



Completion Report

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Establishment of the International Public Asset Management Company Forum

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TA Number, Country, and Name:			Amount Approved: \$500,000	
TA 8370-REG: Establishment of the International Public Asset Management Company Forum			Revised Amount: Not applicable	
Executing Agency: Asian Development Bank (ADB)		Source of Funding: Republic of Korea e-Asia and Knowledge Partnership Fund	Amount Undisbursed: \$85,885	Amount Utilized: \$414,115
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Description

Following the Hanoi Conference¹ on Global Financial Sector Developments jointly organized by the Ministry of Finance of Viet Nam and the Korea Asset Management Corporation (KAMCO) on 23 April 2012, the participating public asset management companies (AMCs) shared the view on the need to establish an annual forum among public AMCs to collectively address regional economic issues. Through the initiative of seven (7) public state-owned AMCs from five (5) countries in Asia, International Public AMCs Forum (IPAF) was founded and formally launched via its first annual forum on 27 May 2013 and subsequently formed the IPAF Coordinating Council. Considered as demand-driven, this TA was in support to the council's request for Asian Development Bank (ADB) to establish and launch the IPAF and serve as its secretariat for the first three (3) years to give the forum time to cement its credibility and capacity-building. The TA responded by (a) facilitating the organization and development of the IPAF; and (b) building the capacity of public AMCs to reinforce regional economic safety nets by strengthening knowledge sharing on policy experiences regarding the resolution of nonperforming assets and nonperforming loans (NPLs), corporate restructuring, and management of government-owned assets.

Expected Impact, Outcome, and Outputs

The expected impact of the TA was improved crisis response in selected Asian economies. This involves crisis resolution mechanisms and distressed assets management. The outcome of the TA was the establishment of a common platform—the IPAF—through which public AMCs in the region can generate and share ideas, strategies, practices, knowledge and experience. The outputs of the TA included support to (i) establishment of IPAF; (ii) generation of knowledge on crisis resolution and asset management; (iii) capacity building for public AMCs and institutions entrusted with crisis management and resolution; and (iv) raising IPAF's profile through its website. The TA design has reflected the concerns brought up by the public AMCs and therefore was highly relevant in terms of appropriateness of objectives and executing arrangements given the newness of this endeavor and infancy stage of coordination activities; and this is also reflected in the terms of reference. ADB and the IPAF Chair for each year (President of the chairing AMC for the year) have efficiently collaborated and jointly organized the summits, conferences, and training seminars under the TA.

Delivery of Inputs and Conduct of Activities

Engagement of consultants and resource persons has been efficiently done and mostly cost-effective. One international consultant's rate seemed high given the TOR but it is intermittent over a long period (3 person-months over 2 years) making the contract reasonable. Actual consulting services inputs utilized were around 87.9 person-months—24.5 person-months for individual international consultants and 63.4 person-months for national consultants. Engagement was through individual consultants system (ICS) in accordance with ADB's Guidelines on the Use of Consultants. They have performed well with ratings ranging from satisfactory to excellent. Ten resource persons were also engaged with total inputs of 38 person-days. Equipment procured under this TA will be turned over to a succeeding project. Through a voluntary cost-sharing arrangement, the major cost of all summits, conferences, and training seminars was shouldered by the IPAF Chair and members, while ADB provided the cost for engaging resource persons and international consultants. ADB's performance as executing agency of the TA has been satisfactory.

Under the TA, ADB and IPAF members jointly hosted three IPAF summit and conference events, six NPL training seminars, one financial workshop on Asian NPL markets, and one financial stability seminar on managing NPLs in

¹ The conference aimed to enhance awareness among developing member country participants of the impact of the global financial crisis on Asian economies, the issues and challenges it raised, the need for continued reform of state-owned enterprises, and the role of AMCs in assisting financially troubled entities. Jointly organized by the Asian Development Bank, the Ministry of Finance Viet Nam and Korea Asset Management Corporation.

