

Annual Project Progress Report

Project title: Supporting Business and Digital Transformation in Banking

Award ID: 00115493

Project ID: 00118854

Implementing partner: The State Bank for Foreign Economic Affairs of Turkmenistan

Period covered in this report: 01.01.2020 – 31.12.2020

Date of last Annual Report: 10.01.2020

Date of the last Project Board meeting: 16.10.2019

Date of last Quality Assurance and rating: 04__Feb__.2019 - Design and Appraisal stage (Satisfactory)

1. Project Performance

a) Please state the expected Output of the Project, set indicators and corresponding CP Outcome (as per project document/AWP):

Project Output 1: TFEB's financial statements aligned with IFRS			
Output indicators:			
1.1 TFEB financial statement for 2019 aligned with IFRS 9			
Output targets: 1			
b) Were the indicators and output achieved?	Yes X	No	Partially <input type="checkbox"/>
1.2 Number of TFEB staff trained on IFRS 9			
Output targets: 5			
b) Were the indicators and output achieved?	Yes X	No	Partially <input type="checkbox"/>
Project Output 2: TFEB infrastructure and staff ready for digitalization			
Output indicators			
2.1 Number of IT staff trained			
Output targets: 2			
b) Were the indicators and output achieved?	Yes	No x	Partially <input type="checkbox"/>
2.2 IT infrastructure upgraded with the modern equipment and software			
Output targets: Yes			
b) Were the indicators and output achieved?	Yes	No x	Partially <input type="checkbox"/>
2.3 Number of TFEB staff passed through the specific trainings			
Output targets: 20			
b) Were the indicators and output achieved?	Yes	No x	Partially <input type="checkbox"/>

2. Progress Reporting

a) Please summarize the main achievements during the project cycle:

Project Output 1: TFEB's financial statements aligned with IFRS

In spite of global pandemic restrictions on the movement of people the IFRS9 implementation for the bank was successfully done remotely. The deliverables have been prepared for the purpose and on the terms agreed with UNDP and PwC in Task Order Number 15 dated 3 April 2020. The progress was done by working out the technical aspects of this specific task with the PwC experts. Works on the contract was fully completed. As the result Vnesheconombank of Turkmenistan is a pilot bank in Turkmenistan that has implemented IFRS 9, which is undoubtedly a positive step for the banking system of Turkmenistan, as it allows investors to take credit risks into account when carrying out investment activities <https://www.tm.undp.org/content/turkmenistan/en/home/presscenter/pressreleases/2020/UNDP-and-Vnesheconombank-implement-the-international-standard-IFRS9.html>.

The project has conducted a series of training courses for the TFEB staff who are preparers and users of financial statements to evaluate the impact of IFRS 9 on the TFEB business and its financial statement (in-depth analysis of IFRS 9 Financial Instruments, including numerous examples and illustrations to explain the business model and cash flow characteristics test for classification of financial assets, amortized cost and fair value measurement of financial assets and financial liabilities, de-recognition of financial assets (retained servicing, continuing involvement etc.), measurement of expected credit losses and the accounting and impact of different types of hedges on financial statements. In addition, trainings had also provided hands-on support for transformation of the TFEB financial statements to address IFRS 9 requirements.

Project Output 2: TFEB infrastructure and staff ready for digitalization

The progress was done in terms of preparatory work together with a national partner:

- International tender for IT consultant to support development of technical specification and Request for Proposals (RFP) in line with procurement of online-banking software for TFEB, support quality technical evaluation during tendering and quality assurance at the final stage of implementation.
- Procurement of IT Equipment.
- RFP development for Implementation of the Internet Banking and Mobile Banking platform and the HCE for Mobile Bank module, integration with the existing environment and technical support in the TFEB.
- TOR preparation for International Consultant – to conduct trainings in IT Banking

In the course of project implementation in 2020, it was recommended that the project needs additional resources and time to ensure the quality implementation of the proposed complex IT solution, and to complete staff training and exchange of experience in the field of IT technologies.

3. Project Risks and Issues

The project Risk Log is maintained throughout the project implementation to capture potential risks to the project and associated measures to mitigate risk. The Project Manager shall maintain and update the Risk Log and ensure that risks are identified, communicated and managed effectively.

A number of potential risks are listed below.

Description of risk	Type and category	Risk management actions	Current situation
Delay issues in project implementation	Operational due to pandemic restrictions	Daily process acceleration	In process
Lack of resources for high-quality project implementation	Financial	Budget optimization and monitoring of	In process

		implementation process.	
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4.Lessons learned and follow-up steps (if applicable)

a) Please provide the lessons learned and further steps after the project's closure.

Engagement with PWC through the regional LTA is very useful for the project. LTA has simplified and accelerated the contracting process to receive good quality consultancy.

It will be also good to explore possibility to use existing LTAs for organization of the corporate trainings at the bank.

The national partner's support is important for the success of the project. Well-established relations by the project staff is key for effective fulfilment of the project activities and mobilization of additional resources.

Tender process was also good lesson learned for all involved parties and pointed out the need of budget optimization to achieve a quality result.

5.Transfer of Assets or other related matter

a) Please state on any past or future transfer of assets made within the project cycle (Attach list of equipment, cooperation frameworks with beneficiaries, etc.)

Transfer of assets dated December 22, 2020 is enclosed.

7.Financial management

Budget item	Total approved in 2020 (in USD)	Expenses + commitments	Budget utilization in % to planned
Component 1	126 703	111 881	88%
Component 2	71 300	30 204	52%
Project management	41 050	43 953	107%
Total delivery in 2020	239 053	186 038	81%
In % to total project budget			

Prepared by: Jennet Annaberdiyeva Jennet Annaberdiyeva, Project Manager

Date: 15.01.2021

Approved by: Akmyrat Danatarov Akmyrat Danatarov, Programme Specialist

Date: 15.01.2021