



**POLICY AND GUIDELINES ON  
INDUSTRIAL COLLABORATION PROGRAMME (ICP)  
IN GOVERNMENT PROCUREMENT**

**SECOND EDITION**

## TABLE OF CONTENTS

<b>CHAPTER 1 - INTRODUCTION.....</b>	<b>1</b>
1.1 - BACKGROUND.....	1
1.2 - PHILOSOPHY.....	2
1.3 - OBJECTIVES.....	3
1.4 - CROSS REFERENCE.....	4
1.5 - TERMINOLOGY AND DEFINITION.....	5
<b>CHAPTER 2 - IMPLEMENTATION PRINCIPLES.....</b>	<b>14</b>
2.1 - INTRODUCTION.....	14
2.2 - PRINCIPLES.....	15
2.3 - TERMS AND CONDITIONS.....	17
2.4 - COMPLIANCE TO THE ICP POLICY.....	23
<b>CHAPTER 3 - CATEGORY.....</b>	<b>27</b>
3.1 - INTRODUCTION.....	27
3.2 - OFFSET PROGRAMME.....	27
3.3 - ECONOMIC ENHANCEMENT PROGRAMME (EEP).....	31
3.4 - COUNTERTRADE PROGRAMME.....	33
3.5 - MALAYSIAN LOCAL CONTENT (MLC).....	34
3.6 - JOINT VENTURE (JV) AND CONSORTIUM WITH LOCAL COMPANIES.....	38
<b>CHAPTER 4 - MALAYSIAN ICP MANAGEMENT FRAMEWORK.....</b>	<b>41</b>
4.1 - INTRODUCTION.....	41
4.2 - PRE-IMPLEMENTATION.....	41
4.3 - IMPLEMENTATION.....	48
4.4 - POST IMPLEMENTATION.....	50

<b>CHAPTER 5 - PRE-ICP CREDIT BANKING.....</b>	<b>52</b>
5.1 - INTRODUCTION.....	52
5.2 - TERMS AND CONDITIONS.....	52
5.3 - IMPLEMENTATION.....	53
<b>CHAPTER 6 - MANAGEMENT STRUCTURE.....</b>	<b>55</b>
6.1 - INTRODUCTION.....	55
6.2 - ICP COMMITTEES.....	55
6.3 - MINISTRY OF FINANCE MALAYSIA (MOF).....	56
6.4 - TECHNOLOGY DEPOSITORY AGENCY (TDA).....	56
6.5 - MALAYSIAN ICP EXECUTIVE COMMITTEE (MIEC).....	60
6.6 - ICP COMMITTEE (IC).....	62
6.7 - IMU MONITORING COMMITTEE (IMC).....	64
6.8 - ICP OPERATIONAL GOVERNANCE COMMITTEE (IOGC)...	66
6.9 - ICP MANAGEMENT UNIT (IMU).....	67
6.10 - ICP EVALUATION COMMITTEE (IEC).....	69
6.11 - ICP WORKING COMMITTEE (IWC).....	70
6.12 - CONSULTANCY AND ICP ADVICE SERVICES.....	71
6.13 - CORRESPONDENCE.....	72
<b>CHAPTER 7 - CONCLUSION.....</b>	<b>73</b>

Attachment:

Attachment 1 – Malaysian ICP Management Framework and Flow Chart

Attachment 2 – ICP Credit Value Calculation

Attachment 3 – Multiplier

Attachment 4 – ICP Penalty Calculation

Attachment 5 – ICP Clause in Main Procurement Contract

Attachment 6 – Relief of Obligation Letter

## **CHAPTER 1 – INTRODUCTION**

### **1.1 BACKGROUND**

- 1.1.1 The Government of Malaysia (**GOM**) is committed to further improve Malaysia's competitiveness in the global market, by developing national technology, industry and economy with a holistic economic view and systematic development strategy. This effort is vital in realizing the present policies of **GOM** in achieving a high-income nation status. To support the agenda, the **GOM** is leveraging on the Industrial Collaboration Programme (**ICP**) platform as one of the strategies and has established a policy applicable to all **GOM** procurement activities related to supplies, services and works.
- 1.1.2 Based on the benefits of past Offset Programmes which has contributed to the local industry development and economic expansion, the **GOM** has expanded the scope of the existing Offset Programme Policy to also cover various strategic sectors. In this regard, the **GOM** is continuing to improve the implementation of the **ICP** based on the current Policy and Guidelines issued via the 1PP/PK 1.1 Paragraph 6(v) titled Policy and Guidelines on Industrial Collaboration Programme in Government Procurement.
- 1.1.3 **ICP** is a programme consists of activities that will add value to a procurement made by the **GOM** taking into account their cost effectiveness. **ICP** includes Economic Enhancement Programme (**EPP**), Countertrade and Offset Programme.
- 1.1.4 This Policy and Guidelines shall be used as a reference to the terms and conditions of the **ICP** activities implementation in Malaysia. Hence, to ensure the **ICP** is being orderly and systematically implemented, a **Malaysian ICP Management Framework** is developed as a guide to

the implementation processes.

- 1.1.5 Ministry of Finance Malaysia (**MOF**), on behalf of **GOM**, whose responsible for **ICP**, reserves the right to make necessary amendments to this Policy and Guidelines at any time. **GOM** will not be responsible for any loss as the consequences of this amendment.
- 1.1.6 This Policy and Guidelines is a translation of the document which originally prepared in Bahasa Malaysia. In the event of inconsistency or discrepancy in the interpretation, the Bahasa Malaysia version shall prevail.

## **1.2 PHILOSOPHY**

- 1.2.1 In support to the national agenda, **ICP** is used as one of national development strategies to strengthen the country's socioeconomic achievement, leveraging on sustainable **ICP** programme to elevate identified existing country's capability and capacity to the next level. Priority is given to activities that contribute to the national aspiration towards achieving the status of developed country. Therefore, **ICP** shall be regarded as a long-term investment strategy by Original Equipment Manufacturers (**OEM**) to develop and strengthen their businesses in Malaysia.
- 1.2.2 The **ICP** implementation is one of the **GOM**'s strategies to provide opportunities for local industry players to competitively take part in the global supply chain and participate in the global market. Therefore, the implementation of the **ICP** should consider the interests of all parties (win-win situation and complementary) to ensure a greater overall impact. Thus, the **ICP** Provider must be fully committed in the **ICP** implementation to ensure the benefits of **ICP** for the national development.

1.2.3 For the purpose of the **ICP** implementation, the following conditions shall apply:

1.2.3.1 Mandatory to all Government Agency, if the procurement value equal or more than the **ICP** Threshold Value specified in **Paragraph 2.3.1**;

1.2.3.2 Any procurement by Entity other than Government Agency, if funded by Federal Government; or

1.2.3.3 Any procurement by Government Linked Companies (**GLC**) and its subsidiaries or private companies which the fund is facilitated and guaranteed by the **GOM**; and

1.2.3.4 **GLC** and its subsidiaries, or private companies are encouraged to implement the **ICP** if the fund used for the procurement is from its own source, to mark their contribution to the development of industry sectors in Malaysia. Relevant incentives in return to the implementation of **ICP** can be referred to the Ministry of Finance (**MOF**) or relevant Ministries/Agencies.

1.2.3.5 The success of **ICP** implementation depends on the cooperation of all involved stakeholders (Agency, **ICP** Provider, **ICP** Recipient, **IMU** and **TDA**).

### **1.3 OBJECTIVES**

The objectives of **ICP** are as follows:

1.3.1 As a catalyst for local companies to be involved in the global strategic cooperation which will contribute to the economic and industrial

growth through the development and strengthening of skills, capabilities, capacities, marketing and export potential;

- 1.3.2 Maximize the use of local content to reduce dependency on foreign countries thus reducing the outflow of Malaysian currency;
- 1.3.3 Sustain local industry by enhancing the capabilities and capacities to participate in global supply chain;
- 1.3.4 Promote Transfer of Technology (ToT) and strategic knowledge development;
- 1.3.5 Establish cooperation in research projects, strategic development and commercialisation (Research, Development and Commercialisation - R&D&C); and
- 1.3.6 Facilitate Foreign Direct Investment (FDI), Domestic Direct Investment (DDI) and foster collaboration to develop human resources in strategic sectors, thus creating job opportunities, increase the local expertise and capabilities.

#### **1.4 CROSS REFERENCE**

To ensure inclusivity of **ICP** implementation with other **GOM** initiatives, this document is cross-reference with other policies and guidelines as follows:

- 1.4.1 1 Treasury Circular (*1 Pekeliling Perbendaharaan Malaysia (1PP)*);
- 1.4.2 Master Plan of Small and Medium Enterprises 2012-2020 by the National Small and Medium Enterprise Development Council;
- 1.4.3 Guidelines for Vendor Development Programme by SME Corporation; and

- 1.4.4 Other relevant and current **GOM** Policies, Regulations, Blueprints and Guidelines.

## **1.5 TERMINOLOGY AND DEFINITION**

The definitions of terminologies used in this document are as follows:

- 1.5.1 **Agency** is a Ministry (Federal and State), Department (Federal and State), Local Authority (Federal and State), Statutory Organisation and any organisation that uses Federal Government fund allocation, fully or partially for their operation.
- 1.5.2 **Appointed Approving Authority (AAA)** is an authority formed by the **MOF**.
- 1.5.3 **Bill of Material (BOM)** is a complete list of materials used including the raw material in producing/manufacturing a product.
- 1.5.4 **Consortium** is an association or combination of two or more companies or investors for the purpose of participating in a business activity or pooling their resources for achieving a common goal.
- 1.5.5 **Counterpurchase** is an arrangement agreed by the supplier/contractor set out in the Main Procurement Contract for the purchase of local goods.
- 1.5.6 **Countertrade** is one of the categories under the **ICP**, which includes Counterpurchase and Buyback.
- 1.5.7 **Economic Enhancement Programme (EEP)** is one of the **ICP** categories where the procurement is awarded to *Syarikat Tempatan Utama (STU)*.

- 1.5.8 **Entity** may consist of (but not limited to) company, agency, organisation and Malaysian individual.
- 1.5.9 **First Tier ICP Agreement** is an agreement entered between **GOM** and/or Procuring Agency and **ICP** Provider outlining the terms of rights, duties and obligations on **ICP**.
- 1.5.10 **Government Linked Company (GLC)** is a corporation in which the **GOM** has the control and interest in it either directly or indirectly. Generally, **GLC** includes:
- a) Ministry of Finance Incorporated companies;
  - b) All *Khazanah Nasional Berhad's* (Khazanah) subsidiary companies,
  - c) *Permodalan Nasional Berhad's* (PNB) companies,
  - d) All Federal and State Statutory Bodies; and
  - e) Any companies with Golden Share.
- 1.5.11 **Government of Malaysia (GOM)** means the government as represented by the Ministry of Finance as the Lead Agency and supported by other Procuring Agencies.
- 1.5.12 **Government Owned Company (GOC)** is a company fully owned by the Government (Federal or State).
- 1.5.13 **ICP Authority** is Technology Depository Agency (**TDA**), an organisation that is mandated by the **GOM** to govern the implementation of the **ICP** in Malaysia which the roles and functions are defined in this Policy and Guidelines.