Asia and Europe. The Sustainable Development and Climate Change Department (SDCC) through its South-South Knowledge Sharing (SSKS) activity fund provided additional funding in support of selected² ADB DMC officials' participation in the training seminar held in Shanghai. The TA commissioned four papers in an effort towards strengthening its knowledge networking and NPL related research work to pave the way for a more cohesive and integrated Asian NPL markets via so called the Asian NPL Initiative in the region. Changes were made during implementation to: (i) fund the participation of resource persons in an international conference on financial cycles, systemic risk, interconnectedness, and policy options for resilience in September 2016 which fed into the knowledge products of the TA; and (ii) include a knowledge-sharing workshop to disseminate research findings on nonperforming loan resolution strategies in Asia and the euro area where resource persons presented evidence on the determinants, propagation mechanisms, and macrofinancial implications of NPLs; and assessed possible approaches in addressing the resolution of NPLs, with the role of asset management companies highlighted. The IPAF Coordination Committee (ICC) also devised a workplan bringing the number of research studies to four.

Evaluation of Outputs and Achievement of Outcome

The TA's outputs have been achieved: (i) the IPAF has been established with a signed charter, formal partnership with ADB where the secretariat is based, and 3 IPAF summits organized and conducted. This forum provides a fruitful venue among members to network and exchange information on asset management approaches and best practices across countries; (ii) the IPAF strengthened the existing knowledge base on the assessment of country-level NPLs and shared resolution experiences unique to each country's development context and economic situation through the completion of four research papers, which provided a comprehensive set of policy considerations by building on empirical analyses on macrofinancial implications of NPLs and NPL resolution, including individual country experiences in Asia as well as cross-regional experiences; (iii) six training seminars for public AMCs and institutions were organized and conducted as targeted in the design and monitoring framework and in accordance with the ICC workplan; and (iv) the IPAF website <https://ipaf.adb.org/> was launched on 1 May 2014 and is currently functioning raising IPAF's profile.

The TA's outcome, establishment of IPAF, has been achieved. Starting with seven member institutions from five countries, the IPAF's membership expanded to include deposit insurance institutions and currently has 12 member institutions.³ IPAF is currently processing the application of its 13th member. IPAF is getting closer to its target membership under VPKM's IPAF 7 + 7 initiative (increasing members to 14) which is expected to be accomplished during the second phase of the TA.

Overall Assessment and Rating

The overall assessment and rating for the TA is successful. The TA was able to accomplish its goals and objectives, deliver the outputs, and implement the planned activities. Apart from the 13th membership currently being processed, several other institutions have expressed interest in joining IPAF, signifying that IPAF is gaining global recognition. More importantly, the TA has achieved its outcome by establishing a common platform—the IPAF—through which public AMCs in the region are generating and sharing ideas, strategies, practices, knowledge, and experience, thereby improving the crisis response capacity in the region. All these have been delivered under the TA with 17% of the TA budget undisbursed, denoting an efficient and cost-effective implementation as well as efficient planning and design.

Major Lessons

The TA's success hinged on forging effective regional cooperation to share lessons and experiences on distressed assets management and crisis resolution mechanisms. The power and value of knowledge sharing platforms and partnerships assisted by ADB's facilitating role cannot be denied nor underestimated.

Recommendations and Follow-Up Actions

Steady increases in NPLs in some regional economies alarm policy and market players alike. In this context, during the IPAF Summit in October 2015, IPAF members issued a joint statement calling for (i) the strengthening of IPAF members' operational capacity, (ii) enhanced coordination and cooperation among IPAF members, and (iii) an

² ADB DMCs in Asia whose NPL ratio has picked up significantly over the recent years.

³ The IPAF's 12 member institutions are the China Cinda Asset Management Company; China Great Wall Asset Management Corporation; China Huarong Asset Management Company; China Orient Asset Management Corporation, and Zhejiang Province Zheshang Asset Management Company in the People's Republic of China (PRC); the Joint Stock Company "Fund of Problem Loans" in Kazakhstan; the Korea Asset Management Corporation and Korea Deposit Insurance Corporation in the Republic of Korea (ROK); Perbadanan Insurans Deposit Malaysia in Malaysia; the Sukhumvit Asset Management Company and Deposit Protection Agency in Thailand; and Viet Nam's Debt and Asset Trading Corporation. Eight of these are AMCs, three are deposit insurance institutions, and one is a joint-stock company.

improved framework for the IPAF platform. IPAF members asked ADB to continue in its role as IPAF Secretariat to build IPAF member capacity to deal with growing NPLs and to conduct a study on developing regional NPL markets. In response to the growing demand for ADB assistance on these issues, a second phase of this TA is proposed to address the issue of NPLs and distressed assets in Asia, support the design of national NPL strategies and resolution mechanisms, and facilitate the development of NPL or distressed asset markets.

AMC = asset management company, IPAF = International Public AMCs Forum, NPL = nonperforming loan.

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