



# Government Green Procurement (GGP)

## Long-term Action Plan 2016-2030



# 1 INTRODUCTION

## 1.1 Background and Motivation

The path towards green growth started in the Tenth Malaysia Development Plan (2011-2015), as the plan states that 'green products and services as preferred choice for government procurement ....' In addition, the Plan underscored the importance of public procurement as a catalyst for innovations. With about 10 per cent<sup>1</sup>, the Malaysian government's public spending represents the biggest single contributor to the nation's GDP and therefore commands more than enough purchasing power to initiate a change in producer and consumer behaviour.

This was further reiterated and focussed in the Eleventh Malaysia Plan (2016-2020), which underlines that:

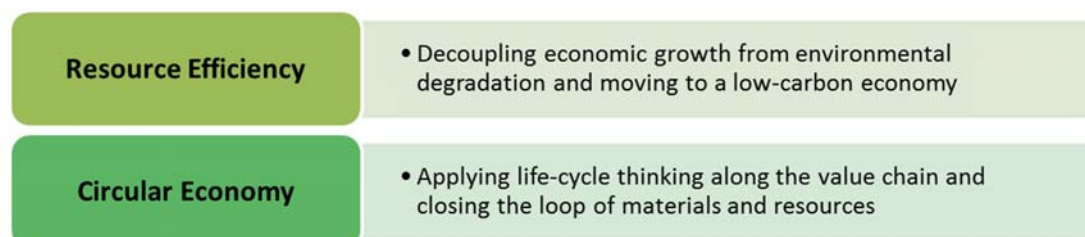
*"Any growth is a function of Consumption and Production. How green growth is, depends in first instance on how green consumption and production patterns are. Sustainable Consumption and Production (SCP) is thus the game changer to make the green growth scenario happen, an essential part in the concept green growth through SCP will be GGP"*

Pursuing green growth for sustainability and resilience in facing any economic cycle is the 6<sup>th</sup> strategic thrust of the 11<sup>th</sup> Plan. The plan stipulates a paradigm shift of socio-economic development by placing an equal emphasis both on its benefits as well as the impact on the natural resources and the environment. To enable especially the private sector to shift its production and consumption towards more sustainable patterns, four critical areas were identified: policy and regulatory framework, human capital, green technology investment and financial instruments.

In the Malaysian context, green growth is defined as follows:

*"'Green Growth' uses natural, human and capital resources in a sustainable manner to bring about better quality of life and sustainable, inclusive and equitable economic growth for all, while avoiding pollution (including greenhouse gas emissions), minimising waste and hazardous products, avoiding inefficient use of natural resources, protecting biodiversity and ensuring security of supplies"*

To facilitate the change towards green growth will require the adoption of green or sustainable practices. This transformation will be guided by the five principles of 'Green Growth through SCP':



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<sup>1</sup> Tenth Malaysia Plan

<b>Against Rebound Effects</b>	<ul style="list-style-type: none"> <li>• Preventing against cancelling out of efficiency gains through efficiency losses at other stages of the life-cycle</li> </ul>
<b>Inclusiveness</b>	<ul style="list-style-type: none"> <li>• Enhancing quality of life by ensuring growth and equitable wealth creation for all members of society</li> </ul>
<b>Behavioural Change</b>	<ul style="list-style-type: none"> <li>• Building an informed and responsible consumer and business society with sustainable consumption and production patterns and behaviour (<i>behavioural change</i>)</li> </ul>

## 1.2 Why Green Procurement?

The immense purchasing power of the Malaysian public sector presents an important instrument to step up for the provision of environmentally friendly goods and services within the country. Moreover, targeted public demand can spur green innovation and demonstrate government commitment towards turning Malaysia's economy green.

In turn, the strong government lead will have an essential impact on the private sector and its readiness and motivation to follow suit allowing for Government Green Procurement (GGP) opportunities for green procurement initiatives within the private sector. These efforts will support awareness and enhance sustainable consumption among the general public. In addition, GGP can raise international competitiveness, increase employment through a greater extent of business opportunities and the provision of innovative products/services within the local community.

## 1.3 What is Government Green Procurement?

Government Green Procurement (GGP) is defined as follows:

**“Procurement of products, services and works that take into account environmental criteria and standards for protecting the environment and natural resources and minimize or mitigate the negative effects of human activities”**

(Introduction to GGP KeTTHA, 2012)

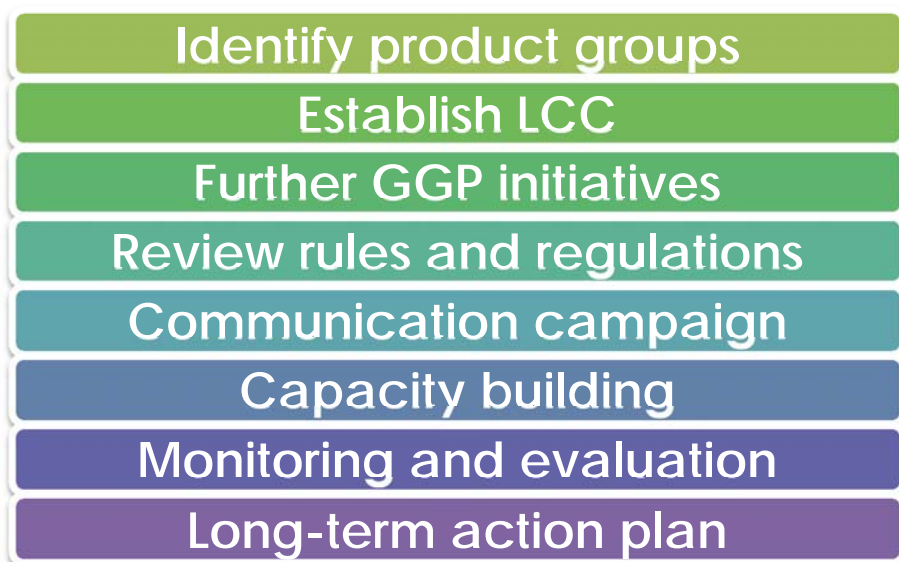


## 1.4 Short Term Action Plan Achievement

To implement green procurement processes within Malaysia's public sector, a Short Term Action Plan (STAP) was published in mid-2013. The STAP provides the transformation steps until December 2014 and pursues the realization of GPP in practice for the first pilot implementers as well as the definition of green criteria for the first product groups.



