



**Governing Council
of the
United Nations
Development Programme**

Distr.
GENERAL

DP/CP/MAL/4
22 October 1986

ORIGINAL: ENGLISH

Special session
February 1987, New York
Item 4 (a) of the provisional agenda

COUNTRY AND INTERCOUNTRY PROGRAMMES AND PROJECTS

FOURTH COUNTRY PROGRAMME FOR MALAYSIA*

<u>Programme period</u>	<u>Actual resources programmed</u>	<u>\$</u>
January 1987-December 1991	IPF for 1987-1991	8 250 000
	Third cycle balance	306 000
	Other resources programmed (Government cost-sharing)	<u>6 692 000</u>
	Total	15 248 000

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* Detailed listings of projects and other related data prepared as part of the country programming exercise are available on request. These listings include (a) ongoing projects; (b) proposed projects; (c) distribution of resources by objective; and (d) distribution of new country programme by sector.

I. DEVELOPMENT TRENDS, STRATEGIES AND PRIORITIES

A. Current economic trends

1. After a period of considerable sustained economic growth during the 1970s and early 1980s, Malaysia is now faced with a recession. This is mainly because of a decline in export earnings caused by a fall in world prices for the country's major exports: oil, tin, rubber, palm oil and timber.
2. However, the impact of Malaysia's long established and continuing economic diversification policy has eased the situation to some extent, particularly in reducing the dependency on what used to be the country's two main exports: tin and rubber. While these commodities accounted for 53 per cent of export earnings in 1970, they declined to 12 per cent in 1985. The planting of oil palms started in the early 1960s, and by 1982 the value of palm oil exports for the first time surpassed that of rubber. During the 1970s, the export of timber also increased significantly. More recently, efforts have been made to increase the cocoa-producing acreage. The area under cultivation has been doubled over the past six years and is now in excess of 250,000 hectares. This should make a useful addition to the economy once it comes fully into production.
3. A major factor in the growth and diversification of the agricultural sector has been the continuous implementation of the country's land settlement programme, which was started almost 30 years ago. During the fourth plan (1981-1986) the area under settlement increased by 418,000 hectares. To date, nearly 100,000 families (or half a million people) are living in what are generally regarded to be some of the most successful land schemes in developing countries.
4. The development of the petroleum sector has been of major importance to the Malaysian economy, accounting for almost 25 per cent of export earnings in 1983. Hydrocarbons were discovered in the late 1960s and early 1970s, and today Malaysia has 27 producing fields, as compared to 14 in 1980. Production peaked in 1984 at 446,800 barrels per day, but then declined with international market conditions.
5. Concurrently, with the diversification of resource-based exports, major emphasis was placed on the expansion of industry and commerce. By 1985, the manufacturing sector contributed nearly 20 per cent to the gross domestic product (GDP), overtaking agriculture. Progress has been particularly rapid in textiles and in the electrical and electronic industries.
6. The generally buoyant prices for Malaysia's exports enabled the economy to grow rapidly in the 1960s and 1970s, when it expanded by 7.6 per cent per annum. Although it declined to 5.1 per cent during the period 1981-1985, as a result of the global recession, it still compares very favourably with the rates of growth attained by many other developing countries. Per capita income also increased from \$1,760 in 1980 to \$1,960 in 1985.
7. The period of sustained economic growth described above gave rise to an investment boom led by the public sector. Gross investment rose from 21.1 per cent of gross national product (GNP) in 1975 to 39.9 per cent in 1980, being matched by

domestic savings growth. By 1982, the ratio had reached a peak of 36.4 per cent of GNP, a very high level by historical and international comparative standards. The investment ratio continued to rise after 1980, despite a decline in domestic savings. At this point, however, investment spending began to exceed domestic savings, leaving a resource gap in 1983 of around 12 per cent, with a corresponding deterioration in the external trade balance and a sharp increase in foreign borrowing.

8. Despite the achievement of significant structural changes in the Malaysian economy, the Government is aware that it remains highly dependent on external trade and the vicissitudes of commodity prices. There was a decline in real product for the first time in 1985, and available evidence for 1986 points to a further contraction of the economy. Figures released by the Central Bank in April 1986 show a fall in export earnings over the previous year of around \$2 billion and a 5.4 per cent contraction of GDP, equivalent to a decline in per capita incomes of around 8 per cent.

B. National development strategies

9. The objective of the Fifth Malaysia Plan (1986-1990) conforms to the basic objectives of the New Economic Policy (NEP) which aims at: (a) eradicating poverty by raising income levels and increasing employment opportunities for all, irrespective of race; and (b) restructuring society so as to reduce the economic imbalances that exist among the various races and eventually to eliminate the identification of race with economic function. Within this basic framework, the Fifth Plan puts the emphasis on sustaining the economic growth without which it would be difficult to achieve the NEP objectives.

10. More specifically, while continuing with rural development and land settlement and the further strengthening of the rural and agricultural sector in line with the national agricultural policy, the main dynamics for development under the Fifth Plan will be provided by the private sector. The emphasis will be on industrialization aimed at export promotion. There will also be increased private participation in the agricultural sector and privatization of public enterprises.

11. Planning will be increasingly centred on the newly created development regions and will take into account spatial planning. Major attention will be given to human resources development and research and development at all levels. Here again the private sector is expected to play a significant role. The financing of development will rely more on domestic savings. Foreign investment will be encouraged and to that end investment incentives will be modified.

12. The industrial development strategy, which is elaborated in considerable detail in the Industrial Master Plan (which was prepared with the assistance of a UNDP-financed project) recognizes that past attempts to disperse industry in the interests of regional development did not make optimal use of available resources. The new strategy seeks to concentrate industrial development in a limited number of specified growth centres, to utilize more fully existing infrastructure, communications, ancillary services and skilled manpower, and to take greater

advantage of the agglomeration of economies. A wide range of policy instruments aimed at promoting industrial investment and reducing market distortions is to be employed. Additional measures pertaining to the promotion of small-scale industries, research and development, technology policy, industrial skill formation and manpower development also form important components of the new industrial development package.

