

No.

The Government of Malaysia

Japan International
Cooperation Agency

Technical Cooperation Project
for
Institutional Capacity Building
on Infrastructure Finance in Malaysia

Final Report

October 2005

Bank Pembangunan & Infrastruktur Malaysia Berhad

The Japan Economic Research Institute

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PREFACE

In response to the request from the Government of Malaysia, the Government of Japan agreed to conduct “The Project on Institutional Capacity Building on Infrastructure Finance in Malaysia” which was implemented by the Japan International Cooperation Agency (JICA).

JICA sent an expert team, headed by Mr. Hirohiko Sekiya of the Japan Economic Research Institute to Malaysia seven times from June 2004 to September 2005.

The team held discussions with the officials concerned in the Government of Malaysia, carried out intensive joint work with Bank Pembangunan & Infrastruktur Malaysia Berhad (BPIMB), conducted field surveys, and implemented various activities for achieving the Project goals. After returning to Japan, the team compiled the final results of the Project in this report.

I hope this report will contribute to strengthening the institutional capacity of BPIMB on infrastructure finance, and also to enhancing the friendly relationship between Malaysia and Japan.

I wish to express my sincere appreciation to the officials concerned in the Government of Malaysia and BPIMB for their close cooperation throughout the study.

October 2005

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Abbreviations

ALM	Asset and Liability Management
BITMB	Bank Industri & Teknologi Malaysia Berhad
BNM	Bank Negara Malaysia
BPIMB	Bank Pembangunan Dan Infrastruktur Malaysia Berhad
CP	Counterpart
DBJ	Development Bank of Japan
DFIA	Development Financial Institutions Act
DFIs	Development Financial Institutions
EPU	Economic Planning Unit
FM	Financial Model
FSMP	Financial Sector Master Plan
HRD	Human Resource Development
ICT	Information and Communications Technology
JBIC	Japan Bank for International Cooperation
JCC	Joint Coordinating Committee
JERI	Japan Economic Research Institute
JICA	Japan International Cooperation Agency
KL	Kuala Lumpur
MOF	Ministry of Finance
OJT	On the Job Training
OPP3	The Third Outline Perspective Plan 2001-2010
PDM	Project Design Matrix
PFI	Private Finance Initiative
PPP	Public-Private Partnership
PRMS	Project Risk Matrix Sheet
PROTECO	Proposal of Technical Cooperation
RM	Ringgit Malaysia (2004.1 1US\$=3.8RM)
Sdn. Bhd.	Sendiran Berhad (Private Limited)
TA	Technical Assistance
TLR	Total Loan Portfolio Review
TRM	Total Risk Management

1. Project Summary

1.1 Background of the Project

The Government of Malaysia launched “Vision 2020” in 1991 with the objective of becoming a fully developed nation by 2020. The Third Outline Perspective Plan 2001-2010 (OPP3), announced in 2001, provides the second phase of national strategy to realize Vision 2020. The latest Eighth Malaysian Plan 2001-2005, the first phase in the implementation of OPP3, emphasizes policies for enhancing the competitiveness and resilience of the economy by shifting growth strategy from being input-driven towards one that is knowledge driven. Under this policy trend, the Eighth Plan focuses on increasing efficiency, productivity, quality and reliability of infrastructure project to support the nation’s competitiveness.

The Eighth Plan also emphasizes macroeconomic stability, which is critical to maintain sustainable growth with resilience as the country has seen the stability of the financial system challenged in the Asian financial crisis. Efforts to maintain macroeconomic stability includes pursuing sound macroeconomic management, ensuring prudent fiscal and monetary policies, and so forth. In response to the challenges in this new environment, the Financial Sector Master Plan (FSMP) was formulated in 2001 to outline the strategies for the development of the financial sector for achieving a more efficient, competitive and resilient financial system.

Infrastructure finance system of Malaysia was facing an issue of how to balance two policy objectives, that is promotion of infrastructure development and establishment of a sound financial system. The government of Malaysia has been taking various measures to strengthen its financial sector including Development Financial Institutions (DFIs), and introduced the Development Financial Institutions Act (DFIA) in 2002, recommending all DFIs to implement their mandated roles effectively, to provide financial services efficiently and to obtain a sound financial footing as financial institutions.

Bank Pembangunan Dan Infrastruktur Malaysia Berhad (BPIMB) is the leading Development Financial Institution (DFI) that engages in infrastructure finance operation in Malaysia. Although five years had passed since BPIMB was entrusted by the Government to finance infrastructure projects in 1999, its Infrastructure Banking Sector was facing urgent needs to further strengthen staffs’ capacities and to establish an efficient financing mechanism, as this sector requires a quite different expertise from financing SMIs, that had been the primary operation of BPIMB until 1998. Besides BPIMB became further pressed to implement its

reform measures ever since effectuation of the DFIA. In this context, BPIMB requested technical assistance in its capacity building to the Government of Japan. The Japan International Cooperation Agency (JICA) held a series of discussions with BPIMB on possibility of a technical cooperation project for BPIMB, conducting a preliminary evaluation on a project plan drawn and proposed by both sides in December 2003 and dispatching a project design team in March 2004. Based on the agreement between the Government of Japan and the Government of Malaysia, this project was conducted for one year and a half, from May 2004 until October 2005.

1.2 Summary of the Project Design

The Project Design of this project is summarized in a format of the Project Design Matrix (PDM), as attached as Annex 1.

Project Purpose: PDM describes that this project was conducted with the purpose that “Credit risk management capacity of infrastructure finance operation in BPIMB is strengthened with improved project management and risk management system and capability”.

Five Outputs: This purpose was to be achieved by fulfillment of five outputs, that is,

- i) Capacity of BPIMB’s infrastructure finance risk management system is strengthened,
- ii) Know-how on project risk evaluation is accumulated and shared in BPIMB,
- iii) BPIMB’s human resource development concerned with infrastructure finance is strengthened,
- iv) BPIMB’s capacity of organizational improvement related to infrastructure finance is enhanced, and
- iv) Understanding is enhanced regarding direction of the BPIMB’s infrastructure finance roles in Malaysia.

Overall Goal: This project also aims to enhance infrastructure finance capacity in Malaysia, especially that of BPIMB.

In the course of project implementation, the Government of Malaysia announced integration of BPIMB and Bank Industri & Teknologi Malaysia Berhad (BITMB) to be commenced from October 1 2005. This restructuring was aimed for achieving better focus and eliminating overlapping functions between the two DFIs. Movement for reorganization, however, did not influence purpose and scope of the project; it rather highlighted the importance of this project,

because BPIMB's infrastructure, together with the new mandated sectors maritime and high technology is to become mainstream banking function of the new organization.

However, changes were made to objectively identify verifiable indicators for the Project Purpose and Output 5. Revised PDM is included in Annex 1 and Background of the changes were explained in sections 4.2 and 4.1.5 respectively.

1.3 Methodology

1.3.1 Basic Policy

BPIMB and JICA experts implemented the project based on mutual understanding of the Project Implementation Policies described below. JICA experts provided appropriate technical assistance, that met BPIMB's needs, in efficient and effective manners, acknowledging

- That this project was one of the unprecedented and advanced technical assistance on infrastructure project finance to a policy-based financial institution,
- That the counterpart country, Malaysia, is an advanced country in ASEAN region and
- That this project is one of the first project conducted as Proposal of Technical Cooperation (PROTECO), a TA scheme newly introduced by JICA.

Basic Policy for Project Implementation

- i) Emphasis on ownership of the government of Malaysia and BPIMB and maintenance of close communication between the Malaysian side and the Japanese side during the Project implementation period.
- ii) Mutual understanding on the roles of the Japanese experts as to assist initiatives and self-help efforts by the Malaysian side: JICA experts provide advice and technical assistance, utilizing know-how and information that BPIMB has started to establish.
- iii) Mobilizing experienced JICA experts and other instructors in order to deal with various issues.
- iv) Making request for the Development Bank of Japan (DBJ) to collaborate in this Project in Malaysia and in Japan, because DBJ has similarities to BPIMB as a policy-based financial institution and it is one of the most experienced Japanese financial institution in the field of project finance in Japan.
- v) Planning the Project so that sustainability is secured after the project implementation.
- vi) Provision of necessary information from BPIMB to JICA experts who meet the confidentiality obligations.

