



Construction Sector Committee Position Paper

Industrialised Building System (IBS) and Prefabrication

Strengthening implementation, productivity and market readiness

EUROCHAM Malaysia serves as the amplified voice of European Business in Malaysia. It is the independent chamber of commerce representing European companies across sectors — providing advocacy, access, and intelligence to drive competitive advantage.

The EUROCHAM Malaysia Construction Sector Committee brings together leading industry players across the construction value chain, serves as a collective platform for members to exchange expertise, address industry challenges, and engage with stakeholders on key priorities.

Through industry advocacy and collaboration, the Committee aims to advance policy discussions and promote the adoption of international best practices, sustainable solutions, and modern construction methods to enhance the productivity, resilience, and competitiveness of Malaysia's construction sector.

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Executive Summary

Malaysia has an established policy framework for Industrialised Building System (IBS), including the IBS Score methodology and longstanding initiatives to encourage greater use of prefabrication. CIDB continues to position IBS as a means of improving productivity, quality, safety and resource efficiency, while the Construction Action Plan 2026–2030 places greater emphasis on modern construction methods, technology and productivity.

The opportunity for the next phase is therefore less about establishing the principle of IBS and more about making its intended benefits more consistently achievable in suitable projects.

From an industry perspective, practical barriers can arise after an IBS commitment has already been made. These include procurement decisions being taken too late for design for manufacture and assembly (DfMA), payment arrangements that may not readily recognise qualifying off-site manufacture, uncertainty around the interfaces between different approval processes, and limited visibility of what IBS content is ultimately delivered at completion. These issues can increase uncertainty for project owners, contractors, consultants and manufacturers and may reduce the commercial attractiveness of industrialised construction.

EUROCHAM Malaysia Construction Sector Committee therefore supports a pragmatic and technology-neutral approach focused on improving implementation rather than creating a parallel regulatory framework. The Committee proposes four areas for practical engagement: improving completion-stage visibility of IBS delivery; reviewing the treatment of qualifying off-site manufactured components in public works payment arrangements; improving coordination and clarity around selected prefabricated-system approvals; and encouraging earlier consideration of IBS and DfMA during project planning and procurement.

Strategic Value to Malaysia

IBS and prefabrication can support Malaysia's efforts to improve construction productivity, project delivery and quality while reducing reliance on labour-intensive site activities. As the industry moves towards greater industrialisation, a more consistent and predictable environment for planning, manufacturing and integrating prefabricated components can help suitable projects realise these benefits more effectively.

- **Productivity**

Off-site manufacture can shift suitable activities into more controlled environments and reduce reliance on labour-intensive site processes.

- **Project delivery**

Earlier integration of design, manufacture and installation can improve programme planning and reduce exposure to site constraints where IBS is suitable.

- **Quality and consistency**

Controlled production environments can support more consistent processes, dimensional control and documented quality assurance.

- **Workforce resilience**

Greater industrialisation can reduce reliance on labour-intensive site activities while supporting demand for technical, manufacturing and installation skills.

- **Market readiness**

Clearer and more predictable processes can support investment in modern construction methods without prescribing a particular technology.

Key Issues and Barriers to Progress

The Committee's view is that the main question is not whether IBS should form part of Malaysia's construction strategy. It is how existing policy intent can translate into consistent project outcomes.

A project may include IBS content at the design or tender stage while subsequent decisions affect the extent to which industrialised methods are ultimately used.

- **Procurement Timing**

Where the contractor, manufacturer or specialist supplier is engaged after key design decisions have been substantially fixed, opportunities for DfMA may be reduced.

- **Payment And Cash Flow**

Off-site manufacture can create a timing difference between when production costs are incurred and when work or materials are recognised for payment.

- **Approval Interfaces**

Prefabricated systems may interact with several technical, statutory and project-level approval requirements. Where the interfaces are unclear, additional time and uncertainty may result.

