



Lapse of TA Validity

Project Number: 45083-001
Capacity Development Technical Assistance (CDTA)
July 2013

Supporting the Tenth Malaysia Plan, 2011–2015

Asian Development Bank

TA 8014-MAL: Supporting the Tenth Malaysia Plan, 2011–2015

1. On 15 December 2011, the Asian Development Bank (ADB) approved technical assistance (TA) 8014 of \$1 million from its Technical Assistance Special Fund (TASF-Others) to support Malaysia's efforts in ensuring macroeconomic stability with inclusive growth during a period of rapid transformation.¹ This was the first reimbursable TA for Malaysia. It was approved after a hiatus in ADB's operations in Malaysia of over 15 years. Under a reimbursable TA arrangement, ADB would initially finance direct expenses of the TA and the government would reimburse ADB within an agreed period, with a provision for interest charges to be paid in case of late payment.
2. The TA, with the Economic Planning Unit (EPU) as the Executing Agency (EA), comprised three separate but interrelated components specifically designed to assist in (i) developing an outward-oriented private sector through support for export financing (component (i)); (ii) promoting private sector development including promotion of public-private partnership financing (component (ii)); and (iii) developing macroeconomic policy tools to measure the impact of the rapid structural transformation on inclusive growth (component (iii)). The expected outcome was improved capacity of selected entities to implement the Tenth Malaysian Plan² and the Economic Transformation Program³.
3. Following ADB's approval, there were extensive discussions between ADB and the EPU on the drafting of the TA agreement and detailed implementation arrangements. The discussion with Malaysian counterparts resulted in a Major Change in TA Project Scope and Implementation Arrangements, approved by ADB on 7 December 2012, that: (a) converted Component (i) into a stand-alone nonsovereign TA⁴ because it was executed by EXIM Bank, a non-sovereign entity; (b) retained Component (ii), amounting to \$400,000 as TA 8014 with the EA changed to the Ministry of Finance (MOF); and (c) withdrew Component (iii) as budgetary restrictions compelled the EPU to undertake the planned TA outcome and outputs internally.
4. Through correspondence dated 28 December 2012 with the MOF and meetings in subsequent consultation missions, whilst reaffirming its commitment to private sector development, the Government has indicated its reluctance to move forward with the TA implementation. This largely is on account of finance reasons. In this regard, for procedural practicality, the Government instead suggested other institutions, such as development finance institutions to fund the TA.
5. Given that more than one year had passed from the TA approval and subsequent major change in scope of the original TA, on 14 May 2013, ADB officially informed MOF that validity of this TA 8014 had lapsed effective on 15 December 2012.⁵ Lapse of the TA, however, will not affect the new TA to the Export-Import Bank of Malaysia, which is currently under implementation.

¹ ADB. 2011. *Technical Assistance to Malaysia for Supporting the Tenth Malaysia Plan, 2011-2015*. Manila (TA 8014-MAL, \$1,000,000).

² Government of Malaysia, EPU. 2010. *Tenth Malaysia Plan, 2011–2015*. Putrajaya. The TMP charts the development of the nation and sets the stage for the major structural transformation required. The TMP emphasizes greater regional cooperation and integration to fuel its growth.

³ The ETP was issued in 2010 to support the implementation of the TMP with a set of sector-specific and thematic projects and programs (called entry point projects).

⁴ ADB 2012. *Technical Assistance for Supporting the Tenth Malaysia Plan, 2011-15: Advisory to the Export-Import Bank of Malaysia Berhad* (TA 8124 for \$300,000, approved in August 2012).

⁵ Under PA11.03- Para16; the validity of ADB approval of a TA lapses automatically after 12 months unless the related agreements are signed within that period or the validity is extended.