

TAR:MAL 28435

ASIAN DEVELOPMENT BANK

*This Report has been prepared
for the use of the Bank.*

TECHNICAL ASSISTANCE

TO

MALAYSIA

FOR

STRENGTHENING THE INSTITUTIONAL FRAMEWORK

FOR SUSTAINABLE DEVELOPMENT

February 1995

CURRENCY EQUIVALENTS
(as of 31 January 1995)

Currency Unit	=	Ringgit (RM)
RM 1.00	=	\$0.3907
\$1.00	=	RM 2.5595

ABBREVIATIONS

EPU	-	Economic Planning Unit of Prime Minister's Department
MOSTE	-	Ministry of Science, Technology and Environment
TA	-	Technical Assistance

NOTES

- (i) The fiscal year of the Government ends on 31 December.
- (ii) In this Report, "\$" refers to US dollars.

I. INTRODUCTION

1. The Government of Malaysia (the Government) requested the Bank to provide an advisory technical assistance (TA) for Strengthening the Institutional Framework for Sustainable Development in September 1994. Subsequently, a Bank Mission visited Malaysia in November 1994 and held discussions with Government officials. Based on the discussions, the Mission confirmed the need for the TA and reached an understanding with officials concerned about the objectives, scope, and implementation arrangements for the TA.¹

II. BACKGROUND AND RATIONALE

2. Malaysia's rapid economic growth has brought along with it a complexity of environmental concerns that need to be addressed in order to ensure the long-term sustainability of continued economic and social development. The challenge lies not only in having the requisite technical capability to deal with increasing environmental degradation problems such as urban pollution, solid and toxic wastes, contamination of fresh water resources, loss of biodiversity, etc., but, more importantly, in ensuring that the appropriate policies and plans are in place to anticipate and deal with these issues so as to minimize adverse environmental effects and achieve sustainable development.

3. The Government is well aware of this and has initiated preparation of strategies and plans for sustainable development. For example, (i) a comprehensive National Conservation Strategy has been drafted with assistance from the World Wide Fund for Nature (WWF); (ii) the National Technical Committee on Biological Diversity has prepared a draft National Policy on Biological Diversity; (iii) in response to Agenda 21 generated by the United Nations Conference on Environment and Development (UNCED) in Rio de Janeiro in June 1992, Malaysia submitted in January 1994 to the United Nations Commission on Sustainable Development a report on the progress towards sustainable development; and (iv) the National Environmental Policy is being prepared with participation of nongovernmental organizations.

4. Appropriate institutional framework needs to be in place to implement strategies and plans. At present, the Ministry of Science, Technology and Environment (MOSTE) plays a key role in environmental management. MOSTE's Department of Environment monitors environmental quality, reports on the state of the environment, carries out environmental education and information activities, regulates pollution control, and supervises the environmental impact assessment process. MOSTE's Department of Wildlife and National Parks is in charge of preserving the country's flora and fauna. MOSTE's Conservation and Environmental Management Division has an important role in formulating and implementing policies, rules, and regulations pertaining to conservation and environmental management, but it has only two officers. The Economic Planning Unit (EPU) of the Prime Minister's Department is chairing the steering committee for implementing Agenda 21 and is in charge of the National Conservation Strategy. Sector ministries and their environment-related roles include the following: the Ministry of Primary Industries is responsible for the management of forests, the Ministry of Health is

¹ The TA first appeared in ADB *Business Opportunities* in November 1994.

responsible for environmental sanitation and rural water supply, the Ministry of Agriculture is in charge of data on the quantity and quality of water resources, the Ministry of Human Resources deals with occupational safety and health, and the Ministry of International Trade and Industry chairs the National Council of Hazardous Chemicals although it has only two environment staff. These institutions seem to have some overlapping environment-related roles, and some institutions' capacity to deal with environmental issues may not allow them to discharge satisfactorily the roles they have assumed.

5. These institutions were set up during the 1970s when the emphasis was on cleaning up, rather than preventing, pollution. The primary consideration then was for a regulatory and enforcement capability. Since then, the emphasis has changed to an integrated and preventive approach through policy coordination and the increased use of market mechanisms in environmental management. However, there has been no noticeable shift in development of institutions, methods of coping with the new strategies in environmental management.

6. Further, the World Bank discussion paper entitled "Toward an Environmental Strategy for Asia" has identified the need for strengthening public institutions as one of the key measures to be undertaken by rapidly developing economies. The Report notes that "Weak institutions typically lack both the technical skills and political authority to change the behavior of firms, households, and farmers. Weak enforcement agencies often lack both the information (such as emission data) and the means (such as consistent and fair enforcement capabilities) to implement policy."

7. In addition, the relationship in environmental fields between the Federal Government and the states may need streamlining and consolidation. For example, the Department of Environment (DOE) has offices in ten states, including Sabah and Sarawak, and Sabah and Sarawak have their own ministries in charge of environmental issues. However, MOSTE's Department of Wildlife and National Parks covers only Peninsular Malaysia, while Sabah and Sarawak have ministries in charge of wildlife and national parks. Most natural resources are within the constitutional control of the states, and the Federal Government assumes the primary policy making role. Overlapping and split responsibilities need to be addressed.

8. Thus, the current institutional framework for environmental initiatives should be studied, and reorganized and strengthened as necessary so that strategies and plans for sustainable development will be fully and properly implemented.

9. The preparation of the Seventh Malaysia Plan (1996-2000) will start soon, and output of the TA is expected to be incorporated in the Plan.

10. As Bank lending is increasingly focused on cross-cutting issues such as environment and poverty reduction, the Bank's involvement in strengthening the institutional framework for sustainable development will provide the Bank with an opportunity to contribute to policy dialogue in an increasingly important area of debate in Malaysia.

