

ASIAN DEVELOPMENT BANK

PCR:MON 28200

PROJECT COMPLETION REPORT

ON

**UPGRADING SKILLS AND SYSTEMS OF COMMERCIAL BANKS
(TA Loan No. 1510-MON [SF])**

IN

MONGOLIA

December 2003

CURRENCY EQUIVALENTS

(as of 8 December 2003)

Currency Unit — Togrog (MNT)

	At Appraisal	At Project Completion
	(15 November 1996)	(6 June 2003)
MNT 1 =	\$0.0015	\$0.0009
\$1 =	MNT 667	MNT 1,111

ABBREVIATIONS

ADB	—	Asian Development Bank
AgBank	—	Agricultural Bank
AIT	—	Asian Institute of Technology
BoM	—	Bank of Mongolia
BTC	—	Banking Training Center
FNS	—	Financial Network Service
FSP	—	Financial Sector Program
IFE	—	Institute of Finance and Economy
IT	—	information technology
NBFI	—	nonbank financial institution
PCR	—	Project Completion Report
PPAR	—	Program Performance Audit Report
TA	—	technical assistance
TDB	—	Trade and Development Bank

NOTES

- (i) In this report, "\$" refers to US dollars.

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BASIC DATA

A. Loan Identification

1.	Country	Mongolia
2.	Loan Number	1510
3.	Project Title	Upgrading Skills and Systems of Commercial Banks
4.	Borrower	Government of Mongolia
5.	Executing Agency	Bank of Mongolia
6.	Amount of Loan	SDR 2,074,000
7.	Project Completion Report No.	776

B. Loan Data

1.	Appraisal	
	– Date Started	20 August 1996
	– Date Completed	19 September 1996
2.	Loan Negotiations	
	– Date Started	11 November 1996
	– Date Completed	14 November 1996
3.	Date of Board Approval	19 December 1996
4.	Date of Loan Agreement	21 January 1997
5.	Date of Loan Effectiveness	
	– In Loan Agreement	21 January 1997
	– Actual	21 January 1997
	– Number of Extensions	0
6.	Closing Date	
	– In Loan Agreement	31 December 1999
	– Actual	6 June 2003
	– Number of Extensions	4
7.	Terms of Loan	
	– Interest Rate	1% per year
	– Maturity (number of years)	40
	– Grace Period (number of years)	10

8. Disbursements

a. Dates

Initial Disbursement	Final Disbursement	Time Interval
24 July 1998	22 January 2003	55 months
Effective Date	Original Closing Date	Time Interval
21 January 1997	31 December 1999	36 months

b. Amount (SDR million)

Category or Subloan	Original Allocation	Last Revised Allocation	Amount Canceled	Net Amount Available	Amount Disbursed	Undisbursed Balance
Consulting	1.023	0.501	0.522	0.501	0.490	0.011
Software	0.685	1.281	(0.596)	1.281	1.285	(0.004)
Training	0.000	0.063	(0.063)	0.063	0.063	0.000
Equipment	0.086	0.073	0.013	0.073	0.073	0.000
Project	0.035	0.009	0.026	0.009	0.004	0.005
Administration						
Unallocated	0.245	0.147	0.098	0.147	0.000	0.147
Total	2.074	2.074	0.000	2.074	1.915	0.159

C. Project Data

1. Project Cost (\$ million)

Cost	Appraisal Estimate	Actual
Foreign Exchange Cost	2.950	2.539
Local Currency Cost ^a	0.050	0.000
Total	3.000	2.539

^a The explanation for why Asian Development Bank (ADB) did not spend the local currency amount is in Footnote 11 and Appendix 3.

2. Financing Plan (\$ million)

Cost	Appraisal Estimate	Actual
Implementation Costs		
Borrower-Financed	0.039	0.039
ADB-Financed	3.000	2.539
Other External Financing	0.000	0.000
Total	3.039	2.578

3. Cost Breakdown by Project Component (\$ million)

Component	Appraisal Estimate			Actual		
	Foreign Currency	Local Currency	Total	Foreign Currency	Local Currency	Total
Consulting Services	1.480	0.000	1.480	0.664	0.000	0.664
Computer Software	0.990	0.000	0.990	1.696	0.000	1.696
Overseas Training	0.000	0.000	0.000	0.082	0.000	0.082
Equipment for Education Institutions	0.125	0.000	0.125	0.092	0.000	0.092
Project Administration	0.000	0.050	0.050	0.005	0.000	0.005
Contingencies	0.355	0.000	0.355	0.000	0.000	0.000
Total	2.950	0.050	3.000	2.539	0.000	2.539

4. Project Schedule

Item	Appraisal Estimate	Actual
Date of Contract with Consultants	Jun 1997	
DAI (Thailand), Ltd. (international trainers for BTC)		Apr 1998
Vinstar Consulting (international IT expert)		May 1998
Financial Network Services, Pty. (software vendor and training and support services)		Jan 2000
Erdenechimeg Dananjaviin (local consultant)		Jun 2000
Mongolian Technical University (Oracle training)		Sep 2000
Asian Institute of Technology (Oracle training)		Sep 2000
Gantulga Dashdelger (local consultant)		Sep 2001
Equipment and Supplies	Aug 1998	
First Procurement		
Software		Feb 2000
Hardware		Jul 2002
Last Procurement		
Software		Aug 2002
Hardware		Aug 2002
Completion of Equipment Installation		
Hardware		Mar 2001
Software (in pilot bank)	Dec 1999	Dec 2002
Other Milestones		
Overseas Training for BTC Trainers		Jul – Aug 1998
Training for Commercial Bankers in Mongolia		Sep – Dec 1998
Oracle Training in Mongolia		Sep 2000
Oracle Training in Thailand		Oct – Nov 2000
Software Training of Commercial Banks in Mongolia		Nov – Dec 2000

5. Project Performance Report Ratings

Implementation Period	Ratings	
	Development Objectives	Implementation Progress
(i) From 31 December 1998 to 31 May 2001	Satisfactory	Satisfactory
(ii) From 30 June 2001 to 30 June 2003	Satisfactory	Partly Satisfactory

D. Data on Asian Development Bank Missions

Name of Mission	Date	No. of Persons	No. of Person-Days	Specialization of Members
Fact-Finding	16–26 Apr 1996	6	60	a,b,c,d,e,h
Appraisal	20 Aug–19 Sep 1996	6	121	a(2),b,c,e,i
Inception	11–16 Apr 1997	1	5	a
Special Loan Administration	4–9 Dec 1997	1	6	f
Review Mission 1	12–15 May 1998	1	4	c
Review Mission 2	10–13 Oct 2000	1	4	c
Review Mission 3	20–21 Feb 2003	1	2	g
Project Completion Review ¹	10–16 Sep 2003	1	7	e

Note:

a=senior economist, b=senior counsel, c=investment officer, d=programs officer, e=economist, f=procurement specialist, g=capital markets specialist, h=young professional, i=staff consultant

¹This Project Completion Report (PCR) was prepared by a PCR Mission comprising S. Shrestha, Economist/Mission Leader.

