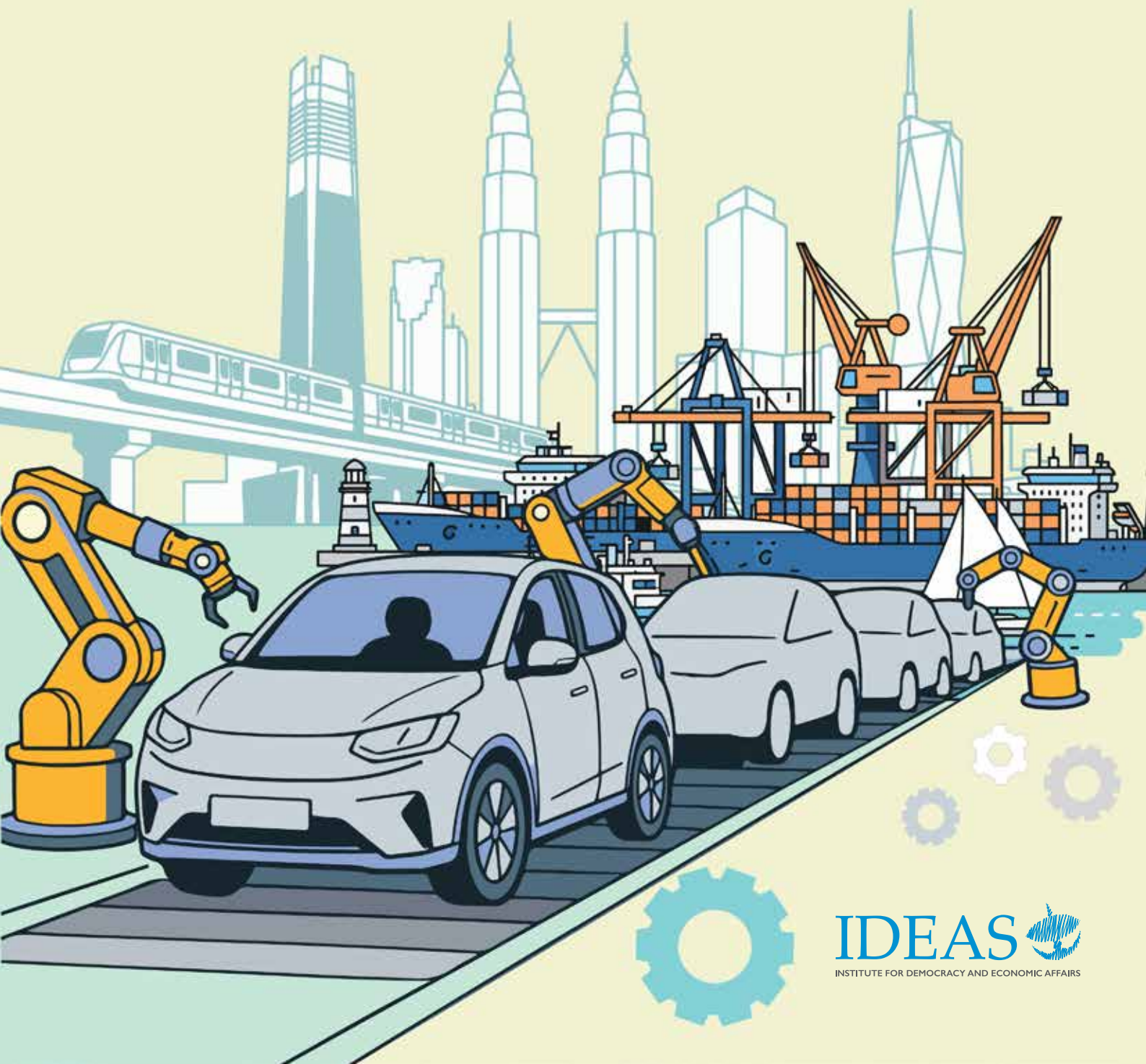


March 2026

The Bumiputera Vendor Development Programme (VDP) in Practice: Selection, Development and Graduation



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Executive Summary

Malaysia's decades-old policy to empower Bumiputera participation in enterprise remains a polarising subject. Arguments surrounding discrimination, need, and merit often see participants raise voices in lieu of raising evidence. Constructive debate would benefit from addressing the scarcity of robust investigation into specific policies and their intent, design and impact.

Bumiputera enterprise development programmes operate in specific ways that deserve individual critical assessment. The Vendor Development Programme (VDP), also known as Bumiputera Vendor Development Programme (BVDP), is a supply chain development initiative that connects small and medium enterprises (SMEs) with anchor companies – primarily Government-Linked Companies (GLCs) – in Malaysia. The programme is designed to integrate SMEs into high-value industrial ecosystems through structured procurement relationships, with the objective of nurturing resilient and globally competitive Bumiputera firms. In recent years, the Program Pembangunan Vendor (PPV) and Program Pembangunan Kapasiti Vendor (PPKV), has emerged as a complementary initiative within the VDP ecosystem that focuses on capability building of participating vendors through upskilling, certification and fostering international market readiness.

Despite its scale and longevity, there has been limited systematic evaluation of how VDP has been governed, implemented, and whether it has delivered outcomes for participating vendors. This paper estimates that approximately 40,000 vendor companies with 124 anchor companies have participated in the VDP or BVDP since its inception. Yet very little is known about the outcomes of most participating vendors, with selective and incomplete reporting remains the norm for the programme.

This paper evaluates the governance and implementation of the VDP against its mandate to raise Bumiputera enterprise participation and competitiveness. It assesses whether the programme advances Bumiputera economic participation while also building firms to become competitive in wider supply chains without continuing assistance. The effectiveness of the programme therefore depends on how well its governance and implementation reconcile and balance these empowerment and competitiveness objectives in practice.

The paper adopts an evaluative framework covering the programme's key stages: vendor selection, development and performance, and graduation. It also examines whether credible graduation pathways exist and whether firms demonstrate sustained improvements in competitiveness and market viability after exiting the programme. The analysis draws on multiple sources, including national development plans and policy documents, VDP guidelines, Government-Linked Companies Transformation (GLCT) Programme report cards, annual reports of selected GLCs over the past five years, historical records tracing the programme's evolution since the 1980s, and qualitative insights from focus group discussions.

The findings indicate that significant governance and oversight gaps persist that impede the maximisation of vendor outcomes. Vendor selection criteria, performance indicators, and graduation requirements have not been consistently applied or disclosed. Independent assessment of programme effectiveness is further constrained by uneven and limited performance disclosures, with little systematic information on vendor performance, graduation rates, post-graduation trajectories, or even the Bumiputera status of participating vendors. These shortcomings not only prevent impartial assessment of programme performance but suggest those running the programme are operating under unclear and misaligned objectives, have inadequate monitoring processes, and are overseeing suboptimal outcomes for a programme of this maturity and magnitude.

For VDP to function as an effective and credible policy instrument, four broad recommendations are proposed. Firstly, the tracking of vendors from entry through to graduation and post-programme outcomes requires significant uplift. Success and impact measurement needs deeper and more consistent data across participating firms, especially to capture performance at the vendor cohort level. Second, clearer graduation pathways and timelines accompanied by transparent post-graduation benchmarks would focus efforts on developing vendor competitiveness. A structured exit and transition framework would also ensure that continued relationships with high-performing vendors do not crowd out opportunities for new programme entrants to be developed. Thirdly, greater harmonisation across ministries and implementing agencies is necessary. The coexistence of parallel programmes with similar modalities risks duplication, inconsistent reporting, and blurred accountability. Finally, transparency and data availability should be enhanced for all stages of the programme lifecycle to support evaluation and accountability. One approach would be to uplift the existing centralised vendor database and make it accessible to relevant oversight bodies; and, with appropriate data anonymisation, make it publicly available to encourage independent monitoring and assessment of programme performance.

1. Introduction

The Vendor Development Programme (VDP) is a long-standing development initiative aimed at integrating small and medium enterprises (SMEs) into supply chains that support high-growth, high value (HGHV) industries. Bumiputera enterprises are embedded into the supply chain of sponsoring anchor firms, mostly large GLCs and some multinational corporations (MNCs), with preferential and secure procurement access together with capability building forming the bedrock of support. Vendors are initially expected to produce parts and components for the anchor firm, but are later required to leverage this security to develop supplier relationships with large local firms and to penetrate international markets (and in rare cases evolve into Own Brand Name (OBN) manufacturers) (Abdul Hamid, 2003). Under the National Entrepreneurship Policy 2030 (NEP 2030) (MEDAC, 2019), the VDP remains a major and potentially expanding policy lever for developing Bumiputera vendor networks, using government procurement platforms to strengthen capacity, capability, and scale.

