

**Document of
The World Bank**

Report No: 18855-MA

**PROJECT APPRAISAL DOCUMENT
ON A
PROPOSED LOAN
IN THE AMOUNT OF US\$60.0 MILLION
TO
MALAYSIA
FOR A
SOCIAL SECTOR SUPPORT PROJECT**

March 3, 1999

**Human Development Sector Unit
East Asia and Pacific Regional Office**

CURRENCY EQUIVALENTS

(Exchange Rate Effective October 1, 1998)

Currency Unit = Ringgit

Ringgit 1.00 = US\$0.263

US\$1.00 = Ringgit 3.8

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

| | | |
|--------|---|---|
| ADB | - | Asian Development Bank |
| AG | - | Accountant General |
| CAS | - | Country Assistance Strategy |
| DOS | - | Department of Statistics |
| EPU | - | Economic Planning Unit |
| ERSL | - | Economic Recovery and Social Sector Loan |
| GOM | - | Government of Malaysia |
| HIS | - | Household Income Survey |
| ICU | - | Implementation Coordination Unit |
| JKR | - | Public Works Department |
| KEMAS | - | Community Development Division of the MORD |
| MOF | - | Ministry of Finance |
| MOH | - | Ministry of Health |
| MONUSD | - | Ministry of National Unity & Social Development |
| MORD | - | Ministry of Rural Development |
| NERP | - | National Economic Recovery Plan |
| NGO | - | Non-Governmental Organization |
| PIU | - | Project Implementation Unit |
| PMR | - | Project Management Report |
| RSA | - | Rapid Social Assessment |
| SA | - | Special Account |
| SOE | - | Statement of Expenditures |
| UNDP | - | United Nations Development Program |

| | |
|--------------------|------------------------------|
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| Country Director: | Ngozi Okonjo-Iweala, EACSM |
| Sector Manager: | Alan Ruby, EASHD |
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Malaysia
Social Sector Support Project

CONTENTS

A. Project Development Objective

1. Project development objective and key performance indicators..... 2

B. Strategic Context

1. Sector-related Country Assistance Strategy (CAS) goal supported by the project 2
2. Main sector issues and Government strategy 2
3. Sector issues to be addressed by the project and strategic choices..... 4

C. Project Description Summary

1. Project components..... 4
2. Key policy and institutional reforms supported by the project..... 5
3. Benefits and target population 5
4. Institutional and implementation arrangements..... 7

D. Project Rationale

1. Project alternatives considered and reasons for rejection..... 9
2. Major related projects financed by the Bank and/or other development agencies (completed, ongoing and planned)..... 10
3. Lessons learned and reflected in the project design 11
4. Indications of borrower commitment and ownership..... 11
5. Value added of Bank support in this project..... 11

E. Summary Project Analyses

1. Economic assessment 12
2. Technical assessment..... 12
3. Institutional 12
4. Social 12
5. Environmental assessment..... 12
6. Participatory approach 12

F. Sustainability and Risks

1. Sustainability..... 13
2. Critical risks..... 14
3. Possible controversial aspects..... 14

G. Main Loan Conditions

| | |
|-----------------------------------|----|
| 1. Effectiveness conditions | 15 |
| 2. Legal Covenants | 15 |

| | |
|---|-----------|
| H. Readiness for Implementation..... | 15 |
|---|-----------|

| | |
|--|-----------|
| I. Compliance with Bank Policies..... | 16 |
|--|-----------|

Annexes

| | | |
|-----------|--|----|
| Annex 1. | Project Design Summary | 17 |
| Annex 2. | Project Description | 19 |
| Annex 3. | Estimated Project Cost..... | 22 |
| Annex 4. | Financial Summary..... | 22 |
| Annex 5. | Procurement, Financial Management and Disbursement Arrangements..... | 23 |
| Table A. | Project Costs by Procurement Arrangements..... | 26 |
| Table A1. | Consultant Selection Arrangements..... | 26 |
| Table B. | Thresholds for Procurement Methods and Prior Review | 27 |
| Table C. | Allocation of Loan Proceeds..... | 28 |
| Annex 6. | Project Processing Budget and Schedule..... | 29 |
| Annex 7. | Documents in Project File..... | 30 |
| Annex 8. | Status of Bank Group Operations in Malaysia | 31 |
| Annex 9. | Malaysia at a Glance..... | 32 |
| Annex A | Poverty Districts | 34 |
| Annex B | Monitorable Indicators..... | 35 |
| Annex C | Project Management Reports..... | 36 |

Malaysia

Social Sector Support Project

1. Project Appraisal Document

East Asia and Pacific Regional Office
SE Asia and Mongolia Country Unit

| | |
|--|---|
| Date: March 3, 1999 | Task Team Leader/Task Manager: Jill Armstrong |
| Country Director: Ngozi Okonjo-Iweala | Sector Manager/Director: Alan Ruby |
| Project ID: MY-60943 Sector: Social | Program Objective Category: Poverty Reduction |
| Lending Instrument: Specific Investment Loan (SIL) | Program of Targeted Intervention: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |

| | | | | |
|--|--|--|--------------------------------------|--|
| Project Financing Data | <input checked="" type="checkbox"/> Loan | <input type="checkbox"/> Credit | <input type="checkbox"/> Guarantee | <input type="checkbox"/> Other [Specify] |
| For Loans/Credits/Others: | | | | |
| Amount (US\$m): US\$60.0 | | | | |
| Proposed terms: | | | | |
| Grace period (years): 3 | <input type="checkbox"/> Multicurrency | <input checked="" type="checkbox"/> Single currency, specify: US\$ | | |
| Years to maturity: 15 | <input type="checkbox"/> Standard Variable | <input checked="" type="checkbox"/> Fixed | <input type="checkbox"/> LIBOR-based | |
| Commitment fee: 0.75% | | | | |
| Front End Fee on Bank | | | | |
| Loan: 1.00% | | | | |
| Financing plan (US\$m): | | | | |
| | Source | Local | Foreign | Total |
| Government | | 28.2 | 0.1 | 28.3 |
| UNDP | | 0.9 | .1 | 1.0 |
| IBRD (includes 1% up-front fee) | | 52.0 | 7.9 | 60.0 |
| | Total | 81.1 | 8.1 | 89.2 |
| Borrower: Government of Malaysia | | | | |
| Responsible agency: Ministry of Finance | | | | |
| Estimated disbursements (Bank FY/US\$m): | | | | |
| | 1999 | 2000 | 2001 | 2002 |
| Annual | 7.4 | 18.2 | 22.6 | 11.8 |
| Cumulative | 7.4 | 25.6 | 48.2 | 60.0 |
| Project implementation period: 36 mos. Expected effectiveness date: 06/99 Expected closing date: 12/02 | | | | |

A: Project Development Objective

1. Project development objective:

The project has two main objectives. First, it will support the National Economic Recovery Plan (NERP) strategy for ameliorating the adverse impacts of the economic crisis on the poor and vulnerable by maintaining their welfare and access to essential social services, particularly by those groups located in the poorest districts. Essential social services are broadly defined to include basic health services which are predominantly used by the poor, and social assistance to the needy (the hard core poor, school children from poor households, disadvantaged groups such as the destitute elderly, poor widows and single mothers, orphans). These essential social services form an important part of the social safety net in Malaysia. The second project objective is to strengthen the monitoring of poverty over time as well as of the effectiveness of programs designed to reduce poverty and to mitigate the adverse impact of the crisis, particularly those supported by the project. In the short term, it is expected that feedback from the monitoring and evaluation exercises would allow flexibility in the way in which loan proceeds are allocated. In the medium term, it is expected that improved monitoring and evaluation capacity will lead to improved efficiency in social sector expenditures.

2. Key performance indicators (see Annex 1):

Key performance indicators include: (i) monitoring public expenditure on social services; (ii) a district targeting coefficient estimating the share of project resources spent in 66 poverty districts (Annex A); (iii) component specific indicators to assess project inputs, outputs and, to the extent possible, outcomes (Annex B).

B: Strategic Context

1. Sector-related Country Assistance Strategy (CAS) goal supported by the project (see Annex 1):

CAS document number: 18812-MA Date of latest CAS discussion: March 30, 1999

The first full CAS for Malaysia since 1993 (when the country stopped borrowing), has been prepared and is to be discussed in March 1999. It supports the Government in mitigating the social consequences of the crisis in the short term, and prevent erosion of social sector achievements in the short to medium term. The Project, an operation in the initial phase of renewed lending to Malaysia, is a response to immediate client needs and supports the near term CAS objective to lessen the adverse impact of the crisis on the poor and vulnerable segments of society. It seeks to do this by ensuring that programs which protect the welfare of the poor and near poor, which maintain their access and use of essential social services, will continue to be funded despite serious budgetary constraints in the near to mid term. In the face of a 1999 federal government deficit of 6 percent of GDP, the Project will assist in financing these programs.

Furthermore, by supporting spending on key anti-poverty and social assistance programs, and through the targeting of resources to the poorest districts where over two-thirds of the rural poor live, the Project also serves the broader CAS theme of assisting Malaysia to preserve its impressive gains in the social sectors, to continue its efforts to eliminate hard core poverty, and to share the benefits of growth more equitably.

2. Main sector issues and Government strategy

Pre-crisis, a high and sustained rate of growth, with low unemployment and without much change in income distribution, allowed Malaysia to make tremendous gains in poverty alleviation. During the last quarter of a century, poverty (using the poverty line of \$2 international dollars at 1985 prices) decreased from slightly over half the population to about 5 percent of households in 1997. Hard core poverty,

defined as households with incomes 50 percent below the poverty line, and concentrated in rural areas was reduced from 7 percent in 1985 to about 1 percent in 1997. Growth being the prime engine of growth notwithstanding, the Government also supported a number of targeted anti-poverty programs whose efficiency is generally thought to be satisfactory. Although the modest level of spending on these programs (at around 0.3 percent of GDP) implies that they were only significant at the margin as an instrument for poverty reduction, they provided nonetheless, a basic safety net for the most vulnerable segments of the population (i.e., the hard core poor, the disabled, the destitute elderly, orphans, and poor widows).

Preliminary data indicate that the social impact of the economic crisis may be substantial enough to reverse some of the country's impressive gains in poverty reduction. Poverty is increasing, particularly in urban areas; up to half a million people are newly poor. The poor are disproportionately impacted by rising prices: although inflation has been moderate (5.2 percent year on year in December 1998), food prices have risen faster than other components of the CPI, and food accounts for almost 45 per cent of expenditures of the lowest quintile versus only 35 per cent for an average household. Unemployment has increased from pre-crisis levels (2.7 percent in 1997—technically full-employment) and is likely to reach 4 to 5 percent by end-1998. Wage rates are expected to be flat or falling. Health and education utilization data indicate a substantial switch in demand for services from the private to the public sector. This comes at a time when declining public revenues are forcing the Government to cutback on recurrent spending that in turn, has begun to affect the quality and adequacy of services. Protecting these programs will be important not only for the rural poor who are the traditional target group (poverty in Malaysia is still predominantly a rural phenomenon), but also for the "new" urban poor. The implication of today's greater urbanization and formalization of the Malaysian economy is that a greater share of people who have been affected by the crisis are likely to be in the urban areas, and the traditional cushion of "reverse migration" (going back to the countryside) while still feasible for some, may not be available to all retrenched urban workers.