1.3.2 Main features of the project implementation process

The Project employed a TA method that emphasized institutional capacity building of BPIMB, that is, a TA method that guarantees to enroot the transferred expertise in the organization. By doing so, sustainability of the benefit that is achieved by project implementation is to be enhanced. Also successful implementation of this project scheme necessitated BPIMB and JICA experts collaborate closely in implementing this project. In particular, BPIMB and JICA experts paid attention to effective and efficient project management, through reviewing the progress of the project regularly. Main features of this TA project and its implementation process are as follows;

- i) BPIMB organized a Taskforce, comprised of Counterpart Members (mainly at senior management level) and Working Team Members (mainly at officer level) concerned with infrastructure finance operation of BPIMB in order to secure regular communication and coordination with JICA experts.
- ii) JICA experts collaborated with BPIMB in Malaysia quarterly, working on main issues indicated by BPIMB plan and providing advice through OJT, in a timely and focused manner. In order to do so, JICA experts made plans for collaboration with BPIMB beforehand and carried out adequate preparations every quarter before coming to Malaysia. This TA method allowed BPIMB to conduct daily banking operation smoothly as well as to perform additional tasks that were necessary for this Project implementation.
- iii) JICA experts received the information from BPIMB, in accordance with the working schedule during the project implementation period, and analyzed concrete issues before each time they conduct TA in Malaysia. JICA experts made adequate preparation and collaborated with BPIMB with efficient and effective provision of advice in Malaysia. JICA experts made good use of information and know-how that BPIMB had obtained since its inception of infrastructure finance operation as much as possible.
- iv) Following measures were taken to secure continuation of the technical assistance in the course of the Project implementation as both sides worked separately in Malaysia and Japan respectively except for quarterly joint work in Malaysia;
 - a) Taskforce members of BPIMB and JICA experts grasped achievement and issues to be addressed in the future on a quarterly basis.
 - b) After coming back to Japan, JICA experts conducted follow-up works necessary to solve issues identified in the previous collaboration work in Malaysia and communicated and coordinated regularly with the Taskforce members through e-mails, faxes, etc.

- c) BPIMB and JICA experts secured regular communication through JICA-Net for overall information exchanges. This was basically conducted on a monthly basis during the months JICA experts do not work in Malaysia.
- v) This Project utilized various TA methods; collaboration work to solve issues and OJT conducted by JICA experts in Malaysia as basis, the TA methods included holding seminars in Malaysia, trainings in Japan, and utilizing JICA-Net. Also, the Project invited the Development Bank of Japan for cooperation in holding seminars in Malaysia and Japan, in order for BPIMB to learn lessons from DBJ's experience in project finance and in building its know-how as a policy-based financial institution.
- vi) The Project assisted BPIMB in establishing a know-how accumulation system and training internal trainers system during project period, to secure sustainability after the project implementation.

Plan of input for this project is included in Annex 2.

2. Implementation Structure

2.1 Japanese Experts

Following tables (2-1, 2-2) list Japanese experts dispatched during the project implementation period.

Table 2-1. Dispatched Japanese Experts

Main Task	Name	Period
Team Leader	Hirohiko Sekiya	June 10-19, 2004
		Aug. 8-18, 2004
		Sept. 19-Oct. 9, 2004
		Dec. 5-18, 2004
		Feb. 13-Mar. 1, 2005
		May 12-29, 2005
Output 1: Risk Management System of the Bank	Minoru Tsuyuki	Aug. 28-Sept. 11, 2005
		June 13-19, 2004
		Aug. 8-18, 2004
		Sept. 19-Oct. 2, 2004
		Dec. 8-18, 2004
		Feb. 13-26, 2005
Output 2: Project Risk Evaluation	Hironobu Adegawa	May 15-28, 2005
		Aug. 28-Sept. 10, 2005
		June 13-18, 2004
		Aug. 8-13, 2004
		Sept. 28-Oct. 2, 2004
		Feb. 16-22, 2005
	Tatsuo Iwamoto	May 15-21, 2005
		Aug. 31-Sept. 9, 2005
		June 13-19, 2004
		Aug. 8-18, 2004
		Sept. 23-Oct. 8, 2004
		Dec. 11-18, 2004
	Yuko Karasawa	Feb. 13-20, 2005
		Aug. 28-Sept. 3, 2005
		May 15-25, 2005
		Aug. 28-Sept. 3, 2005
		June 13-19, 2004
		Aug. 8-18, 2004
Masahiko Endo	Dec. 13-18, 2004	
	Feb. 16-24, 2005	
	Shingo Tsuji	June 10-17, 2004
	Aug. 8-18, 2004	
	Sept. 19-25, 2004	
	Oct. 3-9, 2004	
Output 3: Human Resource Development and Output 4: Organizational Improvement	Masahiko Komori	Dec. 7-18, 2004
		Feb. 12-19, 2005
		May 19-31, 2005
		Aug. 29-Sept. 11, 2005
		June 13-17, 2004
		Aug. 8-17, 2004
Output 5: Operational Strategy	Eishi Yasunaga	Sept. 23-Oct. 9, 2004
		Dec. 8-18, 2004
		Feb. 13-24, 2005
	Rikizo Matsukawa	May 15-25, 2005
		Aug. 28-Sept. 6, 2005

Main Task	Name	Period
Output 4: Organizational Improvement and Output5: Operational Strategy	Toshiyuki Okubo	Feb. 13-26, 2005
		May 11-28, 2005
		Aug. 28-Sept. 10, 2005
Coordinator	Kaori Kumamoto	June 10-19, 2004
		Aug. 8-18, 2004
		Sept. 23-Oct. 9, 2004
		Dec. 5-18, 2004
	Yumi Ito	Feb. 13-Mar. 1, 2005
		May 22-28, 2005
		Sept. 1-10, 2005

Table 2-2. Dispatched Short-term Experts

Name	Task	Period
Kan Ishii	Instructors for the seminar on Infrastructure finance	Oct. 3-6, 2004
Kazuhiro Takahashi		Oct. 3-5, 2004
Akira Sato		Oct. 3-7, 2004
Hiroyuki Tanaka		Oct. 3-5, 2004
Masato Kaizaki		Oct. 3-6, 2004
Toshiyuki Okubo		Sept. 23-Oct. 9, 2004
Satoru Ito		Instructor for Risk Management Seminar
Katsuhiko Sato	May 11-15, 2005	
Kunio Kikuchi	Capacity strengthening for establishing trainers' training system in BPIMB on infrastructure project finance skills	Sept. 4-10, 2005
Shingo Tsuji	Capacity strengthening for establishing trainers' training system in BPIMB on infrastructure project financial modeling skills	Aug. 31-Sept. 3, 2005

2.2 Project Implementation Structure of BPIMB

For implementation of this project, BPIMB organized a Taskforce to be counterparts of Japanese experts. The Taskforce was comprised of Counterpart Members (mainly at senior management level) and Working Team Members (mainly at officer level). The Counterpart Members worked directly with Japanese experts. The Working Team Members worked under the instruction of Taskforce Members and are expected to assume the role of enrooting the transferred expertise in the organization in the future.

Table 2-3. BPIMB Taskforce Members

Task	BPIMB Counterpart Member	BPIMB Working Team Member
Leader	Mr. Mohd. Ramli Samian (VP, Infrastructure Banking Sector)	
1. Infrastructure finance risk management system	Mr Mahashim Bajuri – Leader (AVP, Risk Management Dept) Mr Aladdin Mohd Lip (VP, Corporate Management Sector) Mr Muhamad Ngah (VP, Supervision Sector) Mr Ali Bahari (Manager, Credit Risk Section)	Mr Norhadiman Abdul Hadi (Executive, Credit Risk Section)
2. Project risk Evaluation (Sub sector project evaluation and financial modeling)	Mr Lim Ba Thai – Leader (AVP, Project Finance Dept) Mr Ahmad Mochtar Hashim (AVP, Corporate Finance Dept) Mr Rizal Wong Abdullah (AVP, Infrastructure Banking Supervision Dept) Mr Abu Hurairah Bahari (AVP, Contract Financing Dept) Mr Shahrul Munir Abdul Rahman (AAVP, Structured Financing Dept)	Mr Muhd Saipudin Mohd Noor (Executive, Infrastructure I Section)
3. Human resource development	Mdm Rokiah Rajak – Leader (AVP, Human Resource Development Dept) Mr Ahmad Salleh (AVP, President/Managing Director’s Office – Infrastructure) Mdm Fauziah Hanim Baharin (Manager, Human Resource Section)	Mdm Intan Zalila Mohd Yusof (Manager, Training & Development Section)

