

“Number of project examining at project formulation stage” and “Number of conducting feedbacks of issues to the government as financial institution”.

EPU is currently preparing for the Ninth Malaysia Plan (2006-2010) to be drawn up by the beginning of 2006. For the first time since its inception of infrastructure finance operation in 1999, BPIMB participated in government’s discussion (chaired by EPU) regarding preparation of the Ninth Malaysian Plan (2006-2010). In this way, possibility is increasing for BPIMB to make its intention on selection of target infra finance sectors, finance negotiation, financial measures, etc. to be taken into consideration by the government, more than originally expected. An impact of this project could be considered beginning to appear, although achievement of the overall goal is to be evaluated medium- to long-term after the project completion. Providing opinions, as a financial institution, to the government for its decision on infrastructure project implementation that assumes BPIMB’s participation, remains to be a future task.

“Credit risk management system of infrastructure finance system in BPIMB is maintained/updated and continues to be utilized” and “Authorities concerned² recognize BPIMB’s capacity building” are important assumptions to achieve this overall goal. These assumptions can be considered achievable, because this project employed TA measures that could be considered effective for establishing a sustainable system even after the implementation period.

5. Measures designed for Project Implementation/Operation and Lessons Learned /Recommendations

5.1 Measures designed for Project Implementation/Recommendations

5.1.1 Overall

(Mr. Haji Mohd. Ramli Bin Samian)

This JICA Technical Assistance Project represents a very important and crucial component of BPMB’s institutional capability enhancement programme. Prior to this, the Bank has also received the service of a financial advisor, with the courtesy of JICA too. Both advisory assistances extend over a duration of eighteen months. However, unlike the earlier fulltime engagement of a JICA Financial Advisor, the JICA Technical Assistance Project this time are

² Concerned authorities here include MOF, BNM, EPU, etc.

made up of twenty experts (20) in all, of whom half are on short-term basis. Such is the degree of significance and the level of commitment for this project accorded by the Bank and JICA.

As the Project theme suggests, institutional capacity building on infrastructure finance in Malaysia of necessity entail the involvement of related Government Ministries and authorities as well. We are indeed very grateful for the full support and co-operation given by the MOF, BNM and EPU to help make this institutional capacity building on infrastructure financing in Malaysia possible.

On a similar note, such success would not have been attained without the warm and generous support from prominent Japanese institutions like the DBJ, JERI and JBIC too.

A focused emphasis is directed towards addressing those specific areas identified that will lead to fundamental improvements in evaluation and risk management skills, knowledge management, processes and systems, framework and supporting infrastructure. Time is also allocated to refining the foreseeable medium-term operational plans with the hope of realizing the fullest possible from this project.

The target set seems rather on the ambitious side. However, as infrastructure banking operations continue growing in terms of sophistication and portfolio since its inception in late 1998, it is imperative that the project goals be attained in the shortest time possible.

(Mr. Hirohiko Sekiya)

The Government of Malaysia is shifting growth strategy from input-driven towards one that is knowledge driven reflecting emergence of “knowledge society.” I believe our JICA Cooperation Project will become a typical successful mutual cooperation for its knowledge driven strategy. For JICA’s technical cooperation, this Project is an unprecedented and advanced undertaking for institutional capacity building of infrastructure finance focusing on BPIMB, a premier development finance institution in Malaysia.

Accordingly, at the implementation stage of the Project, BPIMB and JICA Experts carefully designed the basic cooperation policy and modalities before inception of the cooperation as described in 1.2 and 1.3. Both sides also agreed to use Project Design Matrix which came up with a comprehensive evaluation framework of the Project before and after implementation as described in the previous chapters and Annex 1.

In view of BPIMB's dynamic managerial improvements throughout joint cooperation period according to DFIA and RM8 (such as reorganization in August 2004 followed by series of organizational improvement plans, integration of BPIMB with BITMB in October 2005), it was almost a miracle that BPIMB and JICA Experts could complete the Cooperation Project as initially scheduled.

In order to cope with expanded scope of work compared with initial thoughts, JICA Experts made tremendous efforts in collaboration with BPIMB Counterpart for supporting the following issues to name a few:

- Establishing periodical Total Loan Portfolio Review System
- Dissemination of basic project finance skills to new frontline officers in addition to training of trainers after the reorganization
- Establishing trainers' training system by formulating three basic programs
- Enhancement of awareness about knowledge creation system within BPIMB
- Increasing dialogues with Government agencies
- Facilitating preparation for BPIMB's operation strategy
- R&D on PPP/PFI

Overall, this Cooperation Project materialized the recent trend of "Capacity Development Approach" in technical cooperation which emphasizes a long term commitment by the beneficiary to the entire process of building, strengthening and maintaining the indigenous capacities, and aiming at not only individuals and organizations, but also institutional aspects through close cooperation among the Government of Malaysia, BPIMB, JICA, JICA Experts and all other supporting organizations including DBJ.

5.1.2 Output 1 group

(Mr. Mahashim Bajuri)

BPIMB should continue to develop risk management improvement plans promoted by JICA experts throughout joint-work period.

In order to enhance current practices of risk management for infra banking, BPIMB has agreed that a TLR approach would be necessary for the accomplishment of BPIMB objective "to optimize financial returns to support the bank's growth and operations."

(Mr. Minoru Tsuyuki)

Mission Statement of BPIMB states: "To contribute toward infrastructure project development

that will yield maximum benefits and optimum returns to the stakeholders.” Also one of the Bank’s objectives says: “To optimize returns to support the Bank’s operations and growth.” Thus if there exists a scorecard, it should show maintenance and gradual increase of the Bank’s good loan assets plus optimum net income. So, as aforementioned in 4.1, comparison of financial statements, quality of all booked loans, or NPL ratios at certain intervals would be an appropriate measure for this project implementation / operation eventually. For example, comparison of 2004, 2005 and 2006 end financial statements plus continued TLR and the statistical data extracted therefrom might give final score of this operation.

