

POLICY IDEAS N° 13

Generating best value for taxpayers' money

How to improve transparency and accountability in Malaysia's public contracting system

Sri Murniati

In order for public procurement to be effective as an instrument for growth and innovation at both policy and operational levels, the available resources should be used effectively and prudently.

Executive summary

The Malaysian government has embarked on initiatives to improve transparency in government procurement since 2010. More information about procurement activities are now available for the public. However there is room for improvement. The paper proposes the following five steps to improve this initiative.

First, incorporate new rules to the current procurement process/cycle to improve its transparency and accountability including the mandatory requirement to publish a procurement plan, allowing contractors to review the results, and publish more detailed information on awarded contracts.

Second, facilitate greater public involvement in ensuring the transparency and accountability of government contracting, while strengthening investigation processes and punitive actions.

Third, streamline various government electronic platforms that currently exist to create a credible, efficient and transparent procurement system.

Fourth, enhance the professionalism and integrity of procurement officers

Last but not least, ensure public private partnership projects (PPPs) follow the same transparency rules as government contracting.

The recommendations are the result of research and dialogue activities carried out by the Institute for Democracy and Economic Affairs (IDEAS) over nine months between July 2013 to March 2014. This paper elaborates upon these five recommendations in greater detail.

Introduction

This paper documents the results of research and dialogue activities carried out by the Institute for Democracy and Economic Affairs (IDEAS) over nine months between July 2013 to March 2014. The initiative was themed “Enhancing transparency in Malaysian public procurement to generate best value for tax payers’ money”. Our aim was to complement the government’s efforts to improve transparency in public procurement.

This Policy Ideas proposes steps that policymakers should adopt to improve transparency and accountability in the way the government uses taxpayers’ money to purchase services, goods and works so that greater competition can emerge, thereby enhancing innovation and value for money.

In this paper, we use the terms public procurement and contracting interchangeably. It is important to note that we are not referring to the dealings of the Government Procurement Unit alone. Instead, we refer to all procurement and contracting undertaken by any ministry or government agency, including the likes of the Public Private Partnership Unit (Unit Kerjasama Awam Swasta-UKAS) and the Performance Management and Delivery Unit (PEMANDU). In short, our interest is in how to ensure taxpayers get the best value for money whenever the government buys a service, goods or works, regardless of which body is spending the money.

Throughout this project, IDEAS hosted six high-level dialogues, during which stakeholders discussed

various issues affecting the government contracting system. The dialogue series served as a platform for stakeholders to share their knowledge and views on how the Malaysian government contracting processes can be made more transparent, more rules-based and less politicised.

The dialogues took place between August 2013 and March 2014 and were attended by delegates from various government entities, including the Prime Minister’s Department, Ministry of Finance, the National Audit Department, PEMANDU, NKRA and MITI, business organisations, academics and civil society organisations (please see Appendix I for detailed list of participants).

The discussion in the dialogues was honest and frank. We discussed the challenges and delved into some politically sensitive topics such as preferential treatment towards Bumiputera and local companies over foreign investors, and direct negotiations with politically linked businesses. The dialogues employed the Chatham House rule to enable participants to speak freely and in confidence.

The dialogues were complemented by extensive desk research and individual meetings to further investigate relevant issues.

Most of the recommendations in this report are geared towards the public sector. We are aware that there may be issues in private sector and GLC contracting as well. However, these are beyond the scope of this project. Nevertheless, we hope this Policy Ideas can also serve as a reference for those in the private sector.

Government contracting, transparency and growth

Government contracting has the potential to be an important instrument to spur economic growth and development of Malaysia.

Its size alone, accounting for at least 10-22% of the country’s GDP (see Chart 1 and Chart 2 for comparison with other countries), speaks of its great impact on the economy, specifically on job creation, provision of economic opportunities, enhancement of knowledge and