The Government's commitment to protecting anti-poverty and other social programs providing essential services to the poor and near poor, led to a request for budgetary support from the Bank in early 1998. Accordingly, the Bank approved a fast-disbursing \$300 million single-tranche Economic Recovery and Social Sector Loan (ERSL) in June 1998, primarily to protect vulnerable groups in society and support structural reforms in the banking and corporate sectors. Although the ERSL enabled the Government to reverse budget cuts made earlier, thereby restoring 1998 budgetary allocations for the social sectors to the pre-crisis level, it became clear as the crisis deepened, that Malaysia would require additional help in maintaining spending on social services in 1999 and beyond.

In July 1998, GOM announced a National Economic Recovery Plan (NERP) to bring the economy back on a positive growth path, and alleviate the hardship of poverty as a result of the crisis. In line with this objective, the recently unveiled 1999 budget aims to achieve a mild recovery primarily through stimulation of domestic demand. Although Federal Government revenue is projected to fall in 1999, budgetary allocations for programs which can help to stimulate the economy (e.g., construction of roads, upgrading of educational facilities, and rural development) and provide essential social and economic services to the poor and near poor, will be maintained at the pre-crisis level, and in some cases, even increased. Consequently, development expenditure on social services as a percentage of GDP, will rise to 2.1 percent in 1999 from an average of 1.6 percent during the pre-crisis years (1994-96), while operating expenditures will be maintained at pre-crisis levels (around 5.8 percent of GDP).

As a result of the shortfall in domestic revenues, the Government has approached the Bank for help in financing priority social programs targeted to the poor and vulnerable through a Social Sector Support

Project (SSSP). This Project has been developed on a rapid timetable in order that it is able to support measures aimed at protecting the poor and vulnerable groups from the adverse impacts of the crisis.

3. Sector issues to be addressed by the project and strategic choices:

The Project will address four major sector issues: (i) overall budgetary constraints that could affect spending in the social sectors; (ii) the uncertain impact of economic crisis on the poor and near poor; (iii) capacity of public institutions in the short term, to cope with the near poor who are likely to fall below the poverty line as a result of the crisis; (iv) limited coverage of anti-poverty programs in the urban areas.

Several strategic choices have been made in the Project design in response to the above sector issues. First, in view of the ongoing crisis, the Project seeks to provide support rapidly, therefore only on-going government poverty and social programs targeted to the poor were considered for inclusion. Second, in order to monitor both poverty levels and how the social impacts of the crisis evolve over time, an additional Household Income Survey, as well as qualitative social and beneficiary assessments and selected impact evaluations, will be conducted. Third, planned expansion of service delivery by the Ministry of National Unity and Social Development and their NGO partners will be protected to ensure that there is sufficient capacity to implement programs for target groups, especially in urban areas, whose population size may increase significantly in the near term.

C: Project Description Summary

1. Project components (see Annex 2 for a detailed description and Annex 3 for a detailed cost breakdown):

In order to ensure that the project will support those programs which alleviate hardship of the poor and near poor that is caused by the crisis, a set of criteria was used as the basis for selecting programs to be financed by the Project. The criteria included: (i) positive impact in achieving primary objectives for the target group; (ii) on-going programs with implementation experience and demonstrated institutional capacity; (iii) sufficiently short gestation period for achieving impact (i.e., within three years); and (iv) ability to target service delivery to poor districts.

The Government and the World Bank mission reviewed a number of on-going programs in three line ministries (Ministry of Rural Development, Ministry of Health, Ministry of National Unity and Social Development) against the above criteria, and agreed on a set of programs (see the Project description summary) for financing under the Project. These programs are grouped under three main components according to their affiliation by ministry (see Table).

The Project also includes a poverty monitoring and impact assessment component to monitor poverty levels, the evolving social impacts of the crisis, and the impact of social programs supported by the Project on alleviating hardship due to the crisis. Specifically, this component will finance a follow-up household income survey (HIS) in March 1999 of 15,000 households first surveyed before the crisis; qualitative beneficiary and national participatory assessments; and an in-depth impact evaluation of selected programs. These assessments, which are likely to reveal new needs as the crisis evolves, provide flexibility and the basis for any adjustments and reallocations needed within the Project during implementation. In the medium term, it is expected that results from this component will be an important input into the design of the Government's next Five Year Development Plan. It is expected that UNDP will co-finance the activities under this component.

2. Key policy and institutional reforms supported by the project:

Because this operation is a rapid response to provide support for ongoing government programs, the focus of the Project will not be on major policy and institutional reforms. Nonetheless, the Project includes an important institutional component to improve poverty monitoring over time, the geographic targeting of resources for poverty alleviation.

3. Benefits and target population:

The primary benefits of the Project will be the maintenance of essential programs for poverty alleviation and the strengthened capacity of the government to monitor poverty and evaluate poverty alleviation programs.

| Component | Cost Incl. Contingencies (US\$M) | % of Total | Bank- financing (US\$M) | % of Bank- financing |
|--|--|---------------|-------------------------------|----------------------------|
| A. RURAL DEVELOPMENT AND POVERTY ALLEVIATION COMPONENT (Ministry of Rural Development) | | | | |
| <u>Poverty Village Development program.</u> This sub-component will support in-situ community development in 60 villages with a high percentage of hard core poor. | 23.6 | 26.7 | 20.4 | 86.6 |
| <u>Early Childhood Education program.</u> This sub-component will support the construction of 400 preschools and upgrading of another 1,300 in villages located in the poverty districts. | 14.5 | 16.4 | 8.5 | 58.5 |
| B. HEALTH CLINICS COMPONENT (Ministry of Health) | | | | |
| This sub-component will support the construction and equipping of 31 rural community and 10 urban health clinics in underserved areas. | 28.1 | 31.9 | 17.6 | 62.6 |
| C. SOCIAL ASSISTANCE FOR DIS-ADVANTAGED GROUPS COMPONENT (Ministry of National Unity & Social Development) | | | | |
| This sub-component will support the MONUSD and its strategic partners (e.g. NGOs) in delivering socio-economic services to disadvantaged groups (e.g., poor elderly, orphans, single mothers, the disabled). | 20.7 | 23.5 | 12.8 | 62.0 |
| D. POVERTY MONITORING AND IMPACT ASSESSMENT COMPONENT | | | | |
| <u>Quantitative Assessments.</u> (i) an enhanced HIS to collect baseline information on crisis impacts and (ii) in-depth impact evaluation of selected poverty programs. | 0.8 | 0.9 | 0 | 0 |
| <u>Qualitative Assessments.</u> (i) beneficiary assessments to evaluate the impact of programs supported by the Project; and (ii) national participatory assessment to monitor impacts of the crisis. | 0.3 | 0.3 | 0 | 0 |
| Total | 88.1 | 100.0 | 59.4 | 67.3 |

Note: Total figures *exclude* the 1% front end fee.

The target population for the Project is the hard core poor, the poor and the vulnerable. The poor (defined by a poverty line of \$2 international dollars at 1985 prices) accounted for about 5 percent of Malaysian households in 1997. The hard core poor are defined as households with income levels below 50 per cent of the poverty line; they accounted for approximately 1 percent of the total population in 1997. The vulnerable are those households living near the poverty line, but who are especially vulnerable to economic shocks which may cause them to join the ranks of the poor. Updates of poverty and unemployment will be obtained from an additional household income survey in March 1999 to be collected by the Department of Statistics and supported by the Project. Because the Survey asks respondents about the previous twelve month period, the results should capture the initial impact of the crisis.

Several targeting mechanisms will be used: (i) geographic targeting based on population and poverty incidence (1997 HIS data); (ii) means-testing and established lists of the hard core poor; and (iii) self-targeting based on support for services that are used primarily by the poor and vulnerable (e.g., basic health services). Periodic beneficiary assessments will check the targeting performance of specific programs.

4. Institutional and implementation arrangements:

a. Executing agencies: (i) *Ministry of Rural Development* will execute the Rural Development and Poverty Alleviation component; (ii) *Ministry of Health* will execute the Health Clinics component; (iii) *Ministry of National Unity and Social Development* will execute the Social Assistance for Disadvantaged Groups component; (iv) *EPU, Department of Statistics and the three line ministries* will execute the Poverty Monitoring and Impact Assessment component.

b. Project Management: Given that all components are on-going government programs, there is reduced need for establishing separate project management units. The EPU, however, will coordinate the three line ministries and ensure that project accounting and procurement are carried out to meet Bank requirements. The EPU, in its planning function will be the locus for utilization of the quantitative and qualitative assessments, including any reallocation decisions during project implementation. The government's Implementation Coordination Unit (ICU) will coordinate quarterly Project Management Reports (PMRs) and annual operational plans from each of the line ministries for submission to the Bank. The Accountant General's Office would have overall responsibility for the management of the Special Account and for compiling Statements of Expenditures submitted by the line ministries and preparing loan withdrawal and replenishment requests. *By negotiations, the Government will confirm the key agencies' involvement and designate a key contact in each of the line ministries and in the EPU. For Project effectiveness, a person with appropriate accounting skills will be named in each line ministry.*

Each of the three line ministries will undertake to: (i) prepare quarterly Project Management Reports for onward transmittal to the World Bank; (ii) ensure that procurement of items financed by the Project complies with World Bank guidelines; (iii) review and validate payment requests from implementing units/departments and thereafter forward Statement of Expenditures for eligible expenditures to the Accountant General's office; and (iv) arrange for the sub-contracting of beneficiary surveys to qualified NGOs or academic institutions and thereafter, oversee the implementation of these surveys.

c. Financial management arrangements. A financial management assessment was carried out in the three line ministries which will be implementing the Project. The objective of the assessment was to determine whether the ministries have in place adequate financial management systems as required by the IBRD under OP/BP 10.02 and, based on the findings, to assess the readiness of the Project to implement PMR-based disbursements under LACI. The assessments revealed a financial management system,

based on a branch accounting system controlled by the Accountant General (AG), which meets the requirements of OP/BP 10.02 in the following respects:

- Clear accounting instructions and standardized procedures and forms which facilitate accurate and timely data input and processing;
- Strong internal controls which include rigorous segregation of duties in connection with clear instructions for authorization and approval of invoices, control over bank accounts and custody of assets;
- An Independent National Audit Department headed by a professionally qualified Auditor General which employs staff who are adequately trained to carry out the audit function in accordance with generally accepted auditing standards.