Task	BPIMB Counterpart Member	BPIMB Working Team Member
4. Organizational improvement	<p>Mdm Rokiah Rajak – Leader (AVP, Human Resource Development Dept)</p> <p>Mr Ahmad Salleh (AVP, President/Managing Director’s Office – Infrastructure)</p> <p>Mdm Fauziah Hanim Baharin (Manager, Human Resource Section)</p>	<p>Mr Samsor Ismail (Manager, Human Resource Planning & System Section)</p>
5. Operational strategy	<p>Mr Abd Rahman Ahmad Ramli – Leader (AVP, Corporate Planning Dept)</p> <p>Mr Mohd Ramli Samian (VP, Infrastructure Banking Sector)</p> <p>Mr Ahmad Salleh (AVP, President/Managing Director’s Office – Infrastructure)</p> <p>Mr Lim Ba Thai (AVP, Project Finance Dept)</p> <p>Mr Ahmad Mochtar Hashim (AVP, Corporate Finance Dept)</p> <p>Mr Abu Hurairah Bahari (AVP, Contract Financing Dept)</p> <p>Mr Shahrul Munir Abdul Rahman (AAVP, Structured Financing Dept)</p>	<p>Mdm Anizah Yunos (Manager, Planning Section)</p> <p>Mdm. Lailathom Yusof (Manager, Infrastructure Banking Administration Section)</p>
Coordinator	<p>Mdm Lailathom Yusof (Manager, Infrastructure Banking Administration Section)</p> <p>Mdm Roshida Bahari (Executive, Infrastructure Banking Administration Section)</p> <p>Ms. Shaorin Sham (JICA Project Coordinator Assistant)</p>	

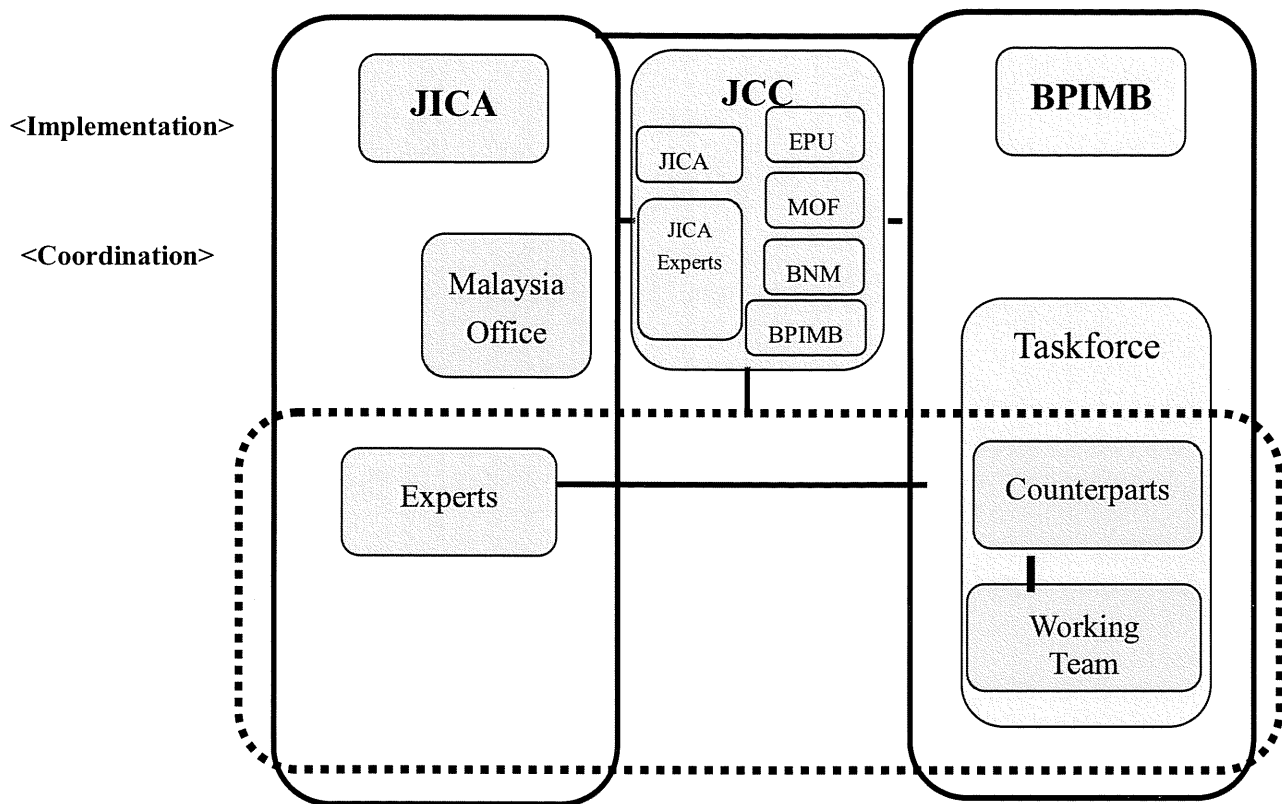
2.3 Joint Coordinating Committee

For management of and coordination concerning this project, the Joint Coordinating Committee (JCC) was established and met three times during project implementation period¹. JCC consisted of members from BPIMB, Economic Planning Unit (EPU), Ministry of Finance (MOF), Bank Negara Malaysia (BNM), JICA and JICA experts.

¹ Please refer to the Annex for minutes of JCC meetings.

The figure below shows the structure of project management and implementation.

Figure 2-1. Structure of Project Management/Implementation



3. Contents of the Activities

3.1 Summary of the Project Implementation

Based on the framework of the Project Document agreed prior to the project implementation as well as the PDM, the project has been implemented mostly as programmed, except for a few changes. Table 3-1 shows summary of project implementation for the whole implementation period (one and a half years).

Table 3-1. Summary of the Project Implementation

Missions	First year	First mission: June 10 th 2004-June 19 th 2004 Second mission: August 8 th 2004-August 18 th 2004 Third mission: Sept. 19 th 2004-Oct. 9 th 2004 Fourth mission: Dec. 5 th 2004-Dec. 18 th 2004 Fifth mission: Feb. 13 th 2005-Feb. 28 th 2005
	Second year	Sixth mission: May 11 th 2005-May 31 st 2005 Seventh mission: August 28 th 2005-Sept. 11 th 2005
Project Coordinating Committee (JCC)	First year	First JCC meeting: August 13 th 2004 Second JCC meeting: February 23 rd 2005
	Second year	Third JCC meeting: September 5 th 2005
BPIMB- JICA Infra Project Finance Seminars (held in Malaysia)	First year	1) Seminar for executive officers of infra-finance related organizations in Malaysia (Oct. 4, 2004) 2) Seminar for BPIMB officers (Oct. 5 & 6, 2004) Venue: BPIMB Instructors: from DBJ, JERI and BPIMB
	Second year	1) Risk Management Seminar (May 12-14, 2005) Venue: BPIMB Instructors: from DBJ 2) PPP/PFI Workshop (May 26, 2005) Venue: BPIMB Presenters: from Zaid Ibrahim & Co., BPIMB and JICA experts 3) Seminar for Financing for Renewal Energy projects (Sept. 2, 2005) Venue: BPIMB Presenters: from Japan Carbon Finance, ltd., Japan Bank for International Cooperation, BPIMB and JICA Expert Team 4) Seminars on the Role of Project Financing (Sep. 2 and 6, 2005) Venue: BPIMB Presenters: JICA Lecturers

Seminars/trainings held in Japan	First year	1) Training for officers Nov. 20 th -Dec. 5 th , 2004 12 participants (8 from BPIMB, 3 from EPU, 1 from MOF) 2) Senior management seminar Jan. 23 rd –28 th 2005 15 participants (12 from BPIMB, 3 from EPU)
	Second year	1) Training for BPIMB internal trainer candidates (7 participants; July 4 th –July 16 th 2005) 2) Training for government officials (participants: 1 official from MOF and 2 officials from EPU; July 4 th –9 th 2005)
JICA Net meeting between JICA experts and BPIMB CPs	First year	May 10 th , July 30 th , Sept. 13 th and Nov. 22 nd in 2004 (Besides JICA-Net meeting was held on Nov. 8 th and 10 th as preparatory training conducted before the training seminar in Tokyo)
	Second year	April 22 nd and June 27 th in 2005
Consignment Study	First year	-Consigned a study on overview of infrastructure finance and three sub sectors (water, sewerage, and MRT) in Malaysia to a local consulting company (from Oct. 2004-Feb. 2005).
	Second year	-Consigned a study on overview of infrastructure finance and two sub sectors (area development and ICT) in Malaysia to a local consulting company (from June 2005-Aug. 2005).