I. PROJECT DESCRIPTION

1. On 19 December 1996, the Asian Development Bank (ADB) approved for Mongolia a technical assistance (TA) loan of SDR 2.07 million (\$3 million) from its Special Funds for Upgrading the Skills and Systems of Commercial Banks, in conjunction with (i) Financial Sector Program (FSP) loan of SDR 24.20 million (\$35 million) aimed at promoting a market-based banking system¹, and (ii) TA grant of \$1 million to strengthen the supervisory capabilities of the Bank of Mongolia (BoM)². The objective of the TA loan was to upgrade the skills and computer systems of commercial banks in Mongolia. It consisted of two key components: component A was to implement restructuring strategies and staff training in banks with the help of long-term international consultants,³ and component B was intended to purchase and install integrated software packages in commercial banks. All commercial banks were eligible to participate in the Project financed by the loan. The Bank of Mongolia (BoM) was the Executing Agency for the TA loan. The loan was closed in June 2003.

II. EVALUATION OF DESIGN AND IMPLEMENTATION

A. Relevance of Design and Formulation

2. The objective of the FSP was to promote the establishment of a sound market-based financial system to efficiently mobilize and allocate resources for economic growth. To this end, the FSP sought to: (i) strengthen the legal and regulatory framework for bank operations, (ii) facilitate the operational and financial restructuring of banks, and (iii) reduce government involvement in bank operations, and establish market-determined interest rates. The FSP was adopted against the backdrop of a fragile financial sector, with four of Mongolia's five largest banks – Ardyn Bank, Bank of Investment and Technological Innovation (BITI), Agricultural Bank (AgBank), and Insurance Bank – experiencing severe liquidity and solvency problems.⁴ Weak commercial banking skills and inadequate management information systems were identified as one of the main causes of Mongolian banks' financial problems. The TA loan specifically aimed at upgrading the skills and computer systems of banks was therefore considered essential for the success of the FSP. Capacity constraints of the BoM was also identified as one of the risks to the successful implementation of bank restructuring programs in line with the FSP requirements. The TA to strengthen the supervisory capacity of BoM was aimed at mitigating this risk.

3. The TA loan recognized that to successfully make the transition to a market-oriented system, banks would require long-term advisers and trainers to provide on-the-job training. The TA loan also recognized that the computer systems inherited from the mono-banking days were inadequate and that they needed to be upgraded to meet the needs of a market-oriented banking system. The TA loan was to finance 50%⁵ of expenses related to (i) the provision of consulting services for the operational restructuring of commercial banks, and for advisory and training services required to upgrade bank employees' skills, and (ii) the procurement of

¹ ADB. 1996. *Report and Recommendations of the President to the Board of Directors on Proposed Loan to Mongolia for the Financial Sector Program*. Manila. This Loan (1509-MON) was rated as "successful" in the project completion report circulated in December 2000.

² ADB. 1996. *Strengthening the Supervisory and Restructuring Capacity of the Bank of Mongolia*. Manila. This TA (2720-MON) was rated as "successful" in the TA completion report circulated in May 2003.

³ The scope of this component was subsequently revised (para. 4).

⁴ These four banks jointly accounted for 67.3% of total bank assets. Of the five largest banks, only the Trade and Development Bank had a sound financial position because of its low cost funding base, foreign borrowings, relatively sound loan portfolio, and profitable foreign exchange transactions.

⁵ Commercial banks participating in the Project were to cover the balance (para. 21).

integrated banking software and equipment for commercial banks. The activities to be undertaken under component A of the TA loan included (i) providing long-term experts to help implement restructuring strategies for AgBank and BITI which had reached an agreement with BoM to implement comprehensive restructuring strategies; (ii) providing assistance to commercial banks to employ general banking experts to advise on an appropriate strategy for making the transition from the mono-bank system to a commercially-oriented banking system; (iii) providing training in specific areas of weakness in relation to banks' development plans; and (iv) familiarizing the senior management of commercial banks with how commercial banks function in developed market economies. Activities for component B included (i) purchasing, adapting, and installing integrated banking software and equipment; and (ii) training commercial bank staff in the use of software and equipment to maintain accounts, monitor loans, and operate management information systems.

4. The scope of component A of the TA loan was subsequently modified at the request of BoM. Given the financial difficulties banks were facing at the time, they found the consultants' costs, even at 50% of total costs, to be prohibitive, and declined to engage long-term consultants. Hence BoM proposed providing the necessary training through the Banking Training Center (BTC) – the training center that it was in the process of establishing in the Institute of Finance and Economy (IFE). The BoM requested that the TA loan cover the foreign exchange costs associated with recruiting international consultants to develop the curriculum for BTC and to provide training on commercial banking practices. Whereas the TA loan had originally envisaged specifically-tailored in-house training for each bank, under the revised scope of the loan, training was provided on a centralized basis through BTC. Although the proposal was not strictly in accordance with the original scope of the Project, it was deemed fully in line with its objectives, and did not substantially affect costs, procurement, or other implementation arrangements.

5. The scope of component B was revised slightly to include overseas training in the Oracle database system. Timely implementation of the integrated software purchased under the TA loan required that information technology (IT) staff had adequate training in Oracle database. Since domestic institutions only offered basic training, 10 IT staff from participating banks attended a 45-day training course at the Asian Institute of Technology (AIT) in Thailand. Hence, even though overseas training was not explicitly included in the scope of the TA loan, it was considered necessary to enhance the utility of the software, and helped meet the TA objective by facilitating better use of installed systems. The change in scope was therefore justified and necessary.

B. Project Outputs

1. Component A: Training

6. Under the revised scope, the main objectives of component A were to upgrade banking and managerial skills within the banks, and to develop higher educational institutions to enable them to play a more active role in training personnel for commercial banks. Sixteen banks participated in the training component.⁶ The international consulting firm Development Alternatives, Inc., Thailand (DAI), in association with the German Association for Bankers' Training and the American Bankers' Association was selected in April 1998. The training was conducted in two stages. The purpose of the first stage was to help establish BTC by

⁶ Four banks – Export Import Bank, Reconstruction Bank, MIM Investment Bank, and BITI – were subsequently liquidated.

developing its training curriculum and training future trainers. While the BTC was set up by BoM in 1993, it had been largely ineffective due a lack of capacity and financial resources. Under the Project, 25 bankers and university lecturers, identified by BoM as future trainers for BTC, participated in a 3-week training at the University of New Mexico in the United States during 20 July–14 August 1998. Topics included: credit policy, financial analysis, loan preparation, asset and liability management, and risk management. This was followed by 2 weeks of training in Germany, where the topics included introduction to the Euro, and project loan management. The loan also financed the purchase of furniture and equipment, including computers, a photocopier, and a facsimile machine for BTC. Training participants were fully satisfied with the quality of training provided in the United States; however, the training in Germany was poorly organized, and some of the topics were not relevant in the Mongolian context (para. 24).

7. During the second stage, 11 short-term courses, tailored to local practice and conducted in Mongolian, were provided to approximately 500 commercial bank personnel and lecturers.⁷ Topics included: (i) asset and liability management, (ii) bank mathematics, (iii) introduction to securities markets, (iv) bank branch management, (v) business documentation, (vi) currency risk management, (vii) accounting for bankers, (viii) auditing, (ix) financing growing businesses, (x) credit risk management, and (xi) trainer development. The courses were generally considered to be of good quality by the trainees.

