



# Mongolia Green Finance Corporation

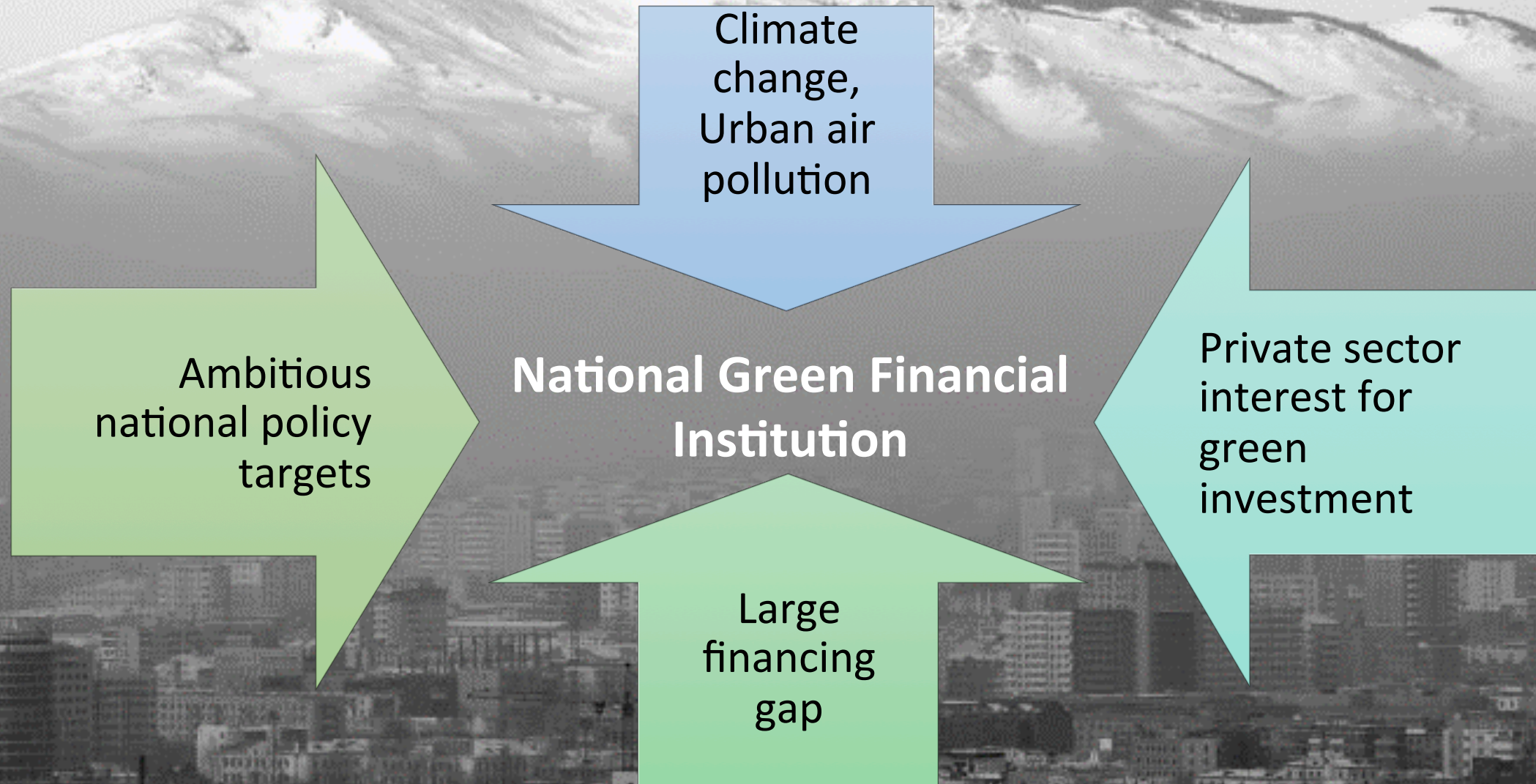
**Asia Pacific Climate Change Adaptation Forum, October 15-16, 2018**

Naidalaa Badrakh,  
CEO and Board Member, Mongolian Sustainable Finance Association (MSFA),  
MGFC Project Team Leader





# Pressing environmental and social issues require immediate investment



# MGFC: High Profile Investment with National Scale Impacts

## > Innovative

- High profile initiative, strong support from Government and private sector
- National Green FI leveraging public and private finance at scale.
- First dedicated national green financing institution for effective and strategic financing of climate mitigation, adaptation and wider green growth policy measures
- Private sector managed = efficiency and transparency, public sector ensures policy support and financing.
- 2 Letters of commitment for USD 10M equity in total signed by the GoM and the Mongolian Sustainable Finance Association (under the MBA/MSFA, 10 commercial banks).

