

Government of Malaysia

UNITED NATIONS DEVELOPMENT PROGRAMME

Project Document

**Knowledge Content in Key Economic Sectors in Malaysia
Phase 2 (MYKe II)**

One of the Ninth Malaysia Plan's major development thrusts is to raise the capacity for knowledge and innovation and nurture 'first class mentality'. As the Government of Malaysia moves to become more knowledge and technology intensive, this project's main objective is to help re-assess the science, technology and innovation progress in terms of the country's level of knowledge and technology readiness. It also looks at the impact of ongoing initiatives as well as identifying areas which need to be further strengthened. To achieve this, the project's specific aims are to:

- Develop an updated framework that will enable regular in depth assessments of the level of knowledge content in key sectors of the economy;
- Undertake intrusive analysis that could serve to improve understanding of issues and can result in the formulation of targeted policies and strategies;
- Identify sectors/industries that are lagging behind, and sectors/industries that have the biggest potential to benefit from greater use of knowledge and technology; and
- Formulate appropriate policies to promote greater application of knowledge as well as technology benchmarking against international best practices

The results of the study will provide inputs to the Economic Planning Unit and its relevant implementing agencies in the formulation of appropriate policies, strategies and programmes to improve the knowledge content of key industries in biotechnology, agriculture, manufacturing and services sectors with a view to increase their productivity and competitiveness. The study will cover firms with different characteristics in terms of size (with particular references to small and medium enterprises, ownership (local/foreign) and market orientation (domestic/export).

**Kuala Lumpur
September 2006**

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Part Ia. Situational Analysis

Background

In the Ninth Malaysia Plan (9MP), it is highlighted that science, technology and innovation (STI) will become strategically more important in national development given the increasingly challenging and competitive global environment. The Government will place greater emphasis on capacity building and the strengthening of the National Innovation System (NIS) to build upon leading-edge technologies and know-how. One major development thrust during the 9MP is for STI to contribute towards innovation-led growth as well as enhance productivity and competitiveness for wealth creation and social well-being. There will be intensified efforts towards mastering and harnessing Science and Technology (S&T) for widespread applications in generating knowledge, innovation and growth.¹

The Government of Malaysia (GoM) envisages that a knowledge-based economy will provide the platform to sustain a rapid rate of economic growth and enhance the international competitiveness of the country towards the achievement of Vision 2020. The knowledge-based economy will also contribute towards strengthening economic resilience, as it will set the foundation for endogenously generated growth resulting from Malaysia's strengthened capability to conduct research and development (R&D), innovate and create indigenous technology, design and develop new products as well as move up the value chain.

In the pursuit to develop Malaysia into a knowledge-based economy, one of the major thrusts is to raise the knowledge content in the agriculture, manufacturing and services sectors as well as optimize the potential of biotechnology. These sectors offer great prospects in the context of a knowledge-based economy and generating new sources of wealth as they have extensive scope to undertake innovation and apply new technology. To operationalise this thrust, the Government has undertaken several measures to facilitate the process of structural transformation to become more knowledge and technology intensive. Given the importance of the knowledge-based economy to the country, it is essential to assess the country's progress in terms of the level of knowledge and technology readiness and the impact of the initiatives as well as identify areas which may need to be further strengthened.

In 2002/2003, the UNDP in collaboration with the GoM through the Economic Planning Unit (EPU) conducted the first knowledge and innovation assessments under the MYKe I study. As part of the Government's commitment to conduct similar assessments once every 3 years, this study, the MYKe II aims to re-assess the country's knowledge and technology readiness in science, technology and innovation progress.

¹ Ninth Malaysia Plan 2006– 2010, *Chapter 12, Harnessing Science, Technology and Innovation*, pages 263 – 280.

The main findings of the MYKe I were as follows:-

- Information technology services followed by the chemicals, telecommunications, finance and education industries have the highest knowledge content, that is they are more knowledge ready relative to the others;
- The electrical and electronics industries within the manufacturing sector was found to have the highest knowledge content;
- Industries were found to differ significantly in terms of their strength in the knowledge enablers. For example, the information technology industry leads in human capabilities, knowledge leadership and technology/infrastructure. The electronics and electrical industry lead all other industries in knowledge leadership while the education services industry indicated strength in terms of technology and infrastructure.
- A positive association was found between technological innovation and one knowledge content factor in the 13 industries that were examined in MYKE I I.

Improvements to the MYKe I framework will include reviewing the model, particularly strengthening the linkages between K-action and K-output; establishing the technology trajectories in key industries; and analysing the dynamics and extent of knowledge and technology transfer between multinational companies (MNCs) as well as domestic national companies (DNCs) with the small and medium enterprises (SMEs). In addition, evaluation of the effectiveness of public programmes will also be undertaken. The emphasis and awareness of environmental aspect will also be examined.

The MYKe II will re-visit the conceptual framework and model of knowledge content developed in MYKe I, to take into account any recent developments and new literature available in the area. MYKe II will also widen its scope to include the primary food sub-sector given the renewed emphasis on 'New Agriculture' through the availability and usage of the latest Agriculture Census data. The study will also include specific analysis of biotechnology firms in line with the Government's aspiration to develop biotechnology into a new driver of economic growth.

MYKe II will cover firms with differing characteristics in terms of size (with particular reference to small and medium enterprises), ownership (local/foreign) and market orientation (domestic/export). The results of this study will serve as inputs to the EPU and relevant implementing agencies in the formulation of appropriate policies, strategies and programmes to improve the knowledge content of these industries with a view to increase their productivity and competitiveness.

Objectives of Study

The objectives of this study are to:

- Develop an updated framework that will facilitate an in depth assessment of the level of knowledge content in key sectors of the economy on a regular basis;
- Undertake an intrusive analysis of the information, primary and secondary data to improve understanding of issues, that will enable the formulation of targeted policies and strategies;
- Identify sectors/industries that are lagging behind; and identify sectors/industries that have the biggest potential to benefit from greater use of knowledge and technology; and
- Formulate appropriate policies to promote greater application of knowledge as well as technology benchmarking against international best practices.

Part 1b. Strategy

This study will cover selected key industries in the agriculture, manufacturing and services sectors, with specific inclusion of the biotechnology industry. These are listed below. This list of industries will be reviewed and updated if necessary as the project progresses, based on inputs from EPU and the findings of the study. The sample of firms examined shall include firms of different sizes, with particular reference to the SMEs, ownership, that is, foreign or locally owned; and market orientation of the firm, exporters and importers.

a. Agriculture

- Primary Food Subsector (Fisheries, Livestock, Vegetables and Fruits)

b. Manufacturing

- Food Processing
- Chemicals, Petroleum & Pharmaceuticals (to include the oil and gas industry)
- Rubber and Plastic Products
- Wood-based Products
- Fabricated Metal
- Automotive
- Transport Equipment
- Textile, Wearing, Apparel & Footwear

- Electrical & Electronic
 - Machinery and Instruments
- c. *Services*
- Tertiary Education
 - Transportation (Ports, Airports and Shipping)
 - Finance (Head Offices)
 - Selected Tourism
 - Telecommunications and Courier (Head Offices)
 - Health
 - Information Technology
 - Selected Business Services
- In the services sector, shared services and outsourcing will be considered, given its increasing prominence in the Malaysian economy.
- d. *Biotechnology*

The strategies proposed in this project will guide the Malaysian Government in formulating a MYKe II Knowledge Content in Key Economic Sectors Study Framework. This will be done through:

1) Revisiting the MYKe I conceptual framework

The MYKe II will re-visit the conceptual framework and model of knowledge content developed in MYKe I, to take into account any recent developments and new literature and research findings available on the subject. The study will also include an analysis of the enhanced industries within the agriculture sector to take into account the renewed “new agriculture” concept taken by the GoM, and the inclusion of the primary food sub-sector. There will also be specific analysis on the biotechnology sector to meet the expanded scope of examination in MYKe II.