8. As the only provider of commercial banking training in Mongolia, BTC now plays a key role in developing and maintaining basic skills in the banking system. BTC organizes 35 to 40 domestic and 5 or 6 overseas training courses per year on topics ranging from basic risk management principles to internet banking. Up to 20% of those employed in the banking sector are estimated to have participated in BTC training.

9. In line with the objective of improving the quality of banking training provided by education institutions, the TA loan also financed the purchase of equipment (offset machine, book binding machine, digital printer etc.) needed to set up a print shop in IFE.

2. Component B: Integrated Software

10. The second component of the TA loan comprised the purchase of integrated banking software and its installation in commercial banks. The loan also financed the purchase of servers and desktop hardware needed to run the software. A project steering committee (PSC) consisting of representatives of BoM and commercial banks, was established to guide this component of the TA loan. The software was to be piloted in TDB, and to be subsequently replicated in five other banks including the Mongol Post Bank, Erel Bank, AgBank, Ulaan Bataar City Bank, and Savings Bank. TDB was selected as the pilot bank as it was most the advanced at the time, and had the strongest financial position of the large banks (Footnote 1). TDB is now Mongolia's largest bank, accounting for roughly 33% of bank assets (Appendix 1).

11. In May 1998 the BoM engaged Vinstar Consulting, New Zealand to evaluate individual banks' hardware and software needs, and to assist in the tendering and installation of software. Once this was accomplished, BoM concluded a contract with the Financial Network Service Ltd, Australia (FNS) in January 2000, for the provision of a banking software license and related equipment to participating banks. The software purchased included modules for the retail banking, treasury, corporate general ledger, and trade finance operations. Based on specific needs and cost considerations, some banks purchased reduced versions of the software

⁷ Courses were held during September – December 1998.

(Appendix 2). As the first contract with FNS did not cover installation and support services, the BoM executed a second contract with FNS in April 2000, for the installation of the software, and maintenance and support services.

12. Training in use of software was provided to the participating banks' staff intermittently, and the bulk of training activities took place between July and November 2000. In addition to domestic training, a number of IT staff also participated in a 45-day training course in Thailand. This constituted a minor change in TA scope, but was considered necessary for effective and timely implementation of the integrated software (para. 5). Savings in the Consulting Services budget category of the TA loan was used to cover the additional cost (\$81,930) of overseas training for 10 IT staff and 1 interpreter during October-November 2000 (Appendix 3).

13. Software installation in TDB proceeded slowly and took close to three years to complete. TDB was initially reluctant to modify its practices in line with the software features, and considerable time was spent customizing the software to suit the bank's existing practices. As online telecommunications facilities that permit real-time transactions with provincial branches were not available in Mongolia at the time, TDB initially installed the offline version of the software especially adapted by the supplier. Resolving technical issues, such as the interface between the retail and the trade finance modules, took longer than expected.⁸ The need to address the incompatibility between the module for the banks' general ledger, and the accounting requirements under the BoM's Chart of Accounts caused further delays. Incompatibilities were related to differences in basic accounting principles and coding issues.⁹ Despite the efforts of the PSC, the Banking Supervision Department of the BoM was reluctant to upgrade the Chart of Accounts to fit the requirements of the software, and took several months to approve the necessary modifications. Online communication facilities became available in Mongolia in August 2001, and an online version was subsequently installed in all of TDB's city and rural branches.

14. Installation of the software in AgBank proceeded smoothly in comparison.¹⁰ The telecommunications infrastructure had improved considerably by that time, and AgBank was able to install the online version of the software. Many of the technical issues had been addressed during the pilot phase, and the customization requirements of AgBank were not as extensive as those of TDB. More important, the Project enjoyed strong support from AgBank's senior management. Accordingly, AgBank invested substantial resources in preparation, including purchasing related equipment, hiring its own IT consultant, and sending staff overseas for training. The online version of the software has been installed in all 32 branches of AgBank. AgBank accounts for 9% of total bank assets in Mongolia (Appendix 1), and has the most extensive branch network and rural coverage.

15. Installation in Erel Bank's city branches and one rural branch has been completed, and installation in Mongol Post Bank's city branches is underway. Due to the high costs involved, these smaller banks do not currently have plans to install the integrated software in their rural branches. Savings Bank initially declined to participate because lack of understanding about software and staff resources. Upon strong recommendations from the BoM and ADB, Savings

⁸ The integrated system supports a centralized file that maintains customer information data for the four modules. Problems arose due to the difficulties of sharing the centralized customer files between the retail and the trade finance modules. This was resolved by developing a new software program that enabled the flow of customer information between the two modules. The cost of developing the software (\$3,000) was shared by TDB and BoM.

⁹ For example, the Chart of Accounts required 3 digits for customer account numbers, whereas the software required 10 digits.

¹⁰ Software installation in AgBank started in June 2001, and was completed by December 2002.

Bank has recently agreed to install the software. A working group for overseeing the project was established in August 2003, and installation of the software in the head office and two city branches is underway. Savings Bank accounts for 14% of total bank assets (Appendix 1), and is the largest in terms of household deposits. Because of resource constraints, Ulaan Bataar City Bank did not participate in this component of the Project despite having entered into a contract with BoM.

C. Project Costs

16. At appraisal, total project cost was estimated at \$3.039 million, comprising \$2.95 million in foreign exchange costs and \$0.089 million in local currency costs (Appendix 4). ADB was to finance the entire foreign exchange costs of \$2.95 million, and the local currency costs of \$0.05 equivalent.¹¹ The balance of \$0.039 associated with the costs of office accommodation, local transport and interpreters was to be covered by local commercial banks. The change in the scope of the training component from in-house training to centralized training through BTC resulted in a significant reduction in costs. Thus despite a sizable cost overrun in the computer software component, and the additional cost of overseas software training, there was a saving of \$0.461 in the total Project costs.

D. Disbursements

17. Even though the loan became effective in January 1997, the first disbursement only took place in July 1998. This was in part due to the change in the scope of the training component of the TA (para. 4). Another factor was the reorganization of BoM in early 1997. As a result, responsibility for administering the TA loan was transferred from International Department to the Administration Department, whose staff was unfamiliar with the Project and ADB procedures.¹² The failure of contract negotiations held in December 1997 between BoM and the first-ranking consulting firm for developing the training program for BTC also resulted in considerable delays. The negotiations were unsuccessful mainly because of a misunderstanding about the size and details of the budget for this assignment. This required some revision of the terms of reference and budget details, and agreement was finally reached in April 1998. Neither the Report and Recommendation of the President (RRP), nor the Loan Agreement included a disbursement schedule. Payments were made either through direct payment or reimbursement of expenses.