13. The most critical assumptions of the Plan, both with respect to its financing and its capacity to accelerate the pace of industrial transformation, concern public and private sector investment targets. Public sector investment for the Fifth Plan period is projected at around \$30 billion. Private sector investment is projected at around \$29 billion, but its rate of growth during the Fifth Plan period will be high, raising its share in the total investment from 50.4 per cent in 1985 to 61.7 per cent by 1990. At this point, it must be considered uncertain as to whether public and private investment targets will be achieved. More important than the targets themselves, however, is the intended shift in the balance of investment towards the private sector, which signals the strategic intention of the Government to secure a greater contribution from the private sector in the growth of output, the creation of employment and the strengthening of the nation's economic base.

14. In the light of the unprecedented across-the-board decline in major commodity prices, the Government is reviewing the overall targets set in the Fifth Plan. However, even assuming an average 5 per cent growth rate, the projected unemployment increase is from 7.6 per cent in 1985 to around 10 per cent by 1990, or approximately twice the level of 1980.

15. Nevertheless, the future can, on balance, be viewed with cautious optimism. Despite continuing poor export prices, there remains, in no small measure thanks to past efforts, a latent resilience in the economy. Smallholders especially will still be able to derive an adequate income from plantation and farm crops. The emphasis on the rural sector in the Fifth Plan, including land settlement, rural urbanization and group farming will further ease the situation. During the past 20 years, the infrastructure of the country (roads, bridges, harbours, airports, etc.) has been virtually completed, particularly in Peninsular Malaysia, and this will greatly facilitate both industrial and rural development efforts.

16. Malaysia will continue to remain a country rich in human and natural resources with a good standard of living, especially in comparison with many other developing countries. Some projections in the Fifth Plan may have to be curtailed if the recession continues over a prolonged period, but this will not, it is thought, have a major adverse impact on the priorities and objectives of the Fifth Plan, let alone the fourth country programme.

C. Technical co-operation priorities

17. During the third programming cycle (1982-1986), the indicative planning figure (IPF) for Malaysia was reduced from \$15 million to \$8.25 million due to the shortfall in UNDP resources. For the fourth programming cycle, the indicative planning figure remains at \$8.25 million. To maintain the momentum of the country

programme, the Government of Malaysia will continue to contribute \$1 million annually as programme cost-sharing (including 13 per cent overhead charges), subject to the availability of resources. Together with the balances carried forward from the third country programme, a total amount of \$15.248 million is therefore estimated to be available for the period 1987-1991.

18. The programme resources available for the fourth country programme compare with a total Government development budget for the same period of approximately \$30 billion, and anticipated total technical assistance from other multilateral and bilateral sources of about \$150 million. While small in comparison, these programme resources are nevertheless considered by the Government as a valuable source of external assistance which can be used most effectively to achieve the greatest impacts when concentrated in a limited number of areas identified as being of high priority in the Fifth Plan.

19. The substantive content of the fourth programme and its major objectives have been derived on the basis of technical assistance requirements defined in the Fifth Plan. In identifying specific technical assistance projects and programmes, the Government had useful consultations with various visiting programming missions from specialized agencies of the United Nations system, including UNDP and the United Nations Industrial Development Organization (UNIDO) headquarters. It also had available to it a number of sectoral study papers prepared by both Government agencies and multilateral and bilateral donors. The Regional Representative's Note, containing his views on the possible orientation and contents of the new programme and his assessment of the ongoing third country programme, provided other important sources for the formulation of the new programme.

20. Accordingly, the Government decided to use UNDP assistance in these selected areas: (a) strengthening the planning and implementation capabilities of the Government; (b) the development of human resources; and (c) the development of science and technology. This decision reflects the need for continued assistance to improve capacities and capabilities in these vital areas and, more importantly, to meet new requirements arising from the major changes in development policy laid down in the Fifth Plan. The main thrust of the Fifth Plan is to re-establish relatively high rates of economic growth through the promotion of export-oriented industrialization and private sector investment. This represents a major change from previous strategies, which have tended to focus on the expansion of commodity exports and the role of the public sectors as the engine of growth. The reoriented strategy poses considerable challenges to existing institutional capabilities in both the public and private sectors. Many current Government policies will have to be reviewed and adjusted if industrial development and private investment objectives and targets are to be fully attained. This exercise must take place at a time when the Government is confronted by economic constraints and reduced fiscal flexibility. The strengthening of public sector planning management capabilities will therefore be a high priority. It is an area in which the expertise, especially of a neutral and objective character, can best be found through the United Nations system.

21. Improved human resources development, both in its qualitative and quantitative aspects, is a necessary prerequisite for achieving many of the targets of the Fifth Plan. While there are serious labour shortages in certain sectors, there is

considerable unemployment of both a structural and frictional nature. At the same time, large amounts are spent both domestically and abroad on education and training programmes, which are not always guided by sufficiently long-term considerations. The Government has therefore proposed for implementation by the United Nations system of a package of projects which forms part of a programme for the sustained development of human resources. This will be complemented by bilateral assistance in the field of vocational training.

22. The objective of self-sustaining industrial growth will require a major effort in the development of science and technology. Malaysia, which until recently has been mainly a producer of primary commodities and raw materials, lacks capacity in the fields of science and technology. Building such a capability is an essential prerequisite for sustained industrial growth. A considerable number of projects are geared towards this objective under the Fifth Plan and assistance will be required from both the private sector and international organizations.