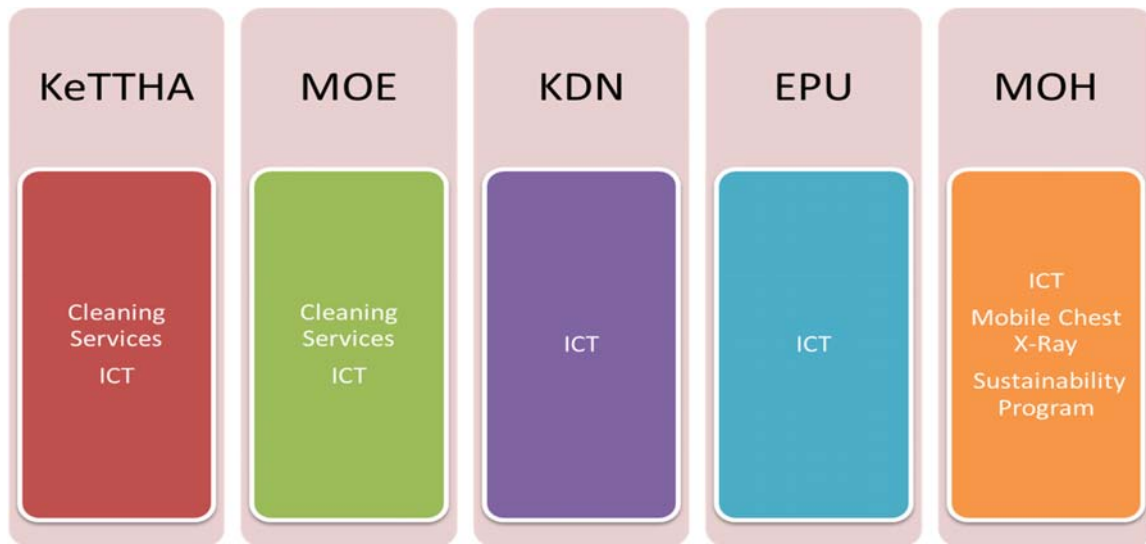
### GPP SHORT TERM ACTION PLAN



### THE ACTIVITIES UNDER GPP STAP

TARGET	ACHIEVEMENT
(i) Selection of 2 products/services	6 products/services group <ul style="list-style-type: none"> <li>• Paint/ Coating</li> <li>• Cement</li> <li>• EE Lightings</li> <li>• ICT</li> <li>• Cleaning Services</li> <li>• Paper</li> </ul>
(ii) Selection of 2 pilot Implementers	5 ministries: <ul style="list-style-type: none"> <li>• Economic Planning Unit (EPU)</li> <li>• Ministry of Energy, Green Technology and Water (KeTTHA)</li> <li>• Ministry of Education (MOE)</li> <li>• Ministry of Home Affairs (KDN)</li> <li>• Ministry of Health (MOH)</li> </ul>

#### TARGET AND ACHIEVEMENTS UNDER GGP STAP



#### PILOT IMPLEMENTERS AND THE SELECTED PRODUCT GROUPS

During the pilot projects, selected green elements or criteria have been included in the tender documents. For instance, the ICT equipment procurement states that the supplier should supply at least Energy Star 5.2 compliant equipment, recycled content for packaging and offer take-back policy for spare parts. As for cleaning services, the bidder needs to comply with certain criteria which include the usage of biodegradable cleaning agents, recyclable content for paper towels, toilet tissues and biodegradable garbage bags. The overall green procurement cost under the pilot projects reached RM352 million. With the completion of STAP, Malaysia is on the right track towards the realization of its GGP efforts.



## 1.5 Why LTAP

To further support the development of GGP, LTAP will be introduced targeting at a nationwide spread of GGP. The LTAP will depict tools to spur innovation through targeted public demand and eliminate the “wait-and-see” attitude taken by companies as well as private consumers.

To foster the transformation process, far-reaching initiatives that will induce synergies with other policies (building, transport, energy etc.) shall be initiated. These initiatives, which include among others landmark projects, comprehensive training efforts, communication activities and strong monitoring, will transform Malaysia into a GGP leader.

Thereby, the LTAP will define clear responsibilities in order to bolster the GGP agenda. Existing responsibilities of stakeholders shall be fine-tuned and further developed. The LTAP will take all experiences made within the STAP into account and increase the number of product groups as well as stakeholders at the federal, state and local level. A strong commitment from all main stakeholders shall further advance GGP.

In addition a far-reaching initiative on capacity building will be rolled out. A cadre of trainers shall be trained, to enable all procurement officers within Malaysia to undergo a step-by-step training. Furthermore, the LTAP shall strengthen the total cost of ownership approach to allow for the systematic application of LCC.

The LTAP shall reflect the unequivocal commitment of the government to the suppliers about the government's green procurement practices that will inevitably force industries to adapt. The GGP can act as a means to promote innovation in the country. Last but not least the monitoring and evaluation processes shall be institutionalized. All activities induced by the STAP and the LTAP shall be synergized with other policies and linked to initiatives in the SCP blueprint.

## **2 POLICY AND REGULATORY FRAMEWORK**

### **2.1.1 Policy**

In pursuing sustainable economic growth the government has made a commitment to clearly incorporate GGP in the national strategy documents. The ETP, for instance, depicts and recognised the national key economic areas (NKEA) as drivers of economic activities. Among the twelve NKEAs are various policies to foster the transition towards green purchasing processes. One of the entry point projects (EPPs), EPP 4 under the ETP is to boost demand for green products and services. The ETP even proposes that by 2020, up to 50 per cent of certain public sectors purchased products and services should be eco-labelled.

The New Economic Model (NEM) has an overall goal of sustainable development. To this end, the NEM states explicitly that a more efficient procurement process will address long-term economic and social viability as well as assess environmental impacts. Green production is also mentioned as one of the innovative areas for growth.

The 10MP calls for an improved public procurement process as a key component to increase innovation in Malaysian companies. It recognizes that public procurement can be a strong driver for green technology. In this context the 10MP highlights the National Green Technology Policy (NGTP), which was set up to support industries, manufacturers and suppliers offering green products or services in becoming more environmentally friendly and competitive in the local and global market. The NGTP fosters GGP introduction by calling for prudent management of natural resources and environmental conservation in order to achieve higher economic competitiveness and a higher national standard of living. Hand in hand with the NGTP, the National Renewable Energy Policy and Action Plan (NREPAP) suggest the strategic use of government procurement to spur renewable energy generation and industry growth.

The commitment of the Malaysian government to promote green initiatives is also recognised in the National Innovation Plan and the SME Master Plan. The documents stress the importance of public procurement policies in regards to the development of innovative and sustainable products.

The necessity of green economic transformation is reflected in the federal budget. While between 2010 and 2012, RM1.5 billion was provided to encourage green technology projects through the Green Technology Financing Scheme (GTFS), the amount was increased by RM2 billion for the period 2013 to 2015. The implementation period is however, extended to December 2017.

