MID-TERM EVALUATION

MON/004

Financial Sector Capacity Building and Training Project

PROJECT SUMMARY DATA

Country	Mongolia
Long project title	Financial Sector Capacity Building and Training Project
Short project title	Finance Training
LuxDev Code	MON/004
Version of the Report	November 2012

RATING OF THE PROJECT BY THE EVALUATION MISSION

Global rating (Effectiveness)	**2** On a scale of 1 (excellent results, significantly better than expected) to 6 (the project was unsuccessful, or the situation has deteriorated on balance)
Rating using other evaluation criteria	Relevance: **1** Efficiency: **2** Sustainability: **3**

EXECUTIVE SUMMARY

The Government of Luxembourg, under the auspices of a bilateral agreement with the Government of Mongolia, has committed to strengthen the financial sector regulatory capacity in Mongolia. To materialise this policy objective, a four year project, titled MON/004 “Financial Sector Capacity Building and Training Project”, started in 2011 with a budget of 2 000 000 EUR.

The project has dual objectives of enhancing the institutional and operational framework, as well as the regulatory and supervisory capacity of the Financial Regulatory Commission in Mongolia. Established in 2006 as a statutory body, the Financial Regulatory Commission is the non-banking financial sector regulator for Mongolia. The project officially started with recruitment of a chief technical adviser from January 2011 and as per project schedule, a mid-term evaluation was scheduled towards the end of 2012.

PwC Luxembourg was mandated to carry out this mid-term evaluation over a period of six weeks, starting 1 October 2012. The primary objective was to evaluate the results achieved by the project, document lessons learned and provide recommendations for any ‘course corrections’ required for the remainder of the project. The mission was carried out by a team of experts from PwC Luxembourg, with Saleh Khan as the Lead Evaluator. The PwC team consisted of experts in the financial regulations sector, financing sector experts and monitoring & evaluation experts.

Operationally, the mid-term evaluation found the project to be generally progressing as expected and as planned in the project document, with a few exceptions.

For the first expected result - to enhance institutional and operational framework at the Financial Regulatory Commission - the evaluation found the project performed well and delivered a number of results. An Institutional Strategy was created for the Financial Regulatory Commission, along with an action plan for 2012. To further support institutional development, a human resources development strategy and trainings needs assessment were also completed. Material support was provided to enhance their institutional Information Technology capacity.

The project steering committee decided to reallocate financial resources to areas where increased support is required. As part of this process, the provision for providing academic scholarships were reduced and the amount allocated to knowledge exchange - including technical assistance, trainings and study tours - were increased.

An expert from the Financial Technology Transfer Agency of Luxembourg have been providing assistance to the project on numerous aspects, including the drafting of regulations and in internal capacity building measures. The partnership between LuxDev and the agency is generally working well, with a number of experts already deployed from Luxembourg. At the moment, the availability of consultants and skill set requested by the project is not a constraint.

A notable delay is the assistance to refurbishing a training centre - which was delayed due to external circumstances, with approval from the project steering committee.

For the second expected result – to strengthen the regulatory and supervisory capacity at the Financial Regulatory Commission - the evaluation found reasonable progress made, with a number of activities scheduled to be carried out later in the project.

Formal training, especially on English language, is well received by the Financial Regulatory Commission’s staff and is bringing benefits to participants. As with the previous result, project focus was shifted to providing technical assistance rather than formal education scholarships.

A number of activities, notably curriculum development for financial education, market baseline assessment and capacity building for market participants are scheduled to start in Years 3 and 4.

From a project execution perspective, there is a high level of ownership towards the project from the Financial Regulatory Commission’s senior management. The Chairman himself is well aware of the project’s objectives and takes a personal interest in the delivery. Most staff are appreciative of the work done by the project so far. The steering committee meets as planned and the technical coordination committee meets on an agenda basis. There is good attendance and cooperation at the working groups set up under the project.

The only major exception to the project execution is the absence of a national project coordinator two years into the project. Lack of skilled manpower was cited as the reason for failing to recruit a suitable person to this position in the inception report and the post remained vacant.

Overall the mid-term evaluation found the project to be highly relevant for the country context, generally efficient and effective it achieving results, but needing better planning to be sustainable. The Development Aid Committee criteria most applicable for the projects are in promoting Good Governance which is validated at “1”.

The project was appreciated, as relevant and necessary, both by the Financial Regulatory Commission as well as by the donor community in Mongolia. The project has high visibility among stakeholders and the chief technical adviser is well networked and integrated with both the host institution as well as the donor community.

After evaluating the project, based on the evaluation questions developed, some specific recommendations made for the project are:

- the project’s baseline study needs to be carried out, so that the results achieved are measurable at the final evaluation. Baselines need to be established for indicators both internal to the project as well as the non-bank financial sector ;

- funds to refurbish the training centre may be allocated after a feasibility study is done, as envisioned in the project document. The feasibility study should look the market demand for training from the Financial Regulatory Commission and outsourcing the trainings location versus refurbishing the premises ;

- the national project coordinator needs to be recruited as soon as possible, in order to ensure that knowledge and capacity acquired through the project is sustainably transferred to the Financial Regulatory Commission at the end of the project. A major concern is the ability of the Commission to fund the national project coordinator post after the project, therefore it is recommended to recruit the national project coordinator at the Commission’s salary scales in order to ensure a smooth transition ;

- till such time that project execution capacity has been sustainably transferred to the Financial Regulatory Commission, the chief technical adviser needs to be kept full time on the project. Removing him at this point is likely to cause operational complexities and erode internal control over project execution ;

- the counterpart currently has limited capacity for entering into a full operational partnership agreement, as identified in the assessment done by an independent audit firm in July 2011. However, certain activities and budget lines could be incrementally allocated to the Financial Regulatory Commission with prior condition established, as recommended in the study. Counterpart progress towards meeting these prior conditions should be tracked to identify a possible timeline for a complete operational partnership agreement ;

- the project needs mid-term consulting support (advisers embedded in the commission for three to six months) as planned in the project document. These advisers can provide ‘hands on’ assistance towards strengthening the Commission’s operational and regulatory capacity ;

- the project could act as the donor coordination focal point within the Financial Regulatory Commission, ensuring that development assistance resources are targeted to areas that are current priorities and avoid overlap ;

- there is scope for mobilising an unused grant funding which was provided by the Government of Luxembourg to United Nations Development Programme Mongolia. With approval from the Ministry of Foreign Affairs, these funds could either be utilised to strengthen the current work streams of the project or formulate additional activities relevant for the Financial Regulatory Commission.