23. All Government agencies were requested to identify technical assistance requirements and to propose suitable projects within their mandates. The proposals were subsequently thoroughly reviewed by the Economic Planning Unit and thereafter individually discussed with the UNDP programming mission and the Office of the UNDP Regional Representative. A total of 37 projects were chosen by means of this intensive selection process. Details are set out in Part II B of this document.

24. The Government sees UNDP country programming as a continuous and progressive process and therefore intends to conduct annual and mid-term reviews of the programme in order to assess its effectiveness and to identify new major programme areas that may emerge as a result of changing development needs and evolving priorities.

D. Aid co-ordination arrangements

25. Various bilateral and multilateral donors co-operate with the Government in its technical assistance programmes. Bilateral donors include Japan, the Federal Republic of Germany, Australia, Canada, the United States, the United Kingdom, the Netherlands and Italy. Most bilateral donors concentrate their assistance programmes in a limited number of selected sectors, such as industry, transport and communication and agriculture, although, with the exception of the first three countries, the size of their respective programmes is modest.

26. The principal multilateral sources of technical assistance are the World Bank, the Asian Development Bank (AsDB) and UNDP, the programmes of which are multisectoral in nature. Approximately \$1 billion in loans and grants was provided by the two banks during 1981-85. In addition to UNDP, a number of other United Nations agencies implement technical co-operation programmes in their respective areas of competence. The United Nations Fund for Population Activities (UNFPA), for example, is working on the development of education and maternal and child health care programmes and on demographic studies, as well as providing assistance in the form of advisory services, training, supplies and local cost support. The Office of the United Nations High Commissioner for Refugees (UNHCR) works closely

with the Malaysian Red Crescent Society in assistance given to refugees from various countries. The World Health Organization (WHO) is engaged in the training of health manpower, health system research and maternal child health programmes. The contributions made by these two agencies amount to some \$600,000-\$800,000 per annum, respectively. The Government receives support from the United Nations Fund for Drug Abuse Control (UNFDAC) for its five-year Anti-Narcotics Action Programme. Two ongoing projects (total budget \$500,000) focus on legislation, law enforcement, training, detection, treatment, rehabilitation and preventive education. Other United Nations agencies providing small amounts of assistance under their regular programmes are the United Nations Children's Fund (UNICEF), the Food and Agriculture Organization of the United Nations (FAO), the International Atomic Energy Agency (IAEA), the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the International Labour Organisation (ILO).

27. All external assistance to Malaysia is co-ordinated centrally by the Economic Planning Unit (EPU), which is located within the Department of the Prime Minister. EPU has a comprehensive understanding of its technical assistance requirements in all sectors and deals directly with individual donors. This system of co-ordination has proven to be effective, and other formal co-ordination mechanisms are not considered necessary, especially in view of the limited external resources available in relation to overall needs.

28. While the Government role in aid co-ordination is central, UNDP is also able to facilitate aid co-ordination, particularly among the multilateral donors. The programme and project formulation missions of the World Bank, AsDB and United Nations agencies visiting Malaysia always call upon the UNDP Regional Representative to obtain sectoral information and data relevant to their missions and, where appropriate, to examine ways and means of establishing collaborative relationships and linkages between the programmes of their agencies and those of UNDP. In addition, most multilateral and bilateral donors comply with the Regional Representative's yearly request and submit data on their respective aid commitment. The Regional Representative, in turn, then distributes the development assistance report prepared on the basis of the data received. These discussions and exchange of data have proved instrumental in avoiding unnecessary duplication in the programmes of donors and, more importantly, in promoting various forms of co-operation at the subsector or project level, for example: (a) AsDB invested \$40 million in the Kedah Regional and Township Development Programme, for which the feasibility studies were prepared by the UNDP-assisted Kedah Regional Development project (MAL/81/012); (b) AsDB committed \$45 million to the Kelantan Integrated Township project on the basis of the prefeasibility study conducted by another UNDP-assisted economic adviser to Kelantan (MAL/81/020); (c) UNDP/FAO co-financed the Forest Sector Planning project in Sabah (MAL/85/004); and (d) the preparation and implementation of the UNDP Legal Assistance to the Water Management project (MAL/84/007) followed the FAO/technical co-operation programme (TCP) Water Law Project.

29. A solid linkage between the projects financed from the country IPF and those financed by the regional IPF, in particular those for which Malaysia acts as a host country, was an important feature of the third country programme. The major objective of the regional programme for the fourth programming cycle includes human

resources development and the transfer of technology, which are closely relevant to the objectives of the fourth country programme. Increased collaboration between the national and regional programmes is therefore foreseen during the fourth programming cycle.

II. THE COUNTRY PROGRAMME

A. Assessment of current country programme

30. The third country programme was prepared taking into account the objectives of the Fourth Malaysia Plan, 1981-1985. In line with these objectives, UNDP assistance was provided in six sectors: agriculture, forestry and fisheries; multisectoral planning for development; manufacturing and trade; transport and communications; education; housing and utilities. A significant number of projects aimed at strengthening the planning, management and implementation capacities of Government agencies. High priority was therefore placed on studies in support of Government policy objectives. Such studies included agricultural policy analysis; the preparation of the industrial master plan; national spatial planning; regional development; and forestry sector planning.

31. A total of 49 projects were included in the country programme. Of these, 23 projects were completed by April 1986, 14 projects were in various stages of implementation, while the remaining 12 projects had either been postponed or had to be held in abeyance as a result of UNDP budget cutbacks or changing Government priorities. The overall programme delivery rate, calculated on the basis of actual expenditures for 1982-1985 and anticipated delivery for 1986, is expected to be roughly 86 per cent of the total country programme, comprising both the IPF and the Government programme cost-sharing contributions. However, sector-by-sector performance could be uneven, with manufacturing and trade sector attaining a fully satisfactory rate and the education and housing sectors a relatively low delivery rate.