Based on the joint work well undertaken so far, we have good reason to believe that BPIMB will keep adopting the improved principles (in line with universally accepted sound practices) and showing positive results from such measurement.

5.1.3 Output 2 group

(Mr. Lim Ba Thai)

Clear and complete documentation of the objectives and activities undertaken, and in particular, the outputs and required implementation steps will ensure successful implementation of this programme. This is particularly important under the present circumstances, where BPIMB is in the process of being integrated with BITMB.

(Mr. Hironobu Adegawa)

Due to the reorganization at BPIMB on August 2004, we could not start the trainer’s training as planned. Instead, we started off from the training of junior staffs to bottom up the risk evaluation capability of BPIMB, then, moved on to the trainer’s training. Thus enhanced the efficiency of this capacity building program.

By fully utilizing the existing risk evaluation method at BPIMB, an additional risk evaluation method, namely PRMS, was introduced and harmonized with the existing method.

5.1.4 Output 3 and 4 group

(Mdm. Rokiah Rajak)

The survey done and numerous discussion sessions held between JICA experts and BPIMB counterparts enabled both parties to identify strengths and weaknesses in BPIMB’s human resource management practices and competency development structure. This enabled both

parties to identify improvement measures to be implemented. Consistent follow-up efforts on action plans and clear deliverables as well as targets are some of the factors that led to the successful implementation of this project.

(Mr. Masahiko Komori)

BPIMB is so special. Furthermore, personnel matters are often delicate and confidential. Therefore, BPIMB's initiative has been highly respected and appreciated. In this sense, Human Resource Development Department, in cooperation with JICA experts, has committed itself to the project and demonstrated strong leadership in developing diverse improvement plans.

BPIMB and JICA experts tried to share and introduce effective management tools that best-fit BPIMB. To share such concepts, diagrams and illustrations have been effective to bridge the socio-cultural differences. BPIMB and JICA experts have tried to understand BPIMB's intrinsic positions through interviews and many discussions and devise BPIMB-specific ways of solution. They are not ready-made but made-to-order. In this way, such foreign/imported management tools as balanced score card and performance management system could be well digested and absorbed in BPIMB's own context.

5.1.5 Output 5 group

(Mr. Abd Rahman Ahmad Ramli)

The Output-5 JICA Experts' continuous and dedicated efforts have been instrumental in the development of the Project implementation. With the inputs and collaboration of the CP in BPIMB, the operational strategy has been formulated. The sessions with the Agencies and market players together with the JICA Experts and the CP have enabled networking to be enhanced.

(Mr. Toshiyuki Okubo)

Securing sustainability of the Project implementation, the JICA Experts principally respected for the CP's ownership and initiatives in the joint works. For example, the basic concept that the CP considers and drafts its own plan before the JICA Experts' inputs was followed through. Moreover, by always sharing the sessions/meetings with the Agencies and other market players between the JICA Experts and the CP, BPIMB will be able to enhance the network/partnerships. Also, enhancing efficiency of the Project implementation, the Strategic Taskforce was established, and thus all the key persons related to planning and marketing the infrastructure

finance operation could get together and effectively considered the operational strategy with the JICA Experts.

As aforementioned, the sharing the objectives and values with the Agencies regarding Output 5 activities seemed the greatest challenge, because i) the Agencies' officials showed their reluctance to including the Output 5 goals/activities in the very first JCC and ii) they are very influential for BPIMB's operation. With the aim of overcoming this challenge, the JICA Experts repetitively explored and successfully carried out the opportunities to have mutually useful and informative sessions with the Agencies and develop the cooperative relationship enough to reach common understanding about many of BPIMB's directions.

5.2 Lessons Learned/Recommendations from implementing/operating the Project

5.2.1 Overall

(Mr. Haji Mohd. Ramli Bin Samian)

Much is learned from the Project Programme which are not just from the ongoing on-job counseling and training where most of the so-called technology transfer take place but also the various field trips and seminars organized for officers but also not forgetting the senior management officials as well, from the Bank, MOF, BNM and EPU.

We wish to congratulate to JICA too for organizing and arranging a resource person from the Republic of Korea to exchange their experiences with. Through such diversification of knowing and sharing the practices of other nations, the learning will be made that shorter and more effective.

Although much has been achieved over the last eighteen months (18) since the project started and the project goals attained, it is still by no means considered to be complete as yet. With already a successful formula in hand, we hope to undertake some additional technical extension work through JICA that will address the post BPIMB-BITMB merger and rationalization challenges ahead.

With our heartiest sincerity, we would like to thank JICA, DBJ, JERI, JBIC and The Construction and Economy Institute of Korea (CEIK) and their officials who have contributed to this project. Special mention goes to Sekiya-san, the JICA Expert Team leader, Koyama-san, the Director General of Department of International Affairs, Development Bank of Japan and

not least Kumamoto-san and Ito-san, from JICA and Puan Lailathom and Cik Shaorin Salawati from BPMB, the project coordinators, for their untiring dedication to make this project a huge and a great milestone success.

(Mr. Hirohiko Sekiya)

This Cooperation Project was a most pioneering undertaking of knowledge intensive capacity development for infrastructure finance in Malaysia in terms of coverage and depth of work. On behalf of JICA Expert Team, I would like to extend my deep appreciation to counterpart members of BPIMB, the supporting government agencies of Malaysia (EPU, MOF and BNM) and JICA for providing such a challenging opportunity.

