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SECTION 3

Federal Government Expenditure

Overview

The Federal Government expenditure is an important fiscal instrument in stimulating economic activities, providing essential public services and advancing national development priorities. Therefore, the Government is adopting an agile and expansionary yet prudent fiscal stance to sustain economic resilience and safeguard the well-being of the rakyat. As Malaysia embarks on the Thirteenth Malaysia Plan, 2026 – 2030 (Thirteenth Plan), resources will be directed towards building economic capacity, strengthening human capital development, addressing the impact of climate change and ensuring the nation retains its competitive edge.

Fiscal allocation will continue to be distributed in a targeted and strategic manner to ensure optimisation and in turn contribute towards medium-term fiscal sustainability. In this regard, among measures implemented are the defined contribution mechanism for public servants, rationalisation measures for Government entities and adoption of technology for public service delivery. While ensuring public funds are managed prudently, the gazetted Government Procurement Act 2026 [Act 882] will further improve spending efficiency and effectiveness through enhanced government procurement processes.

Expenditure in 2026

In 2026, total Federal Government expenditure was revised upward from the approved allocation of RM419.2 billion to RM444.1 billion, reflecting adjustments in expenditure priorities

and fiscal requirements during the year. The revision was mainly due to higher fuel subsidy requirements following the increase in global energy prices amid heightened geopolitical tensions. These adjustments indicate the Government's response to prevailing economic conditions while maintaining the momentum of fiscal consolidation and safeguarding the well-being of the rakyat. Of the revised total expenditure, RM363.1 billion or 81.8% is channelled to operating expenditure (OE) and RM81 billion or 18.2% to development expenditure (DE).

The social sector received the largest share of total expenditure, amounting to RM154.8 billion or 34.9% of the total allocation. This is followed by the economic (RM60 billion; 13.5%), security (RM43.8 billion; 9.9%) and general administration (RM20.1 billion; 4.5%) sectors. The remaining 37.2% comprises charged expenditures and transfer payments, including debt service charges (DSC), retirement charges as well as grants and transfers to state governments.

The total **OE** in 2026 was revised upward to RM363.1 billion from the initial allocation of RM338.2 billion. This increase is mainly driven by higher allocations for subsidies and social assistance, particularly fuel subsidies, together with higher expenditure on supplies and services as well as grants and transfers to state governments.

Compared with 2025, OE in 2026 is expected to increase by 9.8%, mainly reflecting higher allocations for subsidies and social assistance, emoluments, retirement charges and DSC, which collectively account for 78% of total OE. In contrast, expenditure on supplies and services, asset acquisition and other operating

TABLE 3.1. *Federal Government Operating Expenditure by Component, 2025 – 2027*

COMPONENT	RM MILLION			CHANGE (%)			SHARE (%)		
	2025	2026 ¹	2027 ²	2025	2026 ¹	2027 ²	2025	2026 ¹	2027 ²
Emoluments	101,451	108,417	111,606	5.7	6.9	2.9	30.7	29.9	29.6
Retirement charges	38,559	42,801	44,597	7.4	11.0	4.2	11.7	11.8	11.8
Debt service charges	53,711	57,300	61,013	6.4	6.7	6.5	16.2	15.8	16.2
Grants and transfers to state governments	9,808	11,403	11,504	9.6	16.3	0.9	3.0	3.1	3.1
Supplies and services	42,174	41,629	45,052	12.0	-1.3	8.2	12.8	11.5	12.0
Subsidies and social assistance	55,268	74,473	72,729	-18.0	34.7	-2.3	16.7	20.5	19.3
Asset acquisition	1,281	922	1,312	7.8	-28.0	42.3	0.4	0.3	0.3
Refunds and write-offs	435	547	552	-12.9	25.7	0.9	0.1	0.2	0.1
Grants to statutory bodies	15,120	15,037	17,094	8.0	-0.5	13.7	4.6	4.1	4.5
Others	12,969	10,526	11,381	36.1	-18.8	8.1	3.8	2.8	3.1
Total	330,776	363,055	376,840	2.9	9.8	3.8	100.0	100.0	100.0
% of GDP	16.3	16.6	16.2						

¹ Revised estimate² Budget estimate, excluding Budget 2027 measures

Source: Ministry of Finance, Malaysia

expenditures are lower, reflecting continued efforts to contain non-essential and lower-priority spending. These expenditure adjustments demonstrate the Government's agility in managing committed expenditure amid unforeseen circumstances.

Emoluments remains the largest component of OE, accounting for 29.9% or RM108.4 billion. The allocation is estimated to increase by 6.9%, mainly reflecting annual salary increments and the implementation of the second phase of Public Service Remuneration System (SSPA). This demonstrates the Government's efforts to provide a competitive remuneration package to sustain an effective and capable public service, particularly in the delivery of essential services, while managing remuneration commitments within the broader fiscal framework.

Retirement charges is estimated to grow by 11% to RM42.8 billion, representing 11.8% of total OE. This reflects the continued growth in the number of pensioners and beneficiaries, adjustments to pension payments arising from the implementation of SSPA and statutory retirement obligations. Given the non-discretionary nature of these commitments, the continued increase in retirement charges reinforces the importance of managing long-term expenditure pressures.