3.2 Five Components of Outputs and their activities

3.2.1 Output 1

Output 1 was given an important but difficult task to strengthen “Capacity of BPIMB’s (overall) infrastructure finance risk management system” in tune with the cooperative spirit of this project. Good communication between JICA experts and BPIMB counterparts is a key to success. Much time was spent to have intense discussions on such issues as pointed out by Central Bank’s inspection report issued in September 2002, and where necessary getting feedback from relevant section managers. A brainstorming session was also organized among JICA experts and senior management members to exchange views and ideas on how best to improve overall risk management in BPIMB.

Through such activities we could (i) assess the current capacity of BPIMB’s loan promotion and supervision, (ii) review and recommend the improvement of existing policies and guidelines, (iii) review and invite, in particular, DBJ’s support for planning a new system for ALM and related risk management, (iv) start the periodical total loan portfolio review to improve measures for fund mobilization and necessary disclosure, and (v) organize seminars for senior executives and staff both in Kuala Lumpur and in Tokyo.

Table 3-2. Progress Report - Output 1

<p>Output 1 : Capacity of BPIMB's infrastructure finance risk management system is strengthened</p> <p>Activities : 1) Assess the current capacity of infrastructure finance related sectors to make corporate and project appraisal 2) Examine improvement measures for organizing loan policy, manuals, etc. (for overall risk management) 3) Examine improvement measures for plan and system for ALM and risk management 4) Examine improvement measures for fund mobilization and necessary disclosure 5) Hold seminar on process for establishing risk management system, for upgrading know-how and practical risk judgment as a policy-based finance institution</p>				
<p>Indicator : Plan of improving risk management system for infrastructure finance of BPIMB as a whole is formulated</p>				
	May24, 2004~October 9, 2004	October10, 2004~December 31, 2004	January 1, 2005~March 31, 2005	April 1, 2005~September30, 2005
Main Objective of Each Term	<p>1. Reach a common understanding or interpretation of Output-1 objectives with the CP members. 2. Review the reorganized system and current policies and guidelines. 3. On-going ALM policies and systems are to be examined. 4. Joint review of the past financial statements with CP. 5. Promotion and planning of the November Tokyo Seminar.</p>	<p>1. Start discussion on reinforcement measures of business promotion, project appraisal and loan supervision. 2.Find out any improvement to be applied to the existing policies and guidelines. 3.Refinement of ALM monthly reports by advices conveyed from DBJ executive. 4.Start up of the total loan portfolio review. 5. Contribute to the planned seminar.</p>	<p>1.Firm up the reinforcement measures for business promotion, project appraisal and loan supervision. 2.List up recommended revisions or new installation of relevant policies and guidelines.3. Continue to refine ALM activities. 4. Complete the total loan review and propose follow-up actions to be taken 5. Support the executive seminar in Tokyo.</p>	<p>1.Consensus is to be reached as to reinforcement measures for new loan build-up, project processing and loan supervision. 2.Final recommendation is to be drawn up for policies and guidelines revisions. 3.Complete the final shape of ALM systems to look after interest and liquidity risks. 4. Continue total loan portfolio review as of March end to build up useful database for risk management and future disclosure. 5. Planning and coordination of the relevant seminars; May KL seminar, July Tokyo seminar and September KL seminar.</p>
Main Activities	<p>1. Held frequent discussion sessions with newly nominated CP members to assess the current capacity level. 2. By following up BNM examination report, it was agreed to undertake a total self-assessment of infra loan portfolio. 3. Stepping-in review of ALM system through discussion and attendance at ALCO. 4. Explored possibility of further disclosure.(Total loan portfolio review might help future disclosure potentiality) 5. Intensified preparation of Tokyo Seminar.</p>	<p>1. Held meetings to discuss several ideas. 2.Through discussion with CP and other relevant staff, picked up certain points for further consideration. 3. Conveyed advices from DBJ and discussed further refinement measures. 4. Total loan review has started by designated working team. 5. Planning and coordination of the November seminar in Tokyo with the mixed participants from BPIMB, EPU and MOF.</p>	<p>1. Continuous dialogue with CP to draw up a proposal. 2.Discussion with CP and pertinent staff to reach a concrete recommendation. 3.Seek further advice from appropriate person or organization. 4.Explore the possibility of own fund raising. 5.BPIMB executives join and learn from Tokyo Seminar.</p>	<p>1.Necessary adjustment of the existing organization was sought and executed. 2. Revised policies and guidelines became effective in the organization. 3. New ALM system started to work. 4.Based on the periodical loan portfolio review and the statistical summary derived therefrom, the management obtained solid basis for risk management and strategic planning. 5. Effective result was sought from the scheduled seminars.</p>
Improved Points in Terms of Capacity	<p>Acknowledgement of problem areas by BPIMB Counterparts.</p>	<p>Loan administration capacity is reinforced by the total loan review exercises. Joint participation to the seminar from EPU and MOF improved communication with BPIMB.</p>	<p>Business promotion capacity as well as supervising ability has been improved. ALM systems are better managed and operated.</p>	<p>Total risk management capacity in BPIMB's infrastructure banking sector has been strengthened.</p>

3.2.2 Output 2

To achieve the Output 2: “Know-how on project risk evaluation is accumulated and shared”, BPIMB and JICA Experts have jointly conducted the following activities targeting front-line staffs as well as the middle management of Infra Banking Sector and Infra Supervision Sector (after reorganization basis): i) both parties reviewed existing risk evaluation system and manuals, and JICA experts introduced the concept of Project Risk Matrix Sheet (PRMS) to enhance existing risk evaluation system, ii) BPIMB selected five sub-sectors (area development, information and communications technology, mass transit, water and sewerage and port) that were regarded as priority sectors, and JICA expert provided detailed risk profile analyses to each of those five sectors so that staffs of BPIMB can evaluate project financing applications more efficiently and accurately, iii) BPIMB shared information with JICA experts on the reorganization at BPIMB such as the role and function of Infra Supervision Sector, iv) both parties arranged consignment studies on infrastructure finance in Malaysia by a local consultant to gain deeper understanding of Malaysia-specific trends and situation in the priority sub-sectors and to acquire Malaysia-specific resources such as project profiles and list of key persons/organizations for the priority sub-sectors, v) JICA experts trained BPIMB staffs to develop and use financial models for each of the five priority sub-sectors, vi) both parties conducted fundamental review and trainings on project risk evaluation and project monitoring by the method enhanced by PRMS, vii) both parties have agreed on the preliminary design of an infrastructure project database based on the output of the consignment study.

