ASIAN DEVELOPMENT BANK

Mongolia: Promoting Inclusive Financial Services for the Poor

Project Name	Promoting Inclusive Financial Services for the Poor
Project Number	44112-012
Country	Mongolia
Project Status	Approved
Project Type / Modality of Assistance	Grant
Source of Funding / Amount	**Grant 9152-MON: Promoting Inclusive Financial Services for the Poor** Japan Fund for Poverty Reduction — US$ 2.50 million
Strategic Agendas	Inclusive economic growth
Drivers of Change	Governance and capacity development Partnerships
Sector / Subsector	**Finance** - Inclusive finance
Gender Equity and Mainstreaming	Gender equity

Description	Component A This component will improve the basic understanding of household financial management and available financial services. A selective national baseline survey will assess financial literacy. Financial regulators will use this and other information to identify key messages for the public. The messages are expected to include the need for regular cash savings; selective use of credit and borrowing; ways of choosing between alternative options for savings, loans, and other services; information on what financial agreements mean; and what to do in cases of financial trouble and stress. These messages will be commuicated by means of Mongolian drama series. A pilot o 6 episodes will be produced and presented on selected televesion stations and tested for effectiveness of message delivery and impact on financial behaviour. If the results are positive, the 6 episodes and an additional 25 episodes will be broadcast on national television from November to March during the evening, with an accompanying text-in system to test viewing rates and message delivery with small incentive payments for answers. After the project is completed, FRC has agreed to continue the series using its own funds, and Bank of Mongolia (BOM) will consider contributing to the broadcast and production cossts. If radio proves to be a more effective medium to reach poor households after the initial randomnized evaluation, project efforts will shift this to media. Component B This component will improve the basic understanding of household financial management and available financial services. A selective national baseline survey will assess financial literacy. Financial regulators will use this and other information to identify key messages for the public. The messages are expected to include the need for regular cash savings; selective use of credit and borrowing; ways of choosing between alternative options for savings, loans, and other services; information on what financial agreements mean; and what to do in cases of financial trouble and stress. These messages will be communicated by means of a Mongolian drama series. A pilot of 6 episodes will be produced and presented on selected television stations and tested for effectiveness of message delivery and impact on financial behavior. If the results are positive, the 6 episodes and an additional 24 episodes will be broadcast on national television from November to March during the evening, with an accompanying text-in system to test viewing rates and message delivery with small incentive payments for answers. After the project is completed, FRC has agreed to continue the series using its own funds, and Bank of Mongolia (BONI) will consider contributing to the broadcast and production costs. If radio proves to be a more effective medium to reach poor households after the initial randomnized evaluation, project efforts will shift to this media. Component C This component will improve capacity for efficient project implementation, support management and coordination by FRC, and provide for rigorous and timely evaluation of results. FRC will assign staff to implement the project and perform the following functions under this component: (i) oversee the JFPR grant and budget; (ii) ensure completion and submission of required annual audit reports; (iii) select consultants, complete procurement, and finalize required subcontracts and oversee their implementation; (iv) ensure monitoring and evaluation activities, including financial audits; (v) ensure that Mongolia Confederation of Credit Unions and Mongolia Cooperative Training and Information Center activities are undertaken, and stakeholder exchanges are established; (vi) coordinate with the project steering committee, SCCs, local governments, BOM, and other stakeholders; and (vii) incorporate project achievements, activities, and lessons into ongoing, government-funded work of FRC, the Mongolia Confederation of Credit Unions, and the Mongolia Cooperative Training and Information Center. Government counterpart contributions will include staff, office space, local transport and logistics, and meeting activities.
Project Rationale and Linkage to Country/Regional Strategy	The current CPS, extended for one year beyond expiry, provides for implementation of the two major pillars of the Government?s strategy: (i) stable broad-based growth and (ii) inclusive social development. Country assistance under the first pillar includes opening economic opportunities in rural areas. The second pillar involves increases in economic opportunities and raising and stabilizing incomes, reducing unemployment, and improving education and living conditions. Under Strategy 2020, poverty reduction via inclusive economic growth is the first agenda. Good governance and capacity building, private sector development, and gender equity are three of the four drivers of change. Finance sector development is one of the five core areas of change. The proposed JFPR touches upon all these priorities.
Impact	Increased number of poor and vulnerable nonpoor households (male and female household heads) in Mongolia have access to financial services

Project Outcome	
Description of Outcome	Increased number of poor and vulnerable nonpoor (male and female) become members of savings and credit cooperatives
Progress Toward Outcome	The TV series broadcasted in January 13, 2015 and completed by February 12, 2015 on Education TV channel. The second broadcasting via MNB TV of the TV series completed in March 2015. During the broadcasting of the TV series message surveys were conducted to measure the change of behavior, knowledge and attitude of the viewers as well as determine the rating of the series. The conclusion of the message survey reveals that the project has defined the means of its delivery method of the information and knowledge to improve the public financial education rationally and successfully.
Implementation Progress	

