ASIAN DEVELOPMENT BANK

COUNTRY ASSISTANCE PLAN
(2000-2002)

MALAYSIA

December 1999

FOREWORD

The Country Assistance Plan describes the planned program of assistance by the Asian Development Bank for Malaysia covering the three-year period 2000-2002. It includes loan and technical assistance projects, as well as possible cofinancing from other donors. The CAP was prepared by the ADB between April and June 1999, in close consultation with the Government of Malaysia, and other stakeholders, including non-government organizations. The CAP was discussed with the Board of Directors in October 1999. The assistance plan described in the CAP is only indicative and may be revised to reflect more recent developments.

For further information, please visit the Asian Development Bank's website at: http://www.adb.org or contact *(any of)* the following:

1. Programs Manager, Division II
   Asian Development Bank
   6 ADB Avenue
   Mandaluyong City, Metro Manila

   Mailing address:
   P.O. Box 789
   0980 Manila, Philippines

   Telephone (632) 632-5897 or 632-5893 or 632-5894
   Fax (632) 636-2648
   E-mail adbpub@mail.asiandevbank.org

CURRENCY EQUIVALENTS
(as of 30 November 1999)

Currency Unit	—	Ringgit (RM)
RM1.00	=	$0.263158
$1.00	=	RM3.8

ABBREVIATIONS

6MP	-	Sixth Malaysia Plan (1991-1995)
7MP	-	Seventh Malaysia Plan (1996-2000)
ADB	-	Asian Development Bank
BIMP-EAGA	-	Brunei-Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area
CDRC	-	Corporate Debt Restructuring Committee
COS	-	Country Operational Strategy
Danamodal	-	special purpose vehicle
Danaharta	-	asset management company
DMC	-	developing member country
EPU	-	Economic Planning Unit
FSRS	-	financial sector reform strategy
GDP	-	gross domestic product
GEM	-	Gender Empowerment Measure
HDI	-	Human Development Index
IMF	-	International Monetary Fund
IMP	-	Industrial Master Plan
IMT-GT		Indonesia-Malaysia-Thailand Growth Triangle
J EXIM	-	Export-Import Bank of Japan
NEAC	-	National Economic Action Council
NERP	-	National Economic Recovery Plan
NMI	-	New Miyazawa Initiative
NPL	-	Nonperforming Loans
OECF	-	Overseas Economic Cooperation Fund
PPRT	-	Development Program for the Hardcore Poor
SDPL	-	Skills Development Program Loan
TA	-	technical assistance
UNDP	-	United Nations Development Program

NOTES

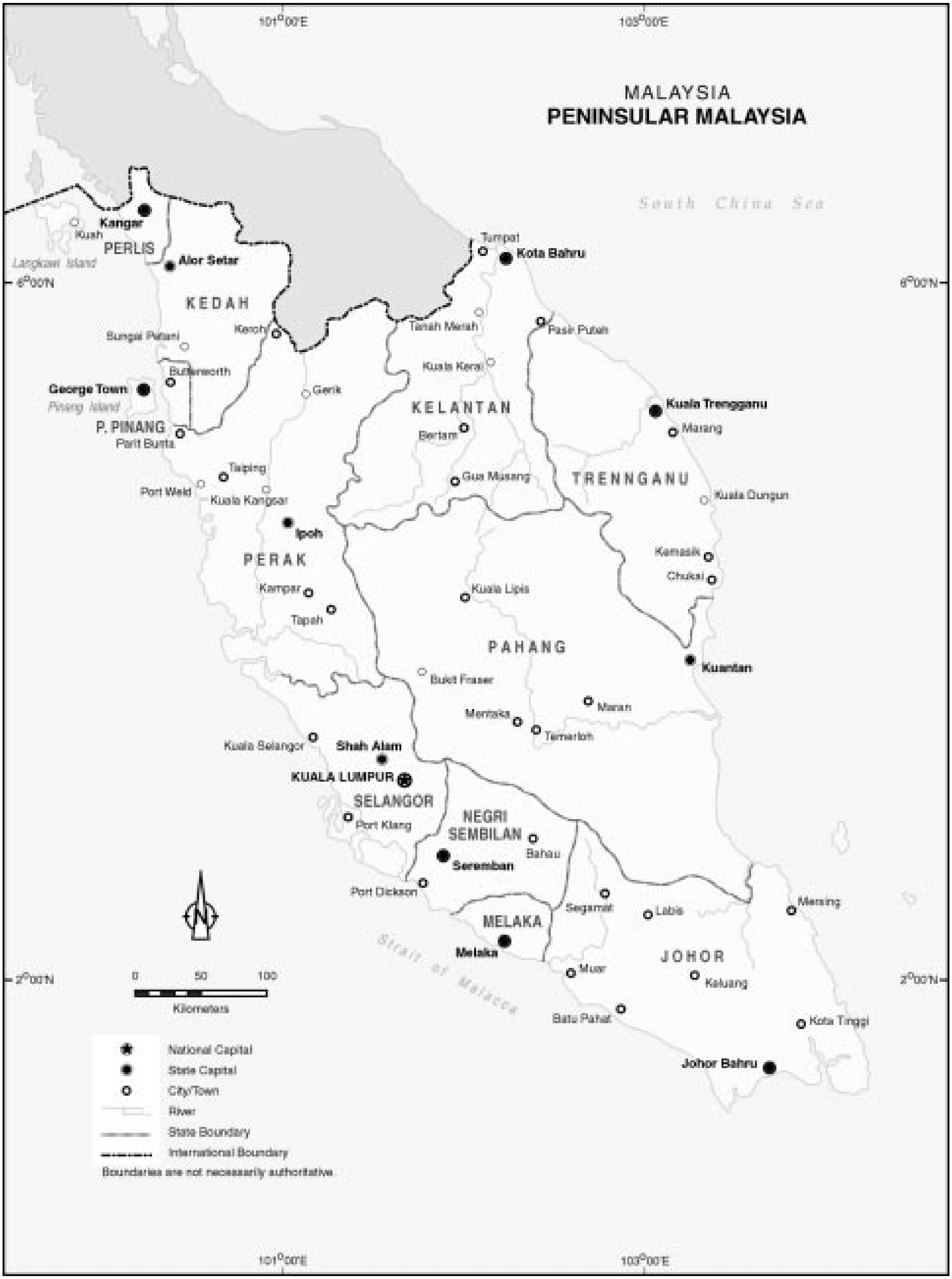
(i) The fiscal year (FY) of the Government ends on 31 December.

