



# Completion Report

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Project Number: 45327-001  
Technical Assistance Number: 8250  
March 2017

## Improving Financial Inclusion in Asia and the Pacific

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TA Number, Country, and Name:			Amount Approved: \$750,000	
TA 8250-REG: Improving Financial Inclusion in Asia and the Pacific			Revised Amount: \$850,000	
Executing Agency: ADB		Source of Funding: \$250,000: TASF-IV; \$500,000: Financial Sector Development Partnership Fund (FSDPF); \$100,000: FSDPSF	Amount Undisbursed: \$255,337	Amount Utilized: \$594,663
TA Approval Date: 6 Dec 2012	TA Signing Date:	Fielding of First Consultant: 21 Mar 2013	TA Completion Date Original: 31 Mar 2015    Actual: 30 Sep 2016	Account Closing Date Original: 31 Mar 2015    Actual: 20 Dec 2016
<b>Description</b>				
<p>The RDTA aims to strengthen ADB's assistance to DMCs and play a leading role in achieving resilient and inclusive growth by steering and advancing access to finance in Asia and the Pacific.</p>				
<b>Expected Impact, Outcome, and Outputs</b>				
<p>The expected impact of the TA was improved financial inclusion in Asia and the Pacific while the expected outcome was better understanding and enhanced capacity of ADB's DMCs in promoting financial inclusion. The TA provided support at the regional level to DMCs through three outputs: (i) a knowledge platform for financial inclusion, (ii) a study on selected issues related to financial inclusion, and (iii) diagnosis and experience sharing on financial consumer protection and financial literacy.</p>				
<b>Delivery of Inputs and Conduct of Activities</b>				
<p>All of the expected outputs of the TA have been achieved.</p>				
<p>Under Output 1, a knowledge platform was developed to list ADB projects on financial inclusion since inception to 30 June 2016. The internet page for microfinance was designed with the support of the Financial Inclusion Working Group under the former Financial Sector Development Community of Practice, OIST and DER. The microfinance web page was launched during the financial inclusion seminar held in September 2014. The platform can be found through this link: <a href="https://www.adb.org/sectors/finance/microfinance/portfolio">https://www.adb.org/sectors/finance/microfinance/portfolio</a>. Furthermore, 7 e-newsletters on financial inclusion were published between July 2013 to December 2016 to share insights and experience from finance sector operations supporting inclusive finance; and to provide a summary of publications on inclusive finance for the benefit of ADB staff, and other practitioners.</p>				
<p>A change in scope approved in April 2015 aligned the themes with current financial inclusion topics, particularly those impacting DMCs or as requested by operations departments for pipeline development. Under Output 2, a total of eight thematic studies on financial inclusion have been delivered, including two desk studies on (i) the impact of restrictions on interest rates in microfinance, and (ii) constraints, applicability, and lessons from mobile technology-based financial services in Asia and the Pacific, one brief on digital finance, and five blogs on digital finance and financial inclusion. To support ADB operations, capacity building activities on identified thematic areas on financial inclusion were undertaken at ADB Headquarters to share global experience policy makers from DMCs and provide ideas to ADB staff to design innovative and transformative projects. These events included (i) a seminar on Innovative Financial Inclusion Solutions for the Real Economy in September 2014 focusing on non-loan financial products such as microinsurance, digital finance, value chain financing, public private partnerships and micro leasing with 75 financial inclusions practitioners, experts and ADB staff participated; (ii) two back-to-back knowledge events on disaster risk financing (DRF) held on 15–18 September 2015 in Manila and Kuala Lumpur with the collaboration of Organisation for Economic Cooperation and Development (OECD) on use of risk transfer instruments, including reinsurance, insurance and microinsurance to finance residual disaster risk. About 40 policymakers, insurance regulators, and experts from Asia and the Pacific, Caribbean, and Latin America participated; and, (iii) flagship event on "Financial Inclusion in the Digital Economy" in May 2016, involving over 260 participants from 40 countries comprising of policy makers, financial sector supervisors and regulators, financial institutions, and FinTech companies to discuss about the new trends in digital financial inclusion, approaches adopted by governments in DMCs for crafting an enabling environment for balancing risk and opportunity; and (iv) the Mekong Financial Inclusion Forum in July 2016 were ADB co-sponsored together with the Foundation for Development Cooperation in Phnom Penh, Cambodia bringing about 320 financial sector practitioners, policymakers, investors, academics and advocates from 27 countries as partners to achieve greater financial inclusion in the Greater Mekong Subregion.</p>				

Staff from SDSC-FIN, SEPF, PSFI, TRM and CARM also participated. Two joint studies in India with SARD, on the request of the latter were also planned: (i) development of financial inclusion measures under the rooftop solar investment program amounting to \$125,000; and (ii) establishing a revolving infrastructure equity support facility for domestic financial inclusion, for which additional funding amounting to \$100,000 from FSDPSF was processed.