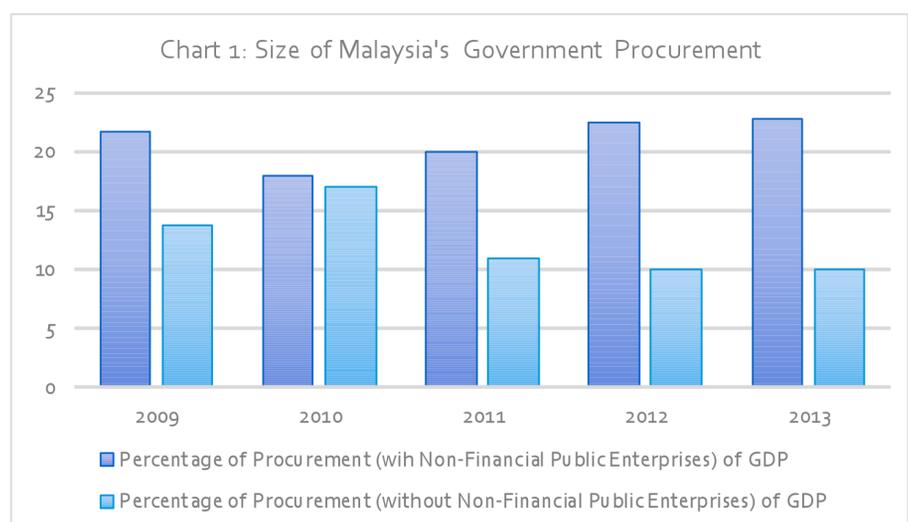
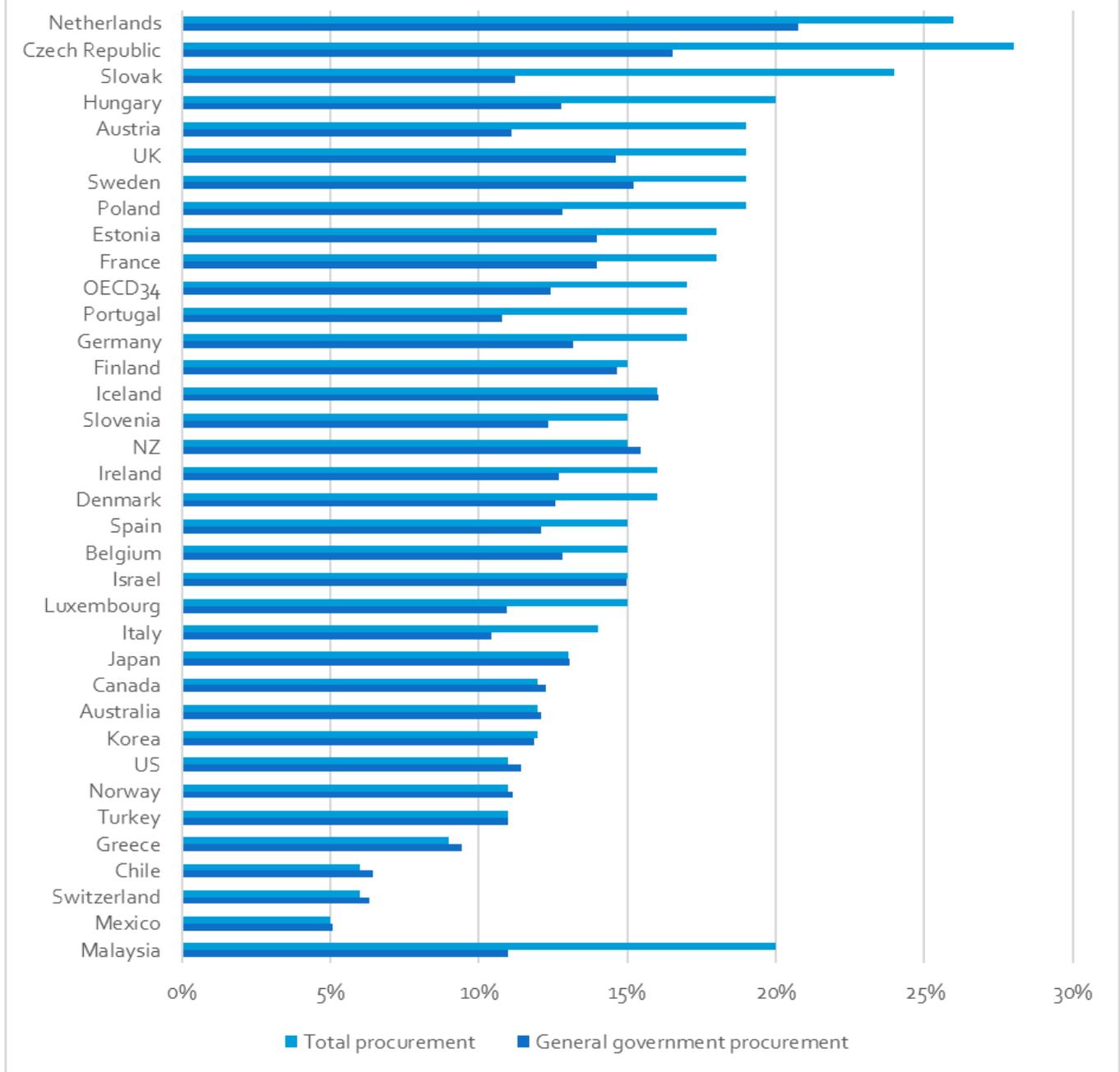


Chart 2: Size of procurement (Malaysia & OECD countries) as a percentage of GDP



encouraging innovation. (See Inset I for information about calculating the size of procurement expenditure).