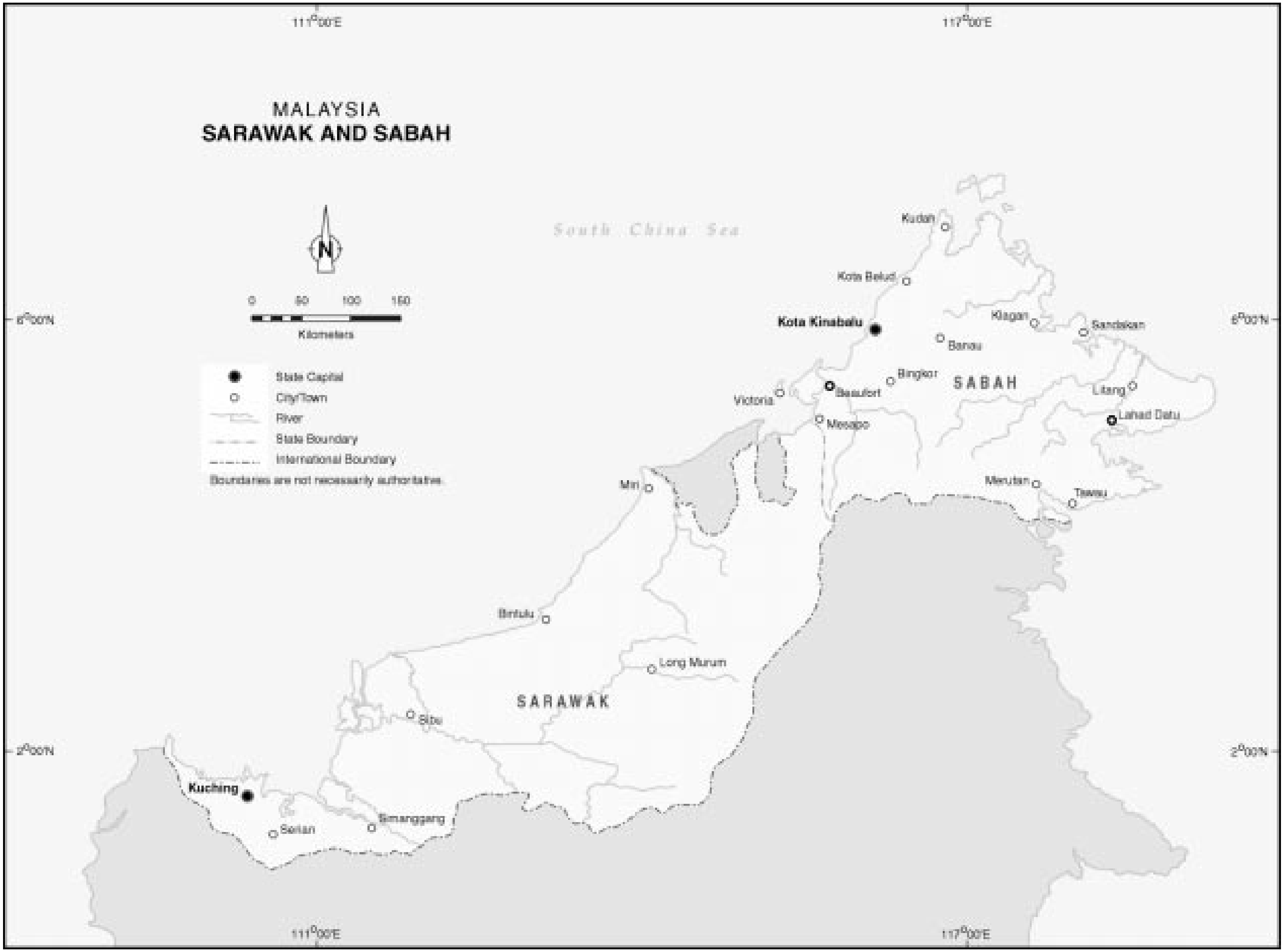
(ii) In this Report, "$" refers to US dollars.

COUNTRY ASSISTANCE PLAN
2000-2002

MALAYSIA

CONTENTS


MALAYSIA
PENINSULAR MALAYSIA
South China Sea
Strait of Malacca
101°00'E
103°00'E
6°00'N
2°00'N
Kangar
Kuah
PERLIS
Langkawi Island
Alor Setar
KEDAH
Sungai Patani
Keroh
Butterworth
George Town
Pinang Island
P. PINANG
Parit Buntar
Taiping
Port Weld
Kuala Kangsar
Gerik
Ipoh
PERAK
Kampar
Tapah
Tumpat
Kota Bahru
Tanah Merah
Pasir Puteh
Kuala Krai
KELANTAN
Bertam
Gua Musang
Kuala Trengganu
Marang
TRENGGANU
Kuala Dungun
Kemasik
Chukai
Kuala Lipis
PAHANG
Kuantan
Bukit Fraser
Maran
Mentakab
Temerloh
Kuala Selangor
Shah Alam
KUALA LUMPUR
SELANGOR
Port Klang
NEGRI SEMBILAN
Bahau
Seremban
Port Dickson
MELAKA
Melaka
Segamat
Labis
Mersing
JOHOR
Muar
Keluang
Batu Pahat
Kota Tinggi
Johor Bahru
0
50
100
Kilometers
National Capital
State Capital
City/Town
River
State Boundary
International Boundary
Boundaries are not necessarily authoritative.



MALAYSIA
SARAWAK AND SABAH
N
0
50
100
150
Kilometers
State Capital
City/Town
River
State Boundary
International Boundary
Boundaries are not necessarily authoritative.
South China Sea
Kudah
Kota Belud
Kota Kinabalu
Klagan
Sandakan
Banau
Bingkor
SABAH
Victoria
Beaufort
Mesapo
Litang
Lahad Datu
Miri
Merutan
Tawau
Bintulu
Long Murum
SARAWAK
Sibu
Kuching
Serian
Simanggang
111°00'E
117°00'E
6°00'N
2°00'N

MALAYSIA

I. Country Performance Assessment

A. Economic Performance Assessment

1. Considering the strong initial macroeconomic conditions of Malaysia, the perception in July 1997 was that Malaysia would be able to weather the storm arising out of the Thai contagion with relative ease. In recent years the Government had exercised restraint on accumulating public debt. Prudent fiscal management enabled the Government to reduce the stock of public debt since 1991. Through careful and sound external debt management, total external debt was also kept well within prudent limits. The ratio of short-term debt to foreign exchange reserves was relatively low when the Asian economic crisis erupted. Banking institutions were not significantly exposed to foreign exchange risks and short-term corporate borrowers were reasonably hedged. Malaysia therefore did not experience an external liquidity crisis of the same extent as that affecting some other crisis countries, though large foreign holdings of domestic assets represented a potential vulnerability for exchange reserves management under an open capital account regime.

2. There were, however, indications prior to the crisis that the economy was growing in excess of its underlying potential, suggesting that it was overheating. Large current account deficits reflected domestic resource imbalances despite the impressive domestic savings rate. Though the stock of external debt was kept at manageable levels, external capital flows sustained the current account deficits. Private investment expanded at a torrid pace in 1990s fuelled by phenomenal credit growth. Credit growth substantially in excess of the GDP growth rates created significant risks in terms of higher corporate leverage and growing asset price inflation. The inherent risks would have been reduced had the banks operated in a somewhat more competitive environment, as well as followed better risk management and credit analysis practices. Large exposure of the banking institutions to real estate and the stock market reduced the resilience of the banking system to economic shock. The perception that the banking system was beset with such vulnerabilities contributed to deterioration of market sentiments despite the measures strengthening the prudential regulations taken in the second half of 1997.

3. The full impact of the crisis on the Malaysian economy was felt in 1998. Real GDP contracted by 7.5 percent, led by a strong contraction in domestic demand. Against the background of a rapid outflow of external capital, the Government adopted standard demand management measures since the beginning of the crisis through the first half of 1998. Negative export growth and the unexpectedly sharp adverse impact of higher interest rates on corporate borrowers led the Government to reorient its policy in mid-1998.

4. Exports in US dollar terms contracted by 6.9 percent in 1998. Slowdown in export growth was evident since 1995 in response to the cyclical downturn in the global demand for electronics, a major Malaysian export that continued through 1998. Domestic factors such as a rise in wages in an environment of unimpressive growth of labor productivity affected competitiveness of manufactured exports. Continued high import intensity of exports partly due to skill shortages in the domestic labor market negated the beneficial impact of the depreciation of the Malaysia ringgit (RM) on manufactured export industry. The regional economic crisis adversely impacted on the demand for Malaysian exports emanating from within the region.