At its core, the VDP pursues two interrelated objectives. First, it functions as an economic empowerment mechanism for Bumiputera entrepreneurs, providing an entry pathway into strategic industries by linking them to established anchor companies, primarily GLCs. Second, it seeks to strengthen domestic supply chains by ensuring that anchor firms have access to reliable, cost-competitive and quality-assured local suppliers. These dual objectives create an inherent policy tension between Bumiputera participation and competitiveness. On one hand, Bumiputera vendors receive targeted support and a degree of protection from open market pressures to enable learning and capability development. On the other hand, anchor firms are expected to operate efficiently and competitively, relying on vendors that deliver reliable and quality inputs to their production.

Since its early inception during Malaysia's Medium- and Long-Term Industrial Master Plan, 1986-1995 (IMP) phase, the programme has gone through various revamps to increase emphasis on vendor selection, evaluation and flexible tiering (that is, separating vendors into tiers that work directly with the anchor firm or indirectly through other vendors) in its implementation. Under the Government-Linked Company Transformation (GLCT) framework and later, the Ministry of International Trade and Industry (MITI) framework—formally known as the National Vendor Development Programme (PPV) Guidelines or (Garis Panduan Program Pembangunan Vendor, hereafter referred to as the MITI National guidelines, the architecture of the programme evolved to incorporate more explicit notions of progression and tiering. Notably, the concept of “graduation” became more prominent under the GLCT framework. This marked a second evolution in vendor classification, in which vendors could progress into higher-status tiers based on demonstrated performance and capability. Under the GLCT framework, this progression involved reclassification as a preferred vendor; under the MITI framework, the structure is expanded further to include both preferred vendor and strategic partner tiers.

However, despite this growing emphasis, graduation was not consistently embedded in formative policy documents with clearly defined timeframes and explicit performance benchmarks.

Despite its longevity, scale and policy prominence, the effectiveness of the VDP in producing sustainable vendor outcomes remains unclear due to reporting weaknesses. The programme has historically emphasised clear, measurable targets for Bumiputera participation, with reporting driven by indicators such as the number of Bumiputera vendors participating or graduating, as well as procurement-based measures such as the share of Bumiputera procurement. Its competitiveness objectives, however, including cost efficiencies, firm growth, client diversification, internationalisation, and the cessation of VDP support do not appear to have been systematically operationalised. It is estimated that tens of thousands of vendors have participated in the programme since its inception, yet publicly available information on vendor progression, attrition, and post-graduation outcomes remains limited.

Evaluations have raised concerns about the programme's ability to effectively promote competitive Bumiputera enterprises. Earlier VDP focusing on electrical and electronic (E&E) and automobiles saw participating vendors struggling to secure a sustained presence in the supply chain (Gomez, 2022, p. 18). Assessments covering the GLCT period note ambiguous targets and inconsistent measures of success with programme effectiveness often measured through graduation initiative, access to government grants and receipt of awards rather than demonstrable commercial independence (Abdul Kadir and Tasnim, 2020; Ahmad, 2008).

Empirical studies provide some tempered evidence that vendors develop and maintain significant dependence on anchor firms. Abdullah and Maharjan (2003), examining local vendors participating in PROTON-linked vendor development arrangements found that approximately 53% of surveyed vendors rely heavily on PROTON for business. Similarly, Abdul Kadir and Tasnim's (2020) study of 50 Boustead Naval Shipyard (BNS) vendors concluded that 23 remained unable to diversify their market and continued to depend on BNS for the majority of their revenue. However, these findings do not clearly differentiate vendors by cohort or duration of programme participation, thus, it remains unclear whether vendor dependency is linked with their progression in the programme or a deeper structural reliance on anchor firms.

Evidence of questionable outcomes together with the VDP's competing policy objectives cast doubt on whether the governance and implementation of the VDP supports sustainable vendor development. The tension between empowering Bumiputera participation and achieving market competitiveness is reflected in how the vendors are selected, developed, evaluated and ultimately graduate from the programme. Although publicly disclosed programme guidelines articulate the stages of selection, performance evaluation and graduation, it remains unclear whether monitoring, evaluation, and refinement practices are sufficient to achieve intended outcomes from the vendor and national policy perspective.

This paper examines the VDP through a governance and implementation lens, focusing on its three core stages: vendor selection, development and performance, and graduation and post-graduation outcomes. By assessing how these stages are captured in policy and applied in practice, it analyses whether the current structure of the VDP enables meaningful evaluation, supports sustained vendor competitiveness, and effectively reconciles the programme's dual objectives of Bumiputera economic participation and competitiveness.

2. Vendor Development Programme (VDP) : A Brief History

Since its inception four decades ago, the Vendor Development Programme (VDP) has been among the key policy mechanisms deployed with the purpose of strengthening Bumiputera SMEs' participation in strategic economic sectors. GLCs were positioned as strategic anchors tasked with advancing the national agenda of Bumiputera economic participation by engaging Bumiputera SMEs as their suppliers. A preferential procurement agreement with a major GLC provided secure entry into targeted, high value sectors. The VDP was to serve as a foundation for Bumiputera businesses to gain broader market access, capability building, and ultimately commercial independence (Ministry of International Trade and Industry (MITI), 2015).

The implementation of VDP has closely aligned with broader national development goals, particularly to foster the growth of SMEs and to reduce reliance on imported goods. Initially embedded within the IMP as part of Malaysia's National Car Project in 1985, it sought to develop an automotive components sector to supply PROTON (Anazawa, 2021). The VDP featured prominently again in the Bumiputera Commercial and Industry Community (BCIC) policy introduced in 1995, which placed greater emphasis on fostering SME development (Gomez et al., 2017). The programme has since expanded beyond automotive manufacturing into sectors such as E&E, rubber, plastics, and light engineering, and it is associated with the development of a growing base of Bumiputera manufacturers and suppliers (Abdul Hamid, 2003). The most recent expressions of the VDP's purpose emphasise HGHV industries such as aerospace, renewable energy, rail and automotives (MEDAC, 2019), reflecting Malaysia's contemporary industrial priorities.

VDP operates by integrating Bumiputera SMEs into the supply chains of large publicly owned companies designated as 'anchor' firms. While the programme was framed generally with the intention of making it Bumiputera-exclusive, implementation shortcomings meant non-Bumiputera firms were also likely able to participate in practice. The earliest example of this model is the PROTON component schemes in 1988 (Abdul Hamid, 2003), where PROTON was expected to support the development of vendors within its supply chains by offering guaranteed procurement arrangements. PROTON was also expected to provide technical, financial and capability-building support to develop vendors (Abdullah et al., 2008). Vendors were expected to adopt the operational standards, quality requirements, and delivery benchmarks of the anchor firms, gradually improving their competitiveness and reliability as suppliers for the anchor and other firms (Abdul Hamid, 2003). Anchor firms benefit from the development of a dependable local supply base and greater alignment with domestic industrial objectives.

Subsequent policy reforms reinforced and expanded this approach. The GLCT positioned the G20¹ GLCs as engines of growth and as instruments to advance government policies. This was most visibly operationalised through the introduction of the "Red Book", produced by the Putrajaya Committee on GLC High Performance (PCG, 2006), which

¹ G20 is a selection of large GLCs controlled by Government-Linked Investment Companies (GLICs) under the GLCT Programme. Originally composed of 20 GLCs, however, it currently has 17 GLCs due to various mergers, demergers and other corporate exercises over the years (Khazanah Nasional, 2013).

set out best practices for procurement-led vendor development. The Red Book provided structured guidance for GLCs on vendor selection, performance monitoring through Key Performance Indicators (KPIs), and defined pathways for vendor graduation.

Under subsequent policy frameworks, such as the New Economic Model (NEM) introduced in 2010 and the Bumiputera Economic Empowerment (BEE) agenda in 2013, there was an explicit call for major GLCs to strengthen and expand the VDP initiative. GLCs including PETRONAS, Tenaga Nasional Berhad, Telekom Malaysia, Axiata, UEM Group, Sime Darby, and FGV were specifically mobilised to support the VDP (Gomez et al., 2017, pp. 60-61). These efforts pursued a dual objective to build more resilient and competitive domestic supply chains while continuing to advance Bumiputera entrepreneur growth.

