



Technical Assistance Report

Project Number: 50017-001
Capacity Development Technical Assistance (CDTA)
September 2016

Mongolia: Supporting Financial Sector Development and Stability

(Cofinanced by the Republic of Korea e-Asia and Knowledge
Partnership Fund)

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 17 August 2016)

Currency unit	–	togrog (MNT)
MNT1.00	=	\$0.00045
\$1.00	=	MNT2243.50

ABBREVIATIONS

ADB	–	Asian Development Bank
BOM	–	Bank of Mongolia
FRC	–	Financial Regulatory Commission
FSC	–	Financial Stability Council
MOCCU	–	Mongolian Confederation of Credit Unions
MOF	–	Ministry of Finance
NPL	–	nonperforming loan
SCC	–	savings and credit cooperative
TA	–	technical assistance

NOTE

In this report, "\$" refers to US dollars.

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CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 50017-001	
Project Name	Supporting Financial Sector Development and Stability	Department /Division	EARD/EAPF
Country	Mongolia	Executing Agency	Ministry of Finance
2. Sector	Subsector(s)	Financing (\$ million)	
✓ Finance	Finance sector development		1.55
		Total	1.55
3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 1: Economic opportunities, including jobs, created and expanded	Climate Change impact on the Project	Low
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Institutional systems and political economy	No gender elements (NGE)	✓
Partnerships (PAR)	Public financial governance Official cofinancing Regional organizations		
5. Poverty and SDG Targeting		Location Impact	
Project directly targets poverty and SDGs	No	Nation-wide	High
6. TA Category:	B		
7. Safeguard Categorization	Not Applicable		
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		1.25	
Capacity development technical assistance: Technical Assistance Special Fund		1.25	
Cofinancing		0.30	
Republic of Korea e-Asia and Knowledge Partnership Fund		0.30	
Counterpart		0.00	
None		0.00	
Total		1.55	
9. Effective Development Cooperation			
Use of country procurement systems		No	
Use of country public financial management systems		No	

I. INTRODUCTION

1. The Government of Mongolia requested technical assistance (TA) from the Asian Development Bank (ADB) for Supporting Financial Sector Development and Stability. ADB held a fact-finding mission in February 2016 to reach an understanding with the government as to the project's impact, outcome, outputs, implementation and financing arrangements, costs, and terms of reference for consultants.¹ The design and monitoring framework is in Appendix 1. The TA is included in ADB's country operations business plan, 2016 for Mongolia.²

II. ISSUES

2. Mongolia's economy is undergoing a sharp decline, the result of a drop in commodity prices, a plunge in investment, and mismanagement of monetary and fiscal policies. Foreign debt to gross domestic product levels have increased substantially from 31.0% in 2010 to 77.4% in 2015. The currency has lost 12% of its value for the year to August 2016, and the fiscal deficit has surged. Growth has decelerated from a 2011 rise in gross domestic product of 17.3% to 0.1% projected for 2016. The banking sector is experiencing crisis with the nonperforming loan (NPL) ratio rising to 9.2% as of April 2016. As with most developing countries, the financial system remains vulnerable to shocks, yet its development plays a vital role in facilitating economic growth and reducing poverty. The government has prioritized building a resilient financial system, and ADB has supported this effort by (i) helping to establish a deposit insurance framework for banks, (ii) enhancing the capacity of the Bank of Mongolia (BOM) for banking sector systemic risk management, and (iii) improving the supervision capacity of the Financial Regulatory Commission (FRC). In this respect, the BOM, FRC, and Ministry of Finance (MOF) have identified capacity constraints to be addressed.

3. The government's financial stability framework is evolving. A key entity in need of support is the Financial Stability Council (FSC) formed by the heads of the MOF, BOM, and FRC. The FSC was formally established in January 2010 by an amendment to the law on the BOM—supported by the issuance of a supporting regulation in April 2010—and became operational in 2013. Its primary objectives are (i) safeguarding financial market stability, and (ii) determining and managing financial risks. The FSC's secretariat is domiciled in the BOM, which lacks the analytical tools and capacity to support all of the FSC's functions and perform rigorous macro financial monitoring and surveillance. The roles of the FSC and its secretariat must be clarified further to ensure a proper range of responsibilities and the broad participation of all stakeholders, including the Deposit Insurance Corporation of Mongolia.

