



MDG 8

Develop a Global Partnership for Development

Malaysia is in transition from being a recipient of Official Development Assistance (ODA) to becoming an international development partner. This transition occurred as the country changed from an agrarian to an industrial, knowledge-based economy, and is reflected in its progression from a producer of primary commodities to a supplier of technology-intensive manufactured goods. Malaysia, like other developing countries, had a history characterized by poverty, unemployment, lack of basic social infrastructure, and lack of capital to finance development. Unlike many other developing countries, Malaysia is made up of a multiplicity of cultures and ethnic groups.

The task of developing Malaysia was challenging, given the economic and social context in the early years of its development history. While tailor-made development policies were designed by Malaysian policy makers to meet the specific requirements of the country, the international community, including the multilateral development agencies, supported the development process with official funds, technology, and expertise to complement domestic resources.

The external assistance received by Malaysia since the 1970s was largely ODA (Box 8.1). Limited flows of ODA were made available to Malaysia in the form of technical assistance. Soft loans provided by Japan and grants from bilateral and multilateral sources, such as the United Nations (UN) and its specialized agencies, also constituted part of the ODA received. Capital assistance from multilateral financial institutions such as the World Bank (WB), the Asian Development Bank (ADB), and the Islamic Development Bank (IDB), as well as from bilateral sources, was provided at near market rates of interest and did not constitute ODA. Malaysia is thus, a nominal aid recipient country.

Box 8.1 DEFINITION OF ODA, ODF, AND ENGOA

Official Development Assistance (ODA)

UNDP defines ODA as resource flows to developing countries and multilateral institutions provided by official agencies, which are administered to promote economic development and the welfare of the developing countries and which are concessional in nature, with a grant element of at least 25 per cent, calculated at a discounted rate of 10 per cent. It includes official flows in the form of grants (cash, goods, or services) and concessional loans, as well as technical cooperation. Grants, loans, and credits for military purposes are not included.

Official Development Finance (ODF)

ODF refers to financial flows, which are both concessional and non-concessional, to recipient countries. They are primarily in the form of loans from governments and multilateral institutions with interest rates at or close to the market rates.

External Non-Governmental Organization Assistance (ENGOA)

ENGOA refers to resource flows from private foundations and NGOs in donor countries, usually in the form of grants and technical cooperation to NGOs and sometimes to official agencies in developing countries.

As Malaysia transformed itself economically and socially over the past three and a half decades, it embarked on a modest programme of cooperation with other developing countries through the Malaysian Technical Cooperation Programme (MTCP). The MTCP

provided capacity building to developing countries to enable them to participate effectively in the global economy. By so doing, Malaysia reaffirms its commitment as a responsible member of the international community.

Trends in global partnerships

Openness and economic growth

Malaysia has an open economy with the value of trade exceeding its national output in recent years. The openness of its economy is reflected in trade and investment flows to the country and its financial system.

Malaysia has been liberalizing its trading regime by progressively dismantling tariff structures to promote the free flow of goods and services and to stimulate international trade. The average bound non-agriculture tariff for Malaysia for the period 2003–4 is 14.9 per cent, which is much lower than that of most developing countries (Table 8.1). Malaysia has also engaged in extensive consultations with multilateral organizations like the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organization (WTO) to further liberalize the trading environment and to encourage the free flow of goods and services.

