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I. Situation analysis

1. Malaysia, an upper-middle-income South-East Asian country with a population of 28.7 million, was ranked 61 out of 187 countries on the UNDP human development index, 2011, with a score of 0.761 (high human development).
2. Malaysia is on track to achieve most of the Millennium Development Goals in aggregate terms by 2015. This has been made possible largely because of its rich oil reserves and natural resource endowments as well as its strategic investments in physical infrastructure, primary education and primary healthcare services over the last four decades. Notably, it has achieved the Goal of halving poverty – which fell from 17 per cent in 1990 to 3.8 per cent in 2009, based on its national poverty line. It has also achieved gender parity at all levels of education, surpassing parity at the university level. The Government commitment to the MDG-Plus agenda is reflected in its Tenth Malaysia Plan, 2011–2015, with 30 per cent of development expenditure allocated to the social sector.
3. *Overcoming the middle-income trap.* The average annual growth in the gross domestic product of Malaysia between 2000 and 2011 was 4.6 per cent, while its estimated 2011 gross national income per capita was \$16,259. The unemployment rate averaged 3 per cent in an estimated labour force of 12.7 million, including 1.8 million documented and an estimated 1.3 million undocumented foreign workers, who have contributed to its low-wage economic growth strategy. While it has experienced impressive economic growth in the last four decades, bolstered by low wages, oil revenues, foreign direct investment targeted at the manufacturing sector, and high global demand for its commodities – especially palm oil – Malaysia now finds itself in a ‘middle-income trap’, as its inadequate financial, technological and market infrastructure and human capital have not allowed it to compete in economically higher-value-added products and services. Private investment has not recovered to the level it had attained before the Asian financial crisis of the 1990s, and its trade dependency makes it particularly vulnerable to the global financial and economic environment. Its national budget is also excessively dependent on oil revenue. Strong institutional capacities coupled with a broad-based tertiary-educated and skilled human capital base are two necessary prerequisites to overcoming that challenge.
4. *Income inequalities and rising disparities.* Although Malaysia has narrowed the rural-urban poverty incidence gap, the rural poor in 2009 still accounted for two thirds of poor households. The Gini coefficient for 2009 was 0.441; it has not substantially improved over the last 2 decades. In terms of income distribution, concern has shifted from inter-ethnic to intra-ethnic disparities. To advance the inclusive growth agenda, the Tenth Malaysia Plan prioritizes relative poverty and will emphasize the 2.4 million vulnerable households categorized as the bottom 40 per cent, with a focus on women, youth and indigenous communities. Strengthening the identification and targeting vulnerable communities with a focus on non-income dimensions will also be accorded a higher priority.
5. *Gender equality and empowerment.* The UNDP gender inequality index, 2011, ranked Malaysia 43rd out of 145 countries, with a score of 0.286. It lags in terms of women’s labour force participation (46.1 per cent in 2010 compared with 78.7 per cent for men) and political empowerment. Women remain under-represented in decision-making bodies such as the Parliament (14 per cent) and state legislative assemblies (8.2 per cent), as well as in senior management positions in the private sector. In addition, urban households headed by women, including households with single mothers and children, have a much higher probability of being poor than those headed by men. Finally, there are complex issues at the interface of gender, culture and religion related to laws, policies, lack of awareness, perceptions and attitudes, which remain a challenge.
6. *Strengthening governance and democratization.* In late 2011 the Government announced its political transformation programme, which focused on liberalizing individual and civil rights and moving towards a “modern, progressive and developed Malaysia with a functional democracy”. The challenge is to ensure that the implementation of new laws and other initiatives are in accordance with the Constitution, result in

independent institutions and are consistent with international human rights norms and standards. Corruption remains a challenge, and strengthening national anti-corruption efforts is one of the six key national priorities of the government transformation programme for the medium term.

7. *Implementation challenges of environmental policy.* While climate-resilient growth strategies are reflected in the Tenth Malaysia Plan, policy implementation, limited institutional capacities (in coordination, monitoring and evaluation) and the need for an appropriate, comprehensive legislative framework for climate change and biodiversity conservation remain central challenges. Insufficient technical capacities, an inadequate science-policy interface on sustainable development issues, and inadequate financing, as well as complex federal-state relations with respect to natural resource management and land sovereignty issues, have resulted in ineffective implementation over the past decades.