In connection with project accounting, monitoring and reporting there are however the following weaknesses:

- Two of the ministries, MNUSD and MORD, are serviced by a centralized accounting service of the AG's office. Their "finance" departments are therefore nominal and for the most part staffed by non-accountants. The work carried out in these finance departments is concerned mainly with preparing payment vouchers for submission to the AG's office and monitoring actual expenditures against budget allocations. Present staff therefore lack experience of double entry bookkeeping and cash flow forecasting and lack the accounting skills required to obtain relevant and on a timely basis, project accounting information from the central accounting system operated by the AG.
- Implementation of existing GOM projects is handled at program, as opposed to ministry, level at both MNUSD and MORD. Project monitoring is also done at program level with financial information being monitored via "memorandum" records of transactions. This will continue to be the case under this Project. There will, however, now be a need for the information to be consolidated into project accounting information at ministry level but the two ministries involved currently lack the experience to do this. MOH, by contrast, has a Project Implementing Unit which is currently undertaking a World Bank project. The Unit does not however employ an individual with sufficiently strong accounting skills.

For the two reasons stated above, it was determined that the Project does not have the financial management and reporting systems in place to produce reasonably timely and accurate PMR reports on which disbursements can be based. The loan will therefore be disbursed using Statements of Expenditures (SOE) procedures with PMRs being produced and submitted to the Bank on a quarterly basis for project monitoring purposes. The project financial management arrangements are set out in Annex 5.

d. Monitoring and evaluation arrangements: Project components will be monitored at the level of the implementing agencies on a program basis. For each program, input (i.e. financial) and output (units delivered) indicators will be collected by the implementing agencies and included in an annual report to be submitted to the Bank. In addition, Project wide indicators are listed in Annex B and will be monitored throughout Project implementation. Finally, the fourth component, Poverty Monitoring and Impact Assessment, supports an in-depth impact assessment of selected antipoverty programs and beneficiary assessments of the effectiveness of selected programs.

D: Project Rationale

1. Project alternatives considered and reasons for rejection:

A review of Bank experience in similar country circumstances presented three alternative project designs: (i) social protection investment projects (e.g., Mexico PROSSE Project); (ii) social funds; and (iii) sector adjustment loans (SECAL) focused on policy reforms and protection of social expenditures.

The SECAL alternative was rejected because of: (i) the lack in in-depth sector knowledge as a result of the hiatus in Bank-country relationship during the past five years; and (ii) the inappropriateness of the adjustment lending instrument for accommodating activities which are incremental, narrowly targeted to the poor, and based in several ministries. The social fund approach also proved to be unsuitable, given that a key objective of the Project is speed and readiness for implementation, thereby precluding the introduction of new programs or institutions. The investment instrument in the form of a three-year time slice of ongoing programs was chosen because it would ensure the direct flow of Bank funds to intended beneficiaries.

2. Major related projects financed by the Bank and/or other development agencies (completed, ongoing and planned):

| Sector Issue | Project | (Bank-financed projects only) | |
|-----------------------|---|-------------------------------|---|
| | | Implementation Progress (IP) | Development Objective (DO) |
| Bank-Financed | | | |
| Structural Adjustment | Economic Recovery and Social Sector Loan ¹ | S | To mitigate potentially adverse social impacts of the economic crisis by providing support to the social sectors and to reforms already implemented or in progress in the financial and corporate sectors. |
| Education | Polytechnic Development Project | S | To promote a more decentralized, demand-driven Polytechnic system. |
| Education | Education Sector Support Project | Proposed | To mitigate the negative impacts of the economic and financial crisis on the education sector. |
| Health | Health Project | S | To meet emerging environmental and occupational health concerns, improve equitable access to primary health care, introduce new health technologies that improve quality of services and meet priority growing needs and institutional strengthening. |

IP/DO Ratings: HS (Highly Satisfactory), S (Satisfactory), U (Unsatisfactory), HU (Highly Unsatisfactory)

3. Lessons learned and reflected in the project design:

The Project incorporates lessons from similar programs in other crisis-affected countries. These lessons include: (i) focusing on selected, established government programs facilitates effective implementation and supervision (Bank financing is directed at programs in three main sectors); (ii) upstream agreement on procurement and financial management issues prevents implementation delays; (iii) allowing for flexibility in project design and ability to reflect emerging implementation experience based on continued monitoring of both the performance of Project interventions and evolving crisis

¹ The ERSL is a \$300 million, single-tranche SAL approved in June 1998. The loan provided budgetary support which allowed the Government to reverse the spending cuts in the social sectors announced in early 1998 in response to concern over declining revenues. The SSSP will ensure that post-1998, spending on priority social programs will be protected and expanded as necessary to meet new needs that may emerge. Under the ERSL, the Government also increased funding for some anti-poverty programs such as the rural micro-credit scheme administered by the NGO Amanah Ikhtiar Malaysia (AIM), and for the construction of rural community and health clinics. The SSSP will not be supporting the AIM scheme as funds for this from the ERSL are still available. Funding will be provided for new rural community and health clinics, not already financed through the ERSL.

impacts; (iv) tapping institutional capacity of all agencies for cost-effective and speedy delivery of services; and (v) the importance of high standards of transparency and accountability to assure good governance.

4. Indications of borrower commitment and ownership:

The Project is a direct response to the request for assistance received from the Malaysian Government, in particular the Economic Planning Unit (Prime Minister's Department) and the Ministry of Finance. The cooperation and active participation of these agencies as well as the Ministries of Health, Rural Development, and National Unity during the Project identification mission, and their willingness to complete requirements for appraisal in three months, are indicative of high levels of ownership and commitment.

5. Value added of Bank support in this project:

Bank support will add value in several ways: (i) the Bank offers international experience from similar programs in other countries affected by economic and financial crises; (ii) the Bank's involvement will ensure high standards of monitoring and impact evaluation; and (iii) international standards of transparency and accountability in the use and management of resources will result from the Bank's participation.

E: Summary Project Analysis (Detailed assessments are in the project file, see Annex 8)

1. Economic assessment:

As the Project has been prepared on a rapid timetable to provide budgetary support for ongoing social programs targeted to the poor and vulnerable, economic analysis of the programs will not be carried out ex-ante. Programs were selected for financing under the Project based on a set of criteria to: (i) assess their impact on achievement of stated objectives (i.e., to provide the poor and vulnerable with economic and/or social services); and (ii) assure speed and readiness for implementation (i.e., demonstrated implementation capacity). In-depth impact assessments of key poverty programs will be carried out during implementation.

2. Technical assessment:

The standards and norms of the line ministries (MORD, MOH and MONUSD) will be applied to the components to ensure coherence and compatibility across sectors and programs. The line ministries will conduct a technical appraisal of each activity to ensure the use of appropriate and cost-effective technologies which make use of local materials and labor. The appraisal ensured that infrastructure, equipment, and other inputs were consistent in scale, quality, cost and content with the proposed activities of the project and that implementation is technically feasible.

3. Institutional:

a. *Implementing agencies:* The institutional capacity of the implementing agencies for undertaking the selected programs (i.e., project sub-components) was assessed through an iterative process of program selection based on the criteria described in section 1 above.

b. *Project management:* Project supports on-going government implemented programs, therefore the roles of the EPU, ICU, AG's Office, and line ministries have been well-defined. Overall coordination will be the responsibility of the EPU.

4. *Social:*

One of the central issues for all crisis countries including Malaysia, is diagnosing who is poor and identifying shifting patterns of vulnerability in a rapidly changing environment. In order to gain a better understanding of these issues, a qualitative Rapid Social Assessment (RSA) of the impact of the crisis was conducted by the Universiti Kebangsaan Malaysia (National University) during project preparation (October 1998). This will be expanded into a full national participatory assessment using the same sampling frame as the enhanced Household Income Survey to be carried out in March 1999 under the Project. Data from the qualitative assessment will be integrated with the household survey and the collective findings will help to guide targeting and/or reallocation of Project resources during implementation.

5. *Environmental assessment:* Environmental Category A B C

The project is assigned a C environmental classification because the project is expected to have negligible, insignificant, or minimal environmental impacts.

6. *Participatory approach:*

This Project has been prepared rapidly in order to respond to the impacts of the crisis. As a result, it has not been possible to undertake extensive consultations with stakeholders during project preparation. However, the Rapid Social Assessment was undertaken to generate hypotheses on the impacts of the economic crisis, diagnose who the potentially poor are, and identify shifting patterns of vulnerability. The RSA was used in three ways: (i) to contribute towards Project targeting; and (ii) to assist in the design of a national HIS to be carried out in March 1999.

To promote ownership of ongoing government programs, primary beneficiaries will also be involved in beneficiary assessments to gauge the impact of the programs. The results of the assessments will contribute towards redesign of programs where appropriate. These beneficiary assessments will be conducted by NGOs.

a. Primary beneficiaries and other affected groups:

Primary beneficiaries who were involved in the assessment included retrenched workers, factory workers (including workers in timber-related industries), estate workers, migrant workers, squatters, petty traders in the informal sector, single mothers, indigenous people in Peninsular Malaysia, rubber small holders, rice farmers, fishing folk the elderly, and indigenous farmers affected by the drought.

b. Other key stakeholders:

Other affected groups such as NGOs, local and central government agencies, academics, professional organizations, unions, and religious groups were involved through key informant interviews and focus groups.

F: Sustainability and Risks

1. Sustainability:

A key criterion for selection of programs for Project financing is the requirement that they are existing programs with established budgetary mechanisms to assure maintenance and operation of the assets created.

2. *Critical Risks (reflecting assumptions in the fourth column of Annex 1):*

| Project outputs to development objectives Risk | Risk Rating | Risk Minimization Measure |
|--|--------------------|--|
| Additional spending on essential social services and/or priority social programs do not reach those at and below the poverty line | M | Careful review of means-testing and other selection criteria for targeted programs; quantitative surveys combined with qualitative social assessments to ascertain the extent to which target groups actually benefit from the additional spending. District targeting coefficients. |
| Government loses its commitment to policy objectives of eradicating hard core poverty, and offsetting the social impacts of the crisis | N | Anti-poverty programs are supported by all segments of society. The government is implementing the NERP which has among its six strategic objectives, that of mitigating the adverse social impacts of the crisis. |
| Local capacity to monitor poverty do not improve in the near to mid term | M | Support for capacity building in key local institutions to improve data collection and analysis, especially qualitative. Malaysian institutions have traditionally been able to learn by doing. |
| Political instability | M | Political durability of current government cannot be assessed, but anti-poverty programs and socioeconomic achievements are widely recognized and enjoy strong support. |
| Local counterpart funds are not available in a timely manner | N | Social sector budgets have been protected and/or restored in the face of budget cuts in the past. |
| Malaysian procurement procedures delay the delivery of services | M | Upstream assessment of procurement procedures to ensure consistency with Bank guidelines. |
| Poor targeting of project resources | M | Careful selection of programs based on a set of predetermined criteria, strong monitoring of program impacts, flexibility to allow reallocation of project resources during implementation. |
| Overall Risk Rating | M | The project incorporates monitoring and management arrangements that will allow adjustments and resource reallocations during the implementation phase. |

Risk Rating - H (High Risk), S (Substantial Risk), M (Modest Risk), N (Negligible or Low Risk)

3. *Possible Controversial Aspects:*

While Malaysia has had a long experience of quantitative data collection and analysis, the introduction of qualitative assessment methods is relatively new. An important challenge for the

Government will be to utilize and disseminate the findings of such assessments to as wide an audience as possible.