4. The financial consumer protection framework is dispersed. Since the global financial crisis in 2008, financial consumer protection has become more widely recognized as a significant factor in economic development and the long-term stability of the financial system. Many jurisdictions—including Canada, the European Union, the United Kingdom, and the United States—have improved or established new frameworks for financial consumer protection. Similarly, financial consumer protection within Mongolia is an evolving area in which the BOM, FRC, and the Authority for Fair Competition and Consumer Protection each play a role. However, these roles often overlap or leave gaps, and an overall framework and cooperation mechanism is lacking despite the involvement of many different entities responsible for financial consumer protection within their own mandates.

¹ The TA first appeared in the business opportunities section of ADB's website on 4 July 2016.

² ADB. 2016. *Country Operations Business Plan: Mongolia, 2016*. Manila.

5. Financial safety nets for savings and credit cooperatives (SCCs) require strengthening. SCCs are governed by the Law on Savings and Credit Cooperatives, which became effective on 27 October 2011. SCCs were essentially self-regulated until 2006 when 30 declared bankruptcy, causing around \$50 million in public losses (50% of which the government ultimately paid). The FRC was established and tasked with regulating SCCs in 2006, but there is no universal deposit insurance scheme or stabilization fund for SCCs. As of December 2015, 115 SCCs had joined together to form a cooperative deposit protection pool, and 114 SCCs had formed a cooperative stabilization fund. According to the law on SCCs, system-wide schemes must be established under the management of the Mongolian Confederation of Credit Unions (MOCCU).

6. NPL levels are rising without a proper resolution mechanism. This rise indicates the need to take policy actions to stem possible further financial instability. Due to (i) an underdeveloped legal and institutional framework, (ii) limited capacity to administer such a program, and (iii) the lack of an overall strategy to deal with NPLs systemically, an effective NPL resolution mechanism is yet to be implemented. This makes it difficult for the financial sector to issue new credit, and consequently restricts economic recovery and growth. Lessons from the 1997–1998 Asian Financial Crisis show that rapidly resolving NPLs is essential to strengthen credit flows and hasten economic recovery.

7. The disaster risk insurance sector lacks risk management capacity. Mongolia has a strong economic foundation in agriculture, particularly in livestock herding. With the support of the World Bank, the government developed a multilayer risk-sharing structure to protect herders against natural disaster-related livestock mortality. Under this initiative, the government, private insurers, and herders share risks depending on the severity of impact. Recognizing that risk management and reinsurance are essential to develop the insurance sector sustainably, in August 2014 the government established the Agricultural Reinsurance Company, which it is considering turning into a national reinsurance company. In order to upgrade the sector's risk management, it is also necessary to build capacity for reinsurance policies and regulations.

III. THE CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE

A. Impact and Outcome

8. The impact will be the improved capacity of, and public confidence in, the financial sector. The outcome will be financial sector risks mitigated.

B. Methodology and Key Activities

9. The TA's five outputs will be (i) strengthening the government's financial stability framework, (ii) enhancing the financial consumer protection framework, (iii) promoting the sound and sustainable development of SCCs, (iv) identifying an effective NPL resolution mechanism, and (v) improving the disaster risk insurance sector's risk management capacity. ADB has previously supported building a resilient financial system and strengthening financial regulatory regimes through policy recommendations and capacity development.³ The proposed project would reinforce ADB's efforts to promote sound financial sector development, and the TA is

³ ADB. 2005. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to Mongolia for the Financial Regulation and Governance Program*. Manila (Loan 2218-MON); ADB. 2009. *Technical Assistance to Mongolia for Policy and Institutional Support for Banking Sector Systemic Risk Management*. Manila (TA 7397-MON); ADB. 2009. *Technical Assistance for Deposit Insurance Establishment*. Manila (TA 7337-REG); ADB. 2010. *Proposed Grant Assistance to Mongolia for Promoting Inclusive Financial Services for the Poor*. Manila (Grant 9152-MON).

consistent with ADB's country partnership strategy for Mongolia, 2012–2016 and interim country partnership strategy, 2014–2016.