At the conclusion of the GLCT programme in 2015, a separate set of guidelines was issued by MITI and competing guidelines began to surface, creating inconsistency risks. The issuance of the National VDP guidelines by MITI reflected a considered recognition of programme design shortcomings learnt under the GLCT. Other ministries appear to begin introducing parallel vendor-oriented frameworks aligned with sector-specific objectives. For example, the Ministry of Defence (MINDEF) launched the Economic Empowerment Program (EEP) to strengthen domestic defence industry capabilities (MINDEF, 2011). The emergence of different guidelines suggest that VDP was increasingly seen as a cross-cutting policy instrument that could spur the national agenda. Whether this broadening mandate was backed by a unified oversight structure or operated in silos under ministry-led schemes is unclear, but it created the possibility of differing and diluting standards.

Oversight of VDP policy was formally transferred to the then Ministry of Entrepreneur Development (subsequently renamed the Ministry of Entrepreneur Development and Cooperatives (MEDAC)) between 2018 and 2019 under the National Entrepreneurship Policy 2030 (NEP 2030). Under this transition, MEDAC was mandated to implement the Program Pembangunan Vendor (PPV) (Parliamentary Response, 14th October 2019), as part of a broader entrepreneurship policy agenda.

Whether PPV utilises a different set of guidelines remains unclear. To our knowledge, the only publicly available guidelines remains the earlier framework developed under MITI, with no revised public documentation released by MEDAC. The programme was expanded to include more anchor firms from among GLCs, multinational corporations (MNCs), public listed companies (PLCs), *Juara Vendor* firms (believed to be graduated vendors), and selected private companies (Parliamentary Response, 14th October 2019). There is also greater emphasis on capacity building through skills upgrading under the Program Pembangunan Kapasiti Vendor (PPKV) and on research and development through the Geran Inovasi dan Pengkomersialan Vendor (GIPV) (Vendor Innovation and Commercialisation Grant). The PPKV guidelines appear to relate specifically to grant-based assistance and are retrievable via SME Bank (2022), whereas the GIPV guidelines are published separately (MEDAC, n.d.).

The transfer of responsibility has not eliminated institutional ambiguity surrounding VDP oversight but made it increasingly visible, particularly where ministerial mandates appeared to overlap or diverge. Parliamentary responses in 2024 illustrate this tension. The then

Minister of MEDAC stated that the VDP was not administered by the ministry, and that since 2018, it has instead implemented the PPV. However, the response also indicated that vendor selection was conducted by the ministry and anchor companies that would evaluate through their Internal Credit Unit to determine eligibility of procurement access and tenders (Parliamentary Response, 27 March 2024). In the same year, MITI referenced VDP as an attempt to integrate domestic firms with multinational and large local companies in the semiconductor industry, with MEDAC implementing trade missions for the automotive industries (Parliamentary Response, 4th July 2024). The programme currently appears to be operating under different ministerial purviews as similar but unsynchronised schemes. With it VDP has been reframed under an expanded role that encompasses supply chain management to more extensive assistance designed to strengthen vendor's competitiveness and market participation, both domestically and internationally.

Under the latest Bumiputera policy blueprint, the VDP has a more narrowed emphasis but stays true to the programme's core mechanisms. Vendor-related objectives remain part of the Bumiputera Economic Transformation Plan 2035 (PuTERA 35) launched in 2024, but they have been focused on the provision of matching grants for training and skills upgrading. While the objective of strengthening Bumiputera participation remains intact, the policy increasingly emphasises capability and capacity building to foster vendor competitiveness.

Building on the emphasis on capability development, the 2025 Government-Linked Enterprises Activation and Reform Programme (GEAR-uP), led by the Ministry of Finance (MOF), mobilises GLCs and GLICs under the "Raise the Floor" theme to strengthen Bumiputera enterprise development. While aligned with the broader inclusion agenda, one of the programme's commitment is to develop 10 Bumiputera corporate champions within five years. The GEAR-uP Progress Report (MOF, 2025) further indicates that anchor-firm procurement networks remain central to implementation. The programme focuses on targeted support in areas such as capital support, network access, and regulatory facilitation. Anchor firms such as UEM Group Bhd (UEM Group), the infrastructure arm of Khazanah Nasional Bhd, has leveraged VDP to empower Bumiputera entrepreneurs (The Star, 2025), illustrating how the existing programme is being integrated.

Overall, reforms across four decades have seen VDP evolve from a targeted supply-chain initiative (automotive, E&E) to a broader mechanism aspiring for Bumiputera competitiveness across a wide range of HGHV industries. Its core objective remains integrating vendors into anchor firms' supply chains where they benefit from market access and capability building support. But modern policy iterations appear weighted more towards fostering competitiveness over participation.

There nevertheless remains limited systematic evidence on whether governance improvements have translated into long-term, sustainable outcomes for vendors. A fundamental gap exists in assessing whether VDP is advancing both Bumiputera participation and competitiveness. How policy tensions are managed in practice, how vendors are selected to ensure readiness and growth potential, and whether programme design is conducive to producing sustainable and competitive enterprises rather than fostering long-term dependency on anchor firms are all questions requiring further scrutiny.

3. Research Objectives, Data and Methodology

To explore these questions, this paper examines how the VDP is governed and implemented across the key stages of vendor selection, performance and capability development, and graduation and post-programme outcomes. It examines whether prevailing settings allow for a credible assessment of delivery against the VDP's dual objectives of Bumiputera enterprise empowerment and competitiveness uplift. It evaluates how objectives have been articulated, measured, and monitored across major policy iterations.

The paper draws on data collected between November 2024 and June 2025 from publicly available government documents. Sources include Malaysia Plans, formal policies and guidelines including the Red Book and MITI guidelines, annual reports of G20 GLCs (for the period after the GLCT from 2019-2023), GLCT report cards and plans. Insights were also gathered through a focus group discussion (FGD) conducted in August 2025 with selected stakeholders involved in Bumiputera enterprise and trade support.

In lieu of data allowing for the assessment of scheme or firm-level performance outcomes directly – which does not exist publicly – the paper examines whether the programme's design and reporting incorporates clear features and governance indicators consistent with delivering positive outcomes for Bumiputera vendors. The analysis focuses on GLCs that currently operate, or have historically operated as VDP anchor firms, with particular emphasis on those that participated in and graduated from the GLCT programme.

The following were specifically assessed at each of the three key stages of the VDP:

1. **Selection:** The clarity and consistency of eligibility criteria, including the balance between merit-based considerations and participation objectives.
2. **Development and Performance:** The availability of development opportunities for participating vendors, how this translates into KPIs and the adequacy of performance monitoring and evaluation.
3. **Graduation and Outcomes:** The definition of graduation, transition pathways and evidence of post-graduation outcomes.

The following section presents the findings on what is currently known and documented about the VDP, before examining how governance and implementation unfold across these three stages.

4. Assessment of VDP performance

4.1 The Vendors and Anchor Companies

A significant barrier to assessing the performance of the VDP is the absence of accessible and reliable data. There is no single consolidated source or central repository that documents the number of vendors that are selected for, participate in, or graduate from the VDP, let alone provide data on firm-specific outcomes. Aggregate figures are reported intermittently across Malaysia Plans, ministerial statements and corporate disclosures, but these are neither comprehensive nor consistently reconciled over time. The fragmented governance landscape similarly contributes to data incoherence and definitional confusion regarding what the VDP constitutes at present. This results in incomplete and inconsistent programme tracking and limited data accessibility.

Estimates compiled from publicly available sources suggest that more than 40,000 vendors and at least 124 anchor firms have participated in the VDP or related vendor development initiatives since the 1980s.² The programme has a broad sectoral footprint spanning the automotive sector including PROTON, Perodua and UMW, oil and gas through PETRONAS, energy via TNB, telecommunications through TM and Axiata as well as engineering, plantations and construction involving Boustead, FGV, UEM Group and Sime Darby. More recently it has extended into pharmaceuticals, Halal food and green technology.

Reporting by GLCs only provides aggregate vendor participation numbers and no information regarding their characteristics (see Table 1 for a non-exhaustive list). It remains unclear from various publicly available disclosures how many participating vendors are newly onboarded, how many vendors have been reclassified under the programme as preferred vendors or strategic partners. Under the MITI National framework, among other eligibility criteria, a preferred vendor is a firm that achieves at least 50% market share in their product or service category, and limited dependence on anchor firm contracts to no more than 50% of total contracts. A strategic partner is a vendor that demonstrates a higher level of market dominance and interaction within the supply chain. They are expected to hold up to 90% market share in their product or service category and limited dependence on anchor firms contracts to no more than 10% of total contracts.

The extent to which vendors continue to operate within the GLC supply chains as legacy vendors in the VDP remains unclear. The absence of differentiated data impedes assessment of whether the initiative is contributing to the development of competitive Bumiputera firms or merely creating vendor dependency on preferential procurement access.