8. *Global partnership for development.* Although Malaysia has been an active international development partner, providing technical and capacity development support to over 138 countries and two territories in the last three decades, the strategic focus of its South-South cooperation programme needs to be sharpened to respond to emerging global and regional issues, the needs of developing countries, and establishing platforms for two-way learning and experience sharing.

9. *Development partners in Malaysia.* As the Government of Malaysia has not requested a United Nations Development Assistance Framework, UNDP, through the resident coordinator system, works closely with United Nations partner organizations and relevant civil society organizations on gender mainstreaming, HIV/AIDS, and civil society participation. A common analysis of development challenges forms the departure point for coordinated United Nations support to national development priorities. The presence and activities of international development partners, international financial institutions and traditional donors is minimal, given the upper middle-income status of the country.

II. Past cooperation and lessons learned

10. UNDP undertook a forward-looking review of the country programme, 2003-2007, early in 2009, as part of its 'upstream policy programme repositioning' exercise, which includes support both to policy development and policy implementation. In 2011 it undertook an independent mid-term review of the country programme, 2008-2010, against the backdrop of the Prime Minister's transformative national agenda. These processes have clarified and strengthened the partnership between UNDP and the Government, with agreement on five priority areas: (a) national response to both the short- and long-term structural implications of the global financial and economic crisis; (b) addressing poverty, inequality and exclusion; (c) improving the quality of life through sustainable environmental management and energy security; (d) promoting good governance, with a focus on anti-corruption, human rights and the results orientation of the public sector; and (e) promoting South-South initiatives for development.

11. The 2011 review noted that the initiatives undertaken since the 2009 repositioning were developed with clear, tangible links and relevance to the mid- and long-term development priorities and the strategic national mission of Malaysia. UNDP contributions include support to: the government assessment of poverty eradication policies and programmes; the implementation of a national strategic plan on HIV/AIDS (the United Nations country team); establishment of women's quota (30 per cent minimum) in decision-making positions; and the development of a national action plan to empower single mothers. Moreover, UNDP played a lead role in supporting the Government towards fulfilling its multilateral environmental treaty commitments such as the Cartagena Protocol, the Montreal Protocol and the United Nations Framework Convention on Climate Change. The renewable energy act and feed-in-tariff mechanism, the national green technology policy, the national climate change policy, and the bio-safety and marine park acts were developed with UNDP support. In the area of economic development,

UNDP has extended substantive policy inputs to the elaboration of the ‘new economic model’ to sensitize the Government the issue of outreach for inclusive growth.

12. The 2011 review noted, however, that while the programme clearly demonstrated a departure from piecemeal projects to upstream policy support allowing for transformative results, it was too early to see tangible development outcomes from some of the recent initiatives, especially in the area of South-South cooperation.

13. While strategic, gender-focused programmes were implemented – which contributed to the development of national action plans, disaggregated data and gender-based budgeting – gender perspectives have not been mainstreamed in other areas, such as energy and the environment, due to a lack of substantive expertise. The new programme cycle should ensure that gender analysis is effectively applied to all outcomes so as to mainstream gender issues credibly and effectively across the entire development spectrum.

III. Proposed programme

14. As agreed with the Government, the 5-year programming cycle should be reduced to three years (2013-2015) to ensure that UNDP programmatic support is harmonized with the 5-year plan of the Government outlined in the Tenth Malaysia Plan. Since it is possible that Malaysia will become a net contributor country by 2016, a review to assess the nature of programmatic support in 2015 would be timely, especially if net contributor country status appears imminent at that point.

Development framework

15. As Malaysia does not have a United Nations Development Assistance Framework, the 2013-2015 country programme is based on and directly supports the achievement of national priorities in line with the *national transformation policy, government transformation programme, economic transformation programme, rural transformation programme, and political transformation programme*. The programme will provide direct support to the relevant initiatives outlined in the Tenth Malaysia Plan.

16. Gender, governance and capacity-building will be cross-cutting themes across all outcomes. Civil society and targeted beneficiaries, including women, will be supported to engage in policy decision-making processes so as to promote the effectiveness and inclusiveness of national development frameworks and initiatives, as well as to enhance accountability in the delivery of public services. The active participation of youth and the private sector in national development will be encouraged.

