Implementation Status & Results
Mongolia
Private Sector Development Credit II (P088992)

Operation Name: Private Sector Development Credit II (P088992)  Project Stage: Implementation  Seq.No: 6  Status: ARCHIVED  Last Modified Date: 03-May-2011

Country: Mongolia  Approval FY: 2005
Implementing Agency(ies): Ministry of Finance, Bank of Mongolia

Key Dates
Board Approval Date: 28-Jun-2005  Original Closing Date: 30-Apr-2010  Planned Mid Term Review Date
Effectiveness Date: 07-Feb-2006  Revised Closing Date: 30-Apr-2011  Actual Mid Term Review Date

Project Development Objectives
Project Development Objective (from Project Appraisal Document)
The Project is to assist Mongolian in its efforts to promote private and financial sector development and reinforcing the institutional capacity of the banking sector by (i) increasing the availability of commercial bank term lending to investment enterprises, (ii) strengthening the financial intermediation function and resource allocation capabilities of the participating financial institutions; (iii) strengthening Bank of Mongolia’s financial supervision functions; and (iv) underpinning the Ministry of Finance’s role in fostering private sector growth and a sound Mongolian financial sector.

Has the Project Development Objective been changed since Board Approval of the Project?
☐ Yes  ☐ No

Component(s)

Component Name
Component Cost
Component 1 - Line of Credit
9.45
Component 2 - TA programs
0.70
Component 3 - Project implementation support
0.18

Overall Ratings

<table>
<thead>
<tr>
<th></th>
<th>Previous Rating</th>
<th>Current Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Progress towards achievement of PDO</td>
<td>Moderately Satisfactory</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Overall Implementation Progress (IP)</td>
<td>Moderately Satisfactory</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Overall Risk Rating</td>
<td></td>
<td>Medium-L</td>
</tr>
</tbody>
</table>

Implementation Status Overview
1. The Line of Credit to private sector has performed well. A total of 33 sub-loans with a total value of US$10 million have been underwritten to private sector borrowers at market rates by PFIs. At least 504 new jobs have been created by the sub-loan borrowers under the project (this number does not include the jobs created indirectly in the value chain connected to beneficiary enterprise or the jobs that would have been lost had the enterprises not received support under PSDC2). The implementation of this component is
2. The Technical Assistance Component has helped the beneficiaries (Ministry of Finance, Bank of Mongolia and three participating commercial banks) to enhance their institutional capacity and to learn best practices from developed and emerging markets.

## Results

### Project Development Objective Indicators

<table>
<thead>
<tr>
<th>Indicator Name</th>
<th>Baseline Value</th>
<th>Current Value</th>
<th>End Target Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased term lending by PFIs funding to viable borrowers; and quality of term loans equal to or better than that of overall portfolio.</td>
<td>Longer-term lending (&gt;1yr) financed by PFIs own funding accounted for less than 5% of total portfolio.</td>
<td>The project assisted the PFIs to establish and improve risk management capacity and IT systems to increase long-term loans to private sector. However, all PFIs face constraints to introduce long-term lending products on their own due to short-term funding structure they have in Mongolia. The trends in term lending to SME borrowers by PFIs will be further assessed during ICR preparation.</td>
<td>Share of Longer-lennding financed by PFIs own funding significantly increased with good portfolio quality.</td>
</tr>
</tbody>
</table>

Date: 31-Dec-2004
Comment: Thirty-three subloans in a total amount of US$10.05 million have been extended by PFIs using PSDC2 funds since credit effectiveness. All but one subloans extended by PFIs since effectiveness are performing, which is much better than the average NPL ratio in banks' portfolios.

Date: 25-Feb-2011
Comment: This customized indicator is in line with the "Core Indicators" #41.2.

Date: 09-Oct-2009
Comment:
<table>
<thead>
<tr>
<th>Indicator Name</th>
<th>Baseline</th>
<th>Current</th>
<th>End Target</th>
</tr>
</thead>
</table>
| Institutional capacity of PFIs strengthened in key areas supported by the Project. | Value: Capacity for risk-based lending was weak, and an effective framework for financial risk and internal control was just adopted or yet to be adopted. | Date: 31-Dec-2004  
Comment: The banking system related indicators have not been included in the current list of Core Indicators; hence there is no match for this customized indicator of the Project. | Value: Loan evaluation focus shifted toward risk analysis, and the risks and control framework well established.  
Date: 09-Oct-2009  
Comment: The banking system related indicators have not been included in the current list of Core Indicators; hence there is no match for this customized indicator of the Project. |
| Institutional capacity of BOM strengthened in key areas supported by the Project. | Value: Capacity for risk-based banking supervision was weak, and basic skill/expertise development needed for cross-border and consolidated supervision. | Date: 31-Dec-2004  
Comment: The banking system related indicators have not been included in the current list of Core Indicators; hence there is no match for this customized indicator of the Project. | Value: Effective supervision of banks using risk-based method, and quality of cross-border and consolidated supervision significantly improved.  
Date: 09-Oct-2009  
Comment: The banking system related indicators have not been included in the current list of Core Indicators; hence there is no match for this customized indicator of the Project. |

