly products and services in the public sector could not be implemented due to absence of clear guidelines on its implementation. GPP implementation requires proper planning and a shift in existing government procurement practices. Hence, GPP needs to be introduced in a step-by-step, systematic and efficient manner.

In order to achieve this, a GPP Short-term Action Plan (STAP) has been prepared as an initial step towards GPP implementation in Malaysia. The action plan has been endorsed on the 11th of July 2013 by the GPP Steering Committee (SC) chaired by the Ministry of Finance (MOF) and the Ministry of Energy, Green Technology and Water (KeTTHA). The STAP outlines the pilot implementation of GPP within a period of 18 months (1½ years), from July 2013 until

December 2014. The Guideline on GPP is part of the implementation of the STAP.

In 2014, the Ministry of Finance issued a Treasury Circular (1PP) No.2 (now known as 1PP/PK1/ Paragraph 6(ix)) on the implementation of GPP, officially promulgating a "Short-Term Action Plan" 2013-2015 with a first piloting phase covering 5 Ministries. This Circular was intended to give an early alert on the initiatives of the GPP increase awareness among participating agencies of the successful implementation of GPP in Malaysia. This document also confirmed the institutional framework and pilot implementers, which are introduced in the following sections. Following a year and a half-long pilot implementation period of GPP, the Malaysian government planned to increase the pace of implementation.

The expected results of the Short-Term Plan were:

- At least 2 product groups are identified and pilot implementation of GPP for these product groups is initiated.
- LCC adoption is strengthened and systematically implemented.
- At least 2 further initiatives to support GPP in the pilot phase are identified.
- Current government procurement law and regulations are reviewed and obstacles towards the implementation of GPP are identified.
- Capacity building on GPP to guarantee the success of the pilot phase started and basis for the long-term implementation is established.
- Communication campaign to inform procurement officers and government suppliers on the stepwise introduction of GPP are carried out.
- The efforts of the pilot phase are monitored and evaluated, and effective evaluation mechanism for the long term is established.
- Long term action plan based on the experiences gained in the pilot phase is drafted.

The 11th Malaysia Plan 2016-20 made GGP mandatory for few ministries and their agencies and set the target of 20% in government procurement to be green procurement by the year 2020 for selected groups of products and services for which Malaysia ecolabel existed. It was aimed to create demand for greener products and services, encouraging industries to raise standard and quality of products to meet the green criteria specified in the ecolabel. In 2016, the Ministry of Finance issued GGP Long-Term Action Plan 2016-30 and extended the coverage of GGP to 12 ministries and their agencies and later to all 25 ministries and their agencies in 2017. Different GGP initiatives related to SMEs, Labelling, Green products and services directory and Procurement are integrated into one overarching programme “MyHIJAU” under the Ministry of Energy, Green Technology and Water (KeTTHA).

As per the government administrative order, the GGP implementation in Malaysia, only covers the federal government agencies. The State and Local level government agencies are not involved. However, all Federal government agencies that operates at both State and Local levels are required to implement the mandate of GGP. As such all GGP implementation at the federal level is mandatory as per the specified instructions in the Treasury’s circulars over time.

There is no legal framework at the state and local level too. However, given the initiatives on sustainable cities like the Low Carbon cities project initiative by the MGTC to help shift cities towards a low carbon future, elements of green procurement are introduced to the subnational entities. The Low Carbon Cities Framework (LCCF) established since 2011 aims to provide Local Authorities and all states nationwide to transform their cities into low carbon cities. The LCCF looks at addressing carbon emissions in 4 main areas: Urban Environment, Urban Infrastructure, Urban Transportation and Buildings. It provides the necessary tools – including city design guidelines, measurement and reporting methodology as well as an assessment and recognition programme – to implement low-carbon strategies in a systematic and impactful manner.

In 2022, the government had initiated feedback from the public on the GGP implementation reform and improvement. The government is planning to issue a specific Treasurer Procurement Administrative Order pertaining to GGP. This will specify the role of agencies at the Ministries and Departments in the implementation of GGP. Agencies will be required to conduct early Annual Procurement Planning to plan their procurement that will incorporate GGP.

In November 2022, MOF issued the Government Procurement Policy for GGP (PK 1.9) which among others specified further instructions to ministries including;

- Agencies to implement 100% green procurement for the following products and services:
 - i. Information and Communication Technology (ICT) Equipment;
 - ii. Interior Lights;
 - iii. Paper;
 - iv. Multi-Purpose Printer;
 - v. Air Conditioning;
 - vi. Packaging Products;
 - vii. Electrical Equipment (Television, Fan, Freezer and Washing Machine);
 - viii. Street Lights; and
 - ix. Solar Energy System
- Agencies to implement 50% green procurement for the following products and services:
 - i. Portable Fire Extinguishers;
 - ii. Toner Cartridge;
 - iii. Cleaning Services;
 - iv. Food Preparation, Serving or Catering Services;
 - v. Laundry or Clothes Washing Services;
 - vi. Air Conditioning System Maintenance Services; and
 - vii. Pest Control Services.

3.1.2. Regulations and tools for implementing green procurement

As explained further below, GGP Committees were set up to formulate GGP related policy and strategies, to draft GGP action plans, as well as to coordinate and evaluate GGP implementation at the various ministries and agencies. The Guidelines for Government Procurers, published in 2014 and then updated twice GGP 2.0 (2018) and GGP 3.0 (2020), provide useful information on the ways to integrate environmental criteria into each stage of the procurement process. In 2020, the third edition of GGP Guidelines was published covering updated GGP criteria for 40 for green products and services, such as ICT equipment, air-conditioning systems, and cleaning services. A tool has also been developed for calculating life cycle cost.