Finally, in the Sustainable Consumption Production blueprint which was the basis of the proposed 'Green Growth through SCP' in the 11<sup>th</sup> Plan, GGP is one of the key vertical interventions to promote growth. Public sector is critical as it would be leading by example. It is identified as a scenario that would leapfrog Malaysia into the future. Moving forward we would require serious efforts and the strong will to be ahead of others instead of catching up.

### **2.1.2 Obligatory measures/Regulatory Framework**

Prior to the STAP, there were only several Treasury instructions that favoured GGP considerations. Various treasury circulars and directives emphasised GGP, such as SAP, dated 17th September 2009; SAP dated 15 July 2009; PP No 2, 2009; SPP No 1, 2008; PP No 7, 2008; PP No 9, 2008 and SAP dated 24th April 2008. These circulars and directives

have emphasised that the objective of government procurement is not simply to select the offer with the lowest price, but to obtain the best value for money. This means that apart from the initial investment, other costs - better captured under the concept of Life Cycle Costing (LCC) - have to be taken into account, such as operational costs (including energy costs), maintenance costs, and end-of life/disposal costs. The GGP Guidelines Edition 1<sup>st</sup> July 2014 clearly encourages the adoption of LCC by evaluating the financial impact of goods and services procured.

Treasury Circular SPP 2/2014 (1PP PK1 (xi)) was issued to aware Agencies on the GGP initiative and to do necessary preparation to implement GGP. As part of the expansion of GGP implementation, MOF has issued a letter dated 6<sup>th</sup> April 2016 to instruct 12 ministries to implement GGP by the year 2016. In addition, all ministries are expected to implement GGP by the year of 2017.

Starting from 2015, GGP initiative has been part of the evaluation criteria under Malaysian Administrative of Modernisation and Management Unit (MAMPU) Star Rating Assessment Program (SSR) which assess the performance of the ministries and agencies in implementing GGP as part of their operation.

MOF has introduced Government Procurement Accreditation Programme (GPAP) that started on November 2016 and will be fully implemented by the year 2017. To strengthen the effort towards inculcating GGP culture in ministries and agencies, the implementation of GGP in their procurement activities has been one of the evaluation criteria under this programme.

Ministry of Works had issued a letter dated 23rd September 2015 to instruct all government development projects by JKR in RMK11 need to obtain green building rating scheme by either *Penarafan Hijau* JKR (pH JKR) or Malaysian Carbon Reduction and Environmental Sustainability Tool (MyCREST).



## **3 PHASE I (2016-2020)**

### **3.1 Vision and Objectives**

Malaysia's vision is to become a high-income fully developed nation, which is both inclusive and sustainable by 2020, to enhance the standard of living, quality of life, and well-being of its people. To achieve this vision and consolidate it beyond 2020, Malaysia's growth needs to be 'green' in order to meet the vision of Malaysia in its comprehensiveness.

GGP will support the development of a green economy. The encouragement of national sustainable consumption and production patterns will improve Malaysia's global competitiveness and at the same time will increase employment and business opportunities. GGP will be an engine for innovation and a crucial instrument to create market entrance opportunities for new green Malaysian products and services. As part of government procurement objectives, GGP will ensure sustainable supply of products and services, and will promote value for money practices.

The government will ensure on the basis of continuing action plans, that GGP is introduced in a step-by-step, systematic and efficient way. By 2020 GGP will be implemented at all levels of government - federal, state and local government. By then, GGP will be a central pillar of government procurement policy and Malaysia will be the frontrunner of GGP in Southeast Asia.

### **3.2 Institutional Set-up**

The institutional set up to support the implementation of the GGP that has been established in the form of the GGP Steering Committee (SC), the GGP Working Committee (WC) and the GGP Core team. The establishment of various GGP committees is a significant step in supporting the various GGP activities that have been outlined in the GGP Short-term Action Plan (STAP). This is to ensure that the GGP can be introduced in a systematic manner.

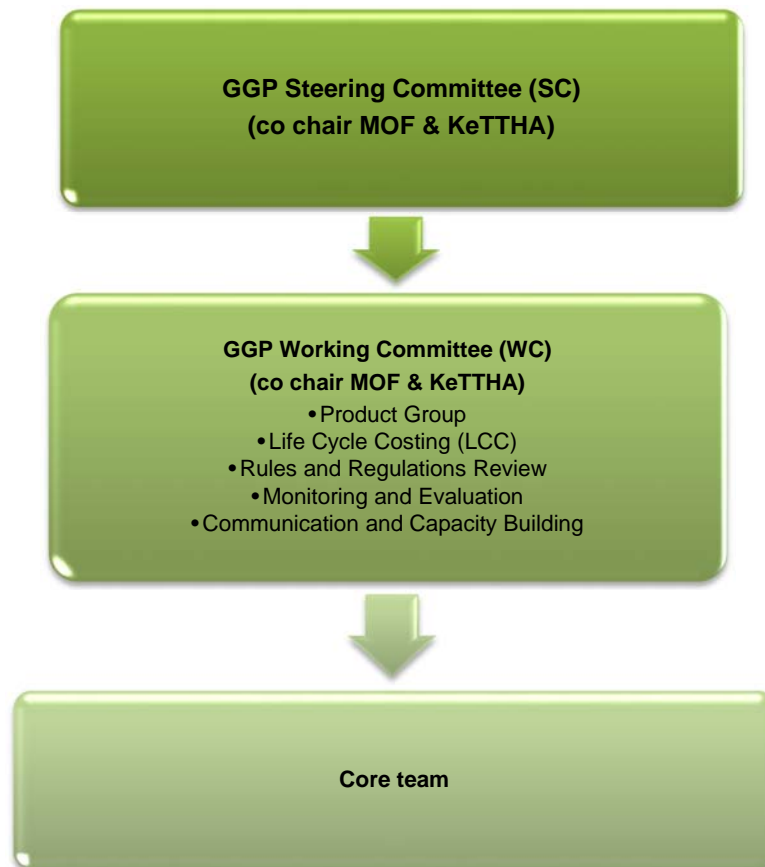


Figure 1.0: Institutional set up to support the implementation of the GGP

KeTTHA and MOF shared the responsibility as co-chair for the SC and WC. In WC, five focus areas that need to be monitored and advised are Product Groups; Life Cycle Costing (LCC); Rules and Regulations Review; Monitoring and Evaluation; and Communication and Capacity Building.