5. Credit surges in recent years have increased corporate indebtedness. Between 1980 and 1997, while loans in the banking system rose from 51 percent to 161 percent of the gross national product, the share of private sector borrowing increased from 79 percent to 96 percent. 70 percent of bank loans were short-term in nature. High corporate leverage combined with dominance of short-term debt rendered corporate borrowers highly vulnerable to increases in interest rates.[1]

6. The impact of an approximately 70 percent increase in interest rates between June 1997 to June 1998 contributed to contraction of the aggregate demand and the rapid increase in Nonperforming Loans (NPL) ratios. The combined effect of tighter prudential regulations and higher NPL ratios on credit growth was severe. Despite strong moral suasion by the Central Bank, loan growth at the end of 1998 was marginally negative.

7. Since a high interest policy did not succeed in stabilizing the exchange rate, the Government explored alternative approaches to stem the volatility in the foreign exchange market. At the same time, high interest rates contributed to increasing corporate distress. The Government felt that the demand compression strategy had resulted in overadjusting domestic demand and, if continued, would push Malaysia into a deeper recession (the economy had contracted in the first two quarters of 1998). While the initial steps towards relaxing monetary and fiscal policies were taken in the first two quarters of 1998, a comprehensive National Economic Recovery Plan (NERP) was announced in July 1998. Easing of inflationary pressures and emergence of current account surplus by the third quarter of 1998 facilitated the policy shift. As part of the recovery plan, fiscal and monetary policies were gradually relaxed. A fixed exchange rate was adopted and foreign exchange controls were imposed: the objective was to provide flexibility of monetary policy, limit speculative trading in domestic currency and control the short-term capital flows.

8. Since mid-1998, the demand management policies shifted from a relatively tight stance to a more expansionary stance for supporting economic recovery. Monetary policy was eased; the interest rates were progressively lowered and the statutory reserve ratio was brought down in steps. The fiscal policy targeted deficit in the federal government budget as a countercyclical measure for stimulating domestic demand. The federal government budget deficit in 1998 amounted to 1.5 percent of GDP compared with a planned surplus when 1998 budget was approved in October 1997. Bulk of the additional expenditures targeted sectors providing a strong multiplier effect on household incomes and manufacturing activity, and benefiting the vulnerable groups. While the federal government expenditure on economic and social services increased in 1998 compared with 1997, expenditure on security (including defense and internal security) decreased over the same period.[2] A strong fiscal stimulus is planned for 1999. The public sector deficit is estimated at 5.5 percent of GDP.

9. The NERP identified financial market stability as one of its core objectives. It put forward an agenda for financial sector reforms including (i) tightening prudential and disclosure standards; (ii) consolidating the banking sector; (iii) recapitalizing banks; (iv) developing a private debt securities market, including the bond market for funding large infrastructure projects requiring long-term funds; (v) providing a framework for improving the capital market, including strengthening the corporate governance aspects; and (vi) establishing an institutional framework for deposit insurance. (See para. 27 also.)

---

[1] National Economic Recovery Plan: Agenda for Action (Page 69) National Economic Action Council; August 1998.
[2] Statistical Tables, Economic Report 1998-1999, Ministry of Finance, Malaysia

10. Several measures were implemented in 1998 for strengthening the regulatory framework for the capital market. New rules on gearing ratios, exposures to a single client and a single security as well as margin financing aimed at instilling a greater sense of financial discipline among stockbroking companies were introduced. Changes to rules on related party and interested party transactions sought to enhance the overall framework for corporate governance. Amendments were made to Securities Laws and measures implemented by the Kuala Lumpur Stock Exchange to improve transparency in the stock market.

11. Progress in bank restructuring and recapitalization has been on track according to the Government's plan. Three agencies (Corporate Debt Restructuring Committee (CDRC), Danaharta and Danamodal) spearheading bank restructuring and recapitalization as well as corporate debt restructuring have started operations with a well-conceived and coherently formulated policy framework.[3] Their publicly announced policies stipulate that (i) bank and corporate restructuring should be carried out speedily to minimize the eventual economic costs of growing weakness of banks; (ii) strategies for bank and corporate restructuring should be closely linked; debt workouts for viable corporate borrowers need to be proactively pursued with bank restructuring; (iii) only viable institutions should stay in business; (iv) for preventing recurrence and minimizing moral hazard, the burden should be equitably and transparently shared among all stakeholders; (v) bank recapitalization should be combined with credible steps for bank restructuring, improving credit discipline and strengthening bank supervision; and (vi) full fiscal implications of bank restructuring should be disclosed. International consulting firms are helping the Government implement this framework. The agency for recapitalizing the banks, Danamodal, has provided recapitalization assistance to 10 banking institutions out of the total of 21 banks, which in Danamodal's assessment may potentially require recapitalization assistance. The remaining 11 banks are on the watch list, though it has been established that these 11 institutions do not require recapitalization funds from Danamodal. The asset management company, Danaharta, has taken over about 33 percent of the total NPLs outstanding at the end of May 1999. The CDRC may need to accelerate the debt restructuring process. Its role vis-à-vis Danaharta and Danamodal and its moral suasion authority are evolving.

12. Official and independent sources have forecast economic recovery in 1999, although the forecasts differ on the strength of such recovery. Prospects for export growth hinge on external factors. Rising imports of intermediate goods contributed to an increase in industrial production and augur well for export performance. Countercyclical fiscal measures and the revival of private consumption and investment demand are likely to boost domestic production of goods and services. Tangible improvements in consumer and business sentiments and transparent, objective and speedy resolution of bank and corporate sector debt problems, will be needed to consolidate the revival of market confidence and domestic demand on a sustained basis. The Government has replaced the one-year restriction on repatriation of external capital by an exit tax.[4] This measure, the recent upgrading of Malaysia's credit ratings by international rating agencies, and a general improvement in market sentiment towards emerging markets have helped Malaysia's reentry into foreign capital market. Main macroeconomic management concerns in 1999 include: (i) mobilization of resources for financing countercyclical fiscal policy in a non-inflationary manner; (ii) keeping exchange rates at the market clearing levels and (iii) managing the restructuring of banking and corporate sectors at a pace allowing these sectors to

[3] The Government set up the Danamodal and Danaharta to strengthen the balance sheets of troubled banks (see paras. 7 and 9). Danamodal is a special purpose vehicle for channeling recapitalization assistance. Danaharta is an asset management company for relieving the banks of the nonperforming loans and the Corporate Debt Restructuring Committee (CDRC) is for facilitating voluntary debt restructuring negotiations between borrowers and lenders without resorting to legal proceedings.

[4] Under the new rule, the principal and profits can be repatriated subject to a 10 percent levy on profits.

adjust to lower asset prices, without letting the economy stagnate with heavily indebted corporate borrowers and banks which are reluctant to lend new money. Detailed country performance indicators are given in Appendix 1.