There is a step-by-step process for selection of prioritised products and services for GGP implementation and the same is approved by the GGP Steering Committee. While selecting criteria for greener products and services, the GGP Steering Committee pays attention to economic relevance, expected impacts, existence of eco-labels and standards, and market readiness. Criteria for the prioritization of product groups are:

- **Economic relevance:** The products and services are frequently used in the government sector and the significance of the spending.
- **Expected environmental impact:** Green products or services can significantly reduce their carbon footprint, water, and energy consumption or the emission of toxic substances.
- **The existence of eco-labels and standards:** Criteria or standards are available under the MyHIJAU Mark, which can be used in tendering processes.
- **The market readiness:** GGP for relevant product groups or service category will assist local manufacturers. Small and Medium Enterprises (SMEs) in particular add value to their products and become more competitive in the international markets.

GGP Criteria are well aligned with various Type 1 Eco-Labeling Schemes both nationally and internationally. Regular updates ensure that the criteria remain aligned with evolving environmental standards and market practices, enabling procurement officers to make informed and sustainable choices.

The Malaysia Life Cycle Inventory Database (MYLCID) is an output of the Ninth Malaysia Plan (9MP; 2005-2010) of the Government of Malaysia. The database of Life Cycle Inventory (LCI) datasets supports the ecolabelling programmes, life cycle assessment studies, eco-design, environmental declaration communication and other environmental management initiatives that require life cycle inventory information.

MyHIJAU Mark and Directory further provides clarity and guide for the green procurement operationalisation. MyHIJAU Mark is Malaysia's official green recognition endorsed by the Government of Malaysia, bringing together certified green products and services that meet local and international environmental standards under one single mark. An online platform (<https://dir.myhijau.my/directory>) for procurers, government ministries, and members of the general public to find information about all green products and services that have been recognised under the MyHIJAU Mark.

In Malaysia, the Ministry of Finance (MOF) is responsible for all procurement procedures, both internal and external to Malaysia. The primary functions of MOF in government procurement are in the areas of controlling, enforcement, supervision, reconciliation, usage, distribution and storage of procurement for government departments. It sets out the rules governing procurement in government projects. As such all GGP implementation is also centralised through this primary federal procurement process.

3.1.3. Enabling policy and strategic framework for implementing sustainable procurement

As stated above, the precursor to the implementation of GGP in Malaysia was the inclusion of green procurement in the strategic agenda of the National Green Technology Policy 2009 by the then Ministry of Energy, Green Technology, and Water. The NGTP recognised green technology as a driver to accelerate the national economy and promote sustainable development. It emphasises on four focus areas of green initiatives: energy, building, transportation and waste management. The Policy has stated that in its Mid-Term Goals (2016-2020) via 11th Malaysia Plan, green technology becomes the preferred choice in procurement of products and services.

Between 2012 and 2016, the Government of Malaysia (GOM) implemented the project “Sustainable Consumption and Production (SCP) Policy Support” with the funding by the European Union (EU) under the national policy component of the SWITCH-Asia Programme. As a result of the project, the concept of SCP was prominently integrated in the 11th Malaysia Plan 2016-2020 (11th MP) as the key mechanism to pursue green growth, the game changer towards productivity, resource efficiency and natural protection.

A draft National SCP Blueprint 2016-2030 was prepared with the international agenda of Sustainable Development Goals (SDGs) and the 10 Year Framework of Programmes (10YFP) on SCP. The National SCP Blueprint 2016-2030 provides a comprehensive long-term vision and guidance for SCP in Malaysia. It introduces the rationale of SCP for the development of Malaysia and unfolds in 10 distinct pathways: (1) Leading by example through government green procurement (GGP), (2) Transparency of SCP benefits for private households, (3) The business case of SCP in industry, (4) Towards a circular economy waste system, (5) Energy wise buildings, (6) Connecting people through low carbon mobility, (7) Sustainable, safe and nutritious food, (8) Adding value to tourism through SCP, (9) Communication, education and public awareness (CEPA) for SCP, and (10) Coordinating and monitoring SCP implementation.

The 11th Malaysia Plan (2016-2020) dedicated Chapter 2 on Pursuing green growth for sustainability and resilience under Strategy B1: Creating green markets, provides for...

“Government green procurement (GGP) will be made mandatory for all government ministries and agencies. GGP will create the demand for green products and services, encouraging industries to raise the standard and quality of their products to meet green requirements. GGP will complement the existing eco-labelling scheme in the country for green products certification. By 2020, it is targeted that at least 20% of government procurement will be green. Concurrently, the private sector will also be encouraged to emulate Government efforts in green procurement”.

Subsequently, the GOM implemented the project “Implementing the National Sustainable Consumption and Production Blueprint through Government Green Procurement (SCP-GGP)” from 2018 to 2021. Focusing on the role of the government as a key catalyst to create a green market for products and services, the project supported:

1. Strengthening the policy environment by providing incremental support to the full adoption and implementation of the National Sustainable Consumption and Production Blueprint, and
2. Achieving, 11th Malaysia Plan target of 20% of selected groups of products and services in government procurement to be green procurement by the year 2020.

In line with the 11th Malaysia Plan, the GGP agenda is promoted not only for environmental preservation, but also to accelerate the growth of the national economy by stimulating the market for innovative green technologies and products.

A number of GGP-related initiatives have taken place within the short-term and long-term plans. These activities are now integrated into one overarching program: “MyHIJAU”. This initiative supports the development of green technology and was approved by the National Green Technology and Climate Change Council (MTHPI) in October 2012.

MyHIJAU is an initiative of the then Ministry of Energy, Green Technology and Water (KeTTHA). Acting as the implementing agency, the Malaysian Green Technology Corporation (MGTC) (a division of KeTTHA), is responsible for identifying green products and services in Malaysia and provides technical support to ministries and agencies. Its aim is to encourage the adoption of environmentally friendly practices in the country, and catalyzing the growth of Malaysia’s green economy. The MyHIJAU program comprises four sub-programs:

1. MyHIJAU SME and Entrepreneurship,
2. MyHIJAU Labelling,
3. MyHIJAU Directory and
4. MyHIJAU Procurement.

Among these, MyHIJAU Procurement was initiated to develop green procurement in Malaysia, particularly in the implementation of Government Green Procurement and Green Private Purchasing. MyHIJAU also provides an essential guide for government and corporate green purchasing by registering certified products and approved service providers through the “MyHIJAU Mark” and “MyHIJAU Directory”.

