

MALAYSIA

ACHIEVING THE MILLENNIUM DEVELOPMENT GOALS

SUCCESSES AND CHALLENGES



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Foreword

Since 1970 Malaysia has achieved a number of national developmental goals. These achievements and the favourable position Malaysia now occupies in economic and social development owe a great deal to the ground-breaking policies and strategies that were envisioned in the Outline Perspective Plans and systematically implemented through Malaysia's national five-year plans.

In 1970, Malaysia's future stability and economic growth were by no means certain. While Malaysia's advantages could be recognized in terms of, for example, per capita income and physical and administrative structure, there were substantial difficulties to be surmounted in the form of ethnic and geographic inequalities in income and access to health and education services. Clearly, the process of development could not be implemented by administrative measures alone, and each of the ethnic, religious, and social groups comprising Malaysian society needed to have a stake in the outcomes.

It was in recognition of these major challenges that the New Economic Policy was formulated and became the driving force for the next 20 years. The two primary aims were to reduce and eventually eradicate poverty by raising income levels and increasing employment opportunities among all Malaysians, irrespective of race; and to restructure Malaysian society to correct economic imbalances, so as to reduce and eventually eliminate the identification of race with economic function.

The National Development Policy adopted for the following ten years, maintained the basic strategies of the NEP but introduced several significant shifts in specific policies to eradicate hard-core poverty; increase the participation of *Bumiputera* in the modern sectors of the economy; place greater reliance on the private sector to generate economic growth and income; and emphasize human resource development as a primary instrument for achieving the objectives of growth and distribution. The successful poverty-reducing approaches in these earlier decades placed a strong emphasis on agricultural and rural development, labour-intensive export industrialization, and the channelling of public investment into education, health, and infrastructure.

Many of the essential elements of the Millennium Development Goals can be identified in these earlier policies. In fact, Malaysia's successful achievement of various socio-economic policies over the years provided a solid platform on which the country was able to embark on the next phase of development. Vision 2020 articulates Malaysia's aspiration to become a fully developed country in its own mould by the year 2020. The strategies to achieve this are elaborated in the Nation Vision Policy where emphasis is given to the need to build a resilient and competitive nation as well as an equitable society that would assure continued unity and political stability.

The key strategies now in place include developing a knowledge-based economy and human resource development, and accelerating the shift in key economic sectors towards more efficient production processes and high value-added activities. Further progress

towards poverty eradication is expected to result from continued rapid economic growth assisted by targeted poverty-reduction programmes.

National unity, political stability, and administrative continuity have been critical to this success as, through consistent policies, focused and continuous efforts, we have been able to bring about development, enhance education and skills training, and reduce poverty rates throughout the country. Malaysia is now working to advance up the economic value chain and enhance its competitiveness. We have set ourselves a target for the total eradication of hard-core poverty in Malaysia by 2009.

In the contemporary world, isolationism and unilateral action are becoming increasingly impractical. Malaysia favours participation in a global partnership for development that benefits all countries willing to take part. A significant role in regional groupings provides the basis for cooperation, and Malaysia actively participates in, for example, the Association of South-East Asian Nations (ASEAN) and in Asia-Pacific Economic Cooperation (APEC). Malaysia has also participated in partnerships for the implementation of economic strategies, such as regional growth triangles.

Malaysia's commitment to the philosophy of international cooperation for development has been clearly demonstrated in the establishment of the Malaysian Technical Cooperation Programme in 1980, a bilateral programme of cooperation designed to assist other developing countries through sharing Malaysia's development experiences and expertise, especially in capacity building and human resource development.

I would like, in conclusion, to thank the Economic Planning Unit of the Prime Minister's Department for working so effectively in partnership with the United Nations Country Team of Malaysia, to put this report together. This report not only provides a comprehensive record of achievements to date but also presents us all with a reminder of some of the key challenges that lie ahead. We would also like to think that Malaysia's experience, while unique in some respects, will be of sufficiently universal relevance to provide useful guidance to other developing countries.



Dato' Seri Abdullah Haji Ahmad Badawi
Prime Minister of Malaysia

January 2005

Preface

At the United Nations Millennium Summit held in New York in September 2000, world leaders committed to strengthening global efforts for peace, democracy, good governance, and poverty eradication, while continuing to promote the principles of human rights and human dignity. The Millennium Declaration, building on the outcomes of the international conferences of the 1990s, made a strong commitment to the right to development, to gender equality, to the eradication of the many dimensions of poverty, and to sustainable human development.

The Declaration marked a shift in the paradigm that governs relations among peoples and countries, from one emphasizing competition for the world's resources to one that puts a higher premium on cooperation for the benefit of all people. The Millennium Development Goals (MDGs) emerged as a product of the road map that was developed to guide efforts towards universal human well-being. The MDGs address many of the most enduring failures of human development, placing human well-being and the eradication of extreme poverty at the centre of global development aims. The MDGs and the enjoyment of human rights are a mutually supportive agenda to eradicate poverty in all its dimensions.

While the MDGs commit developing countries to taking action to reduce poverty and improve human and environmental outcomes, they also call upon developed countries to meet their commitments to the developing world. Developed countries have similar time-bound deadlines for fulfilling their pledges to increase development assistance, enhance debt relief measures, and expand market access by reducing trade tariffs and agricultural subsidies, as well as supporting technology transfers and capacity building.

Malaysia's progress towards the MDGs has been a product of policies, strategies, and programmes directed to deal with the challenges of the time. Poverty eradication, the supreme objective among all the MDGs, was already a primary national concern in 1970, when half of all households in Malaysia were living in poverty. By 2002, just 5 per cent of households were poor, although poverty levels still vary considerably by state and ethnic group.

The successful poverty-reducing approaches placed a strong emphasis on agricultural and rural development, labour-intensive export industrialization, and the channelling of public investment into education, health, and infrastructure. During the period between 1970 and 1990 poverty reduction was accompanied by a reduction in personal, ethnic, and

Global poverty today continues to haunt us, while global peace and security is threatened at the same time, all leading to schisms that are growing wider... We have managed to build a Malaysian society, with its rich diversity, into a single Malaysian nation. Perhaps Malaysia's experience can also be a guide to a world that is facing trouble in dealing with difference and diversity.

*Dato' Seri Abdullah Haji Ahmad Badawi, Global, 2004
Langkawi International Dialogue, 29 July 2004.*

geographical income inequalities. Subsequently, income inequalities have once again increased—presenting a continuing challenge for policy.

Equity should continue to be at the forefront of the policy agenda. This requires, *inter alia*, disaggregating MDG indicators, where possible, by age, sex, location, and sub-groups, to assist pro-poor targeting according to the human rights principle of equality and non-discrimination. Poor and disadvantaged people should be involved in the design and implementation of programmes that will affect their well-being.

Universal primary education was almost achieved by 1990, by which time nearly all children were completing primary school. In 1970, one-third of the population 6 years of age and over had never attended school. The more elusive goal is now to ensure access of the poor to quality education and to enhance the educational experience of rural children in the emerging knowledge-based economy.

The gender disparity in primary school attendance, favouring boys, had virtually disappeared as early as 1970, and in recent years females have increasingly outnumbered males in secondary and tertiary enrolments. This has flowed through, to some extent, into employment and, to a lesser extent, to political life, with women's share of non-agricultural employment rising substantially.

Reductions in child mortality and improvements in maternal health are closely linked. The recorded reductions in child and maternal mortality are exceptional, and the levels are now similar to those of many more developed countries. These improvements are attributable to a well-developed primary health care system, including substantial investments in reproductive health service, together with access to quality water, sanitation, and nutrition.

While Malaysia has enjoyed great success in virtually eliminating malaria from most densely populated areas, the prevalence of HIV/AIDS and tuberculosis is a matter of major concern. Most disturbing of all, however, has been the doubling about every three years of the reported HIV cases occurring throughout the country. While the problem is concentrated in a small, high-risk group, the MDG target of halting and reversing the spread of HIV/AIDS by 2015 is extremely challenging, especially where co-infection with tuberculosis exacerbates the problem.

Although sustainable development has ostensibly been integrated into national development policies since the late 1970s, future challenges abound. While access to a quality water supply has been a major success in Malaysia, this is particularly true with regard to the implementation of national forest management policies at state level and the efficient expansion of energy-generation capacity to meet expanding demand without creating unfavourable economic or social impacts.

With the fulfilment of so many of the MDG targets, the challenge for Malaysia is to maintain momentum in dealing decisively with the remainder, and to identify the next set

of priorities that will keep the nation moving ahead in this exemplary way, continuing to set precedents that others can emulate and moving towards its ultimate objective of becoming a fully developed society.

Developing countries worldwide are increasingly contending with externalities over which they have little or no control while striving to achieve national development goals, including the MDGs. Such pressures should not compromise the energies and resources needed to meet development priorities, or endanger development gains that have already been made.

I would like, in conclusion, to thank Yang Mulia Raja Dato' Zaharaton bt. Raja Zainal Abidin, Director-General of the Economic Planning Unit of the Prime Minister's Department, the Economic Planning Unit's Technical Team, members of the National Steering Committee, members of the United Nations Country Team of Malaysia, and those acknowledged below, including from Civil Society Organizations, for their participation and professionalism in the preparation of this report. I hope that this report will provide a source of inspiration for Malaysia to meet development challenges beyond MDG targets, as well as to other countries striving to achieve the MDGs.



Richard Leete
Resident Coordinator
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January 2005

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A small team from the Economic Planning Unit (EPU) of the Prime Minister's Department and the United Nations Country Team (UNCT) prepared this report under the technical leadership of Dr Richard Leete (United Nations Resident Coordinator in Malaysia) and with the coordination support of Ms Madeline Loh (Assistant Resident Representative, South-South and Human Development Cluster, UNDP). The EPU team was led by Yang Mulia Raja Dato' Zaharaton binti Raja Zainal (Director-General, EPU); Dr Wan Abdul Aziz bin Wan Abdullah (Deputy Director-General, Macro, EPU); Yang Bahagia Datin Shamsiah Dahaban (Director, Social Services Section, EPU); and Ms Nooraini Md. Ali (Social Services Section, EPU).

The team was guided by a Steering Committee, comprising representatives from the various sections in EPU; Ministry of Education; Ministry of Health; Ministry of Rural and Regional Development; Ministry of Women, Family and Community Development; Ministry of Natural Resources and Environment; Ministry of Human Resources; Ministry of Housing and Local Government; and the Implementation Coordination Unit.

