

ELIGIBILITY CRITERIA FOR PARTICIPATING FINANCIAL INSTITUTIONS

1. The selection of qualified PFIs under **Enhancement of the Credit Guarantee System Supporting SMEs' Project** will be conducted by CGFM in close collaboration with ADB following a transparent five-step competitive process, which is designed to increase transparency and broaden and diversify participation among banks in the Project. The process for selecting PFIs is outlined below.

Step 1	Long-list of potential PFIs is agreed by ADB, CGFM and Ministry of Finance to include all 13 banks in Mongolia.
Step 2	CGFM sends invitations to the potential PFIs on the long-list to submit expressions of interest (EOIs) to participate in the Project with a copy to ADB, which clearly show the selection criteria and process that will be followed. ¹
Step 3	Potential PFIs submit their EOIs to CGFM– by no later than 17:00 on 8 June 2015. PFIs are then short-listed based on an evaluation of the EOIs provided using the agreed selection criteria.
Step 4	CGFM and ADB conduct financial, integrity and social safeguard review and further consideration of the short-listed potential PFIs, to confirm eligibility, from end May to early-July.
Step 5	ADB, CGFM and Ministry of Finance to finalize selection of qualified PFIs by 15 July Qualified PFIs will then be invited to negotiate with ADB the Project Agreement and with CGFM the Agreement, by 26 to 28 August.

2. **Step 1** - To be on the long-list under Step 1, potential PFIs:

- (i) will be assessed by CGFM and ADB on their
 - known willingness and ability to expand their SME loan portfolios, and
 - compliance with prudential and other regulations (solvency, liquidity, profitability, efficiency, prudence, anti-money laundering) set by the agency responsible for banking and financial supervision in Mongolia, or have an agreed action plan to comply with such regulations; and
- (ii) have a sound financial condition and performance acceptable to CGFM and ADB.

3. **Step 3** - To be short-listed under Step 3 potential PFIs should demonstrate in their EOI that they have:

¹ The selection criteria and process will be subject to change, further review and consideration by ADB

- (i) previous experience with implementing similar Projects that support small and medium-sized enterprises provided by CGFM, which would indicate:
- how loans funded by the Project(s) were different from and innovative compared to what other participants in that Project offered, and
 - what lessons were learnt and how would they be applied to this Project,
 - loans were targeted at women entrepreneurs, firms managed by women, or firms that employ a majority workforce of women
 - majority of loans provided outside of the capital, Ulaan Baatar
 - loans were targeted at start-ups (new or less than 3 years in operation)
 - loans were targeted at agricultural, micro and home businesses, export sector
- (ii) a strategy or plan to design and offer innovative market based financial products and services for SMEs, which could
- increase access to finance for women,
 - increase access to finance for firms outside of the capital, Ulaan Baatar
 - increase access to finance for start-ups (new or less than 3 years in operation)
 - increase access to finance for agricultural, micro and home businesses, export sector
 - otherwise support SMEs in an innovative manner.

4. To reduce scoring inconsistencies and discretion and ensure evaluations are transparent and fair, the following scoring table will be used to evaluate all EOIs received under Step 3.

Evaluation criteria		Max. weight	Bank 1 rating	Score
I. Basic Criteria		500		
1	Previous Experience in SME projects or programs provided by:	250		
	a. how loans funded by the program(s) were different and innovative from what others banks offered	75		
	b. lessons learnt and how they would be applied to this project	75		
	c. loans targeted at women entrepreneurs, firms managed by women, or firms that employ a majority workforce of women	25		
	d. majority of loans provided outside of the capital, Ulaan Baatar	25		
	e. loans targeted at start-ups (new or less than 3 years in operation)	25		
	f. loans targeted at agricultural, micro and home businesses, export sector	25		
2	Strategy to design and offer innovative market based financial products and services for SMEs, which could:	250		
	a. increase access to finance for women	50		
	b. increase access to finance for firms outside of the capital, Ulaan Baatar	50		
	c. increase access to finance for start-ups (new or less than 3 years in operation)	50		
	d. increase access to finance for agricultural, micro and home businesses, export sector	50		
	e. otherwise support SMEs in an innovative manner	50		
II. Approach and Methodology		50		

1	Proposal presentation	25		
2	Understanding of objectives	25		
	TOTAL	550		
	RANK	-		

Rating: Excellent: 100%; Very Good: 90 - 99%; Above Average: 80 - 89%; Average: 70 - 79%; Below Average: 1 - 69%; Non-complying: 0%

5. **Step 5** – To be qualified as a PFI under the Project, CGFM in close collaboration with ADB will complete further review and consideration of each of the short-listed potential PFIs using management, financial and integrity questionnaires. This will need to confirm, among other things, that the PFIs meet the capital, liquidity, asset quality and profitability benchmark ratios applicable to the Project.

6. Short-listed PFIs must satisfy CGFM and ADB that they have:

- (i) appropriate credit and risk management policies, operating systems, and procedures to prudently make loans to SMEs;
- (ii) acceptable corporate and financial governance and management practices including, among other things, transparent financial disclosure policies and practices;
- (iii) sound business objectives and strategy and/or plan;
- (iv) ability to independently assess the creditworthiness of SME borrowers and determine market-based terms and conditions of loans and other finance provided;
- (v) an adequate environmental and social management system (ESMS) in accordance with ADB Safeguards Policy Statement (SPS) requirements.

7. Short-listed PFIs will also be subject to integrity assessment of:

- (i) related parties that have been convicted of, or are under investigation for serious crimes or are sanctioned by a regulatory body;
- (ii) related parties involved in civil litigation involving allegations of financial misconduct;
- (iii) Politically Exposed Persons (PEPs) consistent with the recommendations of the Financial Action Task Force, and
- (iv) compliance with ADB's [Anticorruption Policy](#).