



1. Project Data:		Date Posted : 06/25/2002	
PROJ ID: P047683		Appraisal	Actual
Project Name: Mongolia Banking, Enterprise, and Legal Technical Assistance Credit (BELTAC)	Project Costs (US\$M)	2.0	1.93
Country: Mongolia	Loan/Credit (US\$M)	2.0	1.93
Sector(s): Board: FSP - Law and justice (60%), Banking (30%), Central government administration (10%)	Cofinancing (US\$M)	0	0
L/C Number: C2948			
	Board Approval (FY)		97
Partners involved : none	Closing Date	06/30/2000	06/30/2001
Prepared by :	Reviewed by :	Group Manager :	Group:
Elliott Hurwitz	Alice C. Galenson	Ruben Lamdany	OEDCR
2. Project Objectives and Components			
a. Objectives			
BELTAC was intended to support the Banking and Enterprise Sector Adjustment Credit (BESAC) with advice, training, and materials, particularly in the area of debt workout and loan recovery . This assistance was focused on : (1) supporting a newly-established debt workout unit in the state-owned Trade & Development Bank (T&D Bank); (2) developing viability assessments of two large SOEs; (3) bolstering the further development of the legal and judicial framework for the banking and enterprise sectors . Objectives (1) and (2) were intended as <u>pilots</u> that could later be implemented more widely.			
b. Components			
(1) \$0.6 million to "twin" T&D Bank with a foreign bank, and provide advisory and consulting services to T&D--particularly in the area of debt workout and loan recovery; (2) \$0.2 million to develop financial viability assessments of the country's two largest SOE loss-makers; (3) \$1.2 million to strengthen the country's legal and judicial framework to support the enterprise and banking sectors .			
c. Comments on Project Cost, Financing and Dates			
Project closing was extended by one year, in part because of start -up delays due to Borrower inexperience and inadequate Bank preparation in the areas of procurement and PIU financial management .			
3. Achievement of Relevant Objectives:			
(1) <u>Strengthening T&D Bank Capacity</u> --Achievement of this objective was <i>satisfactory</i> . The debt workout unit was provided with considerable advice and training; T&D improved its profitability, and reduced its proportion of non-performing loans from 34% in July, 2000 to 17% a year later. T&D also acted to recover a portion of its largest non-performing loans, and in the nine months ending 9/30/00 reduced the total outstanding loan balances of its 20 largest defaulting borrowers by 30%. The project also strengthened T&D's capacity in the areas of strategic planning, marketing, financial management, MIS, and credit management and workout; some bank functions were restructured; (2) <u>Enterprise Restructuring</u> --Achievement of this objective was <i>unsatisfactory</i> . While financial feasibility studies were completed, there was no provision (in BELTAC or anywhere else) to implement the recommendations, and so the enterprises remained as they were and continued to comprise a substantial fiscal drain; (3) <u>Legal and Judicial Framework</u> --Achievement in this area was <i>satisfactory</i> . Training was provided to bankers, lawyers, judges, police officers, prosecutors, and bailiffs .			
4. Significant Outcomes/Impacts:			
<ul style="list-style-type: none"> BELTAC strengthened T&D Bank; its financial performance improved, and its capacity across several key areas was bolstered (It should be noted that the T&D Borrower Assessment was quite positive regarding the impact of the project on this institution) The project contributed modestly to improving the legal and judicial framework for banks and enterprises 			
5. Significant Shortcomings (including non-compliance with safeguard policies):			
<ul style="list-style-type: none"> Even though intended as a "pilot" project, BELTAC had no mechanism to promulgate its lessons or 			

achievements

- The enterprise restructuring component produced no benefits, as there was no mechanism by which to implement the study recommendations and proceed to the actual restructuring of these 2 huge lossmakers
- BELTAC's size was very modest. Although the ICR points out that other donors (IMF, ADB, USAID) were providing TA in the same areas, it is not clear to what extent the sector's needs were met .
- The project's readiness for implementation was modest . In particular, the PIU was initially deficient in financial management and procurement.
- There were significant delays in the completion of project audits

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Moderately Satisfactory	BELTAC size may have been too small to meet the sector's needs; enterprise restructuring component had a flawed design; the project did not contain a mechanism to promulgate project achievements or lessons; readiness for implementation was modest
Institutional Dev .:	Modest	Modest	
Sustainability:	Likely	Likely	Continued IDA activity in the Financial and Legal areas enhances sustainability .
Bank Performance:	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR:		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

- TA projects should be carefully designed with respect to sectoral needs (taking into account activities of other donors, work to be undertaken later, etc.)
- "Pilot" projects should have an explicit mechanism by which experience and lessons can be promulgated to a wider audience
- With an inexperienced borrower, the Bank needs to assure that sufficient expertise exists in areas such as procurement and project financial management

8. Assessment Recommended? ☐ Yes ☒ No

9. Comments on Quality of ICR:

The ICR is admirably frank. It would have benefited from greater detail regarding the impact of the legal /judicial component. Relations between donors active in the financial sector were less than ideal (ICR Borrower Contribution, p. 21; OED Mongolia CAE, p. 6), and it would have been useful to have a detailed breakdown of what TA was being provided in the relevant areas, and by whom.