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Abbreviations

ADB	Asian Development Bank
AFNP	Applied Food and Nutrition Programme
AIDS	Acquired Immune Deficiency Syndrome
AIM	Amanah Ikhtiar Malaysia
AMP	Anti-Malaria Programme
ANC	antenatal clinic
APAW	Action Plan for the Advancement of Women
APEC	Asia-Pacific Economic Co-operation
API	Air Pollution Index
ARI	Acute Respiratory Infection
ART	anti-retroviral therapy
ASEAN	Association of South-East Asian Nations
BCIC	Bumiputera Commercial Industrial Community
CASP	Community AIDS Service Penang
CBD	Convention on Biological Diversity
CDM	Clean Development Mechanism
CEMD	Confidential Enquiry into Maternal Deaths
CETREE	Centre for Education and Training in Renewable Energy and Energy Efficiency
CFCs	chlorofluorocarbons
CITES	Convention of International Trade in Endangered Species of Wild Flora and Fauna
CPR	crime prevalence rate
DAC	Development Assistance Committee
DOA	Department of Agriculture
DOTS	directly observed treatment, short course
DTPS	District Team Problem-Solving Approach
ENGOA	External Non-Governmental Organization Assistance
EPI	extended programme of immunization
EPU	Economic Planning Unit (in the Prime Minister's Department)
EQR	Environmental Quality Report
FAMA	Federal Agricultural Marketing Authority
FAO	Food and Agriculture Organization (UN)
FDI	foreign direct investment
FELCRA	Federal Land Consolidation and Rehabilitation Authority
FELDA	Federal Land Development Authority
FFPAM	Federation of Family Planning Associations, Malaysia
FOA	Farmers' Organization Authority
FPA	Family Planning Association
FSC	Forest Stewardship Council
FTZ	Free Trade Zone
GDP	Gross Domestic Product
GHG	Green House Gas
GNI	Gross National Income
HAART	highly active anti-retroviral therapy
HAWA	Women's Affairs Secretariat
HES	Household Expenditure Survey
HIPC	heavily indebted poor country
HIS	Household Income Survey
HIV	human immunodeficiency virus
HPSP	Health Promoting School Project

IADP	Integrated Agricultural Development Programme
ICPD	International Conference on Population and Development
ICT	information and communications technology
IDB	Islamic Development Bank
IDU	injecting drug user
IMCI	Integrated Management of Childhood Illness
IMR	infant mortality rate
INTAN	National Institute of Public Administration
ITA	investment tax allowance
ITTA	International Tropical Timber Agreement
IWK	Indah Water Konsortium
IWRM	integrated water resource management
JICA	Japan International Cooperation Agency
KEMAS	Community Development Division
LDC	less developed country
LKIM	Lembaga Kemajuan Ikan Malaysia (Fisheries Development Authority of Malaysia)
MAC	Malaysian AIDS Council
MARA	Majlis Amanah Rakyat (Council for Indigenous Peoples)
MARDEC	Malaysian Rubber Development Corporation
MARDI	Malaysian Agricultural Research and Development Institute
MCH	maternal and child health (programme)
MC&I	Malaysian Criteria, Indicators, Activities, and Standards of Performance
MDG	Millennium Development Goal
MEMP	Malaysian Energy Management Programme
MEP	Malaria Eradication Programme
MIEEIP	Malaysian Industrial Energy Efficiency Improvement Project
MMR	maternal mortality ratio
MOE	Ministry of Education
MOH	Ministry of Health
MQLI	Malaysian Quality of Life Index
MSC	Multimedia Super Corridor
MTCC	Malaysian Timber Certification Council
MTCP	Malaysian Technical Cooperation Programme
MTCT	Mother-to-Child Transmission (Programme)
NACIWID	National Advisory Council on the Integration of Women in Development
NAM	Non-Aligned Movement
NCCA	National Coordinating Committee on AIDS
NCWO	National Council of Women's Organizations
NDP	National Development Policy
NEAC	National Economic Action Council
NEP	New Economic Policy
NFPP	National Family Planning Programme
NGO	non-governmental organization
NPFDB	National Population and Family Development Board
NPW	National Policy for Women
NVP	National Vision Policy
NWRC	National Water Resources Council
ODA	Official Development Assistance
ODF	Official Development Finance
ODS	ozone-depleting substances
OECD	Organization for Economic Cooperation and Development
OIC	Organization of the Islamic Conference
OPP	Outline Perspective Plan

ORT	oral rehydration therapy
PAC	Public Accounts Committee
PENGASIH	Persatuan PENGASIH Malaysia
PLCHP	Public Low-Cost Housing Programme
PLWHA	people living with HIV/AIDS
PLI	poverty line income
POME	palm oil mill effluent
PPP	purchasing power parity
PPRT	Program Pembangunan Rakyat Termiskin (Development Programme for the Hard-core Poor)
PRF	Permanent Reserve Forests
PROSTAR	Program Sihat Tanpa AIDS untuk Remaja
PTM	Pusat Tenaga Malaysia
RDA	Regional Development Authority
RE	renewable energy
RED	Rural Economic Development
RISDA	Rubber Industry Smallholders Development Authority
SAHABAT	Persatuan Perantaraan Pesakit-Pesakit Kelantan
SARS	Sudden Acute Respiratory Syndrome
SME	small and medium enterprise
SMI	small and medium industry
SMIDEC	Small and Medium Industries Development Corporation
SPKR	Skim Pembangunan Kesejahteraan Rakyat
SREP	Small Renewable Energy Power (Programme)
STD	sexually transmitted disease
STI	sexually transmitted infection
TB	tuberculosis
TBA	traditional birth attendant
TCTP	Third Country Training Programme
TED	Teacher Education Division
TQM	Total Quality Management
U5MR	under-5 mortality rate
UMNO	United Malays National Organization
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNCLOS	United Nations Convention on the Law of the Sea
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific, and Cultural Organization
UNFCCC	United Nations Framework Convention on Climate Change
UNFPA	United Nations Population Fund (formerly United Nations Fund for Population Activities)
UNGASS	United Nations General Assembly Special Session
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund (formerly United Nations International Children's Emergency Fund)
VBDCP	Vector-Borne Diseases Control Programme
WAKE	Women and Health Association of Kuala Lumpur
WAVE	Women Against Violence
WB	World Bank
WHO	World Health Organization
WSSD	World Summit on Sustainable Development
WTO	World Trade Organization

Introduction and Overview

The purpose of this publication is to trace in detail Malaysia's performance over the period since 1970, adopted as the benchmark year for this report, in accomplishing a number of key national developmental goals. Several of these goals were later identified by world leaders at the Millennium Summit held in September 2000 as the Millennium Development Goals (MDGs) (Annexe I.1). These development goals had long been perceived to be crucial by Malaysian policy makers and planners. There has been a remarkable degree of success in achieving them. Much evidence is available for tracing exactly what has happened, and for assessing what factors played a key role.

In documenting the extent to which Malaysia has succeeded in reaching the MDGs, it is important to understand the underlying context in which policies were formulated, the strategies and programmes adopted, and the degree of success in implementing these policies. This success can be assessed both through the evidence of their outcome in terms of trends in indicators used in the MDGs and through a qualitative assessment of their efficacy.

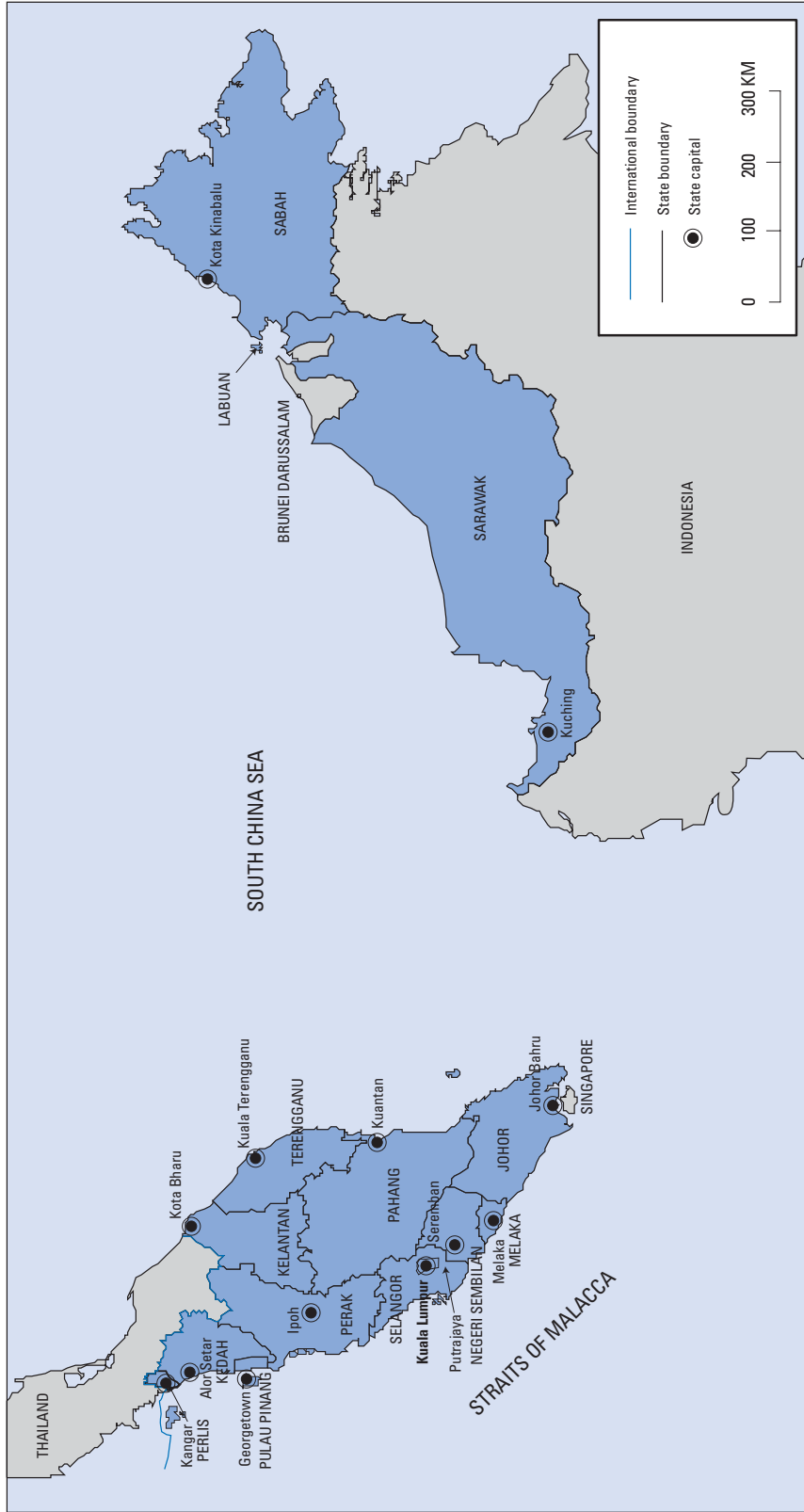
Malaysia's experience will undoubtedly have important lessons for other countries as they seek to reach the MDGs. For these lessons to have greater force and perceived applicability, it is necessary to examine the setting within which Malaysia pursued these goals, and to understand the advantages and disadvantages it faced. Relevant factors include its geographical, natural resource, and human resource endowment, the levels of economic development already reached by 1970, and political constraints on development processes.

National setting

Malaysia is an independent nation state, a parliamentary constitutional monarchy, with a federal government structure. The country, one of 10 nations (plus Timor-Leste) in South-East Asia, comprises thirteen states spread across two major regions separated by the South China Sea (Peninsular Malaysia and East Malaysia on the island of Borneo), and three Federal Territories—Kuala Lumpur, established in 1974; Labuan, established in 1984; and Putrajaya, established in 2001 (Map I.1). Peninsular Malaysia and East Malaysia had a common background of British colonial administration, though this administration began at different times in different states.

Malaysia has an abundance of natural resources, providing the basis for its key wealth-creating industries. These include rubber, tin, timber, oil palm, and petroleum and natural gas.

Map I.1 Malaysia



The various states of Peninsular Malaya, including four Federated Malay States, five Unfederated Malay States, Pulau Pinang, and Melaka, transferred peacefully from colonial rule to independence as the Federation of Malaya in 1957. Subsequently, the Federation of Malaya joined with Sarawak, Sabah, and Singapore in 1963 to form the Federation of Malaysia. Following the separation of Singapore from the Federation in 1965, the present nation of Malaysia was in place. The colonial heritage included a multi-ethnic, multicultural, and multireligious society, resulting from the inflow of Chinese over a long period (to both Peninsular Malaysia and East Malaysia) and a more targeted inflow of Indians to Peninsular Malaysia as rubber estate workers. The ethnic groups in Peninsular Malaysia were still sharply differentiated in terms of economic activity in 1970. The *Bumiputera* were more concentrated in rural areas in smallholder agriculture, but were also represented in government, the police, and the armed forces; the Indians were still heavily concentrated in the plantation sector, as well as in railways and government utilities; while the Chinese dominated trade and commerce.