B. Assessment of Socio-Environmental Performance

1. Poverty Issues

13. Malaysia's record on poverty reduction has been steady and impressive. The incidence of poverty in Peninsular Malaysia was 49.3 percent in 1970. High levels of economic growth and the favorable impact of government targeted programs brought this level down to 9.6 percent by 1995. From 1995 to 1997 further improvements were recorded with the incidence of poverty declining to 6.8 percent. Poverty is predominantly a rural phenomenon. In 1997, the incidence of rural poverty was 11.8 percent against 2.4 percent in urban areas and the percentage of the poor residing in rural areas increased from 77 percent in 1995 to 81 percent in 1997. The incidence of hardcore poverty defined as those whose incomes are 50 percent of the poverty line[5] also fell from 2.2 percent in 1995 to 1.4 percent in 1997 and the decline was more rapid in urban than in rural areas. Poverty remains entrenched in the traditionally poorest states of Kelantan, Terengganu, Sabah, Kedah and Perlis.

14. The economic slowdown caused by the crisis has reversed the trend in poverty reduction. The overall incidence of poverty in1998 is estimated to have increased by nearly one percentage point to 7.6 percent. However the incidence of hardcore poor is projected to increase only slightly from 1.4 percent to 1.5 percent. The majority of the new poor are expected to be from urban areas where the problems of retrenchment, unemployment and inflation are greater.

15. During the crisis, income inequality may have declined in 1998; the mean income from the urban sector is projected to have fallen slightly while income in the agricultural sector has risen. Income inequality as measured by the Gini coefficient has increased somewhat during the 1995-1997 period from 0.462 to 0.470. This places Malaysia in a relatively "high" income inequality category.

2. Gender Issues

16. The Gender Development Index[6] measures achievements in basic human capabilities (life expectancy, adult literacy, secondary and tertiary school, gross enrollment ratio and share of earned income) but takes note of inequalities of achievements between men and women. According to the 1998 Human Development Report, Malaysia ranked 45th out of 165 countries. Gender Empowerment Measure (GEM) examines whether women and men are able to participate in economic and political life and take part in decision-making. In the GEM, Malaysia ranked 45th out of 102 countries. In general, Malaysia compares favorably with the regional comparators in terms of human achievement, particularly in gender empowerment.

---

[5] Poverty assessment for 1995 is based on the following poverty line incomes: RM425 per month for a family of 4.6 in Peninsular Malaysia, RM601 per month for a household of size 4.9 in Sabah and RM516 per moth for a household of 4.8 in Sarawak. Poverty estimates for 1997 are RM460 per moth in Peninsular Malaysia, RM633 in Sabah, RM543 in Sarawak. Household sizes are unchanged.

[6] A descending scale: the lower, the better.

17. Regional differences exist in the status of women, particularly between Western Peninsular Malaysia and Sabah and Sarawak, due to differences in historic, ethnic and economic conditions. The Malaysian national framework for addressing women's concerns has been established and is poised to play an increasing role in mainstreaming women's concerns into national development. Overall, Malaysia's commitment to improving the status of women is reflected by its endorsement of international instruments on women's rights and their translation into national policy and action plans. Legislation to improve women's position in the family, community and workplace has been reviewed and amended during the Seventh Malaysia Plan (7MP). Outstanding social issues include womens' under-representation at higher levels of employment, and the provision of child care to support the female labor force. As with other crisis affected countries, women have been particularly affected in the work place. The textile and electronic industries, where women employment is concentrated, have undergone higher levels of retrenchment. It is estimated that two thirds of those retrenched in these industries were women. In addition, in their role as home managers responsible for domestic budgeting, women have had to match declining real incomes against fixed needs. This double burden has been met by increasing informal sector labor participation, which has resulted in crowding and lower overall incomes in petty trade and food catering. Female headed households, which comprise 17 percent of all households, are vulnerable to rising prices and reduction in income, particularly in the case of young mothers with children.

3. Human Development

18. The Human Development Index (HDI) measures development in terms of life expectancy, educational attainment in terms of adult literacy and income inequality. Based on the 1998 Human Development Report, Malaysia ranked 60th out of 174 countries. Malaysia has performed well in other key human indicators such as contraceptive prevalence rate, maternal mortality, infant mortality and enrollment in secondary schools.

19. The Government has provided social safety nets after the onset of the crisis to protect the past gains made in human development. Means tested scholarships were increased for college students to help offset the cost of rising education. Also, additional funds were allocated to the development program for the hardcore poor, the Program Pembangunan Rakyat Termiskin, in anticipation of a higher incidence of poverty. Finally, microcredit, labor intensive public works and entrepreneurial training activities were stepped up to help revitalize the economy at the lowest levels as well as to offset the hardships faced by poor households.

4. Environment

20. Government objectives in environmental protection and management are well developed, though the regulatory framework to achieve these is not yet fully developed. The Government’s objective is to integrate environmental considerations into development planning to promote sustainable growth. Key initiatives in environmental management include applying economic approaches in addressing environmental issues and improving the environmental and natural resources database and information system for more effective planning and decision-making. Malaysia’s federal system provides that the states have primary responsibility for land, forests and other matters of particular importance to natural resource management and environmental protection. Hence, strengthened coordination between the central Government and the states is a key objective of environment policy.

C. Governance: Sound Development Management

21. The need to improve governance standards has been felt more strongly after the onset of the crisis. Areas to be strengthened include disclosure and transparency in corporate governance including ownership structures of public limited companies, the protection of the interests of minority shareholders and the effective implementation of stock market regulations. To this effect, the Government has prepared a Report on Corporate Governance which was published in March 1999. The Report includes the Malaysia Code of Corporate Governance describing the principles and good practices to be adopted in corporate governance, areas of education and training, as well as measures for strengthening the statutory and regulatory framework for corporate governance. The Government also made available on a website information regarding the activities of the institutions involved in bank and corporate restructuring. The involvement of international consultants as advisors to these institutions is also expected to improve the transparency and disclosure standards of these institutions. The ADB's Anticorruption Policy has been disseminated to the Government and executing agencies.

D. Implementation Assessment

1. The Portfolio

22. The total value of Asian Development Bank (ADB) loans approved during the Sixth Malaysia Plan, 1992-1996 (6MP) was $303.9 million. Such loans ranged from $22.6 million in 1992 to $105 million in 1996. In 1997, only one loan of $40 million was approved. Government policy on the private sector shifted radically during the 6MP. Areas that were traditionally monopolized by the public sector (such as power generation, highways, urban transport, water supply and sewerage) were opened to the private sector. As a consequence, the scope for ADB’s involvement in these sectors declined sharply. Moreover, the Government limited external borrowing from official agencies as a matter of public policy and prepaid several loans. Hence, the size of ADB’s Malaysia portfolio has declined steadily. Alongside the declining volume of lending operations, ADB’s TA operations in Malaysia have also steadily declined in the recent past. The technical assistance (TA) program for Malaysia is characterized by the significant contribution made by the Government in the total funding of TA projects. Overall, the TA program for Malaysia has been successful. Notable contributions of the program include support for environmental policy and management, capital market development and reform of public sector corporations.

2. Issues in Project Implementation

23. Overall, ADB’s postevaluation experience in Malaysia has been favorable, with over 60 percent of the postevaluated projects having been rated generally successful. ADB-financed projects have had a significant impact on the economic, social and institutional development of the country. They contributed to improving the quality and access to technical and vocational education, raising productivity and reducing rural poverty. This was achieved through integrated area development and other agriculture sector projects. ADB has also been involved in river basin and coastal zone management. ADB also supported the Government's health sector strategy, which has been instrumental in achieving significant improvements in rural health. Public utilities have generally kept charges at reasonable levels. Where charges have not met full cost recovery, the performance of projects and executing agencies has been adversely affected. This is an area to which greater attention should be paid by the Government.