32. The assessment of the third country programme conducted by the Regional Representative indicated that the programme was generally successful in assisting the Government in its development efforts. Moreover, the Government expressed satisfaction with the performance of a considerable number of projects in the programme.

33. The most important and lasting contribution of the third country programme has been made by projects in the area of policy studies. An outstanding example was the Industrial Master Plan project (MAL/79/001), the results of which are incorporated in the Fifth Plan. In the field of regional planning, the Government gained, through the Kedah Regional Development project (MAL/81/012), useful experience in the formulation of both short and long-term integrated area development plans and programmes; that experience is currently being replicated and extended under the more recent Kelantan Development project (MAL/85/005). The Kedah project also formed the basis for the AsDB decision to invest \$40 million (see para. 28 above). An example of a successful small-scale project was the Postal Coding project (MAL/82/009), implemented in co-operation with the Universal

Postal Union (UPU), which achieved the immediate objectives of introducing a system of postal coding and automatic letter sorting at the Kuala Lumpur General Post Office within the specified project period. The results of the National Spatial Plan Study (MAL/84/006) were also very favourably received.

34. While individual projects were generally satisfactory, the impact of the country programme in sectoral terms proved less than what had been desired. According to the assessment referred to in paragraph 32 above, this resulted from the spread of projects over diverse subsectors and the weak links and relationships between the projects. As a consequence, selected sectoral themes could not be pursued in a concerted fashion. The Regional Representative's assessment therefore recommended that, given the relatively small programming resources, the fourth country programme should be focused on a limited number of selected themes with a view to maximizing impacts. It also proposed that a major consideration should be to provide UNDP assistance in areas where it can exercise a comparative advantage over inputs from other sources, or where the activities supported have clear multiplier effects and are of catalytic value.

35. The less successful performance of some projects was attributed to weaknesses in project design, problems with the provision of counterpart personnel, inadequate monitoring procedures, and the lack of adequate technical backstopping on the part of the executing agencies. It has been agreed by the Government and by UNDP that these constraints should be addressed systematically during the implementation of the fourth country programme. For its part, the Government is aware that in order to attain the objectives of an institution-building project it is essential for national counterpart staff to work with the projects team on a full-time basis. The Government will accordingly make particular efforts to ensure that this is achieved in the future.

36. The assessment of the third country programme concluded, inter alia, that more regular, intensive, and flexible monitoring of projects is needed so as to make it possible to reorient them, if required, in response to changing Government needs and priorities and unanticipated implementation constraints. This would include the annual reviews of the country programme as a whole and tripartite reviews of individual operational projects.

37. With regard to modalities of project execution, the use of national experts, local subcontractors, and Government-execution has been encouraging; it is proposed that during the fourth country programme more projects will be executed by the Government using locally available expertise where possible. The increased use of national expertise will also tend to overcome one of the major obstacles to prompt project implementation identified in the assessment of the third country programme, namely, the inordinate delay on the part of some executing agencies in fielding experts of acceptable quality and as members of a coherent team.

38. It is worthy of note that in terms of project inputs, UNDP resources were utilized mainly for the transfer of technical knowledge through advisory services and training while project equipment was usually provided by the Government. This arrangement will continue in the next programme.

B. New programme proposal

39. The actual project proposals are grouped under the three areas of concentration mentioned in paragraph 20. While a relatively large number of small-scale projects are planned, particularly in the area dealing with planning and implementation, it should be noted that a significant portion of available resources, namely \$4.5 million, has been earmarked for two large-scale projects to support two of the main priorities of the Fifth Plan: Industrialization and Human Resources Development. Of this, \$2.5 million has been allocated for the implementation of the industrial master plan (which, it will be recalled, was formulated with UNDP/United Nations Industrial Development Organization (UNIDO) assistance), and \$2.0 million to the closely linked project to draw up a human resources master plan.

40. In terms of total earmarkings, the major part of available resources, i.e. \$6.20 million or 42.6 per cent, has been allocated to the development of science and technology, which is a prerequisite to industrialization, the main thrust of the Fifth Plan. This is followed by strengthening planning capacity with \$4.88 million or 33.6 per cent. Human resources development accounts for \$3.47 million or 23.8 per cent.

41. It is also of interest to note that the country programme consists of 12 ongoing projects, carried over from the third country programme. These are costed at \$2.06 million or 13.6 per cent of total resources. New project proposals amount to \$12.49 million or 81.9 per cent; the unprogrammed reserve to \$698,000 or 4.8 per cent.

Strengthening the planning and implementation capabilities of the Government

42. During the Fourth Plan period, substantial emphasis was placed on the accelerated and effective implementation of development programmes and projects by enhancing the capabilities of a considerable number of Government agencies. The implementation of the new and more sophisticated strategies of the Fifth Plan will place heavy demands on units within ministries, departments and agencies responsible for plan formulation and implementation. This will call for greater efficiency, productivity and optimal utilization of both physical and human resources by Government planning and management authorities. Accordingly, strengthening and upgrading institutional capabilities for planning and implementation have again been identified as a priority area. UNDP support and assistance have been requested for a substantial number of projects in specific areas of critical importance. Because of limited programmable resources, the amount of funds allocated for each of these projects is small. However, particular efforts will be made to link the UNDP resources to the relevant Government funds and, wherever possible, to supplement the activities of other multilateral and bilateral donors in order to ensure that technical co-operation activities crucial to the planning and institution-building activities are carried out in the proposed areas, where they are expected to have the largest multiplier effect. Proposed projects have been grouped in three interconnected areas: (a) assistance for planning and implementation at the national level; (b) planning and implementation at the state or regional level; and (c) natural resources planning, including conservation programmes.