Green practices in the infrastructure and public works

In the 12th MP (2021-2025), the Strategy A5: Scaling Up Green Practices proposed a short-term action plan and a guideline on government green procurement (GGP) on works that will be introduced to encourage green practices in the construction sector. A nationwide implementation of the GGP on works, including procurement of green labelled materials, will catalyse the shift towards more sustainable and green construction practices. Industry players will be urged to adopt green certification and performance tools for new development projects as well as renovation and retrofitting works. The tools available for this purpose include the Malaysian Carbon Reduction and Environmental Sustainability Tool (MyCREST), Sustainable INFRASTAR, Malaysia Green Highway Index, Green Building Index, and Building Information Modeling (BIM).

MyCREST (<https://www.cidb.gov.my/eng/mycrest/>) aims to guide, assist, quantify, hence reduce, the built environment’s impact in terms of reduced carbon emissions and environmental impact, while taking into account a more holistic life cycle view of the built environment. It also aims to integrate socio-economic considerations relating to the built environment and urban development. MyCREST essentially combines three basic tools (Design Stage, Construction Stage and Operation & Maintenance Stage) in order to construct a ‘scoring plan’ which is then used to assess a building for certification. MyCREST basic tools represent how MyCREST assessment, recognition and award are given separately to the three basic stages of the building lifecycle. There are course available for this (<https://mooc.utm.my/courses/mycrest/?cl=1>)

Sustainable INFRASTAR (<https://www.cidb.gov.my/eng/sustainable-infrastar/>) stands for Sustainable Infrastructure Rating Tool where it applies an objective & evidence-based rating system that assesses each of the identified key conditions, including:

- Land use planning and management
- Resource Management
- Energy and Water Management
- Biodiversity and other ecosystem services
- Social and cultural protection
- Stakeholder coordination

A certified assessment that achieves 40% and above credit percentage will be awarded with 1-star rating and achievement of 80 -100% will be given 5 Star rating.

CIDB and PWD are the regulatory body in Malaysian construction industry serving private and public sectors. In relate to Government Green Procurement, both of this agency has drafted their own initiatives to help promote the Government Green Procurement. CIDB for instance, came up with Green Labelling program, as well as Construction Industry Transformation Program (CITP) to boost Government Green Procurement in a larger impact. The CIDB Green Labelling program is not in place now due to being underperforming. The green labelling program MyHIJAU, is now been placed to integrate green-labelled products under a single mark for the construction sector.

PWD on the other hand, set up new branch of management which is the Environment and Energy Efficiency Branch as well as PWD Green Rating Scheme (or known as pH-JKR (https://www.jkr.gov.my/sites/default/files/upload/Manual%20pH%20JKR%20Road%20Sector_Version%203.0.pdf)).

Malaysian Government has introduced two incentives, the Green Technology Incentive and Green Technology Financing Scheme, to strengthen the development of green technology and promote green investment. Eligibility to these incentives require registration of products and services under the My Hijau programme.

This has spillover effects on GGP due to the increase of green product suppliers and services in the market. These incentives are:

- Green Investment Tax Allowance (GITA) on Green Assets or Green Projects provides a 100% tax allowance (credit for eligible equipment and system buyers). This allowance is offset against statutory income for a maximum 5 years.
- Green Income Tax Exemption (GITE) on Services provides a 100% tax exemption for up to 5 years between 2013 and 2020 for eligible companies providing services.

3.2. Institutional Framework and Management Capacity

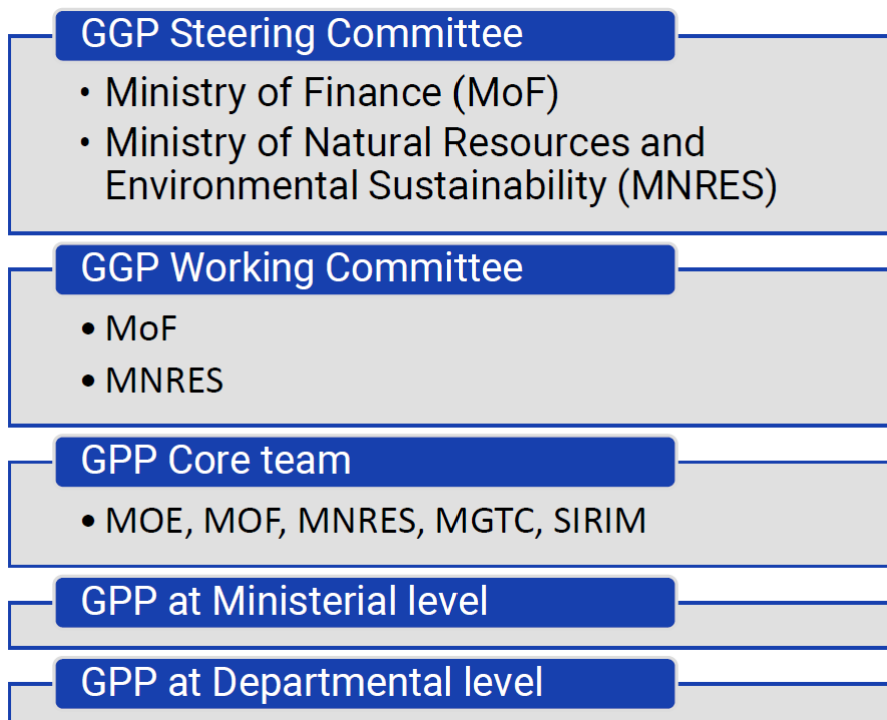
The designated agency for GGP in Malaysia is the Government Procurement Division of the Ministry of Finance. It has the function to:

- Establish the policy direction, guiding principles, and regulations for government procurement of goods, services, and labour in accordance with the objective for national development.
- Verify papers based on government procurement principles for work, supplies, consulting services, and non-consulting services (including procurement outside of Ministry/Agency).
- Monitor the management of Central Contract Tenders and Panel System Central Contracts.
- Monitor the implementation planning of the use of the procurement system by Federal Government Agencies including the KPI for eP System (ePerolehan).