10. **Output 1: Financial stability framework strengthened.** This output involves the following activities:

- (i) Policy proposals and recommendations on the legal framework to strengthen the financial stability mechanism under the FSC will be made. This component will include (a) a study of financial stability frameworks, (b) an evaluation of the existing financial stability framework, (c) specific recommendations to enhance the financial stability mechanism and supporting legal framework, and (d) a road map to the sequenced implementation of the recommendations.
- (ii) The capacity of the FSC secretariat and financial stability coordinators domiciled in the FRC and MOF will be improved. This component will include (a) an analysis of the responsibilities, capacity, and structure of the secretariat and counterpart staff; (b) a road map to enhance operations, the facilitation of ongoing collaboration and information sharing, and expertise; (c) a study tour to ADB member countries in Asia or Europe; and (d) the facilitation of ongoing communication between the secretariat and similar entities in representative countries. Workshops will be held for the secretariat and counterpart staff to facilitate discussion, knowledge transfer, and coordination mechanisms.
- (iii) Basic analytical capability and tools to assess policy proposals will be designed, including (a) a report based on a review of international literature on alternative models and tools used to assess financial stability policy decisions, (b) a review of existing quantitative and qualitative analyses produced by the secretariat with recommendations for improvement, and (c) support to prepare a model to assess policy impacts and financial system vulnerabilities.

11. **Output 2: Financial consumer protection framework enhanced.** This output involves the following:

- (i) A road map to enhance financial consumer protection in Mongolia will be produced, including (a) a comparative study of international literature on financial consumer protection frameworks; (b) an evaluation of the existing framework, including the completion of a domestic survey; (c) recommendations on how to organize the oversight of financial consumer protection; and (d) recommendations to enhance the effectiveness of financial consumer protection coordination across all stakeholders. Current global achievements and lessons in the field of financial consumer protection will be assessed.
- (ii) The capacity of the BOM and key stakeholders to promote and support coordinated financial consumer protection will be improved. This component will include (a) the facilitation of ongoing communication among the BOM, FRC, MOF, and Authority for Fair Competition and Consumer Protection, as well as support from financial consumer protection industry associations; (b) national workshops with stakeholders sharing issues and proposals to help solidify agreements and confirm the road map; (c) a conference with experts to present best practices and support the enhancement of financial consumer protection; and (d) supporting the establishment of an alternative dispute resolution framework. This output will bolster overall financial consumer protection by minimizing gaps and overlaps in the agencies' roles, encouraging coordination, and facilitating agreements among agencies to clarify and redefine responsibilities. The BOM will disseminate TA activities and serve as the center point for discussions.

12. Output 3: Sound and sustainable development of savings and credit cooperatives promoted. This output involves the following:

- (i) A road map to establish and manage deposit insurance and stabilization schemes will be produced, including (a) an assessment and study of literature on best practices for SCC deposit protection and stabilization schemes, and (b) an evaluation of the existing preconditions and concerns regarding the establishment of universal schemes. The road map will define the required financial resources and funding for establishing schemes that encompass all SCCs, define and formulate each fund's functions and structures, and identify and solicit stakeholder involvement. The assessment will review the existing cooperation arrangements made by a group of SCCs for mutual insurance and liquidity stabilization to draw up recommendations for their integration into universal schemes. A study tour to ADB member countries will be held to learn how deposit insurance and stabilization schemes work.
- (ii) The establishment of deposit insurance protection and stabilization schemes for SCCs will be supported. This component will include (a) drafting key principles and procedures needed for both schemes, (b) supporting the preparation of manuals and handbooks for the SCCs, (c) preparing an outline for the rating and risk assessment of SCCs and an accompanying fee structure, (d) making projections as to each scheme's long-term viability, (e) drafting terms and conditions to access the schemes, and (f) preparing pay-out mechanisms. The TA will organize workshops, training, and outreach to SCCs, the MOCCU, and other stakeholders to raise understanding and public awareness of the schemes and long-term financial sector development and the role of SCCs.
- (iii) The capacity of FRC supervision staff to implement risk-based supervision of SCCs will be developed. This component will include (a) providing training on the adopted risk-based supervision guidelines, (b) supporting the implementation of a systemic stress testing program for SCCs, and (c) providing onsite "shadow" training to FRC supervisors on selected SCC examinations.

13. Output 4: Effective nonperforming loan resolution mechanism identified. This output involves the following:

- (i) A feasibility study on establishing an effective public asset management mechanism to deal with NPLs will be conducted. This will include (a) conducting a review of international cases of successful public asset management mechanisms, (b) finding a suitable model for Mongolia, (c) identifying requisite legislation and helping the government draft necessary legislation, (d) advising as to necessary revisions to any other relevant laws and regulations that may cursorily impact the mechanism's functioning, and (e) creating a road map to establish an effective asset management mechanism.
- (ii) Capacity building programs will be provided to the BOM, MOF, FRC, and working group created under the BOM governor's decree to study asset management mechanisms. ADB and the International Public Asset Management Company Forum (currently supported by ADB, which plays a secretariat role) will jointly provide training, seminars, and workshops. A study tour to ADB member countries will be held for BOM, MOF, and FRC staff.