G: Main Loan Conditions

The Loan Agreement between the Borrower and the Bank is the Project legal document. The following conditions, *inter alia*, are contained in the Loan Agreement:

1. Effectiveness Conditions:

- the Borrower will ensure that each line ministry has a staff assigned with appropriate skills in order to effectively meet the accounting requirements;
- the Accountant General's office has confirmed that it has written procedures governing the management of the Special Account and that these procedures have been disseminated to the line ministries.

2. Legal Covenants:

- retroactive financing will be available for eligible expenditures after January 1, 1999;
- the Borrower shall: conduct a quantitative assessment (an enhanced household income survey to be administered with the March 1999 Labor force Survey) to measure the social impact of the economic crisis; analyze the data; and submit the report on findings to the UNDP and the Bank by September 30, 1999;
- the Borrower shall conduct a National Participatory Poverty Assessment as a follow-up activity to the rapid assessment carried out in October, 1998 and submit a report on findings to the UNDP and the Bank by March 30, 2000;
- the Borrower shall conduct beneficiary assessments with terms of reference acceptable to UNDP and the Bank and submit a report on findings to the UNDP and to the Bank by December 31, 2000;
- the Borrower shall conduct at least two in-depth impact evaluations with terms of reference acceptable to UNDP and the Bank and submit a report on findings to the UNDP and to the Bank by September 30, 2001;
- annual financial audits will be carried out by independent auditors in accordance with auditing standards acceptable to the Bank;
- the Borrower shall furnish to the Bank by March 30th in 2000, a report to include status of monitorable indicators, and annual operation plans for the current year, including budget; and conduct annual reviews of project implementation progress in April of each year beginning April 30, 2000.

H. Readiness for Implementation

The engineering design documents for the first year's activities are complete and ready for the start of project implementation. Not applicable.

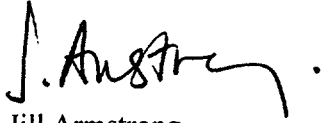
The procurement documents for the first year's activities are complete and ready for the start of project implementation.

The Project Implementation Plans have been appraised and found to be realistic and of satisfactory quality.

The following items are lacking and are discussed under loan conditions (Section G): n.a.

I. Compliance with Bank Policies

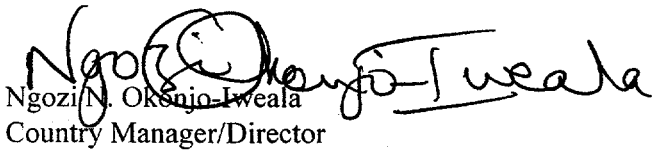
This project complies with all applicable Bank policies.



Jill Armstrong
Task Team Leader/Task Manager



Alan Ruby
Sector Manager/Director



Ngozi N. Okonjo-Iweala
Country Manager/Director

Annex 1

Project Design Summary

Malaysia: Social Sector Support Project

| Narrative Summary | Key Performance Indicators | Monitoring and Evaluation | Critical Assumptions |
|--|---|--|--|
| <p>Sector-related CAS Goal: Support the Government in mitigating the social consequences of the crisis and facilitate social sector development and poverty eradication in the medium term.</p> | <p>Spending on social programs as % GDP</p> <p>Percentage of target population reporting satisfaction with services provided by the Government.</p> | <ul style="list-style-type: none"> • Annual report on government expenditures; • Beneficiary surveys and participatory assessments • ESW work (periodic); | <p>(Goal to Bank Mission)</p> <ul style="list-style-type: none"> • Reinforcing social programs enhances welfare of the poor and vulnerable groups. |
| <p>Project Development Objective: Reducing the adverse social impacts of the crisis on the poor and near poor through maintaining their welfare and access to, as well as use of essential social services; particularly for those groups located in the poorest districts.</p> <p>Strengthening the monitoring of poverty and the effectiveness of poverty alleviating programs.</p> | <p><i>Impact Indicators</i></p> <p>District targeting coefficient;</p> <p>Implementation of poverty monitoring activities</p> | <ul style="list-style-type: none"> • Budget documents, MOF annual reports; • Beneficiary assessments and service utilization reports • Household income surveys to collect data disaggregated by geographic location. | <p>(Objective to Goal)</p> <ul style="list-style-type: none"> • The Malaysian economy will resume a positive growth path by end-2001; • Government allocation for essential social services will return to pre-crisis levels by end-2001. • Incorporation of the results of the Poverty Monitoring component into the planning process (e.g. 5 Year Development Plan). |
| <p>Outputs:</p> <p>Provision of essential health services.</p> <p>Provision of essential social services and support to disadvantaged groups.</p> <p>Provision of small scale rural community facilities and services.</p> | <p><i>Output Indicators</i></p> <p>Number of clinics constructed/rehabilitated;</p> <p>Number of women beneficiaries.</p> | <ul style="list-style-type: none"> • Assessment and survey reports; • Supervision mission reports. | <p>(Outputs to Objective)</p> <ul style="list-style-type: none"> • The additional spending on essential services actually reach those at and below the poverty line; • Continuity of current government policy objectives (i.e., alleviating hard core poverty, and |

| | | | |
|---|---|---|---|
| Establishment of a poverty monitoring system and strengthening survey analysis and impact evaluation capacity. | | | offsetting the social impacts of the crisis). <ul style="list-style-type: none"> Capacity of local institutions to conduct and adopt enhanced poverty monitoring. |
| <p>Project Components:</p> <p><i>A. Rural Development and Poverty Alleviation</i></p> <ul style="list-style-type: none"> Poverty Village Development 26.7 Early Childhood Education 16.4 <p><i>B. Health Clinics</i></p> <ul style="list-style-type: none"> Rural Community and Urban Health Clinics 28.1 <p><i>Social Assistance for Disadvantaged Groups</i></p> <ul style="list-style-type: none"> Support for ongoing MNUSD development programs 20.7 <p><i>Poverty Monitoring and Impact Assessment</i></p> <ul style="list-style-type: none"> HIS/In-depth Impact Evaluations 0.8 Beneficiary and Participatory Assessment 0.3 | <p style="text-align: center;">INPUTS (in US\$ millions)</p> | <p>SSSP activities will be monitored through quarterly Project Management Reports and supervision missions (see Annex B for project-wide and component specific monitorable indicators that will be examined at regular intervals).</p> | <p>(Components to Outputs)</p> <ul style="list-style-type: none"> Political stability. Local counterpart funds are available in a timely manner; Malaysian procurement procedures do not significantly delay the delivery of services; SSSP programs have been selected on the basis of a pre-determined set of criteria, involve careful monitoring of program impacts, and the project allows for a reallocation of project resources as required. |

Annex 2

Malaysia: Social Sector Support Project Project Description

A. Rural Development and Poverty Alleviation Component —US\$ 38.0 million

1. *Overall Objective and Rationale.* While the overall impact of the economic crisis on the rural sector is expected to be less than for the urban sector, most of the poor in Malaysia are located in rural areas and among them are a number of groups who are particularly vulnerable to adverse impact. They are: (i) beneficiaries of social programs (e.g., the hard core poverty program) that could face cuts because of budget constraints; (ii) the retrenched and other unemployed workers in the urban sector who return to the countryside (the “reverse migration” phenomenon); (iii) rural workers or small-holders in high import-dependent sub-sectors or those which are sensitive to ringgit devaluation effects; and (iv) rural households who do not produce for export or for their own subsistence and are thus more liable to be affected by the inflation of their cash expenditure needs. Interventions in the rural areas should therefore focus on helping these vulnerable groups.
2. **Poverty Village Development Program.** This program is targeted to villages with a high percentage of the hard core poor and aims to: (i) upgrade the physical and infrastructure situation of the village and, (ii) improve the quality of life and economic opportunities of villagers. To achieve these objectives, community facilities will be constructed and human resource development services will be provided in the areas of preschool education, functional literacy, counseling and skill training.
3. *Financing and Implementation.* About 60 villages, located in the list of poverty districts (Annex A) which have the highest incidence of hard core poverty, will be selected jointly by state and federal authorities for support under this program. District level implementing agencies will report on the financial and physical progress of the program to MORD through the relevant state development department. The total cost (including contingencies) for the program during 1999-2001 is estimated to be US\$23.6 million, of which US\$20.4 million will be financed by the Loan.
4. **Early Childhood Education Program.** This program, targeted at pre-school children and their parents in poverty districts is aimed at promoting the physical, social, emotional, spiritual and mental development of young children, and to give parenting skills to their parents. The on-going program is under the Community Development Division (KEMAS) of the Ministry of Rural Development (MRD) and covers nearly 7,500 classes with almost 221,000 children ages 2-6. Maximum class size is 35, with classes held for three hours, five times a week. Active participation of parents in the running of the school is expected, including contributed labor for school upkeep. The KEMAS program presently reaches about 60% of total pre-school population in the rural areas of Malaysia.
5. The project would support the: (a) building of 400 pre-school centers, about 6 new facilities in the 66 poverty districts. Another 1,300 will be renovated by the end of the three year project. The new schools will be equipped with educational materials, furniture and books, and sports items; renovated schools will also receive supplemental equipment.
6. *Implementation and Financing Arrangements.* The state office of KEMAS will identify the villages for the program with priority given to the 60 villages under the Poverty Village Program, and the remaining villages are selected on the basis of relative poverty, the concentration of families or pre-school population, and the time each community applied. Applications are open in October of each year and close at the end of the year. Top priority is given to poor families. The Public Works Department (JKR) will be responsible for civil works above RM50,000, while smaller works (the usual case) will be

under the responsibility of the District Office. At the start of the budget year, the warrant for civil works is sent to the State. After districts/villages are identified, a sub-warrant is allocated to them. Quotations are then advertised and the contract is then let after reviewing the bids from 3-5 contractors or bidders. Construction usually starts within two months from bid advertisement. The total cost (including contingencies) for the program during 1999-2001 is estimated to be US\$14.5 million, of which US\$8.5 million will be financed by the Loan.