43. At the central or national level, seven projects are envisaged in assistance for planning and implementation capabilities. The important project National Spatial Plan Study (MAL/84/006) will be continued. During the first phase of the project, which started in late 1985, technical reports were prepared on various issues pertaining to current spatial policies on regional development objectives, and thus an important groundwork was laid for further development of project work. In the second phase, which will be implemented during the fourth country programme, the project will assist in providing a co-ordinated set of policies and long-term framework to achieve the desired pattern of spatial development by reconciling sectoral and spatial considerations and also in strengthening the national capacity to plan and implement spatial development activities.

44. A project in this group which will make an important contribution to increasing the efficiency in the central economic planning is Training of EPU Officials (MAL/86/001). EPU plays the pivotal role in formulating national development plans, co-ordinating and allocating resources, and in the assessment and review of competing projects. Specialized training of key EPU officials is therefore a continuing requirement. The emphasis in the Fifth Malaysia Plan on strategies of industrialization and private sector participation will pose new problems and challenges to EPU. The objectives of the project are to build expertise through a number of training courses in macro-economic planning, sectoral and project planning, and in evaluation techniques.

45. A new project will assist the Ministry of Land and Regional Development to reorganize its monitoring and evaluation system for land and regional development. This is presently inadequate in regard to information and data collection, compilation and storage. It needs to be reorganized to make a more effective contribution to policy formulation and planning and thus further improve efficiency in land administration. A centralized and standardized system of data collection, storage, collation and retrieval will be set up and institutional capacity will be developed to maintain and update the systems so established.

46. The project Education management and planning will study the organizational structure of educational management in Malaysia and make recommendations to improve its effectiveness for policy planning and programme implementation. It will also review the decentralization aspects of the present educational management system and identify management and implementation constraints at the lower hierarchical levels which need to be removed. This project will be closely co-ordinated with the Human Resources Master Plan, described in paragraph 57 and which is expected to indicate, inter alia, the future direction of the educational management system in the country.

47. The next project concerns the Establishment of a National Health Security Fund. As a corollary to an accelerated modernization process, national welfare/social security has emerged as an area of great importance. In view of the very high level of public sector contribution (77 per cent) to total health and health-related services, the Government carried out a health services financing study in 1985. The study recommended the establishment of a national health insurance scheme. The proposed project will determine: (a) the legal requirements for merging the activities of existing health financing organizations; (b) the

economic and institutional feasibility of establishing a consolidated agency; and (c) its rules and procedures. The output of the project is expected to be the creation of a compulsory national health insurance scheme for Malaysia. Also proposed in this area is the Rehabilitation Centre for the Handicapped. Apart from the institution-building activities to strengthen the planning and project implementing capability of the national agencies and institutions concerned, the project aims at achieving the self-reliance of the disabled population by providing facilities and opportunities for their rehabilitation and reintegration into the community as socially adjusted and economically self-sufficient individuals.

48. An interesting and innovative project is the proposal to carry out a project entitled Analysis of Ownership and Control in the Corporate Sector, which will seek to provide data and subsequently analyse the status of corporate ownership and control, including the achievements and potential, of various ethnic groups in all sectors of the economy. Moving from issues purely of ownership to those of control may provide new insights into the implementation of the New Economic Policy and may have important policy implications. Concurrently, the project Household Income Survey will be carried out to assess the more general poverty situation in the country so as to enable the Government to monitor progress made in eradicating poverty. The project will undertake studies in three areas: analysis of income inequality; analysis of hardcore poverty, and ways to account for the value of basic services in poverty situations. The Household Income Survey project carried out in 1984 will provide the necessary data for this purpose.

49. Planning projects at the State and regional levels include two projects: Support of the State Economic Planning Units (SEPUs) of Kelantan (MAL/85/005) and Pahang (MAL/86/003). The role of SEPUs in identifying needs, commissioning studies, and designing projects has grown substantially since the Federal Government increased development spending at the State level. The national emphasis on privatization is generating additional demands on SEPUs in regard to the co-ordination and promotion of private investments and the identification and preparation of programmes and projects consistent with State and Federal objectives. The purposes of these projects is to enhance the capacities of the two SEPUs by providing assistance in the formulation of plans, strategies, programmes and projects, and through operational advice and training.

50. In two proposed regional planning projects, the emphasis is on industrialization. Under the Feasibility Study for Resource-Based Industries-KEJORA, which is located in the state of Johore, feasibility studies will be carried out for the production and marketing of products based on locally available resources such as clay, silica sand, oil-palm and timber. Under the project entitled Feasibility Study for Small-Scale Industries-KETENGAH, a comprehensive study will be undertaken to review the potential of promoting various types of small industries, keeping in mind the availability of local resources, employment generation and market potentials in the KETENGAH area, situated in the state of Terengganu.

51. Six projects are proposed in the area of resources planning, including conservation. The important project entitled Agricultural Policy Analysis and Planning (MAL/81/016) will be continued. At present, the responsibility for planning in the agriculture sector is shared by three ministries: Agriculture;

Primary Industries; and Land and Regional Development. A co-ordinated planning mechanism and a common data base are lacking. The modernization and enhancement of productivity of the sector as a whole would benefit from the integration of the various subsectors into one planning process and the co-ordination of the activities of individual agencies. This project aims at strengthening agricultural development planning in general and improving the agro-economic data base, management information systems and the review system for priority agricultural policies.