Malaysia’s public procurement has also been used to advance policies that are assumed to bring about positive impacts on the socio-political environment of the country. In addition to “Buy Local” policies, Malaysia uses government

procurement to assist and facilitate local and Bumiputera entrepreneurs’ participation in the country’s growth.

In order for public procurement to be effective as an instrument for growth and innovation at both policy and operational levels, the available resources should be used effectively and prudently. Reports

released by the Auditor-General’s Office, unfortunately, consistently point to many problems. The reports have revealed redundancies, wastages and inefficiencies caused by improper payments, inflated prices, unreasonable delays and numerous other issues.

There are also concerns about the effectiveness of Malaysia’s

Inset 1: Calculating the size of the procurement market

To calculate the size of Malaysia's government procurement, this paper uses the method adopted by Christopher McCrudden and Stuart G. Gross in their paper 'WTO Government Procurement Rules and the Local Dynamics of Procurement Policies: A Malaysian Case Study', *The European Journal of International Law*, Vol. 17, No. 1, 2006, pp. 151-185.

Total government procurement is obtained by adding total federal government expenditure for supplies and services to its development expenditure and the development expenditures of local governments, state governments, statutory bodies, and non-financial public enterprises (NPFES).

There are at least two other methods of calculating the size of government procurement: by using the System of National Accounts (SNA) and using data from procuring agencies.

The latter method (data from procuring agencies) is the most accurate because researchers compile procurement data from procuring agencies. However, such data are usually not available for the public and hence this method was not possible for us to use.

The first method (SNA) is used by the Organisation for Economic Cooperation and Development (OECD). The size of government procurement is obtained by adding Intermediate Consumption (IC), government's Gross Fixed Capital Formation, and social transfers in kind via market producers.

The Department of Statistics publishes Malaysia's National Accounts report annually. Government's Gross Fixed Capital Formation data is available. Intermediate Consumption and social transfer data, however, are not available. For that reason, this paper uses McCrudden and Gross' method.

Despite differences in method, this paper presents comparisons between Malaysia's procurement size and the OECD's to provide an overall picture. However, the purpose of this explanatory note is to inform readers that the method used to calculate Malaysia's procurement size in this paper is different from the method that is employed by the OECD.

pro-Bumiputera affirmative action policies. Measures are needed to ensure that affirmative action does not result in wastage of taxpayers' money, reduce competition, create a rent-seeking environment, or increase the risks of corruption. All these could incur negative costs to the country, and may even cancel out the potential benefits that procurement intended to originally achieve as a tool to contribute to national policy.

Thus it is imperative to embed transparency and accountability measures into the country's procurement policies and procedures. Adequate transparency and accountability mechanisms would provide stakeholders and the public greater oversight on public procurement processes which in turn would prompt government officials to be more efficient in using taxpayers' money. Transparency can also prevent the potentially negative impacts of affirmative action policies from occurring, especially in cases when there is political interest at play.

IDEAS' previous Policy Ideas paper¹ has also suggested that improvements in transparency can help reduce the cost of procurement by at least 4%. Potential savings in 2013 are described in Inset 2.

Having said the above, the challenges and weaknesses have not gone unnoticed by the Malaysian government. The government has acknowledged the need for greater

¹ Francesco Stolfi and Sri Murniati. Transparency in European public procurements: benefits and lessons for Malaysia. Policy Ideas No. 10, January 2014, <http://ideas.org.my/?p=7708>.

Inset 2: Calculation of potential saving from transparent contracting system

Several research papers have shown that government can save a minimum of 4 percent of its expenditure by having transparent procurement processes. European Union’s experiences in 2006-2009 show that installing transparency measures such as publishing Prior Invitation Notices (PINs) to alert potential bidders of upcoming procurement opportunities reduced the costs of procurement by 4 percent. Transparency has also reduced the cost of public procurement in the New York State school system by approximately 4 percent (Stolfi and Murniati, 2014).