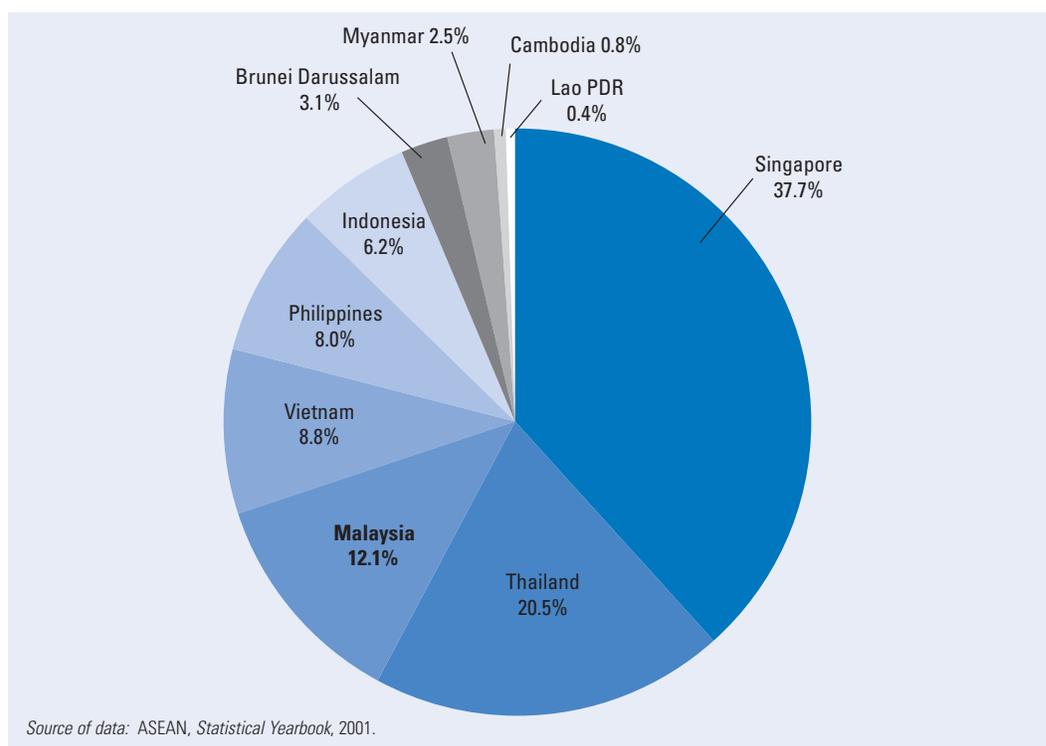
Table 8.1 Average Bound Tariff Rates in Selected Developing Countries, 2003–2004

Country	Average Bound Tariffs (%)	
	Non-Agriculture	All Products
Brazil	30.8	31.4
China	9.1	10.0
Egypt	28.3	37.2
India	34.3	49.8
Indonesia	35.6	37.5
Malaysia	14.9	14.5
Mexico	34.9	34.9
Philippines	23.4	25.6
Pakistan	35.3	52.4
Thailand	24.2	25.8

Source of data: Malaysia, Ministry of International Trade and Industry, 2003.

The progressive liberalization of the investment environment has also had a positive impact on Malaysia's growth. Liberalization and deregulation measures adopted by the country have contributed to enhancing the flow of external private capital, such as foreign direct investment (FDI), market loans, and portfolio equity investments, into the country. During the period 1995–2000, Malaysia attracted 12.1 per cent of the total FDI inflows into ASEAN, after Singapore, at 37.7 per cent and Thailand, at 20.5 per cent (Figure 8.1).

Figure 8.1 FDI in ASEAN by Host Country, 1995–2000 (% share of total ASEAN)



Apart from taking measures to further liberalize the trading and investment environment, steps were also taken to liberalize the financial sector, beginning in the mid-1980s. When the financial crisis occurred in 1997, Malaysia adopted wide-ranging financial sector reforms to restore market confidence and stability through measures to improve transparency, corporate governance, and the resilience of the financial system. The crisis also served to highlight the need for better corporate governance and a more resilient financial system capable of withstanding external shocks.

Malaysia and external trade

Malaysia's record of sustained high levels of economic growth was in part due to the increasing openness of the economy. In 1980, exports of goods and services were 58 per cent of GDP. By 2003, this had doubled to over 100 per cent. The nature of these exports

had also changed substantially. In 1980, exports were largely accounted for by Malaysia's primary products (most notably, rubber, palm oil, and petroleum). In 2003, 56 per cent of Malaysia's exports were electrical and electronic products. Export earnings had allowed Malaysia's imports to rise, especially from the ASEAN countries, whose share of imports rose from 16 per cent in 1980 to 24 per cent in 2000.