52. Two projects are concerned with forestry, which is, of course, one of the major resources of Malaysia. Efficient forest resources appraisal, management and development are essential for sustained yields and maximum socio-economic benefits. But Malaysian forests are presently being rapidly depleted and there is excessive wastage and inadequate renewal. The Forest Sector Conservation Programme will address these issues by assisting in the drawing up of a national forest inventory which will generate comprehensive information on forest resources necessary for long-term planning. Information obtained from integrated studies proposed under the project on conservation management and forest resources development will assist in the formulation and implementation of environmentally sound and cost-effective forest management practices. There is a separate project Forest Sector Planning (MAL/85/004) for Sabah, where timber is the major source of state revenue, but where overexploitation is causing the rapid depletion of forests. The State Government therefore proposes to introduce policies of conservation and scientific management. The project will assist the State Government in updating the forest inventory, estimating total resource availability and preparing a programme of forest conservation and management. This will include reforestation and recommendations as to how much land should be kept under permanent forest.

53. UNDP assistance is requested for the preparation of a National Rural Water Supply and Sanitation Master Plan. Various programmes and studies are being implemented for water supply and sanitation in rural areas, such as the Environmental Sanitation Programmes, the Twenty-Year Development Plan for Rural Water Supply Schemes and the National Water Resources Study. But no comprehensive information is available on technically appropriate levels of services, on roles and responsibilities of various Government agencies concerned, nor on the extent of community involvement in implementation, operation and maintenance. The project will review and update existing policies, plans and programmes and subsequently assist in the formulation of an intersectoral National Water Plan for Rural Water Supply and Sanitation. The objectives of the project for Legal Assistance to Water Management is to facilitate the implementation of national water resources management legislation through drafting substantive and procedural regulations for the implementation of the proposed National Water Resources Planning and Development Act. The project will also draft State water legislation consistent with the main legislation and prepare substantive and procedural regulations for the implementation of the proposed Water Law Enactment.

54. Lastly in this group, assistance is requested for the Energy Planning and Co-ordination Section. The National Energy Planning Study recommended the establishment of an Energy Planning and Co-ordination Section within EPU, which

will be the organization responsible for integrated energy planning in Malaysia. This project will provide advisory assistance to the Energy Planning Section and upgrade the planning skills of its staff in such areas as the establishment of an energy data base, demand and supply analysis, and energy policy.

Linkages

55. FAO is providing assistance to the Ministry of Agriculture under its Technical Co-operation Programme (TCP) to strengthen its planning and evaluation capability. The UNDP-funded project on Agricultural Policy Analysis and Planning located at EPU will maintain close liaison with that project. AsDB has finalized a sectoral loan for the Kelantan Integrated Township Project, which is co-ordinated with the UNDP project in support of the Kelantan State Economic Planning Unit. The UNDP-financed project relating to ownership and control in the corporate sector is expected to provide some useful data to the World Bank project for a \$180 million loan to the Malaysian Industrial Development Finance (MIDF) and the Bank Pembangunan Malaysia Berhad (BPMB) to help finance new emerging enterprises. In the National Health Security Fund and Energy Planning and Co-ordination projects, there has been continuous dialogue with AsDB, which is also involved in these areas. Close linkage will be developed between the UNDP Regional Energy Development Project (RAS/84/001) and the Malaysian Energy Planning and Co-ordination project. In the education sector, the World Bank is providing a loan to construct new physical facilities, while the UNDP project will deal with the management aspects of education. The Sabah Forest Sector Planning Project will have linkages with the UNDP/FAO Regional Project on Forest Inventory (RAS/79/099) and the Asia-Pacific Forest Industry Development Project (RAS/78/010). The project on Forest Resources Conservation will also be associated with these two regional projects and with the Canadian International Development Agency (CIDA)-assisted project, the Asean Institute of Forest Management. The National Rural Water Supply and Sanitation Master Plan will benefit from and maintain close linkages with British bilateral technical assistance in this area.

Human resources development

56. The successful implementation of the Fifth Plan will depend largely on the availability of manpower, both in the public and private sectors, with the right kind of training and expertise. The Government recognizes the vital role of human resources planning and development as a prerequisite and catalyst for economic growth. The basic objectives of national human resources development require the creation of a skilled and adaptable labour force to meet the changing skill requirements of the economy and the optimum use of human resources to enhance productivity and efficiency. Human resources planning and development is viewed in the broader framework of population growth, labour supply, sectoral unemployment growth, unemployment and manpower demand and supply. In response to changing skill requirements in the economy, arising out of the structural changes planned in the manufacturing, agriculture and services sectors, priority will be given to training programmes at the technical and professional levels.

57. As indicated in paragraph 39 above, assistance in the formulation and implementation of the Human Resources Master Plan constitutes a major and important component of the country programme, with an allocation of \$2.0 million. The Master

Plan will address the issues outlined in paragraph 56 above and map out a human resources development strategy to meet the development goals of the country. It will, in particular, focus on the following broad areas, some of which may be the subject of individual studies under the umbrella of the main project: (a) the implication of demographic change on the supply of labour; (b) labour market analysis and employment estimation; (c) informal sector employment and linkages with small-scale industries; (d) the impact of the price of labour and technological change on supply and utilization of labour and the labour market; (e) the relationship between labour markets and other product and factor markets; (f) skill requirements in the context of structural change; and (g) labour requirements of the economy by sectoral, occupational and skill levels.

58. In addition to the Human Resources Master Plan, UNDP assistance is directed at a number of training programmes in important areas of specialization. The Computer Audit Capabilities Project (MAL/86/010) will assist the Government in converting its central accounting procedures to a Modernized Central Accounting System in early 1987. This will call for reliable and rapid processing of data and well-balanced internal control and reconciliation. The project will assist in designing software, including audit packages and audit-logging facilities. It will also prepare training plans and programmes to develop a capacity to conduct regular training courses within the Department. The project in Water Systems Technology (MAL/82/011) will continue to assist the Training Institute of the Public Works Department to upgrade its training capacity in water works planning, designing, operation, management and maintenance. The project seeks to enable the Institute to train sufficient manpower to meet increased demands for water, caused mainly by industrialization and urbanization. Another operational project scheduled to continue under the fourth country programme is the Advanced Training of Department of Civil Aviation Personnel (MAL/85/001). This project is aimed at developing a nucleus of trained and competent instructors for the planned expansion of the Civil Aviation Training College. The project will also reinforce the technical knowledge of selected middle- and upper-management officers of the Department. The requirement for trained staff in civil aviation has substantially increased with the expansion of air traffic, both at the national and international levels.