14. Output 5: Risk management capacity in the disaster risk insurance sector improved. This output involves the following:

- (i) Policy proposals and recommendations on strengthening the risk management framework for the insurance sector will be made. This component will include (a)

- a review of the existing risk management framework for the insurance sector with a focus on natural disaster insurance; (b) an analysis of risk transfer alternatives, including reinsurance and the required financial and legal infrastructure; (c) a case study of state reinsurance companies and international practices; and (d) workshops for stakeholders to discuss proposals and refine a final approach.
- (ii) The capacity of the MOF and key stakeholders to assess the optimum level of necessary reinsurance will be improved. This will include (a) supporting continued information sharing among the key stakeholders to facilitate risk pooling, (b) training stakeholders on the fundamentals of reinsurance and technical knowledge, and (c) conducting a study tour to reinsurance institutions in ADB member countries in Asia or Europe for the MOF and key stakeholders.

C. Cost and Financing

15. The TA is estimated to cost \$1,685,000, of which \$1,250,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-V) and \$300,000 will be financed on a grant basis by the Republic of Korea e-Asia and Knowledge Partnership Fund and administered by ADB. Cost estimates are found in Appendix 2. The government will provide support in the form of counterpart staff, office space for meetings, and equipment, supplies and secretarial services for counterpart staff, and other in-kind contributions.

D. Implementation Arrangements

16. The proposed executing agency is the MOF. The implementing agencies are (i) the BOM for outputs 1, 2, and 4; (ii) the FRC for output 3; and (iii) the MOF Financial Markets and Insurance Division for output 5. The implementing agencies will be responsible for project implementation, including (i) managing research and analysis; (ii) coordinating with counterparts and stakeholders; and (iii) organizing workshops, training and conferences, and study tours.

17. Eight international and five national consultants will be engaged individually in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time), and proceeds will be disbursed in accordance with the *Technical Assistance Disbursement Handbook* (2010, as amended from time to time). Despite their overall financial theme, the TA subcomponents are highly diverse in nature. Thus, due to the broad span of topics covered by each output and wide variety of required skillsets, it will not be appropriate to engage a firm, as a single firm will be unable to recruit the necessary consultants in a timely manner. Resource persons will also be engaged, as needed, to provide specialist inputs during workshops. The consultant's outline terms of reference are in Appendix 3. ADB will establish an advance payment facility to administer activities related to workshops and study tours. The TA will be implemented over 33 months (September 2016–June 2019), and will be monitored based on the implementation of activities and delivery of outputs. ADB will conduct review missions to monitor progress, and the results will be disseminated during workshops and closing meetings.

IV. THE PRESIDENT'S DECISION

18. The President, acting under the authority delegated by the Board, has approved (i) ADB administering a portion of TA not exceeding the equivalent of \$300,000 to be financed on a grant basis by the Republic of Korea e-Asia and Knowledge Partnership Fund, and (ii) ADB providing the balance not exceeding the equivalent of \$1,250,000 on a grant basis, to Mongolia for Supporting Financial Sector Development and Stability, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Impact the TA is Aligned with			
(i) Public confidence in the financial sector improved, and (ii) Capacity of the financial sector improved (<i>The Reform and Development Program of Financial Market Until 2025.</i>) ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Outcome	By 2020		
Financial sector risks mitigated	1. Proposals to amend the Financial Stability Council regulations prepared and submitted for approval to the BOM (2016 baseline: 0) 2. Proposals to establish deposit insurance and stabilization schemes submitted for approval to the FRC (2016 baseline: 0) 3. Public asset management mechanism established (2016 baseline: 0)	Monthly BOM consolidated loan report of the banking system Annual FRC report	Material decline in domestic and global economic growth adversely impacts the stability and development of the financial system.
Outputs			
1. Financial stability framework strengthened	1a. Policy proposals to strengthen the financial stability mechanism prepared by August 2017 (2016 baseline: 0) 1b. Study tour to institutions in ADB member countries in Asia or Europe held for 5 staff by September 2017 (2016 baseline: 0) 1c. Analytical model and tool to assess financial stability policy decisions adopted by June 2018 (2016 baseline: 0)	1a, 1c. Annual BOM financial stability report 1b. Study tour completion report	Reduction of implementing agency staff and disagreement among key stakeholders adversely affect multiparty coordination.
2. Financial consumer protection framework enhanced	2a. Road map to enhance financial consumer protection practices in Mongolia submitted to the BOM by September 2017 (2016 baseline: 0) 2b. National workshop held with at least 5 stakeholders to help solidify agreements and confirm a draft road map by June 2017 (2016 baseline: 0) 2c. International conference to promote coordinated financial consumer protection held for at least 30 participants by March 2018 (2016 baseline: 0)	2a. Annual BOM report 2b–2c. Participant lists and evaluations	