Although simple comparison of infrastructure finance between the two countries is difficult, it was a mutual learning process for both parties to reap the benefits from our joint capacity development project. In addition to lessons learned from the following five Outputs of the Project, I have confirmed the following three key common agenda for successful operation of a Development Finance Institution;

i) Positive risk taking as a DFI to the extent it can bear

In addition to the general risk management system of commercial banks, Development Finance Institutions are facing “policy-based financial risk,” which originates from the trade-off between development policy objectives and financial soundness.

ii) “Knowledge Management” for strengthening “Core Competencies” as a DFI

In accordance with the expanding scope of work for BPIMB in the future, further development of sustainable knowledge creation system will become all the more important.

iii) Growing needs to raise funds for development finance in the market

One of decisive driving forces for reforming DFI in any country including Malaysia and Japan is necessity of securing funds for policy based finance as a result of drastic changes caused by fiscal budget constraints of the Government and Banking Sector reform. Therefore it is growing trends for a DFI to raise funds from financial market.

All the three key factors will be closely interrelated for further enhancement of institutional capacity of a DFI. For new Development Bank of Malaysia, these three factors will be ever advancing targets in the future.

5.2.2 Output 1 group

(Mr. Mahashim Bajuri)

The success of risk management plans and activities in any business institution are much dependent on the strong support of top management. In BPIMB we are very lucky that top and senior management members are fully convinced of the benefit of proper risk management system and therefore support it. However, continuous efforts need to be promoted and enhance to get the buy-in and appreciation of good risk management culture at all levels of BPIMB staff.

We are also thankful that JICA experts have given lots of insights and practical recommendations on how to build the capacity of BPIMB's infra banking risk management.

(Mr. Minoru Tsuyuki)

Two parties from different experience and cultural background working together in such an intense capacity building exercise was not an easy task. But, thanks to very cooperative and positive attitude shown by all counterpart members at all levels, in spite of tight working schedule, we can say we could accomplish satisfactory level of achievement in this capacity building operation as mentioned in 3.2. Let us express our heartfelt thanks for all those efforts on the part of BPIMB members.

Finally let us make one recommendation to secure sustainability in improvement of the Bank's TRM. Indeed we notice there are very good written policies and guidelines existing. Also there are several committees well organized to look after Bank's day-to-day risk management. On the other hand there is good accumulation and storage of knowledge and information provided by outside consultants or through several seminars. Here, if department and section managers, i.e. middle management level, make one step forward to take initiative i) in integrating such information or know-how with existing manuals or on-the-job training kits and /or exercises, or ii) in proposing any modification of policies, guideline and/or practices at an appropriate timing to the senior management, TRM of the Bank would become much more robust.

5.2.3 Output 2 group

(Mr. Lim Ba Thai)

Active participation of BPIMB staff at all levels with the JICA experts in defining problems, seeking alternatives and formulating solutions ensure relevancy and effectiveness of the agreed

measures. Participation, understanding and agreement lead to commitment and the willingness to do one's best to see the measures successfully implemented.

(Mr. Hironobu Adegawa)

Strong commitment of the counterpart is extremely important in capacity building cooperation project. To succeed in this type of project, all the counterpart, i) top management, ii) department management and iii) staff, should possess and maintain the followings during and after the duration of the project: a) understanding of the necessity, b) strong will to build capacity, and c) effort to build capacity. In case of BPIMB, over a long period of time, all the three levels of counterpart respectively kept demonstrating the understanding, will and effort regardless of their tight business schedule. That is one of the reasons behind the success of this project. We believe obtaining such a strong commitment is one of the key success factors of this type of cooperation project.

If we could have provided an on-the-job training such as processing an actual new project application, effectiveness of our trainings would have been enhanced. However, due to the nature of financing business that involves credit risk taking, responsibility and confidentiality, we could not provide such trainings this time.

5.2.4 Output 3 and 4 group

(Mdm. Rokiah Rajak)

It is hoped that there will be follow through on the output of this project especially with the rationalisation process. The trainers trained should be maintained in their designated areas of expertise so that there will be an opportunity for them to further strengthen their competency through exposure to business (work-work) and a structured competency upgrade effort should be planned for this group so that their expertise can be upgraded from working level to expert level. It should be recognised that this group of trainers are the 'seed' for BPIMB to use in upgrading the competency of infra banking personnel. A talent management program should be planned for them.

(Mr. Masahiko Komori)

True, structure follows strategy; but sometimes, too much organizational changes can impair intangible assets like trust and informal relationships developed over a long time. The coming integration may affect such important aspects. Measures to facilitate intersectional cooperation should be sustained to reconcile possible conflicts. In the knowledge economy, interaction

among talented workers plays a critical role. Managements' consideration in this regard would be highly appreciated.

Through this project, trainers, training materials, and training system have been developed and further improved. Now, all the human capital, materials, and system thereof are in the good hands of BPIMB. They are waiting to be fully utilized for your sustainable self-development. If the trainers are continuously provided with the chances to utilize the materials and knowledge, your efforts to improve the precious human capital would become self-sustainable within your good organization.

5.2.5 Output 5 group

(Mr. Abd Rahman Ahmad Ramli and Mdm. Lailathom Yusof)

Both of the Output-5 JICA Experts and us are of the view that continuous and sustainable relationship with the Agencies is vital to the progress of the infrastructure financing in BPIMB. As such the infrastructure bank has to seriously identify personnel to liaise continuously with the Agencies and to emphasize the importance of BPIMB's engagement in the planning stages of the project formulation.