B. Health Clinics Component —US\$ 28.1 million

7. *Objectives and Rationale.* The objective of the component is to maintain provision of essential health services for lower income groups during the current financial crisis. The Government's policies have been particularly pro-poor and have emphasized the provision of preventative activities and essential services at the grassroots level. Two types of facilities, rural community clinics and urban health clinics, will be constructed and equipped in areas that are currently underserved and with reduced access to adequate health services. The 31 smaller clinics will focus on providing maternal and child health services and minor outpatient treatment in rural areas. The 10 larger health clinics will provide more accessible to primary health care in towns and urban areas and as such will reduce overcrowding in hospitals as the demand for publicly funded health care has increased during the crisis. The clinics would be constructed and equipped in poorer states and selected poorer districts, the majority of which are ones that the Government had planned to undertake but had considered scaling back given budgetary shortages.

8. *Financing and Implementation.* The Planning and Development Division, Ministry of Health (MOH), which has had long-standing responsibility for the program, will oversee the component. Actual management of the construction process would be undertaken by the Public Works Department. Approximately 41 clinics would be constructed. The total cost (including contingencies) is US\$28.1 million, of which 61 percent will be financed by the Loan.

C. Social Assistance for Disadvantaged Groups Component —US\$20.7 million

9. *Overall Objective and Rationale.* To meet its goals of improving the standard of living of the poor and most vulnerable members of society (e.g., the elderly poor, the disabled, orphans, and abused women), the MONUSD has adopted a policy of developing strategic alliances with NGOs for the delivery of social assistance services. In 1998, as a result of budget constraints, MONUSD had to cutback on the scale of development activities which support the delivery of social services. The objective of this component is to provide support to the Ministry of National Unity and Social Development's (MNUSD) ongoing social welfare programs under its development budget. In particular, the project would support: (i) the refurbishment and equipping of about 500 existing and construction and equipping of 150 new kindergartens for poor children and training of their teachers; (ii) renovation and equipping of 68 homes and shelters for the elderly and orphans and training of caregivers; (iii) construction of 120 day care centers for the disadvantaged elderly; and (iv) construction and equipping of seven Women's Centers in which to provide single mothers and abused women with temporary shelter, counseling and training.

10. *Financing and Implementation.* The component will be implemented through the Ministry's ongoing development program. The Public Works Department (JKR) would be responsible for the management of the construction process. The total cost (including contingencies) is US\$20.7 million, of which the Bank Loan would finance US\$12.8 million.

D. Poverty Monitoring and Impact Assessment Component—US\$ 1.0 million

11. *Overall Objective and Rationale.* This component, comprising the quantitative and qualitative monitoring of poverty, and in-depth evaluation of selected anti-poverty programs, is critical to developing the capacity of the Government to assess the social effects of the crisis and the effectiveness of countervailing measures. It is expected to provide an important input for the Government as it prepares the next Five Year Development Plan. In the short term, it should help guide any resource reallocations during Project implementation. Activities that will be supported include: (i) an enhanced Household Income Survey (HIS) during the first quarter of 1999 to monitor how poverty and income distribution have been changing during the precipitous decline in economic growth in 1998; (ii) an in-depth impact assessment of selected anti-poverty programs; (iii) a national participatory assessment following the HIS to collect qualitative information to complement the quantitative survey results; and (iv) beneficiary assessments to monitor the impact of key poverty programs.

12. *Financing and Implementation.* A new module containing supplementary questions about the impact of the crisis will be attached to the existing HIS questionnaire. Using the first quarter 1999 Labor Force Survey as a base, this enhanced questionnaire will be administered to some 15,000 households in the sample. The Department of Statistics (DOS) will be the responsible agency for data collection and processing, while EPU will take charge of data analysis. Work on the in-depth impact assessments will be contracted out to local and international consultants under EPU's supervision. The EPU will be the lead implementation agency for the national participatory assessment to be carried out by local consultants, while the line ministries will oversee implementation of the beneficiary surveys. The total cost of the component is estimated at US\$1.0 million, to be financed by UNDP.

Annex 3

Malaysia: Social Sector Support Project

Estimated Project Costs
(US\$ million)

| Project Component | Local | Foreign | Total |
|---|-------------|------------|-------------|
| A. Rural Development & Poverty Alleviation | | | |
| 1. Poverty Village Development Program | 21.3 | 0.4 | 21.7 |
| 2. Early Childhood Education | 12.4 | 1.3 | 13.7 |
| B. Health Clinics | | | |
| 1. Rural Community & Health Clinics | 21.1 | 5.4 | 26.5 |
| C. Social Assistance to Disadvantaged Groups | 19.3 | 0 | 19.3 |
| D. Poverty Monitoring & Impact Assessment | .9 | .1 | 1.0 |
| Total Baseline Cost | 75.1 | 7.4 | 82.2 |
| Price Contingencies | 5.6 | 0.3 | 5.9 |
| Total Project Cost | 80.6 | 7.5 | 88.1 |

Note: Totals may not add due to rounding. Total *excludes* 1% Front End Fee on Bank Loan.

Annex 4

Malaysia: Social Sector Support Project
Financial Summary

US\$ millions

| | Implementation Period | | | Total |
|---|-----------------------|-------------|-------------|-------------|
| | 1999 | 2000 | 2001 | |
| Project Costs | | | | |
| Investment Costs | 23.3 | 36.7 | 28.1 | 88.1 |
| Total | 23.3 | 36.7 | 28.1 | 88.1 |
| Financing Sources (% of total project costs) | | | | |
| IBRD | 58.4 | 62.1 | 81.4 | 67.3 |
| UNDP | 3.5 | 0.7 | 0.0 | 1.2 |
| Government | 38.1 | 37.2 | 18.6 | 31.5 |

Annex 5

PROCUREMENT, FINANCIAL MANAGEMENT AND DISBURSEMENT ARRANGEMENTS

Procurement

Procurement Methods. All goods, works, and services financed under the IBRD Loan will be procured in accordance with the World Bank *Guidelines Procurement under IBRD Loans and IDA Credits, January 1995, revised January and August 1996, September 1997 and January 1999.* Consultants will be engaged in accordance with the World Bank *Guidelines Selection and Employment of Consultants by World Bank Borrowers, January 1997, revised September 1997 and January 1999.* Procurement will be the responsibility of the Ministries of Health; Rural Development; and National Unity and Social Development.

a. **Goods: (\$14.5 million including contingencies)** Goods envisioned under this project, including equipment, vehicles, furniture and materials, will be of small value and dispersed over a wide geographical area. Each package valued between US \$100,000 equivalent and US \$200,000 equivalent (not anticipated to exceed US \$ 3.33 million in the aggregate) will be procured through National Competitive Bidding (NCB) procedures acceptable to the Bank. Procurement of goods with an estimated contract value below US \$100,000 equivalent (not anticipated to exceed US \$ 11.09 million in the aggregate) will follow shopping procedures as defined in paragraphs. 3.5 and 3.6 of the Guidelines. Should contracts exceed US \$200,000 equivalent, ICB bidding procedures will be utilized. Procurement of goods through centrally executed government or ministry wide contracts constitutes "Reserved Procurement" and, as such, goods procured under these contracts will not be eligible for financing from the proceeds of the Loan.

b. **Works: (\$51.5 million including contingencies)** This project will finance new construction and rehabilitation of health clinics, schools, houses, recreational facilities and community halls. The works envisioned under the project, of small value and dispersed over a wide geographical area and spread over time, are unlikely to be of interest to foreign bidders. Works contracts costing US\$100,000 equivalent or more (not anticipated to exceed US \$ 27.01 million in the aggregate) will be procured through National Competitive Bidding (NCB) procedures acceptable to the Bank. Smaller works contracts, each costing less than US \$100,000 equivalent (not anticipated to exceed US \$ 23.3 million in the aggregate) will be awarded on the basis of quotations obtained from three qualified bidders, with the contract awarded to the lowest evaluated bidder.

c. **Services: (\$22.1 million including contingencies)** Services will include the provision of technical assistance, studies, training and workshops. As a rule, contracts for services valued at US \$100,000 equivalent or more (not anticipated to exceed US \$2.0 million in the aggregate) will be awarded based upon quality/cost based selection procedures. Consultant services estimated to cost less than the equivalent of US \$100,000 (not anticipated to exceed US \$ 18.94 million in the aggregate) will be awarded based upon the qualification of the consultants who have expressed an interest in the job or who have been identified. In those instances when a team of consultants is not required, selection will be based on the procedures for employment of individuals as described in Guidelines, Section V. Single source selection of consultants for Components A and C of the Project would be permitted with prior agreement of the Bank.

Malaysia's procurement laws provide that procurement under projects financed by international financial institutions will be subject to the rules of the financing institution. Therefore, a side letter,

which identifies national procurement procedures which are in conflict with the Bank's guidelines and contains assurances that the Borrower will adhere to Bank guidelines, will be signed together with the Loan Agreement.

Prior review thresholds. The first three contracts for goods and for works procured by NCB, per ministry, and any contracts awarded through ICB will be forwarded to the Bank for prior review. Prior review will be required of all contracts for consultant services with firms valued at US \$100,000 equivalent or more or those awarded on a single source basis. Prior review will also be required for contracts with individuals valued at US \$50,000 equivalent or more. Selective post review of awarded contracts below the threshold levels will be conducted during supervision.

Financial Management and Disbursement Arrangements

Disbursements. Disbursement of the proceeds of the loan will be made against the expenditure categories shown in Table C. Withdrawal applications will be supported by SOEs for:

- Civil works below US \$100,000 equivalent per contract
- Goods below US \$100,000 equivalent per contract
- Consulting firms contracts below US \$100,000 equivalent per contract other than those awarded on a single source basis and
- Contracts for individual consultants below US \$50,000 equivalent per contract.

All other Withdrawal Applications will be supported by full documentation and signed contracts.

Special Account To facilitate the implementation of the Project, one Special Account (SA) for the project will be opened at a commercial bank on terms and conditions satisfactory to the Bank. The SA will be operated and maintained by the AG's office. The SA, which will cover the Bank's share of eligible expenditures under the Project, will have an authorized allocation of US \$5.0 million, with an initial withdrawal of US\$2.0 million to be withdrawn from the Loan and deposited in the SA. The initial allocation would be increased to US\$5.0 million when the amount disbursed from the Loan totals US\$10 million. Applications to replenish the SA, supported by the appropriate documentation will be submitted regularly, preferably monthly, or when the amount withdrawn equals 50 percent of the initial deposit, whichever comes first. It is a condition of loan effectiveness that the AG's office will have issued procedural and management guidelines governing the operation of the SA and that such guidelines have been communicated to the three line ministries.

Organization and staffing All project accounting matters will be the responsibility of the PIU at MOH and the Finance Sections at MONUSD and MORD.