MOF will slowly take over the lead in mainstreaming GGP with the support of GGP Core Team (technical experts). To illustrate the government's commitment in promoting GGP as one of the important national agenda, it is proposed that GGP reporting be made directly to Green Technology and Climate Change Council (*Majlis Teknologi Hijau dan Perubahan Iklim*) and the 11<sup>th</sup> Malaysian Plan Monitoring Committee (*Jawatankuasa Pemantauan RMK 11*).

### 3.2.1 Procuring Entities Institutional Set-up

The procurement of goods, services and works will be done by **Agencies** which comprise different level of entities that starts from the top with Ministry, Department, Branch and District. All this government level will do their own procurement based on authorised threshold. In order to ensure the implementation of GGP, **each level must have a solid institutional framework** that will be responsible in carrying out the inclusion of green criteria in their procurement process. This establishment is essential to help GGP grow and achieve the intended goals.

The procuring entities should establish at least a **basic committee** that will plan and oversee the implementation of GGP. This committee should be headed by the procuring entities head such as Secretary General or Deputy Secretary General, Head of Department or any suitable

manager's or director level at the agency. Additionally, this committee must consist the members from the officers that involve in procurement and the officers responsible for the operation of the agencies. The GGP Committee must also appoint a focal point to coordinate the GGP implementation in ministries and agencies.

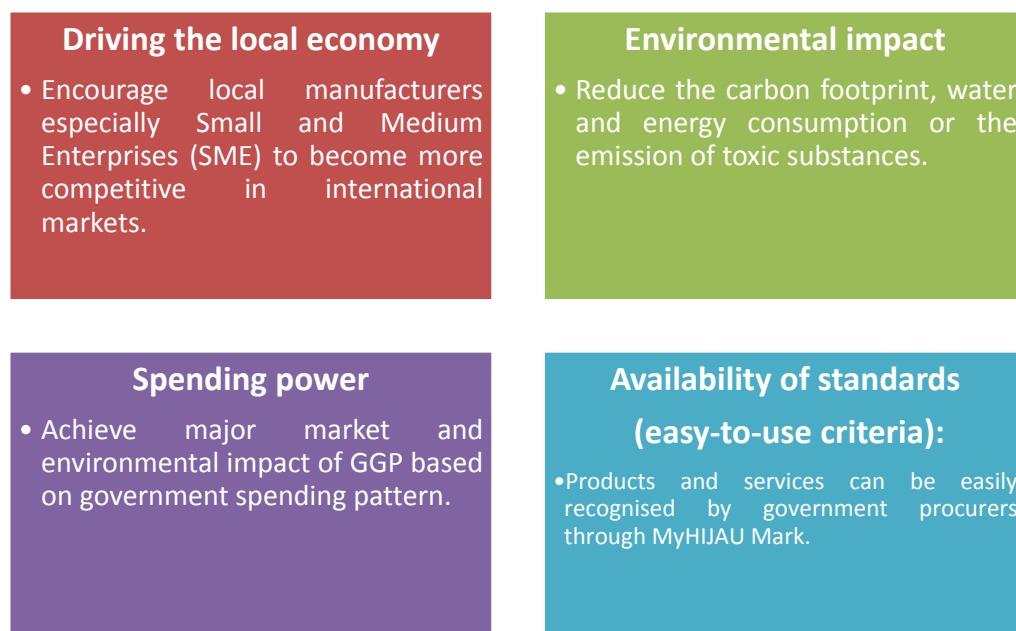


*Figure 2.0: Institutional set up to support the implementation of GGP in Procuring Entities*

### 3.3 Strategies

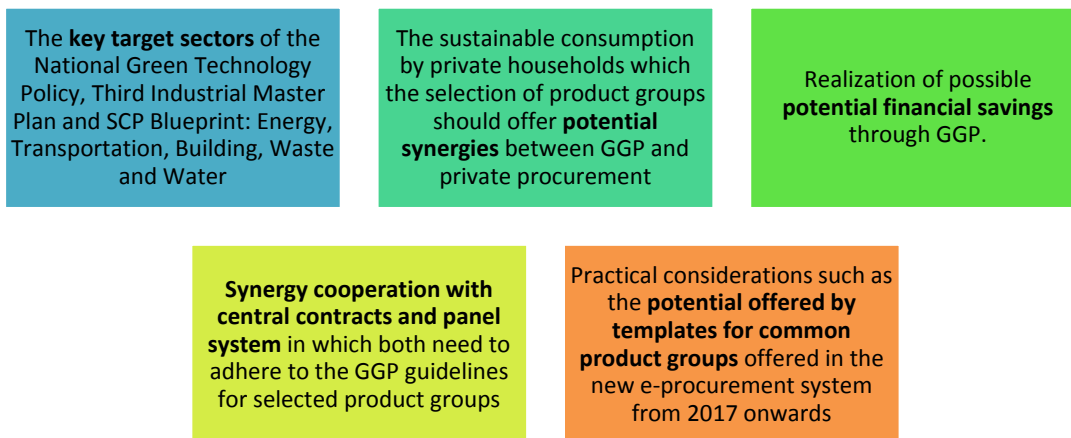
#### 3.3.1 Goods and Services

In implementing GGP, the goods and services that need to be selected and approved will be based on the following criteria:



*Figure 3.0: Criteria of selecting green product goods and services*

Besides that, in selecting new product groups and services the following considerations will also be taken into account:



*Figure 4.0: Criteria of selecting green product group - goods and services*

12 selected product group that have been identified for 2016 are:

- ✓ Cleaning services
- ✓ ICT equipment
- ✓ Energy efficiency (EE) indoor lighting
- ✓ Paper
- ✓ Paints/coating and fiber cement
- ✓ Multipurpose printing device
- ✓ Textiles
- ✓ Data centre
- ✓ Air-conditioner
- ✓ Energy management services
- ✓ Furniture