17. *Inclusive growth*. UNDP will contribute to sustaining and scaling up recent achievements in mainstreaming the human rights-based approach to development and gender equality in its programmatic activities by: (a) promoting inclusive growth, which encompasses all aspects of life including access to good-quality economic opportunities, education, infrastructure, health and other facilitating factors. In addition, poverty, gender and inequality reduction considerations will be mainstreamed into macro-planning frameworks and socio-economic models and policies. Initiatives will include but the formulation of a ‘multi-dimensional poverty index’ and the development of the first national human development report; and (b) improving institutional capacities for formulating creative and inclusive outcome-based monitoring and evaluation frameworks, as well as supporting ministries in the development and collection of key data relevant for a middle-income country.

18. To enhance synergies across practice areas, initiatives will also be undertaken to ensure a stronger poverty-environment nexus and address crucial issues related to growing urban poverty. Support to issues related to anti-corruption and the results orientation of the public sector will continue, with an emphasis on strengthening the accountability and transparency of public delivery mechanisms and monitoring systems.

19. *Strengthening climate-resilient development*. To address institutional and policy challenges related to environmental concerns, the new country programme will focus on: (a) enhancing national, sub-national and local capacities to ensure integrated biodiversity

management, conservation and the sustainable utilization of natural resources, which are linked with the needs of women, indigenous and local communities, and poor and vulnerable groups, in line with global Aichi targets on biodiversity (the focus will be on strengthening institutional capacities, with a particular emphasis on integrated water resource management, energy and food security, with the aim of achieving inclusive growth and sustainable development); (b) supporting policies related to mitigating climate change by increasing the use of renewable energy and strengthening the adoption of energy-efficient practices; and (c) developing frameworks on sustainable financing options for widespread green technology application through the low carbon cities' initiatives and the effective management of biodiversity endowments in Sabah, Sarawak and the central forest spine in peninsular Malaysia.

20. *Promoting the global partnership for development.* UNDP will support the Government in contributing to and learning from the global development community through the Millennium Development Goals acceleration framework, especially on Goal 1 (poverty eradication) and Goal 3 (economic and political empowerment of women). This will be achieved by developing the capacities of key Malaysian institutions to provide technical advisory services and knowledge products aimed at strengthening the capacities of developing countries in policy development, monitoring and evaluation. The programme will also explore areas for strengthening the Malaysian public service through strategic South-South cooperation.

IV. Programme management, monitoring and evaluation

21. The country programme will be nationally executed. UNDP and the Government will continue to explore new partnerships with the United Nations system, international development partners, civil society, the private sector and academia.

22. *Programme review and prioritization.* The country programme will consolidate the systemic and procedural improvements and processes put in place by UNDP and the Government for project sourcing, selection, design, implementation and evaluation. In addition, the biannual review meeting will assess progress at the output level while the annual review meeting will focus on the policy impact and potential for scaling up policy implementation where feasible and relevant. Those processes will serve as the basis for ensuring mutual accountability and a more systematic assessment of performance and progress at the outcome level. An evaluation of outcome 1 and Global Environment Facility project evaluations are scheduled to be undertaken during the programme cycle.

23. *Strengthening United Nations coherence and collaboration.* The programme led by the United Nations Resident Coordinator's office and the United Nations country team theme groups will strengthen a multi-organization approach to central development issues, including gender empowerment (Goal 3), HIV/AIDs (Goal 6) and social protection. UNDP will also collaborate and develop joint programmes with other resident and non-resident United Nations organizations.

24. *Programme resources.* The UNDP country office is equipped to service the agreed outcomes with substantive and operational capacities that support programme planning and implementation. To achieve the planned results, the country programme will receive \$1.661 million in funding from UNDP regular resources and \$23.065 million from other sources, including government cost-sharing, the Global Environment Facility and thematic trust funds. UNDP will develop a plan to mobilize additional diversified funding for all three thematic areas of the country programme. Cost-sharing resources in the 2013-2015 country programme will be earmarked using a 40:60 ratio between UNDP and government cost-sharing, respectively, throughout 2013. Thereafter, it is anticipated that a progressively greater share of government resources will be negotiated, moving to 100 per cent cost-sharing when Malaysia transitions to net-contributor country status.