The Ministry of Finance has integrated e-Government Procurement system to track progress of GGP implementation. It measures GGP procurement value and GGP procurement as a percentage of total procurement for selected product groups.

An inter-ministerial coordination mechanism has been established to coordinate implementation of the GGP. The structure for GGP implementation has been set out to include the steering committee, working committee, and the core team comprised of different government departments. One major advantage in the implementation of GGP in Malaysia is that the Ministry with direct and actual authority on public procurement i.e., the Ministry of Finance is taking a major role with other environment related ministries providing technical support. This is more effective in terms of take-ups among the government agencies to implement GGP.

Current Institutional framework of GGP



There are 5 other sub-working groups established to assist the main committees to develop policy, guidelines and targets. These are:

1. Sub-Working Group - Product Groups
2. Sub-Working Group Life Cycle costing
3. Sub-Working Group Legal
4. Sub-Working Group Monitoring and Evaluation
5. Sub-Working Group Capacity Building

The Government Green Procurement Working Committee was set up to formulate GGP related policy and strategies, to draft implementing mechanisms for GGP action plans, as well as to coordinate and evaluate GGP implementation at the various ministries and agencies. It was initially set up to ensure that all plans under the GGP Short-Term Action Plan (July 2013 – December 2014) can be implemented properly. In this regard, pilot projects were implemented in stages in line with the short-term plan, selecting the Ministry of Education, the Ministry of Home Affairs, the Ministry of Health, Economy Planning Unit, and the KeTTHA as the pilot implementers. Differences in the roles of the agencies – steering and working.

The Government Green Procurement Core Team was set up to discuss and develop action plans that will be presented to the higher committee. The Government Green Procurement Core Team is comprised of agencies related to GGP such as Ministry of Natural Resources and Environmental Sustainability, Ministry of Economy, and Ministry of Finance and others. The GGP Core Team meets regularly and as needed. It discusses and develops action plans that will be proposed at the GGP Working Committee for approval.

The ministries and agencies involved in the GGP Core Team and their respective roles are as follows:

- **Ministry of Finance (MOF):** assists on policy implementation by incorporating requirements to conduct GGP into the Treasury Circular accompanied by specific instructions to all federal government agencies. The Ministry of Finance is also instrumental in developing and finalizing the Long-Term Action Plan for GGP;
- **Ministry of Natural Resources and Environmental Sustainability** ensures GGP Policy supports national environmental agenda/objectives;
- **Ministry of Economy** (formerly, Economic Planning Unit of the Prime Minister's Department): develops the Malaysia Plans; develops and coordinate the implementation of the Long-Term Action Plan for GGP;
- **Malaysia Green Technology Corporation:** conducts GGP and life cycle costing trainings; raises GGP awareness; facilitates the development of GGP planning and action plans, including the setting of GGP targets and guides on green specifications; develops GGP guidelines as well as monitoring and evaluation (verifies green products and services and quantifies of CO2 emissions and economic impacts);
- **SIRIM QAS International:** the national eco-labelling body in Malaysia, offers the eco-labelling scheme on a voluntary basis. In line with the normal practice as per described in ISO 14024, SIRIM is also responsible for the development of the Eco-labelling criteria it uses for the certification. In support of the GGP program, the development of Eco-labelling criteria takes into account the identified Common Core Criteria at the national level.

In addition, the coordinated government-wide approach to optimize information-sharing, consistency and performance measurement and the consultations on the policy design and implementation were undertaken through an inter-departmental task group on green procurement and bilateral meetings with other organizations. A GGP Committee has been established at each ministry and agency level to coordinate within the ministry in formulating Green Procurement Plan, a sub-task of the annual procurement plan. Apart from other details, it also has information on estimated value of green procurement and the same is submitted to Ministry of Finance for aggregation and budget allocation. This ensures that sufficient budget is allocated to different ministries for purchasing products and services as per criteria.

Information on the government procurement process is presented in detail on the Ministry of Finance website under Government eProcurement as well as on the respective Ministry/Government Agency website under

the tender/quotation category. eProcurement is a procurement system in electronic format that enables suppliers to offer their products and services to the Government through the Internet. This system acts as an alternative medium for suppliers of products and services to register / renew their Ministry of Finance (MOF) Certificate. With the use of the electronic based applications the government is expected to save cost, time and energy when the paperless concept is fully adopted (<https://www.eperolehan.gov.my/>).

Recognising the need for a knowledgeable and trained procurer, Malaysia has implemented a comprehensive capacity-building and awareness programme. The MGTC under the MyHIJAU Procurement Programme organised several workshops, published a booklet on GGP to create awareness among procurers and conducted the Training of Trainers programme. Such programme on capacity building and learning opportunities are held on an annual basis in all ministries. MGTC also conducts GGP clinics for private sector to inform them on GGP requirements and enhance their understanding on the GGP process. It also has a Green Academy dedicated for skilling human capital in green technology.

The National Institute of Public Administration also conduct courses related to the implementation of GGP; These are:

- Sustainable Government Procurement Course
- Basic Government Procurement Course (Supplies and Services)
- eProcurement Course
- Government Procurement Certification Course - Supplies and Services
- Government Procurement Certification Course - Works
- Government Procurement Certification Course - Consultancy

In terms of public awareness, MGTC conducts campaigns that will feature green products certified under the MyHIJAU recognition scheme and other certified green labels. For example, in 2023, it conducted 'Jom Beli Produk Hijau' (Lets buy green product) campaign with a leading e-marketplace, Shopee Malaysia, utilising the digital landscape to reach a wider audience in an effort to encourage the purchase of green products among the public.

It demonstrates that Malaysia has an extensive awareness programme targeted at both internal and external stakeholders, creating a shared understanding of the benefits of green procurement and fostering a collective commitment to sustainability.