Table 3-3. Progress Report - Output 2

<p>Output 2 : Know-how on project risk evaluation is accumulated and shared in BPIMB.</p> <p>Activities</p> <ol style="list-style-type: none"> Review cases of loan projects and accumulate lessons learned. Improve financial modeling Improve risk evaluation manuals. Develop a system for know-how sharing Hold review training of project finance. 				
<p>Indicator : Know-how data base, financial modeling for sub-sectors, risk evaluation manuals are completed.</p>				
<p>Targets on each term</p>	<p>24 May, 2004 ---- 9 October, 2004</p> <ol style="list-style-type: none"> 1,2&3. To confirm priority sub-sectors accorded by BPIMB. 1. To review existing PF projects and pick up issues to be studied. 2. To introduce and review financial models (FM) for sub-sector level. 4. To arrange the Consignment Study with local consultant. 5-a. To confirm current project risk evaluation method in Infra. Banking Sector and pick up issues to be studied. 5-b. To undertake fundamental review and training on project risks. 	<p>10 October, 2004 ---- 31 December, 2004</p> <ol style="list-style-type: none"> 2. To further implement trainings for financial modeling for sub-sector level. 4-a. To follow up on the Consignment Study and obtain information on current situation of PF in Malaysia. 4-b. To start studies to establish PF database in BPIMB. 5-a. To obtain common understanding of Project Risk Matrix Sheet (PRMS) as a method of project risk evaluation. 5-b. To undertake review on project risk monitoring. 	<p>1 January, 2005 ---- 31 March, 2005</p> <ol style="list-style-type: none"> 1. To conduct Mass Transit sector risk analysis and review related PFs at BPIMB. 2. To provide training to build a FM for Mass Transit projects. 3. To provide a guideline material for Mass Transit sector risk analysis. 4-a. To complete the Consignment Study (Phase 1). 5-a&b. To provide review of each project risk by a method enhanced by PRMS. 	<p>1 April, 2005 ---- 30 September, 2005</p> <ol style="list-style-type: none"> 1,2&3. To complete risk analysis and FMs on five priority sub-sectors accorded by BPIMB. 4-a. To complete the Consignment Study (Phase 2). 4-b. To complete assistance for building a PF database in BPIMB. 5-a. To provide PRMS modified for five sub-sectors. 5-b. To conduct project risk evaluation trainer's training.
<p>Activities on each term</p>	<p>1,2&3. Confirmed 5 sub-sectors (Area Development, Mass Transit, ICT, Water, and Sewerage) as those with priority on BPIMB side.</p> <ol style="list-style-type: none"> 1. Reviewed three existing PF projects from Port, Water, and Sewerage sector presented by BPIMB. Provided feedback and abstracted lessons learned. 2. Introduced FMs for Port, Water and Sewerage projects. 3. Provided guideline materials for project risk evaluation and sub-sector risk analysis for Port, and Water and Sewerage sector respectively. 4. Prepared TOR for Consignment Study and selected a local consultant. 5-a. Reviewed current risk evaluation guideline (S&P Report). 5-b. Established common understandings of project risks (especially for less-knowledgeable staffs in both Infra. Banking and Supervision Sectors). 	<p>2. Conducted trainings for Supervision sector staffs using FMs for Port, Water and Sewerage sectors.</p> <ol style="list-style-type: none"> 3. Provided guideline materials for project risk monitoring. 4-a. Collected and sorted out information and data on PF in Malaysia by co-working with local consultant. 4-b. Discussed with the local consultant about the format of the project profiles that would consist the database. 5-a. Introduced the basic concept of PRMS as a supplementary method of project risk evaluation. 5-b. Conducted trainings for project risk monitoring for less-knowledgeable staffs in both Infra. Banking and Supervision Sector. 	<p>1&3. Reviewed existing PF projects of Mass Transit sub-sector and provided feedback on them.</p> <ol style="list-style-type: none"> 2. Introduced a FM for Mass Transit project and trained staffs with it. 3. Guideline materials for industry risk analysis on Mass Transit sector, and project risk evaluation based on PRMS concept were provided. 4-a. Collected and sorted out data and information on project finance in Malaysia for Water, Sewerage, and Mass Transit sub-sectors. 5-a&b. Reviewed project risks and project scorings based on the concept of PRMS. 	<p>1,2&3. Completed the studies on the remaining two sub-sectors (ICT and Area Development) together with the studies on the respective FM and risk evaluation guideline materials.</p> <ol style="list-style-type: none"> 4-a&b. Reviewed the Consignment Study with the local consultant (Phase 2) and established the outlines of database. 3&5-a. Finalized the guidelines for project risk evaluation based on the utilization of PRMS with the current risk evaluation system. 5-b. Completed the training on project risk evaluation for the BPIMB's trainers through trainer's training program in Tokyo.
<p>Improved points in terms of capacity</p>	<p>-- Shared common understandings of project risk profiles and lessons learned in Port, Water and Sewerage sector.</p> <p>-- Trainings were provided based on FM prototypes for the three sub-sectors.</p> <p>-- Deepened the understanding of project risks of less-knowledgeable staffs.</p>	<p>-- A basic skill to build and develop FMs became prevailing in both Infra. Banking and Supervision Sectors.</p> <p>-- Discussion with the local consultant to establish a database was started.</p> <p>-- Common understanding on the concept of PRMS was established.</p>	<p>-- Extensive PF information in Malaysia was obtained through the local consultant.</p> <p>-- Risk nature and the FM of Mass Transit sector were shared between both parties.</p> <p>-- Project risk items were reviewed more deeply and broadly.</p>	<p>-- Knowledge on project risk analysis was accumulated on priority sub-sectors.</p> <p>-- Trainers for project risk evaluation were trained.</p> <p>-- Comprehensive PF information in Malaysia was obtained and prototype of the PF database was established.</p>

3.2.3 Output 3

To understand the current situation of BPIMB's training system, BPIMB and JICA experts conducted a questionnaire survey for infra officers. BPIMB and JICA experts discussed and understood the current external/internal training system. JICA experts started conducting a series of training sessions for trainer candidates (financial modeling and sub-sector case studies).

To further understand the current situation of BPIMB's training system, BPIMB and JICA experts conducted employee interviews and discussed the results. BPIMB and JICA experts shared DBJ's training system information for project finance. BPIMB and JICA experts also shared BPIMB's training issues in its introduction of balanced score card and performance management system. JICA experts conducted a trainers training in Japan and identified BPIMB's resource persons.

Then, to identify development needs for infra officers, BPIMB and JICA experts examined competency needs in infra-related departments and identified critical areas for training development. BPIMB and JICA experts reviewed current training structure for development banking sector and made adaptations according to infra officers requirements. BPIMB and JICA experts identified new modules to be created for infra officers. BPIMB and JICA experts analyzed training needs and drafted infra training syllabus.

Furthermore, to draw up training structure for development of infra officers at every stage, and to finalize infra officers' training programs, BPIMB and JICA experts structured the training syllabus and developed new modules for infra officers.

Finally, seven trainers have been developed through Tokyo seminar, applied their knowledge as a practice, and BPIMB made these three programs a sustainable in-house training system in September 2005 for BPIMB officers with assistance of JICA experts in Kuala Lumpur.

In addition, BPIMB introduced new performance management system and incorporated human resource development of subordinates into BPIMB's internal system.

Table 3-4. Progress Report – Output 3

<p>Output 3 : BPIMB's human resource development concerned with infrastructure finance is strengthened</p> <p>Activities: 1) Improve training system (OJT/ group training) 2) Train trainers 3) Hold training/ seminar on infrastructure finance</p>					
<p>Indicator: Number of trained officers</p>					
	May 24, 2004 – October 9, 2004	October 10, 2004 – December 31, 2004	January 1, 2005 – March 31, 2005	April 1, 2005 – September 30, 2005	
Main Objective of Each Term	To understand the current situation of BPIMB's training system	To further understand the current situation of BPIMB's training system	To identify development needs for infra officers	To draw up training structure for development of infra officers at every stage; to finalize infra officers' training modules	
Main Activities	<p>1. BPIMB and JICA experts conducted a questionnaire survey for infra officers</p> <p>BPIMB and JICA experts discussed and understood the current training system (external, internal)</p> <p>2. & 3. JICA experts conducted several training sessions for trainer candidates (financial modeling, sub-sector case studies)</p>	<p>1. Conducted employee interviews and discussed the results</p> <p>Shared DBJ's training system for project finance</p> <p>Shared BPIMB's training issues in its introduction of balanced score card and performance management system</p> <p>2. JICA experts conducted a trainers training in Japan and identified BPIMB's resource persons</p> <p>3. JICA experts conducted financial modeling seminar for BPI officers</p>	<p>1. Identified critical areas for training development through examining competency needs in infra-related departments</p> <p>Reviewed current training structure for development banking sector and made adaptations according to infra officers requirements</p> <p>Identified new modules to be created for infra officers</p> <p>2. & 3. JICA experts conducted several training sessions for trainer candidates (financial modeling, sub-sector case studies)</p>	<p>1. Structured training syllabus</p> <p>Developed new modules for infra officers</p> <p>2. & 3. BPIMB's trainers conducted training courses with assistance of JICA experts</p> <p>Introduced new performance management system which incorporates human resource development of subordinates into BPIMB's internal system</p>	
Improved Points in Terms of Capacity	BPIMB and JICA experts understood the current training situation	BPIMB and JICA experts further understood the issues in the training system	BPIMB analyzed training needs and drafted infra training syllabus	Seven trainers have been developed through Tokyo seminar and conducted training courses for BPIMB officers in KL	

3.2.4 Output 4

BPIMB autonomously continued to develop organizational improvement plans and promoted the implementation throughout joint cooperation period.