Annex. Results and resources framework for Malaysia, 2013-2015

National priority or goal: Move towards inclusive socio-economic development and elevate the livelihoods of the bottom 40% of households (Tenth Malaysia Plan, 2011-2015)				
Country programme outcomes: (a) A new national policy framework developed to promote inclusive growth and sustainable human development policies and strategies; (b) The bottom 40% of households receive better access to education, health and social protection programmes and benefit disproportionately from new inclusive growth policies and strategies.				
Outcome indicator: (a) MDGs 3, and 6 achieved at national level and progress made on MDG 1 at sub-national level relative to baseline in MDG report; 2010 ;(b) Inclusive growth policies have led to achievement of 10MP targets: (i) Reduce the incidence of poverty from 3.8% in 2009 to 2.0% in 2015; (ii) income inequality improved by reducing the Gini coefficient from 0.441 in 2009 to 0.420 in 2015 and (iii) incidence of poverty: Indigenous people (Orang Asli) reduced from 50% in 2009 to 25% in 2015 and ethnic minorities from 22.8% to 12% in Sabah and 6.4% to 3% in Sarawak; (iv) National action plan and strategy developed, approved and implemented by the Government to increase women's participation in labour force from 46% in 2010 to 55% by 2015. Related strategic plan focus area: <i>Poverty reduction and the achievement of the MDGs</i>				
Government partner contribution	Other partner contributions	Indicator(s), baselines and target(s) for UNDP contributions	Indicative country programme outputs	Indicative resources by outcome (in dollars)
Government adopts the inclusive growth and sustainable human development agenda as a framework and applies it in its programmatic planning, implementation and monitoring of the Tenth Malaysia Plan, and builds national capacities therein.	United Nations organizations (WHO, ILO, UNFPA, UNICEF, and UNAIDS), IFIs and development partners provide technical support and/or funding. Academia and 'think tanks' undertake independent analysis and evaluation for policy collaboration with DOS, MWFC; MRRD, the economic planning unit; civil society on youth and other issues; private sector.	Indicator 1.1: Number of new national action plans developed re inclusive growth. Baseline 1.1: Tenth Malaysia Plan targets on inclusive growth. Targets 1.1: 3 inclusive socio-economic growth policies or national plans focused on reducing income inequality; disaggregated data on MDGs 1, 3 and 6 used in preparing Eleventh Malaysia Plan, 2016-2020, contributing to national policy dialogue on development agenda. By 2015, poverty measures reviewed/ revised, and non-income related indicators suitable to middle-income country context developed and used to strengthen targeting of the bottom 40% vulnerable population. First ever Malaysia national human development report, focused on inclusive growth, launched in 2013 and used in policy discussions on national challenges and policy considerations. Indicator 1.2: Percentage of women in the labour force in 2015. Baseline 1.2: Women's participation in the labour force was 46% in 2010, and the average mean wage disparities between women and men decreased very slowly, from a ratio of 1:1.16 in 2006 to 1:1.08 in 2009. Target 1.2: National action plan and strategy developed, approved and implemented by the Government to increase women's participation in the labour force to 55%.	(a) Extend technical and institutional capacity building support to enable the development and analysis of disaggregated data to strengthen an inclusive public policy and growth agenda; (b) Advocate, promote and facilitate civil society participation and knowledge management.	Regular: 740,000 Other: 4,000,000
National priority or goal: A climate-resilient growth strategy ensuring the equitable and sustainable use of environmental resources (Tenth Malaysia Plan, 2011-2015)				
Country programme outcome: Strengthened institutional capacity in managing climate change, including achieving both the 2015 renewable energy target of 5.5% of total electricity generation mix and an enhanced national framework for biodiversity management of the central forest spine in Peninsular Malaysia and the heart of Borneo.				
Outcome indicator: 1. Existence of a national policy framework on sustainable climate and biodiversity financing with the national biodiversity value meeting global Aichi biodiversity targets. 2. Percentage increase in the use of renewable energy sources. 3. Framework on sustainable financing options for both wide-spread green technology applications in the low carbon cities initiatives and effective management of biodiversity endowments. Related strategic plan focus area: <i>Environment and sustainable development</i>				
The Government will put into place institutional capacity, policies, laws and regulations in the relevant federal, state and local government agencies to ensure the	United Nations organizations, IFIs and other development partners provide technical support and funding. Academia and think tanks undertake independent analysis and	Indicator 2.1: Establishment of new national targets in line with Aichi biodiversity targets, which take into account needs of women, indigenous and local communities and the poor and vulnerable. Baseline 2.1: Biodiversity targets in the fourth national report to the CBD were compiled based on 2010 guidelines and require updating. Target 2.1: National policy on biological diversity revised and updated by 2015 to meet national priorities and the global Aichi targets on biodiversity consistent with the	Policy advice, advocacy, technical guidance, knowledge, dissemination of good practices methodologies for national and urban development and technological innovation to	Regular: 550,000 Other: 17,500,000