Subsidies and social assistance is expected to increase significantly by 34.7% to RM74.5 billion in 2026, accounting for 20.5% of total OE, predominantly driven by higher fuel subsidy requirements. In managing these higher subsidy commitments, the Government extended the BUDI Diesel scheme to Sabah

and Sarawak, thereby helping to curb cross-border smuggling activities and leakages. Concurrently, the reinstatement of the monthly RON95 quota at 300 litres under BUDI95 underscores the Government's commitment to mitigating cost-of-living pressures.

Debt service charges is estimated to increase by 6.7% to RM57.3 billion, accounting for 15.8% of total OE, mainly attributed to higher interest and profit payments arising from accumulated financing requirements. Prudent debt management and financing strategies remain important in containing the longer-term impact of debt-related expenditure on fiscal sustainability.

Supplies and services is estimated to decline by 1.3% to RM41.6 billion, constituting 11.5% of total OE. This is due to lower expenditure on professional services as well as maintenance and repairs, reflecting the Government's expenditure reprioritisation to align with current national priorities. Nevertheless, operational requirements for rental, utilities, raw materials and maintenance supplies are necessary to ensure uninterrupted delivery of public services.

A total of RM15 billion, or 4.1% of OE, is allocated for *grants to statutory bodies*, mainly to support the operation of public universities as well as regional and rural development agencies. The Government will continue to strengthen governance and financial management of the statutory bodies, including efforts to enhance revenue generation and improve operational efficiency. Meanwhile, *grants and transfers to state governments* increased by 16.3% to RM11.4 billion, mainly reflecting higher grants and special grants under Federal Constitution, including allocations associated with Sabah and Sarawak. These transfers will further support the delivery of public services and development at the state level, while contributing to more

balanced regional development and underscoring the Federal Government's commitment to the Malaysia Agreement 1963 (MA63).

The total **DE** of RM81 billion in 2026 reflects the Government's continued prioritisation of development spending towards strategic programmes and projects under the first year of the Thirteenth Plan. The economic sector remains the largest recipient, accounting for 45.8% of total DE, followed by the social (33.9%), security (14.6%) and general administration (5.7%) sectors. This distribution demonstrates the Government's continued focus on strengthening economic growth and infrastructure development, while supporting human capital development, public well-being, national security and public service delivery.

The *economic sector* received RM37.1 billion, signifying continued investment in infrastructure, economic development and environmental resilience. The transport subsector accounts for the largest share of the sector at 46.4%, with funding directed towards strategic connectivity projects, including Penang LRT Mutiara Line and Pan Borneo Highway Sabah.

The allocation for environment subsector is anticipated to grow by 21% to RM3.4 billion, underpinned by higher allocations for flood mitigation projects, mainly in Kota Bharu, Kelantan and Kuala Nerus, Terengganu. The allocation supports efforts to strengthen climate resilience as well as protect communities and economic activities from the impact of environment- and climate-related risks.

The allocation for trade and industry subsector is projected to increase by 8.6% to RM3.3 billion, supporting initiatives aimed at strengthening the industrial and investment ecosystem, among others for Prosper Financing Growth Programme (Prosper Grow) as well as High-Value and High-Technology Industry Flagship Project.

In contrast, the allocation for agriculture subsector is estimated to decline by 0.4% to RM2.8 billion, reflecting changes in the implementation and funding requirements of selected programmes. Nevertheless, the allocation continues to support the Government's efforts to strengthen productive capacity, enhance economic resilience and promote balanced development. Key programmes and projects include Livestock Industry Outcome Expansion Programme and Pengganda30 Programme.

Allocation for the *social sector* is anticipated to decline by 0.5% to RM27.4 billion. The education and training subsector accounts for the largest share amounting to RM14 billion. Major programmes and projects include constructions of the new school complex in Kluang and Johor Bahru, TVET Training Fund as well as UNIMAS Teaching Hospital and Primary Care Centre.

Allocation for the health subsector is estimated to increase by 9.9% to RM6.7 billion, including the construction of Hospital Kapar in Selangor and Hospital Petra Jaya in Sarawak. The housing subsector receives RM1.5 billion, with the allocation were mainly provided for Housing Assistance Programme and Program Rumah Mesra Rakyat. These allocations highlight continued emphasis on strengthening human capital as well as social infrastructure, particularly in healthcare and housing.

The *security sector* allocation is estimated to decline by 1.1% to RM11.8 billion, reflecting lower expenditure for the defence subsector. Spending on the defence subsector is estimated to decline by 4.5% to RM8.1 billion, while the internal security subsector is expected to increase by 7.2% to RM3.7 billion. Despite the decline, the Government's commitment to national defence, internal security and preparedness remains uncompromised. This encompasses the acquisition of defence assets such as weapons, aircraft and patrol vessels.

The allocation for *general administration sector* is estimated to increase by 26.9% to RM4.6 billion, mainly reflecting continued investments in digital infrastructure and public sector data management. A substantial share of the allocation is directed towards strengthening Government networks and cloud systems, including Neo MyGovNet, Government Hybrid Cloud Services as well as Expansion and Strengthening of Services for MyGovCloud@PDSA Phase III. These investments are aimed at strengthening digital connectivity, improving data management as well as enhancing the efficiency and accessibility of public service delivery.