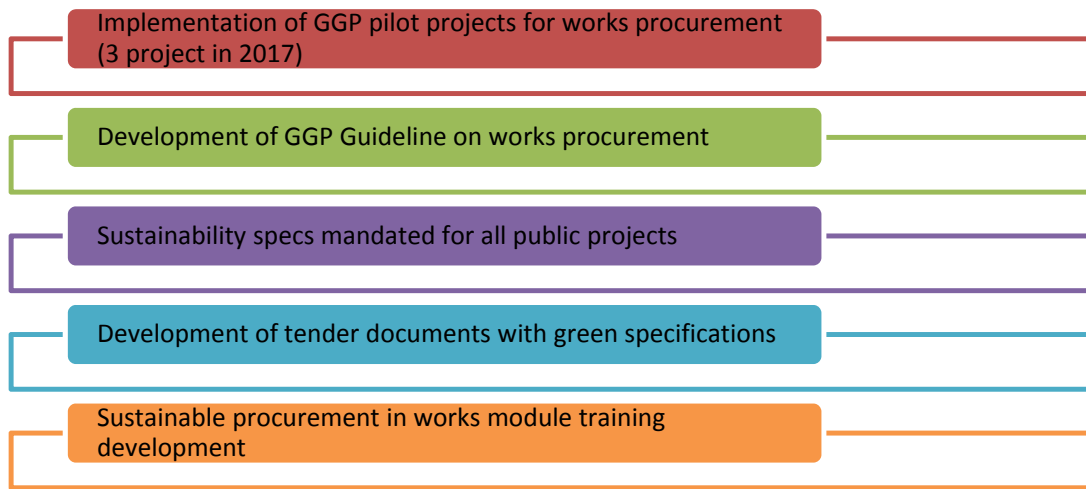
By 2020, the target is to have **at least 30 product groups** that are ready in the market to fulfill the demand of government agencies.

### 3.3.2 Works

The construction industry became one of the biggest contributors to the nation GDP. So it is essential for the construction or works to be the drivers of implementing GGP for the next 5 years' time. Therefore, in LTAP, the product groups will be extended to works (design, construction, and operation/maintenance):

STAGE	INITIATIVES
Design	Register with green rating tool (GBI, MyCREST, pH JKR)
Construction	Use of green material, consider environmental management, ISO14001
Operation/Maintenance	Periodic maintenance, green solutions

In order to make the implementation of GGP in works meet its target, Phase I LTAP have identified some initiative to be carried out by the year 2020 as follows:



### 3.4 Life Cycle Costing

Life Cycle Costing (LCC) is an important instrument to support GGP implementation. Simply, LCC is a procurement method that takes into account the acquisition cost and other costs such as operation, maintenance and disposal throughout the lifecycle of products, services and works. This means the implementation of LCC is an attempt to minimise costs and optimise performance.

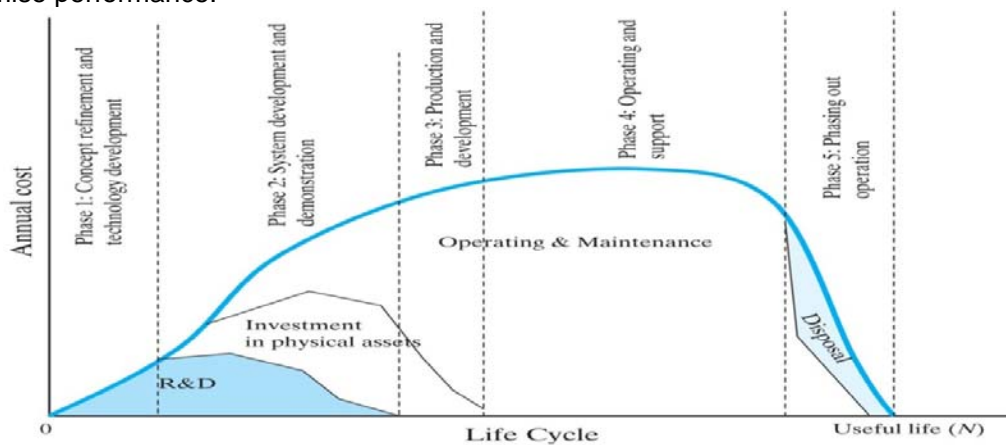


Figure 4.0: GGP Life Cycle Costing (LCC)

In this phase, the **total cost of ownership approach** will be strengthened through a systematic application of LCC by:

- a) Identifying the most significant scope for LCC application which covers determining tools, data sources, inflation and discount rate to be used, product groups to be applied, cost factors to be included and scope of LCC application whether fully or partly.
- b) Leveraging from GGP work pilot implementation and establish the right approach for applying LCC in construction and building industries
- c) Studying the feasibility of using LLC result on tender evaluation based on volume of procurement and the amount of energy consume by the products or services to be procured.

LCC should be considered as one of award criteria for decision making in GGP. It should be seen as a powerful tool to justify higher upfront cost. Existing experiences indicate one of the potential LCC implementation is on procurement of works i.e. assets and buildings. In this regard, MGTC should cooperate with JKR to explore its potential. To encourage LCC adoption in procurement process, another possible option is to outsource LCC calculations to technical support agencies such as the MGTC and SIRIM.

## 3.5 Communication

During the implementation of STAP, the communication of GGP had been important to promote and encourage the stakeholders to embark on GGP. Therefore, progressive approach and handholding is essential to ensure success.

### 3.5.1 Government Officers

Various communication activities of GGP that focus on **national, state, local government, statutory bodies and GLCs** are already implemented and should be applied continuously. In achieving effective communication, the right modes should be considered and implemented.

Besides the national communication channels, an international communication forum will be pursued. Exchange of experiences as well as the promotion of Malaysia's GGP strategy to other countries in the region will also be included in the communication plan. Doing so will also allow Malaysia to become among regional pioneer in GGP.

### 3.5.2 Suppliers and Manufacturers

In the 11th Malaysia Plan, the target is to realize Green Technology Policy Mid-Term Goals such that Green Technology becomes the preferred choice in procurement and accelerating Small Medium Enterprises and Small Medium Industries to venture in Global Green Technology market as well as increase production of local Green Technology products. While in the long term, the target is to position Malaysia as a major producer of Green Technology in the global market.

In order to strengthen the development of green technology, **all green products and services must be registered and listed in Malaysia's green directory**. This could



encourage more suppliers to venture into producing and supplying green products to cater for the increasing demand and assist the GGP in providing information of green products and services in the market.

The existing effort of KeTTHA together with MGTC has introduced the MyHijau SME and Entrepreneur programme can be enhanced and expanded to cater the need of GGP implementation. The objectives are as follows:

- a) To encourage the growth of local SME's, including bumiputera and women businesses, to produce local green products and services
- b) To facilitate the successful incorporation of best green practices and applications in the SMEs' operations

The communication strategy will focus on government officers, suppliers and manufacturers.