24. There have been three unsuccessful projects in the postevaluated portfolio: an agricultural support services project, a fisheries project and a mini-hydropower project. Some projects have suffered implementation delays and cost overruns. The average implementation delay was 2.4 years. Above average implementation delay has occurred in agriculture (2.5 years) and social infrastructure (2.7 years). Major causes of delay in agriculture projects were the inadequacy of engineering designs, late recruitment of consultants, delayed preparation of engineering design, late delivery of equipment, as well as changes of project scope and design; in addition, there were site reclamation and land acquisition problems. Delays in social infrastructure projects resulted from difficulties in land acquisition, delayed recruitment of consultants, procurement and civil works as well as inadequate site, geological studies and design during project preparation. The average cost overrun was 52.3 percent. Major reasons for cost overruns included expanded project scope, underestimation of project costs, land acquisition difficulties and implementation delays. The major lessons learnt from postevaluation experience are that thorough preparation, appropriate design and strong institutional capability of executing agencies are key to project success.

25. In recent years disbursement performance of the Malaysia portfolio improved steadily. However, the disbursement ratio decreased from 25.8 percent in 1997 to 22.6 percent in 1998. This was due to the reduction of public expenditure by the Government and the corresponding decline in the availability of counterpart funds for ADB-financed projects, in response to the economic crisis. In terms of disbursement, Malaysia's performance ranks among the highest, which is consistent with its status as a Group C DMC. Detailed portfolio performance indicators are provided in Appendix 2.

II. Country Operational Strategy

A. Malaysia's Medium-term Development Strategy

26. Since the adoption of the New Development Policy in 1991, growth has been the Government’s primary strategic economic objective. In the 7MP which was approved in May 1996, the Government’s growth strategy was based on capital intensive investment, aimed at supporting improvement of labor productivity and income growth. The privatization of public services and infrastructure will continue as a means of improving efficiency and reducing the burden on the budget. Skills upgrading and technology development would support the productivity-oriented strategy. In this context, human resource development is a key component of 7MP. Other strategic objectives are poverty reduction, improvement in quality of life and sustainable development. An Industrial Master Plan (IMP) launched in November 1996 and defining the course of industrial development, addressed issues to sustain and enhance growth in the manufacturing sector. In addition, the Third National Agricultural Policy, which succeeded the Second National Agriculture Policy (1992-97), sets out the strategic directions for agricultural and forestry development for the period 1998-2010.

27. The economy was thrown off course by the regional crisis, seriously threatening the objectives of 7MP. The Government established the National Economic Action Council (NEAC) in January 1998 to manage the impact of the crisis. In August 1998, NEAC published the NERP which defined a short-term crisis management strategy. Overall, NERP aims to restore economic development by stimulating domestic demand, maintaining progress in the social sectors and protecting the poor.[7]

---

[7] See paras. 7 and 9.

B. ADB's Operational Strategy

28. The objectives of ADB's current Country Operational Strategy (COS) (finalized in December 1997), reflect the 7MP strategic objectives. The objectives of COS are to (i) support human development; (ii) reduce socioeconomic disparity between the more highly developed western corridor of the Peninsula and other regions of the country; (iii) promote sustainable environment management; and (iv) support capacity building in selected areas of high priority. While these objectives are still relevant for the medium to long term development of Malaysia, they do not fully reflect the priorities to be addressed in the short term for the management of the crisis. Two key priorities in this regard are restructuring the financial sector and strengthening the social safety net. The ADB and the Government are discussing the future role of ADB in Malaysia. Once this role is determined, ADB's operational strategy could be revised.

III. Sector Strategies

29. Until a revised country strategy is agreed with the Government, ADB will not be in a position to define areas for new assistance activities in Malaysia, or to address major issues affecting the economy. The discussion in the following paragraphs sets out the Government's strategy in the main areas of concern, i.e. the impact of the crisis and Government's strategies in the financial and the social sectors to address the same.

A. Infrastructure

1. Industry and Finance

30. The economic crisis revealed a number of fundamental weaknesses in the Malaysian financial sector. The key weaknesses of the financial sector are anchored in four issues, namely (i) rapid credit growth and high exposure of banks to the property sector and the stock market; (ii) high leverage of the corporate sector with a large proportion of the corporate debt being short-term domestic debt; (iii) rapid increase in the non-performing loan ratio of the banks since the onset of the crisis in mid-1997; and (iv) inadequate investor protection. The thrust of the Government's strategy for financial sector restructuring is to stabilize the financial sector in the short term and long term, build a stronger and more resilient banking sector; accelerate the development of a strong bond market, and enhance transparency, disclosure, accounting standards and corporate governance in the capital market.

31. In the short-term, the major issues in the banking sector are centered on recapitalization and strengthening of the banking sector to promote systemic stability. In the wake of the crisis, many domestic banks were confronted with problems of high NPL ratios and consequent impairment of their capital. The stress tests done by the authorities in 1998 to ascertain the criticality of capital deficiency and to quantify the amount of recapitalization requirements showed that 23 banking institutions would require recapitalization.

32. In the long-term banking sector development will focus on (i) market orientation and competitive environment; (ii) sector consolidation; (iii) corporate governance improvement, including policies related to lending to influential shareholders, regular review of the performance of chief executive officers and directors, and the concentration of loans to single customers; (iv) strong capital adequacy requirements; (v) strengthening supervision and regulation; (vi) sound risk management and credit analysis practices; and (vii) coherently formulated deposit insurance policies.

33. In the area of capital market development, protecting the local stock market from adverse effects of trading of ringgit-denominated securities in the Central Limit Order Book system of the Singapore Stock Exchange emerged as a short-term issue. Improving the market perception about the Malaysian financial sector required tangible measures to strengthen the regulatory framework for ensuring an orderly market, improving transparency in the stock market and upgrading corporate governance practices. Several important measures were implemented in this regard since the onset of the crisis (see para. 10). Long-term development of the capital market requires intensifying the reform measures already initiated by the authorities.

34. Accelerating the development of the bond market is critical for reducing the concentration of financial risks in the banking sector and minimizing the maturity mismatches that currently characterize the long-term debt provided by the banking sector. The lack of benchmark yield curves, lengthy approval processes and the multiplicity of regulators constrained the development of the bond market. On the securities demand side, the contractual savings sector, which has large assets, could potentially play an important role in fostering the development of a healthy capital market. A policy environment should be created such that the accumulated balances of the contractual savings institutions can be invested to maximize the returns. Functional autonomy and professional investment management are crucial requirements for maximizing yields and minimizing risks for these institutions.

B. Social Impact of the Crisis and Government Response

1. Social Impact of the Crisis

35. The economic downturn had a negative effect on Government efforts to reduce the incidence of poverty. With economic contraction, unemployment increased and income-earning opportunities declined. The drop in share prices and the value of property had a negative wealth effect, affecting consumers. Pay cuts and price increases reduced the capacity of wage earners to transfer remittances to the rural areas. The rising costs of education at the tertiary level and health care affected the supply and demand of services available, as well as the quality of the supply of such services.

36. Unemployment[8] in 1998 increased to 3.9 percent from 2.6 percent in 1997, affecting workers mostly in urban areas. The incidence of poverty also increased (see para. 14). The relatively small increase in unemployment can be explained in part by the flexibility and mobility of the labor force and repatriation of a sizeable number of foreign workers. Although inflation increased, particularly food prices, effective price control measures prevented hoarding and price overshoots which would have reduced household income and increased poverty.