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
3. Sound and sustainable development of SCCs promoted	<p>3a. Road map to establish and manage deposit insurance and stabilization schemes submitted to the FRC by August 2017 (2016 baseline: 0)</p> <p>3b. Draft procedures for deposit insurance and stabilization schemes prepared by December 2017 (2016 baseline: 0)</p> <p>3c. Study tour to ADB member countries held for 5 staff from the FRC and MOCCU by June 2017 (2016 baseline: 0)</p> <p>3d. Training on risk-based supervision for FRC and SCCs conducted by March 2018 (2016 baseline: 0)</p>	<p>3a–3b. Annual FRC report</p> <p>3c. Study tour completion report</p> <p>3d. Participant lists and evaluations</p>	
4. Effective NPL resolution mechanism identified	<p>4a. Feasibility study on establishing an effective public asset management mechanism submitted to the BOM by March 2017 (2016 baseline: 0)</p> <p>4b. Study tour to ADB member countries held for 5 staff from the BOM, MOF, and FRC by May 2017 (2016 baseline: 0)</p> <p>4c. Workshop on asset management mechanisms organized for at least 10 participants by June 2017 (2016 baseline: 0)</p>	<p>4a. Annual BOM report and financial stability reports</p> <p>4b. Study tour completion report</p> <p>4c. Participant lists and evaluations</p>	
5. Risk management capacity in the disaster risk insurance sector improved	<p>5a. Proposals to strengthen the insurance sector's risk management framework submitted to the MOF by August 2017 (2016 baseline: 0)</p> <p>5b. Study tour to ADB member countries held for 5 staff by June 2017 (2016 baseline: 0)</p> <p>5c. Training on the fundamentals of reinsurance conducted for the MOF by March 2018 (2016 baseline: 0)</p>	<p>5a. ADB consultant interim and final report</p> <p>5b. Study tour completion report</p> <p>5c. Participant lists and evaluations</p>	
<p>Key Activities with Milestones</p> <p>1. Financial stability framework strengthened</p> <p>1.1 Hire field consultants by September 2016.</p> <p>1.2 Prepare interim report by March 2017.</p>			

Key Activities with Milestones
<p>1.3 Complete study tour by September 2017. 1.4 Prepare final policy proposal and recommendations by December 2018.</p> <p>2. Financial consumer protection framework enhanced 2.1 Hire field consultants by September 2016. 2.2 Complete assessment of current consumer protection framework by June 2017. 2.3 Hold international conference with key participants and stakeholders by March 2018. 2.4 Prepare final road map and recommendations by June 2018.</p> <p>3. Sound and sustainable development of SCCs promoted 3.1 Hire field consultants by September 2016. 3.2 Prepare interim report by March 2017. 3.3 Hold conference and workshops on financial market development and the role of SCCs by October 2017. 3.4 Train SCCs and FRC supervision staff by March 2018. 3.5 Prepare report on the establishment of SCC deposit insurance and stabilization schemes by June 2018.</p> <p>4. Effective NPL resolution mechanism identified 4.1 Hire field consultants by September 2016. 4.2 Prepare draft feasibility study report by March 2017. 4.3 Complete study tour to ADB member countries by May 2017. 4.4 Hold workshop on effective asset management mechanisms by June 2017. 4.5 Prepare final report on the model and legal requisites for NPL resolution by October 2017.</p> <p>5. Risk management capacity in the disaster risk insurance sector improved 5.1 Hire field consultants by September 2016. 5.2 Prepare assessment of the current risk management framework by March 2017. 5.3 Complete study tour by June 2017. 5.4 Prepare final report by June 2018.</p>
<p>Inputs</p> <p>ADB: \$1,250,000 Republic of Korea e-Asia and Knowledge Partnership Fund: \$300,000</p> <p>Note: The government will provide counterpart support in the form of counterpart staff, coverage of counterpart staff costs to attend workshops, access to data and document sources as needed, facilities for meetings between the implementing agency and consultants, and other in-kind contributions.</p>
<p>Assumptions for Partner Financing Not applicable.</p>

ADB = Asian Development Bank, BOM = Bank of Mongolia, FRC = Financial Regulatory Commission, MOCCU = Mongolian Confederation of Credit Unions, MOF = Ministry of Finance, NPL = nonperforming loan, SCC = savings and credit cooperatives.