- **Completion Visibility**

Design-stage IBS commitments provide limited information on what was ultimately manufactured and installed. Better completion-stage visibility would provide a clearer basis for assessing outcomes.

- **Project Evaluation**

The value of industrialised construction may depend on programme, site constraints, preliminaries, wastage and quality outcomes, not only initial construction cost.

EUROCHAM's Recommendations

The Committee proposes the following as a focused basis for engagement. The recommendations are deliberately framed around reviewing and improving existing processes rather than introducing a new IBS regulatory regime.

Strengthen Completion-Stage Visibility of IBS Delivery

Explore whether existing IBS assessment arrangements could provide greater visibility of industrialised content at project completion, particularly for relevant public-sector projects. A proportionate completion-stage record could compare planned and delivered IBS content and capture material variations where appropriate.

The purpose would be to improve evidence on implementation and outcomes, rather than create a separate compliance regime or impose additional reporting where it is not justified.

Review Payment Treatment for Qualifying Off-Site Manufacture

Explore with relevant public works and procurement stakeholders whether existing contract and payment practices provide a workable treatment for qualifying components manufactured off site, where ownership, identification, insurance and delivery arrangements can be clearly established.

A targeted pilot on suitable project types could help test safeguards and clarify practical requirements before any broader application is considered. This keeps the discussion focused on contract administration and project delivery rather than seeking preferential treatment for IBS.

Improve Coordination and Clarity For Selected Prefabricated-System Approvals

Facilitate a technical dialogue among relevant authorities, standards bodies and industry to map approval and assessment requirements for selected prefabricated systems or system categories.

Where recurring overlaps or gaps are identified, the discussion could consider whether guidance, clearer interfaces or greater use of existing assessment evidence could reduce avoidable duplication.

Encourage Earlier Consideration of IBS And Dfma in Project Planning

Explore how existing project-planning and procurement guidance could encourage early consideration of IBS and DfMA where appropriate to the project. The emphasis should be on early feasibility and option assessment, allowing project owners and designers to consider industrialised solutions before key design and procurement decisions are fixed.

A small number of suitable projects could be used to test whether earlier consideration produces measurable benefits in programme, labour requirements, quality or other relevant project outcomes.

Conclusion and Next Steps

Malaysia has already established a clear policy direction for IBS and industrialised construction. The next opportunity is to build on this foundation by strengthening the practical conditions that enable suitable projects to translate this direction into meaningful outcomes.

A focused approach, including centred on completion visibility, workable treatment of qualifying off-site manufacture, clearer approval interfaces and earlier consideration of DfMA can help create a more predictable and supportive environment for the wider construction ecosystem.

EUROCHAM Malaysia welcomes continued dialogue and collaboration with relevant stakeholders to share industry experience, international perspectives and practical insights, and to explore opportunities for targeted improvements and pilot initiatives where appropriate. Through constructive engagement, the Committee hopes to contribute to the continued development of a more productive, resilient and modern construction sector in Malaysia.

Scope and Governance Note

This paper is issued in the name of the EUROCHAM Malaysia Construction Sector Committee and reflects a collective sector position. It does not represent the commercial position of any individual member company, and no member company is identified as a beneficiary of any recommendation contained in it.

In line with the EUROCHAM Sector Committee Terms of Reference (March 2026), this paper: (i) contains no discussion of pricing, capacity, market allocation, tender strategy, or other commercially sensitive information between competitors; (ii) makes no recommendation that would restrict competition or confer advantage on products, systems, or suppliers of any particular origin; and (iii) is subject to co-signature by the Head of Committee and the EUROCHAM CEO before it may be issued externally.

The Committee's position throughout is that Malaysia does not have a construction policy gap. Malaysia has an established and, in several respects, regionally advanced policy framework. The Committee's contribution is directed at implementation, verification, and capability — the distance between adopted policy and delivered outcome. All recommendations in this paper are administrative, procurement, or capacity measures. None requires new primary legislation.