

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: EARG

TA No., Country and Name:			Amount Approved: \$500,000.00	
TA 4393-MON: Establishing an Effective Anti-Money Laundering Regime			Revised Amount:	
Executing Agency: Bank of Mongolia		Sources of Funding: TASF; Government of Spain	Amount Undisbursed: \$8,425.71	Amount Utilized: \$491,574.29
TA Approval Date: 17 Sept. 2004	TA Signing Date: 25 Oct. 2004	Fielding of First Consultant: 9 Mar. 2005	TA Completion Date Original: 31 Mar. 2005	Actual: 30 Sept. 2007
			Account Closing Date Original: 31 Mar. 2005	Actual: 21 Dec. 2007
Description				
<p>In 2004 the Mongolian financial system was growing rapidly, in line with the economy as a whole. Its accelerated economic growth and financial stabilization brought about new issues and challenges. There had been rapid growth in the flow of funds into the country. This inflow caused concern because some fund transfers lacked transparency. There was a need to improve financial system surveillance to mitigate the risks of money laundering.</p> <p>To promote financial stability, investor confidence, the orderly growth of the financial system, and effective domestic as well as international investigation of crime and corruption, the Government of Mongolia (the Government) needed to establish an effective Anti-Money Laundering (AML) regime, which complies with international standards for AML. The Bank of Mongolia (BOM) issued in December 2002 the Recommendations on Issues Related to Fighting Money Laundering Activities for Banking and Financial Organizations - a guide book for commercial banks on key issues such as the identification of customers, unusual or suspect transactions, and AML compliance policies. Draft AML legislation was also prepared with assistance from the International Monetary Fund in 2004.</p> <p>The Government, expecting the adoption of the AML law in 2004, requested further technical assistance (TA) from the Asian Development Bank (ADB) to support the establishment of an effective AML regime.</p>				
Expected Impact, Outcome and Outputs				
<p>The expected impact of the TA was a stable and sound financial system for Mongolia to reduce the country's vulnerability to criminal activities. The outcome expected from the TA was the establishment of an effective AML regime which complies with international standards for AML. The major expected outputs of the TA included: (i) a time-bound plan with milestones for implementing an effective AML regime; (ii) a blueprint detailing the design and requirements of a system to monitor suspicious transactions; (iii) the establishment of a financial intelligence unit (FIU) and provision of a comprehensive draft for key responsibilities of this entity; (iv) specialized training programs for staff of key institutions responsible for the implementation of the AML regime; and (v) development of a strategy for strengthening and maintaining support to effectively enforce an efficient AML structure.</p>				
Delivery of Inputs and Conduct of Activities				
<p>The TA was adequately formulated for instituting an effective AML regime in Mongolia.</p> <p>The TA's initial inputs required 9 person-months of international consultants (an AML expert, a financial sector expert, a forensic accounting and FIU expert, and an information technology and communication expert) and 9 person-months of national consultants who furnished background information, translated documents and organized workshops for the international consultants.</p> <p>These inputs were provided by the consulting team of Illawara Technology Corporation (ITC) Limited, who fielded a team which managed to coordinate closely with ADB and relevant agencies, including the BOM, the Ministry of Finance (MOF), Ministry of Justice and Home Affairs (MJHA), the General Intelligence Agency (GIA), and the Criminal Police Department (CPD). ITC's performance in (1) reviewing the draft AML law, (2) drafting implementation rules and regulations for the AML operation, and (3) assessment of information technology needs and preparing a blueprint for the information technology (IT) system and reporting requirements for monitoring system was satisfactory to the Government and the ADB.</p> <p>The TA completion date was extended from March 2005 to September 2007 due to the significant delay in the adoption of the AML law. This did not have any effect on the TA's cost. The original AML law was not passed as expected. Following the 2004 parliamentary election, the draft AML law was further revised. The consulting team reviewed the revised draft AML law. They were able to perform the TA's activities in line with their terms of reference (TORs).</p>				

The performance of ADB's TA administration activities was satisfactory. Appropriate support and supervision was given during TA implementation mainly through review missions, and exchanges of e-mails with the Executing Agency (EA) and the consulting team. However, ADB underestimated the time required to complete the TA project.

The EA gave its complete support to achieve the TA's objectives. The BOM contributed to TA implementation with strong commitment and worked closely with the consultants and other government agencies.

Evaluation of Outputs and Achievement of Outcome

The consulting team significantly contributed to the delivery of the outputs despite the significant delay in AML legislation. In providing advice regarding the AML law, they pointed out the law's deficiencies compared to AML international standards, and suggested directions and solutions for its amendment. The advice of the consulting team was broadly accepted and its advice helped the BOM to initiate the process to amend the AML law.

The consulting team also provided the BOM with key documents which contributed to the establishment of the FIU and the operation of AML regime by the FIU, namely, (i) a Step by Step Guide to Establish the FIU; (ii) Standard Operating Procedures for the FIU; and (iii) Guidelines for the Reporting Entities.

The IT blueprint report, which contained the design and system requirements for the FIU to monitor suspicious transactions, was also completed and its recommendations were given further ADB support through Loan 2218-MON(SF): Financial Regulation and Governance Program.

The time-bound strategic plan presented comprehensive milestones and recommendations to enable Mongolia to measure its improvements towards achieving a workable AML structure.

The consulting team made substantial effort to implement the agency-specific trainings despite the delay in the appointment of the FIU staff. They responded flexibly, providing staff with the introductory workshop instead of the planned more technical version. To supplement the training, a five-day AML study tour was held in Sydney, Australia in late February 2007. This gave the six participants from the BOM, CPD and the Financial Regulatory Commission an understanding of a mature AML system and assisted the FIU in managing and administering its activities.

The consulting team produced a comprehensive final report. The report was well received by both ADB and the Government, and was published in September 2007. It will contribute to the knowledge of the government officials concerned about the establishment of an effective AML regime in transitional and expanding economies.

These results were effective and the Government was satisfied with the outcomes.

Overall Assessment and Rating

This TA is rated as successful. The analyses and recommendations contained in the submitted report were well received by the EA. Although there was a delay in the timely completion of the TA project, the consulting team made good efforts to implement the TA project in the line with the TOR. The TA's benefits will be sustainable since the Strategic Plans recommended by the consulting team have laid the foundation towards an operative AML system which Mongolia has started to adopt.

Major Lessons

When the TA was being processed, the AML law was assumed to be approved by the Parliament within a few months of TA approval. It was not anticipated that the draft legislation would require a further lengthy process of review. When projects include the enactment of a law, the implementation arrangement needs to be flexible to take into account possible substantial delays in the legislative process. In this case, while the delays were not foreseen, ADB and the consulting team were able to adjust inputs to ensure that the key outputs were achieved.

Recommendations and Follow-Up Actions

The final report recommended that the Government needs to push forward with further comprehensive improvement of the AML regime, including additional amendment of the AML law, capacity building for the staff of the key institutions, and FIU IT system development. ADB continues to be a key partner of the Government in establishing an effective AML regime, through the support given by Loan 2218-MON(SF): Financial Regulation and Governance Program.

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