On 31 July 2004, the WTO's 147 member governments approved a package to reduce barriers to trade and open up markets for developing countries. The WTO claimed the agreement could be worth US\$520 billion to the world economy by 2015. Given the outward-looking nature of Malaysia's economy, the agreement is expected to provide additional markets for Malaysia's exports and allow Malaysia to increase imports from developing countries, both within and outside the ASEAN region.

Financing development and managing debt

The strong position of government finances, due primarily to strong economic growth and revenue buoyancy, provided the necessary financial resources for financing development. Public sector finances were complemented by a high rate of domestic savings and ample liquidity in the banking system. In addition, Malaysia's strong credit rating, pragmatic macroeconomic and financial management, and political stability supported efforts to mobilize external private capital, thereby reducing dependence on foreign aid to finance development. Malaysia also maintained a prudent debt management policy and kept a tight rein on its debt service ratios, prepaying and refinancing some of its loans during those years when revenue growth was strong to maintain a manageable external debt.

Foreign aid and development in Malaysia

Foreign aid supplemented domestic resources in addressing the challenges of poverty and redistribution in the 1970s as Malaysia embarked on the New Economic Policy (1970–90). As Malaysia entered the strong growth period of the late 1980s, the role of foreign aid changed from one of supporting efforts to reduce poverty and inequality to supporting the transformation of the economy through the provision of specialized skills, technology, and knowledge.

Foreign aid played a role in increasing Malaysia's stock of specialized skills in project planning, implementation and evaluation, policy analysis, institutional development, and the development of skills in technology/R&D. Contributions were particularly significant in the fields of agriculture, infrastructure, communications, health, and education. Foreign aid thus contributed a qualitative and strategic value to the country's development process.

In the Second Malaysia Plan (1971–5), a total of RM2.6 billion was received in the form of capital assistance and technical assistance. The amount doubled in the Fourth Malaysia Plan (1981–5) to approximately RM5.5 billion, indicating the expanded role of foreign aid in the country's development process. In the period 1991–5, the quantum of foreign assistance increased to RM 9.3 billion, representing a 68 per cent increase from the previous decade. The steady increase in the quantum of foreign aid received by Malaysia continued in the Seventh Malaysia Plan (1996–2000) when about RM20 billion

was obtained from bilateral and multilateral sources (Table 8.2). This increase reflected, in part, the expanded needs of the country in overcoming the economic and financial challenges following the financial crisis of 1997.

Although domestic funding was preferred in financing development, Malaysia resorted to external funds during the 1997 regional economic crisis, when real GDP contracted by 7.5 per cent, exports declined by 7 per cent, and outflows of foreign capital were significant. As these developments adversely affected Malaysia's ability to finance development from domestic sources, Malaysia sought both official and market loans to finance its recovery plans. Malaysia obtained Yen loans totalling US\$4.12 billion disbursed under the New Miyazawa Initiative to assist Asian countries adversely affected by the crisis, as well as those from the WB and IDB.

While the value of foreign aid has increased in absolute terms between 1970 and 2000, the amount received represents a small proportion of the government's development allocation provided for the same period. For example, the total value of foreign aid flows in the 1970–2000 period of RM50 billion represents only 27 per cent of the development allocation for the Eighth Malaysia Plan (2001–5) of RM170 billion, indicating the relatively small role played by foreign aid in Malaysia.