Target Group	Communication Strategy	Target
<b>Government Officers</b>	➤ GGP Guideline	Once a year starting from 2017
	➤ GGP Newsletter	Starting from 2017 - 2020
	➤ all ministries website <i>link to <a href="http://scpmalaysia.gov.my">scpmalaysia.gov.my</a> and <a href="http://www.greentechmalaysia.my">www.greentechmalaysia.my</a></i>	Starting from 2017
	➤ Knowledge sharing session via conference, forum, workshop	Twice a year starting from 2017 - 2020
	➤ Awareness raising programme for management level	Twice a year starting from 2017 - 2020
<b>Companies (Suppliers and Manufacturers)</b>	➤ Business Clinic, seminar, Conference	Twice a year starting from 2017 - 2020
	➤ MyHIJAU Brochure	Once a year starting from 2017 – 2020
	➤ Exhibition, carnival	Once a year starting from 2017 – 2020
	➤ MyHIJAU Directory	Once a year starting from 2017 – 2020

The *scpmalaysia.gov.my* website will be pivotal channel to provide information on GGP that will be updated continuously. In order to raise the procurement officers' awareness, foster the understanding, point out training possibilities and secure the commitment towards GGP. The website shall continue to serve as a one-stop information hub. News and events will be presented and best practice examples published.

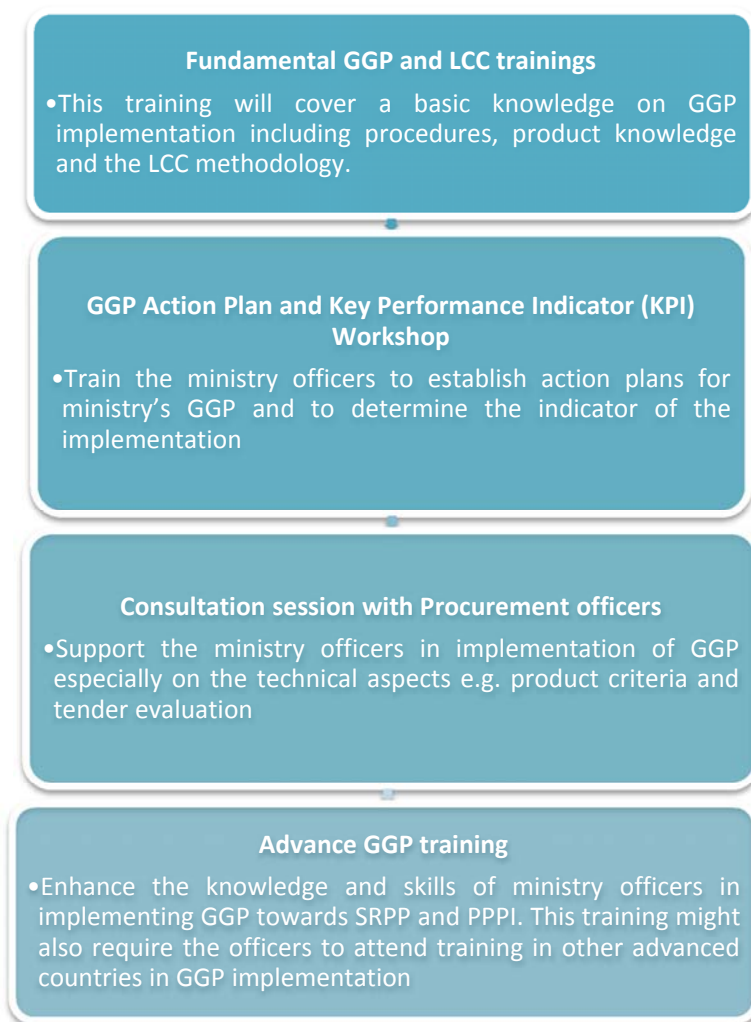
In the context of works, the awareness about GGP will be the starting point of further activities to enhance the implementation of GGP. For the first phase of LTAP, these are some of the programmes that have been planned:-

Focus Group	Strategy	Target
<b>Procurement officers</b>	Awareness and development programme for government	Twice a year starting from 2017 - 2020

	agencies involved in projects	
<b>Professional Regulatory Bodies</b>	Awareness programmes on GGP	once a year starting 2017 – 2020
<b>Companies</b>	Awareness on Green Technology Sustainable Consumption and Production	2017- 2020 800 number of companies with MyHijau Mark or equivalent eco-labelling schemes
<b>Contractors and consultants (architects, quantity surveyor and engineers)</b>	Awareness and development programmes relevant to green procurement in buildings and constructions.	2017 – 2020 12 programmes per year

### 3.6 Capacity Building

Capacity building is important in GGP implementation for government especially procurement officers. Hence, it is imperative for all procurement officers in Malaysia to undergo systematic GGP training. In order to enhance capacity building amongst government procurers, trainings related to GGP will focus on:



### 3.7 Monitoring, Evaluation and Review

Monitoring and Evaluating GGP efforts are critical to ensure the effectiveness of the implementation. The monitoring and evaluation system will give a strong signal of the government's commitment to GGP and reinforce Malaysia's exemplary role in fostering GGP by *walking the talk*. Moreover, monitoring and evaluation will increase conformity rates within the organizations by keeping agencies accountable as well as increase transparency.

The GGP monitoring and evaluation activities will **focus on the extent of GGP** as follows:

### The environmental impact of the GGP implementation

- will be monitored to evaluate and communicate the contribution on energy efficiency and environmental impact reduction. The environmental monitoring will focus on the main environmental characteristics of the products and services and use proxy indicators to ease the process. Besides calculating the environmental impact reduction from green and not-green products, the benefit from consuming less shall also be considered

### The budget impact

- will be monitored according to the initial costs as well as (where applicable) to life-cycle costs. Procurement costs of green products and services will be compared to data of conventional products to monitor on a regular basis price differences. Moreover, also the data for the life-cycle cost of the products shall be collected and, if possible compared to the life-cycle costs of past conventional products.

### The market impact

- will be monitored according to the initial costs as well as (where applicable) to life-cycle costs. Procurement costs of green products and services will be compared to data of conventional products to monitor on a regular basis price differences. Moreover, also the data for the life-cycle cost of the products shall be collected and, if possible compared to the life-cycle costs of past conventional products.

The monitoring and evaluation system should track the progress of GGP implementation and standard template will be provided to the ministries and agencies. Experiences gained should be collected and considered for the next phase. To do so, procurement officers should take part in surveys that will be conducted each year via [scpmalaysia.gov.my](http://scpmalaysia.gov.my) website. All the feedback from the surveys will be analysed to improvement the implementation of GGP.

## 3.8 Other Initiatives

In addition to GGP initiatives, there also other initiatives spearheaded by other agencies which contribute to reducing carbon emission intensity by 45% by the year 2030. Among the initiatives are Energy Performance Contracting (EPC), Energy Efficiency (EE) programmes and Low Carbon Cities Framework (LCCF). All these initiatives will produce greater impact on environmental in term of carbon emission and long term energy usage reduction which ultimately lower the operation costs to the government.