To understand BPIMB's current situation of infra-related organization, JICA experts grasped the details of BPIMB's reorganization and discussed related issues with BPIMB. BPIMB executed reorganization and separated marketing and supervision functions from the viewpoint of compliance in accordance with BNM's guidance.

To further understand BPIMB's current situation of infra-related organization, BPIMB and JICA experts conducted employee interviews and discussed the results. BPIMB and JICA experts shared information regarding DBJ's compliance system and BPIMB's code of conduct, as well as DBJ's monitoring system for project finance. BPIMB and JICA experts shared and well understood BPIMB's organizational issues in its introduction of performance management system and balanced score card.

To overcome post-reorganization issues faced by infra finance, and to develop closer inter-sector working relationship between infra banking and infra supervision, BPIMB and JICA experts discussed improvement measures to facilitate marketing-supervision cooperation, as well as some kind of manpower planning indicator for infra finance. BPIMB created new section for project finance under infra supervision.

To link performance to rewards, attract high-potential talents, and improve retention of good staff, BPIMB introduced the new performance management system. BPIMB and JICA experts discussed the result of the mid-year review. Then, BPIMB finalized the performance management system. BPIMB also conducted a benchmarking research and reviewed bank officers' fringe benefits.

Table 3-5. Progress Report - Output 4

Output 4: BPIMB's capacity of organizational improvement related to infrastructure finance is enhanced			
Activities: 1) Examine improvement measures for organizational structure for infrastructure finance 2) Examine improvement measures for organizational strengthening related to compliance and monitoring			
Indicator: BPIMB's organizational improvement plan is prepared			
	May 24, 2004 - October 9, 2004	October 10, 2004 – December 31, 2004	January 1, 2005 - March 31, 2005 April 1, 2005 - September 30, 2005
Main Objective of Each Term	To understand BPIMB's current situation of infra-related organization	To further understand BPIMB's current situation of infra-related organization	To overcome post-reorganization issues faced by infra finance To develop closer inter-sector working relationship (between infra banking and infra supervision)
Main Activities	1. Understood the rationales of BPIMB's reorganization and discussed related issues	1. Conducted employee interviews and discussed the results 2. Shared information regarding DBJ's compliance system as well as BPIMB's code of conduct Shared information regarding DBJ's monitoring system for project finance 1. & 2. Shared BPIMB's organizational issues in its introduction of performance management system and balanced score card	Discussed improvement measures to facilitate marketing-supervision cooperation Implemented the new performance management system Created new section for project finance under infra supervision Discussed manpower planning indicator for infra finance
Improved Points In Terms of Capacity	BPIMB executed reorganization e.g., separated marketing and supervision functions	BPIMB and JICA experts further understood the issues in the organizational improvement	Finalized the performance management system and reviewed fringe benefits

3.2.5 Output 5

Output 5 intends to “enhance the understanding with regard to the future direction of BPIMB’s role in the development of infrastructure finance in Malaysia.”

The JICA Experts in collaboration with the Corporate Planning Department and the Infrastructure Banking Sector (hereinafter called the “CP”), conducted the following activities, in coordination with the respective government agencies and other related parties; i) gathered information on the issues concerning the institutional framework for infrastructure finance, ii) shared the objectives and values with EPU, MOF and BNM (hereinafter called the “Agencies”) regarding Output 5 activities as well as the Project itself, iii) invited lecturers from DBJ and other institutions and organized seminars on infrastructure project finance, bank risk management, PPP/PFI and related topics, targeting (a) senior executives who are in charge of establishing strategies for infrastructure finance operations in BPIMB (the “Senior Executives”), (b) the Agencies’ officials and (c) BPIMB officers, iv) worked with a strategic taskforce in order to develop BPIMB’s strategic marketing and operational options (hereinafter called the “Strategic Options”) with the feasible and sustainable action plans for drafting the next Five-Year Business Plan (2006-2010), and v) explored effective partnerships with both public and private sectors including the Agencies for achieving the Strategic Options.

Table 3-6. Progress Report - Output 5

Output 5: Understanding is enhanced regarding direction of the BPIMB's infrastructure finance roles in Malaysia	
Activities: 1) Understand institutional issues related to BPIMB 2) Hold seminar for executives, including Board of Directors and Senior Management who are to establish the strategy of infrastructure finance operation 3) Examine strategies for coping with institutional changes under DFI Act (i.e. clear mandate and policy for infrastructure financing)	
Indicator: Recognition of direction regarding BPIMB's infrastructure finance operation is agreed among the Senior Executives.	
Main Objective of Each Term	May 24, 2004 – October 9, 2004
Main Objectives	October 10, 2004 – December 31, 2004
Main Objectives	January 1, 2005 – March 31, 2005
Main Objectives	April 1, 2005 – September 30, 2005
<p>1-a) Shared the objectives and values of the Output 5 among JICA Experts and the CP who were assigned after the large-scale reorganization, and exchanged the views on how to proceed with the Output 5 activities.</p> <p>1-b) Started information gathering on the issues regarding the institutional framework for infrastructure finance related to BPIMB.</p> <p>2) Invited lecturers from DBJ etc., and held the seminar on project finance for the Senior Executives, EPU, MOF, and BNM (hereinafter called the "Agencies") officials and BPIMB officers.</p> <p>3) Shared the objectives and values with the Agencies regarding the Output 5 as well as this JICA Project itself, and started establishing the cooperation relationship with the Agencies to achieve the objectives of the Output 5.</p>	<p>1) Continued information gathering to grasp the issues regarding the institutional framework for infrastructure finance related to BPIMB.</p> <p>2) Prepared the Seminar for the Senior Executives and the Agencies' officials in Japan (hereinafter called the "Tokyo Executive Seminar").</p> <p>3-a) Started discussion on the points to be included in the next 5-year operational plan (2006-2010) (hereinafter called the "Plan") among the CP and other concerned parties in BPIMB.</p> <p>3-b) Deepened the cooperation relationship with the Agencies.</p>
<p>1-a) Held meetings with the CP and exchanged the views.</p> <p>1-b) Held meetings/interviews with various parties in BPIMB related to the Output 5, and gathered information.</p> <p>2) Promoted deeper understanding, know-how sharing and networking with both BPIMB and the Agencies during the seminar and as well as in the process of seminar preparation.</p> <p>3) Held the 1st JCC and a joint meeting with the Agencies followed by three bilateral interviews with each Agency, deepened our mutual understanding, and agreed on having sessions in coming each mission to exchange opinions and information related to this JICA Project.</p>	<p>1) Held meetings/interviews with various parties in BPIMB related to the Output 5, and gathered information.</p> <p>2) Prepared the Tokyo Executive Seminar, by formulating the program, inviting the lecturers, and sharing information/needs with the seminar participants.</p> <p>3-a) Held meetings based on BPIMB's balanced score card and its formulation process.</p> <p>3-b) Continued enhancing the relationship with the Agencies through meetings etc.</p>
<p>1) Shared the objectives and values with the Agencies regarding the Output 5 as well as this JICA Project itself, and started establishing the cooperation relationship with the Agencies to achieve the objectives of the Output 5.</p>	<p>1) Further continued information gathering to grasp the issues regarding the institutional framework for infrastructure finance related to BPIMB in line with Activity 3).</p> <p>2) Held the Tokyo Executive Seminar.</p> <p>3-a) Formulated a taskforce to develop strategic marketing and operational options in BPIMB (hereinafter called the "Strategic Taskforce").</p> <p>3-b) Discussed the points to be included in the Plan with the Strategic Taskforce, the CP and other concerned parties in BPIMB.</p> <p>3-c) Discussed the points regarding 3-b) with the Agencies and enhanced the relationship more constructively.</p>
<p>1) Shared the objectives and values with the Agencies regarding the Output 5 as well as this JICA Project itself, and started establishing the cooperation relationship with the Agencies to achieve the objectives of the Output 5.</p>	<p>1) Completed information gathering to grasp the issues regarding the institutional framework for infrastructure finance related to BPIMB in line with Activity 3).</p> <p>2) Invited lecturers and experts and held the seminars on selected priority topics related to this JICA Project for the Senior Executives, the Agencies' officials and BPIMB officers.</p> <p>3-a) Assisted BPIMB to draft the Plan including the Strategic Options with the feasible and sustainable action plans.</p> <p>3-b) Explored effective partnerships with both public and private sectors (including the Agencies) for achieving the Plan.</p>
<p>1) Shared the objectives and values with the Agencies regarding the Output 5 as well as this JICA Project itself, and started establishing the cooperation relationship with the Agencies to achieve the objectives of the Output 5.</p>	<p>1) Held meetings/interviews with various parties in BPIMB, the Agencies, JICA Experts of other Outputs, market players etc., and gathered information in line with Activity 3).</p> <p>2) Held seminars/workshops on (a) bank risk management, (b) PPP/PFI and (c) infra-project finance for the Agencies' officials, and promoted deeper understanding, know-how sharing and networking among BPIMB, the Agencies, DBJ and other participating parties during the seminars and as well as in the process of seminar preparations.</p> <p>3-a) Had discussions with the Strategic Taskforce members, and wrote up the draft of the Plan. Also conducted PPP/PFI legal studies.</p> <p>3-b) Held meetings/interviews with the target partners and the 3rd JCC in which the Strategic Options were introduced by BPIMB.</p>
<p>1) Shared the objectives and values with the Agencies regarding the Output 5 as well as this JICA Project itself, and started establishing the cooperation relationship with the Agencies to achieve the objectives of the Output 5.</p>	<p>1) Held the Tokyo Executive Seminar, and enhanced the recognition of the participating Senior Executives and Agencies' officials about the direction regarding the infrastructure development/finance in Malaysia.</p>
<p>1) Shared the objectives and values with the Agencies regarding the Output 5 as well as this JICA Project itself, and started establishing the cooperation relationship with the Agencies to achieve the objectives of the Output 5.</p>	<p>1) Reached a basic consensus on BPIMB's future strategies among the Strategic Taskforce members through the process of drafting the Plan with the feasible and sustainable action plans, and showed them to the Agencies.</p>
<p>1) Shared the objectives and values with the Agencies regarding the Output 5 as well as this JICA Project itself, and started establishing the cooperation relationship with the Agencies to achieve the objectives of the Output 5.</p>	<p>1) Reached a basic consensus on BPIMB's future strategies among the Strategic Taskforce members through the process of drafting the Plan with the feasible and sustainable action plans, and showed them to the Agencies.</p>