3.3. Public Procurement Operations and Market Practices

3.3.1. Extent to which GPP practices achieve stated objectives

At the moment, the government has not reported in a systematic manner the progress of the implementation of GGP in Malaysia. The data for the progress can only be found in the annual reports of MGTC. There is a small section within this annual report that shows some of the achievements of the GGP implementation.

In the 12th Malaysia Plan (2021-2025), it is reported that achievements of GGP as of 2020 is 20.7% of total goods and services of the 40 product categories, under the GGP Product Groups. This figure is more than the target at the end of 11th Malaysian Plan (2016-2020) of 20%. The 12th MP also indicated that the target for year 2025, is 25%. The data from MGTC Report shows an indication of the achievements of the targets from year 2013 to 2022.

GGP Value until Year 2022 by the Federal Government

Year	Percentage on Total Selected Products and Services (%)
2013-2015	Pilot Project
2016	17.4%
2017	24.6%
2018	22.0%
2019	20.4%
2020	32.5%
2021	27.8%
2022	38.7%
Average	26.2%

GGP Value for the Year 2013-2022 is RM3.97 billion, based on procurement of products and services only

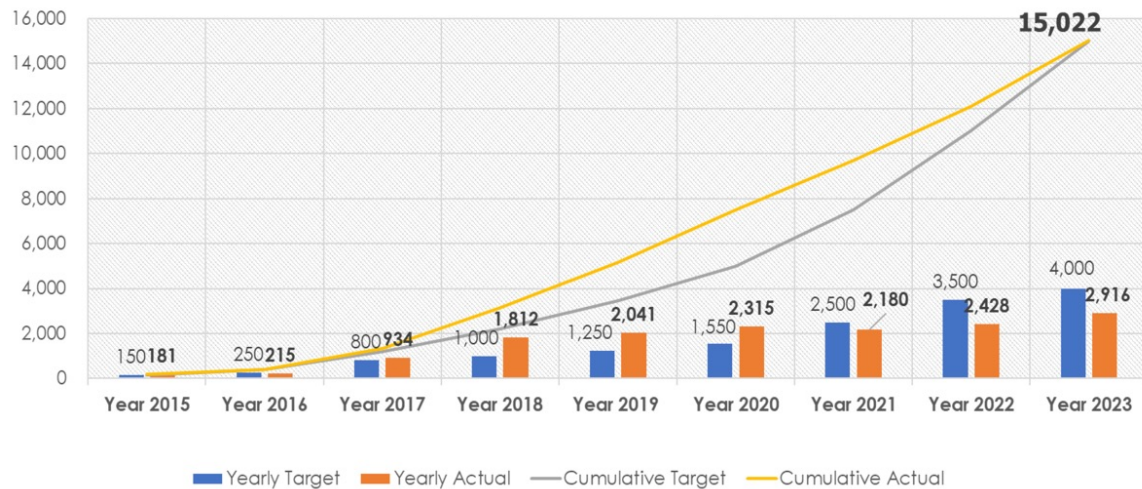
No.	GGP Product Groups	Percentage (%)
1	PG-01 ICT Equipment	38.4%
2	PG-15 Cleaning Services	23.9%
3	PG-40 Solar Energy System	9.2%
4	PG-05 Paper	5.0%
5	PG-08 Multi-Purpose Printer	4.6%
6	PG-37 Catering Services	4.2%
7	PG-14 Rubber Based Products	3.0%
8	PG-02 Paint & Coating	2.5%
9	PG-17 Building Facilities Management Services	1.7%
10	PG-22 Air Conditioning & Mechanical Ventilation System Component	1.0%
11	PG-27 Toner Cartridge	0.9%
12	PG-36 Laundry Services	0.8%
13	PG-33 Fire Extinguisher Equipment	0.8%
14	PG-09 Air Conditioning System	0.6%
15	PG-32 Street Lighting	0.5%
16	PG-19 Paper Based Printing Services	0.4%
17	PG-16 Green Data Centre	0.4%
18	PG-31 Electrical Appliances	0.3%
19	PG-20 Hotel, Logistic & Training Services	0.3%
20	PG-07 Furniture	0.2%

Source: MGTC Presentation May 2024.

Note: Table shows 20 out of the 40 product groups. The average 38.7% in 2022 is percentage from the total procurement value of the 40 product groups.

Registered Products & Services in the MyHIJAU Directory till Dec 2023.

Yearly MyHIJAU Mark Registration until 31 December 2023



Source: MGTC Presentation May 2024.

UNEP- SDG Indicator 12.7.1: GPP Index Calculation for MALAYSIA

GPP Index Parameter	Score	Scaling SCP baseline results
A. Existence of a GPP Action plan / policy, and / or GPP regulatory requirements	1.00	Mostly in place
B. The Public Procurement regulatory framework is conducive to GPP	1.00	Mostly in place. Potential to increase scores through introduction of mandatory GPP for specific suitable product categories.
C. Practical support delivered to procurement practitioners on the implementation of GPP/GPP	1.00	Many types of practical support already available. Increased provision of best practice case studies and continuation of training and communication needed.
D: GPP purchasing criteria/ buying standards / requirements	0.60	Environmental criteria for many product categories available, but provision can be expanded. Social/economic/governance-related criteria are largely not used and should be development.
E: Existence of a GPP monitoring system	0.90	Improvements needed, including measuring of outcomes and moving from resource intensive and less accurate manual systems to digital systems integrated in e-procurement.
F: Percentage of sustainable public procurement	0.00	Data required to calculate this is mostly missing. Improvements to monitoring system should include this data requirement.
TOTAL SCORE	3.50	FEDERAL/NATIONAL GOVERNMENT FINAL SCORE [A * (B + C + D + E + F)]