The states located in Borneo—Sabah and Sarawak—are very large, making up 60 per cent of Malaysia's total land area but only 18 per cent of its population. Clearly, issues of isolated populations, while not totally absent in Peninsular Malaysia, are more pressing in these states, and strengthening the transportation network, as well as bringing basic services to small communities, has been a major preoccupation of their development activities.

The colonial heritage also included a relatively prosperous economy based mainly on rubber cultivation and tin mining, along with the more traditional smallholder production of rubber, rice, vegetables and fruits, and small-scale fishing. There was a good transportation network in Peninsular Malaysia, including railways and macadamized roads, though not so advanced in East Malaysia, where the road network was embryonic and river transportation remained very important. In comparison with many other neighbouring countries, the education system was relatively well developed, and well-functioning national and state civil services were in place.

Malaysia in a regional context

Malaysia is part of archipelagic South-East Asia, with Peninsular Malaysia connected to mainland South-East Asia via the long, narrow isthmus of southern Thailand (Map I.2). Compared to its closest neighbours, it is a medium-sized country, both in terms of area and of population, as can be seen in Table I.1.

In 1970, per capita income levels were much higher in Malaysia (US\$387) than in countries such as Indonesia, China, and India (all below US\$115), the Philippines (US\$183), or Thailand (US\$196). Among South-East Asian states, Singapore and Brunei

Darussalam have higher income levels. It is important for this to be kept in mind, because one factor to be considered in assessing the relevance to other countries of Malaysia's performance in reaching the MDGs is whether its greater endowment of wealth and infrastructure made the task 'easy'.

Map I.2 Malaysia in a Regional Context



Table I.1 Land Area and Population, South-East Asian Countries, 2004

Country	Area ('000 km ²)	Population ('000)
Indonesia	1,904	222,611
Vietnam	325	82,481
Philippines	300	81,408
Thailand	513	63,763
Myanmar	677	50,101
MALAYSIA	330	25,493
Cambodia	181	14,482
Lao PDR	231	5,787
Singapore	1	4,261
Brunei Darussalam	5	366

Source of data: ESCAP, 2004.

Challenges to development

The relatively advantageous situation of Malaysia in terms of per capita income and physical and administrative infrastructure at the starting point of this analysis must be balanced against the challenges of substantial ethnic and geographic inequalities in income and in access to basic social services such as health and education. Race riots in 1969 had threatened the stability of Malaysia and its economic progress. These riots were precipitated by tensions following the unexpected general election results in May 1969. More basic precipitating causes were discouraging economic trends, growing urban unemployment, and controversies surrounding language and education. The most basic underlying cause, however, was probably the imbalance between Malaysia's ethnic groups in terms of poverty and participation in the modern sectors of the economy.

Thus in 1970, Malaysia's future stability and economic growth were by no means assured, and its development strategy was under intensive review, with the intention of ensuring that growth with equity, particularly equity between ethnic groups, would be achieved. Malaysian politicians, planners, and the people at large had been obliged by circumstances to recognize that development is a process that cannot be achieved by economic and technocratic means alone, but contains strong social elements. Development in Malaysia demonstrably needs to involve the different ethnic, religious, and social groups, giving them all a stake in its outcomes, and building bridges of understanding between them.

New Economic Policy and beyond

It was out of this situation that the New Economic Policy (NEP) was formulated. This policy, and its successors, played a key role in social and economic planning over the last three decades of the twentieth century, and demonstrated the strong political will and consistent commitment of the government towards improving the quality of life of the poor and lessening inequalities in society. Before these policies are reviewed, Malaysia's economic planning mechanism will be briefly described.

Malaysia follows a systematic planning process whereby five-year plans are set within longer-term Outline Perspective Plans (OPPs), and systematic reviews are conducted at the midpoint of these five-year plans. Annual plans are the vehicle of fine-tuning and adjusting the five-year plans to changing circumstances. The sequencing of the NEP and its successors, as well as where the five-year plans fit into this sequence, is shown in Table I.2. The largest group of Malaysia's development plans—the second to the fifth—fell within the period covered by the NEP.

NEP (1971–1990)

Poverty, unemployment, and economic disparities among ethnic groups continued to be problems in the early 1970s. In 1970, almost half of Malaysia's population was living in poverty. Consequently, the NEP was formulated to (i) reduce and eventually eradicate poverty by raising income levels and increasing employment opportunities among all Malaysians, irrespective of race, and (ii) restructure Malaysian society to correct economic imbalances so as to reduce and eventually eliminate the identification of race with economic function. Based on the philosophy of achieving growth with equity, the success of the NEP was predicated upon rapid economic growth so that poverty reduction and restructuring of society strategies did not take place by means of the reallocation of existing wealth, but rather from new and expanded sources of wealth.

Table I.2 Overview of Malaysia's Development Planning Framework

1960–70	1971–90	1991–2000	2001–10
Pre-NEP	New Economic Policy (NEP) OPP1	National Development Policy (NDP) OPP2	National Vision Policy (NVP) OPP3
First Malaysia Plan (1966–70)	Second Malaysia Plan (1971–5) Third Malaysia Plan (1976–80) Fourth Malaysia Plan (1981–5) Fifth Malaysia Plan (1986–90)	Sixth Malaysia Plan (1991–5) Seventh Malaysia Plan (1996–2000)	Eighth Malaysia Plan (2001–5)

These objectives were to be pursued through a number of means. Enhancement of productivity of those in low-productivity occupations was pursued through the adoption of modern agricultural techniques, such as double-cropping, off-season and inter-cropping, drainage and irrigation, alongside improved marketing and credit, and financial and technical assistance. Opportunities for movement from low-productivity to higher-productivity sectors were to be provided through land development schemes, and assistance in entering commerce, industry, and modern services. Special attention was paid to the development of a Bumiputera Commercial and Industrial Community (BCIC). Improvement of services, such as housing, education, health, and public utilities, would assist in raising the living standards of the poor.

NDP (1991–2000)

The National Development Policy (NDP) maintained the basic strategies of the NEP, that is growth with equity or equitable distribution in addition to several adjustments to policy: (i) the focus of anti-poverty strategy was shifted to the eradication of hard-core poverty; (ii) an active BCIC was developed to increase the participation of *Bumiputera* in the modern sectors of the economy; (iii) there was greater reliance on the private sector to generate economic growth and income; and (iv) emphasis was placed on human resource development as a primary instrument for achieving the objectives of growth and distribution.

NDP programmes included loan schemes for small-scale agricultural and commercial development modelled on the Grameen Bank, land consolidation and rehabilitation programmes, commercialization of farms, agricultural productivity enhancement projects, provision and improvement of services for the urban poor, and efforts to promote employment opportunities in manufacturing, construction, and other urban-based industries.

Vision 2020

Shortly after the Sixth Malaysia Plan was launched, the then Prime Minister Dato' Seri (now Tun) Dr Mahathir Mohamad, in a speech to the Malaysian Business Council, outlined a vision of Malaysia as a fully developed country by 2020. The Prime Minister insisted that Malaysia must be fully developed in terms of all dimensions of national life: national unity and social cohesion, the economy, social justice, political stability, system of government, quality of life, social and spiritual values, and national pride and confidence. In moving towards these goals, he stressed the importance of human resource development, export-led growth and industrial diversification, low inflation, and private/public sector partnerships. The importance of this document is that it put in visionary terms the national objectives that are pursued in Malaysia's development planning, emphasizing the holistic nature of the development endeavour.

NVP (2001–2010)

The National Vision Policy (NVP) builds upon and maintains the efforts of the NEP and NDP, and incorporates the Vision 2020 objective of transforming Malaysia into a fully developed nation by 2020. It emphasizes the need to build a resilient and competitive nation, as well as an equitable society, to ensure unity and political stability. The private sector will spearhead economic growth, while the public sector will provide the supportive environment and ensure the achievement of the socio-economic objectives. Towards these goals, key strategies include developing a knowledge-based economy, emphasizing human resource development, and accelerating the shift of the key economic sectors towards more efficient production processes and high value-added activities. At the same time, further progress towards poverty eradication is expected to result from rapid economic growth, assisted by specific poverty alleviation programmes, consolidated under the *Skim Pembangunan Kesejahteraan Rakyat* (SPKR), targeted towards eradicating poverty in areas and among groups where its incidence is high, such as the *Orang Asli* and other *Bumiputera* in Sabah and Sarawak.

Assessment

Both the NEP and NDP have shaped the socio-economic development of the country, guided by broad outline perspective plans that are embodied in the series of five-year development plans. The story of Malaysia's development since 1970 must be rated a real success story if the criterion is the achievement of an improved level of broad-based welfare as defined by the variables included in the MDGs. The variables that were later to be incorporated by the international community in the MDGs had already been given priority by Malaysia, and great strides were made in reaching them. A common thread

running through these plans is the priority given to poverty eradication and equity. This consistency in defining and prioritizing developmental problems has not only helped to focus economic governance on efforts to eradicate poverty but also contributed in large measure to the success of those efforts.

It has already been noted that although Malaysia entered the 1970s with a stronger endowment of wealth and infrastructure than many of its neighbours, it also faced the challenges of a multi-ethnic society with marked imbalances between the ethnic groups. In one sense, however, this challenge became a strength in that it helped to focus attention on poverty alleviation. Moreover, since the *Bumiputera*, who held political power but were economically disadvantaged, were concentrated in rural areas, rural development was a strong and persistent focus in development programmes, to an extent rarely matched in other countries. There was thus persuasive political motivation for pursuing the kind of policies that were most likely to meet the MDGs.

The success of these policies was largely attributable to political stability, strong foreign direct investment, and visionary leadership. The physical evidence of the success of these strategies is to be seen in the functional and physical urban infrastructure of air and land transportation facilities, the Cyberjaya Multimedia Super Corridor (MSC), the Putrajaya government office enclave, and other elements of the built environment.

The broad changes to Malaysia's population and economy over the period are briefly reviewed in the following sections, before introducing the specific MDG variables that are discussed in subsequent chapters.

Demographic trends, 1970–2000

Size and growth

Malaysia's population more than doubled between 1970 and 2000, rising from 10.4 million in 1970 to reach 22.1 million in 2000 (Table I.3). This figure increases to about 23.5 million if non-citizens (mainly labour migrants, both legal and illegal) are included. Average annual population growth rates were declining from decade to decade, though if non-citizens are included in the figures, the deceleration of population growth became apparent only in the 1990s. Growth was most rapid of all in Sabah, boosted by high fertility levels and very high levels of immigration. Almost 80 per cent of the population is located in Peninsular Malaysia and just under 10 per cent each in Sabah and Sarawak. Growth rates of the Peninsular Malaysian states varied considerably, exemplified by the slow growth in Perak and the rapid growth in Selangor, fuelled by out-migration and in-migration respectively.

Table I.3 Population Size, Distribution, and Growth Rates by Region, Malaysia, 1970–2000

Year	Peninsular Malaysia	Sabah	Sarawak	Malaysia
Number ('000)				
1970	8,810	654	976	10,439
1980	11,427	1,011	1,308	13,745
1991*	14,475	1,399	1,700	17,574
2000*	18,024	2,049	2,009	22,082
Distribution (%)				
1970	84.4	6.3	9.4	100
1980	83.1	7.4	9.5	100
1991*	82.4	8.0	9.7	100
2000*	81.6	9.3	9.1	100
Average annual growth (%)				
1970-80	2.6	4.4	2.9	2.8
1980-91	2.6	3.6	2.9	2.7
1991-2000	2.0	3.5	1.5	2.1

Sources of data: Malaysia, Department of Statistics, 1983a, 1991a, and 2000e.