TABLE 3.2. *Federal Government Development Expenditure by Sector, 2025 – 2027*

SECTOR	RM MILLION			CHANGE (%)			SHARE (%)		
	2025	2026 ¹	2027 ²	2025	2026 ¹	2027 ²	2025	2026 ¹	2027 ²
Economic	38,758	37,135	37,655	-10.7	-4.2	1.4	47.3	45.8	45.4
<i>of which:</i>									
Transport	17,706	17,234	17,557	-13.5	-2.7	1.9	21.6	21.3	21.2
Trade and industry	3,020	3,281	3,513	1.2	8.6	7.1	3.7	4.1	4.2
Energy and public utilities	2,574	2,490	2,751	17.8	-3.2	10.5	3.1	3.1	3.3
Agriculture	2,804	2,793	2,921	-0.2	-0.4	4.6	3.4	3.4	3.5
Environment	2,825	3,418	3,605	7.6	21.0	5.5	3.4	4.2	4.3
Social	27,592	27,442	27,988	7.8	-0.5	2.0	33.7	33.9	33.7
<i>of which:</i>									
Education and training	14,115	13,951	13,550	12.1	-1.2	-2.9	17.2	17.2	16.3
Health	6,068	6,669	6,907	3.4	9.9	3.6	7.4	8.2	8.3
Housing	1,836	1,457	1,681	14.6	-20.7	15.4	2.2	1.8	2.0
Security	11,918	11,788	12,240	3.0	-1.1	3.8	14.5	14.6	14.7
General administration	3,653	4,635	5,117	6.4	26.9	10.4	4.5	5.7	6.2
Total	81,921	81,000	83,000	-2.5	-1.1	2.5	100.0	100.0	100.0
% of GDP	4.0	3.7	3.6						

¹ Revised estimate² Budget estimate, excluding Budget 2027 measures

Source: Ministry of Finance, Malaysia

Outlook for 2027

In 2027, Federal Government expenditure will continue to be guided by the need to balance development and public service operations with fiscal sustainability. OE is expected to remain under pressure from elevated expenditure requirements, particularly subsidies and social assistance, supplies and services as well as grants and transfers. Meanwhile, DE will continue to support priority investments under the Thirteenth Plan, with emphasis on programmes and projects with significant economic spillovers, swift implementation and value for money. The Government will continue to ensure public resources are directed towards achieving optimal outcomes for the rakyat and the economy, while continuing efforts towards fiscal consolidation.

Total Federal Government expenditure for Budget 2027 is estimated at RM459.8 billion, equivalent to 19.8% of GDP and representing an increase of 3.6% from the revised 2026 budget. Of the total, RM376.8 billion or 81.9% is allocated for OE, while the remaining RM83 billion is earmarked for DE. Expenditure will remain concentrated on rakyat-centric projects and programmes, with 30.2% of the total allocation channelled to the Ministry of Education, Ministry of Health and Ministry of Defence.

In terms of sectoral allocation, the social sector will receive the largest share at RM161.6 billion or 35.1% of total expenditure, reflecting the Government's continued emphasis on human capital development and public welfare. This is followed by the economic (RM59.4 billion; 12.9%), security (RM46 billion; 10%) and

general administration (RM23.4 billion; 5.1%) sectors. The remaining RM169.4 billion comprises charged expenditures and transfer payments.

OE is budgeted at RM376.8 billion or 16.2% of GDP, representing an increase of 3.8% from the revised 2026 budget. This is mainly attributed to higher allocations for emoluments, retirement charges, DSC as well as supplies and services. The Government will continue to strengthen expenditure management and ensure operating resources are directed towards essential services and programmes.

Emoluments remains the largest component of OE, representing 29.6% or RM111.6 billion. The allocation is projected to grow by 2.9%, reflecting annual salary increments. Additional resources are also provided to address manpower requirements in the health sector, as well as in the education sector following the implementation of the two-cohort Year One intake system.

Retirement charges is projected to grow by 4.2% to RM44.6 billion, constituting 11.8% of total OE. This reflects the growing pension-related commitments arising from the expanding pool of pensioners and beneficiaries, together with other retirement-related payments. In this regard, the Federal Government remains on track to implement a defined contribution mechanism to manage its pension liabilities.

Allocation for *subsidies and social assistance* is budgeted to decline marginally by 2.3% to RM72.7 billion, representing 19.3% of total OE. The moderation reflects the continued implementation of targeted subsidy mechanisms and expected improvements in subsidy management. The implementation of BUDI95 and BUDI Diesel as well as the Electronic Cooking Oil Subsidy System (eCOSS) nationwide is anticipated to generate modest savings in

the budget allocation. These initiatives will further reduce leakages and ensure assistance is directed towards eligible beneficiaries, while strengthening the sustainability of public expenditure.

Debt service charges (DSC) is projected to increase by 6.5% to RM61 billion, accounting for 16.2% of OE, with domestic debt servicing constituting 98.4% of the total. The recent global bond sell-off has had a relatively limited impact on the domestic yield environment supported by ample domestic market liquidity and a diverse investor base.

Supplies and services is budgeted to expand by 8.2% to RM45.1 billion, representing 12% of OE. The expansion is predominantly led by operational requirements for essential public services, including supplies of raw materials, maintenance and repairs as well as rental commitments and utilities. Additionally, allocations are provided for the continuation of the Visit Malaysia 2026 – 2027 as well as preparations for the 34th SEA Games and the 16th General Election. Continued emphasis on expenditure controls, procurement efficiency and value for money is expected to ensure higher operational requirements translate into effective service delivery.