4. Achievement of the Outputs, Project Purpose and Overall Goal

4.1 Achievement of Outputs

As a result of the activities explained in the previous chapter, outputs 1, 2, 3, 4 and 5 have been successfully achieved as per the objectively verifiable indicators listed in the PDM. Establishment of trainers' training structure is crucial in order to make outcomes of the cooperation project sustainable. From this viewpoint, we have made continuous efforts to strengthen linkage of activities by each output group, throughout the project implementation period.

For this project, "Trained staff continue working at BPIMB" and "Counterpart members continue working at BPIMB" are considered as important assumptions to achieve the outputs. These assumptions could be almost fulfilled, as BPIMB has been making a strong commitment toward this project, although special attention should be made on continuous efforts by BPIMB after realignment with BITMB in October 2005.

4.1.1 Output 1

Output 1 of this project is "Capacity of BPIMB's infrastructure finance risk management system is strengthened." As stated in the PDM, objectively verifiable indicator for Output 1 is "plan of improving risk management system for infrastructure finance of BPIMB as a whole is formulated" and this indicator is to be verified by "improvement plan of risk management system for infrastructure finance of BPIMB."

From the outset, how to measure the achievement of Output 1 activities was a subject for continuous discussion. At some stage we discussed that comparison of such collected data as the bank's financial statements, or quality of overall loan portfolio, or NPL ratio, for example, at yearly interval might help. But it could not be adopted for measurement this time, since most of infrastructure loans are very big, long-term in nature and number of loans is not many. One and half year period would give a very little change in comparative figures.

Improvement plan of risk management system for infrastructure banking of BPIMB has been formulated since March 2004. Furthermore, some actions have already been started in consistent with the formulated plan, and there are certain areas where JICA experts and CPs could observe definite improvement in risk management system; i) Total Loan Portfolio Review

(TLR) was proposed, discussed and agreed to proceed starting from September end 2004 infrastructure loan balance. It will continue quarterly and will certainly provide valuable ground for managerial judgment. ii) Risk Management Department has implemented Total Risk Management (TRM) in BPIMB and continued to reinforce the risk management capacity. iii) Participating in series of seminars in Tokyo and Kuala Lumpur would hopefully have given participants at various levels in BPIMB good motives to be aggressive in risk management initiatives.

4.1.2 Output 2

Output 2 of this project is “Know-how on project risk evaluation is accumulated and shared in BPIMB.” As stated in the PDM, objectively verifiable indicator for Output 2 is “know-how database, financial modeling for sub-sectors, risk evaluation guideline materials are completed” and this indicator is to be verified by “know-how database, financial modeling for sub-sectors, guideline materials.”

To achieve the objective, BPIMB and JICA experts have jointly improved the quality of the following three components: i) management system for project risk evaluation (mainly covered by Output 1), ii) skills of staffs and training system, iii) risk analysis tools for project risk evaluation.

In relation to ii) skills of staffs and training system, lectures and training sessions for the staffs of BPIMB was conducted both in Malaysia and in Japan, and a total number of more than six hundred BPIMB staffs attended those sessions. In relation to iii) risk analysis tools for project risk evaluation, we have jointly established the followings: a) guideline materials for detailed project risk analysis for five priority sub-sectors, b) guideline materials for risk evaluation, mitigation and PRMS, c) prototypes of financial models for selected priority sub-sectors, d) a series of priority subsector studies with general trends of infrastructure finance in Malaysia and extensive Malaysian project finance profiles, e) basic design for know-how database. Both d) and e) were accomplished by a local consultant to undertake the consignment study.

4.1.3 Output 3

Output 3 of this project is “BPIMB’s human resource development concerned with infrastructure finance is strengthened.” As is stated in the PDM, objectively verifiable indicator for Output 3 is “Number of trained trainers, number of seminars conducted by trained

trainers and number of participants, degree of understanding by participants” and this indicator is to be verified by “record of training, questionnaires.”

At least seven trainers have been developed through discussion, coordination and preparation in the project period. Trainers conducted two training seminars including a trial session, in line with original syllabi coordinated with BPIMB’s training section. Approximately fifty participated in the seminars. The contents have been well understood by the participants according to the questionnaires. Thus, the expected goals have been sufficiently achieved.

JICA experts have conducted diverse trainers training for BPIMB and developed seven trainers and some other trainer candidates for BPIMB’s future courses. A total number of more than six hundred officers participated in 30 seminars conducted so far.

Table 4-1. Number of Seminar Participants (as of Aug. 2005)

	Number of Participants
Seminars conducted in Malaysia	622
Seminars conducted in Japan	16
Total	638

In the first project year, JICA experts conducted a series of training courses in Kuala Lumpur. Such training courses covered financial modeling, project risk evaluation, and other infra-related issues. Selected BPIMB officers also participated in the training seminar in Tokyo in November 2004. This, as a result, comprised the long-list of trainer candidates. In addition, a consignment study to PE Research developed three sub-sector case studies including water, sewerage and mass transit. Such training materials have been compiled as a booklet.

In the second project year, trainer candidates have been short-listed. Then, seven trainers were selected as the core of BPIMB’s internal training system. They learned how to teach in preparation for the actual trainer training. They were sent to Tokyo and were provided with practical hands-on training in Tokyo. Based on the materials and experiences in the first project year, trainer candidates developed their own syllabi and original materials. Trainers gave lectures as a trial, and JICA experts and BPIMB colleagues gave practical advices for presentation and interaction with seminar participants. Through such activities, seven trainers came to be equipped with necessary training skills and certain confidence to teach. As the final trial, the seven trainers themselves conducted training courses for BPIMB officers in September 2005. According to the questionnaire survey, the participants well understood the contents.

Overall, the responses were quite positive.

Based on the above activities, BPIMB and JICA experts have also restructured and improved BPIMB's whole training system.

In addition, BPIMB introduced new performance management system and incorporated human resource development of subordinates, particularly OJT, into BPIMB's management system.

4.1.4 Output 4

Output 4 of this project is "BPIMB's capacity of organizational improvement related to infrastructure finance is enhanced." As is stated in the PDM, objectively verifiable indicator for Output 4 is "BPIMB's organizational improvement plan is prepared" and this indicator is to be verified by "organizational improvement plan related to infrastructure finance."