Table 8.2 Foreign Aid to Malaysia, 1971–2000

Year	Malaysia Plan	Technical Assistance	Capital Assistance	Total
	period	(RM million)	(RM million)	(RM million)
1971–5	2MP	329.9	2,311.8	2,641.7
1976–80	3MP	na ¹	3,907.0 ²	3,907.0 ³
1981–5	4MP	327.7	5,203.0	5,530.7
1986–90	5MP	531.0	8,067.0	8,598.0
1991–5	6MP	1,469.6	7,827.0	9,296.6
1996–2000	7MP	1,625.0	17,955.9	19,580.9
TOTAL		4,283.2	45,271.7	49,554.9

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

1. Not available.

2. Includes market loans.

3. Total based on loans only.

4. Based on exchange rate of US\$1=RM3.80.

Sources and impact of capital assistance

A total of a RM45 billion was received by Malaysia in the form of capital assistance over the period 1970–2000, obtained mainly from the multilateral financial institutions such as the WB, ADB, and IDB. Funds received from bilateral sources were mainly from Japan which provided a substantial quantum of soft loans, reaffirming the special relationship between the two countries.

During the NEP period, loans assisted in poverty alleviation and measures to improve the living standards of the rural population. They were also used to increase productivity and create employment opportunities. This continued into the NDP period. Apart from

poverty, utilization of foreign aid was also for the development of the strategic economic and social sectors. WB loans were used mainly to finance rural development and agricultural projects, as well as projects relating to education and health, while ADB loans were used to finance projects on infrastructure and utilities. Yen loans financed projects for infrastructure, energy, power generation, and education.

As capital assistance was utilized mainly in financing economic and social projects, it impacted positively on various aspects of economic and social life in Malaysia. It reduced poverty through the development of agriculture and the rural sector, as well as through the provision of technical skills for research and administrative institutions which were responsible for the development of the sector. It also assisted in efforts to eradicate poverty through the financing of projects aimed at enhancing productivity and creating employment. In addition, capital assistance helped to improve living standards and the quality of life of the people through improvements in education and health.

Sources and impact of technical assistance

In financial terms, the technical assistance received by Malaysia had been relatively small, compared with capital assistance. In the period 1970–2000, the value of technical assistance received was only about one-tenth of the value of capital assistance received. Most of the technical assistance received was bilateral in nature, while the rest was from multilateral sources. Japan was by far the largest bilateral donor of technical assistance, while the UN organizations and its specialized agencies provided the largest multilateral source. Technical assistance was also received from multilateral financial institutions, as well as donor countries such as Denmark, Germany, and to a lesser extent, the United Kingdom, Australia, and Canada.

The impact of technical assistance is generally less tangible than that of capital assistance, given that the impact of most of the development projects financed by large project loans is more quantifiable than that of projects supported by numerous but small technical assistance interventions. This is primarily because capital assistance projects are largely physical and structural in nature, whereas the impact of technical assistance which led to outcomes such as national capacity, human resource development, policy reform, good governance, and institutional development is not easily measurable.

While it is difficult to quantify the impact of technical assistance, it had a positive influence on the policy environment in Malaysia, mainly through the refinement of macroeconomic, sectoral, and social policies. In this regard, the UN agencies contributed to the shaping of policies in a wide range of areas, including health, population, social welfare, child and gender development, education, and capacity building. The UN also assisted in policies on intellectual property rights, environmental management and clean technology, development of the minerals' industry, and rural and agricultural development. The technical assistance provided by the multilateral financial institutions, including the WB, also provided policy inputs for strengthening the financial sector and enhancing export competitiveness. Bilateral technical assistance from Japan focused on strengthening economic competitiveness, human resource development, environment and sustainable development, and rectification of disparities. Assistance from Denmark

targeted sustainable development and environment protection while German aid focused on forest management, human resource development, and environmental protection.

Technical assistance also had a significant impact on human resource development through specialized formal training programmes and on-the-job training. Both multilateral and bilateral donor agencies provided training opportunities primarily for public officials, although technical assistance on clean technologies was provided through the Montreal Protocol to counterparts in the private sector. Bilateral donors also provided capacity-building opportunities in advanced technical skills through the establishment of training institutions such as the Japan-Malaysia Technical Institute, the German-Malaysia Institute, the British-Malaysia Institute, the Malaysia-French Institute and the Malaysian-Spanish Institute.