* Figures for 1991 and 2000 exclude non-citizens, who numbered 751,000 in 1991 and 1,385,000 in 2000.

Ethnic groups

Population growth rates for the main ethnic groups have been substantially different over the entire period since 1970 (Table I.4). *Bumiputera* growth rates have declined only slowly, mainly because their fertility rates have remained among the highest in South-East Asia, and much higher than those of the other main ethnic groups in Malaysia. As a result, the growth rate of the *Bumiputera* population has been more than double that of the Chinese over the 1980–2000 period. The *Bumiputera* share of Malaysia's population has steadily increased from 56 per cent in 1970 to 65 per cent in 2000. Over the corresponding period, the Chinese and Indian shares fell respectively from 34 per cent and 9 per cent to 26 per cent and 8 per cent. The highest *Bumiputera* shares of the population are in Sabah and Sarawak (Figure I.1).

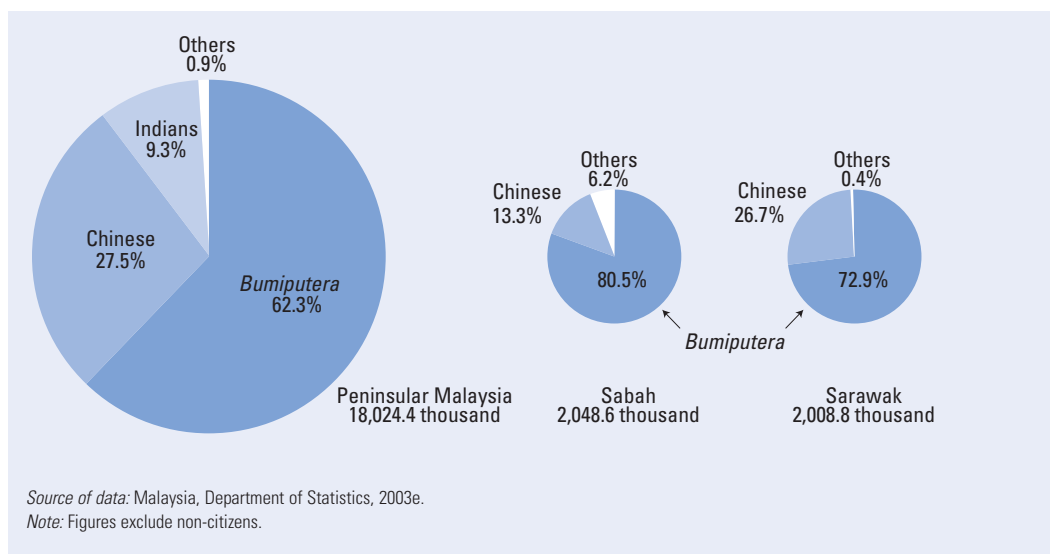
Table I.4 Population Size, Distribution, and Growth Rates by Ethnic Group, Malaysia, 1970–2000

Year	Bumiputera	Chinese	Indian	Total*
Number ('000)				
1970	5,845	3,564	943	10,439
1980	8,060	4,415	1,177	13,745
1991	10,647	4,945	1,394	17,574
2000	14,349	5,762	1,682	22,082
Distribution (%)				
1970	56.0	34.1	9.0	100
1980	58.6	32.1	8.6	100
1991	60.6	28.1	7.9	100
2000	65.0	26.1	7.6	100
Average annual growth (%)				
1970-80	3.2	2.1	2.2	2.8
1980-91	3.1	1.3	1.9	2.7
1991-2000	2.7	1.4	1.7	2.1

Sources of data: Malaysia, Department of Statistics, 1983a, 1991a, and 2000e.

* Figures in the total column include persons of other ethnic groups.

Figure I.1 Population Distribution by Ethnic Group and Region, Peninsular Malaysia, Sabah, and Sarawak, 2000



Labour migrants

Labour migrants, both legal and illegal, have always been an important component of Malaysia's population. A country with an abundance of natural resources, Malaysia has often faced a shortage of human resources. Foreign nationals rose from 1 per cent of the population in 1970 to 2 per cent in 1980, then jumped to 4.4 per cent in 1991, 5.9 per cent in 2000, and 7 per cent in 2004. The foreign-born population of Malaysia was very unevenly distributed in 2000, with some 52 per cent in Peninsular Malaysia, 44 per cent in Sabah, and the rest in Sarawak. In Sabah, 24 per cent of the population were foreigners, including contract workers, illegal immigrants, and refugees from the Philippines. Sabah's rapid development of oil palm plantations, the timber industry, and infrastructure in a labour-short economy has provided a strong magnet for migrants from poor regions of neighbouring Indonesia and the Philippines. De facto population growth in Sabah was therefore much higher than the figures shown in Table I.3. If foreign residents are included in the figures, over the 1980–91 period, Sabah's population grew by 4.9 per cent per annum, and over the 1991–2000 period, by 4.0 per cent per annum.

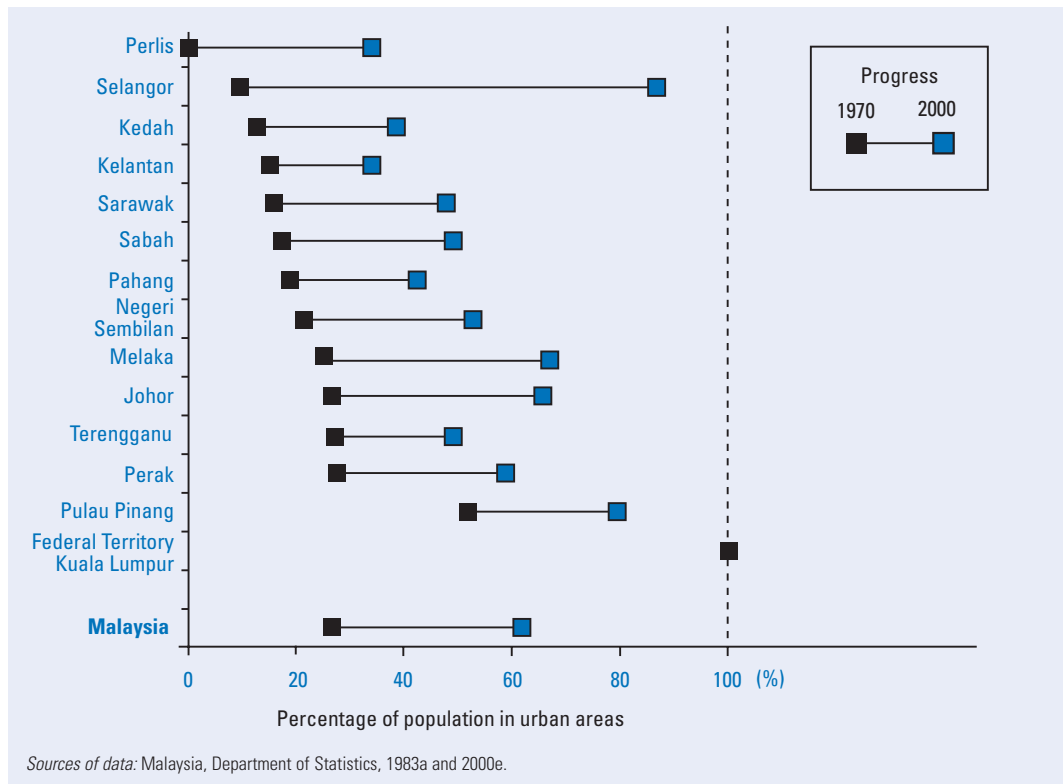
These very rapid rates of growth pose many dilemmas for Sabah. On the positive side, foreign labour has helped fill labour shortages, and hence supported rapid economic development. On the other hand, reliance on foreign workers results in various economic, social, and security problems and has put pressure on health, education, and housing facilities.

Urbanization

During the period since 1970, the centre of gravity of Malaysia's population has moved from rural to urban areas (Figure I.2). In 1970, little more than one-quarter of Malaysia's population lived in urban areas; in 2000, this share approached two-thirds. In 1970, of the

major administrative divisions, only Kuala Lumpur was more than two-thirds urban, whereas by 2000 it had been joined by Melaka, Pulau Pinang, and Selangor, with Johor very close. Even in those states that remained predominantly rural in 2000, the urban shares were in all cases above one-third, and much higher than had been the case in 1970. This increase in urbanization was a consequence of development, and it in turn had major implications for development policy, as will be discussed in the following chapter.

Figure 1.2 Population in Urban Areas by State, Malaysia, 1970 and 2000 (%)



Urbanization has led to fundamental changes in Malaysia’s development context. Even in those states that remain most heavily rural, such as Kedah, Kelantan, and Pahang, a reasonably large city is located within the state, giving rural dwellers access to its services. Another notable development is the evolution of the Kuala Lumpur (Klang Valley metropolis) into a mega urban region spreading over large parts of the state of Selangor, with a total population of almost 5 million.

Age structure

Over time, the age composition of the Malaysian population has changed. In 1970, Malaysia had a broad-based age pyramid resulting from earlier high fertility levels. Numbers moving into the working ages were therefore increasing rapidly each year. However, as a result of a steady decline in fertility, numbers of children did not increase

as rapidly, and the share of children in the population declined. This meant that the proportion of the population in the working ages increased, and this increase is still continuing (Table I.5). Overall, the median age of Malaysia's population rose by more than 6 years from 1970 to reach 23.6 years in 2000. The proportion of elderly has begun to increase, and will increase more rapidly from now on.

Table I.5 Population Distribution by Broad Age Groups, Malaysia, 1970–2000 (%)

Year	0 – 14	15 – 59	60 +	Median age
1970	43.7	50.8	5.5	17.4
1980	39.9	54.6	5.5	19.6
1991	37.1	56.9	6.0	21.9
2000	34.9	58.7	6.4	23.6

Sources of data: Malaysia, Department of Statistics, 1983a, 1991a, and 2000e.

The changes in the age structure of the population are sometimes referred to as the 'demographic bonus'—the lowering of the dependency ratio (the ratio of young and old dependants to those of working age) over a period of decades while sustained fertility decline is experienced. This provides the opportunity for increased savings and investment for economic growth, at a time when relatively fewer resources are required for investment in education. The economic benefits of the demographic bonus, of course, are contingent on favourable internal and external economic settings, political and social stability, and the capacity to increase employment opportunities sufficiently rapidly to match the growth in labour supply. But when used effectively, the demographic bonus facilitates increases in per capita income, more rapid increases in educational enrolment ratios, and faster increases in labour productivity. Malaysia is still benefiting from this demographic bonus, which was one of the factors facilitating its poverty-reduction efforts.

Macroeconomic performance and structural transformations

Malaysia achieved sustained economic growth over the three decades from 1970 to 2000 with an average annual growth of about 7 per cent. However, there were several temporary economic downturns when growth was significantly below the average. There was the first oil crisis in 1973–4; the second oil crisis in 1978–9; the global downturn in the demand for electronics and primary commodities in 1985–6, and the Asian financial crisis in 1997 (see bottom row of Table I.6). Standards of living of the majority of the population were transformed over the 30-year period, with levels of real gross domestic product (GDP) per capita in 2000 being about four times the levels reached in 1970.

