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

SECOND EDITION
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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 (EEP), 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 Treasury Circular (1 Pekeliling Perbendaharaan Malaysia (IPP));

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 Pekeling 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 IPP/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.
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:
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.

<table>
<thead>
<tr>
<th>No.</th>
<th>Equity</th>
<th>Contract Value (RM)</th>
<th>EEP</th>
<th>OFFSET</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>OEM ≥ Local Company</td>
<td>≥ 50 mil</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>2.</td>
<td>OEM &lt; Local Company</td>
<td>≥ 100 mil</td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>

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 understand 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 advertises 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 informs 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 relief 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.

<table>
<thead>
<tr>
<th>Delay</th>
<th>Penalty Charges</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 29 days</td>
<td>0.01% from total verified ICV</td>
</tr>
<tr>
<td>30 – 60 days</td>
<td>0.02% from total verified ICV</td>
</tr>
<tr>
<td>61 – 90 days</td>
<td>0.04% from total verified ICV</td>
</tr>
<tr>
<td>More than 90 days</td>
<td>0.10% from total verified ICV</td>
</tr>
</tbody>
</table>

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 27th 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.

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

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 intend 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
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.
ATTACHMENT 1

MALAYSIAN ICP MANAGEMENT FRAMEWORK

1. Pre-Implementation
   - ICP Requirement Document
     - Articulate ICP strategies and formation of relevant ICP committees
   - ICP Proposal and Evaluation
     - Proposal clarification and identify potential recipients
   - ICP Projects Negotiation
     - Maximize socio economics returns and support onto knowledge based economy
   - ICP Agreements
     - Agree on the ICP deliverables and expected impact within time & cost limits

2. Implementation
   - ICP Monitoring & Reporting
     - ICP monitoring on agreed programme
     - Ensure performance within agreed parameters
   - ICP Implementation Verification
     - Assessment on the performance of ICP Programme
     - Relief from obligation upon completion

3. Post-Implementation
   - ICP Program Completion
   - Post Implementation Audit
SUMMARY OF MALAYSIAN ICP MANAGEMENT FLOW CHART

Start

Government Procurement

Pre-Implementation (Clause 4.2)

Pre-ICP (Clause 5)

Implementation (Clause 4.3)

Penalty Process (Clause 2.4.6)

Post Implementation (Clause 4.4)

Penalty?

Yes

No

Relief of Obligation (Clause 4.4.3)

End

Approval

Penalty?
Process Flow (Carta Alir):

<table>
<thead>
<tr>
<th>TASK</th>
<th>RESPONSIBILITIES</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Agency</strong></td>
<td><strong>ICP Provider</strong></td>
</tr>
<tr>
<td></td>
<td>Start</td>
<td></td>
</tr>
<tr>
<td>1. Develop ICP Strategy Document (ISD)</td>
<td></td>
<td></td>
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<tr>
<td>2. ICP Management Unit (IMU) establishment</td>
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<tr>
<td>3. ICP Committee (IC) formation</td>
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DASAR DAN GARIS PANDUAN PROGRAM KOLABORASI INDUSTRI (ICP) DI DALAM PEROLEHAN KERAJAAN

**Task**

**Responsibilities**

<table>
<thead>
<tr>
<th>Agency</th>
<th>ICP Provider</th>
<th>IMU</th>
<th>TDA</th>
<th>IC</th>
<th>MIEC</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ICP proposal submission with tender document</strong></td>
<td>Proposal</td>
<td>ICP Evaluation</td>
<td>ICP Evaluation Report</td>
<td></td>
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<tr>
<td><strong>Form an ICP Evaluation Committee</strong></td>
<td>Successful Tenderer Appointment</td>
<td>ICP Projects Negotiation</td>
<td>IC Approval</td>
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<td><strong>Consolidation by IMU and Procuring Agency</strong></td>
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<td><strong>Appointment by Procuring Agency</strong></td>
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<tr>
<td><strong>ICP Projects Negotiation</strong></td>
<td></td>
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<td>ICP Recipient Audit</td>
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<tr>
<td><strong>The tenderers submit the ICP proposal as part of the tender document for evaluation.</strong></td>
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<tr>
<td><strong>The IEC evaluates, prepares and submit evaluation report.</strong></td>
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<tr>
<td><strong>Procuring Agency appoint successful tenderer.</strong></td>
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<tr>
<td><strong>IMU and ICP Provider negotiate on ICP projects, ICV and potential ICP Recipients.</strong></td>
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<tr>
<td><strong>IRA shall be conducted to all Potential ICP Recipients.</strong></td>
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<tr>
<td><strong>Agreements and Schedule A to be prepared and reviewed by related parties.</strong></td>
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**Task and Responsibilities**

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<tr>
<th>Task</th>
<th>Agency</th>
<th>ICP Provider</th>
<th>IMU</th>
<th>TDA</th>
<th>IC</th>
<th>MIEC</th>
<th>Description</th>
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<tbody>
<tr>
<td>First and Second Tier Agreement</td>
<td></td>
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<td></td>
<td>Reporting parties involves Government of Malaysia, Procuring Agency, ICP Provider, TDA and ICP Recipient, depending on the type of agreement. IMU monitors the ICP implementation periodically.</td>
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<tr>
<td>Periodical monitoring and reporting</td>
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<td>Surveillance Audit will be conducted as and when required. ICP Provider shall submit a progress report to IMU periodically. IMU shall submit a quarterly report to Procuring Agency and TDA.</td>
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</tbody>
</table>
### TASKS