² Developed from multiple documents including 5th, 6th, 7th, 8th, 9th, 10th, 11th Mid Term, 12th Malaysia Plans, National Entrepreneurship Policy 2030 Hala Tuju Transformasi Ekonomi Bumiputera (TERAJU), Parliamentary responses.

This paper’s composite estimates should be interpreted with caution as they are grounded in unverifiable information. Aggregation rests on an assumption that policy documents use related terms such as PPV, VDP and BVDP interchangeably and count participants relatively consistently despite being under multiple ministerial purviews. Inconsistent terminology creates challenges in accurately identifying the number of participating Bumiputera vendors and complicates efforts to construct a longitudinal dataset.

Table 1: Vendor Participation in VDPs (Latest Public Disclosures)

Areas	GLC	Number of known vendors
Oil, Gas & Energy, Greater Kuala Lumpur Klang Valley, Education	Tenaga Nasional	3,639 (2024)
Wholesale and Retail, Healthcare, Palm Oil & Rubber	Sime Darby	1,630 (2022)
Communications Content & Infrastructure	Axiata (Celcom)	50 (2021)
Business Services, Wholesale & Retail	UEM	21 (2025)
Communications Content & Infrastructure, Education, Business Services	Telekom Malaysia	Over 400 (2018)
Palm Oil & Rubber, Business Services, Maritime Defense	Boustead	1,983 (2022)
Automotive, Oil, Gas & Energy	UMW	385 (2022)
Automotive	Proton	18 (2022)
Oil and Gas	Petronas	170 (2025)

Source: Annual reports, websites, newspaper clippings of the selected GLCs including Ikram (2025) and Lee (2025).

The absence of graduation numbers and metrics capturing enterprise outcomes is despite their being stated programme objectives. Only the earliest VDP frameworks emphasised supply-chain integration alone, with later policy references increasingly focused on vendor progression, reduced dependency, and the development of regional or global champions. That is, there was a clear expectation that vendors were to graduate or progress towards commercial independence and reduced dependency on anchor firms. However, graduation figures and transition rates are rarely disclosed. There is also little systematic evidence on post-programme outcomes including whether vendors were

able to diversify their client base and compete in wider markets without the continuing support of anchor firms.

To situate the consequently qualitative-focused analysis that follows, Figure 1 presents the VDP stages and their evaluation across three major policy reform periods: the early PROTON-pioneer, the GLCT, and the post-2015 (otherwise known as the MITI) periods. These distinct periods highlight changes in the criteria and processes that governed the programme's selection, performance, and graduation, delivering modest improvements to programme governance.

Figure 1: Evolution of the VDP by Stage and Period

	Vendor Selection Criteria	Vendor Development Benchmarks	Vendor Graduation Goals
PROTON	<ul style="list-style-type: none"> Feasibility assessment ("4M", Man, Machine, Material and Method Framework) Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis Price and cost evaluation 	<ul style="list-style-type: none"> Quality Cost Delivery (purchasing plan of suppliers, punctuality of shipment submission) 	Partners
GLCT	<ul style="list-style-type: none"> Product Selection Vendor Selection (pre-qualification and detailed evaluation e.g. site visits) 	<ul style="list-style-type: none"> Vendor-anchor agreed KPIs Price competitiveness Product quality Service levels Revenue diversification beyond VDP Financial performance (audited financial statements) 	Preferred vendors
MITI	<ul style="list-style-type: none"> Annual sales, number of employees, equity and product/ service market as follows: <ol style="list-style-type: none"> Manufacturing sector, annual sales not exceeding RM 50 million or number of full-time employees not exceeding 200 employees Service sector and other sectors, annual sales not exceeding RM 20 million or number of full time employees does not exceed 75 employees Sector-specific thresholds (manufacturing and services only) minimum Bumiputera equity ownership (51 per cent) Bumiputera representation in management and the workforce 	<ul style="list-style-type: none"> Return on Capital Investment (ROI) Sustainability and growth potential Technical capability and quality certification Market share Dependency on anchor contracts Achievements on agreed upon KPIs Standardised diagnostic tools such as the SME Competitive Rating for Enhancement (SCORE), used to rate and enhance competitiveness of MSMEs based on their performance and capabilities Business Excellence Framework (BEF), a holistic tool used to advance organisations to the next level 	Preferred vendors Strategic Partners

Source: Abdullah et al. (2008), Abdullah & Maharjan (2003), MITI Guidelines (2015), The Red Book (PCG, 2006).

For completeness, MEDAC administers a similar programme under the PPV, but publicly accessible guidelines detailing enforceable implementation rules are limited. While the programme appears to operate under a comparable anchor-firm model, vendor selection is subject to screening by the ministry and followed by anchor companies' evaluation. Similarly, in recent initiatives such as GEAR-uP, there are indications that participating firms may be supported through contract-based arrangements that mirror elements of the VDP structure within the broader reform framework. Anchor firms, including UEM, appear to be utilising the VDP model as part of a wider GLC–GLIC reform agenda (The Star, 2025). However, beyond the 2025 Progress Report (MOF, 2025), detailed operational frameworks and information on the selection procedures and nomination process intended to cultivate the next generation of Bumiputera champions are not publicly available. In the absence of publicly available procedural documentation these programmes are excluded from this paper's analysis.

4.2 Selection and Entry into VDP

The selection stage provides a critical filter with significant consequences for later success or failure. It determines which firms gain entry into the programme and by extension, access to anchor-led procurement and developmental opportunities. Vendor selection can be considered as the primary lever through which the programme operationalises its Bumiputera participation aspects and an early gatekeeper for unviable vendors. Sound criteria and effective screening at this stage is crucial to choosing participating vendors that balance empowerment needs with solid prospects for developing sustained capability beyond anchor dependency.

In the early iterations of the VDP, particularly during the early PROTON experiment, stated vendor selection criteria reflected a dual emphasis on both participation and competitiveness. However, enterprises that made it into the assessment phase found that the competitiveness criteria appeared more prominently. Selection typically involved a feasibility assessment based on the "4M" framework (Man, Machine, Material, and Method), complemented by a SWOT analysis of firm strengths, weaknesses, opportunities, and threats. This was followed by an evaluation of the prices and costs at which component parts could be delivered against target costs outlined in cost estimation review tables (Abdullah et al., 2008). Despite target costs forming a critical indicator of the balance between empowerment and competitiveness at the entry stage, the basis on which they were determined was not clearly documented. It is unclear whether target costs were set above prevailing market rates or differentiated for Bumi enterprises. Vendors meeting these criteria were appointed as suppliers for specific components, after which development assistance would commence — from pre-production through mass production and beyond (Abdullah et al., 2008).

The selected vendors were expected to agree to procurement contracts that embedded efficiency gains into product pricing. Available evidence suggests that vendors were expected to converge towards competitive pricing under formal tender conditions.

In the automotive sector, PROTON reportedly included annual price reductions of approximately 3 per cent on vendor contracts (Abdullah et al., 2008). It is not explicitly clear whether contracts included formal guarantees or expectations regarding volume. These arrangements, however, may have led to vendors scaling up production as PROTON increasingly sourced domestically to avoid the high costs of critical components (Abdullah et al., 2008). Recent examples such as TNB's vendor guidelines similarly requires bidders to submit detailed cost proposals through digital tender systems (TNB, 2024). This suggests that while acceptance into VDP may have been framed around participation objectives, contract allocation and retention may also be governed heavily by expectations around competitiveness. However, the balance struck between the two is harder to assess in the absence of transparent documentation on the target costs.

Sectoral differences must be explicitly accounted for when assessing programme design and outcomes across the different programme iterations. Historically, anchor firms such as PROTON and TNB that operated in technology-intensive sectors such as automotive manufacturing and utilities were structurally bound by stringent requirements. Conditions in turn shaped vendor selection criteria, performance benchmarks, and progression pathways; often imposing higher technological and quality thresholds. By contrast, the GLCT manual that governed vendor selection from 2005 to 2015 was designed as a cross-sectoral governance framework, intended to apply broadly across multiple industries, including manufacturing and services. As such, it provides more generalised guidance that may not fully capture the operational realities of highly specialised sectors.

Vendor selection criteria during GLCT were nonetheless stringent and formalised. These included an assessment of financial health, management capability, business and shareholder track records, and the quality of business plans. The 2015 graduation report noted that GLCs had strengthened transparent tender processes and introduced more systematic screening of vendors (PCG, 2015). Compared to the earlier phases, these criteria appear to raise competitiveness expectations.