We applied this finding to this formula:

$GDP \times (PP/GDP) \times (Non-transparent\ PP/Total\ PP) \times 4\%$

Potential savings for Malaysia with different assumption on non-transparent public procurement by using GDP 2013 (RM 1 trillion) and percentage of Public Procurement to GDP 2013 (23%) are shown in the table below:

Assumption of Non-transparent PP as a Share of Total PP	Potential Savings
10%	RM908 million
20%	RM1.8 billion
30%	RM 2.7 billion
40%	RM 3.6 billion
50%	RM 4.5 billion

(PP = Public Procurement)

transparency and accountability. They have also introduced initiatives to reduce leakages and wastage. For instance, the New Economic Model (NEM) acknowledges the “distributive implications” of government procurement and acknowledges some negative impacts of ethnic-based economic policies on procurement. It was therefore envisioned that “a complete overhaul of the government procurement system to improve efficiency and transparency” would be necessary.¹ The Government Transformation Programme (GTP) under the auspices of the Performance

Management and Delivery Unit (Pemandu) is also trying to address these challenges.

However, we feel the measures have not been sufficient to facilitate greater competition that is needed for making procurement an instrument for growth. Recommendations in the following pages attempt to fill this gap and contribute to fixing problems in our procurement system. There are five overarching recommendations to improving government procurement laid out below, each of which contains several specific rules.

Recommendation 1: Incorporate the following seven rules into the current procurement process/ cycle to improve its transparency and accountability

Rule 1: Evaluation criteria and the weightage given to each criterion should be specified in tender notices or tender documents.

Information about evaluation criteria is not currently available in tender notices. Some tender documents may mention that the selection process will be based on technical and financial evaluation. However, these documents generally do not say clearly whether the selection will be based on the lowest price or economically more advantageous bid. Additionally, they do not provide information on how much the technical and financial criteria, and other criteria if there are any, would influence the evaluation process. Publishing the weightage of each criterion in the evaluation process is one way to show the bidders and public how the criteria will influence the selection process. It is important to release such information in advance in order to prepare the contractors for bidding and to avoid confusion and unnecessary criticism at a later stage.

¹ National Economic Advisory Council, New Economic Model for Malaysia Part 1, (Putrajaya: NEAC, 20XX), p.138.



Inset 3: Margin of preferences for Bumiputera suppliers/contractors

Preferences given to Bumiputera in government procurement is regulated by the Treasury Circular No.4/1995.

Bumiputera companies are given exclusive access to procurement of goods and services below RM100, 000 and works procurement below RM50, 000.

For **procurement of goods and services above RM100, 000**, Bumiputera companies are given a special margin of preferences (see Table 1 below). They are also given preferences in participating in central contracts. Special preferences are given to Bumiputera companies that are affiliated with Dewan Perniagaan dan Perusahaan Melayu (Malay Chamber of Commerce).

Table 1: Margin of Preferences in Procurement of Goods and Services

Type of Procurement	Value of Procurement	Margin of Preferences to Bumiputera Suppliers
Goods, Services, Prime Cost Sum, Mechanical and Consultancies	< RM100,000	Should only be tendered among Bumiputera Companies only
	> RM100,000 – RM500,000	10%
	> RM500,000 – RM 1.5 Million	7%
	> RM 1.5 Million – RM 5 Million	5%
	> RM 5 Million – RM 10 Million	3 %
	> RM 10 Million – RM 15 Million	2.5 %
	> RM 15 Million	None
Procurement involving manufacturers (tendered among Bumiputera and Non-Bumiputera manufacturers)	Up to 10 Million	10%
	> RM 10 Million – RM 100 Million	5%
	> RM 100 Million	3%

Source: Treasury Circular No. 4/1995

Rule 2: Preferences given to Bumiputera should always be stated in the tender notice or tender documents even if the weightage is zero.

Bumiputera companies are given preferences in some government contracts, and in such cases, they will have a higher chance of winning the bid. In fact, some contracts are exclusively for Bumiputera companies. Treasury Circular Letter No. 4/1995 regulates how preferences should be given to Bumiputera in procurement should be given (See Inset 3).

Ideally we believe preferential treatment based on ethnicity should be gradually phased out. But while

it exists, its implementation must be transparent. Such transparency can be exercised by clearly stating the margin of preference for Bumiputera companies in tender documents. And even if there is no preferential treatment in the contract, the weightage should still be stated as zero so that it is clear.

Rule 3: Independent observers should attend bid and contracts evaluation meetings and report publicly if they observe/witness problems.

Currently the agency procurement board meets in closed session and, up to now, the selection criteria are too vague for contractors and

the public in general to know what factors determine the evaluation and contract award. It is therefore important for independent observers to attend the meetings at the evaluation and award stages. In addition to official oversight institutions such as the MACC and the Auditor General’s Office, business associations and other civil society organisations should be allowed to monitor the processes. At the very least independent observation can be done by Integrity Officers placed by the Prime Ministers Department in the agencies/ministries. Such attendance could enhance the transparency of the deliberations that determine the contract award.