(Mr. Toshiyuki Okubo)

From the viewpoints of Output-5, it is strongly recommended that enhancing more effective partnerships with the Agencies and market players through more frequent and closer communication in various levels such as AVPs and managers. For that, assigning some capable personnel to manage those relationships will work very well. More importantly, each BPIMB personnel is expected to have a kind of mindset that they proactively address the challenging issues and strive to provide financial solutions to them from their side rather than waiting for someone else doing them, and thus BPIMB will be able to strategically position itself among the players and fully achieve its missions.

(Quoted from "Senior Management Seminar in Japan" Evaluation Report)

Lessons learnt are as follows:

- i) The experience of DBJ in Risk Management
- ii) The budgeting process in DBJ which is significantly different from BPIMB
- iii) The Japanese framework and experience in PPP/PFI implementation
- iv) DBJ Law that maintains its independence from political interference
- v) Operational competency and internal ratings methodology

From the above it is our aspirations and intentions to implement what has been learnt in Japan to BPIMB specifically and to Malaysia generally.

Annex 1. PDM

Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Important Assumptions
<p>Overall Goal Infrastructure finance capacity in Malaysia, especially that of BPIMB, is strengthened.</p>	<ul style="list-style-type: none"> -Number of project examining at project formulation stage -Number of conducting feedbacks of issues to the government as financial institution 	<ul style="list-style-type: none"> -Record of project screening -Document of feedback to the government 	
<p>Project Purpose Credit risk management capacity of infrastructure finance operation in BPIMB is strengthened with improved project management and risk management system and capability</p>	<ul style="list-style-type: none"> -No. and ratio of project which has been assigned risk scoring 	<ul style="list-style-type: none"> -Risk scoring record 	<ul style="list-style-type: none"> -Credit risk management system of infrastructure finance system in BPIMB is maintained/updated and continues to be utilized. -Authorities concerned recognize BPIMB's capacity building.
<p>Outputs</p> <ol style="list-style-type: none"> 1. Capacity of BPIMB's infrastructure finance risk management system is strengthened 2. Know-how on project risk evaluation is accumulated and shared in BPIMB 3. BPIMB's human resource development concerned with infrastructure finance is strengthened. 4. BPIMB's capacity of organizational improvement related to infrastructure finance is enhanced 5. Understanding is enhanced regarding direction of the BPIMB's infrastructure finance roles in Malaysia 	<ol style="list-style-type: none"> 1. Plan of improving risk management system for infrastructure finance of BPIMB as a whole is formulated 2. Know-how database, financial modeling for sub-sectors, risk evaluation manuals are completed 3. Number of trained trainers, number of seminars conducted by trained trainers and number of participants, degree of understanding by participants 4. BPIMB's organizational improvement plan is prepared 5. Recognition of direction regarding BPIMB's infrastructure finance operation is agreed among board members. 	<ol style="list-style-type: none"> 1. Improvement plan of risk management system for infrastructure finance of BPIMB 2. Know-how database, financial modeling for sub-sectors, manuals 3. Record of training, questionnaires 4. Organizational improvement plan related to infrastructure finance 5. Questionnaire results 	<ul style="list-style-type: none"> -Systemized know-how is utilized for practice
<p>Activities</p> <p>(Summary of activities for output 1: Examine improvement measures for risk management of infrastructure finance of BPIMB as a whole)</p> <ol style="list-style-type: none"> 1-1 Assess the current capacity of infrastructure finance related sectors to make corporate and project appraisal 1-2 Examine improvement measures for organizing loan policy, manuals, etc. (for overall risk management) 1-3 Examine improvement measures for plan and system for ALM and risk management 1-4 Examine improvement measures for fund mobilization and necessary disclosure 1-5 Hold seminar on process for establishing risk management system, for upgrading know-how and practical risk judgment as a policy-based finance institution <p>(Summary of activities for output 2: Establish knowledge accumulation system on project risk evaluation)</p> <ol style="list-style-type: none"> 2-1 Review cases of loan projects and accumulate lessons learned 2-2 Improve financial modeling 2-3 Improve risk evaluation manuals 2-4 Develop a system for know-how sharing 2-5 Hold review training on know-how of project finance <p>(Summary of activities for output 3: Establish and expand training system related to infrastructure finance in BPIMB)</p> <ol style="list-style-type: none"> 3-1 Improve training system (OJT/group training) 3-2 Train trainers 3-3 Hold training/seminar on infrastructure finance <p>(Summary of activities for output 4: Review BPIMB's organizational structure related to infrastructure finance)</p> <ol style="list-style-type: none"> 4-1 Examine improvement measures for organizational structure for infrastructure finance 4-2 Examine improvement measures for organizational strengthening related to compliance and monitoring <p>(Summary of activities for output 5: Formulate strategies of BPIMB's infrastructure finance operation)</p> <ol style="list-style-type: none"> 5-1 Understand institutional issues related to BPIMB 5-2 Hold seminar for executives, including Board of Directors and Senior Management who are to establish the strategy of infrastructure finance operation 5-3 Examine strategies for coping with institutional changes under DFI Act (i.e. clear mandate and policy for infrastructure financing) 	<p style="text-align: center;">Inputs</p> <p><u>Malaysian Side</u></p> <ul style="list-style-type: none"> -Task Force (Counterparts & Working Team) -Working facilities in BPIMB -Adequate budget -Coordination with local institutions <p><u>Japanese Side</u></p> <ul style="list-style-type: none"> <i>Experts</i> -JICA experts -DBJ lecturers <i>Training</i> -Training of Malaysian personnel(s) in Japan <i>Others</i> -Utilization of JICA-Net -Case studies by local consultants 	<p style="text-align: center;">Pre-conditions</p> <ul style="list-style-type: none"> -Institutional framework related to infrastructure finance operation of the BPIMB does not change. 	