37. In rural areas, the crisis-induced rising costs of inputs only partly affected the cost of agriculture outputs. Instead, adverse weather conditions reduced the cultivated area and yields, while labor shortages pushed price levels up. In 1998, declines in the crude palm oil production by 8.3 percent and natural rubber production by 8.8 percent, resulted mostly from yield reduction. This was due to a number of reasons, mainly, dry weather. In the case of crude palm oil, the decline in production was also due to lower yields, arising from the downturn on the biological yield cycle of the oil palm trees. Natural rubber production was affected by continued slackening of global demand against ample inventories. In contrast, particularly affected by the crisis, were sawn logs and cocoa. The decline in sawn-log production was the sharpest. It

[8] The number of unemployed as a proportion of the labor force.

mainly resulted from weaker demand, from the Asia Pacific region mostly from crisis-affected countries. In some areas, adverse weather conditions were a compounding factor.[9] As for cocoa, production declined for the eighth year in a row, caused by rising costs of labor and agricultural inputs, and the severe drought.

38. Labor retrenchment in manufacturing arising from the crisis was partly mopped up by expanding opportunities in manufacturing sectors and by the termination or non-renewal of foreign workers' contracts. In the absence of unemployment benefits, employers were encouraged to avoid exacerbating unemployment by providing partial salary and wage reductions, reduced number of working hours and training. Government financial intervention was limited to strengthening the safety nets in areas mostly affecting the poor, by ensuring that budget shares for social services in 1998 remained approximately at their 1997 levels. Public expenditure on poverty reduction programs was protected in real terms.

2. Social Safety Nets

39. Social safety nets in Malaysia are comparatively well structured but they could be strengthened. Strong economic growth, virtually full employment before the crisis and family solidarity so far provided informal assistance and security to those vulnerable to economic distress, i.e., those requiring the support of a social safety net. At the beginning of the crisis, traditional family ties, especially in rural areas, were expected to provide a substantial part of the resources and new job opportunities required to cope with the crisis. Moreover, the Government also expected the market to adjust according to evolving comparative advantage. Hence, the Government's objective was to monitor developments and improve the regulatory framework, to ensure the provision of what it considered to be essential social benefits and to limit its direct financial assistance to the needs of the poor.

40. In order to mitigate the effects of the crisis on the poor and low-income groups the Government reallocated the budget to support the social sectors and set up targeted programs. Budget resources were redistributed so as to retain the original 1998 budget allocation for the Development Program for the Hardcore Poor (PPRT) and limit cuts to the 1998 budget of ministries providing social, rural development, and agriculture programs mainly targeted on the poor and low-income groups. Micro-credit funds were set up to promote income generating activities and job opportunities were created for the low-income segments of the population, including the most vulnerable groups through public works.

41. A major Government concern since the beginning of the crisis, has been the preservation of the widely acknowledged gains achieved in health and education. Upgrading human resources has long been a fundamental long-term economic challenge for the improvement of Malaysia's international competitiveness as the pressure on public expenditure intensified with the crisis. In the health sector, the combined decline of household income and increased cost of medical supplies had a detrimental effect on the utilization of the private sector health services, particularly in urban areas, as the populace shifted to an increased use of public health service. This could reverse the trend in the improvement of key social indicators achieved in the last decade.

---

[9] According to Government reports, logging activities were in line with the Government's conservation policies and its commitment to sustainable forest management by the Year 2000, as required by the International Tropical Timber Organization.

42. The Government has moved to address the social impact of the crisis. Subsidies are expected to mitigate the impact of the crisis in the primary and secondary school levels. In higher education, the Government increased the allocation for the National Higher Education Loan Fund to cater to more students, thus enabling them to access higher education in public and private institutions. Students from low-income groups will also be eligible for the maximum loan that covers tuition fees, books, subsistence and other allowances. In the health sector, the measures adopted by the Government focused on reducing costs by rationalizing the utilization of resources and on providing partly or fully subsidized treatment, depending on the income level of beneficiaries.

43. The Government has also given high priority to ensuring continued supply of skilled labor to meet the rising level of skills demand by knowledge-based and high technology industries, despite the effects of the crisis. To this end, measures were adopted to improve the skills-delivery system. Institutional and other reforms were initiated to enhance the efficiency of the skills-delivery program and increase labor market flexibility. These measures include improved labor market regulations and information systems.

C. Governance Dimensions of ADB Operations

44. Opportunities to incorporate governance dimensions in ADB’s operations can be explored only after the ADB and the Government have agreed on ADB’s future role in Malaysia. (see para. 60)

D. Gender Dimensions of ADB Operations

45. The Malaysian national machinery for addressing women's concerns is playing an increasing role in mainstreaming women's concerns into national development. Overall, Malaysia's commitment to improving the status of women is reflected in its endorsement of international instruments on women's rights and their translation into national policy and action plans. Legislation to improve women's position in the family, community and workplace has been under review and amended during 7MP. A number of social issues remain to be addressed, namely, the provision of child care to support higher female labor force participation rates and the need to upgrade skills of the female labor force, which tend to be concentrated in low skill areas making it vulnerable to retrenchment.

46. Preparation of an ADB-financed TA for Capacity Building for Gender Sensitization has been suspended. The aim of this TA is to help the Government more effectively plan, monitor and evaluate development projects with respect to gender. Work on further processing the TA will resume subject to clarification by the Government of the role the ADB could play in Malaysia in the future.

E. Private Sector Operations

47. With its dynamism, Malaysia’s private sector has traditionally had excellent access to international financial markets over the years. Accordingly, little interest has been shown by Malaysian entrepreneurs in ADB’s assistance modalities for the private sector. Equally, ADB has preferred focusing on improvement of the policy environment for private sector led development in the country, with the provision of technical assistance and staff studies. The objective is to assist in developing the regulatory framework for private sector provided infrastructure and identify innovative mechanisms for infrastructure financing. If ADB assistance is required in the aftermath of the crisis or if access to commercial funds becomes too onerous

for Malaysia, ADB could consider using its assistance modalities for the private sector, including instruments such as provision of partial risk guarantee.

IV. Subregional Economic Cooperation

48. To promote a balanced regional development, the Government is encouraging industrial development in the eastern corridor of the Peninsula, as well as in Sabah and Sarawak. This will allow counterbalancing the industrial development that has mainly taken place in the western corridor of the Peninsula between Penang and Johor Baru. In this context, Malaysia has been an active participant in such subregional economic groupings as the IMT-GT and BIMP-EAGA.

49. ADB will continue to support development efforts in the IMT-GT and BIMP-EAGA. However, activities under these two umbrellas are currently dormant in view of the need to address crisis related priorities.

V. Donor Activities and Aid Coordination

50. The Economic Planning Unit (EPU) of the Prime Minister's Department coordinates the aid programs of various aid agencies. ADB coordinates its program through formal and informal contacts with EPU, the World Bank and other aid agencies. ADB Missions visit local representatives of bilateral aid agencies and exchange information about strategies, programs and policies. Malaysia has no aid group or consortium to coordinate external aid activities.

51. Fiscal expansion and the cost of bank restructuring contributed to the emergence of a deficit in the consolidated public sector account in 1998 and 1999. Current revenues were adequate to finance the operating expenditure and a part of the development expenditure of the Government. The Government raised the bulk of the balance requirement from the domestic capital market. It is currently estimated that the consolidated public sector account will remain in deficit in 2000. Out of the financing requirement of about $4 billion in 2000, the Government expects to mobilize $3 billion from the domestic sources and the balance $1 billion from the external sources.