III. THE TECHNICAL ASSISTANCE

A. Objectives

11. The TA will assess the appropriateness of current institutional mechanisms relating to environment and development in Malaysia, and will propose suitable institutional framework alternatives for implementing sustainable development initiatives in Malaysia.

B. Scope

12. The TA will (i) review the existing institutions undertaking environmental initiatives, (ii) prepare alternate institutional frameworks with detailed responsibilities of each institution in their environmental activities, (iii) recommend ways of capacity building for the institutions, and (iv) coordinate with preparatory activities for the Seventh Malaysia Plan. The detailed terms of reference for the consultant are given in Appendix 1.

C. Cost Estimates and Financing Plan

13. The total cost of the TA is estimated at \$173,000 equivalent, including \$87,000 in foreign exchange and \$86,000 in local currency equivalent (see Appendix 2). The Government contribution is estimated at \$31,000 equivalent. The Bank will finance the total foreign exchange cost of \$87,000 and part of the local currency cost equivalent to \$55,000. Thus, \$142,000 will be provided by the Bank on a grant basis.

D. Implementation Arrangements

14. EPU, through its Regional Economics Section, will be the Executing Agency for the TA. EPU chairs the interdepartmental committee consisting of Government institutions relating to sustainable development, including MOSTE, the Ministry of International Trade and Industry, the Ministry of Primary Industries, the Ministry of Agriculture, the Ministry of Health, the Ministry of Human Resources, and the Ministry of Housing and Local Governments. The committee will provide the consultant with information about strategies and plans for sustainable development in Malaysia and current institutional mechanisms relating to environment and development.

15. The TA will require the services of one internationally recruited consultant for three person-months starting April 1995. Provision is also made to engage local consultants to produce commissioned reports in specific subject areas such as air pollution, water pollution, soil contamination, chemicals management, nature conservation, environmental economics, environmental institutions, environmental education, and environmental research. The consultant will be recruited by the Bank in accordance with the Bank's *Guidelines on the Use of Consultants*. The TA will also provide for a notebook computer with a printer, a technical assistant, and administrative support for the duration of the TA. The equipment will be procured by the consultant in accordance with the Bank's *Guidelines for Procurement*, and will be retained by EPU on completion of the TA.

16. EPU will provide about three person-months of counterpart professional staff to cooperate with and assist the consultant in carrying out the TA, and will provide adequate office space and basic equipment.

17. The consultant will be required to submit to the Government and the Bank an inception report, draft final report, and final report. Twenty-five copies of each report will be required: 5 copies will be sent to the Bank and 20 copies to EPU.

IV. THE PRESIDENT'S DECISION

18. The President, acting under the authority delegated to him by the Board, has approved the provision of technical assistance, on a grant basis, to the Government of Malaysia in an amount not exceeding the equivalent of \$142,000 for the purposes of Strengthening the Institutional Framework for Sustainable Development, and hereby reports his action to the Board.

TERMS OF REFERENCE

The international consultant will

- (i) review strategies and plans for sustainable development in Malaysia;
- (ii) review and analyze the existing institutions undertaking environmental initiatives, focusing on Federal Government Ministries and State Governments;
- (iii) review and analyze the institutional frameworks relating to environment and development in other countries;
- (iv) commission discussion papers on specific topics to local consultants (the international consultant will select the local consultants and will report to the Bank regarding selection proposed and the contracting terms; the topics will include the roles of Federal Government, state governments, universities, and other institutions in air pollution control, water pollution control, soil contamination management, chemicals management, nature conservation, environmental economics, environmental education, and environmental research);
- (v) identify the weakness of the existing institutional framework in implementing the strategies and plans for sustainable development;
- (vi) provide the interdepartmental committee with an appropriate draft institutional framework for sustainable development, which will be readily implementable, together with detailed responsibilities of each institution in their environmental activities (emphasis should be given to streamlining and strengthening existing institutions);
- (vii) identify the funds and human resources needed to realize the proposed institutional framework;
- (viii) recommend the ways of capacity building for each institution under the proposed institutional framework;
- (ix) provide the committee with draft ideal institutional framework for sustainable development that will be a long-term target, together with detailed responsibility of each institution in their environmental activities; and

(Reference in text: page 3, para. 12)

- (x) submit the following reports to the Government and the Bank:
- (a) inception report: to be submitted two weeks after the commencement of the TA;
 - (b) draft final report: to be submitted one month prior to the termination of consulting services; and
 - (c) final report: to be submitted within two weeks after receiving Government and Bank comments on the draft final report.

**SUMMARY OF COST ESTIMATES
(\$'000)**

Item	Foreign Exchange	Local Currency	Total
A. Bank Financing			
1. Consultants			
a. Remuneration			
i. International Consultant (3 p/m)	57	—	57
ii. Local Consultants (10 p/m)	—	40.0	40
b. Per Diem: International Consultant (90 days @ \$120)	10	—	10
c. Travel: International Consultant (1 round trip)	5	—	5
2. Equipment: 1 computer and 1 printer	4	—	4
3. Technical Assistant	—	4	4
4. Reports	—	2	2
5. Local transportation/communications	—	2	2
6. Contingencies	<u>11</u>	<u>7</u>	<u>18</u>
Subtotal (A)	87	55	142
B. Government Financing			
1. Counterpart staff (3 p/m)	—	12	12
2. Office space and basic equipment	—	10	10
3. Secretarial facilities	—	3	3
4. Interdepartmental committee	—	<u>6</u>	<u>6</u>
Subtotal (B)	—	<u>31</u>	<u>31</u>
Total (A + B)	87	86	173

(Reference in text: page 3, para. 13)