59. An ongoing project which will be continued is support to the Food Control Services (MAL/85/003), which will assist the Ministry of Health to implement existing food quality regulations more fully, by means of inspection, checking, and enforcement. It will include programme planning, developing systems of reporting, evaluation, information dissemination and exchange, and the inspection and examination of imported food. Staff training is an important component of UNDP assistance. Another project in this general area is assistance to Water Treatment Systems and the Evaluation of Well-Water Supply. The project will: (a) seek to introduce, field test and implement a simple water treatment technology; and (b) review current well-construction technology and other associated matters, such as water quality and the maintenance of pumps. The outputs will consist of recommended changes in drilling technology and the training of trainers in accepted drilling and construction techniques.

60. Under a newly approved project, TRAINMAR (MAL/86/012), the management and training capacity of the Malaysian port and shipping authorities will be upgraded and strengthened. The project will adapt the courses developed by the regional

TRAINMAR programme (RAS/78/031) to specific country requirements. In view of the increased tonnage handled by the ports as a result of the expansion of trade, the country needs to build up its own capacity to train port and shipping professionals.

61. Two small-scale projects are geared to meet the requirements for trained manpower in the areas of fire fighting and dam maintenance. With more rapid urbanization and industrial development, adequate fire fighting services and the safety of dams are becoming increasingly important. The projects will assist in developing training plans for the fire services and in setting up procedures and training programmes for the inspection and maintenance of dams.

Linkages

62. The Human Resources Master Plan will be closely linked to the ILO regular programme of technical assistance to the Ministry of Labour in manpower planning and assistance to technical training institutions. It will also be co-ordinated with the Asian Regional Team for Employment Promotion and the Asia-Pacific Skill Development Project (RAS/78/031). Complementarity will be maintained with the World Bank project in industrial training. The national UNDP projects in Civil Aviation Training and TRAINMAR will have direct linkages with, and access to, facilities of the UNDP regional projects, Civil Aviation Training Centre (GATC) and TRAINMAR (RAS/77/040 and RAS/78/031). In the food quality control programme, the country project is already co-ordinating with the UNDP regional project on strengthening Food Control Training (RAS/85/027). There is also complementary assistance from WHO, especially in laboratory design and services.

Development of science and technology

63. Science and technology have played an important role in the socio-economic development of Malaysia. In the light of current uncertainties in the international economic environment and difficulties in maintaining the competitiveness of manufactured products, the Fifth Plan calls for a still greater role for science and technology in the modernization and innovation programmes of the Government. In particular, it is planned to increase industrial and agriculture productivity, and to expand the manufacturing base to include heavy and high-technology industries. Linkages will be established between primary and secondary industries and research and development institutions, including universities. The Fifth Plan also envisages increased attention to centralized planning and co-ordination of research programmes (both in the public and private sectors), strengthening the existing infrastructure for science and technology management and improving the mechanism for technology transfer through the formulation of a national science and technology policy, which, in turn, will be incorporated into overall development planning.

64. As stated in paragraph 39 above, \$2.5 million or about 17 per cent of total programmed resources have been earmarked for the Implementation of the Industrial Master Plan, which is the operational phase of, and a direct follow-up to, the Industrial Master Plan (MAL/79/001). The three main objectives of this plan are: (a) the acceleration of the growth of the manufacturing sector to make Malaysia an industrialized country by 1995; (b) the maximum utilization of national resources; and (c) the establishment of indigenous technical capabilities. In the plan of

action which is now being finalized by a task force, UNDP assistance is envisaged for the implementation of a number of major recommendations. These include: (a) carrying out export marketing studies for products for different sectors; (b) establishing an industrial planning capability within the Malaysian Industrial Development Authority (MIDA); and (c) developing an export-targeting system at the national level. Needless to say, an effective implementation of the Industrial Master Plan will increase the potential opportunities for private sector investment. The complete list of project proposals is now being drawn up and the earmarking of \$2.5 million will be used as an umbrella project to assist in the implementation of a wide range of projects to support the Fifth Plan main priority of rapid industrialization.

65. Two related projects are proposed: Small Scale Industries Promotion and Development and Industrial Data Base Design. The former will specifically advise on the type of small-scale industries to be developed in five selected sites in Ipoh, Kuala Lumpur, Penang, Kelantan and Pahang and the latter will assist in setting up a system for the collection, collation, storage and analysis of information and data pertaining to the manufacturing sector.

66. In view of the emphasis on industrialization, a greater inflow of foreign equity capital and technology is expected, and the strengthening of the Government capability in dealing with transnational corporations has consequently become extremely important. A project entitled Advisory and Training Services, Transnational Corporations has therefore been proposed which will assist in (a) evaluating pre-feasibility or feasibility studies of foreign investment projects and making recommendations on their legal, fiscal, economic and technical aspects; (b) formulating standard/model international agreements such as joint ventures, technical assistance agreements, license/patent agreements, management agreements; (c) advising on guidelines and regulations pertaining to technology transfer and international contractual agreements; and (d) training officials in these areas. Another project, Technology Parks, will assist the Government in developing various alternative strategies for the establishment of the first technology parks in Malaysia. These will foster mutually beneficial linkages between universities and research and development institutions and industry. The project is expected to contribute to this concept, which is rather new in Malaysia. It is also thought that an effective patent system will enhance and stimulate the pace of technological research and development by giving legal protection to new processes and inventions. The initial infrastructure for an effective patent system was established during the first phase of the project to Strengthen Patent Administration (MAL/84/005). The proposed second phase will seek to consolidate the results achieved by the further enhancement of the skills of a core of trained staff and the establishment and development of a technological information and dissemination center. This project is related to a small-scale project in Trademark Administration, the immediate objective of which is to build up a well organized system to achieve an efficient and comprehensive register of industrial trade marks.