^a Government of Mongolia, Ministry of Finance et al. 2016. *The Reform and Development Program of Financial Market Until 2025*. Ulaanbaatar.

Source: ADB.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
A. Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultant	640.0
ii. National consultants	90.0
b. International and domestic travel	60.0
c. Reports and communication	40.0
2. Training, workshops, and conferences	
a. Study tours ^b	100.0
b. Seminars and workshops ^c	210.0
c. Survey	10.0
3. Miscellaneous administration and support costs ^d	40.0
4. Contingencies	60.0
Subtotal (A)	1,250.0
B. Republic of Korea e-Asia and Knowledge Partnership Fund^e	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	120.0
ii. National consultant	30.0
b. International and domestic travel	30.0
c. Reports and communications	20.0
2. Trainings, seminars, and conferences	
a. Study tour ^b	30.0
b. Seminars and workshops ^c	30.0
3. Miscellaneous administration and support costs ^d	20.0
4. Contingencies	20.0
Subtotal (B)	300.0
Total	1,550.0

Note: The technical assistance (TA) is estimated to cost \$1,685,000, of which contributions from the Asian Development Bank (ADB) and the Republic of Korea e-Asia Knowledge Partnership Fund are presented in the table above. The government will provide counterpart support in the form of counterpart staff, coverage of counterpart staff costs to attend workshops, access to data and document sources as needed, facilities for key meetings between the implementing agency and consultants during the project, and other in-kind contributions. The value of government contribution is estimated to account for 8.01% of the total TA cost.

^a Financed by ADB's Technical Assistance Special Fund (TASF-V).

^b The study tours will be conducted in eligible ADB member countries. Four separate study tours will be organized for the implementing agencies under outputs 1, 3, 4, and 5. Includes insurance costs for workshop and study tour participants.

^c Includes the costs of arrangement of venues, conference translation and interpretation, and honorarium and travel costs for resource persons.

^d Costs of printing, communication, rental of temporary meeting space, mission team transport, and translation and interpretation costs for the TA are also included in this line item.

^e Administered by ADB. Funding for activities under output 4.

Source: ADB estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. The Asian Development Bank (ADB) will individually select and engage eight international (35 person-months total) and five national consultants (26 person-months total) on a lump-sum basis in accordance with its Guidelines on the Use of Consultants (2013, as amended from time to time). Consultants will be required to provide (i) an inception report within 2 weeks of the start of the technical assistance (TA), defining a detailed work plan and milestones consistent with the design and monitoring framework; (ii) deliverables consistent with the design and monitoring framework activities, outputs, and delivery dates; and (iii) other reports and updates as required by the executing agency. Final reports must be of high quality and produced in English (with copies in Mongolian) by the report delivery dates.

Table A3: Indicative Consulting Services Inputs

Positions	Person-Months
A. International Consultants	
Expert in financial stability frameworks and team leader	5.0
Expert in financial sector modeling for financial stability	5.0
Financial consumer protection expert and team leader	5.0
Expert in deposit insurance and stabilization schemes for savings and credit cooperatives, and team leader	6.0
Expert for the supervision of savings and credit cooperatives	4.0
Asset management mechanism specialist	2.5
Asset management mechanism legal specialist	2.5
Insurance sector risk management specialist and team leader	5.0
Subtotal (A)	35.0
B. National Consultants	
Finance consumer protection expert	5.0
Expert in savings and credit cooperatives	6.0
Asset management mechanism specialist	5.0
Insurance sector specialist	5.0
Project coordinator	5.0
Subtotal (B)	26.0
Total	61.0

Source: Asian Development Bank estimates.

A. International Consultants (35 person-months)

1. Expert in Financial Stability Frameworks and Team Leader (5 person-months, intermittent)

2. **Purpose, scope of work, and qualifications.** The consultant will have (i) at least 10 years' experience dealing with financial stability frameworks and macro-prudential supervision in developing member countries; and (ii) at least a master's degree in finance, economics, business, or a related field applicable to this position. Ideally, the consultant will have (i) worked at a multinational development bank or held a position with a central bank or on a financial stability council; and (ii) produced publications on this topic. Experience working with the

financial sector in Mongolia is desirable. The consultant will serve as the team leader to (i) guide, coordinate, and supervise the inputs of each individual consultant in the team; and (ii) take responsibility for delivering all of the TA outputs and managing meetings and workshops.