Technical assistance interventions have also had a significant impact on organizational development and institutional innovation in Malaysia, transforming some of these institutions into regional centres of excellence, including institutions such as the Forest Research Institute Malaysia and the Institute for Medical Research. Other institutions that benefited from such technical assistance included the Standards and Research Institute of Malaysia, the Malaysian Agricultural Research and Development Institute, the Fisheries Training Institute in Penang, Institut Teknologi MARA, Politeknik Ungku Omar, the Federal Land Development Authority, the National Livestock Development Authority, the Fisheries Development Authority, the National Population and Family Development Board, the Telecommunications Department, and the Department of Statistics.

Efficient use of foreign aid

Malaysia has generally managed foreign aid resources in an efficient and effective manner. Its success is due largely to centralized management by a pool of well-trained and experienced manpower in the Economic Planning Unit that undertakes to coordinate and manage projects supported by foreign aid and aligns them with the country's development priorities. Other success factors include a culture of accountability; well-conceived, implemented, and monitored projects; and the involvement of the private sector in project implementation, particularly in infrastructure, energy, and industry projects.

While Malaysia has made impressive economic gains, it can continue to benefit from foreign aid, particularly technical assistance in focused areas. Benefits can be derived from international experience, research, and technical expertise to improve the productive capacity of the rural sector, and increasing the country's talent and skills base, particularly in enhancing innovative and inventive capacity. It can also assist the country in building a knowledge-based economy and in meeting the challenges of nation-building in the era of globalization and liberalization.

Beyond aid: towards self reliance through international partnership

As new global and regional challenges emerge that go beyond the capacity of any one country to solve, collective self-reliance and cooperation among developing countries will become more important. Although Malaysia's access to ODA and ODF resources has been reduced corresponding to its economic growth, Malaysia has taken a conscious policy decision to promote the spirit of collective self-reliance, partnership, and mutual benefit within the framework of South-South cooperation and Technical Cooperation among Developing Countries. This approach has had two important outcomes: it has changed the traditional donor-recipient relationship to one of partnership-in-development and intensified development cooperation among developing countries. Such cooperation is not exclusive and is based on open regionalism and collaboration with developed countries. For Malaysia, international cooperation has promoted the sharing of its development experiences with other developing countries. At the same time, Malaysia has greatly benefited from the collective development wisdom of other countries and from the expert advisory services of established development organizations.

International cooperation has expanded the opportunity for greater economic interaction within the region, thus promoting economic growth, and providing the opportunity for Malaysia to benchmark its achievements against international standards and best practices. At the regional level, Malaysia participates actively in regional groupings such as ASEAN and APEC to enhance intraregional trade, investment opportunities, and production networks, as well as to increase financial and industrial cooperation among countries in the region. For example, an important outcome of ASEAN's collaborative efforts was the establishment of the ASEAN Free Trade Area through which the tariff regime of the region is being progressively liberalized. Other significant milestones include the conclusion of the ASEAN Framework Agreement on Services, the ASEAN Investment Area, and the formulation of the ASEAN Vision 2020 Statement, which committed member states to economic integration and regional cohesion, with a view to establishing the ASEAN Economic Community by 2020.

Another effective instrument to foster economic development in the less developed regions is through participation in the growth triangles. Three such subregional entities have been established, namely, the Indonesia-Malaysia-Singapore Growth Triangle (IMS-GT), the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT), and the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Triangle (BIMP-EAGA). A number of projects, involving the private sector, have been implemented to expand economic opportunities in these subregions. These cross-border interactions have brought incremental growth to the less developed border regions in Malaysia as well as

of other participating countries. The growth triangle approach provides the opportunity for member countries to develop border areas into more economically viable entities.