integrated management, conservation and sustainable use of natural resources and biodiversity; effectively use knowledge and tools related to climate change mitigation and adaptation and promote both gender and poverty reduction sensitive, sustainable greening practices in key sub-sectors of the economy.	evaluation for policy input in collaboration with DOS, Ministry of Natural Resources and Environment, Department of Environment, Ministry of Energy, Green Technology and Water, state governments, and the economic planning unit.	<p>CBD and other relevant international obligations.</p> <p>Indicator 2.2: Percentage increase in the use of renewable energy sources in the total national electricity generation mix. Baseline 2.2: Less than 1% renewable energy in total electricity generation mix in 2011 Target 2.2: Climate change mitigation policies have resulted in use of 5.5% of renewable energy in total electricity generation mix by 2015 through the effective implementation of the renewable energy act.</p> <p>Indicator 2.3: Establishment of framework on sustainable financing options for widespread green technology applications in low-carbon cities initiatives and effective management of biodiversity endowments in Sabah, Sarawak and the central forest spine in Peninsular Malaysia.</p> <p>Baseline 2.3: Inadequate national policy framework addressing sustainable financing options. Target 2.3: National framework on sustainable financing options for widespread green technology applications in low-carbon cities initiatives and effective management of biodiversity endowments in Sabah, Sarawak and the central forest spine in Peninsular Malaysia by 2015.</p>	strengthen climate change adaptation and mitigation measures, communication and awareness programme between federal and state governments.	
National priority or goal: Promoting cooperation among developing countries through sharing of experiences and expertise (strategic plan 2009-2015; Ministry of Foreign Affairs)				
Country programme outcome: International cooperation efforts to accelerate global MDG achievement by 2015 and strengthen governance through anti-corruption measures in developing countries will have increased and become more effective and strategic.				
<p>Outcome indicators: (a) Numbers of countries supported by the Government of Malaysia to accelerate their MDG achievements, especially MDGs 1 and 3, through South-South cooperation; (b) numbers of countries supported by Government of Malaysia to enhance anti-corruption governance measures through South-South cooperation</p> <p>Related strategic plan focus areas: <i>Poverty reduction and the achievement of the MDGs; democratic governance</i></p>				
Government allocates human and financial resources to implement initiatives for targeted countries based on programmes and tools developed in collaboration with UNDP. Government codifies relevant development planning experiences for sharing with other interested countries.	United Nations organizations, global and regional development partners (Japan International Cooperation Agency, Islamic Development Bank) engage in sharing best practices and lessons learned, establish and strengthen knowledge networks, and fund joint programming in collaboration with the Association of Southeast Asian Nations and Organization of the Islamic Conference member states.	<p>Indicator 3.1: Number of initiatives developed to achieve MDG goals in targeted countries, with a focus on gender issues dealing with economic and political empowerment of women and eliminating all forms of discrimination against women.</p> <p>Baseline 3.1: None.</p> <p>Target 3.1: Two national agencies strengthened by 2015 to provide medium to long term technical advisory and capacity building initiatives for developing countries focused on policies and monitoring and evaluation frameworks for poverty eradication and gender related economic and political empowerment.</p> <p>Indicator 3.2: Number of initiatives to strengthen institutional capacity of developing countries in fighting corruption.</p> <p>Baseline 3.2: One project on strengthening capacity of anti-corruption agencies from OIC member states</p> <p>Target 3.2: 2 national agencies strengthened to provide medium to long term technical advisory and capacity building initiatives to strengthen the institutional capacity and strategies of anti-corruption agencies in states members the Organization of the Islamic Conference.</p>	<p>(a) Customized technical policy advisory services and capacity development programmes provided to national institutions.</p> <p>(b) Knowledge networks established and products developed and disseminated to other developing countries.</p>	<p>Regular: 371,000</p> <p>Other: 1,565,000</p>

Abbreviations used in annex table

CBD: Convention on Biological Diversity

DOS: Department of Statistics

IFI: international financial institution

ILO: International Labour Organization

MDG: Millennium Development Goal

MRRD: Ministry of Rural and Regional Development

MWFCD: Ministry of Women, Family and Community Development

UNAIDS: Joint United Nations Programme on HIV/AIDS

UNICEF: United Nations Children's Fund

WHO: World Health Organization