2) Data Collection and analysis, leading to the development of a set of measures to include policies, strategies and programmes to promote and increase the application of knowledge and innovation

In MYKe I, a set of primary data was collected through a knowledge content survey, a nationwide survey of private enterprises in 18 MYKe I manufacturing and services sector. The survey was designed to identify sectors and industries that have the potential of benefiting from the application of knowledge, in addition to the identification of knowledge constraints, and examination of relationships between the use of knowledge, innovation outcomes and economic impacts. In the MYKe I survey, the Department of Statistics (DOS) worked in collaboration with the EPU and MYKe I consultants in conducting the knowledge content survey which was tagged on to DOS's Annual Manufacturing and Services Survey.

In MYKe II, a similar survey will be undertaken. However, prior to the data collection stage, a review of the MYKe I questionnaire will take place with the aim of improving the content of questionnaire and the data collection to meet the objectives and aims of MYKe II. Similar to the earlier survey conducted in MYKe I, assistance and the expertise of officials at DOS will be sought. Consideration will also be given to the disaggregation of data by gender where relevant and possible.

The data will be used to:-

- i. Determine the current level of knowledge content and the flow of knowledge in the key subsectors within agriculture, manufacturing and services, and the biotechnology industries;
- ii. Undertake a set of time series analyses with MYKe I as the base;
- iii. Analyse the knowledge and technology trajectories of the key industries;
- iv. Analyse the link between foreign direct investment (FDI) and knowledge/technology transfer at the firm/industry level;
- v. Analyse the link between MNCs and knowledge/technology transfer to SMEs;
- vi. Assess the impact of related public sector programmes on increasing knowledge content;
- vii. Assess the impact of increased knowledge content and the flow of knowledge including the use of information and communications technology (ICT) on productivity, efficiency, competitiveness and profitability of these firms/sectors;
- viii. Assess the level of awareness on the importance of increasing knowledge content and the flow of knowledge among firms in these sectors;
- ix. Assess the extent of preparedness of the country to become knowledge intensive – in terms of its organizational structure; capacity to create, absorb, utilize and disseminate knowledge; e-business tools, internal operations; external transactions; production process; human resources; and, access to ICT – hardware/software;
- x. Identify other potential areas for knowledge and innovation assessments;
- xi. Identify constraints and limitations towards greater creation, acquisition, utilization and dissemination of knowledge, and future plans at the industry level;
- xii. Identify subsectors/industries that are lagging behind; and those that have the potential to benefit from greater application of knowledge and technology; and
- xiii. Identify best practices with respect to the application of knowledge among the key industries.

Based on the analysis undertaken above, a set of measures, including policies, strategies and programmes to promote and increase the application of knowledge and innovation will be proposed to the EPU for consideration.

3) Knowledge Management and capacity building

For greater impact of the findings from the study, the know-how accumulated from the project should be properly documented. The findings from this project should provide useful input to the Government as part of an experience sharing exercise with stakeholders. With regard to this, UNDP will utilize its global knowledge network to solicit best practices on knowledge and innovation from other relevant countries globally, with an emphasis on countries within the region. This will complement the review of policy documents, organizations and programme exercise that will be undertaken by the consultants. A number of useful publications could be identified in consultation with EPU and the consultants for public dissemination.

Appropriate activities, to include policy dialogues, seminars, workshops and training related to institutional strengthening and capacity building of the GoM in the assessment of knowledge and innovation will be identified and formulated. These activities will be formulated collectively between EPU, UNDP and the consultants and should include a set of training for at least 6 EPU staff in Atlanta, USA.

Part II. Strategic Results Framework

Intended Outcome as stated in the Country Results Framework: An enabling environment created for the use of knowledge and innovation			
Outcome indicator as stated in the Country Programme Results and Resources Framework, including baseline and target			
Applicable MYFF Service Line: Service Line 1.8: ICT4D for the poor			
Partnership Strategy Strengthening partnerships between Government and UNDP in the development of knowledge and innovation.			
Project title: Knowledge Content in Key Economic Sectors Phase 2 (MYKe II)			
Intended Outputs	Output Targets	Indicative Activities*	Inputs
Updated and usable conceptual framework and model of knowledge content available	Updated conceptual framework and model of knowledge content developed with MYKE I model as a baseline	<p>1.1 Stakeholder consultation to discuss the new areas for analysis, with particular reference to the agriculture sector and biotechnology</p> <p>1.2 Literature review to reflect new developments in the area of knowledge and innovation</p>	<p>International consultants UNDP EPU Feedback from TWC and NSC members</p>
Policies, strategies and programmes on knowledge and innovation developed and implemented	<p>New set of data collected on knowledge and innovation</p> <p>A set of proposed policies, strategies and programmes to promote and increase the application of knowledge in selected subsectors and industries</p>	<p>2.1 Review of the survey questionnaire adopted in MYKe I</p> <p>2.2 Data collection using the updated MYKe II questionnaire</p> <p>2.3 Data analysis (disaggregated to take gender issues into account where possible) to</p> <ul style="list-style-type: none"> – Determine the current level of knowledge content and the flow of knowledge in the key sub-sectors within agriculture, manufacturing and services, and the biotechnology industries; – Undertake a set of time series analyses with MYKe I as the base; – Analyze the knowledge and technology trajectories of the key industries; 	<p>Consultants EPU DOS UNDP</p>

Intended Outcome as stated in the Country Results Framework: An enabling environment created for the use of knowledge and innovation			
Outcome indicator as stated in the Country Programme Results and Resources Framework, including baseline and target			
Applicable MYFF Service Line: Service Line 1.8: ICT4D for the poor			
Partnership Strategy Strengthening partnerships between Government and UNDP in the development of knowledge and innovation.			
Project title: Knowledge Content in Key Economic Sectors Phase 2 (MYKe II)			
Intended Outputs	Output Targets	Indicative Activities*	Inputs
		<ul style="list-style-type: none"> – Analyze the link between FDI and knowledge/technology transfer at the firm/industry level; – Analyze the link between MNCs and knowledge/technology transfer to SMEs; – Assess the impact of related public sector programmes on increasing knowledge content; – Assess the impact of increased knowledge content and the flow of knowledge including the use of information and communications technology (ICT) on productivity, efficiency, competitiveness and profitability of these firms/sectors; – Assess the level of awareness on the importance of increasing knowledge content and the flow of knowledge among firms in these sectors; – Assess the extent of preparedness of the country to become knowledge intensive terms – in terms of its organizational structure; capacity to create, absorb, utilize and disseminate knowledge; e-business tools, internal operations; external 	