- 1.5.14 **ICP Committee (IC)** is a committee established at the Procuring Agency responsible to manage and administer the implementation of the relevant **ICP** which the roles and functions are defined in this Policy and Guidelines.
- 1.5.15 **ICP Credit Banking** is an account of **ICV** excessive from the implementation of **ICP** Obligation or an **ICV** generated from the implementation of the Pre-**ICP**.
- 1.5.16 **ICP Credit Value (ICV)** is the Credit Value generated during the **ICP** implementation period in fulfilling the **ICP** Obligations.
- 1.5.17 **ICP Evaluation Committee (IEC)** is a committee established at the Procuring Agency to conduct evaluation on the proposed **ICP**, assisted by **IMU** as the secretariat and chaired by Head of **TDA** or any person delegated by Head of **TDA**.
- 1.5.18 **ICP Evaluation Report (IER)** is a report produced after the evaluation activities carried out by the **IEC**.
- 1.5.19 **ICP Management Unit (IMU)** is a unit established to assist the Procuring Agency in implementing **ICP** which the roles and functions are defined in this Policy and Guidelines.
- 1.5.20 **ICP Obligation** is the terms and conditions outlined in the First and Second Tier **ICP** Agreement that shall be adhered to by the **ICP** Provider with a reference made to this Policy and Guidelines.
- 1.5.21 **ICP Operational Governance Committee (IOGC)** is a committee established to monitor the governance of the operational implementation of Malaysian **ICP** Management Framework and other processes as stated in this Policy and Guidelines.

- 1.5.22 **ICP Project** consists of projects identified in the **ICP** that contribute to the generation of **ICV**.
- 1.5.23 **ICP Provider** is (not limited to but carries the same function) the **OEM**, supplier, international contractor or **STU** that are responsible for the delivery of the agreed **ICP** Obligations.
- 1.5.24 **ICP Recipient** is a local Entity that had gone through the **IRA** process and selected to be the **ICP** Recipient.
- 1.5.25 **ICP Recipient Audit (IRA)** is an activity performed to assess the potential **ICP** Recipient's suitability, eligibility and readiness to be the **ICP** Recipient.
- 1.5.26 **ICP Requirement Document (IRD)** is a document that provides guidance to the bidder/suppliers on **ICP** project requirements in a particular procurement.
- 1.5.27 **ICP Strategy Document (ISD)** is a document to be used as guidelines for the development of **IRD** for the identified **ICP** programme.
- 1.5.28 **ICP Working Committee (IWC)** is a committee established at the **IMU** level which the roles and functions are defined in this Policy and Guidelines.
- 1.5.29 **IMU Monitoring Committee (IMC)** is a committee established by **MOF** to monitor the appointed/established **IMU** which the roles and functions are defined in this Policy and Guidelines.
- 1.5.30 **Joint Venture (JV)** is a lawful collaboration in the form of new entity or an agreement governing the relationship between two or more companies for business purposes.

1.5.31 **Local Company** (within ICP implementation context) is defined as:

- a) A local company listed under Bursa Malaysia with the controlling interest by Malaysians and the majority members of the Board of Directors are Malaysians;
- b) A **JV** company incorporated in Malaysia (whether listed on Bursa Malaysia or not) complies with 1PP/PK1.
  - i. **JV** between local and foreign  
Company which is recognized as **JV** between local and foreign shall meet the following criteria:
    1. The company shall be established in Malaysia. Foreign equity ownership must not exceed thirty percent (30%), while Malaysian *Bumiputera* not less than thirty percent (30%); and
    2. Members of Board of Director, management and employees shall follow the equity of ownership percentage.
  - ii. **JV** Between *Bumiputera* and Foreign  
Company which is recognized as **JV** between *Bumiputera* and Foreign shall meet the following criteria:
    1. The Company shall be established in Malaysia.  
Malaysian *Bumiputera* equity ownership is not less than fifty one percent (51%) and not more than forty nine percent (49%) by foreign; and
    2. Members of Board of Director, management and employees shall follow the equity ownership percentage.

- c) A company with at least fifty one percent (51%) equity owned by Malaysians and registered with the Companies Commission of Malaysia (*Suruhanjaya Syarikat Malaysia - SSM*).
- 1.5.32 **Local Content (LC)** is the usage of local resources including (but not limited to) material, equipment, manpower and services.
- 1.5.33 **Localization** is the local product manufacturing and directly related to design, development and installation of parts and components (full or partial) which involved transfer of technology and know-how.
- 1.5.34 **Local Work Package** is a subcontracting awarded to the local company.
- 1.5.35 **Main Procurement Contract** is a contract entered between the **GOM** represented by the respective Procuring Agency and the supplier for the procurement to be carried out within an agreed time frame and price.
- 1.5.36 **Malaysian ICP Executive Committee (MIEC)** is the highest committee established at **MOF** to monitor and provide strategic direction for the-implementation of **ICP** in Malaysia.
- 1.5.37 **Malaysian ICP Management Framework** is a model that provides guidelines about the **ICP** processes that need to be complied in implementing the ICP Programme.
- 1.5.38 **Mandatory ICV** is the credit value that shall be generated by **ICP** Provider as specified in **Paragraph 2.3.2.1** of this Policy and Guidelines.
- 1.5.39 **Multiplier** is an integer value used in the calculation of **ICV** based on the impact of the proposed project in an **ICP**.

- 1.5.40 **Obligated ICV** is the credit value that needs to be fulfilled by the **ICP** Provider as per agreed and approved in the First Tier **ICP** Agreement.
- 1.5.41 **Offset Programme** is one of the categories under the **ICP** where the procurement is awarded to foreign companies.
- 1.5.42 **Original Equipment Manufacturer (OEM)** is the actual manufacturer that holds the rights of the equipment or component.
- 1.5.43 **Post Implementation Audit (PIA)** is an activity to determine the actual **ICV** generated and assess the **ICP** Provider's compliance with the applicable **ICP** Obligations.
- 1.5.44 **Potential ICP Recipient** is an Entity that has been proposed or identified to be an **ICP** Recipient, but pending for completing the **IRA** process.
- 1.5.45 **Procurement** means the acquisition by the Agency which include the categories of supplies, services and works.
- 1.5.46 **Procuring Agency** is the Agency that undertakes the procurement.
- 1.5.47 **Project Delivery Partner (PDP)** is the third party appointed by the Agency to carry out activities to deliver the procurement on its behalf.
- 1.5.48 **Project Team** is a team established at the Procuring Agency that manages the implementation of the main procurement activities.
- 1.5.49 **Second Tier ICP Agreement** is an agreement in such form and substance as agreed and entered between **ICP** Provider and/or **ICP** Authority and **ICP** Recipient for the purpose of detailing on **ICP** Projects to be implemented.

- 1.5.50 **Small and Medium Enterprises (SMEs)** are companies in accordance with the definition by the Ministry of International Trade and Industry (MITI).
- 1.5.51 **Strategic Procurement** means procurement for the objective of ensuring unhindered supply of goods, services and works that are critical to national ability to meet its core national interest/objectives. Related areas are (but not limited):
- a) Defence and security;
  - b) ICT related to defence, security and strategic;
  - c) Cyber security;
  - d) Energy and water security;
  - e) Environmental and climate change;
  - f) Transportation security; and
  - g) Sustainable Mobility.
- 1.5.52 **Subject Matter Expert (SME)** is a person who has appropriate qualification, certification and experience or profound knowledge in a particular area or topic.
- 1.5.53 **Supplemental ICP Agreement** is the supplementary to the First Tier **ICP Agreement** for fulfilling the remaining balance of Mandatory **ICV** in the form of an agreement or any other documents as agreed by **IC**.
- 1.5.54 **Surveillance Audit (SA)** is an activity to assess the highlighted issues related to the implementation of **ICP** project in order to determine the level of performance effectiveness within the agreed parameters as and when required.

- 1.5.55 ***Syarikat Tempatan Utama (STU)*** is defined as local companies such as **GOC, GLC** and their subsidiaries including Private Companies that have been awarded a contract for supply, services and works by the government.
- 1.5.56 **Vendor Development Programme** (*Program Pembangunan Vendor – PPV*) is a programme implemented by **STU** to develop local industry based on the **PPV** guidelines issued by the **GOM**.

## CHAPTER 2 – IMPLEMENTATION PRINCIPLES

### 2.1 INTRODUCTION

- 2.1.1 **ICP** implementation in Malaysia is governed based on the terms, conditions and principles identified by the **GOM** as per stated in this Policy and Guidelines in order to gain optimum benefits to the development of local industry and contribute to the national economy.
- 2.1.2 For the purpose of issuing a Letter of Acceptance for the Main Procurement Contract, the **IMU** (upon advice and endorsement by **TDA**) and **ICP** Provider shall provide the estimated **ICV** to be generated from the proposed projects for implementation. Thus, the **ICP** Provider and **IMU** shall in principle identify and agree on the projects to be implemented for the particular **ICP** programme and be stated in the Letter of Acceptance. A copy of the Letter of Acceptance shall be forwarded to **TDA** for reference as per stated in *Pekeliling IPP/PK1.1/Perenggan 6(v) (j)*.
- 2.1.3 **ICP** Provider is required to provide detailed implementation plan and the expected outcomes and deliverables in Schedule A of the First Tier **ICP** Agreement. The signing of both Main Procurement Contract and First Tier **ICP** Agreement shall be done concurrently. A signed copy of the agreement shall be extended to **TDA** and **IMU** for reference purposes.
- 2.1.4 If the execution of the Main Procurement Contract is done by a third party such as **PDP**, the Procuring Agency must allow **TDA** and **IMU** to communicate directly with the suppliers to plan on the implementation of the identified **ICP**.

- 2.1.5 If the Main Procurement Contract is awarded to **STU**, which subsequently subcontracting a foreign **OEM** for the supplies/services, the **STU** must allow **TDA** and **IMU** to communicate directly with the **OEM** in order to plan for the implementation of **ICP**.

## **2.2 PRINCIPLES**

- 2.2.1 The **ICP** implementation must be structured properly through activities and programmes that will enable the **GOM** to obtain ‘best value for money’ from all **ICP**'s triggered procurements. Therefore, **ICP** in Malaysia will generally be implemented based on the following principles:

### 2.2.1.1 No Premium

**GOM** will not pay any premium as an additional payment to support the **ICP** implementation.

### 2.2.1.2 Mutual Benefit

- a) **ICP** implementation must be profitable and beneficial to the **GOM** and **ICP** Recipients or give the same benefits to the **ICP** Provider.
- b) **ICP** Provider must ensure a long-term sustainability of the **ICP** implementation through effective execution of the business plan.