At the same time, the GLCT Red Book (PCG, 2006) formalised vendor selection principles and added a strategic or security dimension. GLCs implementing the VDP initiatives were encouraged to base their selection on whether the products that supported the nation's development, offered potential for local value addition, and were required on a sustained basis over the longer term. Participating GLCs were also encouraged to have VDP and Bumiputera Vendor Development Programme (BVDP) vendors to identify product categories that strengthened security of supply while generating market intelligence.

While competitiveness appears to be safeguarded through more visible institutionalisation, it is less clear how participation is operationalised beyond initial access. VDP eligibility across its various policy iterations has generally been restricted to Bumiputera-owned enterprises (e.g., PCG, 2006; MITI, 2015). Although the programme is often situated within broader SME development discourse, formal guidelines particularly during the GLCT period explicitly framed it as a BVDP.

Policymakers and anchor firms raised concerns that selection processes were being circumvented to support access beyond Bumiputera enterprises. There were allegations (Mohd Aris, 2013; The Red Book, 2006, p. iii) that proxy or non-genuine Bumiputera vendor firms that satisfied formal ownership thresholds but lacked substantive Bumiputera control or operational capacity were slipping through the cracks. The Red Book (pp. 43–44) sought to address this risk by requiring stricter due diligence procedures to verify genuine ownership structures and assess firm capability prior to selection. This included scrutiny of shareholder composition, management control, financial standing, and production readiness. The Red Book and subsequent MITI National guidelines (minimum Bumiputera equity ownership of 51 per cent, and Bumiputera representation in management and the workforce) thereby anchor inclusion firmly in identity-based eligibility criteria, though implementation questions remain.

Even if it is assumed that VDP selection is conditional on being a Bumiputera firm and implementation has effectively policed this, empowerment still requires participation from Bumiputera vendors that would benefit from the uplift. If GLC anchor firms select vendors that are already market competitive – which it would be very much in their interests to do – the VDP would deliver no discernable benefit from a Bumiputera advancement standpoint. The MITI selection criteria, for example, suggests a skew towards firms that already demonstrate a baseline level of competitiveness. This implies that anchor firms are likely to select vendors who can reliably meet their requirements. Likewise, if GLC anchor firms were compelled by the government to select Bumiputera enterprises that stood little chance of success – due to insufficient business acumen or checkered histories that impede later market expansion, for example – it would equally deliver little empowerment while eroding GLC competitiveness. In practice, the selection process appears simultaneously aiming to satisfy government objectives and the commercial interests of the anchor firms.

Given the underlying incentives for GLCs to tend in a competitiveness direction, selection criteria have increasingly emphasised performance. During the GLCT era, a stronger emphasis on performance manifested through selection criteria prioritising demand for specific supplies and firms having a clear commercial rationale. The MITI National guidelines set a threshold for firm size and sector (manufacturing versus services) based on the annual sales and number of employees, based on the sector. However, limited information is publicly available on how vendors are selected into the VDP itself, including the criteria applied or the rigour of the assessment process.

With the MITI National guidelines, being the only publicly available framework of recent times, the selection of participating Bumiputera vendors may still be governed by criteria on ownership, company size, and annual sales as specified in the document. Other guidelines, such as those issued by MEDAC under the GPPV, effectively reference the National guidelines while documents under SME Bank (e.g., PPKV) appear to relate to grant-based or supplementary programmes rather than selection into the main VDP. The MITI National guidelines suggests a stronger focus on Bumiputera ownership and compliance thresholds. This reflects a recurring tension inherent in Bumiputera

development policies but also GLC imperatives: the need to widen participation while simultaneously nurturing firms capable of competing on merit. While participation metrics are frequently emphasised, there remains limited visibility into how the quality of vendor selection is assessed or how selection decisions are linked to subsequent vendor performance and outcomes. Stakeholder feedback from FGD reinforces this observation. This disconnect leads directly to a critical gap in the next pillar of analysis: how vendor development and performance are monitored, evaluated, and measured once firms have entered the VDP.

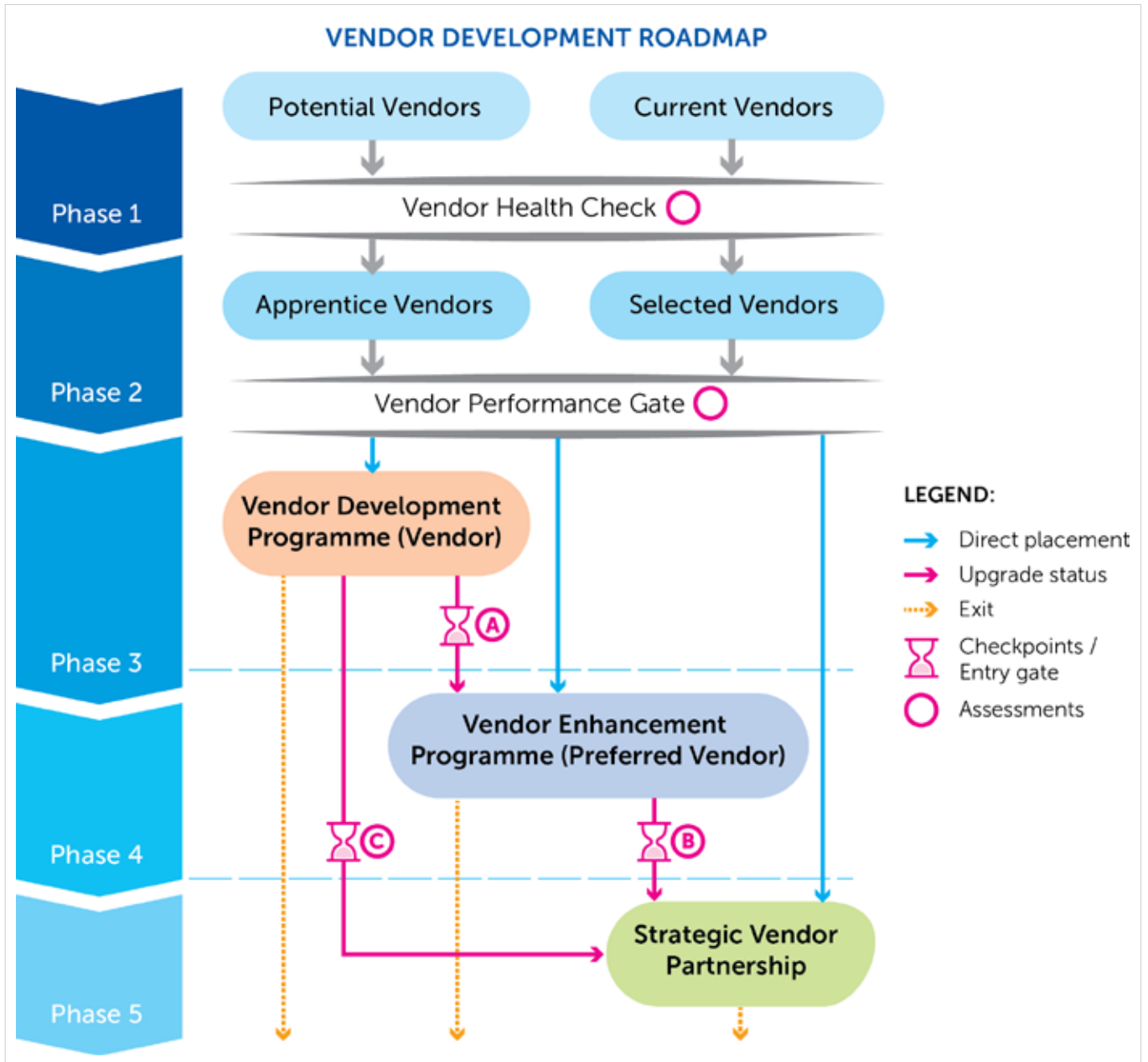
4.3 Developing Vendors and Evaluating Performance

The second stage of the VDP focuses on how the selected vendors are fostered under the patronage of anchor firms. During this stage, vendor participation is expected to translate into capability building through structured procurement access complemented by technical, operational, and managerial support. In principle, vendor performance during this phase should be systematically monitored against agreed benchmarks in order to assess progress and tailor assistance to support readiness for advancement.

Across the various programme periods, procurement access has remained the central instrument of vendor development, although its form has evolved over time. Early iterations adopted a tiered system distinguishing first-tier and second-tier vendors. During the PROTON era, the tiered system structured suppliers into first-tier vendors, supplying PROTON directly, and second-tier vendors, supplying components through first-tier firms. Many first-tier vendors were appointed as strategic parts manufacturers with long-term contracts, securing reliability for the anchor firm but also creating potentially dependent relationship (Abdullah & Maharjan, 2003; Anazawa, 2021). The GLCT then identified vendors that performed well or 'graduated' as 'preferred', reflecting recognition of both performance and commercial readiness.