Output 3 has been revised following the approved scope change in April 2015 to develop a toolkit from materials created under successful ADB financed consumer protection and financial literacy programs. These materials comprise of—study reports, presentation videos, and other types of media—to showcase best practices in financial sector operations. The Toolkit has been uploaded to ADB Finance Sector Group intranet page for use by staff and who in turn are sharing materials with relevant DMC officials and consultants. The importance of financial literacy was also addressed in all the knowledge events mentioned in Output 2.

The TA has achieved all its objectives. With the additional TA activities, the total number of consultants and resource persons engaged under the TA increased to 38 (29 international and 9 national). A satisfactory performance was delivered by ADB as the executing agency as well as the engaged consultants.

The total TA amount was \$850,000, of which \$594,663 (70.0%) was disbursed to finance engagement of consultants (\$204,128, 34.3%), trainings and seminars (\$385,849, 64.9%), purchase of equipment (\$1,170 or 0.2%) and other miscellaneous expenses (\$3,510, 0.6%). The disbursed amount was prorated between TASF-IV, FSDPF and FSDPSF (2.0%, 83.9% and 14.1% of the disbursed amount, respectively). \$255,337 remained unutilized as the two joint studies with SARD were decided not to be undertaken at a very late stage due to other priorities of the Government of India.

#### **Evaluation of Outputs and Achievement of Outcome**

The knowledge platform of ADB projects on financial inclusion demonstrated high relevance and usability among users as the site was viewed more than 12,000 times as of 30 September 2016. The e-newsletters were delivered to 471 financial inclusion practitioners and experts both inside and outside of ADB. A total of 1,644 downloads on the 6 e-newsletters, which also covered financial consumer protection and financial literacy topics, were made since its first issue in July 2013. Knowledge events conducted under the TA resulted in productive discussion to operationalize key learnings and on possible implementation directions and follow-up actions that can be undertaken. The following products were published:

<b>Title</b>	<b>Publication Type</b>	<b>Link</b>
Financial Inclusion in the Digital Economy	Conference proceedings ADB briefs	<a href="https://www.adb.org/publications/financial-inclusion-digital-economy">https://www.adb.org/publications/financial-inclusion-digital-economy</a> <a href="https://www.adb.org/publications/adb-brief-financial-inclusion-digital-economy">https://www.adb.org/publications/adb-brief-financial-inclusion-digital-economy</a>
Disaster Risk in Asia and the Pacific: Assessment, Management, and Finance	Conference proceedings	<a href="https://www.adb.org/publications/disaster-risk-asia-pacific-assessment-management-finance">https://www.adb.org/publications/disaster-risk-asia-pacific-assessment-management-finance</a>
Impact of Restrictions on Interest Rates in Microfinance	Working paper	<a href="https://www.adb.org/publications/impact-restrictions-interest-rates-microfinance">https://www.adb.org/publications/impact-restrictions-interest-rates-microfinance</a>
Improving Financial Inclusion in Asia and the Pacific: Constraints, Applicability, and Lessons from Digital Financial Services	Working paper	<a href="https://www.adb.org/publications/improving-financial-inclusion-asia-and-pacific">https://www.adb.org/publications/improving-financial-inclusion-asia-and-pacific</a>
Fintech is the game-changer for financial inclusion in Asia	Blog	<a href="https://blogs.adb.org/blog/fintech-game-changer-financial-inclusion-asia">https://blogs.adb.org/blog/fintech-game-changer-financial-inclusion-asia</a>
Why the sandbox approach works for fintech development	Blog	<a href="http://blogs.adb.org/blog/why-sandbox-approach-works-fintech-development">http://blogs.adb.org/blog/why-sandbox-approach-works-fintech-development</a>
Digital finance successes, failures provide lessons for microfinance	Blog	<a href="https://blogs.adb.org/blog/digital-finance-successes-failures-provide-lessons-microfinance">https://blogs.adb.org/blog/digital-finance-successes-failures-provide-lessons-microfinance</a>
Direct benefit transfer – a game-changer for financial inclusion in India	Blog	<a href="https://blogs.adb.org/blog/direct-benefit-transfer-game-changer-financial-inclusion-india">https://blogs.adb.org/blog/direct-benefit-transfer-game-changer-financial-inclusion-india</a>
Busting the 10 Myths on Financial Inclusion	Blog	<a href="http://development.asia/explainer/busting-10-myths-financial-inclusion">http://development.asia/explainer/busting-10-myths-financial-inclusion</a>
Financial inclusion e-newsletters	Newsletter	<a href="https://www.adb.org/publications/series/financial-inclusion-newsletter">https://www.adb.org/publications/series/financial-inclusion-newsletter</a>