### 2.2.1.3 Additionality

Proposed **ICP** activities must have a value-add return (over and above) of the basic/mandatory needs specified in the Main Procurement Contract. The value-add benefit obtained from

the **ICP** activities must be proven with evidences acceptable by the **GOM**.

#### 2.2.1.4 Causality

The **ICP** must be derived from:

- a) A procurement contract by the **GOM**; or
- b) A procurement contract by a **GOC**; or
- c) Any other procurement carried out by any Entity that utilized funds provided, issued or guaranteed by the Federal Government.

#### 2.2.1.5 Responsibility

- a) **ICP** Provider is wholly responsible to complete the implementation of the agreed **ICP**.
- b) The activities developed for the **ICP** shall be based on a philosophy of local industry and economic development.
- c) Therefore, the **ICP** Provider shall demonstrate their commitment to the **GOM**.
- d) If the implementation of the Main Procurement Contract by the Third Party (such as Project Delivery Partner, Turnkey Projects, etc.), the responsibility for the **ICP** implementation lies with the Procuring Agency and **ICP** Provider. Procuring Agency must ensure the terms and conditions of **ICP** implementation being executed accordingly as stipulated in this Policy and Guidelines.
- e) In ensuring an effective and efficient **ICP** implementation, **TDA** and **IMU** must be given

permission by the Procuring Agency to communicate directly with the suppliers (**OEM/STU**) on **ICP** related matters.

#### 2.2.1.6 Sustainability

**ICP** Provider must convince the **GOM** that the proposed project is sustainable for long term in the aspect of the operation of the procured assets, development of the nation and the contribution to the national economic growth, throughout and beyond the duration of **ICP** implementation.

### 2.3 TERMS AND CONDITIONS

#### 2.3.1 **ICP** Threshold Value

2.3.1.1 **Offset and/or Countertrade** shall be triggered if the fund is provided, channelled and/or guaranteed by the Federal Government for every procurement directly awarded to the foreign **OEM** with a value of **RM50 million and above** (or a value of foreign currency that is equivalent to the said Ringgit Malaysia).

2.3.1.2 **EEP** shall be triggered if the fund is provided, channelled and/or guaranteed by the Federal Government for every procurement directly awarded to the **STU** with a value of **RM100 million and above**. Subsequently, **Offset and/or Countertrade** shall be triggered if the **STU** awards a subcontract to foreign **OEM** with a value of **RM50 million and above** (or a value of foreign currency that is equivalent to the said Ringgit Malaysia). Cumulative sum of combined **EEP** and **Offset** values shall equivalent to the value of the Main

Procurement Contract. **STU** shall ensure that the particular **OEM's** obligation to the **ICP** requirements and implementation in accordance with the **ICP** Policy and Guidelines, be specified in the subcontracting agreement.

### 2.3.2 **ICP** Credit Value (**ICV**)

2.3.2.1 **Mandatory ICV** (denominations in Ringgit Malaysia) for an **ICP** programme shall be at **one hundred percent (100%)** equivalent to the value of the Main Procurement Contract inclusive of additional value in the form of Provisional Sum, Prime Cost Sum, Import Duty, and Variation Order (if the Variation Order amount is more than thirty percent (30%) of the original contract value), except for the procurement of works and services such as (but not limited to) *Maintenance, Repair and Overhaul* (MRO) where the Mandatory **ICV** will be determined by **MOF** on case by case basis. The overall sum of the **ICV** comprises of credit values obtained from **EEP**, Countertrade and/or Offset Programmes. However, the Mandatory **ICV** does not include the value of Sales and Service Tax.

2.3.2.2 **Obligated ICV** (in Malaysian Ringgit) refers to the credit value that needs to be fulfilled by the **ICP** Provider as per agreed and approved in the First Tier **ICP** Agreement.

2.3.2.3 **IMU** is responsible to continually assess the generated **ICV** to ensure the **ICP** Provider complies with the **ICP** requirements specified in the First Tier **ICP** Agreement. The **ICP** Provider via **IMU** must provide official justifications on the proposed **ICV** for review by **IMU** and approval by **IC**.

2.3.2.4 **ICP** Provider with the assistance of **IMU** needs to identify **ICP** projects in principal. The **IMU** and **ICP** Provider need to

estimate the **ICV** of the agreed **ICP** projects to be implemented for the purpose of Letter of Acceptance issuance of the Main Procurement Contract.

2.3.2.5 The **ICV** generated by the **ICP** Provider will be verified by **TDA** as described in **Paragraph 4.4**.

2.3.2.6 **ICP** Credit will only be awarded to:

- a) Activities that are not part of the tender condition or pre-condition of the Main Procurement Contract delivery;
- b) Activities that provide added values that are over and above in fulfilling the basic/mandatory requirement of the Main Procurement Contract delivery; and
- c) Activities that are implemented in accordance with the terms and conditions of this Policy and Guidelines.

2.3.2.7 **ICV** calculation is as per **Attachment 2**.

### 2.3.3 Multiplier

2.3.3.1 The multiplier used in generating the **ICV** shall be assigned based on the impact to the development of the identified strategic industrial capability and its significant contribution to the national economic growth.

2.3.3.2 **ICP** Provider shall refer to **TDA** with regard to the **GOM**'s initiatives and main requirements in structuring the **ICP** in determining the appropriate multipliers.

2.3.3.3 **TDA** and **IMU** will evaluate the impact of every proposed project of the **ICP** programme to the economic growth and national industrial development, as the basis in determining the appropriate multiplier for the particular **ICP** activity.

2.3.3.4 Multiplier Table is as per **Attachment 3**. Description, multiplier value and criteria ( $\mu$ ) is subject to revision by **GOM** as and when necessary.

#### 2.3.4 **ICP Credit Banking**

2.3.4.1 **ICP** Provider is encouraged to carry out more **ICP** related activities to generate more **ICV** than the Obligated **ICV**. This additional endeavour being recognized by **GOM** as an effort to provide value-added to the local economic growth.

2.3.4.2 **GOM** shall allow the additional **ICP** related activities to be considered as **ICP** Credit Banking for future **ICP** Obligations, provided that such activities have been approved by **GOM**.

2.3.4.3 **ICP** Credit Banking shall only be allowed on the extra **ICV** generated during the **ICP** implementation period, the **ICV** has gone through the audit process, and the **ICP** Relief of Obligation Letter has been issued.

2.3.4.4 For the purpose of registering the extra **ICP** Credit for banking, the **ICP** Provider shall submit and express their intention to procure the **ICP** Credit Banking facilities through a written application to the **IMU** and a copy to **TDA**.

2.3.4.5 **TDA** and **IMU** of the programme shall perform verification process to ensure that the extra **ICP** Credit is qualified for the **ICP** Credit Banking.

2.3.4.6 **ICP** Provider who wish to utilize their available banked **ICP** Credit shall state the intent in the proposal submitted during the tender/direct negotiation. **ICP** Provider is only allowed to utilize their available **ICP** Credit Banking for **ICP** Projects

that has been identified during the tender proposal/direct negotiation, with the maximum of fifty percent (50%) of the new Mandatory **ICV**.

2.3.4.7 **GOM** reserves the right to make a decision on the **ICP** Provider's application to transfer the banked **ICP** Credits to the other parties involved in other **ICP** programmes in Malaysia.

2.3.4.8 **ICP** Credit Banking account is valid for a period of five (5) years starting from the date of issuance of the Relief of Obligation of **ICP**, after which the banked **ICP** Credit is considered void. However, this period may be extended with certain circumstances and justifications from the **ICP** Provider and subject to the approval by **MIEC** or **AAA**.

2.3.4.9 **ICP** Providers are allowed to utilize accumulated banked **ICP** Credit for future **ICP** programme only.

2.3.4.10 **IMU** shall consolidate the **ICP** Credit Banking applications submitted by the **ICP** Provider and send to **TDA** for verification purposes. Once acknowledged by **IC**, **IMU** shall process the application for consideration and approval by **MIEC** or **AAA**.

2.3.4.11 Record of **ICP** Credit Banking to be kept by **TDA** for future reference.

## 2.3.5 Cost

2.3.5.1 Any costs for **ICP** programme implementation that are not included in the **GOM** expenses shall be borne solely by the **ICP** Provider.

2.3.5.2 Any costs to be borne by the **GOM** are limited to the provision of passports and official travel claims by the government officers and those which are mutually agreed between the **GOM** and the **ICP** Provider.

2.3.5.3 In the event where the **ICP** Provider use services from a third party, those related costs incurred shall be borne by the **ICP** Provider and/or the third party. **ICP** Provider shall submit an application to the **IMU** should they wish to include these costs as part of the **ICP** Credit, subject to verification by **TDA** and approval by **IC**.

#### 2.3.6 Foreign Currency Exchange

Mandatory/Obligated **ICV** must be expressed in Ringgit Malaysia (RM). In cases where the claims are expressed in foreign currency, it must be converted into RM based on the official current exchange rate by Bank Negara Malaysia on the date of Letter of Acceptance. For Main Procurement Contract in foreign currency, the Mandatory/Obligated **ICV** may be expressed in the same foreign currency as the Main Procurement Contract.

#### 2.3.7 Period of Completion

2.3.7.1 The **ICP** Obligations shall be completed within the period of the Main Procurement Contract only. Any request for extension of time shall be submitted for recommendation by **IC**, and subject to approval by **AAA**.

2.3.7.2 For **ICP** Obligation which is triggered from a rental/leasing related Main Procurement Contract:

- a) If the leasing period is less than five (5) years, the

completion of the **ICP** Obligations is equal to the leasing period;

- b) If the leasing period is more than five (5) years, the completion of the **ICP** Obligations is five (5) years.
- c) The **ICP** credit calculation for leasing is as per **Attachment 2**.

#### 2.3.8 Communication and Documentation

Any communication and documentation amongst all parties involved must be in Bahasa Malaysia or English.

## 2.4 COMPLIANCE TO THE ICP POLICY

2.4.1 Procuring Agency and **ICP** Provider shall comply with the **ICP** Policy and Guidelines.

2.4.2 Non-compliance to this **ICP** Policy and Guidelines caused by officer's negligence shall prompt an action to be taken in accordance with the rules and regulations enforced by the respective Procuring Agency.

2.4.3 Non-Compliance to the First Tier **ICP** Agreement

Failure by the **ICP** Provider to comply with the **ICP** Obligations as per terms and agreed in the First Tier **ICP** Agreement will lead to:

- a) Penalty against the **ICP** Provider, the amount based on the calculation formula as in **Attachment 4** shall be deducted from the Performance Bond; and

- b) Action to be taken against the **ICP** Provider based on the terms, conditions and clauses of the contract/agreement.

#### 2.4.4 Non-Compliance to the Second Tier **ICP** Agreement

Failure by the **ICP** Recipient to comply with the **ICP** Obligations as per terms agreed in the Second Tier **ICP** Agreement will lead to:

- a) Withdrawal of eligibility as an **ICP** Recipient and will not be considered to participate in any future **ICP** Programmes.
- b) Action to be taken against the **ICP** Recipient based on the terms and conditions of the Second Tier **ICP** Agreement and other related agreements/contracts.
- c) **ICP** Recipient may be required to provide an irrevocable Performance Bond in the form of Bank Guarantee issued by any onshore Malaysian bank/financial institutions or to the **ICP** Authority worth of five percent (5%) of the contract nominal value of the particular **ICP** Project.