E. Project Schedule

18. According to the Loan Agreement, the Project was to be implemented over a 36-month period, starting loan effectiveness on 21 January 1997. The actual implementation period was 75 months, and the TA was closed on 6 June 2003. In addition to the reasons outlined above (para. 17), delays occurred during the implementation of the software component. Delays were associated in part with the procurement of integrated software caused by the uncertainty about

¹¹ The Report and Recommendation of the President had an appraisal estimate of \$50,000 for financing the local costs of Miscellaneous TA Administration. The Loan Agreement stated that ADB would not finance any of the SDR35,000 deemed to be local currency costs of Miscellaneous TA Administration. In April 2000, 20% of the SDR35,000 was reallocated to Miscellaneous TA Administration in foreign currency. On 20 December 2001, a further reallocation of SDR25,847 was made from foreign currency Miscellaneous TA Administration towards the Consulting Services category in foreign currency. The balance of TA Administration category from this reallocation became SDR9,153 (\$12,570.74). On 15 May 2000, a sum of \$4,000 (SDR3,052.69) was incurred for audit fees. On 11 July 2002, a further sum of \$1,358.70 (SDR1,021.23) was incurred towards additional audit fees. The total amount utilized for audit fees was \$5,358.70 (SDR4,073.92). The balance of \$7,212.04 (SDR5,079.08) was cancelled.

¹² The BoM did not consult with ADB on this matter, and ADB was advised only after the decision had been made.

the cost contributions of participating banks,¹³ lack of understanding of procurement procedures on the part of the BoM, and technical problems that arose during software installation (para. 13). The slow implementation of the Project is also partly attributable to some of the delays on ADB's part in responding BoM's requests and queries on procedural matters (para. 32).

F. Implementation Arrangements

19. BoM was the Executing Agency responsible for the overall implementation of the TA loan. Commercial banks participating in the TA loan were to contribute one half of total costs of consultants, training, and banking software. According to the Loan Agreement, the BoM was to provide 50% of the funds on a grant basis, and 50% in the form of 5-year loans at the ADB's Ordinary Capital Resources rate. The commercial banks would assume the foreign exchange risk.

20. No major changes were made to the implementation arrangements envisaged during appraisal.

G. Conditions and Covenants

21. The loan was approved on 19 December 1996, and became effective on 21 January 1997. It did not include any specific covenants for loan effectiveness. The loan covenants were well drafted and flexible, and did not need revision following the change in Project scope. Of the 19 covenants, 17 were fully complied with, and 2 were partly complied with (Appendix 5). Following an internal reorganization in early 1997, BoM transferred the responsibility for the Project from the International Department to the Administration Department without any consultation with ADB. This resulted in some delays, as the staff of the new department was unfamiliar with the Project and with ADB procedures. Commercial banks did not provide quarterly progress reports to BoM as required. Instead, BoM staff held regular meetings with participating banks to discuss project progress.

H. Consultant Recruitment and Procurement

22. At appraisal the Project envisaged 55 person-months of international consultants over 36 months. Due to the change in Project scope, international consultants were actually used for 51.3 person-months, of which 11 person-months were in connection with the training component, and the remainder were related to the software component. In addition, two local consultants were recruited as project managers to oversee Project implementation. All consultants were selected in accordance with ADB's *Guidelines on the Use of Consultants*. ADB procedures for consultant recruitment did not cause problems or disagreement between ADB and BoM.

23. The International Competitive Bidding procedure was used to acquiring the banking software, and the International Shopping method was used to contract the Mongolian Technical University and AIT to provide basic and advanced Oracle training, respectively.

¹³ There was initially considerable uncertainty about the number of banks that would participate in this component.

I. Performance of the Consultants, Contractors and Suppliers¹⁴

24. DAI was contracted by BoM to: (i) help establish BTC by developing curriculum, training manuals and training trainers; and (ii) provide practical training to commercial bankers on modern banking practices. During the first phase, 25 participants from commercial banks, the Mongolian State University, and the IFE participated in a 3-week training course at the University of New Mexico in the United States. Trainees and BoM were fully satisfied with the quality of training provided. By contrast, the training in Germany was poorly organized, and some of the topics were not relevant to the Mongolian context.¹⁵ In addition to overseas training, several training courses were provided locally to commercial bankers and university lecturers (para. 7). These training courses were tailored to local practice and conducted in Mongolian. Feedback from participants and BoM on the quality and usefulness of the training was positive.

25. For the integrated software component, an IT expert from the international firm Vinstar was recruited for two months in May 1998. The consultant helped review the functionality requirements of individual banks, determine the specifications for the appropriate software packages, and prepare the bidding documents. The contract was subsequently extended by 3 months in August 1999 so that the consultant could provide assistance in the software tender and selection process, the customization of the software, and the pilot implementation process. After about 3 weeks of intermittent services, the consultant advised BoM that remote management of the Project was not possible, and that a full-time project manager was needed; however, because of a prior work commitment he was not available to serve as a full time manager. The consultant therefore terminated his services when the bidding documents were being evaluated and was unable to provide assistance during the software selection and installation process. Overall, the consultant's performance did not meet the expectations envisaged at his selection.

26. The departure of the international IT expert led to a prolonged period of uncertainty and implementation difficulties. After a lapse of several months, a BoM staff member involved in the Project as counterpart staff was recruited as a local consultant to oversee the installation and implementation of the software. When the 9-month contract of the first local consultant expired, another BoM staff member, also previously involved in the Project, was recruited as a local consultant. Both consultants provided valuable services as project managers.¹⁶

27. The banks were not entirely satisfied with the services provided by the international consulting firm, FNS, contracted to customize and install the software, and to provide related training and support services. FNS subcontracted a local company, BSB Services to customize the software and to provide training. While the quality of the software is considered highly satisfactory, there were some problems in the interpretation of deliverables under the services contract.¹⁷ Banks also reported that FNS did not adequately inform them about software features and functionality. For example, banks were not made aware that the software allowed for the automation of past due loan calculations, a feature that, according to the banks, would not only reduce their labor costs considerably, but also would minimize room for errors. Moreover, much of the training was provided before installation had been completed. As

¹⁴ The list of consultants engaged in the Project, with a brief summary of their tasks, is in Appendix 6.

¹⁵ Organizational problems arose because of the unexpected absence of one of the instructors. Other unfortunate events, including one participant being seriously injured, also affected the training.

¹⁶ The consultants took a leave of absence from BoM to work as consultants for the Project.

¹⁷ The services contract was not clear about what type of training was included, and whether the services fee covered all 6 banks or just the pilot bank, and required further clarification.

participants had not yet had practical experience using the new software, the training was of limited use. Therefore, services provided by FNS was generally considered to be inadequate.

28. Participants were fully satisfied with the quality of the Oracle training provided by Mongolian Technical University and AIT.

J. Performance of the Borrower and the Executing Agency

29. The BoM was committed to the goal of upgrading banking skills and computer systems of Mongolian banks, and had strong ownership of the Project. BoM cooperated with ADB during missions and during TA implementation in general. Loan covenants were either fully or partly complied with (Appendix 5). When several banks declined to hire long-term consultants for on-the-job training, the BoM proposed a practical solution that yielded positive results. The change in the scope of the training component of the TA resulted in the establishment of BTC, which has made a significant contribution to improving commercial banking skills in Mongolia.