## > Profitable

- Reasonably profitable investment, supported by the Green Climate Fund
- GCF concessionality to de-risk the investment, Technical Assistance by expert orgs (GGGI, McQuarrie GIG, XacBank).
- Total facility size at **USD 50M**.
- Leverage financing of at least US \$27.4M loan financing US\$8.0M by GoM and US\$19.4M by participating financial institutions (PFI) at the initial stage.
- IRR of ~9% per year.

## > Impact driven

- Large potential for impact
  - -3,163,406 tCO<sub>2</sub>e (direct emissions), -632,182 tons of coal for 15 years' project lifetime, +2000 jobs.
- Large potential for scaling-up
- Investment need to realize NDCs alone = **USD 6.9 billion**.
- Estimated market size for three target markets > **USD 1.2 billion**.
- Several other markets to access: waste and sanitation, non-utility scale renewables, sustainable livestock and agriculture, water efficiency and treatment, forest products etc.

# Contents

- 1. The Private Initiative:  
Mongolian Sustainable Finance Initiative (MSFI)**
- 2. The Public Private Partnership Model:  
Mongolia Green Finance Corporation (MGFC)**





## **The Private Initiative: Mongolian Sustainable Finance Initiative (MSFI)**



Ulaanbaatar City 1980s





Ulaanbaatar City 2016







# Private Initiative: Mongolian Bankers Association

## PRINCIPAL MEMBERS



## SUPPORTING MEMBERS



## ASSOCIATE MEMBERS



Since its establishment in 2000, MBA has managed to expand itself to a professional industry association through its services and activities.

Now it includes 24 members: 14 local banks and other organizations.