#### 2.4.5 Performance Bond

2.4.5.1 **ICP** Provider is required to provide an irrevocable Performance Bond to the **GOM** in the form of Bank Guarantee issued by any onshore Malaysian bank/financial institution worth of five percent (5%) of the Main Procurement Contract value.

2.4.5.2 The Performance Bond for **STU** shall be in line with **1PP/PK 2**.

2.4.5.3 For the **ICP** Provider, Bank Guarantee from the Main Procurement Contract could be used as the **ICP** Programme Performance Bond and has to be specified in the Bank Guarantee of the Main Procurement Contract. This is also applicable for Guarantee Sum with the consent of the Procuring Agency.

2.4.5.4 The Bank Guarantee shall commence from the date of the Main Procurement Contract and shall remain valid until twelve (12) months after the full implementation of the **ICP** programme and full completion of the Mandatory **ICV**.

2.4.5.5 If the duration of the **ICP** programme needs to be extended due to acceptable reasons, the **ICP** Provider shall comply with the extension terms of the Bank Guarantee as follows:

- a) Separate Performance Bond at a value of ten percent (10%) from the remaining Mandatory **ICV** shall be provided to the **GOM** and remains valid for twelve (12) months after the full implementation of the **ICP** Programme.
- b) If the period has elapsed and the **ICP** requirements have not been fulfilled, the **ICP** Provider shall provide another Performance Bond at a value of ten percent (10%) from the remaining Mandatory **ICV**.
- c) The process above is recursive until the **ICP** Obligations and requirements are fulfilled, subject to **IC** approval.

#### 2.4.6 Penalty

2.4.6.1 Penalty will be imposed against **ICP** Providers who failed or

unable to complete the **ICP** Obligations (for both **LC** and non-**LC**) after the expiry of the First Tier **ICP** Agreement period and the **PIA** has been conducted.

2.4.6.2 A committee will be established by **TDA** to investigate and identify the root cause of incomplete **ICP**. The investigation report shall be submitted to **IC** and **MOF** for further action.

2.4.6.3 Penalty calculation on the incomplete **ICP** activities as in **Attachment 4**.

2.4.6.4 If the cause of the failure of the **ICP** programme is due to **ICP** Provider, penalty which have been identified from the above calculation shall be deducted from the **ICP** Provider's Performance Bond. The decision on penalty will be recommended by the **IC** and endorsed by **AAA**.

## **CHAPTER 3 – CATEGORY**

### **3.1 INTRODUCTION**

3.1.1 **ICP** is a programme involving value-add activities to the procurement made by the **GOM**. The purpose of these activities is to garner maximum return to the local economy with the effective cost. In addition, it is to ensure return on the investments made by **GOM** are benefited and impactful to the local industries development.

3.1.2 In planning and proposing the **ICP** Programme in complying with the **GOM**'s policies, the **ICP** Provider is required to consider the impacts of the proposed programme for short, medium and long-term gains. **ICP** implementation is divided into three (3) main categories:

- a) Offset Programme;
- b) Economic Enhancement Programme – (**EEP**); and
- c) Countertrade Programme.

### **3.2 OFFSET PROGRAMME**

3.2.1 Offset Programme involves activities to strengthen local competitiveness, prioritising on the technology development and knowledge based economy. It is meant to support the development of local technology-based industries by enhancing the capacity and capabilities of the local companies to a higher level which will enable them to competitively participate in the global markets and supply chain. The Offset Programme is triggered when foreign company is awarded a contract by the **GOM** or a subcontract by **STU**, subject to the **ICP** Threshold Value specified in this Policy and Guidelines.

3.2.2 The assessment on the Offset Programme and the generated **ICV** shall be based on the success of the programme offered by the **ICP** Provider and its impact in strengthening local industries and national economy in the targeted sectors within the agreed period. There are two (2) categories as described below:

3.2.2.1 Direct Offset

Direct Offset comprises of activities related directly to the deliverables of the Main Procurement Contract and are mutually agreed by the **ICP** Provider and the **GOM**. It includes:

- a) Human Capital Development: Activities in the **ICP** implementation where the **ICP** Recipients are given opportunities to develop their capability (human capital and respective industry cluster supply chain) to enable through-life support of the equipment which are acquired via the Main Procurement Contract, especially the ones that involved ‘design and systems integration’ to be carried out locally. However, trainings and capability development (competency) listed in the Main Procurement Contract will not considered as **ICV**.
  
- b) Localisation: Activities where the **ICP** Recipients awarded with contracts related to product manufacturing and directly related to design, development and installation of parts and components (full or partial) in support of products that are acquired via the Main Procurement Contract. The **ICV** generated through this approach will be based on the impact of the work package offered onto the knowledge based economy development.

- c) Transfer of Technology: Activities based on the development of expertise and knowledge transfer, such as in the area of system and sub-system design of the product supplied through the Main Procurement Contract; which will increase the capability, capacity, competency and sustainability of the **ICP** Recipients in the selected fields. The transfer of technology encompasses (but not limited to) the transfer of related Intellectual Property Right to enable continuous competency development in the identified fields.
  
- d) Foreign Direct Investment (FDI): Includes investment activities by foreign **ICP** Provider contributing to the establishment of **JV** companies and partnerships, development of human capital and industrial trainings, additional onto existing investments and others that support the implementation of the activities stated above. These investments can be considered as **ICV** in which the assessment shall be based on the economic returns benefited by the **GOM**.

#### 3.2.2.2 Indirect Offset Programme

Indirect Offset comprises of activities not related to the deliverables of the Main Procurement Contract and are mutually agreed by the **ICP** Provider and the **GOM**. It includes:

- a) Transfer of Technology, Knowledge and Skills:
  - i. Collaboration in generating or improving existing knowledge to produce patents and Intellectual Property Right. This activity will enable **ICP** Recipient to possess exclusive rights and

subsequently strengthen the developed technology for competency development and growth;

- ii. Development of industrial training syllabus for human capital and expand the skills/capability in the related industry; and
  - iii. Training activities required for the operation of the equipment supplied under the Main Procurement Contract or developing competencies for the implementation of the Main Procurement Contract will not be considered as **ICV**.
- b) Research, Development and Commercialisation (R&D&C): R&D&C initiatives will contribute to the industry development and national economic growth. The main focus is to commercialise the potential ‘market ready’ R&D products from local universities and research institutions to the local and global market. The R&D&C activities shall be aligned with the activities of the transfer of technology, knowledge and expertise development as above.
- c) Localisation: Activities where the **ICP** Recipient is awarded with a manufacturing contract of product which involved design, development and installation of parts and components (full or partial) in support of products manufacturing not related to the Main Procurement Contract.
- d) Global Market Access: **ICP** Provider to facilitate the **ICP** Recipient in providing access to global market through their supply chain or any other channel as appropriate. This is to enable the **ICP** Recipient to

export their products or services to the global market.

- e) Foreign Direct Investment (FDI): Investment by foreign **ICP Provider** in the promoted industrial sectors by the **GOM**. These investments can be considered as **ICV** in which the assessment shall be based on the economic returns benefited by the **GOM**.

### **3.3 ECONOMIC ENHANCEMENT PROGRAMME - EEP**

3.3.1 **EEP** is triggered when **STU** is awarded with a contract by the **GOM** for any procurement equal or more than the **ICP Threshold Value** specified in this Policy and Guidelines. **EEP** is intended to ensure that **STU** reciprocates its contribution towards the enhancement and development of the national economy as well as the *Program Pembangunan Vendor (PPV)* approaches, via the **ICP** implementation. There are two (2) categories of **EEP** as described below:

#### 3.3.1.1 Direct **EEP**

Direct **EEP** comprises of activities related directly to the deliverables of the Main Procurement Contract, and are mutually agreed by the **ICP Provider** and the **GOM**. It includes human capital development, localisation, local content, local work package, transfer of technology/knowledge and domestic direct investment.

#### 3.3.1.2 Indirect **EEP**

Indirect **EEP** comprises of activities not related to the deliverables of the Main Procurement Contract, and are mutually agreed by the **ICP Provider** and the **GOM**. It includes transfer of technology/knowledge/skills, R&D&C, localisation, local content, local work package, market access and domestic direct investment.

- 3.3.2 **EEP** is mandatory for **STU** in cases where the source of fund for the procurement is from the Federal Government and the value equal or more than the **ICP** Threshold Value:
- 3.3.2.1 **STU** is encouraged to implement the **EEP** in cases where the procurement is from the respective **STU**'s own fund.
- 3.3.2.2 In the event that **STU** awards a subcontracting job to foreign **OEM**, and the value is equal or more than the **ICP** Threshold Value, then the respective **OEM** shall be subjected to the Countertrade and/or Offset whereby the management and implementation of these programmes are directly under the jurisdiction of **TDA**.
- 3.3.3 The **GOM** uses the **ICP** and **PPV** approach to facilitate the capability development of the local industries especially **SMEs** within a selective industrial cluster. In order to ascertain the inclusivity of the industrial development, the implementation of **EEP** shall be in parallel with the guidelines of **PPV** issued by the **GOM**.
- 3.3.4 **GOM** intends to create more local companies (**STU** and **SMEs**), especially *Bumiputera* companies in the field of manufacturing and services that involves utilization of medium and high technologies to add value in supporting the development of selected industrial clusters via the implementation of **EEP**.
- 3.3.5 **EEP** implementation based on the **ICP** platform is part of the **GOM**'s effort to drive **STU** to progressively grow and be competitive to participate in the domestic and global market.
- 3.3.6 **STU** and its group of companies can be the **ICP** Recipient of its own **ICP** programme with a condition that the **ICV** benefited collectively from all the **ICP** projects under that particular **ICP** programme shall

not more than thirty percent (30%) of the Obligated **ICV**.

### **3.4 COUNTERTRADE PROGRAMME**

3.4.1 Countertrade is triggered when a foreign company is awarded a contract from the **GOM** for any procurement equal or more than **ICP** Threshold Value. In this category, the **ICV** generated shall be the same as the cost of the Countertrade that can be implemented via Counterpurchase or Buyback Programmes. The management, monitoring and implementation of the programme under this category (which is triggered from **ICP** only) are directly under the responsibility of **TDA** and **MOF**.

#### **3.4.2 Counterpurchase Programme**

3.4.2.1 For Counterpurchase Programme implementation, the foreign **ICP** Provider can fulfil the **ICP** Obligation by purchasing selected locally made products (usually stated as a percentage of the contract value) within a given period of time as an option to achieve the **ICP** Credit requirement.

3.4.2.2 The Counterpurchase Programme shall give priority to the products manufactured by local companies. If the products do not meet the required **ICP** Credit percentage, the **ICP** Provider can include the **GOM**'s approved export commodities as the product for Counterpurchase.