A total of RM17.1 billion is allocated for *grants to statutory bodies*, representing 4.5% of total OE. The allocations ensure sufficient funding for statutory authorities to execute their mandates, particularly in rural development, higher education and socioeconomic support programmes. Meanwhile, *grants and transfers to state governments* are budgeted at RM11.5 billion. The availability of these funds will help strengthen administrative capabilities and narrow regional development gaps to ensure balanced economic growth across all states.

DE is projected at RM83 billion in 2027, including allocations for approximately 1,500 newly approved programmes and projects. The economic sector continues to receive the largest share at 45.4%, followed by social (33.7%), security (14.7%) and general administration (6.2%) sectors. In line with the requirements of the Public Finance and Fiscal Responsibility Act 2023 [Act 850], the Government remains committed to allocating at least 3% of GDP to DE. Emphasis will be accorded to programmes and projects that strengthen productivity, improve public service delivery, enhance socioeconomic resilience and contribute to the well-being of the rakyat.

A total of RM37.7 billion is allocated for the *economic sector* to strengthen national competitiveness through the expansion of strategic infrastructure and the promotion of investment activities. The transport, environment as well as trade and industry subsectors receive the largest shares of the allocation, reflecting the Government's continued emphasis on strengthening connectivity, supporting sustainable development and enhancing the investment ecosystem.

The transport subsector receives RM17.6 billion or 46.6% of the sector's allocation, with spending directed towards improving nationwide connectivity and addressing traffic congestion. Key projects include the ongoing Penang LRT Mutiara Line and Pan Borneo Highway Sabah, the construction of a train station at Arena Larkin, Johor as well as permanent slope repair works along federal roads nationwide. These investments are expected to enhance the efficiency and reliability of transport infrastructure while supporting greater mobility and facilitating economic activity.

The environment subsector is allocated RM3.6 billion to strengthen environmental resilience as well as advance the national climate change mitigation and nature

conservation agenda. The 5.5% increase reflects continued support for climate adaptation through the development and upgrading of retention ponds and rivers in Selangor as well as river cleaning and maintenance projects in Kuala Lumpur to mitigate flash flood risks. These measures are aimed at strengthening flood mitigation capacity, improving environmental quality and enhancing climate resilience.

Meanwhile, RM3.5 billion is allocated to the trade and industry subsector to support industrial development, entrepreneurship and investment-related activities. Initiatives such as Sejahtera MADANI Programme for SMEs as well as the upgrading and maintenance of public facilities in various tourism destinations will contribute to the development and enhancement of tourism infrastructure in line with the Visit Malaysia 2026 – 2027.

Allocation to the *social sector* is projected to increase by 2% to RM28 billion. The higher allocation underscores the continued commitment to strengthening human capital development as well as improving the quality and accessibility of public services. The education and training subsector receives the largest allocation of RM13.6 billion, reflecting the priority accorded to enhancing the quality of education and strengthening learning infrastructure. Major allocations are channelled, among others, towards upgrading existing facilities and classrooms to support the implementation of the two-cohort Year One intake system and to provide a safer and more conducive learning environment.

An allocation of RM6.9 billion is provided for the health subsector to strengthen healthcare infrastructure and service delivery. Key initiatives include the construction of a new Day Care Centre and Specialist Clinics Complex at Hospital Sultanah Aminah, Johor Bahru as well as the Women and Children Block at Hospital Tengku Ampuan Afzan, Kuantan.

The housing subsector is allocated RM1.7 billion to support, among others, preliminary works for new housing projects, including the development of Bandar MADANI Bukit Jalil as well as residential projects in Kuantan, Johor Bahru and Alor Setar. The allocation aims to expand access to affordable, adequate and quality housing, improve living standards and promote more inclusive socioeconomic development.

The *security sector* is allocated RM12.2 billion, comprising RM8.2 billion for the defence subsector and RM4 billion for internal security. The allocation underscores the continued commitment to strengthening national defence capabilities, maintaining the country's security preparedness and enhancing public safety. A significant portion of the allocation will be channelled towards the acquisition and upgrading of defence and security assets, alongside investments in critical security infrastructure and systems. Key initiatives include the procurement of major defence assets such as aircraft and patrol vessels as well as the provision of the Advance Passenger Screening System (APSS).

The *general administration sector* is allocated RM5.1 billion to strengthen public sector capacity and enhance the efficiency, accessibility and quality of Government service delivery. The allocation will support the modernisation of ICT systems across Government agencies in line with the Government's digital transformation agenda to improve operational efficiency and facilitate a more responsive public service. The allocation will also finance the construction of a Malaysia Anti-Corruption Commission office complex in Kedah and the development of the Confiscated Asset Integrated Information System. These investments will strengthen public sector infrastructure, enhance institutional capacity and provide a more conducive environment for the effective delivery of Government services.

Federal Recoverable Loans

As at end-December 2025, total outstanding Federal Recoverable Loans¹ under the Development Fund stood at RM40.6 billion or 2% of GDP. Companies accounted for the largest share of these loans, amounting to RM25.9 billion, followed by state governments (RM9.5 billion), federal statutory bodies (RM5.2 billion) as well as other organisations and cooperatives (RM33.7 million).