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<p>Overall Goal Infrastructure finance capacity in Malaysia, especially that of BPIMB, is strengthened.</p>	<ul style="list-style-type: none"> -Number of project examining at project formulation stage -Number of conducting feedbacks of issues to the government as financial institution 	<ul style="list-style-type: none"> -Record of project screening -Document of feedback to the government 	
<p>Project Purpose Credit risk management capacity of infrastructure finance operation in BPIMB is strengthened with improved project management and risk management system and capability</p>	<ul style="list-style-type: none"> -Number and ratio of project which has been assigned risk scoring -Implementation of periodical Total Loan Portfolio Review (TLR) 	<ul style="list-style-type: none"> -Risk scoring record -Statistical analysis based on TLR 	<ul style="list-style-type: none"> -Credit risk management system of infrastructure finance system in BPIMB is maintained/updated and continues to be utilized. -Authorities concerned recognize BPIMB's capacity building.
<p>Outputs</p> <ol style="list-style-type: none"> 1. Capacity of BPIMB's infrastructure finance risk management system is strengthened 2. Know-how on project risk evaluation is accumulated and shared in BPIMB 3. BPIMB's human resource development concerned with infrastructure finance is strengthened. 4. BPIMB's capacity of organizational improvement related to infrastructure finance is enhanced 5. Understanding is enhanced regarding direction of the BPIMB's infrastructure finance roles in Malaysia <p>Activities</p> <p>(Summary of activities for output 1: Examine improvement measures for risk management of infrastructure finance of BPIMB as a whole)</p> <ol style="list-style-type: none"> 1-1 Assess the current capacity of infrastructure finance related sectors to make corporate and project appraisal 1-2 Examine improvement measures for organizing loan policy, manuals, etc. (for overall risk management) 1-3 Examine improvement measures for plan and system for ALM and risk management 1-4 Examine improvement measures for fund mobilization and necessary disclosure 1-5 Hold seminar on process for establishing risk management system, for upgrading know-how and practical risk judgment as a policy-based finance institution <p>(Summary of activities for output 2: Establish knowledge accumulation system on project risk evaluation)</p> <ol style="list-style-type: none"> 2-1 Review cases of loan projects and accumulate lessons learned 2-2 Improve financial modeling 2-3 Improve risk evaluation manuals 2-4 Develop a system for know-how sharing 2-5 Hold review training on know-how of project finance <p>(Summary of activities for output 3: Establish and expand training system related to infrastructure finance in BPIMB)</p> <ol style="list-style-type: none"> 3-1 Improve training system (OJT/group training) 3-2 Train trainers 3-3 Hold training/seminar on infrastructure finance <p>(Summary of activities for output 4: Review BPIMB's organizational structure related to infrastructure finance)</p> <ol style="list-style-type: none"> 4-1 Examine improvement measures for organizational structure for infrastructure finance 4-2 Examine improvement measures for organizational strengthening related to compliance and monitoring <p>(Summary of activities for output 5: Formulate strategies of BPIMB's infrastructure finance operation)</p> <ol style="list-style-type: none"> 5-1 Understand institutional issues related to BPIMB 5-2 Hold seminar for executives, including Board of Directors and Senior Management who are to establish the strategy of infrastructure finance operation 5-3 Examine strategies for coping with institutional changes under DFI Act (i.e. clear mandate and policy for infrastructure financing) 	<ol style="list-style-type: none"> 1. Plan of improving risk management system for infrastructure finance of BPIMB as a whole is formulated 2. Know-how database, financial modeling for sub-sectors, risk evaluation guideline materials are completed 3. Number of trained trainers, number of seminars conducted by trained trainers and number of participants, degree of understanding by participants 4. BPIMB's organizational improvement plan is prepared 5. Recognition of direction regarding BPIMB's infrastructure finance operation is agreed among senior executives 	<ol style="list-style-type: none"> 1. Improvement plan of risk management system for infrastructure finance of BPIMB 2. Know-how database, financial modeling for sub-sectors, guideline materials 3. Record of training, questionnaires 4. Organizational improvement plan related to infrastructure finance 5. Questionnaire results 	<p>-Systemized know-how is utilized for practice</p> <p>-Trained staff continue working at BPIMB</p> <p>-Counterpart members continue working at BPIMB</p>
	<p style="text-align: center;">Inputs</p> <p><i>Malaysian Side</i></p> <ul style="list-style-type: none"> -Task Force (Counterparts & Working Team) -Working facilities in BPIMB -Adequate budget -Coordination with local institutions <p><i>Japanese Side</i></p> <ul style="list-style-type: none"> <i>Experts</i> -JICA experts -DBJ lecturers <i>Training</i> -Training of Malaysian personnel(s) in Japan <i>Others</i> -Utilization of JICA-Net -Case studies by local consultants 	<p style="text-align: center;">Pre-conditions</p> <ul style="list-style-type: none"> -Institutional framework related to infrastructure finance operation of the BPIMB does not change. 	