In later MITI National guidelines, tier status became more formally linked to the percentage of procurement access allocated, with two distinct categories emerging: 'preferred vendors' and 'strategic partners.' Owing to their existing technical capacity or commercial track record, current vendors may be channelled directly into higher-tier initiatives such as the Vendor Enhancement Programme or Strategic Vendor Partnership. This structure suggests differentiated developmental pathways. Rather than a single linear progression model, the roadmap accommodates vendors at varying levels of readiness (see Figure 2). However, in practice, these distinctions only become fully apparent post-graduation, highlighting the programme's continued reliance on procurement as a mechanism to signal vendor capability and progression. The implication is that vendor development is not uniform but tier-sensitive, with progression calibrated to initial capability and industry demands.

Figure 2: Vendor Development Roadmap in National Vendor Development Program (PPV) Guidelines



Source: Adapted from the National Vendor Development Program (PPV) Guidelines / Garis Panduan Program Pembangunan Vendor (PPV) Nasional by MITI in 2015

During the GLCT period, the Red Book reflects a conscious trade off, by prioritising development over providing broad-based participation. The Red Book formalised several strategies aimed at strengthening the effectiveness of vendor support that appears to be adjusted in the later guidelines. These included limiting the number of vendors within each product category to ensure sufficient attention and a meaningful share of procurement spending. This deliberately shows that by narrowing participation, anchor firms could focus on few vendors for intensive support and increase the likelihood that the vendors would achieve the intended commercial outcome. Multi-year contracts, subject to the programme terms, were encouraged to provide vendors with sustained support, recognising that different vendors require varying timeframes to meet required standards while placing responsibility on anchor firms to define clear timelines. Notably, market-related risks were acknowledged, with anchor firms expected to make reasonable efforts to support vendors, rather than allowing premature exit from the programme.

The subsequent MITI National guidelines reflects a subtle shift from the earlier approach. While retaining targeted support, it introduces more explicit conditional rules: contracts may be divided among multiple vendors in a relevant field based on their viability and profitability. Additionally, sole vendors in a relevant field are to be retained without any fixed timeframe. The guidelines also explicitly prioritises existing vendors in limited tender procurements. The approach presents a continued focus on balancing targeted support for vendors and maintaining anchor firms discretion in maintaining programme effectiveness.

This design suggests that following a relatively rigorous selection process, the post-selection period sees vendors afforded greater leniency. Vendors are afforded a degree of protection through anchor firm patronage and rarely cut loose. Such stability may be necessary and beneficial, recognising that capability building and upscaling can proceed at different speeds for different firms. However, reduced competitive pressures under guaranteed procurement arrangements may dampen performance incentives.

The speed at which vendors develop and whether post-selection development is tailored to individual firms is not clear from GLC reporting. The focus of GLC reporting has been on the aggregate not individual performance of Bumi vendors. Efficiencies are disclosed from a GLC rather than a vendor performance perspective, hampering assessment of vendor-level outcomes. It is unclear whether the anchor firms are sufficiently monitoring firm-level performance to provide remedial support for lagging vendors, whether they are deprioritised, or whether they are simply cut loose under competitiveness imperatives.

GLC report cards indicate that G20¹ GLCs spent RM13.3 billion on Bumiputera vendors in 2014, while selected GLCs reported reductions in spare parts prices of up to 30 per cent alongside sales increases of approximately 4 per cent (PCG, 2015). According to Malaysia Productivity Corporation Annual Report (MPC, 2022), savings amounting to RM21 million were achieved between 2014 and 2021 through PPKV. Recent annual reports of GLCs that continue to operate VDPs increasingly disclose headline figures on procurement spending directed to local vendors. These disclosures however are not systematically

linked to firm-level performance indicators. As a result, GLCs gains through cost-saving are periodically documented, but the extent to which individual vendors became more competitive is less known.

Whether anchor firm provision of technical and training support creates pathways to expansion or entrenches dependency is another important question. Anchor firms were expected to invest meaningfully in vendor development by providing technical training, process improvements, and product enhancement among other things. This support is intended to equip vendors with the capabilities to succeed in supply chains both with and beyond the anchor firm. However, firm-specific capability investment could have the opposite effect of vendors doubling down on specialisation with the anchor firm.

An informed answer to this question is impossible from available reporting, which is especially inadequate in detailing support beyond procurement access. Annual reports from selected GLCs over the past five years reference various forms of vendor training, often focused on operational efficiency, regulatory compliance, and more recently, Environmental, Social and Governance (ESG) standards. They offer descriptive disclosures that indicate ongoing engagement with vendors but provide no details on whether the training is standardised across all participants or tailored to specific needs. Information does not detail how support is distributed across vendors, whether evenly or concentrated among a small cohort linked to performance. Similarly, reporting does not clarify whether it is compulsory, conditional, or voluntary in nature. Further, there is limited evidence which demonstrates how these interventions are evaluated, whether they result in measurable performance improvements, or how they contribute to vendor progression within or beyond the programme.

Box Article: Vendor Engagement and VDP Implementation in TNB

Overview

Tenaga Nasional Berhad (TNB) has been a VDP anchor firm since 1994, most recently spearheading efforts to empower Bumi businesses to thrive under the clean energy transition. It has supported 757 Bumiputera vendors as of 2024.

TNB reports aggregate information that shows the scale of its VDP-related activities. Bumiputera vendors accounted for 52.8% of TNB's total procurement expenditure, with this share projected to increase toward the 55% target by 2030. Over the last five years, contracts with all local vendors grossed at RM 9 to 10 billion annually and supported over 10,400 jobs. Cumulatively, from 1994 - 2019, TNB has invested over RM15.4 billion in the programme (BERNAMA, 2019).

Its selection and onboarding approach benefits from comprehensive guidelines and digital platforms. Recent initiatives, including the 2024 Comprehensive Strategic Partner Guidelines and vendor FAQs, further codify processes around registration, renewal, contract management, compliance, and grounds for suspension or termination. Vendor registration is conducted through the Registration of Suppliers (ROS) platform, with selection processes fully digitalised. Complementary systems such as the Procurement Cycle Digitalisation Platform (PCD) (e-tendering support) and the Supply Chain Management System (SCMS) streamline procurement workflows and reduce decision-making opacity.

Bumiputera status remains central to selection at the pre-screening stage, with differentiated job scopes for goods and service providers, Bumiputera Work Contractors (KKB), and Bumiputera Service Contractors (KPB).

Screening criteria at registration and entry largely emphasise legal status, regulatory compliance, and formal registration, rather than demonstrated commercial performance or innovation capability. Firms must be incorporated in Malaysia and registered with the Suruhanjaya Syarikat Malaysia (SSM), the Kementerian Kewangan Malaysia (MOF) and/or the Lembaga Pembangunan Industri Pembinaan (CIDB).

Vendor participation in specific tenders is conducted through the PCD platform and open calls. While this enhances procedural transparency, publicly available information does not indicate how individual vendors are shortlisted under VDP.

In respect of development and support, TNB highlights capacity building efforts that include joint-ventures with high-technology companies, vendor participation in international trade missions (PCG, 2011), green financing assistance, technical certifications, ESG training, and technology transfer.

TNB has a detailed vendor evaluation system but this only applies upon completion of services rendered, limiting ongoing oversight of vendor needs and opportunities for early intervention. The evaluations are more to identify top performing suppliers than support vendor uplift. Evaluation criteria include: (i) price competitiveness of goods and services; (ii) quality of material works or services; (iii) timeliness of goods and services delivery; and (iv) after sales service and technical support.

TNB's assessment of vendor readiness for graduation includes a Return on Investment (ROI) evaluation to determine if capabilities meet markers for progress (Ibrahim, 2014). In some instances, vendors have been recognised as regional or global champions, such as Hyrax Oil (a vendor since 1997) and Indkom Engineering Sdn Bhd (Berita Harian, 2015), reflecting the programme's success in supporting sustained growth and broader internationalisation of their vendors.

Systematic public reporting on post-graduation outcomes remains limited. Annual reports from TNB (2018–2022) detail the proportion of spending on local suppliers rather than vendor-level performance, progression, or market diversification. While MITI publications highlighted successful vendor case studies, these practices remain informal and anecdotal, with little publicly available documentation on post-programme impact. This opacity makes it difficult to assess whether graduation truly reflects commercially viable vendors or the continuation of dependent procurement relationships. Although the programme appears to provide structured support, the lack of verifiable information on its outcomes constrains understanding of whether TNB’s VDP effectively balances both its Bumiputera inclusion mandate and the goal of fostering vendors capable of competing independently.