**Intermediate Results Indicators**
<table>
<thead>
<tr>
<th>Indicator</th>
<th>Baseline</th>
<th>Current</th>
<th>End Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicator Name</td>
<td>PSD - Increased number of private companies benefited from the Project, improved access to new sectors/markets/business activities, and/or increased sales/jobs/technology upgrading.</td>
<td>Value</td>
<td>33 subloans support SMEs in textiles, food processing, private school expansion, retail services, furniture manufacturing, etc. Funds have been used to support expansion of business or upgrading of technology. Altogether the 33 subprojects created 504 new jobs.</td>
</tr>
<tr>
<td>Type</td>
<td>Custom Indicator</td>
<td>Text</td>
<td>Date 09-Oct-2009</td>
</tr>
<tr>
<td>Date</td>
<td>31-Dec-2004</td>
<td>Comment</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indicator Name</td>
<td>PFIs - Improved loan portfolio diversification, policies and procedures for risk management developed/adopted; core banking system integrated/enhanced, and staff trained per medium-term program.</td>
<td>Value</td>
<td>The Project has supported PFIs' loan portfolio diversification as they typically don't have longer-term funding for term-loans. PFIs staff is trained in applying modern banking policies and procedures. Core banking systems enhanced for two PFIs.</td>
</tr>
<tr>
<td>Type</td>
<td>Custom Indicator</td>
<td>Text</td>
<td>Date 09-Oct-2009</td>
</tr>
<tr>
<td>Date</td>
<td>31-Dec-2004</td>
<td>Comment</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Date</td>
<td>25-Feb-2011</td>
<td>Comment</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>There is no good match in the Core Indicators for this banking system related IRI.</td>
<td></td>
</tr>
</tbody>
</table>
Indicator

Indicator Name
BOM - A training coordinator position created and filled; supervisors trained per medium-term program; and knowledge learned effectively transferred.

Type
Custom Indicator

Unit of Measure
Text

Baseline

Current

End Target

Value
Training at Supv Dept suffer from lack of coordination and strategic planning.

Date
31-Dec-2004

Comment

Value
Following the crisis, BOM has resumed training activity under the Project. The training activities and the knowledge sharing arrangements are considered as effective.

Date
25-Feb-2011

Comment

Value
Training better coordinated and delivered according to a sound medium-term HRD program

Date
09-Oct-2009

Comment

Data on Financial Performance (as of 29-Apr-2011)

Financial Agreement(s) Key Dates

<table>
<thead>
<tr>
<th>Project</th>
<th>Loan No.</th>
<th>Status</th>
<th>Approval Date</th>
<th>Signing Date</th>
<th>Effectiveness Date</th>
<th>Closing Date</th>
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</thead>
<tbody>
<tr>
<td>P088992</td>
<td>IDA-40880</td>
<td>Closed</td>
<td>28-Jun-2005</td>
<td>08-Sep-2005</td>
<td>07-Feb-2006</td>
<td>30-Apr-2011</td>
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Disbursements (in Millions)

<table>
<thead>
<tr>
<th>Project</th>
<th>Loan No.</th>
<th>Status</th>
<th>Currency</th>
<th>Original</th>
<th>Revised</th>
<th>Cancelled</th>
<th>Disbursed</th>
<th>Undisbursed</th>
<th>% Disbursed</th>
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<tbody>
<tr>
<td>P088992</td>
<td>IDA-40880</td>
<td>Closed</td>
<td>XDR</td>
<td>6.99</td>
<td>6.99</td>
<td>0.00</td>
<td>6.92</td>
<td>0.08</td>
<td>99.00</td>
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Key Decisions Regarding Implementation
The Project was closed, as planned, at the end of April 2011.

Restructuring History
CD Approved on 18-Oct-2007, Level two Approved on 28-Apr-2010, Level two Approved on 02-Sep-2010, Level two Approved on 06-Jan-2011

Related Projects
There are no related projects.