2. Expert in Financial Sector Modeling for Financial Stability (5 person-months, intermittent)

3. **Purpose, scope of work, and qualifications.** The consultant will have (i) at least 10 years' experience in financial stability analysis and modeling; and (ii) at least a master's degree in finance, economics, mathematics, statistics, or a related field applicable to this position. Ideally, the consultant will have (i) worked at a multinational development bank or held a position with a central bank, financial supervisor, or on a financial stability council; and (ii) produced publications on this topic. Experience dealing with financial stability framework analysis and modeling in developing member countries and within Asia in particular would be an advantage. The consultant will lead efforts to support the development of financial stability analytical tools and models, and will be guided by the team leader.

3. Financial Consumer Protection Expert and Team Leader (5 person-months, intermittent)

4. **Purpose, scope of work, and qualifications.** The consultant will lead project implementation and design an overall financial consumer protection framework. This involves (i) providing details on best international practices and case studies of applicable frameworks, (ii) providing recommendations to facilitate coordination and communication between relevant agencies and stakeholders, and (iii) taking the lead in preparing the international conference. The expert will have (i) at least a bachelor's degree in finance, business, or economics; (ii) at least 10 years of demonstrated experience in the design and enforcement of financial consumer protection frameworks, with a particular focus on recent international developments in institutional structure and regulatory aspects; (iii) strong English writing and speaking skills; and (iv) experience working with financial regulators and financial consumer protection agencies.

4. Expert in Deposit Insurance and Stabilization Schemes for Savings and Credit Cooperatives, and Team Leader (6 person-months, intermittent)

5. **Purpose, scope of work, and qualifications.** The consultant will serve as team leader and lead the assessment and start-up of a deposit insurance scheme and stabilization fund for savings and credit cooperatives (SCCs). The expert will have (i) at least a bachelor's degree in finance, business, economics, or a field related to the theme of the TA; (ii) at least 10 years of demonstrated experience in the design or management of deposit insurance schemes and stabilization funds for SCCs; (iii) particular knowledge of recent international developments in the field of SCCs, deposit insurance, and stabilization schemes; and (iv) strong English writing and speaking skills. Prior practical experience in Mongolia's financial supervision sector will be desirable.

5. Expert for the Supervision of Savings and Credit Cooperatives (4 person-months, intermittent)

6. **Purpose, scope of work, and qualifications.** The consultant will provide the Financial Regulatory Commission's supervision staff with practical knowledge relating to the handling of SCCs in implementing risk-based supervision. The expert will have (i) at least a bachelor's degree in finance, business, economics, or a field related to the theme of the TA; (ii) at least 10

years of demonstrated experience in the design, management, and implementation of risk-based supervision programs for SCCs and microfinance organizations; (iii) particular knowledge of recent international developments in risk-based supervision for SCCs; and (iv) strong English writing and speaking skills. Prior practical experience in Mongolia's financial supervision sector is desirable.

6. Asset Management Mechanism Specialist (2.5 person-months, intermittent)

7. **Purpose, scope of work, and qualifications.** The expert must have (i) broad-based work experience dealing with asset management companies and nonperforming loan (NPL) resolution mechanisms; (ii) extensive experience in finance and economic data processing and analysis; (iii) at least 7 years of relevant professional experience; (iv) a master's degree or equivalent in a relevant field, or an equivalent combination of education and experience; and (v) strong English writing and speaking skills. The expert will lead the development of solutions and establishment of an NPL resolution mechanism in Mongolia. The expert will perform a comprehensive and comparative review of Asian and European policy measures, mechanisms, and experiences in dealing with distressed assets or NPLs. This assessment should cover (i) comparative definitions of NPLs, (ii) an in-depth analysis of historical data (figures and trends), and (iii) determinants and causes of the continued propagation of NPLs. The expert will propose a specific resolution mechanism with a detailed road map for Mongolia.