67. In the field of agriculture and forestry, four projects are proposed. Perhaps the most important is Assistance to the Forest Research Institute, Malaysia (FRIM), the objective of which is to strengthen the research and development capability of FRIM, to enable it to support the development of forestry and wood-based industries

in Malaysia. Research is becoming increasingly important in helping to determine major issues relating to the technical and economic viability of alternate natural forest management systems; the selection of species in forest plantation development; and the choice of marketing and industrial processing strategies. The project will support FRIM through advisory assistance, training, institutional twinning and collaborative research. There is also a great need for an efficient agrometeorological programme to support the current effort in agricultural modernization. The Government, with World Meteorological Organization (WMO) assistance, started to develop a viable agrometeorological system by establishing a network of stations. The Agrometeorology project (MAL/81/009) addresses problems related to soil moisture and phenological observation noted during the implementation of the agrometeorological observation programme. The project will initiate agrometeorological research, data analysis, publication and interpretation. It will have a substantial training component to strengthen the capacity of the Agrometeorological Division.

68. A further project covers the Design of Aquaculture Ponds. Aquaculture has gained increasing importance in view of its commercial potential, which can provide a better livelihood for traditional low-income coastal fishermen. An earlier UNDP-funded project demonstrated the need for further work in designing appropriate coastal aquaculture ponds and dealing with acid sulphate problems. The project will assist the Department of Fisheries to develop an appropriate technology of pond construction, aeration of pond water and training of manpower to extend these technologies to potential user groups. A second phase is proposed for the Animal Waste Management project (MAL/86/016). Pig farming is a socially sensitive issue because of the multi-racial/religious nature of Malaysian society. There is, however, an increasing demand for pork, which should be met by local production. The second phase project will concentrate on implementation and provide training and advisory assistance and transfer of experience from a similar project in a neighboring country.

69. The final proposal in this area is unique and is directed at finding a means for Oil-Palm Stem Utilization. Because of the substantial rate of replanting, nearly 14 million tons a year of cellulostic raw material is generated in the form of stems and fronds of oil palm trees. This has little economic value. Burning causes pollution and is expensive. The moisture content of the stems induces fungus and insect growth. A national committee on oil-palm stem utilization has been established to find an economically viable solution. The Forest Research Institute of Malaysia will be the Government counterpart authority.

70. The implementation of the Industrial Master Plan will involve many donors, and will include both multilateral and bilateral assistance. Proposals are still at the negotiation stage and the UNDP project will maintain whatever complementary linkage is required with projects funded by other donors. The Animal Waste Management project drew heavily upon the experiences of a previous UNDP/FAO/International Development Research Centre of Canada (IDRC)/Australian Development Assistance Bureaux (ADAB) project in Singapore (SIN/74/006) and there was an exchange of technical personnel under technical co-operation among developing countries (TCDC). The project on transnational corporations will make full use of the regional training project Advisory Services on Transnational Corporations (RAS/81/087) executed by the United Nations Centre on Transnational

Corporations (UNCTC). In oil-palm stem utilization, the Federal Republic of Germany is also providing assistance and there will be complementarity with the UNDP project. British bilateral technical assistance is providing some inputs to the Technology Park project. AsDB is providing a loan which will assist the Government and private sector in the development of the aquaculture industry, while UNDP will fund the technical assistance component. The UNDP project in support of the Forest Institute will be closely co-ordinated with assistance from the Federal Republic of Germany in the same field.

C. Unprogrammed reserve

71. After the approval of all new projects enumerated above, and taking into account provisions required for ongoing projects, there remains an unprogrammed reserve of \$698,000. It is the intention of the Government to keep this amount in reserve until the latter part of the fourth country programme period to meet changes in the programme and to respond to new situations and demands. The unprogrammed reserve is 8.5 per cent of the fourth cycle IPF and less than 5 per cent of total resources available under the country programme, if the cost-sharing contribution by the Government is included.

Annex

FINANCIAL SUMMARY

I. ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING

<u>A. UNDP-administered sources</u>	<u>\$</u>	<u>\$</u>
Third cycle IPF balance	306 000	
Fourth cycle IPF	8 250 000	
Subtotal IPF		8 556 000
Special Measures Fund for Least Developed Countries	-	
Special programme resources	-	
Government cost-sharing	4 386 000	
Government cost-sharing balance (as at end 1986)	2 306 000	
Subtotal Government cost-sharing		6 692 000
Third-party cost-sharing	-	
Operational funds under the authority of the Administrator	-	
UNDP special trust funds	-	
Subtotal, UNDP non-IPF funds		-
 <u>B. Other sources</u>		
Funds from other United Nations agencies or organizations firmly committed as a result of the country programme exercise	-	
Parallel financing from non-United Nations sources	-	
Subtotal, other sources		-
 TOTAL ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING		 <u><u>15 248 000</u></u>

II. USE OF RESOURCES

Ongoing projects	2 061 000	
New project proposals	12 489 000	
Programmed reserve	-	
Subtotal, programmed resources		14 550 000
Unprogrammed reserve		698 000
 TOTAL RESOURCES (Programme + Reserve)		 <u><u>15 248 000</u></u>