Consumption expenditure, both private and public, grew steadily over the entire period, although the recession of the mid-1980s and the financial crisis beginning in 1997 affected the 1981–5 and 1996–2000 figures, which were low for both private and government consumption (Table I.6).

Private investment fluctuated over the period 1971–2003, and was adversely affected by the financial crisis. This was offset to some extent by continued increases in public investment. In Malaysia, the public sector has always played a major role in the economy. During the 1970s and early 1980s, public investment grew at 16 per cent and 10 per cent respectively, due to investments in infrastructure projects and heavy industries which provided the capacity for industrial growth. In the 1990s, there were large investments by the non-financial public enterprises. Another feature of public sector investment has been the expansionary fiscal policies adopted during periods when there were downturns in private investment.

Growth of exports remained quite strong over much of the period, but registered a slight increase in the 2001–3 period, as a result of the slowdown of the US stock market and its impact on Malaysian electronics exports in particular. The decline in exports was matched by a fall in imports.

Table I.6 Average Annual Growth Rate of Gross Domestic Product by Expenditure Category, Malaysia, 1971–2003 (%)

Expenditure category	1971–5	1976–80	1981–5	1986–90	1991–5	1996–2000	2001–3
Consumption	6.5	9.8	3.7	5.1	8.1	3.0	6.3
Private	5.7	9.6	3.6	5.4	8.2	3.1	4.5
Public	10.2	10.6	4.0	3.9	7.8	2.9	13.0
Investment	12.3	13.4	5.2	9.2	17.9	-4.6	0.1
Private	10.5	12.7	1.7	14.6	19.8	-11.1	-11.9
Public	16.0	14.7	10.0	1.9	13.9	6.7	9.8
Export of goods and non-factor services	5.9	9.6	7.1	14.0	16.1	8.7	0.9
Import of goods and non-factor services	5.1	15.6	4.7	14.0	18.9	4.4	0.7
GDP at purchaser's value	6.6	8.5	5.1	6.9	9.5	4.8	3.2

Sources of data: Malaysia, Economic Planning Unit, five-year plans, various years.

Table I.7 shows some of the results of these trends. A major peak was reached in the share of private investment in 1995, before the financial crisis broke, but it fell significantly after that. The effect of this decline on the share of investment as a whole was partly offset by a rise in the share of public investment; nevertheless, in 2000, the share of investment as a whole was lower than in previous years with the exception of 1970 and 1975. The other main feature here is the development of a considerable excess of imports over exports in 1995, a feature that was redressed by 2000 and 2003, following the economic crisis and resultant adjustments.

Table I.7 Distribution of Gross Domestic Product by Expenditure Category, Malaysia, 1970–2003 (%)

Expenditure category	1970	1975	1980	1985	1990	1995	2000	2003
Consumption	75.0	71.8	76.2	71.3	65.6	61.6	56.6	61.8
Private	59.4	57.0	60.0	55.9	52.2	49.2	45.3	46.9
Public	15.6	14.8	16.3	15.4	13.4	12.4	11.3	14.9
Investment	17.8	24.1	30.1	30.3	33.9	49.1	30.8	28.0
Private	12.1	15.4	18.6	15.8	22.4	35.2	15.1	9.6
Public	5.7	8.7	11.5	14.5	11.4	14.0	15.3	18.4
Export of goods and non-factor services	2.9	-2.8	-1.5	-2.4	-0.7	0.1	1.6	-0.8
Import of goods and non-factor services	43.8	45.2	47.7	52.4	72.4	97.1	116.9	109.2
GDP at purchaser's value	39.6	38.2	52.6	51.6	71.3	108.0	105.9	98.2

Sources of data: Malaysia, Economic Planning Unit, five-year plans, various years.

The structure of the economy underwent major changes over these three decades, resulting in a better balance between agriculture, industry, and services. The figures in Table I.8 reflect the typical shift, over the course of economic development, from an emphasis on agriculture to greater industrialization. The decline in agriculture's share was rapid and the increase in manufacturing's share was fairly steady, though marked by a temporary decline in 1985 due to adverse economic conditions. As the share of manufacturing continued to increase even in the late 1990s, Malaysia does not yet appear to be entering the 'post-industrial' stage, where the share of the service sector rises and the share of manufacturing industry falls. However, the slight decrease in the share of manufacturing between 2000 and 2003 may herald the onset of such a trend. The sectoral shares of utilities and transport, storage and communications increased steadily, both of them roughly doubling between 1970 and 2003. This reflects the increasing role of these sectors in a rapidly industrializing and trade-oriented economy.

But structural change needs to be viewed in more detail, especially the changing structure of production within each of these broad sectors as well as between them. Within the rapidly growing manufacturing sector, two non-resource based subsectors—electrical and electronics, and textiles and clothing—continued to account significantly for the increase in manufacturing production until the end of the 1980s and, in the case of electronics, until 2000. Diversification was also taking place, as outputs of resource-based industries, including vegetables, animal oils and fats, and petroleum products, increased rapidly over the 1995–2000 period, as did the basic metal and metal products, and transport equipment industries. Within the service sector, finance, insurance, real estate, and business services have grown strongly since 1995.

Table 1.8 Structure of Production by Industry of Origin, Malaysia, 1971–2003 (% of GDP)

Sector	1970	1975	1980	1985	1990	1995	2000	2003
Agriculture, forestry, livestock, and fishing	26.7	24.5	21.0	19.1	16.3	10.3	8.9	8.7
Mining and quarrying	16.5	12.2	12.1	12.5	9.4	8.2	7.3	7.2
Manufacturing	12.2	15.3	17.2	17.3	24.6	27.1	31.9	30.8
Construction	2.1	2.4	2.7	3.2	3.5	4.4	3.3	3.2
Electricity, gas, and water	2.9	2.9	3.6	3.7	2.7	3.5	3.9	4.1
Transport, storage, and communication	7.1	7.0	7.4	7.5	6.7	7.4	8.0	8.6
Wholesale and retail trade, hotels and restaurants	5.9	7.9	9.2	10.3	13.2	15.2	14.8	14.3
Finance, insurance, real estate, and business services	7.3	7.6	7.1	7.7	8.2	10.4	12.7	15.1
Government services	8.2	9.6	9.0	10.7	8.8	7.1	6.8	7.4
Other services	6.1	6.9	6.8	6.8	7.2	7.7	7.6	8.0
(-) Imputed bank service charges	0.9	1.2	1.8	3.2	4.4	5.3	7.5	9.8
(+) Import duties	5.9	4.8	5.6	4.6	3.7	4.1	2.2	2.2

Sources of data: Malaysia, Economic Planning Unit, five-year plans, various years.

Industrialization and trade

Industrialization policy

In the early 1970s, Malaysia concentrated on agriculture and labour-intensive processing and assembly-type industries, such as textiles and electronics, to utilize the abundance of cheap labour. A key element of this strategy was to attract foreign direct investment to achieve high economic growth through industrialization. The 1970s also saw a shift in Malaysia's industrialization efforts from an emphasis in import substitution in the 1960s to export promotion. This was prompted by the saturation of the domestic market and the lack of linkages with the other sectors of the domestic economy as import-substitution industries relied heavily on imported inputs. On the other hand, export promotion provided industries the opportunity to enlarge their markets and achieve greater economies of scale. It also forced industries to compete in international markets.

To encourage export-oriented industries, the government introduced export-refinancing facilities in 1977 to provide credit facilities at preferential rates to Malaysian exporters of manufactured goods. The government also established industrial estates and Free Trade Zones (FTZs) in designated regions of the country. Export incentives provided included export allowance based on export sales and tax deductions for promotional expenses in overseas markets.

The rapid growth of the manufacturing sector resulted in part from generous government incentives and the availability of infrastructure. During the 1970s and 1980s, the government encouraged resource-based manufacturing that would utilize local resources and labour-intensive production, which was seen to provide the best option in terms of growth, trade balance, and sectoral linkages. However, electronics continued to be the star performer in terms of output, employment, and exports. In the mid-1990s, the government established the MSC and began to encourage information and communications technology (ICT) companies to invest in Malaysia. This is in line with the country's vision of a knowledge economy alongside the development of a skilled workforce.

Trade

Malaysia is an open economy and its rapid economic growth since 1970 has been closely associated with international trade, and the role of manufacturing has been crucial. An unprecedented shift occurred in the composition of exports after 1985. In that year, the three major groups—agriculture, mining, and manufacturing—contributed roughly one-third each to total exports. Just five years later, the share of manufactured exports had reached half, and by 1995, almost 80 per cent and in 2000, over 85 per cent (Table I.9). As for imports, the share of consumption goods declined steadily, and the share of intermediate goods increased from less than half in the 1985-95 period to almost three-quarters in 2000-3.

Table I.9 Structure of Merchandise Trade, Malaysia, 1980–2003 (% share)

	1980	1985	1990	1995	2000	2003
Exports						
Agriculture	39.8	29.7	19.6	11.7	6.1	8.3
Mining	32.7	33.3	18.3	5.8	7.2	7.7
Manufacturing	22.4	32.8	58.8	79.6	85.2	82.0
Others	5.1	4.3	3.3	2.9	1.5	2.1
TOTAL	100	100	100	100	100	100
Imports¹						
Consumption goods	18.2	20.3	7.9	6.2	5.5	5.9
Capital goods	30.0	31.1	18.9	20.1	14.2	13.7
Intermediate goods	50.1	47.7	65.1	65.0	74.7	73.3
Dual use goods			3.9	2.8	2.1	2.2
Others			0.2	0.0	1.5	2.1
Imports for re-export	1.7	0.9	4.0	3.7	2.1	2.7
TOTAL	100	100	100	100	100	100

Sources of data: Malaysia, Economic Planning Unit, five-year plans, various years; Bank Negara, 2003.

Note: Totals may not add up to 100 due to rounding.

1. Data for 1980 and 1985 are based on imports by Economic Function (BNM) and starting 1990, data are based on Broad Economic Categories (BEC).

Though the composition of traded goods underwent significant change, change was less evident in the direction of trade. The main destinations for exports continued to be the USA, the European Union, Japan, and the Association of South-East Asian Nations (ASEAN) countries (Table I.10). The only marked trend was Japan's decline as an export

destination, from 23 per cent of exports in 1980 to 13 per cent in 2000. There were no marked changes in the sources of imports, although the decline in Australia's share and rise in ASEAN's share can be noted.

Table I.10 Direction of Trade, Malaysia, 1980–2000 (% share)

	1980		1990		1995		2000	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
USA	16.4	15.0	16.9	16.7	20.7	16.2	20.5	16.6
European Union	16.9	15.4	14.9	14.6	14.2	15.4	13.7	10.8
United Kingdom	2.8	5.4	3.9	5.5	4.0	2.8	3.1	2.0
Germany and Netherlands	9.6	6.0	6.5	5.0	5.6	5.1	6.7	3.7
Australia	1.4	5.5	1.7	3.7	1.5	2.7	2.5	1.9
Japan	22.8	22.9	15.8	24.0	12.7	27.3	13.1	21.0
South Korea	n/a	n/a	4.6	2.6	2.8	4.1	3.3	4.5
China	1.7	2.3	2.1	1.9	2.7	2.2	3.1	4.0
Hong Kong	n/a	n/a	3.2	1.9	5.4	2.2	4.5	2.7
Taiwan	n/a	n/a	2.2	5.5	3.1	5.1	3.8	5.6
ASEAN	22.4	16.5	28.9	18.9	27.2	17.4	26.5	24.1
Singapore	19.1	11.7	22.7	14.9	20.3	12.4	18.4	14.4
Other countries	18.4	22.3	9.7	10.2	10.1	7.6	9.0	8.8
TOTAL	100	100	100	100	100	100	100	100

Sources of data: Malaysia, Ministry of Finance, *Economic Report*, various years.