3.4.2.3 The export commodities and/or manufactured products and/or value-added services must be from the **GOM**'s approved list. **ICP** Provider is required to submit a proposal to the **MOF** for approval of the products or services that are not included in the list.

### 3.4.3 Buyback Programme

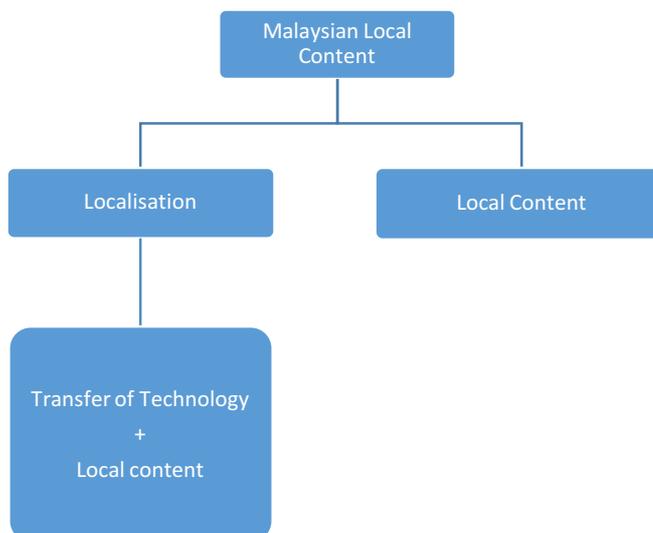
3.4.3.1 For the purpose of Buyback Programme implementation, the **ICP** Provider can effectuate it by buying back products produced by local companies which have been developed and produced resulting from the **ICP** programme.

3.4.3.2 **GOM** will assign a higher multiplier based on the impacts and outcomes of the identified Malaysia Local Content (**MLC**) products. Local content value of the product must at least thirty percent (30%) from the Obligated **ICV**.

3.4.3.3 The Buyback Programme of the manufactured products under the localisation activity is strongly encouraged, as indication of support by the **ICP** Provider on the local industries development efforts. This programme needs to be continuously enriched in order to provide sustainable opportunities to local industry players to participate in the global supply chain of the **ICP** Provider.

## 3.5 MALAYSIAN LOCAL CONTENT (MLC)

3.5.1 **MLC** is Malaysian local content initiative comprising of localisation activities and direct local content utilization as illustrated in Figure 1:



**Figure 1:** Malaysian Local Content (MLC) Structure

- 3.5.2 The calculation of the claimable **ICV** by the **ICP** Provider will be subjected to the compliance of **MLC** terms and conditions.
- 3.5.3 **ICP** Provider is responsible to comply with the minimum usage of the local contents/goods/services requirement of the current policies, in an effort to reduce the outflow of Malaysian currency.
- 3.5.4 **ICP** Provider shall allocate a minimum of thirty percent (30%) **ICV** for **MLC** from the Mandatory **ICV** in implementing the **ICP** subject to the decision by the **MOF** from time to time; and priority shall be given to local **SMEs**. **MLC** that has been stipulated as mandatory requirement under the Main Procurement Contract shall not be considered for **ICV**.
- 3.5.5 **ICP** Provider shall provide information to the **GOM**, **TDA** and **IMU** on items below to ascertain the effectiveness of the **MLC**:
- a) Bill of Material (**BOM**);
  - b) List of specifications, standards and certifications required, with

it associated costs;

- c) List of parts and components to be manufactured in Malaysia. In addition, the local content for the manufacturing materials is to be at least thirty percent (30%) and shall be in line with the local industry capability; and
- d) List of potential foreign companies for technical collaboration in the form of joint efforts to provide opportunities for local production enhancement. This value-added collaboration is aimed to enhance the development of high technology component manufacturing.

3.5.6 If the **ICP** Provider failed to comply with the **MLC** requirements, the **ICP** Provider shall prepare a justification for approval by **IC**.

3.5.7 The followings are the elements of the **MLC**, but not limited to:

3.5.7.1 Manpower:

Cost of local workforce for activities related to product design, installation, testing and commissioning. In fulfilling the requirements, priority shall be given to local experts when it involves high technology activities.

3.5.7.2 Local Technology:

Usage of local technologies and Intellectual Property Right.

3.5.7.3 Raw materials and products:

Supply of existing local raw materials and goods for manufacturing or production of parts and components. If it needs to be imported, it has to be in semi-completed form. Finished products must contain local raw materials.

3.5.7.4 Spare Parts and Components:

Priority is given to local manufacturers who supply existing parts and components containing local raw materials such as natural rubber, tin, etc.

3.5.7.5 Services:

Services provided by existing local companies such as testing, system integration, logistics, insurance, banking (banks incorporated in Malaysia), transportation services, etc.

3.5.8 Cost of equipment and cost of equipment preparation for the purpose of **MLC** can be accepted as **ICV** if the equipment is made and purchased from local companies.

3.5.9 Should the equipment be imported for the purpose of **ICP MLC** implementation:

- a) **ICV** will not be considered, if the similar equipment with the same function can be obtained from local producer;
- b) **ICV** can be considered if the similar equipment with the same function cannot be obtained from local producer; subject to **IC** approval in accordance with the terms and conditions as stated in **MLC** requirements.
- c) **ICV** can be generated from (but not limited to):
  - i. Cost of equipment supplied with receipt; and/or
  - ii. Cost of installation and operational of the supplied component/equipment based on the scope of work given.

3.5.10 **LC** calculation as in **Attachment 2**.

### **3.6 JOINT VENTURE (JV) AND CONSORTIUM WITH LOCAL COMPANIES**

3.6.1 **ICP** Provider is encouraged to collaborate with local companies in the form of **JV** or Consortium as a platform to support local industry development.

#### **3.6.2 JV Obligation**

3.6.2.1 Offset Programme will be triggered if the **JV** is formed whereby the equity of foreign **OEM** is equal or more than the local company and is awarded a contract from the **GOM** for any procurement equal or more than the **ICP** Threshold Value specified in this Policy and Guidelines.

3.6.2.2 **EEP** will be triggered if the **JV** is formed whereby the equity of foreign **OEM** is less than the local company and is awarded a contract from the **GOM** for any procurement equal or more than the **ICP** Threshold Value as specified in this Policy and Guidelines. Please refer Table 1 for illustration of the above.

No.	Equity	Contract Value (RM)	EEP	OFFSET
1.	$OEM \geq$ Local Company	$\geq 50$ mil		√
2.	$OEM <$ Local Company	$\geq 100$ mil	√	

**Table 1: JV Obligation Table**

#### **3.6.3 JV as ICP Project**

3.6.3.1 If the **JV** is required to be established under the Malaysian law as one of the **ICP** projects, the total investment by the **ICP**

Provider in the form of cash inflow into the **JV** Company can be considered for **ICV**.

3.6.3.2 The **JV** company that has been established to fulfil the **ICP** aspiration shall gain benefits whereby the **GOM** will consider the **LC** as part of the **ICV** even though it is executed for the purpose of fulfilling the Main Procurement Contract, subject to below terms and conditions which shall be verified during the **PIA**:

- a) Local equity is more than fifty percent (50%); and
- b) More than thirty percent (30%) of the senior management are local;
- c) More than seventy percent (70%) of the management and executives are local;
- d) More than ninety percent (90%) of production operators are local; and
- e) Others initiatives/activities that support the local industry development.

3.6.3.3 **JV** company that formed without complying with **GOM**'s requirements as stated in **Paragraph 3.6.3.2** shall not be considered for **ICP** Credit.

#### 3.6.4 Consortium

3.6.4.1 For legitimate collaborations in the form of Consortium with local company, Mandatory **ICV** shall be based on the value of the work scope awarded to the respective Consortium partner.

3.6.4.2 The scope implemented by the Consortium that contains **LC** which is given to the local partner in fulfilling the Main Procurement Contract requirements, can be considered for **ICV**.

## **CHAPTER 4 – MALAYSIAN ICP MANAGEMENT FRAMEWORK**

### **4.1 INTRODUCTION**

4.1.1 The Malaysian **ICP** Management Framework is established as the guideline in implementing **ICP** programme in Malaysia. The framework is outlined in a structured manner to ensure an efficient **ICP** implementation and able to create impactful outcomes to the national industrial and economic development.

4.1.2 The processes involved in the implementation of **ICP** programme as illustrated in **Attachment 1**.

### **4.2 PRE-IMPLEMENTATION**

#### 4.2.1 Introduction

4.2.1.1 The Procuring Agency shall inform the Government Procurement Division, **MOF** on the procurement which the value is expected to be equal or more than the **ICP** Threshold Value at least three (3) months prior to the date of the procurement, in order to establish an effective **ICP** plan. The Procuring Agency shall cooperate with **MOF** and **TDA** in the implementation of the **ICP**.

4.2.1.2 **TDA** is required to identify the requirements for **ICP** implementation based on the value, needs and impact that able to support the national strategic aspiration.

4.2.1.3 **TDA** is required to identify the national strategic aspiration in developing the **ISD**. The **ISD** will be referred as the basis of

the **IRD** development.

4.2.1.4 The **ISD** shall be presented to **MOF** for review and approval by **MIEC** or **AAA**.

#### 4.2.2 Initiation

4.2.2.1 **MOF** or **TDA** is responsible to ensure the establishment of **IC** by the Procuring Agency.

4.2.2.2 **IC** of the respective Procuring Agency must convene the first meeting prior to the procurement offer (tender invitation or Letter of Intent).

4.2.2.3 **IMU** shall be established/appointed to be the secretariat for **IC** and to administer/monitor the implementation of **ICP** for the Agency.

4.2.2.4 **TDA** is an appointed and mandated agency by **MOF** to act as an **IMU** to all procuring agencies. Whilst, Defence Industry Division (DID), Ministry of Defence acts as an **IMU** only for the Ministry of Defence.

4.2.2.5 With guidance from **TDA**, the appointed **IMU** is responsible to develop the **IRD** as part of the main tender document which will serve as a guideline for the tenderers in proposing their **ICP** projects.

4.2.2.6 The **IRD** shall be presented to **IC** for approval prior to its inclusion as part of the tender document.

#### 4.2.3 Tender

4.2.3.1 A briefing session on the **ICP** including those related to the

**IRD** will be conducted by **IMU** to ensure that tenderers understands the **ICP** programme requirements in that particular tender exercise.

4.2.3.2 **IMU** shall explain matters with related to the duration and expected Mandatory **ICV** of the **ICP** programme to be implemented.

4.2.3.3 The approved **IRD** by **IC** shall be part of the tender document for the tender of the Main Procurement Contract.

4.2.3.4 Tenderers shall emphasize in their tender submission on the prioritised areas identified in the **IRD** such as (but not limited to) the implementation of localisation, transfer of technology and knowledge, R&D&C collaboration and investment.