30. However, implementation of the Project was delayed by over three years, and required 4 extensions to the closing date. Efficient implementation of the Project was hampered, to some extent, by BoM's lack of experience and capacity. While BoM had acted as executing agency for ADB TA grants since the early 1990s, it had no prior experience in managing the budget and in procurement procedures for ADB loans. The BoM also underwent reorganization in early 1997, and staffing problems were recurrent during TA implementation. Because of staff constraints, BoM did not prepare a project completion report (PCR) as required.

31. Taking into account these constraints, and the complexity of the Project, the BoM's performance is rated as partly satisfactory.

K. Performance of the Asian Development Bank

32. ADB processed and approved the loan without delay. ADB's responses to the Government's requests for changes in project scope and for the reallocation of funds were practical, though not always timely. Delays on the part of ADB were partly responsible for the slow implementation of the Project. For example, it took ADB more than 4 months to approve BoM's request to extend the contract of the international IT consultant's contract by 3 months. Moreover, in helping BoM with procedural matters such as preparing bidding documents and consultants' terms of reference, ADB's approach was reactive rather than proactive.

33. Frequent staff changes at ADB hindered effective communication and the establishment of firm relationships with counterparts. Six different staff members supervised the Project at different times, and staff members most directly involved in project design were only briefly involved during implementation. Following loan effectiveness, ADB fielded 6 missions, including Inception, Special Loan Administration Mission, 3 Review Missions, and PCR Mission, for a total of 26 person-days. The 3 Review Missions totaled 10 person-days, and no review missions were fielded between May 1998 and October 2000, and between October 2000 and February 2003. Limited experience in IT-related projects meant that the learning curve for ADB was also steep, and as a result ADB was unable to play an active role in resolving the problems encountered during implementation.

34. These constraints notwithstanding, ADB should have been more proactive and expended more time and effort in supporting TA implementation, especially given the complexity of the Project and limited experience and capacity of the Executing Agency. The PCR Mission

was advised that closer ADB involvement would likely have enhanced the TA's implementation and output. ADB's performance is rated as partly satisfactory.

III. EVALUATION OF PERFORMANCE

A. Relevance

35. The TA loan aimed at upgrading banking skills and computer systems was relevant, and continues to be a priority. The project design incorporated a number of useful features, including the recruitment of in-house, long-term consultants to provide tailored training, and to familiarize banks' senior management with modern banking practices (para. 3). However, with the benefit of hindsight, some design weaknesses have become apparent. Given the weak financial position of many banks at the time, they found the costs associated with hiring long-term international consultants prohibitive, even at 50% of total costs. Closer consultations with counterparts regarding banks' ability and willingness to incur the costs, would likely have avoided the need to change the TA scope soon after approval. The need to reformulate the Project inevitably caused some delays, but was necessary to maintain its relevance under the newly discovered realities. In addition, the cost of the banking software, as well as the complexity of its implementation, was underestimated at appraisal. At \$1,695,528, the actual cost of the software component was significantly higher than the original allocation of \$990,000 (Appendix 4). While the technical problems that arose during implementation could not all have been anticipated at appraisal, the Project would have benefited from more in-depth analysis and consultations during the design stage. Overall, the Project's original design was partly relevant (Appendix 7).

B. Efficacy in Achievement of Purpose

36. The Project made considerable progress toward meeting its goal of upgrading banking skills and computer systems in Mongolia. Approximately 500 bankers and university lectures received local and overseas training on a wide range of topics pertinent to modern banking systems. The TA loan helped establish the BTC, which until 1998 was largely ineffective because of a lack of resources and capacity. All 16 banks and 3 nonbank financial institutions are members of BTC. As the only provider of commercial banking training in Mongolia, BTC now plays a key role in developing and maintaining a basic skill base in the banking industry. The integrated banking software purchased under the Project represents a significant improvement over the rudimentary computer systems inherited from the mono-banking days. While the full potential of the software component has not yet been realized, participating banks reported that their management information and financial reporting systems have improved as a result of the software. Banks also believe that the software will contribute significantly to improving both the efficiency of their day-to-day operations, and their risk management practices, once transitional problems have been ironed out. The TA loan was therefore efficacious (Appendix 7).

C. Efficiency in Achievement of Outputs and Purpose

37. The Project's implementation was less than efficient. The closing date for the TA loan was extended 4 times, and the implementation period was delayed by more than three years (paras. 17 and 18, Appendix 7).

D. Preliminary Assessment of Sustainability

38. The Project has made a significant contribution to the development of the skill base in Mongolia's banking system. Until recently, Mongolian banks placed little emphasis on training and development. Banks are now much more appreciative of the need to update banking skills on a regular basis, and are more willing to invest in staff training and development. BTC training courses are now conducted by the trainers that were trained during the Project,¹⁸ and by BoM staff. Operating costs are covered by membership fees and by BoM subsidies in the form of rent, utilities, and trainers. BTC is committed to its mandate, and has been successful in obtaining technical assistance from other donors, including the German Agency for Technical Cooperation (GTZ), European Bank for Reconstruction and Development (EBRD), and the Swedish International Development Agency (SIDA).¹⁹

39. The computer software financed by the Project meets the needs of the Mongolian banking system, and is expected to be relevant and useful for several years. However, the sustainability of the software component hinges on continued commitment on the part of participating banks, and on the availability of resources needed to fully implement and operationalize the software. Participating banks have reiterated their commitment to using the software to its full potential, and have entered into separate contracts with BSB Services, a local counterpart of FNS, to resolve outstanding technical issues and to provide training and support services. Overall, the Project is likely to be sustainable (Appendix 7).

E. Institutional and Other Impacts

40. Beyond the direct impact in terms of upgrading the skills and systems of participating banks, the Project has more generally helped improve banks' understanding and appreciation of the value of staff training and new technology. Banks are now more aware of the benefits, and are willing to commit resources for these purposes. Of the remaining large banks, Golomt Bank and Anod Bank have recently installed sophisticated management information systems at their own costs. A number of smaller banks have also expressed interest in investing in improved technology. The institutional development and other impacts are moderate (Appendix 7).

IV. OVERALL ASSESSMENT AND RECOMMENDATIONS

A. Overall Assessment

41. Overall, the Project is rated as partly successful²⁰ (Appendix 7). The Project's scope had to be revised soon after approval to make it affordable to banks that were at the time experiencing financial distress. The relevance of the Project, albeit partial, was maintained under the revised scope, and the objective of developing basic skill base in commercial banks was largely achieved. The TA loan enabled banks to acquire necessary software, the cost of which would otherwise have been prohibitive. However, the software component of the Project suffered from some design problems. In particular, it appears to have been based on certain assumptions about BoM's and the commercial banks' absorptive capacity, which turned out not to have been justified. While some of the problems were inevitable given the complexity of the

¹⁸ Of the 25 trainers trained in 1998, 15 are employed in the financial sector, and are closely involved in BTC training activities.

¹⁹ These organizations have helped provide further overseas training to BTC trainers, and have provided international experts to conduct training courses for commercial bankers in Mongolia.

²⁰ This PCR is part of a sample of PCRs independently reviewed by the Operations Evaluation Department. The review has validated the methodology used and the rating given.

Project and the limited capacity of BoM, the Project would have benefited from more in-depth analysis at the design stage, and more generally, from closer and more proactive ADB involvement during implementation.