7. Asset Management Mechanism Legal Specialist (2.5 person-months, intermittent)

8. **Purpose, scope of work, and qualifications.** The expert must have (i) broad-based work experience dealing with asset management companies and NPL resolution mechanisms; (ii) extensive experience with the regulatory and legal aspects of asset management mechanisms; (iii) at least 7 years of relevant professional experience; and (iv) a master's degree or equivalent in a relevant field, or an equivalent combination of education and experience. The expert will conduct a comparative analysis of institutional approaches focusing on the legal and regulatory issues of NPL resolution mechanisms in Asia and Europe. Among other things, the expert will document the experience of selected countries from Asia such as the Association of Southeast Asian Nations, the People's Republic of China, Japan, and the Republic of Korea (ASEAN+3), as well as other economies in Central and South Asia and Europe (European Union economies) during the Asian financial crisis, global financial crisis, and, in particular, the European debt crisis. The expert will focus on the necessary legal and regulatory environments and their application to Mongolia, and design a road map for implementation.

8. Insurance Sector Risk Management Specialist and Team Leader (5 person-months, intermittent)

9. **Purpose, scope of work, and qualifications.** The consultant will have (i) at least 7 years' experience in the commercial reinsurance industry, with a specialty in actuarial and/or technical underwriting; (ii) knowledge of and experience with agricultural insurance and reinsurance; (iii) at least a bachelor's degree in nonlife insurance or a related financial discipline applicable to this position; and (iv) and written and oral fluency in English. Experience in country- and sector-level risk assessment and management is desirable. The consultant will serve as the team leader to guide and supervise the national consultant's inputs and take responsibility for delivering all of the TA outputs related to insurance sector risk management.

B. National Consultants (26 person-months)

1. Financial Consumer Protection Expert (5 person-months, intermittent)

10. **Purpose, scope of work, and qualifications.** The expert will have (i) at least 5 years of experience; (ii) at least a bachelor's degree in finance, business, economics, or a field related to the topic of this TA; (iii) at least 5 years of demonstrated expertise in consumer protection with a focus on the financial sector; (iv) clear knowledge of the current situation in financial consumer protection in Mongolia; and (v) written and oral fluency in English.

2. Expert in Savings and Credit Cooperatives (6 person-months, intermittent)

11. **Purpose, scope of work, and qualifications.** The expert will have (i) at least 5 years of experience; (ii) a bachelor's degree in finance, business, economics, or a field related to the topic of this TA; (iii) at least 5 years of demonstrated expertise in the oversight and assessment of SCCs; (iv) clear knowledge of the current situation in the SCC industry in Mongolia; and (v) written and oral fluency in English.

3. Asset Management Mechanism Specialist (5 person-months, intermittent)

12. **Purpose, scope of work, and qualifications.** The expert will have (i) knowledge of asset management companies and NPL resolution mechanisms as demonstrated by research, publication, or work experience; (ii) at least 5 years of relevant professional experience; (iii) a bachelor's degree or equivalent in a relevant field, or an equivalent combination of education and experience; and (iv) written and oral fluency in English. The consultant will provide research assistance in the preparation of the TA under the guidance of the two international consultants. The consultant will assist with coordination work across relevant Mongolian stakeholder institutions in the field of NPL resolution mechanisms.

4. Insurance Sector Specialist (5 person-months, intermittent)

13. **Purpose, scope of work, and qualifications.** The consultant will have (i) at least 5 years' experience in the commercial nonlife insurance industry, (ii) at least a bachelor's degree in nonlife insurance or a related financial discipline applicable to this position, and (iii) written and oral fluency in English. Knowledge of technical tools for risk management, such as actuarial and loss adjustment, is desirable. Knowledge of and experience with agricultural insurance and index-based insurance for livestock mortality is an advantage. The consultant will help the team leader conduct research related to an insurance sector risk management framework, including, but not limited to, collecting and analyzing data, coordinating with the implementing agency and other key stakeholders, and leading the organization of meetings and workshops. The consultant will also translate key documents for the international consultant and interpret at meetings.

5. Project Coordinator (5 person-months, intermittent)

14. **Purpose, scope of work, and qualifications.** The consultant will have (i) at least 5 years' experience in working with and managing TA or loan projects established by multinational development banks, bilateral country agreements, or international nongovernment organizations; (ii) at least a bachelor's degree in a field appropriate to this position; and (iii) written and oral fluency in English. Experience working with ADB on the administrative aspects of TA projects is

an advantage. The consultant will directly support ADB, the executing agency, and the implementing agencies in monitoring overall project performance and the tasks of each output. The consultant will work under the direction of ADB and the executing agency. The consultant will coordinate, collect, and analyze project data, coordinate with the implementing agencies and project consultants, lead the organization of status meetings, and prepare quarterly project status reports for the executing agency and ADB. Status reports will be produced in English with copies in Mongolian. The consultant will also assist with interpretation during project status meetings.