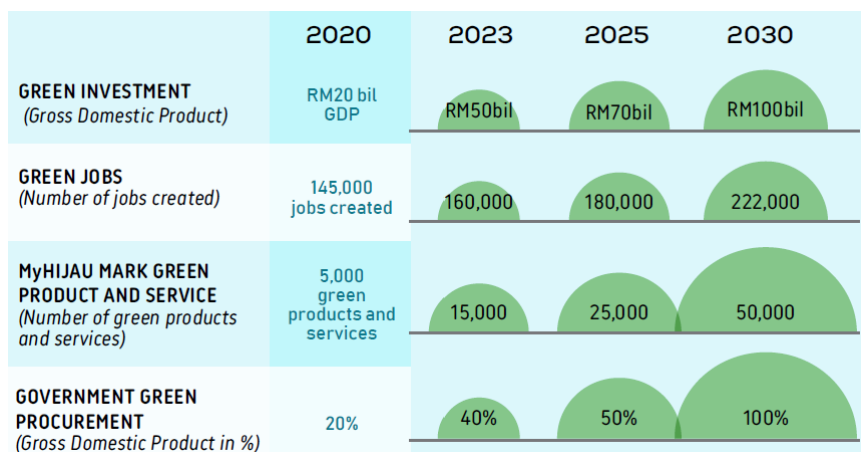
Source: MGTC Presentation May 2024.

Other targets that were also set in the Long-term Action Plan for GPP in Malaysia as reported in the GPP Guidelines 3.0, 2020 are as shown below:

INITIATIVES	TIMELINE
GPP Guideline adopted on works procurement	2021-2025
Sustainability specifications mandated for all public projects	2021-2030
Implementation of GPP projects for works registered with Green Rating Tools	2021-2030
Development of work tender documents with green specifications	2025
Workshop to enhance existing professional accreditation which incorporate sustainability elements	2021-2025
Implement pilot projects on new local innovative green technology	2021-2030

Source: GPP Guidelines 3.0, 2021

In 2021, the then Water and Environment Ministry launched the Strategic Plan 2020-2030: Environmental Sustainability in Malaysia. It is a comprehensive document, setting clear goals and targets towards achieving environmental sustainability by 2030. It covers the Malaysia Plan which includes the government's agenda, current policies and also the country's sustainable development agenda through the SDG 2030. It also specifies some targets related to green investment, green jobs and GPP achievements in future.



Source: MGTC Annual Report 2021

More recently, there is research on the actual environmental performance of the GGP implementation in Malaysia⁸. This specific study aimed to investigate the potential influence of organisational responses to conflicting institutional demands towards barriers to environmental performance monitoring of government green procurement (GGP) in Malaysia. The study reported that lack of knowledge and awareness on environmental performance monitoring as the main challenge to successful GGP implementation. Another barrier identified is that environmental performance monitoring was not communicated externally, i.e. beyond government officials, preventing scrutiny and evaluation on the monitoring process from the wider stakeholders.

In its VNR 2021, Malaysia has stated that it is making significant efforts to transition towards

sustainability and managing climate change by adopting a resource efficient and climate resilient development pathway, particularly the progress towards increasing energy efficiency and government green procurement. It noted that various efforts to better coordinate sustainable consumption and production and climate change implementation have been undertaken at the policy level but there is a need for greater technical and financial support, including on technology and expertise to translate the policies into implementation.

3.3.2. The private sector contributes to a more sustainable procurement market

Traditionally there is a strong national policy to support private sector development in Malaysia. Market orientation and forces has always been supported by government policies through fiscal incentives and conducive monetary policy. Private sector expenditure is about 76.2 % of GDP in 2023.

The Madani Economy framework was revealed in 2023 is based on the 'Malaysia Madani' concept's core values: sustainability, prosperity, innovation, respect, trust, and care and compassion. The framework lists several targets that should be achieved within the next decade, including making Malaysia one of the world's top 30 economies. Since then, three major economic policy documents have been released. These are the National Energy Transition Roadmap that the government says represents 'a new way of thinking to fundamentally transform Malaysia's economy and livelihoods for a stronger and more resilient future'. Next was the New Industrial Master Plan 2030, which has a mission-based approach to steer the development of the manufacturing and manufacturing-related services sectors. The missions are to advance economic complexity, lift the country to a higher technology level, push for net zero, and safeguard economic security and inclusivity. Finally, the Mid-Term Review of the 12th Malaysia Plan was tabled and debated in the Parliament to review and update policies and strategies so that they are in line with the aspirations of the Madani Economy framework.

In the VNR 2021, the government stated that through the SCP Blueprint 2021- 2030, the Government intends to introduce the SCP Blueprint to provide a broad policy direction to accelerate the adoption of SCP in identified pathways in various sectors, including green procurement. Currently, the SCP Blueprint has not been rolled out yet, thus lacking initiatives for the green procurement being developed within the private

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sector. The impacts on GHGs reduction and other environmental impacts can be substantial given the huge presence of Government Linked Companies (GLCs) in the local economy, accounting for 42% of the total market capitalisation of Bursa Malaysia.

Malaysia as an attractive destination for ESG-related investments. In line with this, in September 2023, the National Industry ESG framework, 2023 was launched by the Ministry of International Trade and Industry. This framework has Strategy A6: Develop carbon footprint for products. Among the outcomes of this strategy is to attract green investments, greater adoption of circular economy, and accelerate Government Green Procurement (GGP) programme. Adoption trends of ESG practices among Malaysian corporates have been promising. Since the 2014 launch of the FTSE4Good Bursa Malaysia (F4GBM) Index, which recognises public-listed companies (PLCs) that have taken steps to improve their ESG practices and disclosures, the number of index constituents has more than tripled.

Unfortunately, important private sector stakeholders like FMM and SME Association are not members of the GGP Committees set up by the government. FMM for example has a Procurement Committee, which can promote local products to government and can support MGTC to promote My Hijau Clinic.

The financial institutions are increasingly supporting the industry on green finance. With the support from Joint Committee 3 (Bursa Malaysia, Central Bank of Malaysia and Securities Commission of Malaysia) the financial sectors are now offering various green financing. Some financial institutions have developed sustainable financing framework. There is a strong support for sustainable supply chain and green procurement as part of the financing policy. The Financial Sector Blueprint 2022-2026 aim to have more than 50% of new financing for green and transitioning activities by 2026 and as such Malaysian banks have announced their respective commitments, cognisant of the impact they can make as sustainable financiers.