Loan disbursements through DE in 2026 are estimated at RM1 billion. State governments are the largest loans recipients at RM475 million, followed by companies (RM405 million), federal statutory bodies (RM135 million) as well as other organisations and cooperatives (RM4 million). In contrast, the Government is expected to receive RM1.9 billion in loan repayments. Of these, the highest repayment is anticipated from companies at RM1.4 billion, followed by state governments (RM416 million), federal statutory bodies (RM100 million) as well as other organisations and cooperatives (RM18 million).

In 2027, the Government will provide a total of RM1 billion in loans through DE to support infrastructure development and improve the rakyat's quality of life. State governments is the largest loans recipients at RM503 million, followed by companies (RM463 million), federal statutory bodies (RM58 million) as well as other organisations and cooperatives (RM2 million). Meanwhile, loan repayments are projected at RM1.5 billion. Of these, the highest repayments are anticipated from companies at RM955 million, followed by state governments (RM419 million), federal statutory bodies (RM120 million) as well as other organisations and cooperatives (RM6 million).

¹ The Federal Recoverable Loans are part of the Federal Government Financial Assets, which consist of loan facilities due from state governments, local governments, federal statutory bodies, companies, cooperatives and various organisations.

Conclusion

Federal Government expenditure will continue to be guided by the principles of prudent fiscal management, effective resource allocation and value for money, while ensuring public spending remains responsive to the needs of the rakyat and supports national development priorities. In line with the aspirations of the Ekonomi MADANI framework, the Government remains committed to strengthening the quality and efficiency of public expenditure, safeguarding fiscal space and ensuring limited resources are channelled towards delivering meaningful outcomes for economic and social. This commitment is essential to support sustainable and inclusive growth, strengthen public service delivery and enhance the well-being of the rakyat, while maintaining the resilience and sustainability of the nation's public finances.

INFORMATION BOX

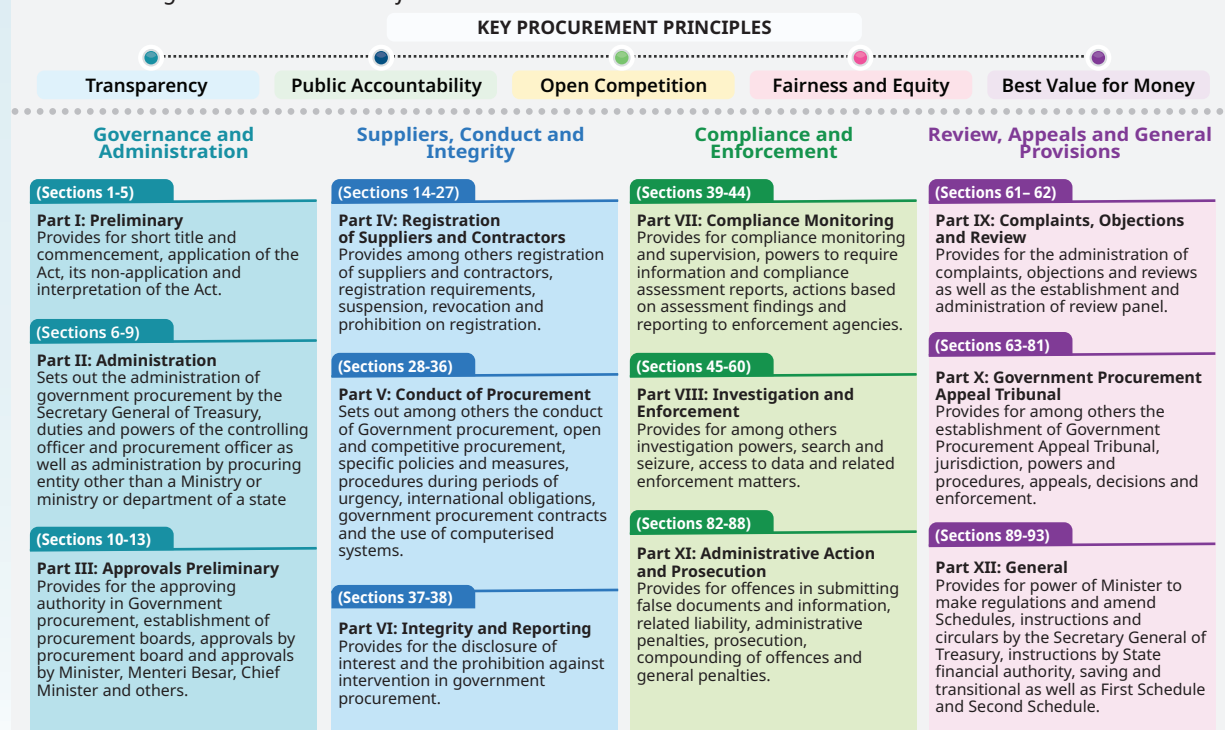
Government Procurement Act 2026: Enhancing Governance, Accountability and Value for Public Money

The enactment of the Government Procurement Act 2026 [Act 882] marks a significant milestone in Malaysia's fiscal reform agenda. Gazetted on 26 May 2026, Act 882 strengthened the legal framework for government procurement by transitioning from an administrative framework based on the Treasury Instructions and circulars under the Financial Procedure Act 1957 [Act 61] towards a uniform and cohesive statutory framework. Act 882 governs the government procurement activities across the Federal, state governments and entities as defined under Subsection 5(1) of the Act. In line with the strategic aspirations of the Ekonomi MADANI framework, this pragmatic shift will enhance governance and accountability as well as complement the anti-corruption efforts outlined under the National Anti-Corruption Strategy 2024 – 2028. More importantly, it optimises how the Government executes its spending aligning with key principles under the Public Finance and Fiscal Responsibility Act 2023 [Act 850].