Balance of payments

Table I.11 shows trends in Malaysia's balance of payments over the last two decades of the twentieth century. Malaysia's merchandise account has traditionally been in surplus, and this was clearly the case over this period, except in 1995. In that year, the balance on current account had a larger negative value than usual, indicative of the looming crisis which struck in 1997. Substantial net capital inflows were also characteristic of the entire period, especially in 1995 due to large foreign borrowing by the non-financial public enterprises and inflows of foreign direct investments. This resulted in further deterioration in the current account through the large outflows of net services and increased imports. Some observers perceived this as a weakening of the Malaysian currency, thus setting the stage for the ensuing financial crisis.

Prices

An inflationary spiral has been the serious enemy of economic growth and improved equity in many countries. Malaysia has avoided this problem over the years, experiencing generally low rates of inflation. Figure I.3 shows the trends since the second oil shock of 1979 caused price indices to spike. From 1983 onwards, consumer prices generally rose by less than 4 per cent per annum. A small spike in 1998 accompanied the weakening

of the Ringgit during the financial crisis. The subsequent pegging of the Ringgit in 1998 contributed to the stabilization of domestic consumer prices. Producer prices were more variable over the period, as a result of volatility in prices of electronics, petroleum, and primary commodities.

Table I.11 Balance of Payments, Malaysia, 1970–2000 (% of GDP)

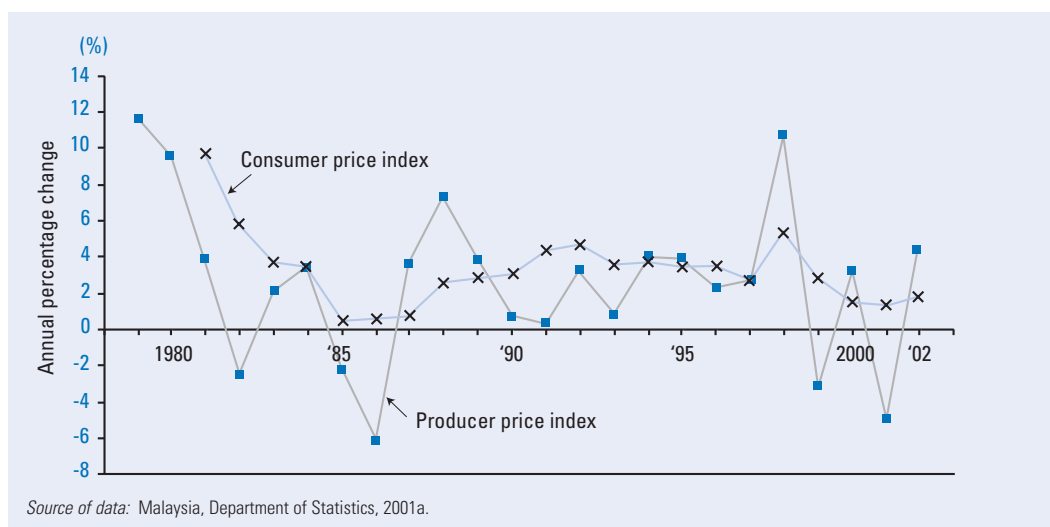
	1970	1975	1980	1985	1990	1995	2000 ¹
Merchandise FOB (net)	8.5	2.7	9.8	11.4	6.0	0.0	23.1
Exports	39.9	40.5	52.5	48.1	65.0	85.7	109.0
Imports	31.4	37.8	42.7	36.7	59.1	80.6	85.9
Services (net) incl investment income	-6.8	-7.7	-10.9	-13.3	-8.2	-8.6	-11.5
Balance on current account	0.2	-5.3	-1.2	-1.9	-2.1	-9.7	9.4
Long term capital	2.5	7.6	4.1	5.4	2.9	7.5	-7.0 ²
Basic balance	2.7	2.3	3.0	3.5	0.8	-2.3	–
Private short-term capital	-0.1	-0.4	1.7	1.1	1.1	1.1	–
Errors and omissions (net)	-2.1	-1.1	-2.8	-0.5	2.5	-0.9	-3.5
Overall balance	0.5	0.8	1.9	4.1	4.5	-2.0	-1.1

Source of data: Malaysia, Department of Statistics, 2001a.

Note: 1. For 2000, data compiled based on IMF's Balance of Payments manual, 5th Edition.

2. Financial Account (Long-term and Short-term Capital).

Figure I.3 Annual Change in Consumer and Producer Prices, Malaysia, 1980–2002 (%)



Social sector policies

Social developments and economic developments are interrelated. Social change is an integral component of economic development and not just its by-product. While economic growth leads to improvements in the quality of life, a better quality of life enables the population to participate more fully in economic development. The commitment to socio-economic development can be seen in the strategic thrusts of all three national development policies outlined earlier, where poverty eradication was a constant and integral component of all development policies. This commitment is also reflected in the steadily and substantially rising share of the social sector in total public development expenditure—from 11 per cent in 1970 to 45 per cent in 2003 (Table I.12). In addition, expenditure on economic services included the provision of public utilities (such as electricity, piped water, and sewerage services), and infrastructure and transport to both rural and urban areas, enhancing the quality of life.

Education and health have been the sectors mainly responsible for the sharp rise in the social services' share of development budgets. Education receives the major share of federal government development expenditure on social services. Over the second half of the 1990s, enrolments expanded rapidly at both the bottom rung and the top rung of the education ladder—in pre-school education and in tertiary education respectively. Both these levels of education make an important contribution to building the quality of the nation's human resources.

Table I.12 Federal Government Development Expenditure by Sector, Malaysia, 1970–2003 (% of Total Development Expenditure)

Sector	1970	1980	1990	2000	2003
Security	23.7	16.4	9.9	8.3	15.3
Social services	11.2	15.9	24.5	39.6	45.0
Education	6.1	7.5	15.3	25.4	25.9
Health	2.8	1.1	4.3	4.6	6.8
Housing	–	4.0	0.4	4.3	4.9
Others	–	–	4.5	5.4	7.4
Economic services	62.2	64.8	62.7	41.7	35.0
Agriculture and rural development	27.3	15.2	12.1	4.2	4.1
Public utilities	2.8	8.9	7.5	5.4	2.3
Trade and industry	13.8	20.8	25.5	13.1	8.8
Transport	11.0	13.8	17.3	17.4	18.7
Communication	7.3	5.7	0.0	0.8	1.0
Others	–	–	0.3	0.6	1.1
General administration	2.9	3.0	2.9	10.4	4.7

Sources of data: Malaysia, Ministry of Finance, *Economic Report*, various years.

Malaysia's MDG performance

The chapters that follow in this report present more explicitly the evidence base of Malaysia's progress towards the MDGs—the policies, strategies, and programmes that were adopted to achieve them and the challenges that lie ahead. The following pages outline the challenges facing Malaysia in 1970 with respect to each of these goals, and briefly summarize the main elements of progress.

MDG 1 Eradicate extreme poverty and hunger

Poverty eradication is the supergoal among the MDGs, and Malaysia's story in this regard is remarkable. Just below half of all households were poor in 1970. This proportion was halved in about 15 years, and more than halved again in the next 15 years. By 2002, just 5.1 per cent of households were poor. This success is not merely a 'statistical' one based on setting the poverty line very low. Malaysia sets its poverty line at a higher standard of living than the US\$1 PPP standard poverty line used by many countries and, in comparison with these countries, overestimates rather than underestimates the incidence of poverty.

Although poverty varies considerably by state and ethnic group, in no part of the country is there any longer a very high incidence of poverty. The highest incidences are in Sabah (16 per cent) and Kelantan (12 per cent). Ethnic differences remain marked (poverty incidence in 2002 being 7.3 per cent for *Bumiputera*, 1.5 per cent for Chinese, and 1.9 per cent for Indians), but at a much lower level of incidence of poverty than previously. The vast majority of remaining poor households are *Bumiputera*, with a significant proportion of these being the *Orang Asli* and the indigenous communities of Sabah and Sarawak.

Sustained economic growth and a commitment by the government to poverty elimination were crucial elements in this success story. Three strategic poverty-reducing approaches were employed. The first was a strong emphasis on agricultural and rural development to raise the income of poor farmers and agricultural workers by raising their productivity. This included *in situ* agricultural development and the opening of new agricultural land. The second was the emphasis on labour-intensive export industrialization to absorb poor workers from both rural and urban areas. The third was the channelling of public investment into education, health, and basic infrastructure, especially in rural areas, to raise the living levels of the poor. The government's steady revenue growth and continued political stability have enabled these policies to be pursued uninterruptedly.

During the 1970–90 period, poverty reduction occurred in tandem with the reduction in personal, ethnic group, and geographical income inequalities. Over the 1990–2002 period, poverty reduction was accompanied by some increase in inequalities within each of these three categories. This is a key challenge. Other challenges relate to specific categories of the poor, requiring different approaches. These include female-headed households and the isolated elderly, non-citizens (unskilled foreign workers, both legal and illegal), and *Orang*

Asli, 51 per cent of whom live in poverty. With continuing urbanization, there are substantial numbers of poor in urban areas, even though urban poverty rates overall are low.

MDG 2 Achieve universal primary education

In 1970, one-third of Malaysia's population aged 6 and over had never attended school, with some 12 per cent of all primary school-age children not in school. But by 1990, Malaysia had essentially achieved the goal of universal primary education—not only in terms of enrolment ratios, but also in terms of the number of primary school children completing primary school education (which was above 97 per cent). This was accomplished despite the continuing increase in the number of school-aged children. The provision of educational infrastructure to ensure access of the rural poor to education was central to this success. Specific programmes included an ongoing textbook loan scheme for which the great majority of primary pupils are eligible; supplementary feeding scheme, school health programme, and school milk programme, which have both improved health and raised the attendance of children from poor families; and provision of hostels, mainly in Sabah and Sarawak. Quality of the teaching force has been upgraded, with the current goal of raising the proportion of primary teachers with a university degree to 50 per cent. The costs of education to poor families have been kept low by making education free and providing assistance for indirect costs, such as school uniforms and shoes, besides providing scholarships and other financial assistance to poor families.

Though the MDG goal has been reached, however, the more elusive goal may be that of ensuring access of the poor to quality education. The Malaysian education sector's strategic thrust is now to reduce the gap in student performance between the urban and rural areas and among the states, to improve the delivery system in line with technological change, and to create a knowledge-based economy. A number of programmes are directed to quality enhancement in rural schools. These include building extra classrooms and consolidating rural schools with low enrolments to provide better service. Many issues remain, however. The digital divide between rural and urban children is wide. Access of rural children to pre-schools is low. Keeping good teachers in rural areas, as well as providing good education in isolated areas, remains a challenge.

Achieving universal primary education does not greatly reduce the pressure on educational budgets. These have continued to rise as a share of development expenditure, mainly because of the continuously increasing investment in secondary and higher education.

MDG 3 Promote gender equality and empower women

The single target of the MDG is to eliminate disparities in primary and secondary education. Additional ones used in the Malaysian assessment are the share of women in wage employment in the non-agricultural sector and the proportion of seats held by women in national parliaments.

Historically, girls had unequal access to primary and secondary schooling. This gender disparity had largely disappeared at the primary level by 1970, and in the most recent years

girls outnumber boys both in secondary school enrolment (in all states) and more conspicuously at the tertiary level, reflecting in part the much greater number of females than males seeking tertiary teaching and nursing qualifications. This has flowed through to some extent into employment and political life. The picture provided by female labour force participation rates is a rather static one, with rates remaining unchanged over the past quarter century at around 47 per cent. Women's share of non-agricultural employment has risen, however, marked by a sharp increase in female manufacturing employment in the 1980s and in services in the 1990s.