Annex 2. List of Project Outputs

Annex 2.1 List of Project Outputs

Outputs	Month/Year	Outline	Remarks*
(Output 1)			
Total Loan Portfolio Review(TLR)	11/2004-9/2005	Proposal for TLR of Infra Banking Sector Loans was officially approved by SMC and a special working team acted as coordinator of this exercise. September end 04 and March end 05 review completed.	No
Statistical Analysis based on TLR	4/2005-9/2005	Useful statistical data have been extracted from the list of the reviewed loans.	Partly yes
Policies and Guidelines	9/2004-9/2005	Various inputs were made to improve existing policies and guidelines.	No
ALM Systems	10/2004-5/2005	Two seminars were held and DBJ's expertise transmitted. Also occasional attendance to ALCO by JICA expert.	Partly yes
Trainer's Training	11/2004-9/2005	Planning and execution of intensive training of staff and trainers.	Partly yes
(Output 2)			
Categorization of Infrastructure Sub-Sectors & Analysis of Funding Structures	6/2004	Common understandings on infrastructure finance in general were made between staffs and JICA experts.	No
Introduction of Financial Modeling	6/2004	Staffs studied basic structure and "how to use" of financial modeling utilizing typical type of FM for infrastructure finance.	No
Guidance for Project Risk Evaluation	8/2004	Common understandings on various methods of project risk evaluation were made especially among junior staffs through 5 sessions.	No
Understanding of Project Risks	8/2004	Common understandings on project risks were made	No

Outputs	Month/Year	Outline	Remarks*
Risk Evaluation for Port Projects	8/2004	especially among junior staffs through 6 sessions Staffs and J-experts jointly studied about Malaysian port projects utilizing examples financed by BPIMB and discussed on many aspects.	No
Risk Evaluation for Water Supply and Sanitation Projects	9/2004	Staffs and J-experts jointly studied about Malaysian water supply and sanitation projects utilizing examples in Malaysia and discussed on many aspects.	No
Basics of Financial Modeling and Cash Flow Analysis	12/2004	Staffs and J-experts jointly studied mainly on cash flow analysis from actual financial model for some sub-sectors at the computer room.	No
Guidance for Project Risk Monitoring (Area Development Case Study)	12/2004	Staffs and J-experts jointly studied on the actual project risk monitoring utilizing the case of area development project in foreign country and discussed on many aspects.	No
Basics of Financial Modeling and Cash Flow Analysis-modified for Loan Supervision Division-	2/2005	Staffs and J-experts jointly studied mainly on cash flow analysis for project risk monitoring in Loan Supervision Div. from actual financial model for some sub-sectors at the computer room.	No
Risk Evaluation for Mass Transit Projects	2/2005	Staffs and J-experts jointly studied about Malaysian mass transit projects utilizing examples financed by BPIMB and discussed on many aspects.	No
Project Risk Matrix Sheet	2/2005	J-expert introduced concept of PRMS as a supportive method to the existing project risk evaluation method for project risk monitoring	No
Introduction of Project Risk Matrix Sheet	5/2005	Staffs studied about formation of PRMS especially about the concept of risk weighted balance.	No
Exercise of Project Risk Matrix Sheet	5/2005	Based on the studies about PRMS, staffs exercised actual application of PRMS method on many projects	No
Financial Modeling for ICT Projects	5/2005	Staffs and J-experts jointly studied about Malaysian ICT projects and jointly trained for FM on typical	No

Outputs	Month/Year	Outline	Remarks*
Risk Evaluation for Urban (Area) Development Project	9/2005	ICT project in Malaysia utilizing examples and discussed on many aspects. Staffs and J-experts jointly studied about urban (area) development projects utilizing examples in foreign countries and discussed on many aspects.	No
Consignment Study on Infrastructure Financing in Malaysia: Volume 1 Infrastructure Development Overview	10/2004-8/2005	Report of consignment study on infrastructure development overview in Malaysia, including trends and issues in infrastructure financing for Malaysia and recommendations on BPIMB's role.	Yes
Consignment Study on Infrastructure Financing in Malaysia: Volume 2 Water Sector Report	10/2004-2/2005	Reports of consignment study on infrastructure financing for each sector, including development of the sector, related legal and regulatory framework, sector financing, current issues and concerns, future outlook and case studies.	Yes
Consignment Study on Infrastructure Financing in Malaysia: Volume 3 Sewerage Sector Report	10/2004-2/2005		Yes
Consignment Study on Infrastructure Financing in Malaysia: Volume 4 MRT Sector Report	10/2004-2/2005		Yes
Consignment Study on Infrastructure Financing in Malaysia: Volume 5 Area Development Sector Report	6/2005-8/2005		Yes
Consignment Study on Infrastructure Financing in Malaysia: Volume 6 ICT Sector Report	6/2005-8/2005		Yes
Consignment Study on Infrastructure Financing in Malaysia: Volume 7 Project Profiles (Water, Sewerage, MRT, Area Development & ICT)	6/2005-8/2005	Report of consignment study, including project profiles of the selected five sectors and proposal on database design.	No
(Output 3 &4)			
Discussion paper	6/2004	Preliminary discussion paper of BPIMB's HRD issues	No
Discussion paper	6/2004	Explanation of DBJ's organizational structure	No
Discussion paper	8/2004	Explanation of DBJ's project finance training system	No
Discussion paper	8/2004	Results of the questionnaire survey and implications	No