Funds Flow and Accounting. Project accounts will be prepared from the same payment vouchers which form the basis of input to the AG's central government accounting records. The appointed accounts assistant will be responsible for recording all project related data in separately identifiable project accounting records. Authorization of payment vouchers will be the responsibility of the persons nominated by Government as being responsible for project related matters at each ministry. All payments to contractors and suppliers will, as normal, be dealt with through the AG's office. Each ministry will be responsible for preparing its own "mini" SOE which will then be submitted to the AG's office in accordance with the procedures laid down by that office. The AG will then collate this information and submit it to the Bank together with a completed Withdrawal Application form, when a replenishment to the Special Account is required.

As part of the annual budget process, on the basis of plans submitted to Treasury by the ministries, Government will allocate in advance to the ministries, annual counterpart funds required for project implementation. The individual ministries will need to pre-finance project expenditures from this appropriation. In accordance with GOM procedures, none of the ministries will at any time have direct control over the disbursement of these counterpart funds. They will however receive details from the AG's office of all payments which have been made, in order to enable them to complete the project accounting records. The AG will then at regular intervals claim a "refund" from the Special Account, to be credited to the individual ministries appropriation account, representing the Bank's share of eligible project expenditures.

Reporting Each ministry will be responsible for producing a simplified quarterly PMR relevant to its component under the project (Annex C)². These reports will consist initially of: (i) a uses of funds by project activity (Report 1-B of the PMR); (ii) a copy of the output monitoring report produced by JKR (The Public Works Department) with explanations for any significant variances occurring during the period and; (iii) the procurement management reports (Report 3 of the PMR). The accounts assistant in each ministry will prepare the quarterly PMR, which will then be reviewed by the nominated responsible individual at each ministry. The individual PMRs were discussed and agreed with each ministry during appraisal. Within 45 days of the end of each quarter the individual PMRs will be submitted to the Bank through the Implementation Coordination Unit (ICU), a department of the Prime Minister's Office. ICU will carry out a quality control review of each of these PMRs and then consolidate the PMRs into one report for onward submission to the Bank. Within one year of Loan effectiveness, the each implementing ministry will have developed the reporting systems to enable them to link the physical outputs under the Project to project expenditures.

The annual financial statements will comprise a year end Summary of Sources and Uses of Funds Statement, Report 1-A of the PMR, a project balance sheet at the year end, comparative figures from the previous year and notes to the financial statements. The accounts will be prepared, in accordance with GOM accounting regulations, on a modified cash basis.

Audit. GOM has indicated that, as with ongoing projects, the Auditor General will be responsible for the annual audit of the project financial statements, the eligibility of expenses disbursed on the basis of the SOEs and of transactions on the Special Account. The audited financial statements will be submitted to the Bank within six months of the end of the Project's fiscal year. The audit will be conducted in accordance with auditing standards acceptable to the Bank and under World Bank Terms of Reference.

Status of GOM and DPSD compliance with audit covenants in existing Bank-financed projects

At the present time the Government of Malaysia has two ongoing Bank-financed projects: (Health Development Project (MY-PE-4312) and Polytechnic Development Project (MY-PE-4309). The latter is being implemented by DPSD. The audited financial statements for the Polytechnic Development Project have, over the last few years been submitted late. In particular, the 1995 audited accounts were overdue by 15 months. Both projects are however currently in full compliance with the Bank's audit covenants, with the Health Development Project having submitted its most recent audited accounts well in advance of the due date.

² These are attached as drafts and will be finalized during the Project Launch Workshop.

Annex 5, Table A: Project Costs by Procurement Arrangements
(in US \$million equivalent)

| Expenditure Category | Procurement Method | | | | Total Cost (Including Contingencies) |
|----------------------|--------------------|------------------|--------------------|-------|--------------------------------------|
| | NCB | Shopping | Other ¹ | N.B.F | |
| Civil Works | 27.01 (14.01) | 23.30 (11.65) | | 1.19 | 51.50 (25.65) |
| Goods | 3.33 (3.30) | 11.09 (9.55) | | 0.08 | 14.50 (12.85) |
| Services | | | 20.95 (20.79) | 1.16 | 22.1 (20.79) |
| Total | 30.35 (17.31) | 34.38 (21.20) | 20.95 (20.79) | 2.43 | 88.10 (59.29) |

¹ This category includes consultant services, training.

Note: NBF=Not Bank Financed. Total Bank amount *excludes* 1% up front fee.

Totals may not sum due to rounding.

Figures in parenthesis are the amounts to be financed by the Bank loan.

Annex 5, Table A1: Consultant Arrangements
(In US \$ million equivalent)

| Consultant Services Expenditure Category | Selection Method | | | | Total Cost (including contingencies) |
|--|------------------|-------|-------|--------|--------------------------------------|
| | QCBS | CQ | Other | N.B.F. | |
| Firms | 2.0 | 10.0 | | 1.16 | 13.16 |
| Individuals | | 8.94 | | | 8.94 |
| Total | 2.0 | 18.94 | | 1.16 | 22.10 |

Note: QCBS Quality and Cost Based Selection
CQ Selection Based on Consultant's Qualification
N.B.F. Not Bank Financed

ANNEX 5, TABLE B: THRESHOLDS FOR PROCUREMENT METHODS AND PRIOR REVIEW

| Expenditure Category | Contract Value (Threshold) | Procurement Method | Contracts Subject to Prior Review/Estimated Total Value Subject to Prior Review |
|-----------------------------|-----------------------------------|----------------------------------|--|
| | US\$ | | US \$ |
| | | | |
| Works | Less than or equal to \$100,000 | Small works | None |
| | More than \$100,000 | NCB | First 3/ - \$1,200,000- Per ministry |
| | | | |
| Goods | Less than \$100,000 | Shopping | None |
| | More than \$100,000 | NCB | First 3/ - \$600,000 Per ministry |
| | | | |
| Services | | | |
| Firms | Less than \$100,000 | Consultant Qualification | None |
| | Any value | Single Source | All/\$2,000,000 |
| | More than \$100,000 | Quality and Cost Based Selection | All/ \$600,000 |
| Individuals | Less than \$50,000 | Consultant Qualification | None |
| | Greater than \$50,000 | Consultant Qualification | All/\$200,000 |

Total value of contracts subject to prior review: \$4,600,000

Annex 5, Table C: Allocation of Loan Proceeds

| <u>Category</u> | <u>Amount of the Loan Allocated (Expressed in Dollars)</u> | <u>% of Expenditures to be Financed]</u> |
|---|--|--|
| (1) Ministry of Rural Development | | |
| (a) Works | 7,000,000 | 50% |
| (b) Goods | 6,000,000 | 100% of foreign expenditures, 100 % of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally |
| (c) Consultants' services | 15,000,000 | 100% |
| (2) Ministry of Health | | |
| (a) Works | 10,000,000 | 50% |
| (b) Goods | 5,000,000 | 100% of foreign expenditures, 100 % of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally |
| (3) Ministry of National Unity and Social Development | | |
| (a) Works | 7,000,000 | 50% |
| (b) Goods | 1,000,000 | 100% of foreign expenditures, 100 % of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally |
| (c) Consultants' services | 3,500,000 | 100% |
| (4) Fee | 600,000 | |
| (5) Unallocated | <u>4,900,000</u> | |
| TOTAL | <u>60,000,000</u> | |

PROJECT PROCESSING BUDGET AND SCHEDULE

| | | |
|--|---------------------------|--|
| A. Project Budget (US\$000) | <u>Planned</u> 410,000 | <u>Actual</u> 337,000 (thru appraisal) |
| B. Project Schedule | <u>Planned</u> | <u>Actual</u> |
| Time taken to prepare the project (months) | 6 months | |
| First Bank mission (identification) | 07/26/1998 | 07/26/1998 |
| Appraisal mission departure | 11/28/1998 | 11/30/1998 |
| Negotiations | 01/11/1999 | 02/01/1999 |
| Planned Date of Effectiveness | 03/08/1999 | 05/30/1999 |

Prepared by: Economic Planning Unit, Prime Minister's Department

Preparation assistance: None

Bank staff who worked on the project included:

| <u>Name</u> | <u>Specialty</u> |
|---------------------|---------------------------------------|
| Ngozi Okonjo-Iweala | Country Director |
| Katherine Marshall | Regional Director |
| Natasha Beschorner | Country Officer |
| Chingboon Lee | Task Manager |
| Jill Armstrong | Deputy Task Manager |
| Emmanuel Jimenez | Poverty and Monitoring |
| Choeng-Hoy Chung | Rural Development |
| Richard Meyers | Health and Population |
| Branko Milanovic | Poverty and Social Assistance |
| Caroline Robb | Social Assessment |
| Martha Ainsworth | Poverty and Impact Assessment |
| Negda Jahanshahi | Economic and Financial Analysis |
| Rodrigo Cisneros | NGO grants |
| Wijaya Wickrema | Financial Management |
| Omowunmi Ladipo | Financial Management and Disbursement |
| John Fringer | Procurement |
| Hilary Kiell | Procurement |
| Margaret Png | Legal |
| Jean Claude Sallier | Road Engineer |
| Kenneth Sigrist | Project Management |

Annex 7

DOCUMENTS IN THE PROJECT FILE

A. Project Implementation Plan

1. The Social Impacts of the Economic Crisis in Malaysia – A Rapid Assessment, December 1998
2. Malaysia Social Sector Support Project - Working Paper - Rural Development and Poverty Alleviation Component, November 1998
3. Malaysia Social Sector Support Project - Working Paper – Health and Population Component, November 1998
4. Malaysia Social Sector Support Project – Working Paper – Social Support to Poor Students Component, November 1998
5. Malaysia Social Sector Support Project – Working Paper – Social Assistance to Disadvantaged Groups Component, November 1998
6. Malaysia Social Sector Support Project – Working Paper – Poverty Monitoring and Impact Assessment Component, October 1998
7. Malaysia Social Sector Support Project – Working Paper – Project Management Component, October 1998

B. Bank Staff Assessments

1. Malaysia Structural Policy Review and Path to Recovery, November 2, 1998
2. The East Asian Social Model After the Crisis, March 1998
3. Malaysia: Country Assistance Strategy Outline, November 1998

C. Other Background Papers Consulted

1. The National Economic Recovery Plan, National Economic Action Council, Malaysia, 21 July, 1998
2. The 7th Malaysia Five-Year Development Plan (1996-2000)
3. Poverty Eradication, Expansion of Productive Employment and Social Integration in Malaysia, 1971-1994, National Report for the World Summit for Social Development, Copenhagen, February 1995

Annex 8
Status of Bank Group Operations in Malaysia
Operations Portfolio
As of 04-Mar-99

| Project ID | Fiscal Year | Borrower | Purpose | Original Amount in US\$ Millions | | | | Difference Between expected and actual disbursements a/ | |
|---------------------------------|-------------|------------------|-----------------|----------------------------------|----------|------------------------|-------------|---|-----------|
| | | | | IBRD | IDA | Cancel-ations | Undisbursed | Orig | Frm Rev'd |
| Number of Closed Projects: 82 | | | | | | | | | |
| <u>Active Projects</u> | | | | | | | | | |
| MY-PE-4312 | 1994 | GOVT OF MALAYSIA | HEALTH | 50.00 | 0.00 | 0.00 | 27.72 | 17.56 | 0.00 |
| MY-PE-4309 | 1993 | GOVT OF MALAYSIA | POLYTECHNIC DEV | 107.00 | 0.00 | 0.00 | 44.64 | 38.63 | 0.00 |
| Total | | | | 157.00 | 0.00 | 0.00 | 72.36 | 56.19 | 0.00 |
| | | | | <u>Active Projects</u> | | <u>Closed Projects</u> | | <u>Total</u> | |
| Total Disbursed (IBRD and IDA): | | | | 84.65 | 2,907.84 | 2,992.49 | | | |
| of which has been repaid: | | | | 2.32 | 1,980.69 | 1,983.01 | | | |
| Total now held by IBRD and IDA: | | | | 154.68 | 927.14 | 1,081.82 | | | |
| Amount sold : | | | | 0.00 | 153.40 | 153.40 | | | |
| Of which repaid : | | | | 0.00 | 153.40 | 153.40 | | | |
| Total Undisbursed : | | | | 72.36 | 0.00 | 72.36 | | | |

a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.