B. Lessons Learned

1. Training

42. Given the perfunctory state of the Mongolian banking system at the time, the installation of new software was unavoidably a disruptive process. The circumstances of this Project were particularly challenging given the steep learning curve of the participating banks, BoM, and ADB. Given this, the Project should have incorporated a larger training component for commercial bank and BoM staff. The morale of staff involved in software installation in individual banks was reported to have been low, largely due to their lack of understanding of the software, and the technical skills to implement it. Likewise, training to BoM staff should have been provided early on to enhance their understanding of the new system. This would likely have led to faster resolution of the problems that arose as a result of the to the incompatibility between software modalities and the BoM's reporting and accounting requirements.

2. Commitment and Support of Management

43. Good understanding of project benefits on the part of senior management is crucial. A fundamental problem during the earlier part of project implementation was the lack of commitment and support from the management of the pilot bank, TDB. Hence acceptance of the new technology was low in the beginning, and considerable time was spent on customizing the software to the bank's existing practices, rather than on adapting the outdated bank practices to the modern methods incorporated in the new technology (para. 13). By contrast, the management of AgBank had a better understanding and appreciation of the long-term benefits of the software, and was therefore supportive of the Project, despite the high costs and short-run disruption it caused. In view of this, more time and effort should have been put into educating management about the basic technical aspects and potential benefits of the software.

3. Continuity in Project Management

44. Frequent staff changes prevented continuity in ADB's management of the Project. The consequent lapse in ADB monitoring and support hindered efficient implementation (para. 33). ADB should have paid more attention to the effective delegation of Project responsibility during organizational and staff changes.

C. Recommendations

1. Project Related

45. BoM should closely monitor progress in software implementation and provide guidance where possible. BoM support will be especially crucial for the smaller banks, which have limited resources and staff capacity.

46. Demand for BTC's services will increase as the banking system grows in size and complexity. Of the 16 commercial banks, only AgBank has an in-house training unit, and the rest rely on BTC training. It is important that resources are made available to bring BTC's capacity in line with industry needs. The PCR Mission was informed that 3 NBFIs are members

of BTC, and more are interested in joining. However, BTC does not currently have the resources and expertise to train staff of NBFIs. As the role of NBFIs in the economy increases, the need to upgrade skills in that sector will also have to be addressed.

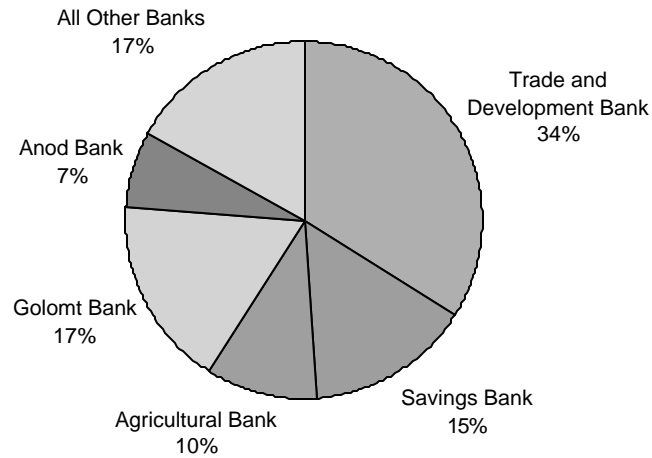
47. The Program Performance Audit Report (PPAR) of this TA loan was prepared in September 2003, in conjunction with the PPAR for the FSP loan. Under normal circumstances, the PPAR is prepared after the PCR. An exception had to be made in this case due to the long delay in closing the TA loan, and the timing of the preparation of the PPAR of the FSP loan, which was closed in July 1999.

2. General

48. It is recommended that the lessons learned from this Project (paras. 42-44) be incorporated in the formulation of future projects.

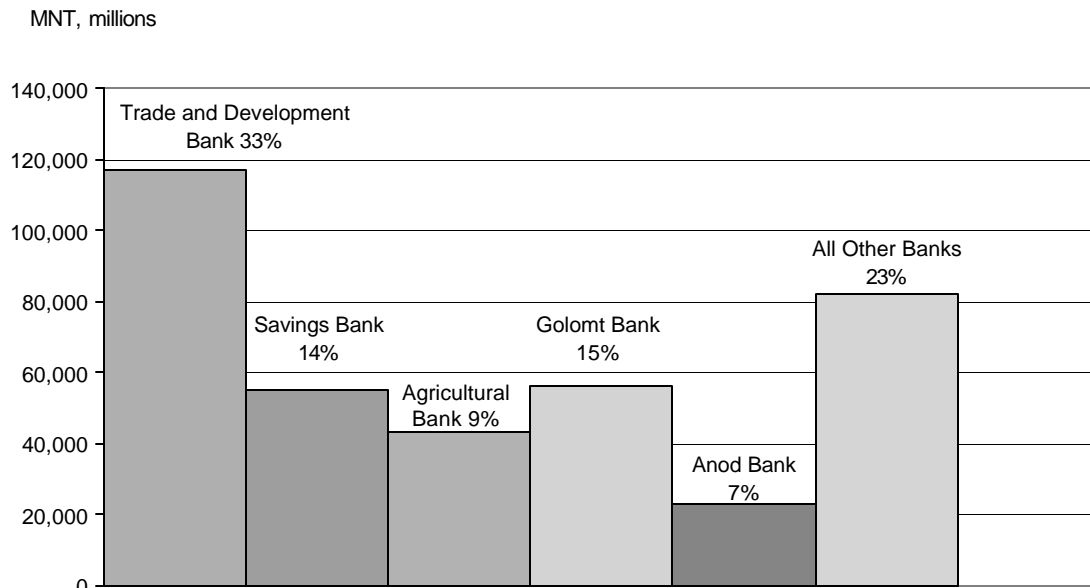
DISTRIBUTION OF ASSETS AND DEPOSITS AMONG MONGOLIAN BANKS

Distribution of Deposits



Source: Bank of Mongolia.

Distribution of Assets



Source: Bank of Mongolia.

SOFTWARE LICENSES GRANTED TO PARTICIPATING BANKS

	Trade and Development Bank	Mongol Post Bank	Erel Bank	Agricultural Bank	Ulaan Bataar Bank	Savings Bank
Retail Banking System Modules						
BANCS Customer Information Facility	✓	✓	✓	✓	✓	✓
BANCS Deposits	✓	✓	✓	✓	✓	✓
BANCS Loans	✓	✓	✓	✓	✓	✓
BANCS Branch Accounting	✓	✓	✓	✓	✓	✓
Branch Terminal Manager 2000	✓	✓	✓	✓	✓	✓
Treasury Modules						
Base Modules	✓	✓		✓		
Foreign Exchange	✓	✓		✓		
Money Market	✓	✓		✓		
Securities	✓	✓		✓		
Sublicense						
Finance One Corporate General Ledger	✓	✓	✓	✓	✓	✓
Eximbills Trade Finance	✓					

LOAN ALLOCATION AND UTILIZATION(\$)
(as of 6 June 2003)

Category	Original Allocation	Last Revised Allocation	Amount Canceled	Actual Disbursement
Consulting Services	1,456,844.07	679,941.22	15,698.59	664,242.63
Computer Software	975,501.65	1,690,484.06	(5,044.26)	1,695,528.32
Overseas Training	-	81,929.46	(0.54)	81,930.00
Equipment for Education Institutes	122,471.74	91,665.00	-	91,665.00
Project Administration	49,843.15 ^a	12,570.74	7,212.04 ^b	5,358.70 ^c
Contingencies	348,902.05	208,313.76	208,313.76	-
Total	2,953,562.66	2,764,904.24	226,179.59	2,538,724.65

^aThis was equivalent to SDR35,000 on 19 December 1996, the loan approval date, converted at SDR1 = \$1.4240.