Outputs	Month/Year	Outline	Remarks*
Discussion paper	10/2004	Results of the interviews and implications	No
Discussion paper	2/2005	Lessons from Japan's experiences in performance management system	No
Discussion paper	2/2005	Discussion regarding manpower productivity indicator	No
Discussion paper	4/2005	Explanation of DBJ's performance management system	No
Discussion paper	5/2005	Discussion of output 3 & 4's direction and integration	No
(Output 5)			
Reference Materials for planning BPIMB's Infrastructure Banking Operation in the next 5 years (2006-2010)	September 2005	With JICA Experts' assistance, the Strategic Taskforce drafted the operational plan of BPIMB's Infrastructure Banking Sector for the next 5 years (2006-2010), including the goals and positioning, marketing strategies, funding and risk management, and organizational approaches	No
Proposed Guidelines and Direction of Infrastructure Banking Operation –Strategic Option for Year 2010-	September 2005	Presentation material particularly made for sharing the core part of "Five-Year Plan of BPIMB's Infrastructure Banking Operation (RM9)" with the JCC members in the 3 rd JCC	Yes
Briefing Material for meetings with target partners both in private and public sectors	May, February & September 2005	Presentation material of JICA Expert (Mr. Toshiyuki Okubo) to introduce the BPIMB-JICA Cooperation Project, DBJ, PPP/PFI etc. in the meetings held in February, May and September with target partners both in private and public sectors	No
Ministry of Finance Malaysia	July 2005	Presentation material of the seminar participant (Mr. Chua Choon Hwa, Principal Assistant Secretary, Loan Management and Financial Policy Division,	Yes

Outputs	Month/Year	Outline	Remarks*
		MOF Malaysia), introducing the outline of MOF Malaysia group including BNM and Khazanah Nasional	
Malaysian Privatization Policy	July 2005	Presentation material of the seminar participant (Mr. Rahizi Ranom, Assistant Director, Privatization Section, EPU, Prime Minister's Department), introducing the outline of privatization policy in Malaysia	Yes
Malaysian Privatization Approach with respect to Roads/Highways	July 2005	Presentation material of the seminar participant (Mr. Mohd Nazry Bin Mohd Kassim, Assistant Director, Privatization Section, EPU, Prime Minister's Department), introducing the outline of privatization approach in Malaysia, using a case of roads/highways	Yes
Introduction of Japan's Experience in PPP/PFI –Case Study of PPP/PFI in Hospitals-	May 2005	Presentation material of JICA Expert (Mr. Toshiyuki Okubo) in PPP/PFI Workshop “Financing Privatization Projects, with emphasis in Socio Economic Infrastructure”	No
Enhancing Private Sector Participation in Infrastructure through PPP & PFI in Malaysia	May 2005	Presentation material of Mr. Chew Seng Kok, Managing Partner of Zaid Ibrahim & Co. in PPP/PFI Workshop “Financing Privatization Projects, with emphasis in Socio Economic Infrastructure”	Yes
Financing PFI Projects: BPIMB's Proposed Role	May 2005	Presentation material of Mr. Ahmad Mochtar Hashim, Assistant Vice President / Head of Corporate Finance Department in PPP/PFI Workshop “Financing Privatization Projects, with emphasis in Socio Economic Infrastructure”	No

Outputs	Month/Year	Outline	Remarks*
Bank Risk Management in Japanese DFIs -Theory and Practice-	May 2005	Presentation material of JICA Expert (Mr. Katsuhiro Sato) in DBJ Risk Management Seminar both in BPIMB and BNM for 20-30 participants	No
Bank Risk Management in Japanese DFIs -Theory and Practice- [Hands-on Training]	May 2005	Presentation booklet and CD of JICA Expert (Mr. Katsuhiro Sato) in DBJ Risk Management Seminar [Hands-on Training with PC/Excel] in BPIMB for 5-10 participants, who are currently in charge of and/or related to risk management and organizational loan management	No
Internal Rating System and Organizational Loan Management –Case Study of the Development Bank of Japan-	May 2005	Presentation material of JICA Expert (Mr. Satoru Ito) in DBJ Risk Management Seminar both in BPIMB and BNM for 20-30 participants	No
Records of meetings with target partners both in private and public sectors	May & February 2005	Meeting records of the meetings held in February and May with target partners both in private and public sectors	No
PPP/PFI Legal Module for Malaysia in relation to the BPIMB-JICA Project	April 2005	ZaidIbrahim & co. made this special report, which covers privatization projects and PPP in Malaysia as well as preliminary identification of sectors for pilot PPP projects, from lawyers' perspectives	No
DBJ and Japan's Infra/Project Finance -Presentation to Bank Negara Malaysia-	December 2004	Presentation material of JICA Expert (Mr. Toshiyuki Okubo) in the information session in BNM upon BNM's request	Yes
Implications of DBJ's (Non-recourse) Finance Approaches to BPIMB's Strategy	October 2004	Presentation material of JICA Expert (Mr. Toshiyuki Okubo) in the Seminar for BPIMB officers in K.L.	No

* Indicating whether the documents can be disclosed or not.

Annex 2.2 Seminar/Training conducted in Malaysia

	Seminar/Training Title	Dates conducted	Number of Participants
1	Categorization of Infrastructure Sub Sectors & Analysis of Funding Structures	June 15, 2004	6
2	Introduction to Financial Modeling	June 17, 2004	5
3	Guidance for Project Risk Evaluation	August 9, 2004	11
4	Understanding of Project Risk	August 10, 2004	11
5	Risk Evaluation for Port Projects (Sub-sector Analysis)	August 10, 2004	11
6	Financial Modeling for Port Projects	August 11, 2004	11
7	Structure of Financial Models (1)-Model Basics	August 12, 2004	11
8	Approach to Establishment of Data Base	August 17, 2004	4
9	Guidance of Project Risk Evaluation	Sept. 27, 28 & 29 2004	15
10	Risk Evaluation for Water Supply & Sanitation Projects	Sept. 30, 2004	13
11	Financial Modeling for Water Supply & Sanitation Projects	Oct. 1, 2004	10
12	BPIMB-JICA Seminar on Infrastructure Project Finance	Oct. 4, 2004	41
		Oct. 5, 2004	15
		Oct. 5, 2004	34
		Oct. 6, 2004	33
13	Guidance for Project Risk Monitoring (Case Study: AREA Development Project in Bangkok, Thailand)	Dec. 1, 2004	10
14	Project Risk Monitoring	Dec. 13 & 14, 2004	18
15	Project Risk Matrix Sheet	Dec. 16 & 17, 2004	12
16	Basics of Financial Modeling and Cash Flow Analysis	Dec. 15, 2004	5
		Dec. 15, 2004	3
		Dec. 16, 2004	5
		Dec. 16, 2004	7
		Dec. 17, 2004	6
		Dec. 17, 2004	5
17	Project Risk Categories	Feb. 16, 2005	19
		Feb. 17, 2005	16