Apart from regional cooperation, Malaysia also participated in multilateral cooperations to stimulate development cooperation and to express its views on global issues, such as the impact of globalization on developing countries, sustainable development, and international trade. It has participated actively in multilateral forums such as the United Nations and its specialized agencies, the WTO, the Commonwealth, the Colombo Plan, the Organization of the Islamic Conference (OIC), and the Non-Aligned Movement (NAM), as well as in platforms promoting South-South cooperation, such as the Group of 77, the Group of 15, the Asia-Africa Forum, and the Langkawi International Dialogue.

Malaysia has also intensified its cooperation with industrial and developing countries, a move that has brought both political and economic dividends for the country. The conclusion of various agreements to facilitate economic interaction between Malaysia and the participating countries has promoted trade and investment through improved market access and more effective procedures.

Malaysian Technical Cooperation Programme (MTCP)

Malaysia's commitment to the philosophy of international cooperation for development was expressly manifested in the establishment of the MTCP in 1980. The MTCP is a bilateral programme of cooperation designed to assist other developing countries, especially the least developed ones, through the sharing of Malaysia's development experiences and expertise in areas in which it has a comparative advantage. It is also an extension of its belief that developing countries can derive greater benefit from the development experiences of other developing countries which have encountered similar development challenges. Unlike foreign aid, which is often linked to donor values and priorities, cooperation among developing countries represents a more neutral approach under South-South cooperation. The MTCP was established to show the Malaysian government is committed to South-South cooperation, and to share Malaysia's experience with other developing countries.

The MTCP differs from programmes of cooperation of other countries in one important respect: it focuses primarily on capacity building and human resource development. Malaysia is of the view that a country's ability to attain an acceptable standard of human development depends on the quality of its human capital, and this process starts with the public sector officials who provide the vision, direction, strategies, policies, implement plans, and programmes on which development is based.

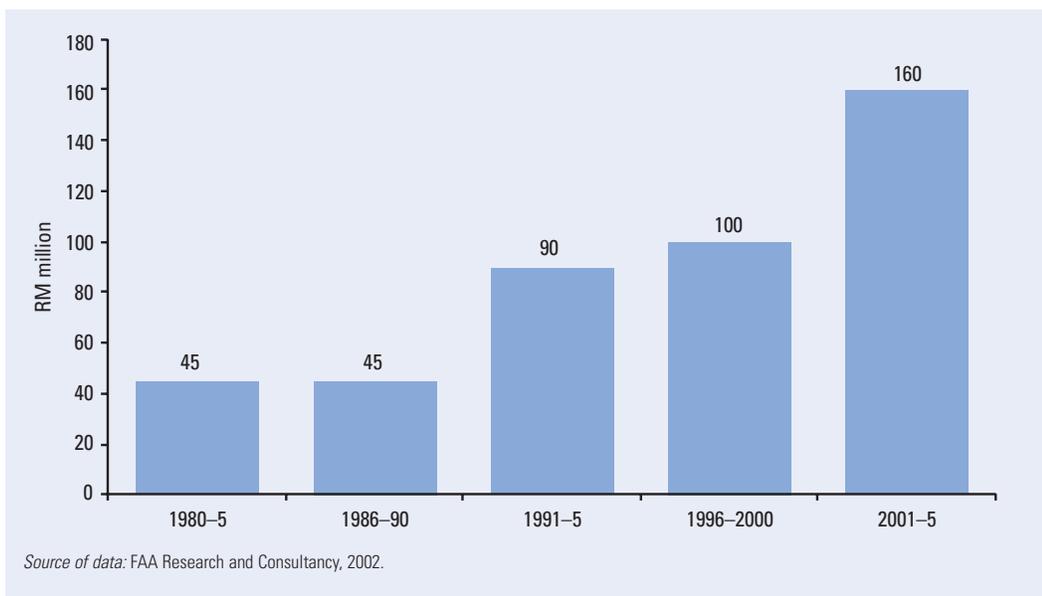
Another distinguishing feature of the MTCP is the large number of countries that have benefited from its programmes. Starting with 35 countries, its outreach expanded to 46 countries in 1990, and the number of countries doubled to 92 by 1995. By 2000, MTCP's coverage expanded to 121 countries. Currently, it serves 135 countries representing 10 regions: ASEAN, Other South-East Asia and Asia, South Asia, the Commonwealth of Independent States, North Africa and West Asia, South America, East and Central Europe, Africa, the Pacific Islands, and the Caribbean.