The proportion of all employed women who were in the key occupational sectors for well-educated workers (professional, managerial, and clerical) rose sharply between 1980 and 2000. This is an encouraging sign, though in the professions, women were concentrated in teaching, nursing, and accounting. In political life, although women's share of appointed seats in the Senate has risen substantially, their numbers as elected members in Parliament, and especially in state legislatures, remain very small.

Administratively, the aim of women's advancement has received considerable attention. The five-year development plans from the Third Malaysia Plan on have paid increasing attention to gender issues, various groups advising the government on women's affairs were appointed, the National Policy for Women was adopted in 1989, and the Ministry of Women, Family and Community Development established in 2001. A number of measures to improve the legal status of women have been adopted, and gender analysis training and sensitization has been conducted with policy makers and programme implementers, officers from the Islamic Syariah courts, and law enforcers. Many issues remain, in particular enabling women to better balance their work, childcare, and household duties and changing men's attitudes to sharing family responsibilities.

MDG 4 Reduce child mortality

Infant and child mortality rates have been reduced from already moderately low levels in 1970 to levels prevailing in highly developed countries (6.2 and 8.6 per 1000 live births, respectively, in 2002). Ethnic differentials have been sharply reduced, especially in the 1990s, and rural-urban differences have also narrowed. State differences in infant mortality rates (IMR), though still quite large in relative terms, are quite small in absolute terms, because mortality rates have reached such low levels.

The core of Malaysia's success has been a well-developed primary health care system, capable of bringing medical advances, including vaccines and oral rehydration for the treatment of diarrhoea, to the poor. Together with improved access to clean water, improved sanitation, and better child nutrition, reinforced by programmes to reduce poverty, increase literacy, and the provision of modern infrastructure, these health benefits have had a demonstrable impact. Increasing access to basic child health care has been made possible by the extensive network of health centres and clinics, supported by trained midwives and other health workers, and delivered through an integrated maternal and child health (MCH) programme. Upgrading the training level of public health nurses and midwives to the community nurse conversion programme has served to bring child health services closer to homes and communities.

As health is closely related to socio-economic development and empowerment of women, the increased education of women, later marriage, and lower fertility rates achieved over the period undoubtedly played an important part in achieving declines in infant mortality.

A relatively high proportion of the development budget has been spent on health. The Malaysian government saw promotion of health as an integral component of its rural development strategies and programmes, with prevention of communicable diseases, including malaria and tuberculosis, clean water and sanitation, maternal and child health, and nutrition and health education, as major health elements. Key causes of child mortality were identified and targeted through nutrition programmes, immunization (measles immunization for infants was made a national programme from 1986, as part of the Expanded Programme of Immunization for Children), management of childhood diarrhoea with oral rehydration therapy from the mid 1980s, and management of acute respiratory infections.

MDG 5 Improve maternal health

The maternal mortality rate (MMR) in Malaysia fell from 141 per 100,000 live births in 1970 to 20 in 1990, with not much change since then. This rate is less than one-tenth of that in a number of neighbouring countries. The overall decline has been accompanied by a narrowing of differentials between *Bumiputera* and other ethnic groups, and between states.

Causes of this decline include the broad and sustained attack on poverty, along with a strategic approach to improving maternal health, with six key elements: (i) improve access to, and quality of care of, maternal health services, including family planning, by expanding health care facilities in rural and urban areas; (ii) upgrade the quality of essential obstetric care in district hospitals, with a focus on emergency obstetric care services; (iii) streamline and improve the efficiency of referral and feedback systems to prevent delays; (iv) increase the professional skills of trained delivery attendants to manage pregnancy and delivery complications; (v) implement an effective monitoring system; and (vi) work closely with communities to remove social and cultural constraints and increase acceptability of modern maternal health services.

Almost all births in Peninsular Malaysia are now attended by skilled health personnel. Midwifery has been professionalized, with the establishment of midwifery schools and the subsequent upgrading of midwives to community nurses, who are in turn supervised by a trained nurse or midwife and public health nurse at the health centre, who attends to referrals. Traditional birth attendants (TBAs) have been trained to avoid harmful traditional practices, to recognize the danger signs of pregnancy and delivery, and to work in partnership with government midwives. The actual involvement of TBAs in deliveries has decreased markedly. A remaining challenge is to lower the *Bumiputera* MMR to that of the Chinese.

MDG 6 Combat HIV/AIDS, malaria, and other diseases

Malaysia has had great success in virtually eliminating malaria from urban and other densely populated areas, and achieving a particularly notable reduction in incidence of the disease over the 1990s, especially in the two states of Peninsular Malaysia with the

highest rates, Pahang and Kelantan. Malaria remains much more of a problem, however, in Sabah and Sarawak. Malaysia's success in combating malaria resulted from understanding the location-specific epidemiology of malaria around the country; adopting a combination of strategies targeting the host, parasite, mosquito, and environment; integrating, collaborating, and coordinating resources; and having a clear policy, defined targets, and legislative support.

The picture with respect to HIV/AIDS and tuberculosis is less encouraging. In Malaysia, detected cases of HIV are predominantly male (93 per cent), and predominantly Malay, and they mainly occur among injecting drug users. The cumulative number of reported HIV cases doubled between 1992 and 1994; it doubled again in 1997, and yet again in 2002. This is what the World Health Organization (WHO) calls a concentrated epidemic: low HIV prevalence among the general population, but consistently higher than 5 per cent among injecting drug users. The predominant modes of transmission are sharing of needles by drug users (76 per cent) and sex between men (12 per cent). The MDG target of halting and reversing the spread of HIV/AIDS by 2015 therefore appears extremely challenging.

The Malaysian government has legislated to ensure that HIV/AIDS cases are notified to the relevant health authorities, and established a National AIDS Task Force in 1988. This was replaced in 1993 by the National Committee on AIDS, which is backed by state coordinating committees and AIDS action teams at the district level. The Ministry of Health (MOH) is the main agency responsible for disseminating awareness messages, assisted by other government agencies, non-governmental organizations (NGOs) (coordinated by the Malaysian AIDS Council), and international agencies. One key approach to raising public awareness has been to secure the involvement of religious leaders. Another has been to organize a large-scale education programme on HIV/AIDS for youths known as *Program Sihat Tanpa AIDS untuk Remaja* (PROSTAR), which uses peer education to disseminate messages. The concentration of HIV/AIDS among injecting drug users provides a focus for future efforts to contain the epidemic, but at the same time poses great challenges. The number of drug users shows no signs of decreasing; harm-reduction programmes are not authorized; NGOs working with drug users or former drug users have limited resources; and work with drug users is not considered part of the national HIV prevention strategy.

Tuberculosis (TB) remains a difficult disease for Malaysia to overcome. It registers the highest number of deaths from any infectious disease, and the number of deaths rose steadily in the mid to late 1990s. WHO ranks Malaysia as a country with an 'intermediate' burden of TB, and describes its TB notification rate as 'high relative to its level of development'. A sustained and effective TB control programme is essential. Strategies adopted include BCG vaccination for all newborn babies; screening of symptomatic and high-risk groups; raising of awareness of the disease through the mass media; training of health staff about the disease; further research on prevalence and resistance; and case detection and free treatment using WHO's DOTS strategy.

Both HIV/AIDS and TB are related to social problems, namely, rural and urban poverty, and intravenous drug use. They have no easy technological 'fix', and efforts to tackle both

must deal with ignorance and an 'image' problem because of their relationship to drug addiction and poverty respectively. The increased number of TB with HIV co-infection cases is a matter of concern.

MDG 7 Ensure environmental sustainability

Rapid economic development in both urban and rural areas has led to environmental challenges. As in other countries, dealing with these has been a learning process, but the principles of sustainable development have gradually been integrated into national development policies at the highest level of planning and policy making. Since the Third Malaysia Plan (1976–80), principles of sustainable development have been incorporated into national development and sector strategies. Forest cover in Malaysia has been retained at 59.5 per cent, in adherence with Malaysia's commitment towards retaining at least 50 per cent forest cover. In the field of energy, the use of which is increasing with economic growth, there have been efforts at promoting efficient utilization, discouraging wasteful patterns of energy consumption, and diversifying energy sources.

Clean water supply can be ranked a great success in Malaysia, as 98 per cent of urban and 87 per cent of rural populations are now served with clean piped water. There has been a problem, though, of water pollution in some districts, mainly attributable to opening up of land for housing development, rural development (especially large-scale land settlement schemes), active logging and mining activities, and general infrastructure development. The palm oil industry achieved the target of 'zero discharge' of pollutants through research and development, notably focused on converting palm oil wastes into economically useful by-products.

Future challenges abound. There is a need to further strengthen the coordinated approach between the federal and state governments, for example, in uniform implementation of national forest management policies at the state level. In the energy field, additional capacity must be developed; Malaysia has considerable hydroelectric potential, but developing this is capital-intensive and often has major socio-economic impacts. Effective enforcement could further improve the air quality that has been exacerbated by the increasing number of vehicles, especially in major towns, and the growth of the industrial sector through the burning of fossil fuels.

MDG 8 Develop a global partnership for development

Malaysia received mainly non-concessional loans from the 1970s onwards, largely from multilateral financial institutions, such as the World Bank (WB), the Asian Development Bank (ADB), and the Islamic Development Bank (IDB). These loans reached insignificant levels by the 1990s, but were resumed to finance development needs during the 1997 regional financial and economic crisis. At the same time, technical assistance was also received from bilateral sources, predominantly from Japan, as well as from multilateral sources.

Malaysia has participated actively in regional groupings such as the Association of South-East Asian Nations (ASEAN) and of Asia-Pacific Economic Cooperation (APEC) to enhance interregional trade, investment opportunities, and production networks, and to

increase financial and industrial cooperation among countries of the region. It has also participated in three regional growth triangles. Malaysia has progressively dismantled its tariff structures to promote the free flow of goods and services to most developing and developed countries. Malaysia is now increasingly sharing its knowledge and experience in economic and social transformation with other countries, and has embarked on a programme of cooperation with other developing countries through the Malaysian Technical Cooperation Programme. This focuses primarily on capacity building and human resource development, rather than provision of development funds. Modalities include long-term courses at tertiary level; short-term specialized training courses, study visits, and practical attachments; expert and advisory services; and project-type and equipment supply cooperation. The number of countries served by this programme has reached 135 as of 2004.

Summing up

The relatively favourable position that Malaysia now occupies in economic and social development owes much to the innovative policies and strategies for development put in place in the OPPs and implemented through the national five-year plans. Many of the issues that have since emerged internationally in the MDGs and their related targets were identified in early official policies and became progressively more explicit as initial aims were achieved. But some of these issues still represent a significant challenge for the country as it seeks to maintain its developmental momentum.

Malaysia's success in reaching the MDGs is impressive by any standard. An analysis of the factors behind this success can further encourage Malaysia's planners in their continued efforts and also be useful to other countries looking for ways to progress towards the MDGs. The *Orang Asli* and indigenous communities in Sabah and Sarawak in particular have still to benefit substantially from poverty-eradication measures.

Various environmental challenges still remain. Malaysia's task in reaching the MDGs is an ongoing one. The way forward is to progress beyond current achievements and implement the strategies, programmes, and projects designed to achieve the NVP.