Turning to vendor performance monitoring, the VDP envisaged a structured approach for measuring and managing vendor performance linked to both the participation and competitiveness objectives. Under the GLCT Red Book, vendors were assessed against KPIs such as price competitiveness, product quality, service delivery and the extent of revenue diversification beyond VDP-linked procurement. Vendors were expected to meet annual performance targets, with evaluations conducted on a semi-annual basis. Periodic assessments were also intended to ensure continued compliance with programme expectations. Financial performance was monitored through audited financial statements to ensure commercial viability and reduce long-term dependency on anchor firms.

In practice however, the implementation of KPIs appears uneven and inconsistent. Performance indicators were often set at the discretion of individual GLCs and agreed with vendors, with limited standardisation or centralised monitoring across sectors. This variation suggests that evaluations may not always have been conducted rigorously, with some vendors subjected to less stringent oversight. Further, monitoring of vendor performance beyond observable outcomes such as revenue diversification or market expansion remained rarely tracked or publicly reported.

Vendor progression in the MITI National guidelines is structured into distinct phases, with evaluation criteria that increasingly formalise expectations of performance and capability. Evaluations include financial indicators such as ‘Return On Capital Investment’, as well as evidence of sustained financial stability over a minimum three-year period and vendors being able to demonstrate resilience and growth potential. Technical capability is also evaluated alongside quality recognition, including certifications such as ISO 9000. Beyond internal capability metrics, vendors are assessed on market diversification specifically, whether they have secured sufficient non-anchor markets to sustain operations and continue expanding independently.

These guidelines remain the only publicly available framework, suggesting that contemporary VDP selection and progression may likely adhere to these criteria. Vendor performance assessment under the MITI National guidelines also became more formalised and standardised, emphasising a need to ensure vendor competitive edge. Assessments were supported by the introduction of two evaluation tools: the SME Competitive Rating for Enhancement (SCORE) and the Business Excellence Framework (BEF). These tools also signalled a shift towards assessing readiness for broader market participation rather than continuous performance management within anchor-led procurement arrangements. At the same time, the guidelines continued to prescribe that KPIs be mutually agreed between vendors and anchor firms.

Failure to meet prescribed performance standards may result in termination from the programme, although termination is not intended to be immediate or automatic. Vendors are typically afforded a grace period, with performance shortfalls managed through a graduated “consequences management” approach. Anchor firms are expected to establish clear internal procedures governing this process, including structured engagement with affected vendors, advance notice, and formal warnings prior to termination (PCG, 2006). Persistent underperformance across core KPIs, particularly in quality, cost, delivery, and management capability, or failure to comply with conditions of appointment, may lead to a recommendation for removal from the programme. Immediate termination, however, may be imposed in cases involving legal violations or regulatory non-compliance (MITI, 2015).

Despite the presence of these formal frameworks, FGD stakeholder feedback suggests that performance measurement and enforcement remain uneven. Vendors are said to prioritise short-term commercial certainty under continued procurement access rather than longer-term capability upgrading or strategic growth. There is a lack of clarity on how compliance with performance expectations translates into tangible incentives beyond programme retention. As a result, performance monitoring functions more as a compliance mechanism than as a development tool.

Overall, the performance and monitoring arrangements within the VDP reveal a persistent tension between participation and competitiveness. Across policy iterations, KPIs and evaluation mechanisms have become clearer, yet they remain largely negotiated between anchor firms and individual vendors with limited standardisation across sectors or programmes. Performance monitoring appears relatively relaxed, allowing participating vendors time and space to grow but at the potential expense of blunting their competitive edge. This variability has important implications: from the tiered procurement system of the PROTON era to tiering that is formally linked to the percentage of procurement access thresholds under the MITI National guidelines, reporting has primarily focused on GLC-level cost savings and aggregate inclusion metrics, rather than on assessing vendor-level progression, capability development, or competitiveness outcomes. In effect, the programme may reinforce the competitiveness of already capable vendors while limiting opportunities for smaller or newer Bumiputera firms to grow and diversify.

4.4 Graduation and Outcomes

Graduation from the programme involves progression into a different tier either as a preferred vendor or strategic partner status. This is marked by reduced dependence on the anchor firm and greater market exposure. Trusted vendors can remain in the system but become subject to open and competitive tendering. Despite its centrality and its role as a litmus test of programme effectiveness, the graduation stage is fraught with unclear benchmarks and reporting, hindering efforts to determine whether ‘graduation’ signals vendor exit from VDP support or continued anchor firm dependency by another name.

VDP graduation under the PROTON period was marked by tier mobility more so than separation from the anchor firm. Vendors would experience progression up the tiers until they became “partners” with PROTON — becoming a preferred and trusted supplier capable of delivering quality components (Abdullah & Maharjan, 2003; Abdullah et al., 2008; Anazawa, 2021). Evidence suggests these vendors were simultaneously participating in broader global supply chains. The PROTON period illustrates that graduation need not imply complete departure from the anchor’s procurement network, rather it could represent upward mobility combined with supply chain diversification both domestically and internationally.

Reporting of graduation rates beyond this specific example is very limited and almost exclusive to the GLCT period. The GLCT final report indicates that only 88 out of 1,307 participating vendors graduated over the course of the ten-year programme (PCG, 2014). An earlier report in 2013, suggested a larger pool of 319 graduates out of 5,930 participating vendors (PCG, 2013) since GLCT’s inception. While reporting does not identify cohort information, these figures indicate a very low success rate given the substantial resources invested in the VDP (for example, approximately RM 75.1 billion in business opportunities were channelled to Bumiputera vendors in 2013 (PCG, June 2014).

Public disclosure of vendor progress and outcomes in recent times remains limited, weakening accountability and obscuring the programme’s broader impact. GLC annual reports emphasise participation counts, procurement spend, and training activities rather than outcome-based indicators such as revenue diversification, market entry, or post-graduation sustainability.

While graduation information is scarce for public audiences, it should be available to the government. MITI introduced a Vendor Information System (VIS) to provide a repository for VDP information and to improve coordination, transparency, and monitoring across implementing agencies (MITI, 2017). The VIS purportedly enabled ministries, technical agencies, anchor firms, and vendors to access real-time information and track programme status. That the information has not been made publicly available on at least a desensitised basis gives rise to speculation as to why, including perhaps that graduation rates have not improved upon earlier disclosures.

One reason why graduation information may not be forthcoming is that graduation pathways have been framed as performance-based rather than time-bound exits. The challenges of comparing such information across GLCs may discourage officials from releasing it. Performance-based exits allow vendors to develop their capabilities at varying speeds while enabling anchor firms to provide targeted support. PETRONAS, for instance, reported that vendors may take up to five years to graduate (Mohd Aris, 2013). The downside is that an absence of clearly defined time-bound guardrails can breed dependency rather than foster genuine competitiveness. Under both the GLCT and MITI frameworks, vendors that meet or exceed performance thresholds may progress to preferred vendor or directly to strategic partner status (MITI National guidelines)³. At this stage, vendors are expected to compete alongside other qualified suppliers for procurement contracts rather than rely on guaranteed procurement patronage.

Anchor firms have incentives to monitor graduation pathways and evidence suggests they too have useful information. The anchor-vendor relationship is an investment, with continuity before and after graduation of benefit to the anchor firm. Graduation is often a gradual, stepwise process, especially in industries that are more capital intensive or technically involved. The policy intent is to maintain supply chain resilience and allow vendors to grow at differentiated speeds. Anchor firms support continuity through internal vendor system management. For example, Boustead utilises its IMARS system to monitor vendor performance (Abdul Kadir & Tasnim, 2020), while Sime Darby and TNB operates firm-specific vendor portals to track registration, track records, and performance history. Long-term relational engagement appears to be the norm, with anchor firms maintaining a database of reliable vendors.

While anchor firms have incentives to maintain positive vendor relationships beyond the VDP, the MITI National guidelines is clear that there should be an agreed timeline for vendor progression that achieves functional exit from the VDP. The exception, however, sole firms in a relevant fields are to be retained without any fixed timeframe. The VDP roadmap (refer to Figure 2) clearly depicts dotted lines indicating “exit” from the formal VDP structure, though the meaning of this exit is not entirely clear. The roadmap provides stages and implications of a time-bound exit, but it does not clearly specify whether the ultimate policy objective is autonomous market competitiveness or sustained, higher-tier embeddedness in anchor-led supply chains.

