**Project Summary**

German Government has assisted the Mongolian financial sector reform and the banking sector since 1995. Two loan programmes were provided amounting to 8.7 mio €, one of which (5.1 mio €) had been almost completed by the end of the project. Program banks were the Trade and Development Bank (TDC) and the Mongol Post Bank (MPB). The funds of the SME Loan Programs were channelled through Bank of Mongolia (BoM) to the program banks.

**Project Objectives**

To strengthen the financing services of the program banks for small and medium-sized enterprises in productive sectors (SMEs) in Mongolia, whereby the specific objectives were different for each of the 3 banks:
- **MPB**: Strengthening of capacities for granting medium and long term investment loans to SME.
- **TDB**: Further strengthening of the bank’s capacities for granting SME loans.
- **BoM**: Establishment and operation of Fund Management revolving SME Fund

**Project Activities**

A total 14 new loans with a total of 3.8 mio € were disbursed under the programme.
- **MPB**:
  - Revision of organisational structures and loan policies
  - Training programme for loan officers
  - Monitoring of loan granting process
- **TDB**:
  - Design and introduction of a new standardized credit process
  - Criteria for credit analysis, tools for rating credit risk
  - Training of credit officers
- **BoM**:
  - Job specifications for fund management
  - Conditions for access to the fund
  - Contractual relations and disbursement procedures. Monitoring of implementing banks

**Services provided**

**Strengthening of the Credit Department of the Mongol Post Bank**
- Revision of a the current strategy, loan policies and procedures
- Organisational development of the Credit Department (structure, job descriptions, incentive system, etc.)
- Design of and agreement on procedures and mechanisms (credit policy, evaluation criteria, formats, processes)
- Design of a manual on tasks and functions for the loan officers
- Strengthening the monitoring of the loan granting process
- Upgrade the reporting process

**Training Programme**

- Training needs assessment for the Credit Department
- Class room training programme comprising, a.o.:
  - Accounting and annual financial statements
  - Techniques of mid and long term finance
  - Introduction to SME finance
  - Loan analysis, monitoring of loans to SME and loan restructuring
- On-the-job training, deepening the theoretical skills acc. to the requirements of practical work
- Ad hoc consultancy and coaching in response to technical questions arising in day-to-day work
- Training in risk management und project monitoring

**Proposals for fund management at Bank of Mongolia**

- Fund management (of revolving SME fund)
- Description of responsibilities of the fund management
- Contractual relations between the banks and the fund
- Conditions for access to refinancing of the fund
- Guidelines and procedures for revolving SME fund
- Methods of disbursement; monitoring of loan performance
- Options for sanctions against defaulting banks

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**Mongolia**

**Training and credit strengthening for banks and establishment of a revolving loan fund**

**Client**

KfW

**Duration**

01.09.2002 - 31.08.2005

**Personnel**

- 2 international STE (banking & credit specialists) (16 PM)
- 2 international STE (procedures and training) (16 PM)