<table>
<thead>
<tr>
<th>RESPONSIBILITIES</th>
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<tbody>
<tr>
<td><strong>Agency</strong></td>
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<tr>
<td><strong>DESCRIPTION</strong></td>
</tr>
<tr>
<td>ICV Claim, Post Implementation Audit, Programme Closure, Penalty, Relief of Obligation, ICV Banking</td>
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<tr>
<td>ICP Provider to submit ICV claim upon project/programme completion.</td>
</tr>
</tbody>
</table>
Pre-ICP Credit Banking Proposal

Pre-ICP Agreement

Implementation

Pre-ICV Claims

ICV Verification and Post Implementation Audit

Proposal Evaluation

Proposal Approval

Monitoring

ICV Approval

ICV Banking

End

OEM requests for Pre-ICP credit banking.
TDA evaluates the proposal prior to MIEC approval.
Pre-ICP Agreement and project details to be prepared, reviewed, and signed by OEM and TDA.
OEM to implement the project and monitored by TDA.
OEM to submit ICV claim upon project completion.
Recommendation from post implementation audit report on achieved ICV to be approved by MIEC.
TDA to update ICV Banking Account.
ICP Credit Value (ICV) Calculation

1. ICV PROGRAM

\[ ICV_{\text{Program}} = \sum_{i=1}^{n} ICV_{\text{Projects (i)}} \]

Where:
\( n \) is number of agreed projects

Program is defined either one of the following:

- **EEP** = Direct and/or Indirect Economic Enhancement Program
- **Offset** = Direct and/or Indirect Offset
- **CT** = Countertrade

\[ ICV_{\text{EEP}} = \sum_{i=1}^{n} ICV_{\text{Direct EEP project (i)}} + \sum_{i=1}^{n} ICV_{\text{Indirect EEP project (i)}} \]

\[ ICV_{\text{Offset}} = \sum_{i=1}^{n} ICV_{\text{Direct Offset project (i)}} + \sum_{i=1}^{n} ICV_{\text{Indirect Offset project (i)}} \]

\[ ICV_{\text{CT}} = NV_{\text{CT}} \times \text{Multiplier} \]
ICP Credit Value (ICV) Calculation

2. ICV DIRECT

\[
\text{ICV}_{\text{Direct Offset/EEP}} = \sum_{i=1}^{n} \text{ICV}_{\text{Direct project (i)}}
\]

\[
\text{ICV}_{\text{Direct project}} = \sum \text{ICV}_{\text{Non-LC}} + \sum \text{ICV}_{\text{LC}}
\]

\[
= \sum [\text{NV}_{\text{Non-LC}} \times M_{\text{Category}}] + \sum [\text{NV}_{\text{LC}} \times M_{\text{Cat(k)}}]
\]

where

- \( NV \) = Nominal Value is the actual cost of the proposed project
- \( LC \) = Local Content
- \( M_{\text{Category}} \) = Multiplier based on Category as specified in the Multiplier table
- \( M_{\text{Cat(k)}} \) = Multiplier based on Cat A, Cat B, Cat C, Cat D, Cat E and Cat F as per LC Multiplier table

* The formula is applicable for both EEP and Offset
ICP Credit Value (ICV) Calculation

3. ICV INDIRECT

\[
\text{ICV}_{\text{Indirect Offset/EEP}} = \sum_{i=1}^{n} \text{ICV}_{\text{Indirect project (i)}}
\]

\[
\text{ICV}_{\text{Indirect project}} = \sum \text{ICV}_{\text{Non-LC}} + \sum \text{ICV}_{\text{LC}}
\]

\[
= \sum [\text{NV}_{\text{Non-LC}} \times M_{\text{Category}} \times (1 + \mu)] + \sum [\text{NV}_{\text{LC}} \times M_{\text{Cat(k)}} \times (1 + \mu)]
\]

*where*

\(\mu\), impact coefficient \(\leq 0.5\); comprises of 30% from NKEA, 30% from Economic Corridor, and 40% from Offset Objectives factors or 100% from any other initiatives deemed appropriate by ICP Authority.
ICP Credit Value (ICV) Calculation

3.1 Impact Coefficient, $\mu$

Impact coefficient derived from:

- Programs that support government’s initiatives in GNI growth;
- Programs that support high value jobs creation and human capital capabilities development;
- Programs that support increase of investment portfolios
- Prioritized economic activities
- Prioritized Growth Zones (ETP, NKEA, Malaysia Plan, Industrial Master Plan etc.)
ICP Credit Value (ICV) Calculation

3.2 Criteria for $\mu$ entitlement

<table>
<thead>
<tr>
<th>12 NKEA</th>
<th>FOCUSING CORRIDORS</th>
<th>ICP OBJECTIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Oil &amp; Gas</td>
<td>1. Iskandar Malaysia</td>
<td>1. Foster strategic local and international partnership</td>
</tr>
<tr>
<td>3. Financial services</td>
<td>3. East Coast Eco. Region</td>
<td>3. Establish a sustainable Malaysian industrial, economic and technological base, with strategic capabilities development and industrial participation in the global supply chain</td>
</tr>
<tr>
<td>5. Tourism</td>
<td></td>
<td>5. Collaborate in strategic R&amp;D&amp;C projects</td>
</tr>
<tr>
<td>7. Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Electrical &amp; Electronic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Business Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Private Healthcare</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Agriculture</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. Greater K. Lumpur</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Criteria must contain at least one of the factors. (NKEA ‘OR’ CORRIDOR ‘OR’ OBJECTIVE)
ICP Credit Value (ICV) Calculation

3.3 Example of ICV calculation:

3.3.1 Case 1: Project title: Project Financing for Company A (Investment):

Assuming an investment of RM100 mil to support project located in Sabah Development Corridor which aim to add value to the palm oil industry by fostering strategic local and international partnership.