Intended Outcome as stated in the Country Results Framework: An enabling environment created for the use of knowledge and innovation			
Outcome indicator as stated in the Country Programme Results and Resources Framework, including baseline and target			
Applicable MYFF Service Line: Service Line 1.8: ICT4D for the poor			
Partnership Strategy Strengthening partnerships between Government and UNDP in the development of knowledge and innovation.			
Project title: Knowledge Content in Key Economic Sectors Phase 2 (MYKe II)			
Intended Outputs	Output Targets	Indicative Activities*	Inputs
		<p>transactions; production process; human resources; and, access to ICT – hardware/software;</p> <ul style="list-style-type: none"> – Identify other potential areas for knowledge and innovation assessments; – Identify constraints and limitations towards greater creation, acquisition, utilization and dissemination of knowledge, and future plans at the industry level; – Identify sub-sectors/industries that are lagging behind; and those that have the potential to benefit from greater application of knowledge and technology; and – Identify best practices in respect to the application of knowledge among the key industries. <p>2.4 Policy dialogue to discuss the proposed policies, strategies and programmes to promote the application of knowledge and technology</p>	
Capacity building activities to increase the capability of GoM in analyzing the level of knowledge content in selected subsectors and industries.	Counterpart training and workshop, whereby a group of stakeholders, e.g. government officials trained on issues related to increasing the level of knowledge and technology in selected	3.1 At least 2 policy dialogues, seminars or workshops organized to promote the understanding of the importance of knowledge and technology in a knowledge based	Consultants EPU UNDP knowledge networks

Intended Outcome as stated in the Country Results Framework: An enabling environment created for the use of knowledge and innovation			
Outcome indicator as stated in the Country Programme Results and Resources Framework, including baseline and target			
Applicable MYFF Service Line: Service Line 1.8: ICT4D for the poor			
Partnership Strategy Strengthening partnerships between Government and UNDP in the development of knowledge and innovation.			
Project title: Knowledge Content in Key Economic Sectors Phase 2 (MYKe II)			
Intended Outputs	Output Targets	Indicative Activities*	Inputs
	subsectors and industries EPU/UNDP's publication of a short advocacy report	economy (with particular reference to the agriculture and biotechnology sectors) 3.2 A group of EPU staff undertaking a visit to Atlanta for a set of training scheduled for 30 days. 3.3 A series of training identified and undertaken by Government officials on knowledge content and innovation.	

Part III. Management Arrangements

The Project will be executed by the EPU of the Prime Minister's Department as per UNDP policy on national execution. The executing agency will be responsible for accomplishing the project outputs. The executing agency will coordinate the work of the project team.

The Implementing Agency, also EPU of the Prime Minister's Department, will identify the needed technical backstopping in the form of training and mentoring. UNDP will supplement the implementing agency's capacity with international experts and other links so that they could carry out the activities assigned to them. The project will be governed by two main committees, namely the National Steering Committee (NSC) and the Technical Working Committee (TWC).

(a) National Steering Committee (NSC)

The National Steering Committee will be established to provide the overall guidance to the implementation of the project and will be chaired by the EPU, which is also the Government Coordinating body for UNDP activities. Members of the NSC will consist of representatives from the Ministry of Science, Technology and Innovation (MOSTI), the Ministry of International Trade and Industry (MITI), Ministry of Agriculture and Agro Based-Industry, UNDP and other relevant stakeholders such as the Federation of Manufacturers Malaysia (FMM).

(b) Technical Working Committee (TWC)

A Technical Working Committee will be established to handle all the technical matters relating to the study. The Chairman of the TWC shall be EPU's Director of the Evaluation Section [K-Economy Section] with members from the Ministry of Science, Technology and Innovation (MOSTI), the Ministry of International Trade and Industry (MITI), Ministry of Agriculture and Agro Based-Industry, UNDP and other relevant members such as the Federation of Manufacturers Malaysia (FMM) and other relevant trade and industry associations.

Consultants and technical support

The study will be undertaken by appropriate consultants. The selected consultants will report directly to the National Project Director (EPU's Director of the Evaluation Section [K-Economy Section]) which will provide the needed technical and administrative support.

In this regard, UNDP Rules and Regulations, outlined in the UNDP Procurement User Guide will be followed to recruit the relevant consultants to meet the terms of reference for the study.

The project components will be assigned appropriate partners from the NSC. Relevant project support staff will also be recruited to ensure the smooth implementation of the project.

Part IV. Monitoring and Evaluation

Annual Review

An annual project review will be conducted during the fourth quarter of the year as a basis for assessing the performance of the project. In the last year of the project, the review will be a final assessment. The review will involve all key project stakeholders and the Implementing Partner, and will focus on the extent to which progress is being made towards outputs and that they remain aligned to appropriate outcomes. This review should update output targets and results achieved.

Provision of Financial Resources and Monitoring their Use

Based on the approved work plan, UNDP will provide the required financial resources to the Implementing Partner to carry out the project activities during the annual cycle. Financial resources will be made available through direct payments. In this project, the UNDP focal point, will work closely with EPU to monitor the use of the financial resources. The UNDP focal point is accountable for

1. Managing UNDP's resources to achieve the expected results specified in the Project Document and approved work plan; and
2. Maintaining an up to date accounting system to ensure accuracy and reliability of financial reporting.

At the end of a quarter/year UNDP prepares a Combined Delivery Report (CDR) as an input to the review of financial resources. The Implementing Partner, i.e. EPU should sign this CDR.

A project revision shall be made when appropriate; to respond to changes in the development context or to adjust the design and resources allocation to ensure the effectiveness of the project provided that the project remains relevant to the Country Programme. A project revision shall be supported by the record of an approval decision made by the project Steering Committee, and an updated and signed Annual Work Plan (AWP). UNDP will track all justifications within Atlas. However, changes to a the project that do not affect the scope(outputs), completion date or total estimated cost do not require a revision approved by the Steering Committee provided that the redeployment of resources is within the project framework and its financing arrangements.

Procurement

Any procurement actions carried out by UNDP for the project implementation are required to follow the policies and procedures outlined in the UNDP Procurement User Guide.

Audit Requirements

As with all nationally executed projects, the project must be audited at least once in its lifetime, in accordance with UNDP procedures as approved in writing by the Government from time to time. The objective of the audit is to provide the UNDP Administrator with the assurances that UNDP resources are being managed in accordance with:

1. The financial regulations, rules, practices and procedures prescribed for the project;
2. The project document and work plans, including activities, management and the project implementation arrangements, monitoring, evaluation, and reporting provisions; and
3. The requirements for execution in the areas of management, administration and finance.

While the Government is responsible for ensuring that the audit requirements are met, the project may be subject to audit by the auditors of UNDP, and UNDP shall have right of access to the relevant records.

The Government's own auditors i.e. the Auditor-General's Office will conduct the audit. The Government must ensure that the audit is performed in accordance with the generally accepted standards and ensure that the audit report is duly reviewed and will reach UNDP Headquarters via the UNDP Malaysia office by 30 April of each year.

Monitoring and Documentation

As part of the monitoring process, four reports should be produced by the consultants and they are as follows:

1. *Inception report (30 copies)*

To be submitted in the 2nd month and is expected to include preliminary findings and future work to be undertaken

2. *Interim report (30 copies)*

To be submitted in the 12th month and is expected to include tentative recommendations as well as take into consideration comments of the steering committee, findings of the seminar/workshop discussions, other findings and information gathered and encountered during the work.

3. Draft final report (30 copies)

The draft final report shall be submitted 2 months after the approval of the Interim report. This report should contain the proposed set of policies, strategies and programmes to promote and increase the application of knowledge and innovation in the selected subsectors and industries.

4. Final report (30 copies)

The final report shall be submitted after one month after the meeting held to discuss the draft final report.