4.2.3.5 Tenderers shall state their commitment in the tender submission by giving the best proposal to meet the requirement of **IRD**. The proposal shall also include an application to use **ICP** Credit Banking (if any) by specifying the account holder and the value to be transferred.

#### 4.2.4 Tender Evaluation

4.2.4.1 The Procuring Agency with the assistance of **IMU** shall establish **IEC** within two (2) weeks prior to tender closing date.

4.2.4.2 The established **IEC** will conduct an evaluation on the **ICP** proposal. The **IER** shall be finalised and endorsed by the Chairman of **IEC**.

4.2.4.3 **IMU** should provide a briefing on summary of the evaluation and to include the evaluation results to the evaluation

committee of the relevant Procuring Agency (as and when required).

4.2.4.4 The Procuring Agency shall include the evaluation results of the **ICP** proposal in the overall Main Procurement Contract evaluation marks with a weightage of ten percent (10%) for supplies, services and works.

4.2.4.5 **IMU** shall provide a summary of the **ICP** Projects committed by the selected bidder/supplier (direct negotiation contract) and to be used as the **ICP** basic acceptance criteria which will be included as part of Letter of Acceptance.

#### 4.2.5 **ICP Recipient Audit (IRA)**

4.2.5.1 **IRA** shall be conducted to all Potential **ICP** Recipients prior to the recommendation and acceptance as an **ICP** Recipient.

4.2.5.2 **TDA** will advertise the proposed **ICP** programme via appropriate platform. Local Entity shall contact **TDA/IMU** if they are interested to become a Potential **ICP** Recipient for a particular **ICP** programme.

4.2.5.3 Potential **ICP** Recipient may also be proposed by the Procuring Agency, **TDA**, **IMU** and **ICP** Provider.

4.2.5.4 **IRA** could also be conducted in advance based on the existing Potential **ICP** Recipients list available in **TDA** database.

4.2.5.5 **IRA** shall be conducted by **TDA** with the assistance from **IMU** representative of the **ICP** programme.

4.2.5.6 Potential **ICP** Recipients and any parties involved shall comply with the necessary requirements of **IRA** processes,

such as (but not limited to) providing information, preparing and submitting documents and records, consents for site visits and interviews/discussions.

4.2.5.7 For confirmed procurement, the **IRA** shall be initiated by the **IMU** within three (3) months after receiving notification on Letter of Acceptance issuance to the selected tenderer/supplier.

4.2.5.8 For the selection of the **ICP** Recipients, **TDA** shall inform and recommends the **IRA** result to **IMU** and subsequently to be presented to **IC** for approval.

4.2.5.9 **IRA** recommendation shall not be regarded as a guarantee of fulfilment of responsibility by the **ICP** Recipient on the participating **ICP** projects and their business obligation.

4.2.5.10 Apart from assessing the Potential **ICP** Recipient's conformances on specified criteria, the **IRA** process will also give due considerations to qualify the candidate as **ICP** Recipient with following additional criteria:

- a) *Bumiputera* status company; and
- b) Company registered under Green Route Policy (Treasury Circular 1PP/PK 2); or has a SCORE rating of at least three (3) Star (or InnoCert) by SME Corporation.; or a member of Malaysian Industry Council for Defence, Enforcement and Security (MIDES); or Standards and Industrial Research Institute of Malaysia (SIRIM) Technology Audit certified; or other criteria that are recognized by the **GOM**.

4.2.5.11 The **IRA** result is valid for two (2) years from the date of **IRA**

report approval at **TDA** level. The **ICP** Recipient shall be re-audited to participate in other **ICP** programme after the expiry date.

4.2.5.12 In the event of a potential **ICP** Recipient attained a non-recommended status as the result from the **IRA**, a re-audit can be initiated subject to the conditions and considerations by **TDA**.

#### 4.2.6 First Tier **ICP** Agreement

4.2.6.1 Procuring Agency shall include **ICP** Obligation clauses in the Main Procurement Contract as per **Attachment 5**. This clause shall outline the terms and conditions of the **ICP** Obligation.

4.2.6.2 **ICP** Provider shall sign the First Tier **ICP** Agreement concurrently with the Main Procurement Contract. Failure to do so, **MOF** reserves the right to defer the scheduled payment of the Main Procurement Contract.

4.2.6.3 Procuring Agency must ensure the involvement of their legal adviser/solicitors in developing the First Tier **ICP** Agreement.

4.2.6.4 The First Tier **ICP** Agreement shall specify all **ICP** projects committed by the **ICP** Provider. Details of each project may be specified in the Second Tier **ICP** Agreement.

4.2.6.5 **ICP** Provider shall ensure their compliance to the Mandatory **ICV** via the following arrangement:

- a) At least forty percent (40%) of the proposed Mandatory **ICV** shall be agreed by the **GOM** for the purpose of the First Tier **ICP** Agreement signing.

- b) The balance of the proposed Mandatory **ICV** shall be identified and agreed in a Supplemental ICP Agreement within twelve (12) months after the First Tier **ICP** Agreement was signed. Failure which will cause deferment of the Main Procurement Contract scheduled payment, which will be decided by **MOF** or Agency.
- c) In the event of the procurement value is less than RM200 million and/or the procurement duration is less than two (2) years, the Mandatory **ICV** shall be agreed at one hundred percent (100%) value before the First Tier **ICP** Agreement signing.

4.2.6.6 In the event of the Main Procurement Contract is owned by **GOC/GLC**, the First Tier **ICP** Agreement shall be entered as a tripartite agreement between the **ICP** Provider, **GOC/GLC** and the **GOM**.

4.2.6.7 In the event of the Main Procurement Contract is owned by Government Agency, the First Tier **ICP** Agreement shall be signed between **ICP** Provider and **GOM**.

#### 4.2.7 Second Tier **ICP** Agreement

4.2.7.1 **ICP** Provider and **ICP** Recipient shall prepare and sign the Second Tier **ICP** Agreement within twelve (12) months after signing the First Tier **ICP** Agreement or within six (6) months after signing the Supplemental **ICP** Agreement or whichever is later.

4.2.7.2 The Second Tier **ICP** Agreement shall be signed between the **ICP** Provider and/or **ICP** Authority and **ICP** Recipient subject to **IC** approval.

4.2.7.3 Delay in the signing of the Second Tier **ICP** Agreement will result in five percent (5%) deduction of the achieved **ICV** for the project. Any deduction will be decided by **IC**.

4.2.7.4 Deduction of achieved **ICV** via penalty mechanism will not relieve the **ICP** Provider from its obligations and still subjected to the terms and conditions set forth in the First Tier **ICP** Agreement and Supplemental **ICP** Agreement.

### **4.3 IMPLEMENTATION**

#### **4.3.1 Monitoring and Reporting**

4.3.1.1 **IMU** shall monitor the progress of **ICP** implementation and performance of the **ICP** Provider. The **ICP** Provider shall submit a progress report to **IMU** periodically or as stipulated in the First Tier **ICP** Agreement.

4.3.1.2 Delay in submitting the progress report on the predetermined date will result in a deduction of the total **ICV** achievement as per Table 2 below. Any deduction will be decided by **IC**.

<b>Delay</b>	<b>Penalty Charges</b>
1 – 29 days	0.01% from total verified <b>ICV</b>
30 – 60 days	0.02% from total verified <b>ICV</b>
61 – 90 days	0.04% from total verified <b>ICV</b>
More than 90 days	0.10% from total verified <b>ICV</b>

**Table 2: ICV Deduction Table on Delay in Submitting Progress Report**

- 4.3.1.3 **IMU** shall submit **ICP** Progress Reports to Agency and **TDA** on a quarterly basis for monitoring purposes. The monitoring and reporting format shall be based on the project management best practice. The report shall include activities that have been carried out within the stipulated period in the First Tier **ICP** Agreement and/or Supplemental **ICP** Agreement.
  - 4.3.1.4 Surveillance Audit (**SA**) shall be performed when necessary in accordance to **Paragraph 4.3.2**.
  - 4.3.1.5 **IMU** shall report on **ICP** implementation periodically to **TDA** and **MOF** through the **IMC** platform.
- 4.3.2 Surveillance Audit (**SA**)
- 4.3.2.1 **SA** shall be conducted in the event of request made by **MOF**, Agency, **IMU**, **ICP** Provider or any stakeholders.
  - 4.3.2.2 This audit is to be carried out by **TDA** with the assistance of **IMU** with an objective to assess and identify the effectiveness and achievement of **ICP** implementation performance with regard to the issues raised.
  - 4.3.2.3 Parties involved in this audit shall cooperate and comply with the necessary audit requirements, such as (but not limited to) providing information, preparing and submitting documents and records, consents for site visits and interviews/discussions.
  - 4.3.2.4 The **SA** report will be made available by **TDA** for **IC** and/or referred to **MOF** for further action.

## **4.4 POST IMPLEMENTATION**

### **4.4.1 Post Implementation Audit (PIA)**

4.4.1.1 **TDA** shall conduct the **PIA** on all implemented **ICP** programmes and projects. The purposes of the audit are as follows:

- a) To determine the **ICV** generated from the **ICP** implementation by the **ICP** Provider, through **ICV** verification process;
- b) To evaluate and verify the compliance of the implemented **ICP** programmes and projects in comparison to the requirements set out in the First Tier **ICP** Agreement, Supplemental **ICP** Agreement and other applicable **ICP** Obligations;
- c) To evaluate the impact of the **ICP** implementation;
- d) To determine the need for a relief of obligation (refer **Paragraph 4.4.3**) and execute a penalty process (refer **Paragraph 2.4.6**).

4.4.1.2 **IMU** shall assist **TDA** in ensuring the **ICP** Provider fulfils its responsibility to prepare and provide adequate information and evidences for the purpose of this audit.

4.4.1.3 Depending on the type of **ICP** project, the required evidences shall include:

- a) Evidences as agreed and stipulated in the First Tier **ICP** Agreement;

- b) Any form of records, documented statement of facts, and other verifiable, relevant and reliable information to substantiate the **ICV** claims as well as the completion of **ICP** programmes and projects; and
- c) Physical evidences (if applicable).

#### 4.4.2 **ICP Credit Award**

##### 4.4.2.1 **ICP Credit Award process is as follows:**

- a) **ICP** Provider is required to submit an application for **ICP** Credit claims to **IMU** for review and to **TDA** for verification.
- b) The **ICV** verification process shall be conducted as part of the **PIA** and acknowledgement by **IC** shall be obtained before the **ICP** Credit can be awarded to the **ICP** Provider (refer to **Paragraph 4.4.1**)

#### 4.4.3 **Relief of Obligation**

4.4.3.1 Upon completion of all activities in the **ICP** project and **ICP** obligations in accordance with the First Tier **ICP** Agreement (based on the outcome of **PIA**), **IMU** shall propose the release of the **ICP** Provider's obligation for **IC**'s recommendation and further to **MIEC** or **AAA** for approval.

4.4.3.2 In the event the **ICP** Provider is approved to be discharged from the **ICP** Obligation, **MOF** will issue an **ICP** Relief of Obligation Letter as per **Attachment 6**.