Solution:

Nominal value = RM 100 mil

Applicable for $\mu$ (30% NKEA, 30% Economic Corridor, and 40% Objective)

Multiplier = 5 (cash investment, project financing)

$$ICV_{Indirect \ project} = \left[ NV \times M_{Category} \times (1 + \mu) \right]$$

$\mu = 0.5 \times (0.3+0.3+0.4)$

$\mu = 0.5 \times 1$

$\mu = 0.5$

$$= [RM 100 \ mil \times 5 \times (1+0.5)]$$

$$= RM \ 750 \ mil$$
ICP Credit Value (ICV) Calculation

3.3 Example of ICV calculation:

3.3.2 Case 2: Project Title: Localization for Air Insulated Switchgear and Gas Insulated Switchgear

\[ ICV_{Direct\ project} = \sum ICV_{Non-LC} + \sum ICV_{LC} \]

<table>
<thead>
<tr>
<th>No.</th>
<th>Milestone/Activity</th>
<th>LC/ Non-LC</th>
<th>Item/Evidence</th>
<th>Nominal Value (RM)</th>
<th>Multiplier</th>
<th>ICV (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Technical assistant on design by the Supplier</td>
<td>Non-LC</td>
<td>Man-hour</td>
<td>100,000</td>
<td>4</td>
<td>400,000</td>
</tr>
<tr>
<td>2</td>
<td>Manufacturing</td>
<td>Contract Value: 2,100,000 - LC - P.O for oversea supplier</td>
<td>1,600,000 500,000</td>
<td>3 1</td>
<td>4,800,000 500,000</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Provide training for testing and commissioning</td>
<td>Non-LC</td>
<td>Man-hour</td>
<td>100,000</td>
<td>2</td>
<td>200,000</td>
</tr>
<tr>
<td>4</td>
<td>Perform testing</td>
<td>LC</td>
<td>Contract Value</td>
<td>500,000</td>
<td>2</td>
<td>1,000,000</td>
</tr>
<tr>
<td>5</td>
<td>Reimbursable</td>
<td>LC</td>
<td>Accommodation, transport, etc</td>
<td>50,000</td>
<td>1</td>
<td>50,000</td>
</tr>
</tbody>
</table>

Total ICV: 8,450,000

Therefore, ICV = **RM 8.45 mil**
### ICP Credit Value (ICV) Calculation

3.3 Example of ICV calculation:

3.3.3 Case 3: Project Title: Market Access for Air Insulated Switchgear and Gas Insulated Switchgear

ICV\_{Indirect\ project} = \sum ICV_{Non-LC} + \sum ICV_{LC}

Applicable for \( \mu \) (40% Objective). Therefore, \( \mu = 0.2 \).

<table>
<thead>
<tr>
<th>No.</th>
<th>Milestone/Activity</th>
<th>LC/ Non-LC</th>
<th>Item/Evidence</th>
<th>Nominal Value (RM)</th>
<th>Multiplier × (1 + ( \mu ))</th>
<th>ICV (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Technical assessment on recipient capability and capacity by the Supplier (audit, gap analysis, etc)</td>
<td>Non-LC</td>
<td>Man-hour</td>
<td>100,000</td>
<td>2 × (1 + 0.2)</td>
<td>240,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Contract awarded to Recipient</td>
<td>LC</td>
<td>Contract Value</td>
<td>21,100,000</td>
<td>4 × (1 + 0.2)</td>
<td>101,280,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Non-LC</td>
<td>P.O for oversea supplier</td>
<td>5,000,000</td>
<td>1 × (1 + 0.2)</td>
<td>6,000,000</td>
</tr>
<tr>
<td>3</td>
<td>Reimbursable</td>
<td>LC</td>
<td>Accommodation, transport, etc</td>
<td>50,000</td>
<td>1 × (1 + 0.2)</td>
<td>60,000</td>
</tr>
</tbody>
</table>

**Total ICV** 107,580,000

Therefore, \( ICV = RM \ 107.58 \text{ mil} \)
### ICP Credit Value (ICV) Calculation