MTCP activities are implemented through five modalities; namely, 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.

MTCP operations are funded through various mechanisms, including full funding by the Malaysian Government, full funding by the participating country, full funding by third parties, that is donor countries and multilateral institutions, and cost-sharing between the Malaysian Government and the participating country or third parties. Most of the MTCP activities are, however, fully funded by the Malaysian Government. Given its successful track record in managing the development process, many donor countries and organizations have found it useful to familiarise government officials from other developing countries with the Malaysian experience. MTCP is cooperating with donor countries and organizations to fund such projects on a cost-sharing basis and through the implementation of the Third Country Training Programme (TCTP), which has been increasing in recent years, especially in cooperation with the Japan International Cooperation Agency (JICA).

Even before the establishment of the MTCP, Malaysia had assisted other developing countries by offering training placements in its institutions. For example, 705 overseas participants were trained in various disciplines from 1971 to 1975. Since its inception, a total budget of RM440 million had been allocated to the MTCP. The programme which began with an allocation of RM45 million in 1980–5 expanded to RM160 million in 2001–5, representing a 256 per cent increase from the 1980 allocation (see Figure 8.2).

Figure 8.2 Malaysian Technical Cooperation Programme Budget Allocations, 1980–2005



Where MTCP makes a difference. The primary focus of MTCP is human resource development through qualitative improvements in human capital. Apart from the general range of training courses offered to participants from developing countries, the MTCP also offers special courses tailored to the specific needs of the developing countries, including the least developed countries and those with economies in transition. All programmes offered are based on the priorities of the collaborating countries.

Taking into account Malaysia's track record in poverty reduction and economic growth, MTCP participating countries have benefited from training courses that include economic planning and development, poverty alleviation, and central banking. As at 2001, 29 participants had undergone long-term post-graduate courses in economics, and one in banking. In addition to courses, a number of study visits and attachment programmes focusing on various aspects of development, including macroeconomic management, central banking and financial management, privatization, the capital market development, have also been organized.

In recognition of the quality of the MTCP, the services of Malaysian experts have been much sought after by participating countries. For example, a Malaysian central banker served as the Governor of the Central Bank of Namibia from 1994 to 1997, while Kenya requested financial experts in the area of budget formulation. Malaysian economists have also been requested for specific short-term missions by Ghana, the Kyrgyz Republic, Namibia, Cambodia, Algeria, South Africa, and Sudan. MTCP training and academic courses, including study visits and the services of experts, provided the platform for public officials from developing countries, especially the least developed and island developing countries, to be acquainted with Malaysia's development policies, strategies and programmes.

In addition, a number of MTCP training programmes have also been offered to assist participating countries in sectoral development, particularly in the agriculture and industrial sectors. A total of 88 short courses had been organized up to 2004, and 10 participants have undergone long-term courses in these areas. Fourteen study visits and attachments have been organized and 10 agricultural experts have been dispatched to various countries. Further, 10 project-type cooperation programmes have also been implemented.

MTCP has also become the principal instrument by which Malaysia shares its industrial development experience with other developing countries. Up to 2004, eight short courses on investment promotion had been organized. MTCP participants have also benefited from technical courses in road construction and maintenance and development of small and medium-scale industries. In addition, the national oil company, PETRONAS, has provided about 100 scholarships for international students from South Africa, Sudan, Vietnam, and Turkmenistan to attend technical degree courses at Universiti Teknologi PETRONAS. It also supported another 100 participants to attend business management and technical courses in the area of oil and gas.