A toolkit on financial literacy programs has been uploaded to Finance Sector Group intranet page for use of staff and materials were also shared with officials from 11 DMCs (Bangladesh, Cambodia, Indonesia, Malaysia, Myanmar, Pakistan, Philippines, People's Republic of China, Sri Lanka, Thailand and Viet Nam) at Mekong Financial Inclusion Forum in 2016. Given these outputs, the expected outcome of better understanding and enhanced capacity of ADB's DMCs in promoting financial inclusion have been achieved with on-time delivery of the TA outputs. These feed into the design of projects processed in 2015–2016. The success rate of these projects cannot be determined at this point since they are still ongoing. The TA has also helped in the development of National Strategy on Financial Literacy in Indonesia, Microfinance Act of Sri Lanka and Consumer Credit Act of Fiji. The outputs of the TA helped ADB in establishing relationships with government agencies, especially the ministries of finance, and spurred new financing opportunities and pipeline development, incorporating financial inclusion, in Pakistan, Philippines, Indonesia and Sri Lanka which can be innovative and can have a transformational impact. Following the conference on the financial inclusion in the digital economy, a pilot study on cloud-based core banking system in the Philippines has been proposed. SDCC will be working on this together with SEPF.

The TA outcome is an integral part of the Financial Sector Operational Plan with innovative financial inclusion and disaster insurance as areas of focus and the learnings are being translated as part of pilot projects and developing new project pipelines.

#### **Overall Assessment and Rating**

Overall, the TA is rated *successful*. Most of the originally targeted outputs were produced in a cost-efficient manner within the revised completion date and contributed towards the overall outcome. The TA was effective as it produced knowledge products in two emerging areas for future ADB operations—disaster risk financing and digital technology. This TA has contributed to potential development of project pipeline (including innovative projects) in disaster risk insurance and financial inclusion as mentioned above.

#### **Major Lessons**

Knowledge resources are as important as financial resources in stimulating innovation, maintaining a reform mindset, and avoiding reform inertia in DMCs. Platforms for dialogue in emerging areas help in building capacities, and pilot innovative projects e.g. in digital finance and disaster insurance, before potential scale up and supporting operations. The main lessons from project implementation suggest that cross-sector synergy inside ADB, and partnerships with financial sector regulators and international organizations are critical for shared learning and conceptualizing transformational projects. Regional dialogue provides a valuable platform for knowledge and experience sharing to keep abreast of latest developments and best practices. The capacity building effort can be further enhanced by including workshops on assessing the cost and benefits of financing when pursuing different financing options based on specific DMCs and/or sub-regions on specific themes. Adequate prior consultation with governments on activities to be undertaken is also important to ensure time-bound implementation of TA. Funding can be better utilized if a range of activities are prioritized so that if one fails to take off, the activity next on the list can be funded.

#### **Recommendations and Follow-Up Actions**

Disaster risk insurance and digital finance have been highlighted as priority areas in the midterm review of the Financial Sector Operational Plan. A funding facility needs to be developed inside ADB which can enable shared dialogue of Asian policymakers with their counterparts from Latin American countries on disaster risk financing and with African and East European countries on use of digital technology for financial inclusion through regional workshops or visits. This will help advance preparation of new transformational projects and mainstreaming operations.

TA = technical assistance.

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