The implementation of the Integrity Pact¹ should actually allow independent monitoring to take place. It is essential therefore for the government to also review the current implementation of the Pact.

Independent monitoring can be extended to the period even after contracts are awarded. Independent experts or even civil society organisations can be invited to monitor and evaluate the implementation of the project for this purpose.

Rule 4: Publish the details of contracts awarded through mechanisms other than open competitive tender as soon as the government and contractors/suppliers sign the agreement.

The government has launched the MyProcurement portal to publish tender notices, details of awarded tenders and, most recently, projects awarded through direct negotiation. As of December 2013, 50 directly negotiated contracts with a total value of approximately RM170 million have also been displayed. However, as of March 2014, no details of other directly negotiated contracts have been disclosed despite continuation of the practice. This raises questions about the government's commitment to improve transparency.

We feel that it is not so important for the government to publish the details of contracts previously awarded through direct negotiation.

It is more important for the government to commit to publishing the details of newly awarded contracts as soon as the agreement is signed. We propose an “amnesty” on previous contracts, on the strict condition that there must be a commitment to be consistent and transparent from now onwards.

Rule 5: After the award, at the very least, the following information should be published for all contracts:

(a) Criteria for choosing successful contractors/suppliers. For example, by stating “lowest bid” or “economically advantageous tender”. If preferential treatment plays a role in the decision, it should also be stated

(b) Date of award

(c) Number of total bidders (in tender or quotation), their names and offers

(d) Information about whether the project will be subcontracted or not

We note that currently details of contract awards are published on the MyProcurement portal (www.myprocurement.gov.my). The public can view the winners of the tenders, the value of the contracts and, for direct negotiation contracts, the reasons behind the procurement. The four key pieces of information listed above, however, are not currently included, making it difficult to ascertain the robustness of the award process.

Rule 6: A review phase should be incorporated into the process to allow contractors to file complaints if they are not happy with the award decision.

The current procurement cycle does not allow contractors who did not win to raise objections. The only objections allowed are within the first 28 days (for international tenders) or 14 days (for local tenders) of the tender notice being published. Tenderers can submit objections to the agencies if they see the specifications in tender documents as favouring certain bidders. But no objections are allowed after that, including objections against the award decision.

The introduction of a review phase after an award is announced will ensure fairness in the procurement process and will provide more credibility and integrity to the process. To introduce the post-award review stage, the government needs to take the following actions:

- a. Explain to all participating bidders the grounds for the selection of successful contractors/suppliers.
- b. Create a “standstill period” between the date of announcing the award and the formal awarding / signing of the contract. During this period, unsuccessful bidders should be allowed to obtain

¹ The Integrity Pact is a tool developed by Transparency International to prevent corruption in government contracting. It is “an agreement between government agencies and the companies involved in the bidding to abstain from bribery, collusion and other corrupt practices during the period of the contract. It stipulates rights and obligations to the effect that neither side will: pay, offer, demand or accept bribes; collude with competitors to obtain the contract; or engage in such abuses while executing the contract. To ensure accountability, Integrity Pacts also include a monitoring system typically led by civil society groups”. (Transparency International)

more information on the award of the contract and file a review request if they believe they have been treated unfairly.

- c. Establish an independent body to which the review request should be addressed. The review body has to have authority to set aside award decisions if necessary.

Rule 7: Create and publish Ministry/Agency’s annual procurement plan

One of the problems that the Auditor-General’s report repeatedly highlights is the lack of meticulous planning on projects/activities. Treasury has attempted to address this problem by encouraging government agencies to plan intended procurements for the forthcoming financial year (Treasury Circular No.5/2007 and Treasury Circular No. 6/2013) and submit its Annual Procurement Plan (Perancangan Perolehan Tahunan), especially those that will be carried out through tender, to Treasury office.

Unfortunately, the first series of 2013 Auditor General Report still highlight this problem. It seems that the treasury circulars have not been followed. The Auditor General Report also shows that the absence of planning has led to delay and wastages.

To encourage agencies to comply with requirement for planning, treasury should require agencies to publish such planning to the public. In addition to reducing the possibility of delay and wastages, publishing the annual procurement plan can help suppliers and

contractors to acquire relevant knowledge to enable them to submit a comprehensive bid and to ensure time and resources are available to undertake the contract.

Recommendation 2: Improve accountability by strengthening the investigation processes and punitive actions and enabling the public to be involved in ensuring the transparency and accountability of government contracting.