Note:

Disbursement data is updated at the end of the first week of the month and is currently as of 31-Jan-99.

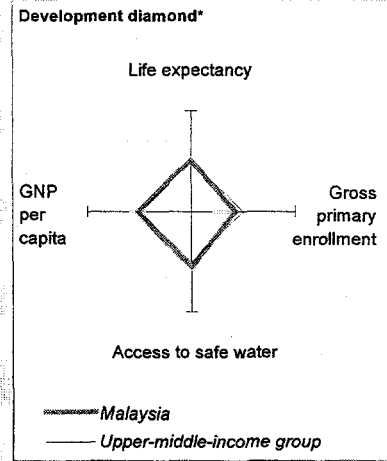
Annex 8
Malaysia
STATEMENT OF IFC's
Committed and Disbursed Portfolio
As of 31-Jan-99
(In US Dollar Millions)

| FY Approval | Company | Committed | | | | Disbursed | | | |
|-------------------------------------|---------------------------|-----------|--------|-------|--------|-----------|--------|-------|--------|
| | | IFC | | | | IFC | | | |
| | | Loan | Equity | Quasi | Partic | Loan | Equity | Quasi | Partic |
| 1984 | SEAVI MVB | 0.00 | .01 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 1990 | 21st Century | 3.68 | 0.00 | 0.00 | 2.78 | 3.68 | 0.00 | 0.00 | 2.78 |
| 1991 | SEAVI MVB II | 0.00 | .62 | 0.00 | 0.00 | 0.00 | .62 | 0.00 | 0.00 |
| 1991 | VIM MVB II | 0.00 | .02 | 0.00 | 0.00 | 0.00 | .02 | 0.00 | 0.00 |
| | Total Portfolio: | 3.68 | .65 | 0.00 | 2.78 | 3.68 | .64 | 0.00 | 2.78 |
| Approvals Pending Commitment | | | | | | | | | |
| | | Loan | Equity | Quasi | Partic | | | | |
| 1998 | TITAN VINYL | 18.50 | 0.00 | 3.50 | 34.02 | | | | |
| | Total Pending Commitment: | 18.50 | 0.00 | 3.50 | 34.02 | | | | |

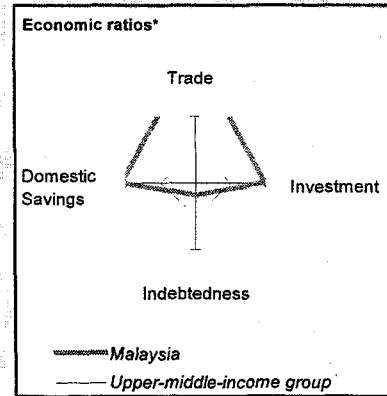
ANNEX 9 Malaysia at a glance

9/15/98

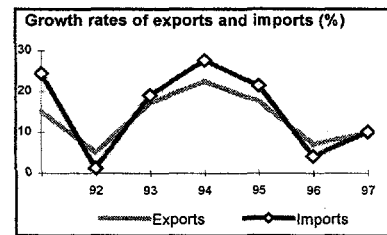
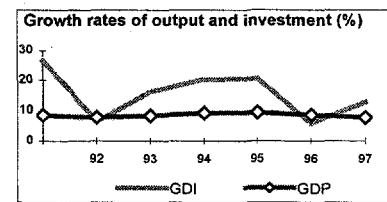
| | Malaysia | East Asia & Pacific | Upper-middle-income |
|---|----------|---------------------|---------------------|
| POVERTY and SOCIAL | | | |
| 1997 | | | |
| Population, mid-year (millions) | 21.0 | 1,753 | 571 |
| GNP per capita (Atlas method, US\$) | 4,680 | 970 | 4,520 |
| GNP (Atlas method, US\$ billions) | 98.3 | 1,707 | 2,584 |
| Average annual growth, 1991-97 | | | |
| Population (%) | 2.3 | 1.3 | 1.5 |
| Labor force (%) | 2.7 | 1.4 | 1.9 |
| Most recent estimate (latest year available, 1991-97) | | | |
| Poverty (% of population below national poverty line) ^{1/} | 16 | .. | .. |
| Urban population (% of total population) | 55 | 32 | 73 |
| Life expectancy at birth (years) | 72 | 69 | 70 |
| Infant mortality (per 1,000 live births) | 11 | 38 | 30 |
| Child malnutrition (% of children under 5) | 23 | 16 | .. |
| Access to safe water (% of population) | 88 | 84 | 79 |
| Illiteracy (% of population age 15+) | 17 | 17 | 15 |
| Gross primary enrollment (% of school-age population) | 91 | 115 | 107 |
| Male | 92 | 118 | .. |
| Female | 92 | 116 | .. |

**KEY ECONOMIC RATIOS and LONG-TERM TRENDS**

| | 1976 | 1986 | 1996 | 1997 |
|-----------------------------------|------|------|------|------|
| GDP (US\$ billions) | 11.5 | 27.7 | 99.3 | 98.5 |
| Gross domestic investment/GDP | 23.6 | 26.0 | 41.5 | 42.8 |
| Exports of goods and services/GDP | 49.7 | 56.3 | 92.0 | 94.3 |
| Gross domestic savings/GDP | 33.7 | 32.1 | 42.6 | 44.4 |
| Gross national savings/GDP | 29.7 | 25.5 | 33.1 | .. |
| Current account balance/GDP | 5.0 | -0.4 | -5.2 | -4.9 |
| Interest payments/GDP | 1.3 | 4.7 | 1.4 | 1.6 |
| Total debt/GDP | 23.5 | 78.9 | 40.1 | .. |
| Total debt service/exports | 6.9 | 21.8 | 8.2 | .. |
| Present value of debt/GDP | .. | .. | 42.0 | .. |
| Present value of debt/exports | .. | .. | 44.4 | .. |
| (average annual growth) | | | | |
| GDP | 6.2 | 8.8 | 8.6 | 7.8 |
| GNP per capita | 3.2 | 6.2 | 5.9 | 5.2 |
| Exports of goods and services | 8.0 | 14.5 | 7.2 | 9.8 |

**STRUCTURE of the ECONOMY**

| | 1976 | 1986 | 1996 | 1997 |
|--------------------------------|------|------|------|------|
| (% of GDP) | | | | |
| Agriculture | 26.8 | 19.2 | 12.8 | 12.1 |
| Industry | 32.3 | 35.5 | 46.2 | 47.3 |
| Manufacturing | 17.7 | 18.5 | 34.3 | 35.7 |
| Services | 40.9 | 45.3 | 41.0 | 40.6 |
| Private consumption | 50.9 | 51.0 | 46.0 | 44.6 |
| General government consumption | 15.4 | 16.9 | 11.4 | 11.0 |
| Imports of goods and services | 39.6 | 50.2 | 91.0 | 92.8 |
| (average annual growth) | | | | |
| Agriculture | 3.1 | 2.3 | 2.2 | 3.0 |
| Industry | 7.3 | 11.2 | 11.2 | 5.2 |
| Manufacturing | 7.3 | 13.6 | 12.2 | 12.5 |
| Services | 7.1 | 8.8 | 7.7 | 12.7 |
| Private consumption | 5.8 | 8.4 | 6.0 | 4.7 |
| General government consumption | 7.0 | 7.4 | 1.4 | 4.8 |
| Gross domestic investment | 8.5 | 17.0 | 5.8 | 12.9 |
| Imports of goods and services | 9.6 | 18.0 | 4.2 | 10.1 |
| Gross national product | 5.8 | 8.7 | 8.4 | 7.5 |

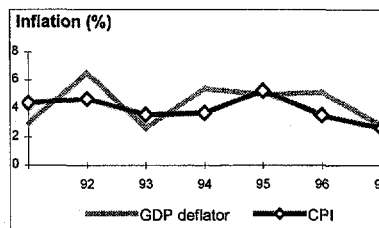


Note: 1997 data are preliminary estimates. 1/ Poverty estimate is from 1989.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

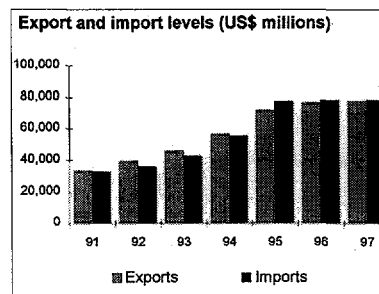
PRICES and GOVERNMENT FINANCE

| | 1976 | 1986 | 1996 | 1997 |
|--|------|------|------|------|
| Domestic prices | | | | |
| <i>(% change)</i> | | | | |
| Consumer prices | .. | 0.8 | 3.6 | 2.7 |
| Implicit GDP deflator | 12.7 | -8.6 | 5.2 | 2.9 |
| Government finance | | | | |
| <i>(% of GDP, includes current grants)</i> | | | | |
| Current revenue | .. | 27.3 | 23.6 | 23.9 |
| Current budget balance | .. | -0.8 | 6.1 | 7.4 |
| Overall surplus/deficit | .. | 0.0 | 1.1 | 2.6 |