^bOf the \$12,570.74 (SDR9,153) reallocated, \$5,358.70 (SDR 4,073.92) was needed (Footnote c), and the balance of \$7,212.04 was canceled.

^cThis was used to pay for the auditing of the Bank of Mongolia's financial statements, with \$4,000 being paid to Ernst & Young (Malaysia) in May 2000 and \$1,358.70 to Itgelt Audit LLC in July 2002.

COSTS AT APPRAISAL AND ACTUAL COSTS
(\$ '000)

Item	Appraisal			Actual		
	Foreign Exchange	Local Currency	Total	Foreign Exchange	Local Currency	Total
A. Asian Development Bank Financing						
1. Consulting Services						
a. International	1,480	0	1,480	612	0	612
b. Domestic	0	0	0	52	0	52
2. Computer Software	990	0	990	1,696	0	1,696
3. Overseas Training	0	0	0	82	0	82
4. Equipment for Education Institutions	125	0	125	92	0	92
5. Project Administration		50	50	5	0	5
6. Contingencies	355		355	0	0	0
Subtotal (A)	2,950	50	3,000	2,539	0	2,539
B. Government Financing						
1. Translators and Interpreters	0	22	22	0	22	22
2. Domestic Travel	0	4	4	0	4	4
3. Vehicles	0	3	3	0	3	3
4. Office Accommodation	0	10	10	0	10	10
Subtotal (B)	0	39	39	0	39	39
Total	2,950	89	3,039	2,539	39	2,578

COMPLIANCE WITH LOAN COVENANTS

Covenants	Reference in TA Loan Agreement	Compliance
<p>Particular Covenants</p> <p>The Borrower shall cause the Bank of Mongolia to carry out the Technical Assistance with due diligence and efficiency and in conformity with sound administrative, financial and banking practices.</p> <p>The Borrower shall make available, promptly as needed, all funds, facilities, services and other resources which shall be required, in addition to the proceeds of the Loan, for the carrying out of the Technical Assistance.</p> <p>The Borrower, its ministries and agencies and the Bank of Mongolia shall cooperate fully with the consultants in the performance of their services for the Technical Assistance and make available, or cause to be made available to them, all data, services, facilities, equipment, documents and information and all such informal action and assistance as the consultants shall reasonably request in the carrying out of the Technical Assistance.</p> <p>The Borrower shall maintain, or cause the Bank of Mongolia to maintain accounts and records adequate to show the use of the proceeds of the Loan and the progress of the Technical Assistance (including the cost thereof).</p> <p>The Borrower shall cause the Bank of Mongolia to (i) maintain separate accounts for the Technical Assistance; (ii) have such accounts and financial statements (balance sheet, statement of income and expenses, and related audited statements) audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to the Bank; and (iii) furnish to the Bank, promptly after their preparation but in any event not later than nine (9) months after the close of the fiscal year to which they relate, certified copies of such audited financial statements and the report of the auditors relating thereto (including the auditor's opinion on the use of the Loan proceeds and compliance with the covenants of this Technical Assistance Loan Agreement), all in the English language. The Borrower shall cause the Bank of Mongolia to furnish to the Bank such further information concerning such accounts and financial statements and the audit thereof as the Bank shall</p>	<p>Article IV Section 4.01 (a)</p> <p>Article IV Section 4.02</p> <p>Article IV Section 4.03</p> <p>Article IV Section 4.04 (a)</p> <p>Article IV Section 4.04 (b)</p>	<p>Complied with.</p> <p>Complied with.</p> <p>Complied with.</p> <p>Complied with.</p> <p>Complied with.</p>

Covenants	Reference in TA Loan Agreement	Compliance
<p>from time to time reasonably request.</p>		
<p>The Borrower shall enable the Bank, upon the Bank's request, to discuss the Bank of Mongolia's financial statements for the Technical Assistance and its financial affairs related to the Technical Assistance from time to time with the Bank of Mongolia's auditors, and shall authorize and require any representative of such auditors to participate in any such discussions requested by the Bank, provided that any such discussions shall be conducted only in the presence of an authorized officer of the Bank of Mongolia unless the Borrower shall otherwise agree.</p>	<p>Article IV Section 4.04 (c)</p>	<p>Complied with.</p>
<p>The Borrower shall furnish or cause the Bank of Mongolia to furnish, to the Bank, in such manner as the Bank shall reasonably request, copies of all documents relating to the Technical Assistance prepared by consultants for the Technical Assistance, including reports, plans, designs, specifications, construction schedules, estimates of costs and other relevant information.</p>	<p>Article IV Section 4.05 (a)</p>	<p>Complied with.</p>
<p>The Borrower and the Bank shall from time to time exchange views with each other with regard to matters relating to the purposes of the Loan and the Technical Assistance. The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan and the performance by the Borrower of its obligations under this Technical Assistance Loan Agreement.</p>	<p>Article IV Section 4.06 (b)</p>	<p>Partly complied with. Following an internal reorganization, the responsibility for the TA was transferred to a different department without any consultation with ADB. This contributed to some implementation delays, as the staff of this department was unfamiliar with the TA loan and ADB procedures.</p>
<p>The Borrower shall afford all reasonable opportunity for representatives of the Bank to visit any part of the territories of the Borrower for purposes related to the Technical Assistance and the Loan.</p>	<p>Article IV Section 4.06 (c)</p>	<p>Complied with.</p>
<p>It is the mutual intention of the Borrower and the Bank that no other external debt owed a creditor other than the Bank shall have any priority over the Loan by way of a lien on the assets of the Borrower. To that end, the Borrower undertakes (i) that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any external debt, such lien will ipso facto equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan; and (ii)</p>	<p>Article IV Section 4.09</p>	<p>Complied with.</p>