On paper, Malaysia has rather robust procurement regulations that compel agencies to implement the principles of transparency, value for money, and fair dealings in contracting activities. However, successive Auditor General Reports have regularly pointed to almost the same problems over and over again. From the public’s point of view, those who are responsible for leakages, wastages, and inefficiencies when spending public money are still not being held responsible.

Such assumptions may not be entirely true. Through the Government Transformation Programme, a follow-up mechanism to the Auditor General Report has been instituted. There is the “Auditor General Dashboard”, in which the public can see what actions have been taken by the government to fix weaknesses identified by the Auditor General. The Dashboard records if the cases have been acted upon, such as through disciplinary actions, investigation by the MACC, or termination of contracts and penalties to contractors.

We feel accountability can be further guaranteed if the integrity of our enforcement and judicial institutions are seen and accepted as truly unquestionable.



To ensure compliance to rules and regulations, there have been efforts to strengthen the internal audit mechanism. For example, by allowing the internal audit department to report violations and negligence directly to the Auditor General Office or Minister, instead of to the Ketua Setiausaha Kementerian (Chief Secretary) to avoid conflict of interest.¹

Additionally, the government maintains a rating system to evaluate the compliance of ministries and agencies to rules and regulations such as the Procurement Accountability Index that has been used by NKRA Anti-Corruption as their Key Performance Indicator. The MACC is now proposing to draft a law to criminalise public officers who are responsible for substantial loss of taxpayers' money.²

For contractors, in addition to a rating system to evaluate their performance, there is a list of disciplinary actions that can be taken if they fail to comply with the rules or fail to deliver the procured goods, supplies and works on time and based on specifications.³ The disciplinary actions as stated in Surat Pekeliling Perbendaharaan (SPP) No. 6/2010 range from warning letters to the cancellation of contractor / supplier status and even the blacklisting of company directors.

We feel accountability can be further guaranteed if the integrity of our enforcement and judicial

institutions are seen and accepted as truly unquestionable. For that reason, there is a need to look into improving the integrity and public image of the judiciary, the Attorney General's office and the enforcement institutions in the country.

There are two ways to improve accountability.

I. Strengthen investigation processes and punitive actions

The government has started taking punitive actions against those who have been found guilty of breaching the expected code of conduct. This is a good start but there needs to be stiffer punishments for those who are found to have broken the rules. While the Auditor General's Report is a good tool to identify the culprits, internal audit departments must be more active (or if there is none, it should be created) in resolving problems before they become bigger.

Investigations and punitive actions must extend beyond civil servants. They must cover the top management, elected officials and ministers too. It would be irresponsible to keep incompetent or corrupt senior officials and politicians in their places and punishing lower ranking officers when the higher ranking individuals should also share the blame.

We acknowledge that this may require changes in the way the

Public Service Department conducts their domestic enquiry, or it may even require changes to the legal framework, such as the introduction of a Public Misconduct Act. If so, we feel the government should initiate the process without delay.

2. Facilitate greater public involvement

Accountability measures will be more effective if there is greater public involvement, and if the government is seen as openly inviting and embracing greater public scrutiny.

In order to get the public more involved, the government should take the following steps:

a. Publish Procurement Accountability Index (PAI) scores of all ministries

The use of the Procurement Accountability Index as a government KPI is a good move. The PAI is extracted from a larger index owned by the Auditor General called the Financial Management Accountability Index (FMAI). "The index is an objective financial management assessment of all ministries and state governments whereby marks are awarded and star ratings are given based on the marks."⁴

The NKRA Anti-Corruption report shows that in 2010, 14 ministries scored above 90% in the index. However, the report does not disclose the name of the ministries and what the 90% score actually means.

1 Kerajaan Tubuh JITU untuk Perangi Rasuah-Paul Low <http://www.bernama.com/bernama/v7/bm/ge/newsgeneral.php?id=1022603>

2 MACC proposes law to criminalise civil servants' misconduct. The Malay Mail Online, 24 March 2014. <http://m.themalaymailonline.com/malaysia/article/macc-proposes-law-to-criminalise-civil-servants-misconduct#sthash.PGr1Z5vf.dpuf>. MACC proposes new law on misconduct of public office. The Sun Daily, 17 October 2013. <http://www.thesundaily.my/news/858657>

3 Disciplinary Actions Against Suppliers-Contractors http://www.treasury.gov.my/index.php?option=com_content&view=article&catid=148%3Abahagian-perolehan-kerajaan&id=616%3Atindakan-tatatertib-terhadap-pembekal-kontraktor&Itemid=306&lang=en

4 Nur Barizah Abu Bakar and Suhaiza Ismail. *Financial Management Accountability Index in Malaysian Public Sector: A Way Forward*.