Key Highlights of the Government Procurement Act 2026

Act 882 is divided into 12 Parts (Part I to XII) comprising 93 Sections and two Schedules, as illustrated in Figure 1. It is anchored on five fundamental principles, namely transparency, public accountability, open competition, fairness and equity as well as best value for money. The Act establishes a robust and comprehensive legal procurement framework which includes procurement policy, administration, dispute resolution as well as compliance and oversight.

FIGURE 1. Legislative Framework of the Government Procurement Act 2026



Source: Ministry of Finance, Malaysia

The primary highlights of the Act are as follows:

A. Scope and Application

Act 882 applies to any person who administers, conducts, implements and participates in government procurement. The Act adopts “follow the public money” approach introduced through the Audit (Amendment) Act 2024 [Act A1720]. Act 882 defines “Government procurement” as *“any procurement for the supply of goods or services or for works funded by the allocation of funds by the Federal Government or any State Government, as the case may be, whether fully or partially, or through the use of any assets owned by the Federal Government or any State Government, as the case may be”*. Given the broad scope of application, Subsection 5(1) defines a “procuring entity” as the Federal Government or any State Government, ministry or federal statutory body, the local authorities of the federal territories or Federal Government entity, ministry or department or statutory body of a state, local authority in a state or State Government entity, implementing agency and other entity that administers, conducts or implements government procurement under the Act, thus clarifying responsibility and accountability within the government procurement framework.

B. Power of the Minister of Finance

Historically, the powers of the Minister of Finance in relation to government procurement were largely governed by Act 61 and the Treasury Instructions. With the introduction of Act 882, these powers are further refined and structured, enshrined in legislation and subject to definitive checks and balances, thereby reinforcing the accountability and responsibility of the Minister. This transition aligns with the broader goals of enhancing governance and transparency as well as achieving the best value for money.

C. Open and Competitive Procurement

The Act regulates the conduct of government procurement to maximise efficiency and effectiveness while establishing a fair procurement ecosystem. Specifically, Subsection 28(1) provides that the open and competitive procurement method shall be the primary method in conducting government procurement. Nevertheless, Subsection 28(2), read together with Subparagraph 89(2)(g)(ii), allows the Minister to prescribe other procurement methods, taking into account the objectives of the Act, subject to the prescribed criteria, qualifications, conditions, restrictions and procedures for their application. In addition, Section 30 empowers the Minister to prescribe procedures for government procurement during a period of urgency requiring immediate action in the interest of public order, health or safety. These provisions ensure that open and competitive procurement remains the primary method while providing flexibility to address specific circumstances. Through this approach, the Government seeks to prevent monopolies, promote equal opportunities and encourage fair market participation.

D. Statutory Roles and Separation of Powers

Act 882 institutionalises a clear authority for procurement approvals based on specific value thresholds. This strategic delegation of power ensures decision-making is not concentrated on a single entity, thereby imposing greater discipline on the approving authority as well as embedding rigorous checks and balances in the procurement process. Section 10 defines a governance structure

which identifies four categories of approving authority, scaling the level of oversight according to the degree of the financial risk and monetary value of the procurement. Figure 2 illustrates the approval authority by threshold as specified under Subsection 10(2) and the First Schedule¹ of the Act. A clearer delineation of roles and approving authority strengthens accountability while supporting efficient decision-making.

FIGURE 2. Approval Threshold

APPROVING AUTHORITY	APPROVAL THRESHOLD	
	PROCUREMENT FOR GOODS AND SERVICES	PROCUREMENT FOR WORKS
 Controlling officer	Below RM50,000 value of a procurement contract or total value for a year	Below RM50,000
 Committee	From RM50,000 to RM500,000 value of a procurement contract or total value for a year	From RM50,000 to RM500,000
 Procurement board	More than RM500,000 to RM50 million	More than RM500,000 to RM100 million
 Minister/Menteri Besar or Chief Minister or authority determined by State Government	More than RM50 million	More than RM100 million

Source: Ministry of Finance, Malaysia

E. Mechanism of Domestic Review and Appeal

Act 882 establishes a more structured and clearer mechanism of domestic review and appeal to protect the rights of participating suppliers and contractors, via two-tiered bodies, namely the review panel and Government Procurement Appeal Tribunal. Under Section 61, any person who has submitted an objection and is dissatisfied with the decision made by the procuring entity may submit the decision for review by the review panel of the procuring entity. Another key policy initiative shifts the resolution of public procurement disputes from an internal mechanism to an Appeal Tribunal. Regulated under Part X of Act 882 (Government Procurement Appeal Tribunal), the Tribunal is vested with statutory authority to hear and determine appeals from aggrieved bidders contesting the procedures and decisions of the review panel. Under Section 80(7), decisions rendered by the Tribunal are final and binding on the parties to the appeal. Furthermore, pursuant to Section 81, a decision given by the Appeal Tribunal may, by leave of the High Court, be enforced in the same manner as a judgment or order of the High Court. Overall, this framework ensures procurement decisions are subject to rigorous and independent scrutiny, while safeguarding the integrity of the procurement system.

¹ Under Section 90 of Act 882, the Minister may, by order published in the Gazette, amend the Schedules to this Act.