A number of experts were also been dispatched to Tanzania and Namibia for energy/gas related industry consultations. Fifty-three technicians in various technical and vocational specializations were sent to Cambodia from 1994–2003. The construction industry made

notable contributions to developing countries under the ambit of MTCP. Malaysia's experience in providing houses for the poor, which has benefited a number of developing countries, including South Africa, Seychelles, and Mauritius.

Malaysia has also contributed to the development of the social sector of developing countries, particularly in the area of rural health care, medical research in tropical diseases, nutrition, education and in the effective planning and implementation of social programmes. From 1980 till 2001, a total of 111 participants from various countries had attended MTCP-supported degree courses in medicine and library management. Other courses include archives management; fire services training; gender perspective in development training; the MTCP also sponsors study visits and attachment of officials to health management, education planning and library management. For the promotion of ICT development, since 1981 MTCP has provided ICT training for the benefit of participants from developing countries. Study visits have also been organized and in 2002, Malaysia presented 16 Malaysian-made computers each to the University Technology in Uzbekistan and Lao PDR.

Non-official development flows

Official flows through government-to-government channels are not the only form of development cooperation between Malaysia and other countries. A number of non-official flows, particularly through NGO channels, have complemented the official flows in transferring skills and other forms of assistance to developing countries. These non-official flows are participatory in nature, and have a more direct impact at the community level. However, data on these flows are incomplete, as they are not captured in official records. Many Malaysian NGOs have benefited from grants provided by foreign NGOs and private foundations. A number of Malaysian NGOs have also provided aid and emergency relief assistance to other developing countries. Two Malaysian NGOs have rendered such international assistance. The first is the national volunteer organization, SALAM, which was established in 1997. SALAM implements its programme of cooperation through two modalities, namely long-term cooperation, where volunteers are attached to missions for between 6 and 12 months, and emergency relief operations of about two weeks. It has dispatched volunteers to countries such as Lao PDR, Cambodia, Vietnam, Sri Lanka, Timor Leste, and Iran. They have rendered technical cooperation in the field of community development, primary health care, and the learning of English. Approximately US\$200,000 has been spent on its international programme of cooperation.

Another non-profit medical organization, MERCY Malaysia, established in 2001, is dedicated to providing humanitarian services in crisis and non-crisis situations. It carried out missions to, among others, Afghanistan, Palestine, Iraq, Sri Lanka, Iran, and Cambodia on activities such as supplying medicine and equipment, rebuilding of hospitals and schools, distributing food, and providing community service.

Partnerships with UN funds, programmes, and specialized agencies

United Nations Technical Assistance partnership programmes in Malaysia began shortly after Independence. FAO and WHO established Representative Offices around 1963. UNICEF established an official programme of cooperation in 1964. In 1972, UNDP began its Country Programmes, providing assistance in support of Malaysia's five-year development plans. UNFPA's engagement began a year later in 1973, providing support to programmes in population, family planning, and reproductive health. In 1975, the UNHCR Office was established, initially to help with issues related to the arrival of the 'boat people' from Vietnam.

The nature of the relationship between the Government and UN agencies has evolved in tandem with Malaysia's development over the past three and a half decades. Initially, UN agencies merely provided grants to the Government for various programmes and projects. Currently, assistance is largely provided on a cost-sharing basis and mainly focused on building national technical capacity. At the macroeconomic level, the UN moved its primary focus on economic diversification to supporting efforts at positioning Malaysia to meet the challenges of the global economy, including building a K-economy, facilitating the exchange and sharing of Malaysia's experience and expertise with South countries, and supporting sustainable development. In the social sector, UN agencies have focused, *inter alia*, on the health and well-being of children, gender issues, reproductive health, and mainstreaming the threat of HIV/AIDS as a development issue.

Today, the role played by UN agencies in Malaysia is that of a trusted development partner in supporting national efforts at meeting the emerging challenges. The UN also provides Malaysia with a network to share its development experiences and expertise with other developing countries, as Malaysia itself takes on the role of a development partner in the global community of nations.