Description of Project Outputs	1. SCC regulatory and supervision system updated to meet new legal requirements and market conditions 2. SCC field operations validate 3. Basic financial education messages effectively coimmunicated to the public 4. Impact of SCC capacity training options and basic financial education evaluated
Status of Implementation Progress (Outputs, Activities, and Issues)	1. FRC has organized 5 regional discussions on regulations with international consultants' inputs on such issues as stabilization fund, regulation and supervision system. In total, 348 board and elected members from 136 SCCs have participated and actively involved to the revisions of the regulations. Regulatory consultant made her recommendations and The regulatory advisor's proposal discussed amongst the stakeholders. Finalized revisions into Stabilization fund regulation with inputs from Regulatory advisor approved by FRC in December 2014. General regulation is presented for confirmation. On-site and off-site supervision requirements were revised with inputs from ADB consultants and private sector, and were approved FRC management. The project recruited international and national consultants for risk-based supervision system revision of FRC. Current method of off-site supervision of SCC was reviewed based on the financial analysis of 2014 data, and recommendations were given on supervisory capacity, prudential regulations, risk-based supervisory approach, credit information system, and deposit insurance etc. The status of consultants' progress is at 50% as of September 10, 2015. In-house trainings for supervisory staff of FRC will be conducted and on-site and off-site supervision systems and tools will be revised based on the recommendations and revisions by risk-based supervision specialists. 2. SCCs prepared the financial report for 2013 year end and for 2014 and 2015 in compliance with the newly approved regulation on prudential ratio. Second assessment has started in June and completed by November covering 95.7% of all SCCs. Consolidated reports and comparative statements introduced to PSC in December 2014. Final report was introduced to the FRC in February, 2015 M&E team has assessed the effectiveness of SCC capacity building training. The financial ratio analysis for the sampled 30 cooperatives were done based on FRC 2014 annual reports in the second quarter of 2015. Data for MFD indicators was collected from respondents who participated in the financial education baseline survey. 749 respondents took part in the survey. TV series with 24 episodes total lasts of 840 minutes completed in December 2014. 3. Broadcasting was completed via two top ranked channels in January and in March 2015 all over the country. The pre and post drama survey completed. The unified report is under development. Baseline survey data collection and data entry was completed. The TV drama became the 2nd most watched TV show through Education TV channel, one of the most popular TV channels nationwide. According to the program analysis of Maxima media, 33.6% of television-watching adults (male and female) watched the TV drama. Amongst the audiences, unemployed people with lower economic condition were the main audience of the program. Financial education functional tests have been developed and finalized. Text-in message survey completed. More than 50% of those surveyed (male and female) have correctly responded to multiple choice television questions on financial education messages. 84.1% of surveyed responded that their financial literacy improved after watching the TV drama. SCC test results are compiled. Training test results will be incorporated in SCC assessment report. 4. The financial performance analysis of the sampled project participating SCCs will be finalized in the third quarter of 2015 based on FRC data. Financial education baseline survey is completed and report is finalized both in Mongolian and English. Financial education end-line survey was completed in September 2015. 686 respondents took part in the survey and comparison analysis of pre-post survey was completed. Findings of the comparison analysis reveal that TV drama resulted in better household financial management, increased number of savers, and improved public trust to SCC. 88.8% of respondents concluded that their fiscal literacy improved as a result of TV drama. Also, they answered that TV drama could deliver rational messages about SCC to public. Consolidated M&E report for overall project outcomes against its objectives will be completed in the third quarter 2015.
Geographical Location	Mongolia, specific areas TBD

Safeguard Categories	
Environment	C
Involuntary Resettlement	C
Indigenous Peoples	C

Summary of Environmental and Social Aspects	
Environmental Aspects	No impact. No further action is required.
Involuntary Resettlement	No impact. No further action is required.
Indigenous Peoples	Not applicable

Stakeholder Communication, Participation, and Consultation

During Project Design	Extensive consultations with stakeholders. Consultant did survey of 300 rural households to determine issues in SCC operations and financial educatoin. Multiple rounds of discussions took place in three regions, and with SCCs, regulators, MOCCU, MCTIC, the NCA, and relevant government bodies.
During Project Implementation	Parliament passed new SCC law end January 2012 after which project was signed. Ongoing consultations with SCCs and their members nationwide, along with MOCCU and MCTIC, is part of the project activities. Recruited consultants are working extensively with the EA and IAs to achive the project's highly sucessful outcome. On the financial education, the project team uses the world bank survey and conducted a field survey to determine fiscal literacy level of people living in Ulaanbaatar and rural areas.

Business Opportunities	
Consulting Services	Individual consultants will be selected and engaged by ADB in accordance with the guidelines on the use of Consultants.
Procurement	Procurement under the project will be conducted in accordance with ADB's Procurement Guidelines (2012, as amended from time to time). Goods, services, and works estimated to cost the equivalent of less than $100,000 will be procured by ADB's shopping procedure. Goods and services with an estimated value of less than $500,000 and works with an estimated value of less than $1,000,000 will be procured using national competitive bidding. Items costing less than $1,000 may be directly purchased from the supplier.

Responsible ADB Officer	Enerelt Enkhbold
Responsible ADB Department	East Asia Department
Responsible ADB Division	Mongolia Resident Mission
Executing Agencies	*Financial Regulatory Commission of Mongolia* *INFO@FRC.MM* *Government House IY, Baga Toiruu-6,* *Ulaanbaatar-46* *Mongolia*

Timetable	
Concept Clearance	20 Apr 2010
Fact Finding	30 Jun 2010 to 07 Jul 2010
MRM	-
Approval	17 Dec 2010
Last Review Mission	-
PDS Creation Date	14 Apr 2010
Last PDS Update	15 Sep 2015

Grant 9152-MON

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
17 Dec 2010	17 Jan 2012	17 Jan 2012	17 Jan 2015	17 Jan 2016	-

Financing Plan		Grant Utilization			
	Total (Amount in US$ million)	Date	ADB	Others	Net Percentage
Project Cost	2.91	Cumulative Contract Awards			
ADB	0.00	17 Dec 2010	0.00	2.44	98%
Counterpart	0.41	Cumulative Disbursements			
Cofinancing	2.50	17 Dec 2010	0.00	2.34	94%

Project Page	http://www.adb.org/projects/44112-012/main

Request for Information	http://www.adb.org/forms/request-information-form?subject=44112-012
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