Covenants	Reference in TA Loan Agreement	Compliance
<p>that the Borrower, in creating or permitting the creation of any such lien, will make express provision to that effect.</p>		
<p>Local Expenditure</p> <p>Except with regard to Category 4 (Project Administration) or as the Bank may otherwise agree, no withdrawals from the Loan Account shall be made in respect of any local expenditure on the Technical Assistance.</p>	<p>Schedule 3 Para. 5</p>	<p>Complied with.</p>
<p>Procurement</p> <p>All computer equipment, software and training materials required for the purpose of the Technical Assistance may be procured by the consultants on an off-the-shelf, direct purchase basis or may be procured on the basis of international shopping as described in Chapter III of the Guidelines for Procurement.</p>	<p>Schedule 4 Para. 3</p>	<p>Complied with.</p>
<p>Consultants</p> <p>The long-term consultants shall: (i) assist commercial banks in implementing restructuring strategies; (ii) assist the Borrower in the preparation of a strategy for the divestment of direct and indirect state holdings in commercial banks; (iii) provide on-the-job training to commercial bank staff; and (iv) help to procure any computer software and related equipment financed under the Technical Assistance and provide training in the use thereof.</p>	<p>Schedule 5 Para. 2</p>	<p>Complied with. The scope of the TA was revised after approval, and international consultants were recruited mainly on a short-term basis (less than 6 months per consultant). The two local consultants were engaged on a long-term basis.</p>
<p>The short-term consultants shall provide short-term training to commercial banks in specific areas as identified by a long-term consultant.</p>	<p>Schedule 5 Para. 3</p>	<p>Complied with.</p>
<p>Implementation Arrangements</p> <p>The Bank of Mongolia in its capacity as Executing Agency shall be responsible for the overall implementation of the Technical Assistance. The Bank of Mongolia shall be responsible for administering the Loan and ensuring that proper records are maintained.</p>	<p>Schedule 6 Para. 1</p>	<p>Complied with.</p>
<p>Subloans to Commercial Banks</p> <p>Except as the Bank and the Borrower may otherwise agree, whenever funds are provided out of the Loan Account to a commercial bank, 50 percent of such</p>	<p>Schedule 6 Para. 2</p>	<p>Complied with.</p>

Covenants	Reference in TA Loan Agreement	Compliance
<p>funds shall be provided on a grant basis and 50 percent shall be repayable in accordance with a loan agreement between the Executing Agency and the sub-borrower in form and substance and upon terms and conditions satisfactory to the Bank.</p> <p>Except as the Borrower and the Bank may otherwise agree, the terms and conditions of each loan agreement shall include an interest rate of not less than the interest rate currently applicable to loans made by the Bank from its ordinary capital resources and a repayment period of five years. The commercial bank sub-borrower shall bear the foreign exchange risk on the outstanding amounts of the Loan.</p> <p>The Executing Agency shall ensure that the Borrower's Ministry of Finance bears no risk associated with any possible delay or default in the repayment of any of the subloans provided out of the Loan Account.</p>	<p>Schedule 6 Para. 3</p> <p>Schedule 6 Para. 4</p>	<p>Complied with.</p> <p>Complied with.</p>
<p>Monitoring</p> <p>Participating commercial banks shall be required to provide quarterly reports to the Executing Agency on the progress during the preceding quarter and actions proposed for the following quarter.</p>	<p>Schedule 6 Para. 5</p>	<p>Partly complied with. While participating commercial banks did not provide quarterly reports to the Bank of Mongolia, Bank of Mongolia staff met with individual banks on a regular basis to discuss project progress.</p>

CONSULTANTS ENGAGED AND THEIR TASKS

Name	Period of Engagement	Summary of Tasks Completed
DAI (Thailand), Ltd.	15 Jun–30 Dec 1998	<ol style="list-style-type: none"> 1. Developed the curriculum, teacher handbooks, training manuals, and course materials for the Banking Training Center. 2. Organized and conducted local and overseas training programs.
Vinstar Consulting (Gareth Davis, expert)	21 May–23 Aug 1998 (2 months of intermittent work), 31 Aug–17 Sep 1999 (3 weeks of intermittent work)	<ol style="list-style-type: none"> 1. Evaluated the hardware and software capabilities of commercial banks in Mongolia. 2. Determined software requirements and specifications. 3. Assisted in the preparation of tender documents. 4. Obtained necessary technical and cost information from potential vendors, and helped short-list the vendors based on requirements specified by the Project Working Group.
Erdenechimeg Danajaviin (first project manager)	1 Jun 2000–28 Feb 2001	<ol style="list-style-type: none"> 1. Coordinated the implementation of the Project with the commercial banks involved. 2. Liaised with the software vendors as necessary, and coordinated with the Bank of Mongolia and ADB. 3. Organized and managed the software customization process for the Trade and Development Bank. 4. Prepared and submitted regular reports to ADB, the Bank of Mongolia, and other relevant parties. 5. Prepared procurement documents for submission to ADB and submitted regular accounting reports to relevant parties.
Gantulga Dashdelger (second project manager)	1 Sep 2001–31 Dec 2002	<ol style="list-style-type: none"> 1. Coordinated the implementation of the Project with the banks involved in the Project. 2. Liaised with the vendors and coordinated with the Bank of Mongolia and ADB. 3. Prepared a list of required customization for the integrated software for the remaining banks. 4. Prepared the list of equipment required for each bank. 5. Managed and monitored the implementation process on-site at the bank branch level by visiting 21 provinces.

Name	Period of Engagement	Summary of Tasks Completed
		6. Prepared and submitted regular quarterly reports to the Bank of Mongolia and ADB.
Financial Network Services Pty., Ltd.	4 Jan 2000–31 Dec 2002	<ol style="list-style-type: none"> 1. Granted the Bank of Mongolia (i) a nonexclusive license to use and install the retail banking system and treasury modules software, and related materials; and (ii) a nonexclusive sublicense for the general ledger and trade finance modules. 2. Installed the software in 5 banks. 3. In conjunction with the local partner BSB Service Ltd., customized the software as necessary and provided training and support services.
Mongolian Technical University	4–15 Sept 2000	Provided basic training in Oracle to IT staff of Mongolian banks.
Asian Institute of Technology	18 Oct–28 Nov 2000	Provided advanced training in Oracle to IT staff of Mongolian banks.

OVERALL PROJECT PERFORMANCE

Criterion	Weight	Details	Assessment	Rating Value	Weighted Rating
Relevance	20%	The objective of upgrading banking skills and computer systems were relevant at the time of project preparation and approval. However, the Project's scope had to be revised subsequently to make it affordable to participating banks. The cost of the software and the complexity of its implementation were also underestimated at the design stage.	Partly Relevant	1	0.20
Efficacy	25%	The Project achieved the immediate objective of upgrading skills and computers systems in Mongolian banks; however, the Project did not realize the full potential of the computer software component.	Efficacious	2	0.50
Efficiency	20%	The loan closing date was extended 4 times, and by approximately 3.5 years. Main factors included the need to revise TA scope, technical issues related to the software component, lack of experience on the part of Bank of Mongolia that delayed consultant selection and procurement, and frequent staff changes in ADB and lack of IT-related experience that hampered close monitoring and support.	Less Efficient	1	0.20
Sustainability	20%	The Project contributed to developing the banking skill base in Mongolia. It helped establish the Banking Training Center, which provides regular and affordable training to commercial bankers. The Project also enabled banks to purchase sophisticated software. Banks have reiterated their commitment to make full use of the software in their day-to-day operations and risk management practices.	Likely	2	0.40
Institutional Development and Other Impacts	15%	In addition to the direct impact of upgrading the skills and systems of participating banks, the Project has also contributed to improving banks' understanding and appreciation of the value of staff development training and new technology. Banks are now more willing to commit resources to these purposes.	Moderate	1	0.15
Overall Rating (sum of weighted average): 1.45 "Partly Successful"					

ADB=Asian Development Bank, TA=technical assistance