F. Statutory Offences and Punitive Measures

Act 882 establishes a rigorous enforcement framework to deter the abuse of power and punish malpractices. Another key feature of the Act is the introduction of strict punitive measures targeting unauthorised transfer, assignment or novation of grants or contracts, non-disclosure of interests, interference in government procurement and submission of false or misleading documents or information. This framework strengthens accountability across individuals, corporate entities, company directors and public officers. These enforcement measures are supported by the penalties prescribed for specific procurement breaches, as summarised in Figure 3. Collectively, the statutory sanctions, compliance monitoring and investigation powers under the Act reinforce accountability and safeguard government procurement against non-compliance.

FIGURE 3. Offences and Penalties under the Act

Section and Offence	Requirement/ Prohibition	Applicable Penalty	Corporate/ Related Liability
Section 27 Registration in the Same Classification Code	A registered person must obtain the Registrar's prior approval before being registered in the same classification code.	Under Section 88, an individual may be fined up to RM100,000, imprisoned for up to three years, or both.	Under Section 88, a company, partnership, co-operative society or professional body may be fined up to RM500,000. Section 83 may also extend liability to responsible directors and management persons, subject to the statutory defences.
Section 35 Transfer, Assignment or Novation	A registered person must obtain the controlling officer's prior approval before transferring, assigning or novating all or part of an awarded grant or contract, or any interest in it.	An offender may be fined not less than three times the value of the awarded grant or contract or RM1 million, whichever is higher, imprisoned for up to five years, or both.	Under Section 83, responsible directors and management persons may be liable to the same punishment or penalty as an individual, subject to the statutory defences.
Section 37 Duty to Disclose Interest	Persons covered by Section 37 must disclose the relevant direct or indirect interests, including applicable family or associate interests and beneficial ownership.	An offender may be fined up to RM250,000 imprisoned for up to five years, or both	Under Section 83, responsible directors and management persons may be liable to the same punishment or penalty as an individual, subject to the statutory defences.
Section 38 Intervention in Government Procurement	No person may directly or indirectly intervene, exert undue influence or otherwise interfere with active procurement in a manner that cause or is likely to cause a departure from the prescribed process.	An offender may be fined up to RM500,000, imprisoned for up to five years, or both.	Under Section 83, responsible directors and management persons may be liable to the same punishment or penalty as an individual, subject to the statutory defences.
Section 59, 60 and 82 Obstruction, Record Destruction and False Information	Section 59 prohibits obstruction of authorised officers, breaking official seals and other specified non-compliance. Section 60 prohibits the destruction, concealment, mutilation or alteration of records, or their removal in circumstances prohibited by the Act, with the specified intent. Section 82 prohibits submitting forged or altered documents or false or misleading information, including material omissions.	Under Section 88, an individual may be fined up to RM100,000, imprisoned for up to three years, or both.	Under Section 88, a company, partnership, co-operative society or professional body may be fined up to RM500,000. Section 83 may also extend liability to responsible directors and management persons, subject to the statutory defences.
Section 75 Obligation of Secrecy	Tribunal personnel and other persons with access to information or documents relating to the Appeal Tribunal must not disclose them, except as permitted under Section 75.	Under Section 88, an individual may be fined up to RM100,000, imprisoned for up to three years, or both.	Under Section 88, a company, partnership, co-operative society or professional body may be fined up to RM500,000, where applicable. Section 83 may also extend liability to responsible directors and management persons, subject to the statutory defences.
Section 85 Administrative Non-Compliance	The relevant authority may impose an administrative penalty for failure to comply with instructions, circulars or guidelines issued under the Act, or for contravention of regulations made under the Act. A written notice must first be issued, allowing the person 14 days from the date of the notice to show cause.	The authority may impose a penalty of up to RM25,000 or up to RM500 for each day of non-compliance, subject to an aggregate maximum of RM50,000.	The administrative penalty applies to any person. Section 85 does not prescribe a separate penalty for corporate entities.

Source: Ministry of Finance, Malaysia

G. Supporting Socioeconomic Objectives

While Act 882 incorporates international best practices, including the UNCITRAL Model Law on Public Procurement² and World Bank best practices, the Government remains committed to advancing Malaysia's socioeconomic agenda through government procurement. Specifically, Section 29 empowers the Minister, Menteri Besar or Chief Minister where it is considered to be in the national or state interest, to encourage, promote, stimulate or facilitate social, economic and environmental development. This provision provides the flexibility to support procurement policies and measures such as preferences for Bumiputera, locally manufactured goods, MSMEs and Government Green Procurement. Embedding these socioeconomic objectives within the procurement framework enables public expenditure to contribute to broader national development outcomes without compromising transparency, accountability and best value for money.