## 3.9 Moving Towards Phase II (2021-2030): SRP and PPI Initiatives

### 3.9.1 SRP and PPI

GGP currently focus on economy and environment aspects. Moving forward the focus will include social aspect and innovation which can be achieved through introduction of **Socially Responsible Procurement (SRP)** and **Procurement Promoting Innovation (PPI)**. The introduction of social and innovation considerations and criteria shall be a core area in GGP during the second phase of Malaysia's GGP implementation.

Socially Responsible Procurement (SRP) can be defined as follows:

Socially Responsible Procurement refers to procurement activities that take into consideration the social aspect by promoting personal well-being, social cohesion and inclusion and creating equal opportunity to ensure a strong, healthy, just and equal society while adhere the law and regulations relating to social development and sustainability.

In addition attention shall also be drawn towards Procurement Promoting Innovation (PPI).

PPI is an approach to stimulate innovation on the supplier side. This can be either through pre-commercial procurement, which concerns the R&D phase before commercialization of new products and/or services, or through regular procurement, specifying user needs in such a way that suppliers are stimulated to come forward with innovative products and/or services.<sup>1</sup>

By implementing SRP and PPI in the procurement process, the public sector shall consider a greater societal frame of reference to its procurement decisions. The modified procurement behaviour shall influence the market and shift the supply towards an increasing provision of socially responsible innovative products. Furthermore, the private sector will be influenced to shift its demand and supply towards products in accordance with PPI and SRP.

### 3.9.2 Awareness

To increase the procurements officers' awareness about SRP and PPI both approaches shall be introduced and spread via all channel of communication starting from the year of 2021. In addition, a specific provision on SRP and PPI will be included in the regulation regarding procurement.

To successfully integrate the approaches into the overall GGP framework, training materials will be developed in order to equip the procurement officers with the necessary know-how on SRP and PPI. The development of training syllabus will take place starting from the year of 2020.

### 3.9.3 Pilot Projects

To pave the way towards a successful introduction of SRP and PPI in the second phase, a pilot project will be implemented at the end of the Phase I of LTAP. In order to complement the pilot project, two product groups for SRP and two product groups for PPI will be identified. The potential product groups to be identified are as follow:

SRP	PPI
<ul style="list-style-type: none"><li>➤ Textiles</li><li>➤ Footwear</li><li>➤ Catering services</li><li>➤ Wood based products</li><li>➤ Cleaning services</li><li>➤ Landscaping services</li><li>➤ Fuels (Biomass and Biogas)</li><li>➤ Construction services</li><li>➤ Rubber based products</li><li>➤ Security services</li></ul>	<ul style="list-style-type: none"><li>➤ Environmental technology (for waste and water sectors)</li><li>➤ Office IT equipment</li><li>➤ Renewable energies</li><li>➤ Energy-efficient technologies</li><li>➤ Transportation</li><li>➤ Construction and urban planning</li><li>➤ Health sector and medical equipment</li><li>➤ Electrical and Mechanical</li></ul>

## 4.0 PHASE II (2021-2030)

### 4.1 Socially Responsible Public Procurement (SRPP)

The efforts made to include social criteria in the end of the Phase I will be extended from 2021 onwards. As a part of the overall green procurement strategy, social criteria will gradually enter the procurement processes. Since social procurement and green procurement activities are related, most countries do not implement an additional action plan, but include social criteria into the present processes. This shall also apply for Malaysia. Therefore, where appropriate, activities promoting green procurement shall be altered to include social procurement.

### 4.2 Public Procurement Innovation (PPI)

Green procurement of certain products rolled out from 2013 onwards had pushed for innovations, nevertheless additional and more complex mechanisms exist which foster innovations. The inclusion of innovation pushing product criteria shall thereby help procurement staff to demand the best available solution. As part of integrating PPI, a programme might be launched which fosters innovation-oriented public procurement and encourages producers to supply innovative services when no suitable commercial solution exists.

### 4.3 Institutional Set-up

After the completion of LTAP Phase I, Phase II will focus on widen the scope of GGP with the introduction of **social and innovation elements**. It is important that the institutional framework at the national level includes the relevant authorities in order to help implement the Social Responsible Public Procurement (SRPP) and Public Procurement Innovation (PPI) initiatives and programs.

The institutional set up to support the implementation of the SPP and PPI will also include Ministry of Human Resource (MOHR), Ministry of Woman Family and Community Development (KPWKM), Ministry of External Trade and Industry (MITI) and Ministry of Science, Technology and Innovation (MOSTI). All these ministries will be the permanent members of SC and WC. The inclusion of these various agencies is a significant step in supporting the implementation of GGP (SPP and PPI) activities that have been outlined in Phase II GGP LTAP. This is to ensure that the GGP (SPP and PPI) can be introduced in a holistic and structured manner.



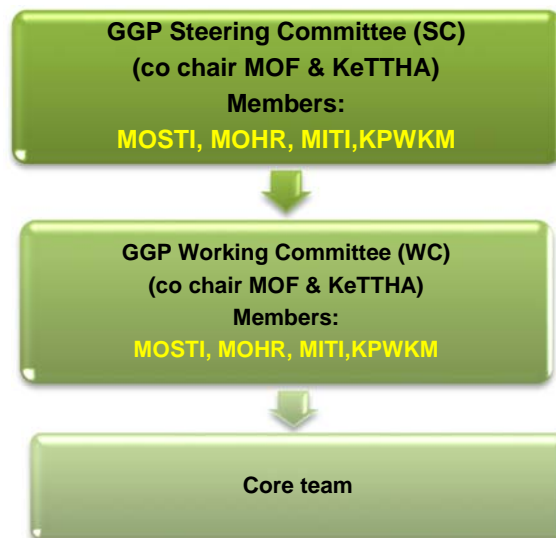


Figure 6.0: Institutional set up to support the implementation of the GGP Phase II – SRP and PPI

#### 4.3.1 Procuring Entities Institutional Set-up

At the procuring entity level, the responsibility of implementing the SPP and PPI will be on the current GGP set up. Phase II will widen the responsibility and function of GGP committee at procuring entities level. By 2021 (the start of Phase II), the procurement activities will comprise the **social** and **innovation criteria**.

#### 4.4 Objectives and Targets

With the completion of the first phase (2016-2020), at this stage, at least 20% of the selected product groups at the national level with predefined criteria will be green. From 2021 onwards, the following objectives and targets will be pursued in regards to GGP:

- At least 40% of the selected product groups at the national level in 2030.
- Introduction of at least 20 new products groups with social and innovation criteria.