3.3 Example of ICV calculation:

3.3.4 Case 4: Project Title: Transfer of Technology of Air Traffic Management System

<table>
<thead>
<tr>
<th>No.</th>
<th>Milestone/Activity</th>
<th>LC/ Non-LC</th>
<th>Item/Evidence</th>
<th>Nominal Value (RM)</th>
<th>Multiplier</th>
<th>ICV (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Selection of candidate and logistic arrangement</td>
<td>Non-LC</td>
<td>Man-hour</td>
<td>400,000</td>
<td>1</td>
<td>400,000</td>
</tr>
<tr>
<td>2</td>
<td>Development of training module</td>
<td>Non-LC</td>
<td>Man-hour, modules</td>
<td>800,000</td>
<td>3</td>
<td>2,400,000</td>
</tr>
<tr>
<td>3</td>
<td>Training</td>
<td>Non-LC</td>
<td>Man-hour</td>
<td>750,000</td>
<td>4</td>
<td>3,000,000</td>
</tr>
<tr>
<td>4</td>
<td>Performance evaluation and certification</td>
<td>Non-LC</td>
<td>Man-hour</td>
<td>36,000</td>
<td>2</td>
<td>72,000</td>
</tr>
<tr>
<td>5</td>
<td>Licensing of local recipient</td>
<td>Non-LC</td>
<td>IPR transfer and commercialization</td>
<td>66,000,000</td>
<td>$4 \times (1 + 0.2)$</td>
<td>316,800,000</td>
</tr>
<tr>
<td>6</td>
<td>Reimbursable</td>
<td>Non-LC</td>
<td>Accommodation, allowances, transport, etc</td>
<td>4,000,000</td>
<td>1</td>
<td>4,000,000</td>
</tr>
</tbody>
</table>

Total ICV: 326,672,000

Therefore, ICV = **RM 326.672 mil**
ICP Credit Value (ICV) Calculation

4. LOCAL CONTENT (LC)

Based on the Policy ➞ ICV\textsubscript{LC\_prg} ≥ 30\% of ICV\textsubscript{Obligation}

ICV\textsubscript{LC\_prg} = \sum_{i=1}^{n} (ICV\textsubscript{LC\_Prj\_i})

where

ICV\textsubscript{LC\_prg} = The total LC ICV of the ICP projects in an ICP Program

ICV\textsubscript{LC\_Prj\_i} = The LC ICV of the ICP projects in an ICP Program
ICP Credit Value (ICV) Calculation

5. LEASING

ICV Value:

Step 1: Determine the Net Present Value (NPV) of amount \( \times \) at point \( \Box \)

Step 2: Determine the cost of MRO (MRO1, MRO2, MRO3..MROx)

\[
ICV_{\text{mandatory}} = \text{NPV} - \sum_{j=1}^{n} \text{MRO}_j - \text{Financial Cost}_{\text{Leasing}}
\]

Step 3: Determine the ‘outright purchase’ cost at point \( \Box \)

Step 4: Make comparison (between the result of the above formula and the ‘outright purchase’ cost

Step 5: Select the ICV to the higher value
### ICP MULTIPLIERS

<table>
<thead>
<tr>
<th>Category</th>
<th>Item</th>
<th>Description</th>
<th>Direct</th>
<th>Indirect</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Investment</td>
<td>a) Equity / Working Capital Investment to local entity</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>1.1 Cash</td>
<td></td>
<td>b) Bank Guarantee (for other BGs than Main Contract and ICP requirements)</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>c) Project Financing (ICP Project related) – Principal only</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>d) Principal Guarantee for Standby Letter of Credit (SBLC)</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>1.2 Non-Cash</td>
<td>Equipment, Special Tools, Infrastructure, Acquisition of IP, etc. (with proven ownership transfer)</td>
<td>3</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Research, Development and Commercialization (R&amp;D&amp;C) / Transfer of Technology / Knowledge</td>
<td>Implementation and diffusion of ToT Plan to local industry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td></td>
<td>a) IPR transfer and Commercialization through JV/Partnership with local company (Technology with Technology Readiness Level TRL 7 and 8)*</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>b) Technology Commercialization and Roll Out/Start-Up Company (Technology with Technology Readiness Level TRL 7 and 8)*</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>c) Tools/equipment, laboratory and workshop set-up</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>d) Training and Skills Development Courses (design, engineering and development)</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>e) IPR Development and Sharing</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>f) Technology adaptation to local environment and conditions</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>g) Transfer or resident of ToT project team assignment to OEM</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>h) Subject Matter Experts to local recipient assignment</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>i) Drawings, manuals and training documentations for recipient</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>j) Training and Skills Development Courses-general</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

* Refer to TRL Definition by NASA

---

ATTACHMENT 3
## ICP MULTIPLIERS

<table>
<thead>
<tr>
<th>Category</th>
<th>Item</th>
<th>Description</th>
<th>Direct</th>
<th>Indirect</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>2.2</td>
<td>Research, Development and Commercialization (R&amp;D&amp;C) / Transfer of Technology / Knowledge</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>2.2</td>
<td>Identification of technology needs and gap analysis</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>a) Technology Experts and Industrial Experts assignment</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.3</td>
<td>Impact Analysis</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>a) Technology Experts and Industrial Experts assignment</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.4</td>
<td>Development of New Policy, Standard, Blueprint, Roadmap etc</td>
<td>N/A</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>a) Policy</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>b) Standard</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>c) Blueprint, Roadmap, Study</td>
<td>N/A</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>d) Certification</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>3</td>
<td>Market Assistance</td>
<td>N/A</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>a) Captive Market Access</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>b) Market Access Assistance, OEM Supply Chain Acceptance</td>
<td>N/A</td>
<td>2</td>
</tr>
</tbody>
</table>
## ICP MULTIPLIERS