The consultants are also required to submit the following (at the draft final report stage) :-

- Technical notes on the revised conceptual framework and knowledge content model.
- Survey data along with a report on the analysis performed using the collected data.

Part V. Legal Context

This project document shall be the instrument envisaged in the Supplemental Provisions to the Project Document. The Supplemental Provisions to the Project Document is a standard annex to project documents that is used in countries which are not parties to the Standard Basic Assistance Agreement (SBAA). The Supplemental Provisions outlines the specific basic conditions under which UNDP assists the Government in carrying its development programmes. It specifies the UNDP privileges and immunities, the forms of assistance, the management arrangements, the role of the Government and the executing agency, resources, costs and general provisions. The host country-implementing agency shall for the purpose of the Supplemental Provisions to the Project Document, refer to the Government Cooperating agency described in the Supplemental Provisions.

All activities stipulated in the Project Document shall be implemented accordingly. However, should there be a need to make changes/modifications to any of the agreed activities; all signatories of the Project Document must concur, before such changes are made.

The following types of revisions may be made to this project document with the signature of the UNDP principal project representative and the Government of Malaysia, provided he or she is assured that the other signatories of the project document have no objection to the proposed changes:

1. Revisions in, or addition of, any of the annexes of the project document [with the exception of the Standard Legal Text for non-SBAA countries which may not be altered and the agreement to which is a pre-condition for UNDP assistance];
2. Revisions which do not involve significant changes in the immediate objectives, outputs or activities of a project, but are caused by the rearrangement of inputs already agreed to or by cost increases due to inflation; and
3. Mandatory annual revisions which re-phase the delivery of agreed project inputs or increased expert or other costs due to inflation or to take into account agency expenditure flexibility."

Confidentiality

The Parties shall undertake that neither Party shall disclose or distribute any confidential information, documents or data received or supplied to the other Party in the course of the implementation of this Project Document and any other agreements made pursuant to this Project Document, to any third party except to the extent as authorized in writing to do so by the other Party.

Both the Parties agree that the provisions of this Article shall continue to be binding between the Parties notwithstanding the expiry or termination of this Project Document.

Suspension

Each Party reserves the right for reasons of national security, national interest, public order or public health to suspend temporarily, either in whole or in part, the implementation of this Project Document which suspension shall take effect immediately after notification has been given to the other Party in writing.

Revision, Modification and Amendment

Any Party may request in writing a revision, modification or amendment of all or any part of this Project Document. Any revision, modification or amendment agreed to by the Parties shall be reduced into writing and shall form part of this Project Document. Such revision, modification or amendment shall come into force on such date as may be determined by the Parties. Any revision, modification or amendment shall not prejudice the rights and obligations arising from or based on this a Project Document prior or up to the date of such revision, modification or amendment.

Arbitration

Any dispute, which cannot be resolved amicably, shall be settled by arbitration in accordance with the Arbitration Act 1952 [Act 93] and the rules of arbitration as adopted by the Regional Centre for Arbitration at Kuala Lumpur.

The number of arbitrators shall be three (3), with one (1) arbitrator to be appointed by UNDP and one (1) arbitrator by the Government and the third to be agreed between the two (2) nominated arbitrators. If the two (2) arbitrators fails to agree on the person to be nominated, on the application of either Party hereto the same shall be appointed by the Director of the Regional Centre of Arbitration in Kuala Lumpur.

Any such reference to arbitration shall be deemed to be a submission to arbitration within the meaning of the Arbitration Act 1952.

The decision of the panel of arbitrators shall be final and binding on both Parties. The arbitrator shall have the power to order specific performance of any obligation under this Project Document.

Entry into Force, Duration and Termination

This Project Document shall enter into force on the Starting Date and shall remain in force until the Completion Date unless on of the Parties notify the other Party of its intention to terminate this Project Document by a notice in writing, at least six (6) months prior to the date of the intended termination.

The termination of the Project Document shall not affect the implementation of on going activities/programmes which have been agreed upon prior to the date of the termination of this Project Document.

Protection of Intellectual Property Rights

The protection of intellectual property rights shall be enforced in conformity with the national laws and regulations of Malaysia and with other international agreements signed by the Parties.

The use of the name, logo and/or official emblem of any of the Parties on any publication, document and/or paper is prohibited without the prior written approval of Party concerned.

Notwithstanding anything in paragraph 1 above, the intellectual property rights in respect of any technological development, products and services development, carried out:

1. Jointly by the Parties or the research results obtained through the joint effort of the Parties, shall be owned by the Parties in accordance with the terms to be mutually agreed upon; or
2. Solely and separately by the Party or the research results obtained through the sole and separate effort of the Party, shall be solely owned by the Party concerned.

Annex 1: Terms of Reference for National Steering Committee (NSC)

The National Steering Committee (NSC) will monitor the conduct of the project and provide guidance and direction to the project team at the strategic level. The National Steering Committee will be established with the following composition and will meet at least twice a year and as and when the need arises.

The Director-General of the Economic Planning Unit (EPU) or someone assigned by the DG will chair the committee. The secretariat services will be provided by the implementing agency (EPU). The committee members shall include representatives from the Department of Statistics, the Ministry of Science, Technology and Innovation (MOSTI), UNDP, relevant Government agencies and cooperating organizations/institutions, which have a direct bearing on the successful implementation of the project.

Duties and Responsibilities

NSC shall be responsible for the following functions:

- Setting policies defining the functions, responsibilities and delegation of powers for the local implementing agency;
- Facilitating the coordination and implementation of project activities across institutions;
- Reviewing the project activities, and their adherence to the work plan set forth in the project document and approve any modifications/revisions as may be necessary;
- Reviewing and approving on each year's proposed work plan and budget;
- Approving major project deliverables;
- Making decisions on the issues brought to its notice by UNDP and other cooperating institutions, and advise regarding efficient and timely execution of the project;
- Reviewing issues raised and agreeing to action plans for their resolutions;
- Appointing sub-committees to carry out specific tasks; and,
- Initiating remedial action to remove impediments in the progress of the project activities that were not envisaged earlier.
- Monitoring the continued applicability of project benefits; and,
- Approving requests for changes (e.g. scope changes, schedule alterations, personnel).

Annex 2: Terms of Reference for Technical Working Committee (TWC)

A national level Technical Working Committee (TWC) will be established to assist the National Steering Committee (NSC) in monitoring and controlling the technical implementation of the project and the activities. The TWC will act as the technical advisors to the NSC, and ensure that the project work will be implemented according to the planning processes.

The tentative members of the TWC are as follows. This will be confirmed in the first National Steering Committee meeting.

- Economic Planning Unit (EPU)
- Ministry of Science, Technology and Innovation (MOSTI)
- Department of Statistics, Malaysia
- UNDP
- Private sector representatives
- NGO and CSO representatives, where relevant and appropriate

Responsibilities of the TWC include:

1. Reporting to the NSC on the technical progress of the Project and research activities in the project area;
2. Advising the NSC on the technical aspects of the implementation of the project;
3. Reviewing and reconciling all relevant technical reports and information produced by the project; and
4. Ensuring that the research remains relevant to State and National planning processes.