4.4.3.3 **TDA** is responsible to conduct an assessment on the generated **ICP** Credit in the event there is a request from the **ICP** Provider for **ICP** Credit Banking purposes.

## **CHAPTER 5 – PRE-ICP CREDIT BANKING**

### **5.1 INTRODUCTION**

Any **ICP** activities carried out voluntarily which are not triggered by any **GOM** procurements can be considered for Pre-**ICP** Credit. These Pre-**ICP** shall be registered to TDA and approved by the **MIEC** or **AAA** prior to programme commencement.

### **5.2 TERMS AND CONDITIONS**

The terms and conditions for the Pre-**ICP** Credit Banking are as follows;

- 5.2.1 Pre-**ICP** performed by the **OEM** does not guarantee the **OEM** to be awarded any future procurement contract from the **GOM**.
- 5.2.2 The Pre-**ICP** activities by the **OEM** shall be assessed and approved by the **GOM** based on the suitability of the proposed programmes to the current national requirements contributing to the economy growth and strategic interests in developing designated local industries.
- 5.2.3 All Pre-**ICP** activities shall be referred to **TDA** for the purpose of feasibility study, monitoring and verification. To ensure that the Pre-**ICP** Credit is recognised, the **OEM** shall comply with the provisions and processes outlined in the Malaysian **ICP** Management Framework.
- 5.2.4 The **OEM** who wish to use the banked Pre-**ICP** Credit facilities shall indicate their intention during the tender proposal submission or Main Procurement Contract direct negotiation.
- 5.2.5 The Pre-**ICP** Credit Banking account is only valid for a period of five

(5) years from the date of banking.

- 5.2.6 In some circumstances, the validity period can be extended subject to the approval by **MIEC** or **AAA**
- 5.2.7 **TDA** shall keep all records of Pre-**ICP** Credit Banking for reference purposes.

### **5.3 IMPLEMENTATION**

- 5.3.1 **OEM** shall apply to the **GOM** via **TDA** to implement a programme which later can be used to generate **ICP** Credit for the Pre-**ICP** Credit Banking.
- 5.3.2 Upon receiving the application, **TDA** will evaluate and assess the proposed programme for due consideration.
- 5.3.3 **TDA** will prepare an evaluation report for submission to **MOF** for their due consideration and approval by **MIEC** or **AAA**.
- 5.3.4 Upon approval of the application, **TDA** and **OEM** will determine the terms and conditions to be incorporated in the Pre-**ICP** Agreement. The **OEM** shall only be allowed to commence the proposed programme implementation once the Pre-**ICP** Agreement is signed by both parties.
- 5.3.5 The processes involved during Pre-**ICP** activities is as per **Attachment 1**.
- 5.3.6 The **PIA** will be conducted upon the **OEM**'s proposed programme readiness to be reviewed for the Pre-**ICP** Credit verification.
- 5.3.7 Upon satisfactory completion of the **PIA**, **TDA** will submit the **PIA** Report to **MIEC** or **AAA** for approval and endorsement.

- 5.3.8 If the Pre-**ICP** Credit is approved and endorsed, **TDA** will deposit the Pre-**ICP** Credit into the **OEM**'s Pre-**ICP** account for future **ICP** programme utilisation.
- 5.3.9 The **GOM** reserves the right for not revealing the reason or justification for any unapproved Pre-**ICP** Credit Banking application.

## **CHAPTER 6 – MANAGEMENT STRUCTURE**

### **6.1 INTRODUCTION**

6.1.1 In ensuring the effectiveness of **ICP** in Malaysia, the **GOM** has established national **ICP** management structure.

### **6.2 ICP COMMITTEES**

6.2.1 Several committees have been established to regulate the **ICP** in Malaysia which the descriptions are as follows:

6.2.1.1 Malaysian **ICP** Executive Committee (**MIEC**) is established as the highest level **ICP** Committee in Malaysia which the Government Procurement Division, **MOF** acts as the Secretariat.

6.2.1.2 **ICP** Committee (**IC**) is a committee established at the Procuring Agency/Ministry level which **IMU** acts as the Secretariat.

6.2.1.3 **IMU** Monitoring Committee (**IMC**) is a committee established at Government Procurement Division, **MOF** level, which Audit and Compliance Department, **TDA** acts as the Secretariat.

6.2.1.4 **ICP** Operational Governance Committee (**IOGC**) is a committee established at the Government Procurement Division, **MOF** and **TDA** level, which Audit and Compliance Department, **TDA** acts as the Secretariat.

6.2.1.5 **ICP Working Committee (IWC)** is a committee established by the **IMU** for the Procuring Agency which **IMU** acts as the Secretariat.

6.2.1.6 **ICP Evaluation Committee (IEC)** is a committee established at the Procuring Agency which **IMU** acts as the Secretariat.

### **6.3 MINISTRY OF FINANCE MALAYSIA (MOF)**

**MOF** representing the **GOM** shall be responsible on this **ICP** Policy and Guidelines, effectiveness and governance of **TDA** as the **ICP** Authority in Malaysia. In order to ensure a comprehensive implementation of **ICP**, the Agency shall submit all procurements which meet the **ICP** threshold value that have been approved by the Procurement Board /the Board of Directors to **MOF** in accordance with the **GOM** procurement's procedures.

### **6.4 TECHNOLOGY DEPOSITORY AGENCY (TDA)**

#### **6.4.1 Background**

6.4.1.1 **TDA** is an organisation established based on the Cabinet decision on 27<sup>th</sup> November 2002 to plan, evaluate, manage, monitor, analyse and record the implementation of all **ICP** in Malaysia. Therefore, Agency shall work closely with **TDA** to ensure that the proposed procurements comply with the **ICP** criteria and implemented in a planned and systematic manner.

6.4.1.2 For the purpose of a more integrated and comprehensive **ICP** implementation, **TDA** is required to provide short, medium and long-term planning in the form of **ISD** which will be used as reference to prepare the **IRD**.

6.4.1.3 **TDA** shall ensure that the **ICP** implementation by the **ICP** Provider and the execution of the roles and functions by the **IMU** are in accordance to the processes set out in the Malaysian **ICP** Management Framework.

#### 6.4.2 Functions and Responsibilities of **TDA**

##### 6.4.2.1 Review and Analysis:

- a) Conduct study on the current and future local industrial needs that can be developed through **ICP** in support of the national economic growth;
- b) Evaluate and analyse the industrial landscape as well as the ability and capacity of eligible local entity that could be considered as potential **ICP** Recipients;
- c) Analyse the outputs and outcomes of the in progress and completed **ICP**; and
- d) Recommend improvement measures based on lessons learned from previous projects and benchmarking of implementation processes from other countries.

##### 6.4.2.2 Planning

- a) Develop **ISD** to ensure national strategic procurements are fully leveraged to support national needs through **ICP** implementation;
- b) Review, update and measure the achievement of the approved **ISD**;

- c) Recommend the best approaches, practices and procedures to acquire, receive, improve, expand and position the activities and impacts of **ICP**;
- d) Assist **IMU** in preparing **IRD** which shall be used as reference for the tenderer/supplier in preparing the **ICP** proposal.

#### 6.4.2.3 Assessment/Evaluation

- a) Assess the potential **ICP** Recipient's suitability, eligibility and readiness to be **ICP** Recipient with the assistance of **IMU**;
- b) Carry out audit (**IRA**, **SA**, **PIA**) activities on **ICP** Recipients and Providers where applicable with the assistance of **IMU**; and
- c) Advise **IMU** on the proposed **ICP** projects (project details, recipient and **ICV**) for approval by **IC**.

#### 6.4.2.4 Surveillance/Monitoring

- a) Monitor all **ICP** activities triggered by the **GOM** procurement;
- b) Assist and monitor the appointed/established **IMU** to ensure the implementation of the **ICP** is in accordance with the processes set out in the Malaysian **ICP** Management Framework;
- c) Ensure the **ICP** implementation plans from various **GOM**'s procurement programmes are carried out in a

holistic manner to enable greater impact contributing to the national economy;

- d) Monitor the **ICP** implementation progress together with the **IMU** and conduct **SA** if needed; and
- e) If the appointed **IMU** is from **TDA** internal unit, **TDA** as an organisation shall establish a clear task separation structure between functions and roles as an **ICP** Authority and **IMU** in order to ensure no overlapping of responsibilities and integrity of **ICP** implementation is not affected.

#### 6.4.2.5 Verification

- a) Perform verification process through **PIA** on the **ICV** claims submitted by the **ICP** Providers with the assistance of **IMU**;
- b) Perform verification process on the **ICP** Credit Banking application for acknowledgment by **IC** and subsequently for approval by **MIEC** or **AAA**;
- c) Perform verification process on the outcomes of each project implemented in the **ICP**;
- d) Provide reports for every six (6) months to **MIEC** and the Government Procurement Division, **MOF** for each finalised **ICP** programme.

#### 6.4.2.6 Managing **ICP** Data

- a) Record and store all information about **ICP** in Malaysia and all information related to the needs of the country

for future **ICP** implementation planning purposes;

- b) Responsible to administer all approved **ICP** Credit Banking and Pre-**ICP** Credit Banking;
- c) Keep record on the performance of the **ICP** Provider; and **ICP** Recipient; and
- d) Update and manage all the information in the database.

6.4.2.7 **TDA** is responsible to ensure **ICP** Programme is implemented in accordance with the Malaysian **ICP** Management Framework.

## **6.5 MALAYSIAN ICP EXECUTIVE COMMITTEE (MIEC)**

6.5.1 The **MIEC** members are as follows:

6.5.1.1 Chairman – Secretary General of Treasury

6.5.1.2 Alternate Chairman – Deputy Secretary General of Treasury (Management)

6.5.1.3 Permanent Members (Secretary General or appointed representative)

- a) Ministry of Home Affairs (KDN);
- b) Economic Planning Unit (EPU);
- c) Ministry of Defence (MINDEF);

- d) Government Investment Company Division (GIC),  
**MOF**;
- e) Ministry of International Trade and Industry (MITI);
- f) Ministry of Energy, Science, Technology, Environment  
and Climate Change (MESTECC);
- g) Ministry of Transport (MOT);
- h) Other relevant Agencies (as and when needed and  
appointed)

6.5.1.4 Secretariat – Government Procurement Division, **MOF** and  
**TDA**.

6.5.1.5 The quorum shall consist of Chairman and at least six (6)  
permanent members.

#### 6.5.2 Function and Responsibility of **MIEC**

6.5.2.1 To establish the **ICP** Policy and Guidelines in Malaysia that  
shall be in line with the national initiatives to develop  
industry's skills and capabilities in support of the national  
economic development agenda;

6.5.2.2 To coordinate, oversee, provide strategic direction and  
approval of various **ICP** strategies implemented in Malaysia;

6.5.2.3 To decide on actions to be taken against **ICP** Providers who  
failed to comply with **ICP** implementation requirements; and

6.5.2.4 To convene committee meeting once a year or as deemed

necessary. However, if there is a need for immediate approval, **AAA** may be referred to resolve the matter as appropriate, from time to time.