In the 12th Malaysia Plan, the target shall focus on SRP and PPI implementations and also accelerating Small Medium Enterprises (SME) and Small Medium Industries (SMI) to venture in global innovative green technology market and increase production of local green technology products. In achieving the goals of SRP and PPI, MITI and MOSTI have to collaborate in transforming the industry and SME to support those initiatives. Development programme should be established for industry to adopt the green technology and promote innovation as part of their business processes.

#### 4.5 Strategies: Goods, Services and Works

As an extension to GPP, Phase II will focus on SRP and PPI. Similar to the role out activities of green procurement, social and innovation promoting criteria shall be defined for certain product groups. In addition to the product groups defined in preparation of the Phase II, the objective in SRP and PPI will be:

- Determining two (2) products with social criteria a year in order to reach 40% of SRP at national by 2030; and
- Identifying 10 more products /services for particular activities to support innovation through government procurement by the year 2030.

Following the implementation green criteria in works from Phase I, Phase II will strengthen the implementation of GGP with numerous action plan and activities to help achieve the GGP (SRP and PPI) objectives. These are initiatives for the works sector:-

INITIATIVES	TIMELINE
GGP Guideline adopted on works procurement	2021 - 2025
Sustainability specifications mandated for all public projects	2021 - 2030
Implementation of GGP projects for works registered with Green Rating Tools	2021 – 2030
Development of 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

## 4.6 Communication

The communication strategy of the Phase II will be strongly tied to the communication efforts made in the Phase I. It will continue the implementation and pursue the aims of raising awareness, securing commitment and encouraging agencies towards SRP and PPI.

The existing channels will be used by broaden the usage that includes information regarding social and innovation criteria. Following initiatives will become part of the communication strategies:

- The SCP Portal will integrate a section regarding SRP and PPI publishing news, developments and background information by the year of 2021,
- SRP and PPI issues will be part of agenda in local and regional procurement meetings by the year of 2023,
- Information of SRP and PPI will be disseminating to public school by the year 2021.

In order to raise the target groups' awareness, foster the understanding, point out training possibilities and secure the commitment towards GGP, *scpmalaysia.gov.my* website will continue to serve as a one-stop information hub.

In establishing a new approach, booklets on SRP and PPI implementation will continue to emphasize the obligatory measures which will secure the target groups' commitment.

Moreover, it will assist the target groups with the obligatory fundamentals of SRP and PPI thus allowing them to keep track of obligatory changes. In order to get the participants' interest in reading the booklets, both mediums shall be made available via smart phone or tablets application by the year 2025.

Suppliers have to be made aware of the potential of products that have innovations and social responsibilities criteria that will suit the GGP requirements. The focus also should be on development of SMEs programme such as SME investment programme, Going Export Programme, Catalyst Programme (promote home grown industries) and Inclusive Innovation Programme.

Apart from that, in order to encourage the procuring entity to implement sustainable procurement, a special incentive will be introduced especially in works. By the year of 2025, the procuring entity with excellent green rating will be recognized with special award.

To boost the green industry, Green Technology Tax Incentive for purchase and use of green technology were announced by the Prime Minister of Malaysia on 25 October 2013 during the Budget 2014. The Government provides Investment Tax Allowance (ITA) for the purchase of green technology equipment/assets and Income Tax Exemption (ITE) for green technology service providers until 31 December 2020.

The objectives of the tax incentives are:-

- a) To encourage investment in green technology on project basis either for business purposes or own consumption;
- b) To motivate companies in acquiring green technology assets; and
- c) To enhance the number of green technology service providers.

There are three (3) groups of activities under the Green Technology Tax Incentive as follows:-

<b>Green Investment Tax Allowance (GITA) Assets</b>	Applicable for companies that acquire qualifying green technology assets and listed under MyHIJAU Directory.
<b>Green Investment Tax Allowance (GITA) Project</b>	Applicable for companies that undertake qualifying green technology projects for business or own consumption.
<b>Green Income Tax Exemption (GITE) Services</b>	Applicable for qualifying green technology service provider companies that are listed under the MyHIJAU Directory.

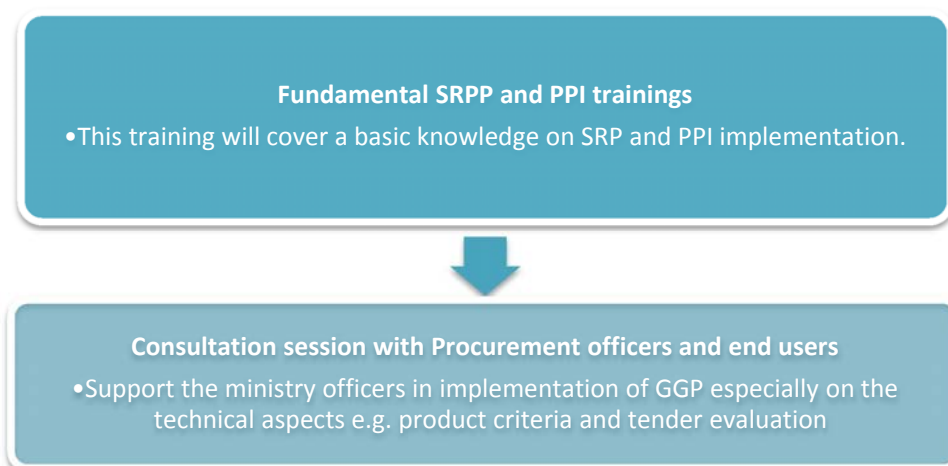
## 4.7 Capacity Building

Basic training and modules on producing green and innovative products in the industry have to be established in order for to participate in SRPP and PPI implementation. The

mechanism of certifying these products will be developed. To boost the industries to comply with the requirement of SRPP and PPI, the transition from the requirement in green certification to social and innovation certification should be accommodative.

Training programmes in Phase 1 of the LTAP would have gathered momentum in this phase. Training in this phase will proceed aggressively as GGP has become part of the mainstream procurement.

Capacity building in products and services initiatives proposed are as following:-



Capacity building in works sector will be the main focus in Phase II, the initiatives proposed are as following:-

Initiatives	Timeline
Train of Trainers program according to sustainable procurement in works module developed (Level 1 and 2)	2021-2025
Development of module for sustainable procurement in works (Level 3 and 4)	2025
ToT program according to sustainable procurement in works module developed (Level 3 and 4)	2025-2030

The available pool of expertise can be shared with ASEAN neighbours. Furthermore this can be part of the efforts to strengthen the ASEAN Economic Community (AEC).

## 4.8 Monitoring, Evaluation and Review

Monitoring and evaluation as implemented in Phase I will be continued that will include SRP and PPI. In addition, the proper implementation of monitoring and evaluation schemes at the regional and local level will be strengthen during the Phase II.