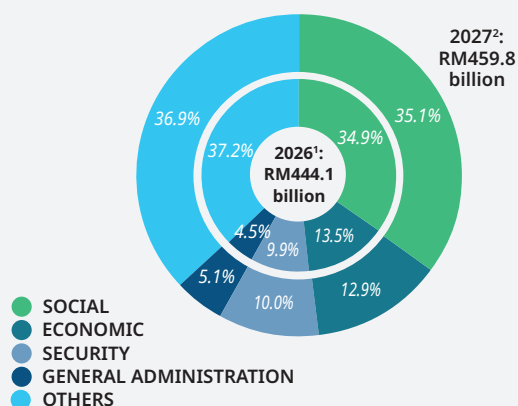
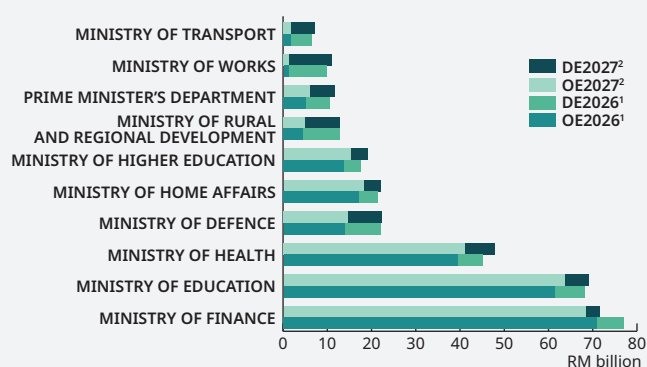
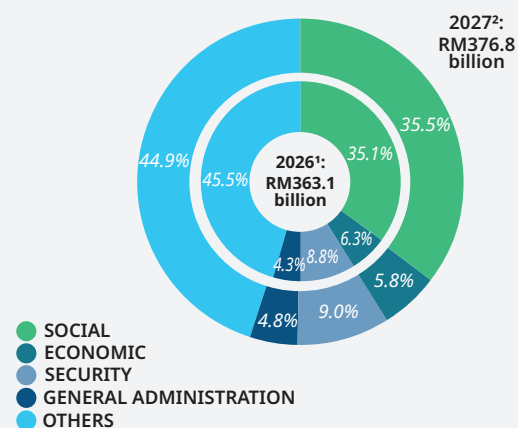
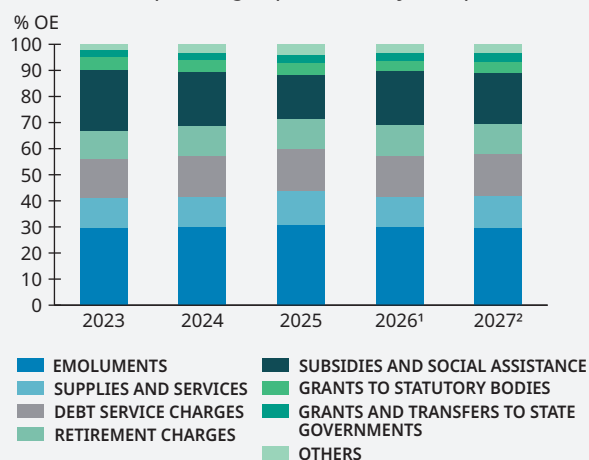
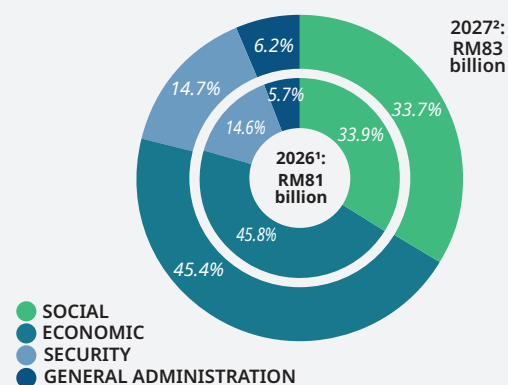
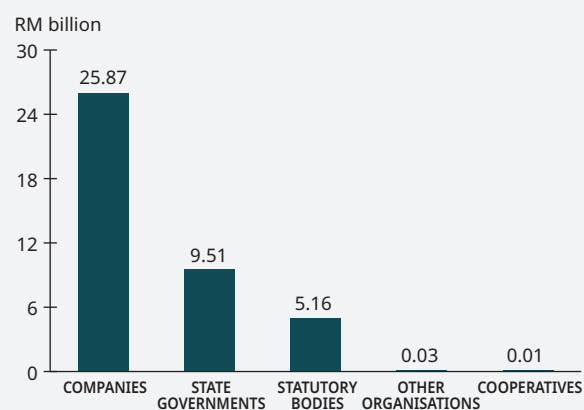
Conclusion

Act 882 is an important legislative reform that provides a critical framework for establishing and strengthening a fair, transparent, accountable, dynamic and high-integrity procurement ecosystem. By strengthening regulatory safeguards, government funds can be optimised to support public infrastructure, enhance the country's global competitiveness and advance national development priorities. The Act provides greater policy and administrative clarity in governing the discretionary powers of the Minister of Finance, thereby strengthening public financial management governance in line with the objectives of Act 850. Overall, these reforms strengthen the foundations of sound public financial management, support the aspirations of the Ekonomi MADANI framework and contribute towards a more sustainable, resilient and prosperous Malaysia.

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² The UNCITRAL Model Law on Public Procurement (2011) provides a model framework in formulating modern public procurement legislation, promoting value for money, competition, fairness, integrity and transparency.

FIGURE 3.1. Total Expenditure by Sector**FIGURE 3.2. Total Expenditure by Ministry and Agency****FIGURE 3.3. Operating Expenditure by Sector****FIGURE 3.4. Operating Expenditure by Component****FIGURE 3.5. Development Expenditure by Sector****FIGURE 3.6. Federal Recoverable Loans by Debtor³**¹ Revised estimate² Budget estimate, excluding Budget 2027 measures³ Total outstanding as at end-2025

Source: Ministry of Finance, Malaysia