<table>
<thead>
<tr>
<th>Category</th>
<th>Item</th>
<th>Description</th>
<th>Direct</th>
<th>Indirect</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Human Capital Development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>a)</td>
<td>Technical Transfer, Skills and Competency Development for Professional Services (e.g. on design, systems integration, platform technology, engineering &amp; development and Professional Certification etc.)</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>b)</td>
<td>On Job Training (International/Local Placement) * Attachment at OEM. All cost involve including flight ticket, accommodation, etc</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>c)</td>
<td>Knowledge Transfer and Skills Development for Professional Services (e.g. classroom activities for design, engineering and development etc.)</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>d)</td>
<td>Non-Technical Transfer and Skills Development</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>e)</td>
<td>Training and Skills Development Courses-general</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>f)</td>
<td>Higher Learning Placement Program at Local/International Institution (masters, PhD) * Tuition fee, allowances, accommodation, etc</td>
<td>N/A</td>
<td>2</td>
</tr>
<tr>
<td>5</td>
<td>Incidental/Others</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.1</td>
<td>Flight ticket, accommodation, allowances, etc.</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>
Technology Readiness Levels (TRL) – definition by NASA

<table>
<thead>
<tr>
<th>TRL</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Basic principles observed and reported</td>
<td>This is the lowest &quot;level&quot; where scientific research begins to be translated into applied R&amp;D.</td>
</tr>
<tr>
<td>2. Technology concept and/or application formulated</td>
<td>Next level of maturation, practical applications of those characteristics can be 'invented' or identified. At this level, the application is still speculative: no experimental proof or detailed analysis to support the conjecture.</td>
</tr>
<tr>
<td>3. Analytical and experimental critical function and/or characteristic proof of concept</td>
<td>At this step, active (R&amp;D) is initiated. This must include both analytical studies to set the technology into an appropriate context and laboratory-based studies to physically validate that the analytical predictions are correct. Should constitute POC validation of the applications/concepts formulated at TRL 2.</td>
</tr>
<tr>
<td>4. Component and/or breadboard validation in laboratory environment</td>
<td>Following successful POC work, basic technological elements must be integrated to establish that the &quot;pieces&quot; will work together to achieve concept-enabling levels of performance for a component and/or breadboard. This validation must be devised to support the concept that was formulated earlier, and should also be consistent with the requirements of potential system applications. The validation is &quot;low-fidelity&quot; compared to the eventual system: it could be composed of ad hoc discrete components in a laboratory.</td>
</tr>
<tr>
<td>5. Component and/or breadboard validation in relevant environment</td>
<td>At this level, the fidelity of the component and/or breadboard being tested has to increase significantly. The basic technological elements must be integrated with reasonably realistic supporting elements so that the total applications (component-level, sub-system level, or system-level) can be tested in a 'simulated' or somewhat realistic environment.</td>
</tr>
<tr>
<td>6. System/subsystem model or prototype demonstration in a relevant environment (ground or space)</td>
<td>A major step in the level of fidelity of the technology demonstration follows the completion of TRL 5. At TRL 6, a representative model or prototype system or system - which would go well beyond ad hoc, 'patch-cord' or discrete component level bread-boarding - would be tested in a relevant environment. At this level, if the only relevant environment is the environment of space, then the model/prototype must be demonstrated in space.</td>
</tr>
<tr>
<td>7. System prototype demonstration in a space environment</td>
<td>TRL 7 is a significant step beyond TRL 6, requiring an actual system prototype demonstration in a space environment. The prototype should be near or at the scale of the planned operational system and the demonstration must take place in space.</td>
</tr>
<tr>
<td>8. Actual system completed and 'flight qualified' through test and demonstration (ground or space)</td>
<td>In almost all cases, this level is the end of true 'system development' for most technology elements. This might include integration of new technology into an existing system.</td>
</tr>
<tr>
<td>9. Actual system 'flight proven' through successful mission operations</td>
<td>In almost all cases, the end of last 'bug fixing' aspects of true 'system development'. This might include integration of new technology into an existing system. This TRL does not include planned product improvement of ongoing or reusable systems.</td>
</tr>
</tbody>
</table>
## LOCAL CONTENT MULTIPLIERS

<table>
<thead>
<tr>
<th>Cat (k)</th>
<th>Item</th>
<th>Description</th>
<th>Multiplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Local Services/Sourcing</td>
<td>i) Design and systems integration work</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ii) High Skill Works</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>* Personnel that require certification such as TIG welding, diving, NDT, etc</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>iii) Installation, Assembly, Testing, Commissioning and Project Management</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>iv) General Works</td>
<td>1</td>
</tr>
<tr>
<td>B</td>
<td>Local Product</td>
<td>i) Parts &amp; Component, Main Equipment, Test Equipment</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>a) Custom Made</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>b) Off The Shelves</td>
<td>1</td>
</tr>
<tr>
<td>C</td>
<td>Plant Facility</td>
<td>i) Plant equipment and machinery</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ii) Tools, Jigs and Fixtures</td>
<td>4</td>
</tr>
<tr>
<td>D</td>
<td>Logistics</td>
<td>i) Integrated logistic support (ILS)</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ii) Forwarding, haulage and transportation, storage &amp; warehouse</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>iii) Local Insurance</td>
<td>1</td>
</tr>
<tr>
<td>E</td>
<td>Partnership/Consortium</td>
<td>Work scope awarded to Local Partner</td>
<td>1</td>
</tr>
<tr>
<td>F</td>
<td>Professional and High Technical Skill Employment</td>
<td>The minimum skill required is certificate</td>
<td>1</td>
</tr>
</tbody>
</table>
PENALTY CALCULATION