BPIMB's endogenous efforts have been highly respected on the ground that personnel matters are quite confidential and too much changes often break the organization. BPIMB developed such organizational improvement plans as the reorganization plan to establish compliance framework, and the new performance management system to appreciate and retain human resources. Some organizational improvement plans have been developed in cooperation with JICA experts, such as the addition of a new project finance section in infra supervision sector, improvement measures to facilitate marketing-supervision cooperation, and review plan of the fringe benefits.

Based on the guidance of BNM, BPIMB developed its reorganization plan to set up sufficient compliance system from organizational perspective. Reorganization became effective in August 2004. Regarding infrastructure-related sectors, marketing-side and supervision-side were separated. Also, an independent compliance section was created under the corporate management sector.

However, such split came to cause certain miscommunication problems. For example, infra-marketing officers, infra-supervision officers, and compliance officers asked BPIMB clients the same kind of questions at different times, and the clients complained about the cumbersome procedures. To overcome such post-reorganization issues faced by infra finance, and to develop closer inter-sector working relationship between infra banking and infra supervision, BPIMB and JICA experts conducted employee interviews, developed improvement

plans, and had them approved by BPIMB's senior management committee. This included setting up of the joint-sector task force meeting, the inter-sector reporting session to share and disseminate knowledge, and the cooperative loan clinching process by both sides of marketing and supervision. BPIMB and JICA experts identified manpower bottleneck in the project finance function under infra supervision, so BPIMB created a new project finance section in infra supervision sector, and developed improvement measures to facilitate marketing-supervision cooperation and plans to review the fringe benefits.

Furthermore, BPIMB developed new plan to introduce the balanced score card. The purpose was to integrate the bank's overall goal, customers' satisfaction, internal procedures, and human resource development.

Since the inception of infra-financing, BPIMB has suffered from its employees' high turnover. With the needs to attract and retain high-potential talents, and to link performance to rewards, BPIMB developed new plan to introduce the performance management system. BPIMB also conducted a benchmarking research and set up new system of fringe benefits. Based on the mid-year review, BPIMB finalized the performance management system. This can be viewed as a self-sustainable plan-do-check-action process.

4.1.5 Output 5

Output 5 of this project is "Understanding is enhanced regarding direction of the BPIMB's infrastructure finance roles in Malaysia." As stated in the PDM, objectively verifiable indicator for Output 5 is "Recognition of direction regarding BPIMB's infrastructure finance operation is agreed among board members" and this indicator is to be verified by "Questionnaire results." However, since i) the board members except the Chairman and the President was involved in this joint works on a very limited basis and ii) BPIMB's operational direction is substantially considered by the Senior Executives, it has been agreed between both sides about that only the "board members" should be changed to the Senior Executives.

Through the activities described in Section 3.2, the understanding regarding direction of BPIMB's infrastructure finance roles in Malaysia has been significantly enhanced among the Senior Executives.

Although the objectives and values of the Project, particularly those of the Output 5 weren't properly shared with the government officials from the Agencies at the very beginning, repeated

knowledge-sharing and intense discussions in the meetings and seminars deepened the cooperative relationship with them for the Output. And thus, the Agencies' officials shared more understanding, issues and direction regarding the institutional framework for BPIMB's infrastructure finance operation based on the enhanced relationship among the JICA Experts, BPIMB and the Agencies.

In addition to the Agencies, JICA Experts and the CP explored effective network/partnerships with related market players such as private financial institutions, project sponsors etc. so as to i) exchange the views about BPIMB's expected roles in the market and ii) consider how to collaborate with them in infra-project formation. In parallel, the PPP/PFI legal study was conducted in order to i) upgrade socio-economic infrastructure privatization projects in Malaysia by the PPP/PFI methods and ii) enhance BPIMB's marketing and financial arrangement abilities. Through the seminars, discussions and joint studies with a legal firm and Agencies' officials, BPIMB and those stakeholders successfully gained and shared sufficient knowledge and information enough to introduce the methods for prospective projects.

All the views and information through the above-mentioned activities were reflected in BPIMB's draft of the next Five-Year Business Plan. It is particularly worth noting that each of the Senior Executives in BPIMB examined the strategy of their responsible businesses on their own initiatives in the course of joint work with the JICA Experts. Although the Plan isn't to be perfectly finalized because BPIMB will merge with BITMB and they are reorganized, the Plan including the Strategic Options is strongly believed to be very important ingredients of the long-term plan of the newly-established development bank.

All of the above achievements are shown in the interviews/questionnaires results where recognition of the direction regarding BPIMB's infrastructure operation has been basically agreed among the Senior Executives.

4.2 Achievement of the Project Purpose

The project purpose is "Credit risk management capacity of infrastructure finance operation in BPIMB is strengthened with improved project management and risk management system and capability." During one and a half years of project implementation since May 2004, the project purpose remained the same and activities of five output groups have been integrated toward achievement of the project purpose.

In the course of project implementation, however, related parties agreed to add another objectively verifiable indicator for the project purpose as shown in the below table following the progress of BPIMB's risk management system taken initiative by Output 1 group. Both sides agreed to add "implementation of periodical TLR" and "statistical analysis based on TLR" as an additional verifiable indicator and means of verification respectively as this is a comprehensive measure of achievement by all Outputs from one through five.

Senior Management Committee of BPIMB officially approved quarterly implementation of TLR in November 2004. However, due to heavy workload, JICA Experts and BPIMB's C/P agreed that semi-annual implementation on self assessment of all infra-finance project loan became the additional verifiable indicator.

Table 4-2. Objectively Verifiable Indicators for the Project Purpose and Means of Verification

	Original PDM	Revised PDM
Objectively verifiable indicators	Number and ratio of project which has been assigned risk scoring	a) Number and ratio of project which has been assigned risk scoring b) Implementation of Periodical TLR
Means of verification	Risk scoring record	a) Risk scoring record b) Statistical analysis based on TLR

As per these revised means of verification, the project purpose could be considered as being achieved. Coping with BNM's Examination Findings and Action Plan Progress Report as at February 2004, BPIMB has been making effort to strengthen credit risk management capacity of infrastructure finance operation.

Regarding the verifiable indicators a) in the above matrix, the senior management committee of BPIMB officially decided in 2003 to include risk scoring in the process of loan appraisal. By the end of August 31, 2005, risk scoring applied to 13 projects, that is, 100 % of all applicable infra finance projects using project finance scheme. Through this cooperation project, understanding of risk scoring was enhanced and further development of risk scoring system with supplementary usage of Project Risk Matrix Sheet in the future is recommended in order to take into account of risk factor changes not only for screening of projects but also monitoring existing loan quality.

As for the other indicator b) in the above table, by September 2005, TLR was completed twice; the first as of September end 2004 and the second as of March end 2005. The total number of infrastructure loans reviewed was 67 and 78 respectively.

Summary of statistical analysis based on TLR was as follows:

Table 4-3. Summary Sheet (RM Million)

(As of September 30, 2004)

		Number of Loans	Average Loan Amount	Drawn-down (Disbursed) Ratio
(A) Project Finance	Govt.	29	297.5	85.0%
	Comm.	6	25.0	78.0%
	Total	35	251.0	84.9%
(B) Contract Finance	Govt.	0	0	0%
	Comm.	19	150.0	61.2%
	Total	19	150.0	61.2%
(C) Structured Finance	Govt.	5	53.0	77.4%
	Comm.	8	214.1	93.6%
	Total	13	152.2	91.4%
Total (A+B+C)	Govt.	34	254.1	84.8%
	Comm.	33	143.1	73.6%
	Total	67	199.4	80.8%

Govt.: Government Program

Comm.: Commercial Program

“Systemized know-how is utilized for practice” was recognized in the PDM as an important assumption for achieving the project purpose. This assumption could be considered as being fulfilled, as this project employed an effective methodology, i.e., building capacity in collaboration in harmony with BPIMB’s daily operation.

BNM started inspection of development financial institutions in September 2002. Since then, inspection by BNM has had an enormous effect on improvement in management of DFIs, including BPIMB. This cooperation project greatly contributed to such BPIMB’s management improvement through enhancing its credit capacity. BPIMB recognizes necessity to prepare for the second inspection by BNM continuously.

4.3 Achievement of the Overall Goal

The overall goal of this project is “Infrastructure finance capacity in Malaysia, especially that of BPIMB, is strengthened” as described in PDM. Objectively verifiable indicators are agreed as