	Seminar/Training Title	Dates conducted	Number of Participants
		Feb. 18, 2005	8
		Feb. 21, 2005	9
		Feb. 22, 2005	10
18	Sub-Sector Analysis – Mass Transit	Feb. 17, 2005	9
		Feb. 18, 2005	9
19	Basics of Financial Modeling and Cash Flow Analysis-modified for loan supervising division-	Feb. 22, 22, 2005	7
20	Project Risk Matrix Sheet	Feb. 21, 22, 2005	10
21	Risk Management Seminar	May 12, 2005	29
		May 13, 2005	15
		May 14, 2005	15
22	Introduction to the PRMS	May 17, 2005	20
23	Exercise of the PRMS	May 18, 2005	13
24	Subsector Analysis-ICT	May 19, 2005	16
25	Financial Modeling for the Subsector-ICT	May 20, 2005	12
26	PPP/PFI Workshop	May 26, 2005	23
27	Seminar of Financing for Renewal Energy Projects	Sept. 2	12
28	The Role of Project Financing (Mr. Kikuchi)	Sept. 6	17
29	Risk Evaluation for Urban (Area) Development Project	Sept. 2	9
30	Trainers' Presentation (Program A, B, and C)	Sept. 1	9
		Sept. 7 (AM)	17
		Sept. 7 (PM)	16
Total			622

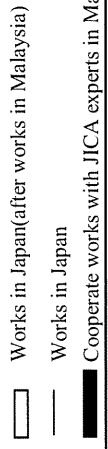
Annex 3. Schedule of Activities

Annex 3.1 Plan of Input

		2004		2005				
		5~6	7~8	9~10	11~12	1~3	4~6	7~9
I n M a l a y s i a	Provide materials necessary for the Project (including translation) ~Guide line, Manuals, Project Evaluation List, Risk Rating Report, etc.	Provide	▲	▲	▲	▲	▲	▲
	Produce and submit drafts of operational strategies, and prepare for operational improvement	▲	▲	▲	start	▲	DF/R	F/R
	Preparation and Follow up	▲	▲	▲	▲	▲	▲	▲
	Review BPIMB's working schedule corresponding activities stated in PDM	First Plan	Revise	Revise	Revise	Revise	Revise	Summarize achievements
C o l l a b o r a t i o n	<Collaboration work > **Please refer the attached sheet for details. Produce and update Plan of Operation / Identify issues	First Plan	Revise	▲	▲	Revise	▲	Summarize achievements
	Confirm progress and problems need to be followed up	▲	▲	▲	▲	▲	▲	▲
	Collaborative work on issued addressed in BPIMB's Working Schedule	▲	▲	▲	▲	▲	▲	▲
	Implementation of contracted survey in Malaysia Seminars in Malaysia (including dispatching DBJ lecturers)	▲	▲	Start	Review and Discuss	Complete	Utilization in BPIMB operations	Complete
J I C A	<Work for the Project in Japan> JICA-Net (connecting Malaysia and Japan) Joint meeting, seminars on specific themes	▲	▲	▲	▲	▲	▲	▲
	Confirm working progress/Replying inquires by e-mails	▲	▲	▲	(Subsector Seminar)	▲	▲	▲
	Study documents and analyze reports of BPIMB	▲	▲	▲	▲	▲	▲	▲
	Produce materials for next missions in Malaysia	▲	▲	▲	▲	▲	▲	▲
Training in Japan					<input type="checkbox"/> For officers (1)	<input type="checkbox"/> For management		<input type="checkbox"/> For officers (2)
Joint Coordinating Committee			▲			▲		▲

Annex 3.2 Plan of Operations

Task	Schedule																	
	2004							2005										
	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10
1 Capacity of BPIMB's infrastructure finance risk management system is strengthened	Plan																	
	Results								■	□								
1-1 Assess the current capacity of infrastructure finance related sectors to make corporate and project appraisal	Plan				■	□												
	Results				■	□											■	□
1-2 Examine improvement measures for organizing loan policy, manuals, etc. (for overall risk management)	Plan										■	□						
	Results								■	□								
1-3 Examine improvement measures for plan and system for ALM and risk management	Plan																	
	Results																■	□
1-4 Examine improvement measures for fund mobilization and necessary disclosure	Plan																	
	Results																■	□
1-5 Hold seminar on process for establishing risk management system, for upgrading know-how and practical risk judgment as a policy-based finance institution	Plan																	
	Results																■	□



* Expected time of much works by BPIMB

Annex 3.2 Plan of Operations

Task		Schedule																	
		2004						2005											
		5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10
5	Understanding is enhanced regarding direction of the BPIMB's infrastructure finance roles in Malaysia																		
	Plan																		
5-1	Understand institutional issues related to BPIMB	Results																	
		Plan		*															
5-2	Hold seminar for executives, including Board of Directors and Senior Management who are to establish the strategy of infrastructure finance operation	Results																	
		Plan		*														*	
5-3	Examine strategies for coping with institutional changes under DFI Act (i.e. clear mandate and policy for infrastructure financing)	Results																*	
		Plan													*			*	