- Penalty will be calculated based on un-achievement of the Mandatory ICV for both LC and Non-LC

\[
\text{Penalty (RM)} = \text{Unachieved ICV}_{\text{Program}} \text{ (RM)} \times \text{Performance Bond} \ (%)
\]

*Where;*

\[
\text{Unachieved ICV}_{\text{Program}} \text{ (RM)} = \text{Unachieved Non-LC ICV (RM)} + \text{Unachieved LC ICV (RM)}
\]
**Penalty Calculation**

1. Example of penalty calculation for Un-achievement of the Non-LC only

Total Obligation = RM 500mil  
Non-LC Obligation = 70% × RM 500 mil = RM 350 mil  
LC Obligation = 30% × RM 500 mil = RM 150 mil

Upon PIA,  
Total Non-LC ICV verified = RM 300 mil  
Total LC ICV verified = RM 150 mil

Total Unachieved Non-LC ICV = RM 350 mil – RM 300 mil = **RM 50 mil**  
Total Unachieved LC ICV = RM 150 mil – RM 150 mil = **RM 0 mil**

Therefore, penalty impose:

\[
\text{Penalty (RM) = } (\text{Unachieved Non-LC ICV (RM) + Unachieved LC ICV (RM)}) \times \text{Performance Bond (%)}
\]

\[
= (RM 50 mil + RM 0 mil) \times 5\%
\]

\[
= \text{RM 2.5 mil}
\]
Penalty Calculation

2. Example of penalty calculation for Un-achievement of the LC only

Total Obligation = RM 500mil
Non-LC Obligation = 70% × RM 500 mil = RM 350 mil
LC Obligation = 30% × RM 500 mil = RM 150 mil

Upon PIA,
Total Non-LC ICV verified = RM 450 mil
Total LC ICV verified = RM 100 mil

Total Unachieved Non-LC ICV = RM 450 mil – RM 350 mil
= + RM 100 mil (exceed Non-LC Obligation)

Total Unachieved LC ICV = RM 150 mil – RM 100 mil = RM 50 mil
Therefore, penalty impose:

\[
\text{Penalty (RM)} = (\text{Unachieved Non-LC ICV (RM)} + \text{Unachieved LC ICV (RM)}) \times \text{Performance Bond (})
\]

= (RM 0 mil + RM 50 mil) × 5%
= RM 2.5 mil
3. Example of penalty calculation for Un-achievement of both Non-LC and LC

Total Obligation = RM 500mil
Non-LC Obligation = 70% × RM 500 mil = RM 350 mil
LC Obligation = 30% × RM 500 mil = RM 150 mil

Upon PIA,
Total Non-LC ICV verified = RM 300 mil
Total LC ICV verified = RM 100 mil

Total Unachieved Non-LC ICV = RM 350 mil – RM 300 mil = RM 50 mil
Total Unachieved LC ICV = RM 150 mil – RM 100 mil = RM 50 mil

Therefore, penalty impose:

\[
\text{Penalty (RM)} = (\text{Unachieved Non-LC ICV (RM)} + \text{Unachieved LC ICV (RM)}) \times \text{Performance Bond (\%)}
\]

\[
= (RM 50 \text{ mil} + RM 50 \text{ mil}) \times 5\%
\]

\[
= RM 5 \text{ mil}
\]
KLAUSA PROGRAM KOLABORASI INDUSTRI (ICP) DI BAWAH PEROLEHAN KEMENTERIAN-KEMENTERIAN DAN AGENSI-AGENSI KERJAAN

(a) Pihak Pembekal hendaklah melaksanakan program ICP melalui Perjanjian Utama ICP yang menggariskan obligasi Kerajaan dan pihak Pembekal berkenaan pelaksanaan ICP.

(b) Pihak Pembekal dikehendaki untuk menandatangani Perjanjian ini dan Perjanjian Utama ICP secara serentak. Sekiranya Perjanjian Utama ICP tidak dapat ditandatangani secara serentak dengan Perjanjian ini, Perjanjian Utama ICP hendaklah ditandatangani sebelum Pembayaran Pertama sebagaimana dinyatakan dalam Jadual X (Jadual Pembayaran).

(c) Pihak Pembekal bersetuju bahawa Kerajaan berhak untuk menangguhkan Pembayaran Ke-empat seperti yang dinyatakan dalam Jadual X (Jadual Pembayaran) sekiranya pihak Pembekal gagal/mungkir/abai di dalam mematuhi klaus (b) di atas.