52. The World Bank's operations in Malaysia, which have been dormant since 1993, resumed in 1998. Recent approved World Bank loans include one $300 million project approved on 14 July 1998 (Economic Recovery and Social Sector Loan) and three projects for $404 million approved on 30 March 1999 (Education Sector Support Project amounting to $244 million; Social Sector Support Project Loan, amounting to $60 million; Year 2000 Technical Assistance Project, amounting to $100 million to address major Y2K issues in Malaysia).

53. Malaysia is one of the beneficiaries of the New Miyazawa Initiative (NMI). So far, total funds of $2.6 billion have been committed under the NMI to Malaysia (see Table 1).

Table 1
New Miyazawa Initiative, J EXIM and OECF Commitments
($ million equivalent)

Project	Amount	Financing Agency
1. Export Industry Support (I)	300	J EXIM
2. Guarantee to Transportation Projects	700	- do -
3. Infrastructure Development	400	- do -
4. Export Industry Support (II)	200	- do -
5. Public Infrastructure Development Project	1000	OECF
Total	***2,600***	

54. As foreign borrowing through bonds is costly, the Government will: (i) maximize the procurement of funds from multilateral and bilateral agencies as well as sovereign loans; and (ii) ensure bonds are issued at the most appropriate time. In this regard, the Government raised $605 million from commercial lenders through bonds guaranteed by the Government of Japan.

55. ADB coordinates with the International Monetary Fund (IMF) and World Bank to exchange information on the provision of assistance and policy developments. The Malaysian Government has not availed financing through an IMF program but holds regular Article IV consultations with IMF.

56. The United Nations Development Program (UNDP) focuses on the monitoring of poverty with the provision of a Rapid Social Assessment TA that helped prepare the WB's Country Assistance Strategy. UNDP also provides technical assistance for environmental management and human development.

57. The Government of Japan Bank for International Cooperation is discussing with the Malaysian Government the provision of loans amounting to about $2,470 million in addition to the amount indicated in Table 1. The funds would be used to finance investment projects in the power sector, education, as well as water supply and sanitation.

VI. Cofinancing and Catalyzing External Resources

58. Since the onset of the economic crisis, bilateral and multilateral aid agencies have played a major role in meeting Malaysia's resource requirements. Cofinancing opportunities with official and commercial entities would be considered after the Government and the ADB agree on a prospective assistance program for Malaysia.

VII. ADB's Operational Program

59. Until the onset of the crisis in mid-1997, the ADB's assistance program was modest, reflecting the country's sharply reduced requirements considering its rapid development performance. However, following the currency turmoil, the Government is adjusting its borrowing strategy from multilateral finance institutions. The Government requested a Skills Development Program Loan (SDPL) for $300 million in early 1998. Accordingly, the proposal was processed under the existing Country Operational Strategy for Malaysia. Simultaneously with the processing of the SDPL, technical assistance for preparing the financial sector reform strategy (FSRS TA) was also processed on Government's request. It was envisaged that FSRS TA would facilitate policy dialogue on the financial sector issues that are central to the crisis. After the approval of FSRS TA by the Board in January 1999, the Government withdrew its request for FSRS TA. Subsequently, the Government put on hold ADB's requests to field

economic missions to prepare the annual economic review and for the pre-appraisal mission for SDPL.

60. The provision of further assistance to Malaysia will be determined on the basis of the formulation of an assistance program to be determined by the Government and ADB after they agree on ADB's role in assisting Malaysia during the crisis.

VIII. Economic and Sector Work Program

61. The economic and sector work program for Malaysia will be determined on the basis of an assistance program to be formulated by the Government and ADB when agreement is reached on the role of ADB in assisting Malaysia in future.

IX. Local Cost Financing

62. Malaysia has not borrowed from ADB for financing local costs in recent years.

MALAYSIA
COUNTRY PERFORMANCE INDICATORS

Item	1994	1995	1996	1997	1998
ECONOMIC INDICATORS					
A. Income and Growth					
1. GDP per Capita (US$, current)	3,707	4,285	4,713	4,596	3,266
2. GDP at 1987 prices	9.2	9.8	10.0	7.5	(7.5)
a. Agriculture	(1.9)	(2.5)	4.5	0.4	(4.5)
b. Industry	11.9	13.1	12.9	6.2	(17.1)
c. Services	10	10	9	1	(1)
B. Saving and Investment (current market prices)			**(percent of GDP)**		
1. Gross Domestic Investment	43.3	45.8	43.5	45.3	28.2
2. Gross Domestic Saving	35.3	35.6	38.9	39.4	41.9
C. Money and Inflation			**(annual percent change)**		
1. Consumer Prices (annual average)	3.7	3.4	3.5	2.7	5.3
2. Broad Money (M3)	13.1	22.3	21.2	18.5	2.7
D. Government Finance			**(percent of GDP)**		
1. Total Revenue	25.3	22.9	23.0	23.3	19.9
2. Total Expenditure and Net Lending	23.0	22.1	22.3	21.0	21.7
3. Overall Surplus/Deficit (-1)	2.3	0.8	0.7	2.4	(1.8)
E. Balance of Payments					
1. Merchandise Trade Balance (% of GDP)	0.9	0.0	4.0	3.6	24.3
2. Current Account Balance (% of GDP)	(7.6)	(9.7)	(4.4)	(5.6)	12.9
3. Merchandise Exports, $ (% growth)	23.1	26.5	6.7	(34.8)	(6.9)
4. Merchandise Imports, $ (% growth)	28.3	30.4	1.2	0.2	(25.9)
F. External Payments Indicators					
1. International Reserves ($billion, end of period)	26.7	25.1	27.7	15.2	26.2
- months of imports	5.3	4.0	4.4	2.4	5.7
2. External Debt Service (% of exports of goods & services)	5.5	6.6	6.8	5.5	6.6
<u>Memorandum Items:</u>					
GDP (current, RM million)	195,461	222,473	253,732	281,888	284,473
Exchange Rate (RM/US$, average)	2.6	2.5	2.5	2.8	3.9
Population (million)	20.1	20.7	21.4	21.8	22.2

Source: Bank Negara Malaysia and staff estimates.