Annex 3: Terms of Reference for MYKe II Study

Background

1. The knowledge-based economy will provide the platform to sustain a rapid rate of economic growth and enhance international competitiveness so as to achieve the objectives of Vision 2020. It will also contribute towards strengthening economic resilience, as it will set the foundation for endogenously generated growth resulting from Malaysia's strengthened capability to conduct research and development (R&D), innovate and create indigenous technology, design and develop new products as well as move up the value chain.
2. In the pursuit to develop Malaysia into a knowledge-based economy, one of the major thrusts is to raise the knowledge content in the agriculture, manufacturing and services sectors as well as optimize the potential of biotechnology. These sectors offer great prospects in the context of a knowledge-based economy and generating new sources of wealth as they have extensive scope to undertake innovation and apply new technology. To operationalise this thrust, the Government has undertaken several measures to facilitate the process of structural transformation to become more knowledge and technology intensive. Hence, it is essential not only to assess the progress in terms of the level of knowledge and technology readiness from time to time but also the impact of the initiatives as well as identify areas which need to be further strengthened.
3. The first of these assessments was conducted in 2002/2003 under the MYKe I study and the first report was published in 2005. The Government also committed to carry out similar assessments every 3 years. The proposed study, MYKe II, is also in line with the commitment. The methodological framework was developed under the MYKe I and as was acknowledged in that study itself, the framework is one that is evolving and may need to be updated taking account any recent developments. A specific area that may need to be relooked in this regard is the output component of the model, which under the MYKe I did not generate satisfactory results. It is, however, expected that such updating will be minimal.
4. MYKe II will expand its scope to include the primary food subsector given the renewed emphasis on 'New Agriculture'. The current availability of the population frame for the sector following the Agriculture Census has made this possible. The proposed study will also include specific analysis of biotechnology firms in line with the Government's aspiration to develop biotechnology into a new driver of economic growth.

5. The study will cover firms with different characteristics in terms of size (with particular reference to small and medium enterprises), ownership (local/foreign) and market orientation (domestic/export). The results of this study will serve as inputs to the Economic Planning Unit (EPU) and relevant implementing agencies in the formulation of appropriate policies, strategies and programs to improve the knowledge content of these industries with a view to increase their productivity and competitiveness.

Objectives of the Study

6. The objectives of this study are to achieve the following:
- i. develop an updated framework that will enable in depth assessment of the level of knowledge content in key sectors of the economy on a regular basis;
 - ii. undertake intrusive analysis that could serve to improve understanding of issues and can result in the formulation of targeted policies and strategies;
 - iii. identify sectors/industries that are lagging behind; identify sectors/industries that have the biggest potential to benefit from greater use of knowledge and technology; and
 - iv. formulate appropriate policies to promote greater application of knowledge as well as technology benchmarking against international best practices.

Scope of Work

7. The scope of work for this study is as follows:
- i. revisit the conceptual framework and model of knowledge content that was developed in the MYKe I and make improvements, if and where necessary taking account of recent developments and new literature available in the area;
 - ii. determine the current level of knowledge content and the flow of knowledge in the key subsectors within agriculture, manufacturing and services, and the biotechnology industry;
 - iii. undertake time series analyses with MYKe I as the base;
 - iv. analyze the knowledge and technology trajectories of the selected industries;
 - v. analyze the link between FDI and knowledge/technology transfer at the firm/industry level;

- vi. analyze the link between MNCs and knowledge/technology transfer to SMEs;
- vii. assess the impact of related public sector programmes on increasing knowledge content;
- viii. assess the impact of increased knowledge content and the flow of knowledge including the use of information and communications technology (ICT) on productivity, efficiency, competitiveness and profitability of these firms/sectors;
- ix. assess the level of awareness on the importance of increasing knowledge content and the flow of knowledge among firms in these sectors;
- x. assess the extent of preparedness to become knowledge intensive including in terms of its organizational structure; capacity to create, absorb, utilize and disseminate knowledge; e-business tools, internal operations; external transactions; production process; human resources; and, access to ICT – hardware/software;
- xi. identify other areas for assessment by undertaking in-depth analysis;
- xii. identify constraints and limitations to greater creation, acquisition, utilization and dissemination of knowledge, and future plans at the industry level;
- xiii. identify subsectors/industries that are lagging behind;
- xiv. identify and prioritize subsectors/industries that have the greatest potential to benefit from greater application of knowledge and technology;
- xv. identify best practices in respect of promoting application of knowledge among industries; and
- xvi. propose measures including policies, strategies and programmes to promote and increase greater application of knowledge in these subsectors/industries;
- xvii. develop capacity of the client to undertake regular assessment of the level of knowledge content and its impact.

Coverage

8. The study will cover selected key industries in the agriculture, manufacturing and services sectors with specific inclusion of the biotechnology industry. The selected key industries in each of these sectors are listed below. This list is not meant to be exhaustive and open to additions by the consultant and client. It is proposed that the study be undertaken through consultancy while the firm level survey that is required be undertaken by the Department of Statistics, Malaysia (DOS) together with the Economic Census 2006.

a. *Agriculture*

- Primary Food Subsector (Fisheries, Livestock, Vegetables and Fruits)

b. *Manufacturing*

- Food Processing
- Chemicals, Petroleum & Pharmaceuticals
- Rubber and Plastic Products
- Wood-based Products
- Fabricated Metal
- Automotive
- Transport Equipment
- Textile, Wearing, Apparel & Footwear
- Electrical & Electronic
- Machinery and Instruments

c. *Services*

- Tertiary Education
- Transportation (Ports, Airports and Shipping)
- Finance (Head Offices)
- Selected Tourism
- Telecommunications and Courier (Head Offices)
- Health
- Information Technology
- Selected Business Services

d. *Biotechnology*

Implementation

9. MYKe II will be under the supervision of the Knowledge Economy Section of EPU. The study will commence in mid 2006 upon signing of the contract and expected to be completed in fifteen months. A steering committee chaired by the Deputy Director General (Macro) of EPU and membership from related agencies is proposed to guide, monitor and coordinate the study.

Methodology

10. The consultants shall revisit the MYKe I framework with a view to update recent findings and development towards meeting the objectives of the study. In doing so, more recent literature in the area must be taken into account to make the methodology more current. Besides relying on secondary information, a survey will also need to be conducted at the firm/industry level to meet the objectives of the study. In this regard, the consultants will be required to revise the MYKe I questionnaire to meet the requirement of the study - leaving out unnecessary questions and adding new ones, where necessary. The consultant will work closely with the client at all stages of the study in an effort to develop the capacity of the client in the area of study.

Output of the study

- i. **Inception Report** - to be submitted in the 2nd month and is expected to include preliminary findings and future work to be undertaken.
- ii. **Interim Report** - to be submitted in the 12th month and is expected to include tentative recommendations as well as take into consideration comments of the steering committee, findings of the seminar/workshop discussions, other findings and information gathered and encountered during the work.
- iii. **Final Report** - The final report will be submitted to EPU by the 14th month and finalized by the 15th month.
- iv. An updated framework/methodology/model to measure the level of knowledge content in the selected industries and to assess its impact on productivity, efficiency, competitiveness and profitability as well as in other areas to be identified by the consultants;
- v. Technical notes on the revised framework/methodology/model;
- vi. Survey data;

- vii. Counterpart training and workshop for knowledge transfer to the client; and
- viii. Inception, interim and final reports including policies, strategies and programmes to promote and increase greater application of knowledge in the selected subsectors/industries; and

Consultancy

11. It is proposed that the study be undertaken by Georgia Institute of Technology (Georgia Tech), USA the consultant to the MYKe I study. Among the reasons are, this remains new area and a similar assessment has yet to be undertaken by other parties. The assessment will also largely be based on the framework developed jointly by EPU and Georgia Tech under the MYKe I study. Georgia Tech also met our expectations and performed satisfactorily in delivering the MYKe I Study.