Annexe I.1 The Millennium Development Goals

In 2000, at the United Nations Millennium Summit, 189 world leaders committed their countries to strengthening global efforts for peace, democracy, good governance, environmental sustainability, and poverty eradication, as well as to promoting the principles of human rights, human dignity, equality, and equity.

The Millennium Declaration, adopted at the Summit, agreed to collective commitments to overcome poverty through a set of mutually reinforcing interrelated time-

bound development goals with related targets. The road map that was developed to guide these efforts resulted in the identification of the MDGs, comprising 8 goals, 18 targets, and 48 indicators. The MDGs, and their related targets, have since become the principal focus for international development cooperation, and they have inspired numerous bold and innovative initiatives for reducing the many dimensions of poverty.

In contrast to the objectives of many earlier development efforts that focused primarily on economic growth, the MDGs address many of the most enduring failures of human development, placing human well-being and poverty eradication at the centre of global development aims. Further, the MDGs call for a global partnership for development. While they commit developing countries to taking poverty-reducing actions and improving social and environmental outcomes, they also call upon developed countries to increase development assistance and expand market access by reducing trade tariffs and agricultural subsidies, as well as supporting technology transfers for their achievement. The MDGs are benchmarks of progress that provide building blocks for human development. They are, for the most part, the product of the global United Nations conferences of the 1990s and many national, regional, and international consultations on development issues. Although the MDGs originated in the United Nations, they require strong national ownership and can be achieved only if they are country-driven.

Despite the higher living standards that globalization (backed by good economic governance) has achieved in parts of the world, hundreds of millions of people have suffered reversals rather than advances, and many fight daily for survival from hunger and poor health. There are many reasons for this inequity, many of them partially or totally beyond the control of individuals and often of governments.

Although the overall goals and targets for improved human well-being are the same worldwide, the circumstances and needs of every country are different and the measures to achieve desired outcomes will vary. It is well understood that one size does not fit all. To assist countries to negotiate the road map that will help them to achieve the aims of the Millennium Declaration, the MDGs identify the broad thrust of what needs to be achieved, eradicated, improved, or promoted as part of the development process. However, the MDGs are still very broad concepts and so, within each, and in order to provide greater specificity for national policies and strategies, there is at least one specific target. Thus, while MDG 1 aims to 'eradicate extreme poverty and hunger', this general goal has the specific target to 'halve the proportion of people whose income is less than one dollar a day'. Most targets further sharpen the focus for achieving the desired outcome by placing a time constraint for fulfilment: in the case of poverty eradication, for instance, the aim is to meet the target by 2015.

In order to assist in assessing the effectiveness of the steps being implemented to achieve these goals and targets, one other descriptor has been added to the process: indicators. Even though development policies and strategies may have been formulated with the specific MDG and targets in view, their impact is not confined to these outcomes but is much more widespread, which can be a positive and desirable consequence. Indicators provide a method of sampling, measuring, and monitoring some of the wider

ramifications as development proceeds without awaiting the consummation of goals and targets by the designated year.

The strength of the MDGs, their targets and indicators, is that performance is not measured against wealthier countries or better performing countries but against a country's own capacity and achievements so far. **Halving, reducing, improving:** these are actions based on the reality of the individual country's resources, energies, participation, and capabilities, rather than on an abstract notion of development or the achievements of other countries. While this may not make the MDGs any easier to achieve, the process is an inclusive one, embracing every signatory country within the ambit of the Millennium Declaration, and including each country as a beneficiary of the commitment of support from all other countries, whether rich or poor, achieving or not achieving.

A further feature of the MDGs, and more particularly their targets, is that they have been set up to be time-bound. Earlier attempts at expediting the development process on a global scale have generally been open-ended. The span of time allotted varies according to the enormity of the task but in many instances the aim is to achieve the target by 2015. Critical to any measurement of achievement is the starting point—the baseline or benchmark from which change is assessed. Again, while there is some variation, the common starting year is 1990. This therefore takes account of successes already achieved in the run-up to the Millennium Declaration and has launched most countries subscribing to achievement of the MDGs along this path at about the middle of the designated period of 25 years.

In some instances, the earlier date raises difficulties of assembling the appropriate data for establishing the baseline to measure performance. Most countries are able to compile the requisite information that enables them to approximate the status of MDG and target variables at that time, and the virtue of the system is that whatever the levels are set at, these are simply a convenient basis for internal assessment of a country's own movement along the development path.

Ultimately, success will not be judged simply by achieving the MDGs and their targets on time. Halving poverty by 2015, for example, is not the end of the road, because even when countries are partly or wholly successful, they must continue to halve it again and again, and countries are not to be held to account if they have not achieved their targets on time. But achievement of development goals opens up real choices and new vistas for countries that have the capacity and the vision to move beyond these fundamental but essential achievements.

National progress towards achieving the MDGs is being monitored at two levels—first, through periodic country reports prepared by national stakeholders; second, through annual reports of the United Nations Secretary-General to the United Nations General Assembly. In 2005, there will be a major review of progress at the General Assembly by world leaders. This report is Malaysia's contribution to that stocktaking.

Millennium Development Goals: targets and indicators

goals and targets	indicators for monitoring progress
GOAL 1: ERADICATE POVERTY AND HUNGER	
TARGET 1: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day	1a. Proportion of population below \$1 (PPP) per day ^a 1b. Poverty headcount ratio (% of population below the national poverty line)
TARGET 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger	2. Poverty gap ratio (incidence x depth of poverty) 3. Share of poorest quintile in national consumption 4. Prevalence of underweight children under five years of age 5. Proportion of population below minimum level of dietary energy consumption
GOAL 2: ACHIEVE UNIVERSAL PRIMARY EDUCATION	
TARGET 3: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling	6. Net enrolment ratio in primary education 7a. Proportion of pupils starting grade 1 who reach grade 5 7b. Primary completion rate 8. Literacy rate of 15–24 year olds
GOAL 3: PROMOTE GENDER EQUALITY AND EMPOWER WOMEN	
TARGET 4: Eliminate gender disparity in primary and secondary education preferably by 2005 and in all levels of education no later than 2015	9. Ratios of girls to boys in primary, secondary and tertiary education 10. Ratio of literate women to men 15–24 years old 11. Share of women in wage employment in the non-agricultural sector 12. Proportion of seats held by women in national parliament
GOAL 4: REDUCE CHILD MORTALITY	
TARGET 5: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate	13. Under-five mortality rate 14. Infant mortality rate 15. Proportion of one-year-old children immunized against measles
GOAL 5: IMPROVE MATERNAL HEALTH	
TARGET 6: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio	16. Maternal mortality ratio 17. Proportion of births attended by skilled health personnel

^a For monitoring country poverty trends, indicators based on national poverty lines should be used, where available.

goals and targets

indicators for monitoring progress

GOAL 6: COMBAT HIV/AIDS, MALARIA AND OTHER DISEASES

TARGET 7: Have halted by 2015 and begun to reverse the spread of HIV/AIDS

18. HIV prevalence among 15–24 year old pregnant women
19. Condom use rate of the contraceptive prevalence rate^b
 - 19a. Condom use at last high-risk sex
 - 19b. Percentage of population aged 15–24 with comprehensive correct knowledge of HIV/AIDS^c
 - 19c. Contraceptive prevalence rate

TARGET 8: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases

20. Ratio of school attendance of orphans to school attendance of non-orphans aged 10–14
21. Prevalence and death rates associated with malaria
22. Proportion of population in malaria risk areas using effective malaria prevention and treatment measures^d
23. Prevalence and death rates associated with tuberculosis
24. Proportion of tuberculosis cases detected and cured under Directly Observed Treatment, Short course (DOTS)

GOAL 7: ENSURE ENVIRONMENTAL SUSTAINABILITY

TARGET 9: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources

25. Proportion of land area covered by forest
26. Ratio of area protected to maintain biological diversity to surface area
27. Energy use (kg oil equivalent) per \$1 GDP (PPP)
28. Carbon dioxide emissions (per capita) and consumption of ozone-depleting CFCs (ODP tons)
29. Proportion of population using solid fuels

TARGET 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation

30. Proportion of population with sustainable access to an improved water source, urban and rural
31. Proportion of urban and rural population with access to improved sanitation

TARGET 11: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers

32. Proportion of households with access to secure tenure

b Amongst contraceptive methods, only condoms are effective in preventing HIV transmission. The contraceptive prevalence rate is also useful in tracking progress in other health, gender, and poverty goals. Because the condom use rate is only measured amongst women in union, it is supplemented by an indicator on condom use in high-risk situations (indicator 19a) and an indicator on HIV/AIDS knowledge (indicator 19b).

c This indicator is defined as the percentage of population aged 15–24 who correctly identify the two major ways of preventing the sexual transmission of HIV (using condoms and limiting sex to one faithful, uninfected partner), who reject the two most common local misconceptions about HIV transmission, and who know that a healthy-looking person can transmit HIV. However, since there are currently not a sufficient number of surveys to be able to calculate the indicator as defined above, UNICEF, in collaboration with UNAIDS and WHO, produced two proxy indicators that represent two components of the actual indicator. They are: (a) Percentage of women and men 15–24 who know that a person can protect herself from HIV infection by “consistent use of condom”. (b) Percentage of women and men 15–24 who know a healthy-looking person can transmit HIV. Data for this year’s report are only available on women.

d Prevention to be measured by the percentage of children under-5 sleeping under insecticide-treated bednets; treatment to be measured by percentage of children under-5 who are appropriately treated.

goals and targets

indicators for monitoring progress

GOAL 8: DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT

TARGET 12: Develop further an open, rule-based, predictable, non discriminatory trading and financial system. Includes a commitment to good governance, development and poverty reduction—both nationally and internationally

TARGET 13: Address the special needs of the least developed countries. Includes: tariff and quota free access for least developed countries' exports; enhanced programme debt of relief for HIPC and cancellation of official bilateral debt, and more generous ODA for countries committed to poverty reduction

TARGET 14: Address the special needs of landlocked countries and small island developing States (through the Programme of Action for the Sustainable Development of Small Island Developing States and the outcome of the twenty-second special session of the General Assembly)

TARGET 15: Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term.

TARGET 16: In cooperation with developing countries, develop and implement strategies for decent and productive work for youth

TARGET 17: In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries

TARGET 18: In cooperation with the private sector, make available the benefits of new technologies, especially information and communications

Official development assistance

33. Net ODA, total and to LDCs, as percentage of OECD/DAC donors' gross national income
34. Proportion of total bilateral, sector-allocable ODA of OECD/DAC donors to basic social services (basic education, primary health care, nutrition, safe water and sanitation)
35. Proportion of bilateral ODA of OECD/DAC donors that is untied
36. ODA received in landlocked countries as proportion of their GNIs
37. ODA received in small island developing States as proportion of their GNIs

Market access

38. Proportion of total country imports (by value and excluding arms) from developing countries and LDCs, admitted free of duties
39. Average tariffs imposed by developed countries and agricultural products and textiles and clothing from developing countries
40. Agricultural support estimate for OECD countries as percentage of their GDP
41. Proportion of ODA provided to help build trade capacity

Debt sustainability

42. Total number of countries that have reached their HIPC decision points and number that have reached their HIPC completion points (cumulative)
43. Debt relief committed under HIPC initiative, US\$
44. Debt service as a percentage of exports of goods and services
45. Unemployment rate of 15–24 year-olds, each sex and total^e
46. Proportion of population with access to affordable, essential drugs on a sustainable basis
47. Telephone lines and cellular subscribers per 100 population
- 48a. Personal computers in use per 100 population and Internet users per 100 population
- 48b. Internet users per 100 population

^e An improved measure of the target is under development by ILO for future years.