MALAYSIA
COUNTRY PERFORMANCE INDICATORS

Item	1985		1990		Latest Year	
POPULATION INDICATORS						
Total Population (millions)	15.7		17.8		22.2	(1998)
Annual Population Growth Rate (% change)	2.70		2.40		2.10	(1998)
SOCIAL INDICATORS						
Total Fertility Rate (births per woman)	4.1		3.8		3.3	(1998)
Maternal Mortality Rate (per hundred thousand live births)	40		-		43	(1995)
Infant Mortality Rate (below 1 year; per '000 live births)	16.4		13.1		8.8	(1997)
Life Expectancy at Birth (years)	70		71.2			
Female	72.4		73.5		74.5	(1997)
Male	67.7		68.9		69.6	(1997)
Adult Literacy (10+ years; %)						
Female	65		70.4		78.1	(1995)
Male	83.2		86.5		89.1	(1995)
Primary School Enrollment (% of school age population)	101		93		93	(1994)
Female	100		93		94	(1994)
Secondary School Enrollment (% of school age population)	53		58			
Female	53		60		62	(1992)
Child Malnutrition (% of under age 5)	31	(1975)	18		23	(1990-1997)
Population Below Poverty Line (%)	20.7		9.6	(1995)	7.8	(1998)
Income Ratio of Highest 20% to Lowest 20%						
Population with Access to Safe Water (%)	71		87.8		87.8	(1995)
Population with Access to Sanitation (%)	78.2	(1988)	91.1		91.1	(1995)
Public Education Expenditure as % of GNP	6.6		5.4		5.3	(1994)
Public Health Expenditure as % of GDP	-		1.3		-	
Human Development Index	0.8	(1987)	0.822	(1992)	0.834	(1995)
Human Development Ranking	46	(1987)	59	(1992)	60	(1994)
ENVIRONMENTAL INDICATORS						
Annual deforestation (% of area)	3.5		3.5		-	
Nationally protected area as % of land area	-		4.5	(1991)	4.5	(1994)
Annual Deforestation ('000 sq. km) [j]	2.55	(1981-85)	4.0	(1980-90)	-	
National Protected Areas (as % of total land area) [j]	-		4.5	(1991)	4.5	(1994)
Per Capita Commercial Energy Consumption (kg. of oil equivalent) [g]	692	(1980)	1,445	(1992)	1,711	(1994)

Source: World Bank, World Development Indicators; UNESCO; UNDP, Human Development Report
Malaysia: Ministry of Finance; Economic Planning Unit

MALAYSIA

PORTFOLIO PERFORMANCE

Table 1 : Implementation, Disbursement Performance and Postevaluation Results

Public Sector Projects only

(as of 31 December 1998)

A. Project Portfolio	Net Loan Amount		Rating (No.) [a]									
			Total		Implementation Progress				Development Objectives			
	$ million	%	No.	%	HS	S	PS	U	HS	S	PS	U
Agriculture and Natural Resources	134.1	33.6	5	55.6	-	5	-	-	-	5	-	-
Energy	-	-	-	-	-	-	-	-	-	-	-	-
Finance and Industry	47.7	12.0	1	11.1	-	1	-	-	-	1	-	-
Social Infrastructure	217.0	54.4	3	33.3	-	2	-	1	-	3	-	-
Transport and Communications	-	-	-	-	-	-	-	-	-	-	-	-
Others/Multisector	-	-	-	-	-	-	-	-	-	-	-	-
Total	**398.8**	**100.0**	**9**	**100.0**	**0**	**8**	**0**	**1**	**0**	**9**	**0**	**0**

B. Disbursements	OCR	ADF	Total
(1) Total funds available for withdrawal ($ mn, active loans on	398.8	-	398.80
(2) Disbursed amount ($ mn, cumulative, active loans only)	190.7	-	190.70
(3) Percentage disbursed [(2)/(1)] (%)	47.8	-	47.80
(4) Disbursements ($mn, active loans only, latest year)	60.7	-	60.70
(5) Disbursement ratio (%) [b]	22.58	-	22.58
C. Net Transfer of Resources [c] ($ million)	**OCR**	**ADF**	**Total**
Net transfer in 1995	-59.1	-0.4	-59.5
Net transfer in 1996	-59.1	-	-59.1
Net transfer in 1997	-8.4	-	-8.4
Net transfer in 1998	-30.9	-	-30.9

D. Post-Evaluated Projects 1. Postevaluation Rating	1968 - 1977		1978 - 1987		1988 - 1998		1968 - 1998	
	No.	%	No.	%	No.	%	No.	%
Rated Generally Successful (GS)	15	68.2	10	50.0	-	-	25	59.5
Rated Partly Successful (PS)	7	31.8	7	35.0	-	-	14	33.3
Rated Unsuccessful (US)	-	-	3	15.0	-	-	3	7.1
No Rating	-	-	-	-	-	-	-	-
Total	22	100.0	20	100.0	-	-	42	100.0

2. Postevaluation Rating by Secto	GS		PS		US		NR		Total	
1968-1998	No.	%	No.	%	No.	%	No.	%	No.	%
Agriculture and Natural Resources	4	16.0	6	42.9	2	66.7	-	-	12	28.6
Energy	3	12.0	1	7.1	1	33.3	-	-	5	11.9
Finance and Industry	-	-	-	-	-	-	-	-	-	-
Social Infrastructure	9	36.0	5	35.7	-	-	-	-	14	33.3
Transport and Communications	9	36.0	2	14.3	-	-	-	-	11	26.2
Others/Multisector	-	-	-	-	-	-	-	-	-	-
Total	25	100.0	14	100.0	3	100.0	-	-	42	100.0

[a] HS: Highly satisfactory; S: Satisfactory; PS: Partially satisfactory; U: Unsatisfactory

[b] Ratio of disbursement during the year over the undisbursed net loan balance less cancellations at the beginning of the year. Effective loans during the year have also been added to the beginning balance of undisbursed loans.

[c] Includes private sector projects.

MALAYSIA
PORTFOLIO PERFORMANCE

Table 2: Status of Project Implementation
Public Sector Projects Only
(As of 31 December 1998)

Sector [a]	Project Title	Net Loan Amount		Approval	Effectivity	Closing Date		Physical	Cum Contract	Cummulative	Project Performance Rating [b]	
		OCR	ADF	Date	Date	Original	Revised	Progress	Awards	Disbursement	Implementation	Development
		($ million)		(mm/yy)	(mm/yy)	(mm/yy)		(% complete)	($ million)	($ million)	Progress	Objective
AGR	Semerak Rural Development Project	33.20	-	23-Nov-89	18-May-93	30-Jun-97	Jun-99	58	36.62	27.69	S	S
AGR	Northern Terengganu Rural Development Project	13.84	-	13-Dec-90	27-Nov-91	31-Dec-96	31-Dec-98	70	13.26	12.33	S	S
AGR	National Coastal Erosion Control Sector Project	33.00	-	19-Nov-91	27-Jul-92	30-Jun-99	-	86	26.76	25.30	S	S
AGR	Pahang Barat Integrated Agriculture Dev. Project	27.78	-	29-Jun-93	28-Oct-93	30-Jun-00	-	83	16.66	13.32	S	S
AGR	Fisheries Infrastructure Improvement Project	0.00	-	11-Aug-94	07-Mar-97	30-Jun-98	-	21	0.00	0.00	closed	closed
AGR	Klang River Basin Environmental Improvement & Flood Mitigatio	26.30	-	05-Dec-96	03-Feb-98	30-Sep-03	-	2	1.12	0.39	S	S
I&F	Industrial Technology Development and Management Project	47.72	-	18-Jun-91	22-Oct-91	31-Dec-99	-	85	42.16	41.95	S	S
SOC	Rehabilitation and Upgrading of Water Supply Sector Project	105.00	-	26-Nov-92	08-Sep-94	31-Dec-99	Dec-98	49	75.90	46.41	U	S
SOC	Technical and Vocational Education	72.00	-	30-May-95	09-Jan-96	30-Jun-02	-	50	39.70	23.71	S	S
SOC	Technical Education Project	40.00	-	17-Dec-97	06-Nov-98	30-Jun-03	-	0	0.00	0.00	S	S
	Total	**398.83**	**0.00**						**252.17**	**191.11**		

[a] Sector:
AGR: Agriculture & Natural Resources
ENE: Energy
SOC: Social Infrastructure
I&F: Industry and Finance
T&C: Transport and Communications

[b] HS: Highly satisfactory; S: Satisfactory; PS: Partially satisfactory; U: Unsatisfactory