To encourage greater accountability, we recommend that the government publishes the scores of all ministries in this index and provide more information about the PAI. We acknowledge that for some ministries the scores may still be low. This is understandable since we are still at an early stage of reform. We believe that if all scores are published now, then the public can see how all ministries are actually trying to improve their performance year-on-year.

b. Publish annually a report card of contractors and suppliers.

There are already mechanisms to evaluate the performance of contractors and suppliers. For contractors, for example, CIDB has a system called SCORE to measure and evaluate contractors' financial and technical capacity, and they hold an annual event to give awards to contractors who performed well.

We recommend that such evaluation of performance is reported to the public in the form of a report card. The report card should contain the number and percentage of contractors / suppliers with star ratings and those whose licenses have been revoked. The report card can be separately published by agencies in charge of contractors / suppliers registration. CIDB could therefore publish report cards for contractors and the Ministry of Finance could publish report cards for suppliers. Additionally, PKK could also publish report cards for Bumiputera contractors.

c. Encourage contractor associations to play an active role in preventing violation of rules.

Contractor associations can play an influential part in motivating their peers to adhere to regulations and to become more accountable. The associations should publish on their websites and through other platforms the names of contractors or suppliers whose registration have been cancelled. The associations can go even further by cancelling the membership of those contractors or suppliers.

Recommendation 3: Streamline and utilise electronic platforms to create a credible, efficient and transparent procurement system.

The Federal government has at least five portals to support procurement activities: ePerolehan, MyProcurement, ePerunding, NeTI, and GPIS (See Inset 4 for details).

There have been some positive impacts from the use of electronic procurement systems. ePerolehan, for example, has registered more than 1.5 million transactions and has saved the government around RM27 million.¹ However, their potential for improving transparency and accountability has not been well utilised or explored.

The information available on the portals is limited and scattered. This is most likely due to the portals being managed by different agencies who respectively use different systems. The portals are not synced

to each other and they even use different item codes even for the same item. As a result, procurement officers, contractors and suppliers have to log in into different portals. The usage of an electronic system is good in the sense that it will reduce personal contacts when making bids. In order to maximise the benefits of using an electronic system, we recommend the following steps to be taken:

1. Streamline and integrate all electronic procurement portals to create a credible and non-duplicative e-procurement system by (at least):

- a. Creating a single data entry system that allows procurement officers to enter data from a single point.
- b. Creating common item codes for goods and services that can be used across all online platforms.
- c. Facilitating database sharing between the various portals.

2. Ensure easy accessibility of the portals to both contractors and public by (at least):

- a. Having a single entry portal from which the public and contractors / suppliers can access all procurement portals without the need for multiple logins.
- b. Providing comprehensive and relevant information for suppliers / contractors and

¹ ePerolehan transactions reach over RM60 billion. The Malaysian Insider, 5 August 2013. <http://www.themalaysianinsider.com/business/article/eperolehan-transactions-reach-over-rm60-billion>

the public in the portals (as suggested in Rules 1 and 5 in Recommendation 1 above).

3. Make the use of online procurement portals mandatory for every supplier and procurement officers.

Making the use of online procurement portals mandatory will minimise direct contact between procurement officers and bidders which in turn will minimise the potential of corrupt practices.

Recommendation 4: Enhance the professionalism and integrity of procurement officers.

Inadequate skills and lack of expertise of procurement officers repeatedly came up in our study as one of the main factors that lead to leakages and inefficiencies in the current procurement system.

One cause could be inadequate and ineffective training. The reality is, the way our current civil service operates makes well-trained procurement officers difficult to retain as they can be easily transferred to other divisions.

In many cases, there are insufficient procurement officers who are technically proficient to manage,

monitor and evaluate contracts properly, especially works contracts. Training and certification of procurement officers are ways to improve their professionalism. But we feel it is also important for the government to reform the career paths of procurement officers to provide a sense of specialisation and professionalism in the field.

Recommendation 5: Public Private Partnership (PPPs) projects must follow the same transparency rules as other government contracting.

PPP is one of the many methods of public procurement. It is different from traditional procurement

Inset 4: Malaysia's multiple procurement portals

- ePerolehan (www.eperolehan.gov.my)

Launched in 2000, it was the first portal established to support procurement activities. It is designed to facilitate the transaction of goods and services between government agencies (as buyers) and suppliers.

