

Economic rehabilitation credit

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Mongolia: Economic Rehabilitation Credit (Credit 2320- MOG)

The Implementation Completion Report (ICR) for the Mongolia Economic Rehabilitation credit (Credit 2320-MOG, approved in FY92) was prepared by the East Asia and Pacific Regional Office, with an excellent Part II contributed by the Borrower.

The main objective of this SDR 22.2 million project was to finance critical imports in order to increase production levels in three priority sectors (agriculture, energy, and transport) at a time when Mongolia was facing grave supply shocks following the collapse of the Soviet aid programs. A secondary objective was to familiarize Mongolian institutions with procedures on international finance and procurement, thus facilitating the country's access to new export markets.

The project achieved its resource transfer and institutional strengthening objectives. The full amount was disbursed, although procurement delays required a one-year extension of the closing date. Funds and inputs were provided for the various purposes intended. The country's capacity to handle international procurement procedures and to implement projects financed by foreign credits was greatly improved. However, with respect to the objective of increasing production in the key priority sectors, actual results fell considerably short of expectations.

The ICR rates the project outcome as satisfactory, institutional development as partial, and sustainability as likely. The Operations Evaluation Department (OED) agrees with these ratings. OED also agrees with the other ratings in the ICR, with the exception of the Bank's performance in identification, which the ICR rates as highly satisfactory but OED rates as satisfactory, reflecting the relatively simple design and limited objectives of the operation.

The ICR describes the emergence of severe problems of intercompany pricing and arrears. It will be necessary to address and correct these problems in order to ensure the sustainability of the project's benefits. The ICR also fails to explain the reasons for the shortfalls in production, and to assess the effectiveness of donor coordination. Because the ICR recognizes the importance of developing institutional capacity, it would have benefited from a discussion of the objectives and preliminary achievements of a parallel technical assistance credit.

The Region notes that it is providing advice to Mongolia regarding agriculture productivity issues and that it will incorporate the lessons gained through ERC, including the above concerns, in the implementation of the IDA's country assistance strategy.

No audit is planned.