KLAUSA BON PELAKSANAAN

(a) Sebagai jaminan bagi pelaksanaan obligasi-obligasi Pembekal bagi Program Kolaborasi Industri (Industrial Collaboration Programme-ICP), Bon Pelaksanaan yang dikemukakan oleh Pembekal seperti yang dinyatakan di dalam Jadual X (Bon Pelaksanaan) Perjanjian ini hendaklah digunapakai sebagai Bon Pelaksanaan bagi Program Kolaborasi Industri (Industrial Collaboration Programme-ICP) sekiranya pihak Pembekal gagal/mungkir/abai di dalam menjalankan obligasi Pembekal berkenaan pelaksanaan ICP.
(b) Bon Pelaksanaan tersebut hendaklah kekal sah laku:

(i) bermula dari tarikh ia dikeluarkan sehingga dua belas (12) bulan selepas tamat Tempoh Tanggungan Kecacatan (Defect Liability Period)

(ii) atau selepas pengeluaran Perakuan Siap Memperbaiki Kecacatan (Certificate of Completion of Making Good Defect), mengikut mana yang terkemudian; atau

(iii) sekiranya Perjanjian ini ditamatkan, sehingga dua belas (12) bulan selepas Perjanjian Utama ICP ditamatkan atau dua belas (12) bulan selepas tarikh tamat tempoh Perjanjian Utama ICP, mengikut mana yang terkemudian.

(selepas ini dirujuk sebagai “Tempoh Sah Bon Pelaksanaan”)

(c) Sekiranya tuntutan atau potongan dibuat oleh Kerajaan ke atas Bon Pelaksanaan tersebut yang menyebabkan jumlah jaminan bank/insurans tersebut berkurangan daripada jumlah yang dinyatakan di Klausa (a) di atas, maka Pembekal hendaklah mengemukakan Bon Pelaksanaan tambahan supaya nilai Bon Pelaksanaan yang dipegang oleh Kerajaan bersamaan dengan nilai yang dinyatakan di bawah Klausa (a) di atas.
INDUSTRIAL COLLABORATION PROGRAMME (ICP) CLAUSE UNDER THE PROCUREMENT BY GOVERNMENT MINISTRIES OR AGENCIES

(a) The Supplier shall implement ICP through the First Tier ICP Agreement which outlines the obligations of the Government and the Supplier regarding the implementation of ICP.

(b) The Supplier shall execute this Agreement and the First Tier ICP Agreement simultaneously. In the event the First Tier ICP Agreement cannot be executed simultaneously with this Agreement, the First Tier ICP Agreement shall be executed prior to first payment as specified in Schedule X (Schedule of Payment).

(c) The Supplier agrees that the Government shall be entitled to defer the fourth payment as specified in Schedule X (Schedule of Payment) in case of the Supplier’s failure to comply with this clause.

PERFORMANCE BOND CLAUSE

(a) As a security for the due and successful performance and fulfilment of all its obligations under Industry Collaboration Program (ICP), the duly executed Performance Bond issued by the Supplier which is attached in Schedule X (Performance Bond) of this Agreement shall also be used as a Performance Bond for Industry Collaboration Program (ICP) in the event that the Supplier fails / default / neglect in carrying out the obligations in respect of the implementation of the ICP Program.
(b) The Performance Bond shall remain and continue to be valid —

(i) from the date of its issuance up to twelve (12) months after the end of the Defect Liability Period or after the issuance of the Certificate of Completion of Making Good Defect, whichever is later; or

(ii) in the event this Agreement is terminated, up to twelve (12) months after the First Tier ICP Agreement is terminated or twelve (12) months after the expiry date of the First Tier ICP Agreement, whichever is later,

(hereinafter referred to as the “Performance Bond Validity Period”).

(c) In the event that any claim or deduction made by the Government on the Performance Bond as a result of the breach by the Supplier, reduce the value of the bank guarantee / insurance stated in Clause (a) above the Supplier shall submit an additional Performance Bond to maintain the value of the Performance Bond specified under Clause (a) above.
KLAUSA PROGRAM KOLABORASI INDUSTRI (ICP) DI BAWAH PEROLEHAN
SYARIKAT-SYARIKAT PEGANGAN KERAJAAN (GOC)

(a) Pihak Pembekal hendaklah melaksanakan program ICP melalui Perjanjian Utama ICP yang menggariskan obligasi Kerajaan Malaysia, [Syarikat Pegangan Kerajaan] dan pihak Pembekal berkenaan pelaksanaan ICP.

(b) Pihak Pembekal dikehendaki untuk menandatangani Perjanjian ini dan Perjanjian Utama ICP secara serentak. Sekiranya Perjanjian Utama ICP tidak dapat ditandatangani secara serentak dengan Perjanjian ini, Perjanjian Utama ICP hendaklah ditandatangani sebelum Pembayaran Pertama sebagaimana dinyatakan dalam Jadual X (Jadual Pembayaran).

(c) Pihak Pembekal bersetuju bahawa [Syarikat Pegangan Kerajaan] berhak untuk menangguhkan Pembayaran ke-_____ seperti yang dipersetujui oleh [Syarikat Pegangan Kerajaan] dan Kerajaan Malaysia sekiranya pihak Pembekal gagal/mungkir/abai di dalam mematuhi kлаusa (b) di atas.