A lack of clarity around what constitutes ‘exit’ from the VDP impedes sensible benchmarking accommodations for different sectors. There is an important distinction between exiting preferential support (procurement guarantees and capacity building) and exiting

³ The Vendor Development Roadmap outlined several criteria for progression into preferred vendor or strategic partner status. These included (i) demonstrated returns on capital investment association with the VDP project; (ii) business sustainability and growth, through the ability for vendors to secure sufficient external market beyond the anchor firm; (iii) strong and improving financial position, through audited financial statements and sustained positive trends over at least three years; and (iv) technical capacity and quality recognition - complemented by anchor-provided technical guidance, the move to acquire relevant industry certifications such as ISO standards.

commercial relations with the anchor firm, with the former more consequential than the latter. Anchor firms should be rewarded for VDP participation by being able to maintain commercial relationships with the vendors they have nurtured. True independence may also be difficult for vendors in sectors with specialised, buyer-specific components. For example, PROTON vendors often struggle to identify alternative buyers beyond the domestic market (Anazawa, 2021), raising questions about the practicality of commercial independence as a mark of graduation. Transitioning to new clients or markets often requires additional investment, creating barriers to full market integration.

Lines are also blurred by a lack of clarity and differing approaches to whether market expansion, in particular, internationalisation beyond the anchor firm is considered a core or “bonus” outcome of the VDP. Under MITI’s purview, policy narratives increasingly heralded the emergence of “regional” and “global” champions, with selected vendors showcased as successful case studies of the programme. Historically, what constitutes a “champion” has remained poorly defined, with limited clarity on the criteria or processes used to determine the designation, an ambiguity that continues in the recent GEAR-uP framework. The framework revives this champion-building ambition and sets an explicit target of developing 10 Bumiputera corporate champions over the next five years (MOF, 2025). However, the criteria and processes that determine the “crowning” of a champion remain unclear. Annual reports by anchor firms like Axiata (formerly Celcom) and Telekom Malaysia (TM) reference the number of vendors that have been awarded as “regional” or “global” champions. Frequently highlighted success stories include firms such as Indikom Engineering, Hyrax Oil (anchored to TNB), and other vendors such as Ideal Healthcare (anchored to Pharmaniaga).

Relying on selective examples highlighting international success risks creating a skewed impression of graduation across the VDP system. Many of the firms showcased are long-standing vendors with sustained and successful anchor relationships. Exemplary cases may represent the exception rather than the norm, particularly in the absence of disaggregated data indicating what proportion of vendors attain preferred or strategic partner status or are cut from the programme. If penetrating the international market is presented as an evidence of graduation, but is only realised by a small subset of firms, graduation benchmarks become even more blurred.

Ideally, graduation pathways and exit definitions should achieve a balance between vendor and GLC competitiveness aspirations. GLCs have justifiable incentives to retain trusted networks of capable vendors while simultaneously reducing preferential treatment for VDP graduates. They pour substantial resources into the developing vendors and would reasonably expect a return on investment, as formal reporting in the TNB case study highlights (Ibrahim, 2014). Vendors too benefit from continued procurement arrangements on a competitive basis, while exit incentivises client diversification.

An important public policy caveat though surrounds system renewal. Focusing on graduation pathway priorities for current vendors ignores potential trade-offs for cultivating future Bumiputera enterprises under the VDP. Ignoring this would result in lower than ideal cohort turnover, crowding out room for new entrants. Stakeholder observations suggest the system is biased towards the interests of anchor firms and existing over new vendors. From the perspective of anchor firms and implementing agencies, the costs, the risks and time required to develop new vendors often outweigh the perceived benefits of graduating reliable existing vendors. In the absence of formal mechanisms to ensure periodic renewal or structured intake of new vendors particularly where registration remains largely voluntary, the programme risks narrowing its participatory base over time.

There is therefore a need to track the vendor lifecycle from entry to exit and regeneration. It starts with clearly defining thresholds of development success that promote differentiated but time-bound graduation for existing vendors, and balancing continued commercial relationships between anchor firms and VDP graduates with anchor firms developing new VDP entrants. Available data rarely capture and track vendor performance at entry and at the point of exit. Without this longitudinal data, policymakers are blind to VDP's impacts on Bumiputera enterprise empowerment and competitiveness.

Graduation marks a pivotal stage in determining the VDP's overall impact and its balancing of competitiveness and Bumiputera participation. It should evidence a transition from heavy anchor-firm dependence toward greater commercial independence. It should also highlight where vendors have strengthened capabilities, diversified their client base, and can compete in broader markets while maintaining productive relationships with anchor firms — or where they have not. And it should signify new openings for future cohorts of benefiting vendors. In practice however, graduation outcomes are obscured by a lack of data.

The current vendor ecosystem design and anecdotal evidence points to a tension between sustaining reliable vendor networks and enabling new entrants to widen Bumiputera participation. Limited transparency on progression timelines and clarity around post-programme trajectories further complicates this. Clearer, sector-specific graduation metrics and longitudinal tracking capturing both competitiveness and Bumiputera participation are necessary to ensure the programme truly deepens vendor capabilities while broadening opportunities for emerging participants.

5. Recommendations and Conclusion

This paper offers the following policy recommendations based on the information available to the authors, the limitations of which have been identified throughout the analysis.

1. **Enhance transparency and data availability.** Optimising the VDP against its vendor development and competitiveness objectives requires uplift in the quality and availability of programme outcomes data across the vendor lifecycle. The Vendor Information System (VIS) administered by MITI, could serve as a foundation for rebuilding a standardised reporting framework. A strengthened and fully utilised vendor information system would enable longitudinal assessment, improve transparency and further support evidence-based policy refinement.
2. **Systematic tracking of the vendor lifecycle from entry to post-graduation outcomes.** While anchor firms and implementing agencies have been independently tracking selected vendor outcomes, a systematic approach enabling systematic comparisons is needed. Centralised reporting to policymakers with clear metrics at each lifecycle stage would inform future system-wide policy refinement. Consolidation and analysis of existing data could inform the setting of metrics at the programme entry, development, and graduation stages. Identifying average transition timelines, sectoral differences, and realistic expectations of reduced dependence would also inform programme governance improvements.
3. **Consider time-bound phased transitions.** While performance-based progression provides flexibility, the absence of time benchmarks contributes to prolonged participation and unclear exit expectations. Introducing and publicly disclosing time-bound transition phases would strengthen programme discipline, reduce dependency and encourage vendor renewal.
4. **Greater clarity around graduation expectations.** Ambiguity around whether graduation means exit from programme support or a degree of separation from commercial relations with the anchor firm needs resolving. Policy guidelines should formally clarify expectations, recognising the needs of anchor firms and both existing and new vendors. Clearer guidelines could recognise multiple graduation pathways and include differentiation by sector, but would need to incorporate specific expectations for each.
5. **Balancing the interests of new and existing VDP participants.** In redefining graduation expectations and earlier programme benchmarks, public interest dictates striking a balance between new and existing participants. This means determining the degree of flexibility sufficient to reward anchor firms for developing successful vendors while providing opportunities for new beneficiaries of VDP support. Explicit mechanisms are needed to ensure that graduates do not crowd out new Bumiputera entrants, thereby preserving the developmental intent of the programme over time.

6. **Assess the need for further market integration support.** Achieving advanced market diversification and internationalisation objectives may be beyond the reasonable expectations of VDP support alone. Policymakers could assess the adequacy of policy support in the post-graduation phase focused on an increased market access facilitation, such as performed by MEDAC.
7. **Harmonise governance and coordination between implementing agencies and policymakers.** Fragmented governance has emerged through successive ministerial transfers and programme reiterations, contributing to many of the system shortcomings described above. Programme objectives, performance metrics, and standards should be harmonised to enable comparability and strengthen accountability. In light of the PuTERA35 pledge to enhance monitoring and governance mechanisms, there is a timely opportunity to pursue a unified monitoring framework to reduce duplication, clarify beneficiary tracking, and prevent double-counting of outcomes across ministries.

The VDP's enduring presence within Bumiputera entrepreneurship policy is often interpreted as evidence of its success. Yet endurance should not be mistaken for effectiveness, especially in the absence of corroborating evidence. The programme has undoubtedly benefited a subset of vendors but the outcomes for the vast majority of participating vendors remain unclear. The VDP is thus a policy instrument that has and continues to absorb substantial resources without corresponding clarity on measurable outcomes. The programme has yet to establish a verifiable record of consistently delivering on its stated objectives. Its trajectory remains largely hidden from public scrutiny, raising the uncomfortable possibility that its longevity reflects insufficient evaluation rather than proven success. Nevertheless, with clearer governance structures, stronger monitoring and evaluation mechanisms along with well-defined transition pathways and exit strategies, the programme retains the potential to deliver desirable meaningful and sustainable outcomes at the intersection of economic participation and competitiveness.

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