Green Industry RMK12 MyHIJAU is an implementation of a project to improve the Green Industry sector in Malaysia. It involves several programs such as the development of Green Industry Guidelines, preparation of Training Modules, organization of Course Training Sessions and performance monitoring. The objective of this annual program is to add 10,000 registered green products and services with MyHIJAU Mark recognition to be listed in the MyHIJAU Directory and to encourage 2,000 local companies and businesses to obtain Green Industry recognition by 2025. Green purchasing by business and consumers can further enhance the development of greener products and services. There are studies to show that although green products are readily available on the Malaysian market, the level of Malaysian consumers' intention to purchase green products is still low.⁹

3.4. Accountability, Integrity and Transparency of the Public Procurement System

The GGP policy, administrative orders, and guidelines do follow transparent and consultative process as mentioned in 3.3. The Committees that are set up provide clear instructions through Treasury circulars and enable channel of feedback and communications with the support of MGTC as the coordinator and advisor. Malaysia's green procurement journey is characterized by active collaboration and partnerships with various internal and external stakeholders as mentioned above. Nevertheless, consultation with external stakeholders, particularly with civil societies has been minimum. Very few civil societies involved in government public procurement issues, even less when it comes to green procurement.

However, there are public policy advocacy groups that can and willing to address the issues related to public finance and transparency, like IDEAS and C4 as mentioned in Section 2.5. But at the moment the involvement is very limited to general public procurement policy and procedures as they don't have capacity to advise on green procurement matters. IDEAS for example has called the government to develop the Government Procurement Bill Act (GPA) using international procurement legislation such as the UNCITRAL Model Law on Public Procurement, so that it will provide a better accountability mechanism for public procurement.

In the past, GPNM has played active role in bringing together government and industries on a common platform for creating awareness among industries and scaling up GGP implementation in Malaysia. Currently, this organisation is dormant and there must be initiative to revive it if capacity to be provided

⁹ Journal of International Business, Economics and Entrepreneurship e-ISSN :2550-1429 Volume 8, (2) Dec 2023

to the industry and government. SME Association, ENSEACH and ESGAM noted that they have not been engaged yet in discussion related to GGP or even on green procurement for the private sector. Civil society can provide additional perspective if invited to join the committees available for the implementation of GGP.

As per section 2.4, the Auditor General Report has been a catalyst to highlight the problems with the government procurement outcome especially in regards to transparency, integrity and accountability. However, neither the implementation of the government procurement nor the process of preparing the AG report involves the participation of the civil society. This may change with the new proposal for the Government Procurement Act.

The emphasis of sustainability in procurement by the national audit system is also lacking at the moment. Sustainability issues have not been integrated fully in the audit framework. The AG office doesn't have capacity to conduct environmental audit at the moment. The Audit Act 1957 require the Auditor General to prepare an audit report of the accounts of the Federal and State Governments, Government Agencies, Public Authorities and other bodies and submit to King so that it can be tabled in the Parliament. The objective of the audit report of the financial statements is to express an opinion as to whether the Federal Government Financial Statements reflects the true and fair financial position as well accounting records about it have been kept in good repair and updated.

In the spirit of transparency, the National Audit Department has launched the Auditor General's Dashboard as a platform to enable issues and latest feedback from the Auditor General's Report to be displayed to the public. The dashboard showcases the status of follow-up actions of the report prepared for federal and state government agencies. It also acts as a channel to ensure immediate action is taken by auditee on the issues raised in the report, thus resolving outstanding issues.

In 2018, the AG Department has done an audit to determine and identify the actions put in place by the government regarding the preparedness for the implementation of the SDG 2030 Agenda. Recently, UNDP Malaysia also had a discussion with the AG Department to strengthen capacity to implement SDG auditing in future.

Another oversight body is the Public Accounts Committee (PAC) that is responsible to the Parliament. It examines the Auditor-General annual reports or initiate its own investigations upon a case that of public interest. In many circumstances, it will call upon the government agencies to answer the inquiries. PAC also comes out with recommendations for improvements of the respective government agencies.

4. Recommendations for S/GPP initiative: options for policy dialogue and pilot projects, stakeholders and recommended approach

Lessons Learned

Malaysia has shown significant progress in green public procurement implementation. Some of the key learning from Malaysia GPP implementation experiences are:

- GPP programme is mainstreamed in the Malaysia Development Plans as stated in 11th MP and 12th MP and fiscal incentives given to help industry address supply side constraints of greener products and services.
- A mandatory and phased implementation strategy of GPP programme and a strong institutional mechanism enabled the inter-ministerial coordination on green procurement implementation, led by the Ministry of Finance (providing the mandate in terms of administrative order), Ministry of Economy (providing the policy and coordination support) and MGTC - providing the technology, knowledge, and guidelines support.
- Regular capacity building initiatives and updated Guidelines for Government Procurers empowered procurers with knowledge and skills to navigate the complexities of green procurement.

Based on the targets set in the 11th Malaysia Plan 2016-2020 and the current 12th Malaysia Plan 2021-2025, the implementation of GPP in Malaysia has been successful in achieving the targets set in terms of green procurement percentage of total procurement of the government. In the Voluntary National Report 2021, Malaysia has highlighted the GPP's achievement under the SDG 12 Responsible Consumption and Production.