KLAUSA BON PELAKSANAAN

(a) Sebagai jaminan bagi pelaksanaan obligasi-obligasi Pembekal bagi Program Kolaborasi Industri (Industrial Collaboration Programme-ICP), pihak Pembekal hendaklah mengemukakan kepada pihak [Syarikat Pegangan Kerajaan], dalam tempoh masa Empat Belas (14) hari daripada tarikh Perjanjian Utama ICP, suatu Bon Pelaksanaan yang tidak boleh dibatalkan bernilai lima peratus (5%) dari nilai Kontrak Perbekalan sebanyak Ringgit Malaysia XXX (RM XXX) sahaja di dalam bentuk jaminan bank/insurans yang dikeluarkan oleh bank atau syarikat insurans yang berlesen dan beroperasi di Malaysia.
(b) Bon Pelaksanaan tersebut hendaklah dituntut sekiranya pihak Pembekal gagal/mungkir/abai di dalam menjalankan obligasi Pembekal berkenaan pelaksanaan ICP

(c) Bon Pelaksanaan tersebut hendaklah kekal sah laku:

(i) sekiranya Perjanjian ini ditamatkan, sehingga dua belas (12) bulan selepas Perjanjian Utama ICP ditamatkan atau dua belas (12) bulan selepas tarikh tamat tempoh Perjanjian Utama ICP, mengikut mana yang terkemudian.

(selepas ini dirujuk sebagai “Tempoh Sah Bon Pelaksanaan”)

(d) Sekiranya tuntutan atau potongan dibuat oleh [Syarikat Pegangan Kerajaan] ke atas Bon Pelaksanaan tersebut yang menyebabkan jumlah jaminan bank/insurans tersebut berkurangan daripada jumlah yang dinyatakan di Klausa (a) di atas, maka Pembekal hendaklah mengemukakan Bon Pelaksanaan tambahan supaya nilai Bon Pelaksanaan yang dipegang oleh [Syarikat Pegangan Kerajaan] bersamaan dengan nilai yang dinyatakan di bawah Klausa (a) di atas.
INDUSTRIAL COLLABORATION PROGRAMME (ICP) CLAUSE UNDER THE PROCUREMENT BY GOVERNMENT OWNED COMPANIES (GOC)

(a) The Supplier shall implement ICP through the First Tier ICP Agreement which outlines the obligations of the Government, GOC and the Supplier regarding to the implementation of ICP.

(b) The Supplier shall execute this Agreement and the First Tier ICP Agreement simultaneously. In the event the First Tier ICP Agreement cannot be executed simultaneously with this Agreement, the First Tier ICP Agreement shall be executed prior to first payment as specified in Schedule X (Schedule of Payment).

(c) The Supplier agrees that the GOC shall be entitled to suspend payment of ______ as agreed by the GOC or the Government of Malaysia if the supplier fails/deny/ignore in compliance with clause (b) above.

PERFORMANCE BOND CLAUSE

(a) As a security for the due and successful performance and fulfilment of all its obligations under Industry Collaboration Program (ICP), the Supplier shall furnish the GOC within fourteen (14) days from the date of the First Tier ICP Agreement, an irrevocable performance bond for the amount of Ringgit Malaysia XXX (RM XXX) only being equivalent to five percent (5%) of the total Contract Sum in the form of a bank guarantee/insurance issued by the bank (onshore) and licensed insurance company which operated in Malaysia (Performance Bond).

(b) Performance Bond shall be called upon in the event that the Supplier fails / default / neglect in carrying out the obligations in respect of the implementation of the ICP Program.

(c) The Performance Bond shall remain and continue to be valid —
(i) in the event this Agreement is terminated, up to twelve (12) months after the First Tier ICP Agreement is terminated or twelve (12) months after the expiry date of the First Tier ICP Agreement, whichever is later,

(hereinafter referred to as the “Performance Bond Validity Period”).

(d) In the event that any claim or deduction made by the GOC on the Performance Bond as a result of the breach by the Supplier, reduce the value of the bank guarantee / insurance stated in Clause (a) above the Supplier shall submit an additional Performance Bond to maintain the value of the Performance Bond specified under Clause (a) above.
ATTACHMENT 6

RELIEF OF OBLIGATION LETTER

Reference No. : 
Date : 

To: ICP PROVIDER (Full name and address) 

Dear Sir,

RELIEF OF OBLIGATION: INDUSTRIAL COLLABORATION PROGRAM (ICP) FOR PROCUREMENT OF XXXXX

This is in reference to the First Tier ICP Agreement for the procurement of _____________________________, Reference No. ________________, signed on ________________ between ______________________ (ICP Provider), and the Government of Malaysia.

2. It is acknowledged that ______________________ (ICP Provider) has fully implemented ICP Projects as follows:

i) Project 1: ____________________________

ii) Project 2: ____________________________

iii) Project 3: ____________________________

iv) Project n: ____________________________

3. It is also acknowledged ______________________ (ICP Provider) has fulfilled the obligation requirements set out in the Policy and Guidelines on ICP, and has achieved ICP Credit Value of RM________________. This amount generates an excess of RM_________________ (as compared to the Mandatory ICP Credit Value of RM_________________) which entitled for ICP Credit Banking.
4. In this regard, the Government of Malaysia hereby **reliefs the ICP obligations** of ________________ (ICP Provider) for the above-stated procurement effective from the date of this letter.

5. The Government of Malaysia wish to thank you for the cooperation and commitment in implementing the ICP. Documents and records related to the implementation of this ICP programme are being kept by Technology Depository Agency Berhad (TDA) for future reference.

Thank you.

“SERVING THE NATION”

Yours sincerely,

........................................................

Name  
Position  
Ministry of Finance  
On behalf: Chairman of MIEC/ Appointed Approving Authority