Funding

12. It is proposed that the cost of the foreign consultancy be financed through the United Nations Development Programme (UNDP), who also funded MYKe I, while survey to be undertaken by DOS and other local components of the study be financed under PO6.

Schedule of Work

The work schedule is as per Annex 4

Knowledge Economy Section
Economic Planning Unit

July 2006

Annex 5: Project Budget

**Study on Knowledge Content In Key Economic Sectors In Malaysia Phase 2 (MYKe II)
2006 - 2007**

ATLAS Codes	Description	Amount		Year			
		Total Budget		2006		2007	
		US Dollars	Ringgit	USD	RM	USD	RM
	Activity 1 - Project Personnel						
71200	International Consultants						
71205	International Consultants	\$295,000.00	\$1,082,650.00	\$147,500.00	\$541,325.00	\$147,500.00	\$541,325.00
	SUBTOTAL	\$295,000.00	\$1,082,650.00	\$147,500.00	\$541,325.00	\$147,500.00	\$541,325.00
71300	Local Consultants						
71305	Local Survey Expert	\$22,000.00	\$80,740.00	\$11,000.00	\$40,370.00	\$11,000.00	\$40,370.00
	SUBTOTAL	\$22,000.00	\$80,740.00	\$11,000.00	\$40,370.00	\$11,000.00	\$40,370.00
74500	Miscellaneous Costs						
74525	Sundry - Contingencies	\$7,000.00	\$25,690.00	\$3,500.00	\$12,845.00	\$3,500.00	\$12,845.00
	SUBTOTAL	\$7,000.00	\$25,690.00	\$3,500.00	\$12,845.00	\$3,500.00	\$12,845.00
	Activity 1 - TOTAL	\$324,000.00	\$1,189,080.00	\$162,000.00	\$594,540.00	\$162,000.00	\$594,540.00
	Activity 2 - Travel Expenses						
71600	Travel						
71605	Travel Tickets - International	\$50,000.00	\$183,500.00	\$25,000.00	\$91,750.00	\$25,000.00	\$91,750.00
71610	Travel Tickets - Local	\$10,000.00	\$36,700.00	\$5,000.00	\$18,350.00	\$5,000.00	\$18,350.00
71615	DSA - International	\$45,000.00	\$165,150.00	\$22,500.00	\$82,575.00	\$22,500.00	\$82,575.00
71620	DSA - Local	\$10,000.00	\$36,700.00	\$5,000.00	\$18,350.00	\$5,000.00	\$18,350.00
	Activity 2 - TOTAL	\$115,000.00	\$422,050.00	\$57,500.00	\$211,025.00	\$57,500.00	\$211,025.00

Annex 5: Project Budget

**Study on Knowledge Content In Key Economic Sectors In Malaysia Phase 2 (MYKe II)
2006 - 2007**

ATLAS Codes	Description	Amount		Year			
		Total Budget		2006		2007	
	Activity 3 - Capacity Building						
74200	Audio Visual and Printing Production Cost						
74210	Printing and Publication - Advocacy Report	\$15,000.00	\$55,050.00	\$7,500.00	\$27,525.00	\$7,500.00	\$27,525.00
	SUBTOTAL	\$15,000.00	\$55,050.00	\$7,500.00	\$27,525.00	\$7,500.00	\$27,525.00
74500	Miscellaneous Costs						
74525	Sundry - Workshop @ Interim Level	\$7,000.00	\$25,690.00	\$3,500.00	\$12,845.00	\$3,500.00	\$12,845.00
	Sundry - Policy Dialogue	\$9,000.00	\$33,030.00	\$4,500.00	\$16,515.00	\$4,500.00	\$16,515.00
	Sundry - Contingencies	\$5,000.00	\$18,350.00	\$2,500.00	\$9,175.00	\$2,500.00	\$9,175.00
	Other Misc. Expenses - Backdrops, Programme Booklets, Seminar Bags etc	\$10,000.00	\$36,700.00	\$5,000.00	\$18,350.00	\$5,000.00	\$18,350.00
	Training Costs	\$15,000.00	\$55,050.00	\$7,500.00	\$27,525.00	\$7,500.00	\$27,525.00
	SPSS Licence	\$20,000.00	\$73,400.00	\$10,000.00	\$36,700.00	\$10,000.00	\$36,700.00
	SUBTOTAL	\$66,000.00	\$242,220.00	\$33,000.00	\$121,110.00	\$33,000.00	\$121,110.00
	Activity 3 - TOTAL	\$81,000.00	\$297,270.00	\$40,500.00	\$148,635.00	\$40,500.00	\$148,635.00
75100	GMS						
75110	Country Office Support Cost	\$15,000.00	\$55,050.00	\$7,500.00	\$27,525.00	\$7,500.00	\$27,525.00
	SUBTOTAL	\$15,000.00	\$55,050.00	\$7,500.00	\$27,525.00	\$7,500.00	\$27,525.00
	TOTAL	\$535,000.00	\$1,963,450.00	\$267,500.00	\$981,725.00	\$267,500.00	\$981,725.00

Assume using TRAC funds -	\$270,000.00
Cost Sharing funds -	\$250,000.00
Country Office Support Cost -	\$15,000.00
Total Cost Sharing Portion -	\$265,000.00

Annex 6: Terms of Reference For National Project Director

National Project Director is a staff member of the Government implementing agency of a UNDP-supported project. His/her main responsibility is to co-ordinate project activities among the main parties to the project: the Government co-coordinating authority, the consultant, and UNDP.

Specifically, he/she works in close collaboration with UNDP staff and his/her responsibility include:

- Ensuring that the project document and project revisions requiring Government's approval are processed through the Government co- coordinating authority , in accordance with established procedures;
- Preparing work plans in discussion with the consultant and UNDP;
- Mobilizing national institutional mechanisms for smooth progress of project;
- Providing formal project/deliverable sign-off and acceptance;
- Reviewing project status reports;
- Providing direction and guidance on project-related issues;
- Providing advice and guidance to the project team.

Annex 8: Annual Programme/Project Report (APR)**Basic programme/project information** (To be provided by programme or project management)

Programme or project number and title _____

Designated institution: _____

Project starting date: _____

Originally planned: _____

Actual: _____

Project completion date: _____

Originally planned: _____

New: _____

Total budget (\$): _____

Original: _____

Latest signed revision: _____

Period covered by the report: _____

PART I: NUMERICAL RATING

Rate the relevance and performance of the programme or project using the following scale:

1 - Highly satisfactory

2 - Satisfactory

3 - Unsatisfactory, with some positive elements

4 - Unsatisfactory

X - Not applicable

Place your answers in the column that corresponds to your role in the programme or project.

SUBSTANTIVE FOCUS	Target group(s)	Programme or project manager	Government	UNDP
A. RELEVANCE				
1. How relevant is the programme or project to the development priorities of the country? 2. How relevant is the programme or project to the promotion of sustainable human development? Indicate your rating on the focus area which the programme or project was designed to address. (a) Poverty eradication and sustainable livelihoods (b) Protection and regeneration of the environment (c) Gender in development (d) Promoting an enabling environment for SHD, including governance				
3. To what extent are appropriate beneficiary groups being targeted by the programme or project, based on the following considerations? (a) Gender (b) Socio-economic factors (c) Geographic location				
4. Given the objectives of the programme or project, are the appropriate institutions being assisted?				