## **6.6 ICP COMMITTEE (IC)**

6.6.1 The **IC** members are as follows:

6.6.1.1 Chairman – Secretary General of the Procuring Ministry or Chief Executive Officer/Managing Director or equivalent if procurement is by **GOC/GLC**;

6.6.1.2 Alternate Chairman – Deputy Secretary General of Ministry or equivalent if procurement is by **GOC/GLC**;

6.6.1.3 Permanent Members:

- a) Representative from the Government Procurement Division, **MOF**;
- b) Under Secretary of the Procurement Division from the Procuring Agency or representative/ Head of Programme from the Procuring Agency; and
- c) Head of **TDA** or any representative formally delegated.

6.6.1.4 Members (by invitation)  
Representative from the Agency/Institution/Subject Matter  
Expert (if required)

6.6.1.5 Secretariat – appointed/established **IMU**.

## 6.6.2 Attendance

Attendance by **IC** permanent members is mandatory and subjected to Term of Reference (TOR) of this committee for all **IC** meeting failing which the meeting will be considered null and void.

## 6.6.3 Function and Responsibility of **IC**

### 6.6.3.1 Pre-Implementation Phase:

- a) Approve the **IRD** developed by **TDA/IMU** prior to its inclusion as part of the procurement tender document;
- b) Serve as a platform to coordinate the **ICP** with the **ICP** Provider at the highest level of the Procuring Agency;
- c) Evaluate and analyse the requirements/proposal package of the **ICP** for skill enhancement to support a particular procurement; and
- d) Evaluate, confirm and approve the **ICP** projects which include project contents, **ICV** and **ICP** Recipient as proposed by **IMU**.

### 6.6.3.2 Implementation Phase

- a) Ensure all **ICP** implementations are monitored by **IMU** and audited by **TDA**;
- b) Monitor and review the **ICP** implementation progress; and
- c) Monitor all account statements of the **ICP** Credit submitted by **IMU** and confirm the credit or recommend

an appropriate penalty where justified.

#### 6.6.3.3 Post Implementation Phase

- a) Evaluate the applications for **ICP** Obligation relief and make recommendation to **MIEC** or **AAA**;
- b) Consider and recommend **ICP** Credit Banking application for approval by **MIEC** or **AAA**; and
- c) Evaluate and approve for recommendation the banked **ICP** Credit transfer or utilization application as proposed by **IMU**.

6.6.3.4 To make decision on any issues raised at this level.

#### 6.6.4 Disbandment

6.6.4.1 Invited members will be relieved from their duty as **IC** Member once the **ICP** Provider has completed all of its obligations.

6.6.4.2 However, Permanent Members can be maintained from the duty and the acquired experience may be applied for other **ICP** implementations in that the respective Procuring Agency.

### 6.7 **IMU MONITORING COMMITTEE (IMC)**

6.7.1 The **IMC** members are as follows:

6.7.1.1 Chairman - Deputy Under Secretary (Contract Management), Government Procurement Division, **MOF**;

6.7.1.2 Alternate Chairman - Head of Section (Central Contract and System Panel), Government Procurement Division, **MOF**; and

6.7.1.3 Members

- a) Head of **TDA** or any formally appointed representative by **TDA**.
- b) Two (2) officers from Offset Coordination and Technology Transfer Unit, Central Contract and Panel System Section, Contract Management Sector, Government Procurement Division, **MOF**.
- c) Secretariat – Audit and Compliance Department, **TDA**.

6.7.2 Attendance

Attendance by members and relevant **IMU** are mandatory and subjected to Term of Reference (TOR) of this committee. **IMC** may invite **IMU** and representative from Procuring Agency to the **IMC** meeting as and when required.

6.7.3 Functions and responsibilities of **IMC**:

6.7.3.1 To review **IMU** performances and deliverables to ensure it is being carried out in accordance with applicable agreement/contract obligations.

6.7.3.2 To review, analyse, recommend and approve on matters related to **IMU** operations and services.

## **6.8 ICP OPERATIONAL GOVERNANCE COMMITTEE (IOGC)**

6.8.1 The **IOGC** members are as follows:

6.8.1.1 Chairman – Head of **TDA**;

6.8.1.2 Members

- a) Head of Section (Central Contract and System Panel), Government Procurement Division, MOF – Alternate Chairman.
- b) Officers from Offset Coordination and Technology Transfer Unit, Central Contract and Panel System Section, Contract Management Sector, Government Procurement Division, **MOF**.
- c) Head of Program Operation Division of **TDA** or any formally appointed representative.
- d) Head of Industrial Development and Advisory Division of **TDA** or any formally appointed representative.
- e) Secretariat – Audit and Compliance Department, **TDA**.

6.8.2 Attendance

Attendance by members are mandatory and subjected to Term of Reference (TOR) of this committee.

6.8.3 Function and responsibilities of **IOGC**;

6.8.3.1 Review and discuss on the implementation requirements and issues related to the **ICP** Policy and Guidelines and its governance.

6.8.3.2 Consider and propose any changes required with regard to the **ICP** Policy and Guidelines implementation for approval by respective authority.

## **6.9 ICP MANAGEMENT UNIT (IMU)**

6.9.1 **IMU** is a unit established to assist and ensure that the Procuring Agency complies with the processes as stated in the Malaysian **ICP** Management Framework.

6.9.2 **TDA** is an appointed and mandated agency by the **MOF** to form an independent internal unit acting as **IMU** to every Procuring Agency. Agencies should appoint this unit for carrying out the **IMU** services with fees. Refer to Table 3 for the percentage of **IMU** charge rate. Whilst, the Defence Industry Division (DID), Ministry of Defence acts as **IMU** only for the Ministry of Defence.

Procurement Value (RM)	Percentage of <b>IMU</b> Charge Rate %
50 million and above	0.8% - 1.0%
500 million and above	0.5% - 0.7%
10 billion and above	0.2% - 0.4%

**Table 3:** Charge Rate to Agency

6.9.3 **IMU** shall ensure that the distribution of accurate information and reports are to be carried out in an organized and effective manner to **MOF** and **TDA** for monitoring purposes. In addition, **IMU** shall report the **ICP** implementation progress periodically to **IMC** to ensure the **ICP** implementation is in line with the **ICP** strategy established by the Government and implementation activities are coordinated accordingly.

6.9.4 Function and Responsibility of **IMU**:

6.9.4.1 **IMU** is an entity appointed/established to manage the **ICP** implementation for the Procuring Agency.

6.9.4.2 **IMU** is the secretariat to the **IC** and shall be in continual consultation with **TDA** to ensure the **ICP** implementation is in accordance and compliance with the processes set out in the Malaysian **ICP** Management Framework.

6.9.4.3 Pre-Implementation Phase

- a) In order to ensure the identified **ICP** implemented in line with the **GOM's** strategic planning, **IMU** with the assistance of **TDA** is required to prepare the **IRD** for approval by **IC**;
- b) **IMU** shall advise Procuring Agency to ensure that the **IRD** which has been approved by **IC** is included as part of the procurement documents. **IMU** will proceed with the **ICP** implementation according to processes as stipulated in the Malaysian **ICP** Management Framework; and
- c) **IMU** shall liaise with **ICP** Authority, Procuring Agencies, **ICP** Recipients (as and when necessary) and the **ICP** Providers (as and when necessary) in respect of the **IRD**. **IMU** should provide explanation on the **IRD** and provide guidance to prospective **ICP** Providers to prepare their **ICP** Project proposal.

6.9.4.4 Implementation Phase

- a) **IMU** shall correspond directly with relevant Agencies

and recipients for the implementation of the identified **ICP**;

- b) **IMU** shall conduct an assessment for compliance and evaluate the performance of the **ICP** implementation activities and submit the reports to the **IC**, Procuring Agency and **TDA** once every three (3) months.

#### 6.9.4.5 Post-Implementation Phase

**IMU** to assist **TDA** in maintaining the statements of account for credits generated from all completed **ICP** Obligations and carry out **ICP** Credit assessment for the **ICP** Providers, as well as process all **ICP** Credit claims for relief of obligation in accordance with the procedure set out in this Policy and Guidelines.

### 6.10 ICP EVALUATION COMMITTEE (IEC)

6.10.1 The **IEC** members are as follows:

6.10.1.1 Chairman - Head of **TDA** or any formally appointed representative by **TDA**.

6.10.1.2 Members

- a) Representative from Project Team;
- b) **IMU** Team;
- c) Subject Matter Expert (if required);
- d) Secretariat - **IMU** which has been appointed / formed;  
and

- e) Others as and when required.

#### 6.10.2 Functions and Responsibilities of **IEC**

6.10.2.1 Evaluate the **ICP** Proposal;

6.10.2.2 Submit the **IER** to Procuring Agency for onwards processes.

### 6.11 **ICP WORKING COMMITTEE (IWC)**

6.11.1 The **IWC** members are as follows:

6.11.1.1 Chairman – Appointed Program Director;

6.11.1.2 Alternate Chairman: Programme Manager of **IMU** or equivalent;

6.11.1.3 Members.

- a) **IMU** Team.
- b) Representative from the Procuring Agency.
- c) Representative from **ICP** Provider.
- d) Representative from the **ICP** Recipient (if required).
- e) Subject Matter Expert (if required).
- f) **TDA** (as and when required)
- g) Secretariat – **IMU** Team

6.11.2 Functions and Responsibilities of **IWC**

6.11.2.1 Responsible to execute, manage and monitor the **ICP** activities as outline for the specific programme; and

6.11.2.2 Refer to **IC** on any issues which unable to be resolved at **IWC** level.

## **6.12 CONSULTANCY AND ICP ADVICE SERVICES**

Any **OEM/STU** which intent to obtain **ICP** consultation and advisory services from individuals or organizations other than **TDA** shall initially refer to **MOF**.

## **6.13 CORRESPONDENCE**

For further enquiries regarding the **ICP** Policy and Guidelines, please contact:

Unit Penyelarasan *Offset* dan Pemindahan Teknologi  
Seksyen Kontrak Pusat dan Sistem Panel, Sektor Pengurusan Kontrak  
Bahagian Perolehan Kerajaan  
Kementerian Kewangan Malaysia  
Aras 3, Blok Utara, Presint 2  
Pusat Pentadbiran Kerajaan Persekutuan  
62592 Putrajaya, Malaysia

Telephone : +603 8882 3205  
Fax : +603 8882 4291  
URL : [www.treasury.gov.my](http://www.treasury.gov.my)

## **CHAPTER 7 – CONCLUSION**

**ICP** is a strategy used by the **GOM** leveraging on the strategic procurement to develop and strengthen local capability and capacity contributing to the national sustainable industrial and economic growth. Therefore, **ICP** is an important platform where all parties shall fully collaborate to reap the maximum benefits. Thus, the commitment from all parties to comply with this Policy and Guidelines is essential for the success of **ICP** implementation.