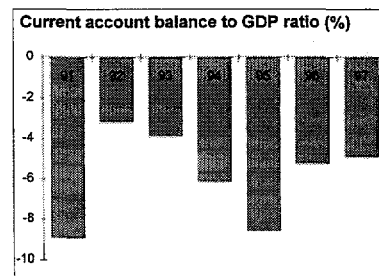
TRADE

| | 1976 | 1986 | 1996 | 1997 |
|-------------------------------|------|--------|--------|--------|
| <i>(US\$ millions)</i> | | | | |
| Total exports (fob) | .. | 13,682 | 76,548 | 77,700 |
| Fuel | .. | 2,092 | 2,867 | .. |
| Rubber | .. | 1,233 | 1,395 | 1,419 |
| Manufactures | .. | 6,009 | 62,997 | 63,558 |
| Total imports (cif) | .. | 10,816 | 78,425 | 78,530 |
| Food | .. | 1,210 | 3,066 | .. |
| Fuel and energy | .. | 1,319 | 3,874 | .. |
| Capital goods | .. | 4,873 | 47,580 | .. |
| Export price index (1995=100) | .. | 41 | 94 | .. |
| Import price index (1995=100) | .. | 33 | 89 | .. |
| Terms of trade (1995=100) | .. | 122 | 107 | .. |



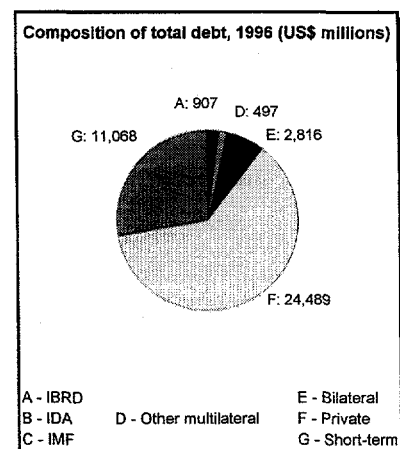
BALANCE of PAYMENTS

| | 1976 | 1986 | 1996 | 1997 |
|---|-------|--------|--------|--------|
| <i>(US\$ millions)</i> | | | | |
| Exports of goods and services | 5,691 | 15,637 | 91,387 | 92,463 |
| Imports of goods and services | 4,644 | 14,016 | 90,803 | 91,512 |
| Resource balance | 1,047 | 1,621 | 584 | 951 |
| Net income | -428 | -1,781 | -4,613 | -4,451 |
| Net current transfers | -39 | 37 | -1,129 | .. |
| Current account balance | 580 | -123 | -5,158 | -4,800 |
| Financing items (net) | 218 | 1,578 | 7,640 | -1,200 |
| Changes in net reserves | -798 | -1,455 | -2,482 | 6,000 |
| Memo: | | | | |
| Reserves including gold (US\$ millions) | .. | .. | 27,700 | 21,700 |
| Conversion rate (DEC, local/US\$) | 2.5 | 2.6 | 2.5 | 2.8 |



EXTERNAL DEBT and RESOURCE FLOWS

| | 1976 | 1986 | 1996 | 1997 |
|--|-------|--------|--------|------|
| <i>(US\$ millions)</i> | | | | |
| Total debt outstanding and disbursed | 2,713 | 21,880 | 39,777 | .. |
| IBRD | 306 | 908 | 907 | 758 |
| IDA | 0 | 0 | 0 | 0 |
| Total debt service | 404 | 3,527 | 7,657 | .. |
| IBRD | 37 | 182 | 231 | 183 |
| IDA | 0 | 0 | 0 | 0 |
| Composition of net resource flows | | | | |
| Official grants | 6 | 88 | 7 | .. |
| Official creditors | 118 | -57 | -777 | .. |
| Private creditors | 310 | 317 | 3,243 | .. |
| Foreign direct investment | 381 | 489 | 4,500 | .. |
| Portfolio equity | 0 | 0 | 4,353 | .. |
| World Bank program | | | | |
| Commitments | 104 | 319 | 0 | 0 |
| Disbursements | 47 | 66 | 85 | 51 |
| Principal repayments | 14 | 109 | 161 | 126 |
| Net flows | 33 | -43 | -76 | -75 |
| Interest payments | 23 | 73 | 70 | 57 |
| Net transfers | 10 | -116 | -146 | -132 |



ANNEX A: LIST OF POVERTY DISTRICTS

| <u>State</u> | <u>District</u> |
|--------------|---|
| Johor | Muar |
| Kedah | Baling, Bandar Baharu, Pendang, Padang Terap, Sik |
| Kelantan | Bachok, Machang, Pasir Mas, Pasir, Pasir Puteh, Tenah Merah, Tumpat, Kuala Kerai, Gua Musang, Geli |
| Melaka | Jasin |
| N. Sembilan | Jelebu, Kuala Pilah, Rembau, Tampin |
| Pahang | Kuala Lipis, Raub |
| Perak | Kinta, Kuala Kangsar, Perak Tengah, Larut Matang, Hulu Perak |
| Selangor | Hulu Selangor |
| Terengganu | Besut, Kuala Terengganu, Marang, Hulu Terengganu, Setiu |
| Sabah | Beaufort, Kinabantan, Kota Belud, Kota Marudu, Kuala Penyi, Kudat, Kunak, Nabawan, Pitas, Ranau, Sipitang |
| Sarawak | Bau, Lundu, Sri Aman, Betong, Satatok, Lubuk Antu, Kanowit, Mukah, Limbang, Lawas, Sarikei, Julau, Matu, Daro, Meradong, Song, Belaga, Samarahan, Simunjan, Sirian, Bintulu, Tatau. |

Note: A ranking of 132 districts according to poverty levels was based on data from the Ministry of Rural Development (MORD). The Ministry compiles a list of poor districts in Peninsular Malaysia using the registry of the hard-core poor derived from the 1995 Household Income Survey (HIS), and an independent census of rural small-holders conducted by RISDA in 1995. Based on the combined percentage of the rural poor from the two surveys, the eighty districts in the Peninsular Malaysia were ranked from the poorest to the richest. The poorest 33 districts in Peninsular Malaysia were selected as the "poverty districts". For Sabah and Sarawak, where only the Household Income Survey data are available, 11 out of 23 districts in Sabah, and 22 out of 29 districts in Sarawak were classified as poverty districts. Seventy percent of the rural poor live in these 66 districts.

ANNEX B**MONITORABLE INDICATORS**

| Overall Project | Baseline | 1999 | 2000 | 2001 |
|---|-----------------|-------------|-------------|-------------|
| Share of identifiable Project expenditures spent in poverty districts | 75 | 75 | 75 | 75 |
| Early Childhood Education | | | | |
| Numbers of buildings built | 400 | 100 | 150 | 150 |
| Numbers of buildings rehabilitated | 1300 | 650 | 650 | 0 |
| Poverty Villages | | | | |
| Number of villages receiving program interventions | 60 | 10 | 35 | 15 |
| Health Clinics | | | | |
| Number of rural community clinics built | 31 | 0 | 20 | 11 |
| Number of urban health clinics built | 10 | 0 | 0 | 10 |
| Assistance to Disadvantaged Groups | | | | |
| Number of new kindergartens | 150 | 40 | 55 | 55 |
| Number of day care centers for elderly | 120 | 30 | 45 | 45 |
| Quantitative Poverty Monitoring | | | | |
| Household Income Survey (LFS/HIS 1999) | | X | | |
| Impact Evaluations | | | X | X |
| Qualitative Poverty Monitoring | | | | |
| Beneficiary Surveys | | | X | |
| National Participatory Survey | | X | | |

ANNEX C

SIMPLIFIED PROJECT MANAGEMENT REPORTS (PMRS)

Uses of Funds By Project Activity

Report 1-B-1

for contracts above (i) the prior review threshold
(ii) USD 100,000 equivalent

Government of Malaysia
Social Sector Support Project - Ministry of Rural Development Component
as at dd-mmm-yy

| Contract Description | Contract Number | Supplier/ Contractor | Nationality | Zip Code if U.S. | Contract Value | Amount Invoiced to Date | Amount Paid to Date |
|---|-----------------|----------------------|-------------|------------------|----------------|-------------------------|---------------------|
| <p>Equipment</p> <p><i>National Shopping</i></p> | | | | | | | |
| <p>Civil Works</p> <p><i>National Shopping</i></p> | | | | | | | |

Uses of Funds By Project Activity

Report 1-B -1

for contracts above (i) the prior review threshold
(ii) USD 100,000 equivalent

Government of Malaysia
Social Sector Support Project - Ministry of Rural Development Component
as at dd-mmm-yy

| Contract Description | Contract Number | Consultant | Nationality | Zip Code if U.S. | Contract Value | Amount Invoiced to Date | Amount Paid to Date |
|--|-----------------|------------|-------------|------------------|----------------|-------------------------|---------------------|
| <i>Quality and Cost Based Selection</i> <i>Consultants Services</i> <i>Other</i> | | | | | | | |

Uses of Funds By Project Activity

for contracts above (i) the prior review threshold
(ii) USD 100,000 equivalent

Government of Malaysia
Social Sector Support Project - Ministry of Health Component
as at dd-mmm-yy

| Contract Description | Contract Number | Supplier/ Contractor | Nationality | Zip Code if U.S. | Contract Value | Amount Invoiced to Date | Amount Paid to Date |
|--|-----------------|----------------------|-------------|------------------|----------------|-------------------------|---------------------|
| <p>Equipment</p> <p><i>National Competitive Bidding</i></p> <ul style="list-style-type: none"> - contracts awarded for equipping KD's - contracts awarded for KK vehicles <p><i>Local Shopping</i></p> <ul style="list-style-type: none"> - contracts awarded for equipping KK's - contracts awarded for purchasing furniture <p>Civil Works</p> <p><i>National Competitive Bidding</i></p> <ul style="list-style-type: none"> - contracts awarded for construction of KD's - contracts awarded for construction of KK's <p>KD = Community Clinics KK = Health Clinics</p> | | | | | | | |

Uses of Funds By Project Activity

Report 1-B

for contracts above (i) the prior review threshold
(ii) USD 100,000 equivalent

Government of Malaysia
Social Sector Support Project - Ministry of National Unity and Social Development Component
as at dd-mmm-yy

| Contract Description | Contract Number | Supplier/ Contractor | Nationality | Zip Code if U.S. | Contract Value | Amount Invoiced to Date | Amount Paid to Date |
|---|-----------------|----------------------|-------------|------------------|----------------|-------------------------|---------------------|
| Equipment <i>National Competitive Bidding</i> <i>National Shopping</i> | | | | | | | |
| Civil Works <i>National Shopping</i> | | | | | | | |

for contracts above (i) the prior review threshold
(ii) USD 100,000 equivalent

Government of Malaysia
Social Sector Support Project - Ministry of National Unity and Social Development Component
as at dd-mmm-yy

| Contract Description | Contract Number | Consultant | Nationality | Zip Code if U.S. | Contract Value | Amount Invoiced to Date | Amount Paid to Date |
|---|-----------------|------------|-------------|------------------|----------------|-------------------------|---------------------|
| <i>Quality and Cost Based Selection</i> <i>Consultant Qualifications</i> <i>Single Source Selection</i> | | | | | | | |