B. PERFORMANCE				
<p>1. Using the following indicators rate the contribution of the outputs to the achievement of the immediate objectives:^{a/}</p> <p>(Indicator 1)</p> <p>(Indicator 2)</p> <p>(Indicator 3)</p>				
2. Rate the production of target outputs.				
3. Are the management arrangements of the programme or project appropriate?				
<p>4. Are programme or project resources (financial, physical and manpower) adequate in terms of:</p> <p>(a) quantity?</p> <p>(b) quality?</p>				
5. Are programme or project resources being used efficiently to produce planned results?				
6. Is the programme or project cost-effective compared to similar interventions?				

^{a/} The programme or project manager must list the indicators as reflected in the programme support document or project document or as agreed on by the stakeholders.

<p>7. Based on its work plan, how would you rate the timeliness of the programme or project in terms of:</p> <p>(a) Production of outputs and initial results?</p> <p>(b) Inputs delivery?</p>				
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	Target group(s)	Programme or project manager	Government	UNDP
OVERALL RATING OF THE PROGRAMME OR PROJECT				

Explain the basis of your rating, which need not be limited to, or which may be different from, the relevance and performance criteria rated above. For the last year of the programme or project, the overall rating should include an assessment of the potential success of the programme or project as well as its relevance and performance.

PART II: TEXTUAL ASSESSMENT

1. What are the major achievements of the programme or project vis-à-vis the expected results during the year under review? To the extent possible, include an assessment of the potential impact, sustainability and contribution to capacity development.
2. What major issues and problems are affecting the achievement of programme or project results?
3. How should these issues or problems be resolved? Please explain in detail the action(s) recommended. Specify who should be responsible for such actions. Also indicate a tentative time-frame and the resources required.
4. What new developments (if any) are likely to affect the achievement of programme or project results? What do you recommend to respond to these developments?

5. What are the views of the target groups with regard to the programme or project? Please note any significant gender-based differences in those views.
6. To date, what lessons (both positive and negative) can be drawn from the experience of the programme or project?
7. If the programme or project has been evaluated, what is the implementation status of the recommendations made by the evaluators?
8. Do you propose any substantive revision to the programme or project document? If yes, what are they? State justification.
9. Provide any other information that may further support or clarify your assessment of the programme or project. You may include annexes as you deem necessary.

<p>For target groups:</p> <p>Name:</p> <p>Title:</p> <p>Signature: _____ Date: _____</p>
<p>For the programme or project management:</p> <p>Name:</p> <p>Title:</p> <p>Signature: _____ Date: _____</p>
<p>For the government:</p> <p>Name:</p> <p>Title:</p> <p>Signature: _____ Date: _____</p>
<p>For UNDP:</p> <p>Name:</p> <p>Title:</p> <p>Signature: _____ Date: _____</p>

PART III: Programme or project summary table

<i>Programme/project title and number:</i>		<i>Management arrangement:</i>	
<i>Designated institution:</i>		<i>Period covered:</i>	
OVERALL ASSESSMENT			
<i>Brief analysis of progress achieved in the contribution of the programme or project to the expected results.</i>			

FINANCIAL SUMMARY			
<i>Source of funds</i>	<i>Annual budget (\$ '000)</i>	<i>Estimated annual expenditure (\$ '000)</i>	<i>Delivery rate (%)</i>
TRAC (1 and 2) TRAC 3 Other Cost-sharing: Government Financial institution Thirdparty Trust funds AOS (where applicable)			

SUMMARY OF RESULTS			
<i>Programme support objectives (PSOS) or immediate objectives</i>		<i>Indicators</i>	<i>Achievements</i>
<i>Obj. 1</i>			
<i>Obj. 2</i>			
<i>Obj. 3</i>			
<i>....</i>			

<i>Annual output targets</i>	<i>Achievement of outputs</i>	<i>Proposed output targets for the next year</i>
<i>Obj. 1</i>		
Output 01 Output 02 Output 03 ...		

<i>Annual output targets</i>	<i>Achievement of outputs</i>	<i>Proposed output targets for the next year</i>
<i>Obj. 2</i>		
Output 01 Output 02 Output 03 ...		

Standard annex to project documents for use in countries which are not parties to the Standard Basic Assistance Agreement (SBAA)

Standard Text: Supplemental Provisions to the Project Document:
The Legal Context

General responsibilities of the Government, UNDP and the executing agency

1. All phases and aspects of UNDP assistance to this project shall be governed by and carried out in accordance with the relevant and applicable resolutions and decisions of the competent United Nations organs and in accordance with UNDP's policies and procedures for such projects, and subject to the requirements of the UNDP Monitoring, Evaluation and Reporting System.
2. The Government shall remain responsible for this UNDP-assisted development project and the realization of its objectives as described in this Project Document.
3. Assistance under this Project Document being provided for the benefit of the Government and the people of (the particular country or territory), the Government shall bear all risks of operations in respect of this project.
4. The Government shall provide to the project the national counterpart personnel, training facilities, land, buildings, equipment and other required services and facilities. It shall designate the Government Co-operating Agency named in the cover page of this document (hereinafter referred to as the "Co-operating Agency"), which shall be directly responsible for the implementation of the Government contribution to the project.
5. The UNDP undertakes to complement and supplement the Government participation and will provide through the Executing Agency the required expert services, training, equipment and other services within the funds available to the project.
6. Upon commencement of the project the Executing Agency shall assume primary responsibility for project execution and shall have the status of an independent contractor for this purpose. However, that primary responsibility shall be exercised in consultation with UNDP and in agreement with the Co-operating Agency. Arrangements to this effect shall be stipulated in the Project Document as well as for the transfer of this responsibility to the Government or to an entity designated by the Government during the execution of the project.

7. Part of the Government's participation may take the form of a cash contribution to UNDP. In such cases, the Executing Agency will provide the related services and facilities and will account annually to the UNDP and to the Government for the expenditure incurred.

(a) Participation of the Government

1. The Government shall provide to the project the services, equipment and facilities in the quantities and at the time specified in the Project Document. Budgetary provision, either in kind or in cash, for the Government's participation so specified shall be set forth in the Project Budgets.

2. The Co-operating Agency shall, as appropriate and in consultation with the Executing Agency, assign a director for the project on a full-time basis. He shall carry out such responsibilities in the project as are assigned to him by the Co-operating Agency.

3. The estimated cost of items included in the Government contribution, as detailed in the Project Budget, shall be based on the best information available at the time of drafting the project proposal. It is understood that price fluctuations during the period of execution of the project may necessitate an adjustment of said contribution in monetary terms; the latter shall at all times be determined by the value of the services, equipment and facilities required for the proper execution of the project.

4. Within the given number of man-months of personnel services described in the Project Document, minor adjustments of individual assignments of project personnel provided by the Government may be made by the Government in consultation with the Executing Agency, if this is found to be in the best interest of the project. UNDP shall be so informed in all instances where such minor adjustments involve financial implications.

5. The Government shall continue to pay the local salaries and appropriate allowances of national counterpart personnel during the period of their absence from the project while on UNDP fellowships.

6. The Government shall defray any customs duties and other charges related to the clearance of project equipment, its transportation, handling, storage and related expenses within the country. It shall be responsible for its installation and maintenance, insurance, and replacement, if necessary, after delivery to the project site.