- MyProcurement (www.myprocurement.gov.my)

MyProcurement was launched in 2000 to provide information on tender notices and awarded tenders. From November 2013, details of a small number of contracts awarded through direct negotiation are also published on this portal.

- Government Information Procurement System (GPIS)

Government Procurement Information System (GPIS) is a central database that stores information related to pre-procurement processes until the post-procurement process. It allows the Ministry of Finance to analyse the government procurement data for all government agencies and to produce reports in a fast, accurate and efficient manner.

- ePerunding (eperunding.treasury.gov.my)

ePerunding provides a platform for all government agencies to process applications for consultancy services and produce periodic reports on the procurement based on the project. It also allows agencies to retrieve profiles and performance of consulting firms that are registered in the system. The system contains evaluations of consultants and can be accessed by other agencies for future projects and new consultant appointments.

- National e-Tendering Initiative-NeTI (<http://www.tender.gov.my>)

National e-Tendering Initiatives (NeTI) is a procurement portal introduced by the Ministry of Works in 2011 to improve efficiency in works procurement.

because PPP allows the government to share the responsibility of providing capital and taking on risks with the private sector. In a PPP, private sector partners are usually given concession rights to operate and manage the assets. At the end of the concession period, the private sector partners return the assets to the government.

Unit Kerjasama Awam Swasta (Public Private Partnership Unit) is a unit under the Prime Minister's Department mandated to manage and execute Public Private Partnership (PPP) projects. Throughout our project, many delegates stated that significant improvement in the way the government spends taxpayers' money can only be achieved if UKAS becomes more transparent.

PPP projects have been under greater public scrutiny especially at the end of 2013 when the government planned to increase toll rates for several major highways that were built and managed through PPP. Several projects undertaken under PPP have also been under fire from certain quarters because they are allegedly awarded to politically connected companies without a competitive open tender.

To instil public confidence on the integrity of PPP projects, we recommend UKAS to be bound by the same transparency rules that are applicable to other agencies and ministries. As first steps, we recommend UKAS to do at least the following:

1. Publish details of contracts awarded through public private partnerships on the MyProcurement portal or UKAS Website or the now defunct MyPartnership portal.

Similar to Rule 4 and 5 in Recommendation 1 above, in order to guarantee that we can move forward, we feel that it is not so important for the government to publish the details of contracts previously awarded through UKAS. It is more important for the government to commit to publishing the details of newly awarded contracts as soon as the agreement is signed. We propose an "amnesty" on previous contracts, on the strict condition that there must be a commitment to be consistent from now onwards. Having said that, we also appreciate that there have many questions about the integrity of previous PPP projects. Therefore it is important that any dubious contracts be investigated thoroughly.

2. Commit to using open tenders as the main method of awarding projects and provide reasons for awarding contracts through direct negotiation.

We acknowledge the need to maintain a certain degree of commercial confidentiality in some initiatives. However, as a general rule, the government should commit to a transparent open and competitive tendering process, and closed door direct negotiation should be conducted only when

there is pressing needs. It should not be the standard operating procedure for a body that is spending taxpayers' money.

Appendix I: Participants of IDEAS Dialogue Series on Improving Transparency in Government Procurement

1. YB Senator Datuk Paul Low Seng Kuan, Minister in the Prime Minister Department
2. Dato Sri Abdul Wahid Omar, Minister in the Prime Minister's Department
3. Tan Sri Dato Setia Ambrin bin Buang, Auditor General of Malaysia
4. Ministry of Finance, Government Procurement Division
5. Ministry of International Trade and Industry (MITI)
6. Ministry of Works, Information Management Division
7. PEMANDU, GTP-NKRA Anti-Corruption Unit
8. NKRA Corruption Monitoring and Coordination Division
9. Malaysian Service Provider Confederation (MSPC)
10. Malaysian International Chamber of Commerce and Industry (MICCI)
11. Malaysian Administrative Modernisation and Management Planning Unit (MAMPU)
12. PEMANDU, GTP-MKRA Unit
13. Malaysian Institute of Corporate Governance (MICG)
14. SME Corporation Malaysia (SME Corp)
15. Federation of Malaysian Manufacturers (FMM)
16. Transparency International Malaysia (TI-Malaysia)
17. Persatuan Kontraktor Melayu Malaysia (PKMM)
18. Malaysia-India Business Council (MIBC)
19. Bank Muamalat Malaysia Berhad
20. Malaysian Institute of Certified Accountant (MICPA)
21. University of Nottingham Malaysia
22. Construction Industry Development Berhad (CIDB)

About the author

Sri Murniati is Manager, Political Economy and Governance unit at the Institute for Democracy and Economic Affairs (IDEAS).