Challenges

Although, the GPP implementation activities in the Short Term Plan was largely achieved, there are a number of challenges Malaysia is experiencing in its implementation of LTP as follows:

- There is no legal framework to make GPP implementation mandatory. Currently the implementation is based on administrative directive from the Ministry of Finance.
- The GPP administrative guidelines and circular only applies to Federal agencies; State level and Local level agencies are not mandated at the moment based on the administrative directive.
- There is lack of sufficient expertise to develop the programme for measuring the environmental impact of some of the products like the non-energy products.
- In existing ecosystem, most of the fiscal incentives are given to manufacturers. Developers and other players do not receive any incentives although the former are the main key players, particularly in the construction sector.
- Private sector involvement in the GPP process is very low. More awareness activities need in this area. Results revealed that green procurement implementation in Malaysia is still not prioritized yet and the adoption has not reached the desired level.
- There are efforts to suggest that specialised skills as certified (GPP) procurer being proposed but has not caught the attention and support.
- GPP implementation (Business to Government) has not brought about the traction for GP in the private sector yet. There is a huge potential of GPP to support some sort of voluntary schemes in GP for private sector (Business to Business and Consumer to Business).

- There are no data and analysis to show the implementation of life cycle costing (LCC) refers to total estimated cost of an asset throughout its entire life cycle phases which include the cost for acquisition and ownership constitutes a significant aspect of the considerations and environmental impact of the GGP.
- The GGP has been implemented for the past 10 years (2014-2024). There were attempt to review and obtain feedback on the procurement rules and regulations and obstacles towards the implementation of GGP. (UNDP project 2020 and Pre-2023 Budget Survey). It is noted that there is no publication or analysis outcome of these two initiatives. The wider stakeholders in the form of universities/research intuitions, private sector and civil society will benefit from these information and results.

Recommendation

- a. The implementation of GGP should be further strengthened by expanding it to the State Governments and Local Authorities. As noted in the review above, currently, the GGP practice is not a requirement at the State and local governments level. There are awareness trainings and seminar being conducted to promote GGP to these sub-national entities. Nevertheless, there must be a planned project dedicated to ensure that all 14 State Governments and 152 Local Authorities (PBTs) are made aware of the potential benefits to the sustainability and climate change policy and plans in Malaysia by adopting GGP. Among other outputs for such project could be to develop GGP action plan, procedures for implementation, monitoring and reporting, market review on selected product & services, develop product criteria and specification, and capacity building for the government procurement officers, suppliers and contractors.
- b. The implementation of GGP should be further strengthened by expanding it to the works and construction sector. As noted in the review above, currently, the GGP implementation requirement at the federal level is for goods and services only, and does not include works procurement. Various agencies within the works procurement and construction sector are practicing some form of green practice but not full fledge green procurement et policy and practice. There are many challenges for GGP in the works procurement. As such there should be a planned project dedicated to ensure all stakeholders come together to develop a practical and suitable GGP policy, plans, procedures and guidelines for this area.
- c. Government-linked Companies (GLCs) to be included with some form of parallel schemes using similar guidelines of GGP. The impacts on GHGs reduction through this initiative can be substantial given the huge presence of GLCs in the local economy, accounting for 42% of the total market capitalisation of Bursa Malaysia.
- d. There should be a committee on private sector participants from major industry association. This committee should deliver consultation and input from the private sector on the GGP and this can pave the way to start thinking of a national scheme for GP for the private sector in selected sector. More research and study needed to understand the application of green procurement by the listed companies. This can provide vital information to use GGP as a steppingstone to develop private sector GP scheme managed by government or by industry itself. MGTC is aiming to develop such a scheme for the private sector.
- e. Support MGTC, SIRIM and National Productivity Centre (NPC) to create Train the Trainers modules to train sufficient expertise to develop the programme for measuring the environmental impact of some of the products in the 40 categories of the GGP. This should be done by working with the Human Resources Development Corporation. The Human Resources Development Corporation (HRDC) was established under the legal requirements of the Human Resources Development Act 1992. The HRDC is a pool of funds that consists of Human Resources Development levies collected from employers. Companies can claim the training fee for the employees for course registered under HRDC by HRDC-registered trainers.
- f. Support further development of the GREEN PRODUCT SCORING SYSTEM (GPSS) that is developed in accordance with the government initiatives to promote and encourage the use of green products in the construction industry and constructing more sustainable buildings. The manual outlines part of Public Works Department initiatives in the government sector to promote sustainable construction in consideration on its impact to the environment. The manual is prepared as such with the intention that it is user friendly, understandable and fitting for the local construction industry to develop and

adopt green manufacturing process. The manual is a systematic and structured assessment method which can be utilised to consistently evaluate the content of green products that are used in a project. Currently this is not being implemented widely.

- g. Support the development of the proposed Public Procurement Act in terms of capacity building in public finance reform, and integrating sustainability principles. The government should seek multi-stakeholder group engagements and dialogue to develop this Act, including participation of civil society. Malaysia can draw best practices from the 65 countries which have so far introduced Procurement Acts.
- h. To further support the MyCrest and INFRASTRA certification/ratings, the GGP should have specific prescription in the procurement of construction and works projects.
- i. Malaysian Government has shown its strong commitment towards GGP implementation, GGP is in line with Malaysia aspiration towards developing low carbon economy and GGP can be a significant source of support for sustainable development policy goal in Malaysia, but currently the SCP is not promoted as value add for industries. Once SCP is promoted, the GGP and GP implementation can be rolled out widely to the private sector.
- j. A monitoring and evaluation framework is in place to stipulate a format for reporting on GGP implementation by all ministries and to report the progress of GGP implementation to MGTC bi-annually. MGTC compiles and analyses the data from various ministries and presents the results to the GGP Steering Committee. It is recommended that monitoring and evaluation results need to be published so that the GGP progress can be understood by wider stakeholders.
- k. The GGP Long Term Action Plan 2016-2030 needs a review on its achievements and perhaps make changes in order to set new GLTAP moving beyond SDG 2030.
- l. Establish a Government Task Force to Review and Reform Procurement Regime – also to see the impact on climate change, and other environmental benefit achieved so far from the GGP impacts. Implement monitoring and reporting mechanisms to track the environmental impact of procurement activities and ensure compliance with green procurement policies. National Auditor General Office can do this with the collaboration of civil society and research institution.
- m. Encourage collaboration between government agencies, private sector, and NGOs to develop innovative green procurement initiatives/solutions to keep pace with advancements in sustainability practices and technologies.

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