7. The Government shall make available to the project - subject to existing security provisions - any published and unpublished reports, maps, records and other data which are considered necessary to the implementation of the project.

8. Patent rights, copyright rights and other similar rights to any discoveries or work resulting from UNDP assistance in respect of this project shall belong to the UNDP. Unless otherwise agreed by the Parties in each case, however, the Government shall have the right to use any such discoveries or work within the country free of royalty and any charge of similar nature.

9. The Government shall assist all project personnel in finding suitable housing accommodation at reasonable rents.

10. The services and facilities specified in the Project Document which are to be provided to the project by the Government by means of a contribution in cash shall be set forth in the Project Budget. Payment of this amount shall be made to the UNDP in accordance with the Schedule of Payments by the Government.

11. Payment of the above-mentioned contribution to the UNDP on or before the dates specified in the Schedule of Payments by the Government is a prerequisite to commencement or continuation of project operations.

(b) Participation of the UNDP and the executing agency

1. The UNDP shall provide to the project through the Executing Agency the services, equipment and facilities described in the Project Document. Budgetary provision for the UNDP contribution as specified shall be set forth in the Project Budget.

2. The Executing Agency shall consult with the Government and UNDP on the candidature of the Project Manager ^{a/} who, under the direction of the Executing Agency, will be responsible in the country for the Executing Agency's participation in the project. The Project Manager shall supervise the experts and other agency personnel assigned to the project, and the on-the-job training of national counterpart personnel. He shall be responsible for the management and efficient utilization of all UNDP-financed inputs, including equipment provided to the project.

3. The Executing Agency, in consultation with the Government and UNDP, shall assign international staff and other personnel to the project as specified in the Project Document, select candidates for fellowships and determine standards for the training of national counterpart personnel.

4. Fellowships shall be administered in accordance with the fellowships regulations of the Executing Agency.

^{a/} May also be designated Project Co-ordinator or Chief Technical Adviser, as appropriate.

5. The Executing Agency may, in agreement with the Government and UNDP, execute part or all of the project by subcontract. The selection of subcontractors shall be made, after consultation with the Government and UNDP, in accordance with the Executing Agency's procedures.

6. All material, equipment and supplies which are purchased from UNDP resources will be used exclusively for the execution of the project, and will remain the property of the UNDP in whose name it will be held by the Executing Agency. Equipment supplied by the UNDP shall be marked with the insignia of the UNDP and of the Executing Agency.

7. Arrangements may be made, if necessary, for a temporary transfer of custody of equipment to local authorities during the life of the project, without prejudice to the final transfer.

8. Prior to completion of UNDP assistance to the project, the Government, the UNDP and the Executing Agency shall consult as to the disposition of all project equipment provided by the UNDP. Title to such equipment shall normally be transferred to the Government, or to an entity nominated by the Government, when it is required for continued operation of the project or for activities following directly therefrom. The UNDP may, however, at its discretion, retain title to part or all of such equipment.

9. At an agreed time after the completion of UNDP assistance to the project, the Government and the UNDP, and if necessary the Executing Agency, shall review the activities continuing from or consequent upon the project with a view to evaluating its results.

10. UNDP may release information relating to any investment oriented project to potential investors, unless and until the Government has requested the UNDP in writing to restrict the release of information relating to such project.

Rights, Facilities, Privileges and Immunities

1. In accordance with the Agreement concluded by the United Nations (UNDP) and the Government concerning the provision of assistance by UNDP, the personnel of UNDP and other United Nations organizations associated with the project shall be accorded rights, facilities, privileges and immunities specified in said Agreement.

2. The Government shall grant UN volunteers, if such services are requested by the Government, the same rights, facilities, privileges and immunities as are granted to the personnel of UNDP.

3. The Executing Agency's contractors and their personnel (except nationals of the host country employed locally) shall:

(a) Be immune from legal process in respect of all acts performed by them in their official capacity in the execution of the project;

(b) Be immune from national service obligations;

(c) Be immune together with their spouses and relatives dependent on them from immigration restrictions;

(d) Be accorded the privileges of bringing into the country reasonable amounts of foreign currency for the purposes of the project or for personal use of such personnel, and of withdrawing any such amounts brought into the country, or in accordance with the relevant foreign exchange regulations, such amounts as may be earned therein by such personnel in the execution of the project;

(e) Be accorded together with their spouses and relatives dependent on them the same repatriation facilities in the event of international crisis as diplomatic envoys.

4. All personnel of the Executing Agency's contractors shall enjoy inviolability for all papers and documents relating to the project.

5. The Government shall either exempt from or bear the cost of any taxes, duties, fees or levies which it may impose on any firm or organization which may be retained by the Executing Agency and on the personnel of any such firm or organization, except for nationals of the host country employed locally, in respect of:

(a) The salaries or wages earned by such personnel in the execution of the project;

(b) Any equipment, materials and supplies brought into the country for the purposes of the project or which, after having been brought into the country, may be subsequently withdrawn therefrom;

(c) Any substantial quantities of equipment, materials and supplies obtained locally for the execution of the project, such as, for example, petrol and spare parts for the operation and maintenance of equipment mentioned under (b), above, with the provision that the types and approximate quantities to be exempted and relevant procedures to be followed shall be agreed upon with the Government and, as appropriate, recorded in the Project Document; and

(d) As in the case of concessions currently granted to UNDP and Executing Agency's personnel, any property brought, including one privately owned automobile per employee, by the firm or organization or its personnel for their personal use or consumption or which after having been brought into the country, may subsequently be withdrawn therefrom upon departure of such personnel.

6. The Government shall ensure:

(a) prompt clearance of experts and other persons performing services in respect of this project; and

(b) the prompt release from customs of:

(i) equipment, materials and supplies required in connection with this project; and

(ii) property belonging to and intended for the personal use or consumption of the personnel of the UNDP, its Executing Agencies, or other persons performing services on their behalf in respect of this project, except for locally recruited personnel.

7. The privileges and immunities referred to in the paragraphs above, to which such firm or organization and its personnel may be entitled, may be waived by the Executing Agency where, in its opinion or in the opinion of the UNDP, the immunity would impede the course of justice and can be waived without prejudice to the successful completion of the project or to the interest of the UNDP or the Executing Agency.

8. The Executing Agency shall provide the Government through the resident representative with the list of personnel to whom the privileges and immunities enumerated above shall apply.

9. Nothing in this Project Document or Annex shall be construed to limit the rights, facilities, privileges or immunities conferred in any other instrument upon any person, natural or juridical, referred to hereunder.

Suspension or termination of assistance

1. The UNDP may by written notice to the Government and to the Executing Agency concerned suspend its assistance to any project if in the judgement of the UNDP any circumstance arises which interferes with or threatens to interfere with the successful completion of the project or the accomplishment of its purposes. The UNDP may, in the same or a subsequent written notice, indicate the conditions under which it is prepared to resume its assistance to the project. Any such suspension shall continue until such time as such conditions are accepted by the Government and as the UNDP shall give written notice to the Government and the Executing Agency that it is prepared to resume its assistance.

2. If any situation referred to in paragraph 1, above, shall continue for a period of fourteen days after notice thereof and of suspension shall have been given by the UNDP to the Government and the Executing Agency, then at any time thereafter during the continuance thereof, the UNDP may by written notice to the Government and the Executing Agency terminate the project.

3. The provisions of this paragraph shall be without prejudice to any other rights or remedies the UNDP may have in the circumstances, whether under general principles of law or otherwise.