# Mongolia Sustainable Finance Initiative (MSFI - ToC)

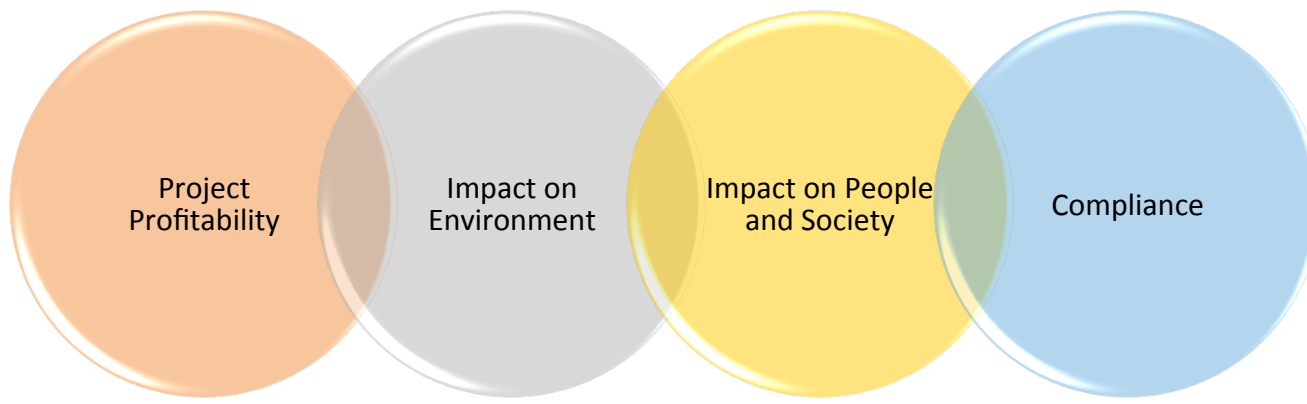
Sustainable Principles



Conventional Banking Requirements



## ToC (Sustainable) Banking Requirements



## THE MONGOLIAN SUSTAINABLE FINANCE (ToC) PRINCIPLES





# Mongolian Sustainable Finance Principles

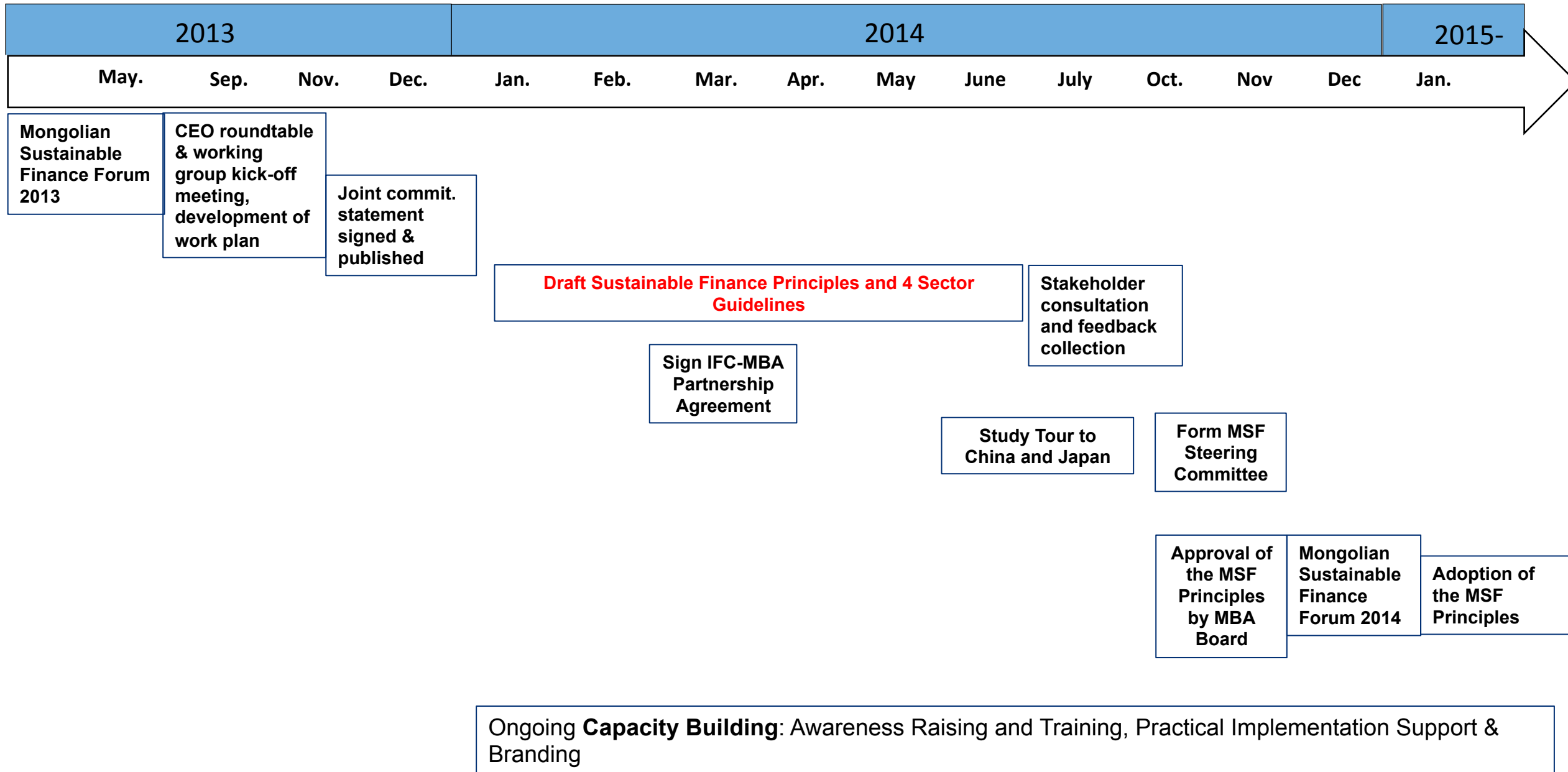
✓ Adoption of the Mongolian Sustainable Finance Principles– January 2015



## THE MONGOLIAN SUSTAINABLE FINANCE (ToC) PRINCIPLES



# Mongolian Sustainable Finance Initiative /Phase 1/



# Enforcement of the Principles

## CAPACITY DEVELOPMENT

- ✓ WG monthly meeting
- ✓ Standardized training materials – IFC and FMO
- ✓ IFC Training of Trainers Program
- ✓ Workshop series for bank staff
- ✓ Exchange visits
- ✓ E-learning platform



## MONITORING and INCENTIVES

- ✓ Bi-annual voluntary reporting requirements from MBA
- ✓ BoM Directive to report SF in annual reports
- ✓ Selection of Best Sustainable Finance Bank and Best WG members of the year



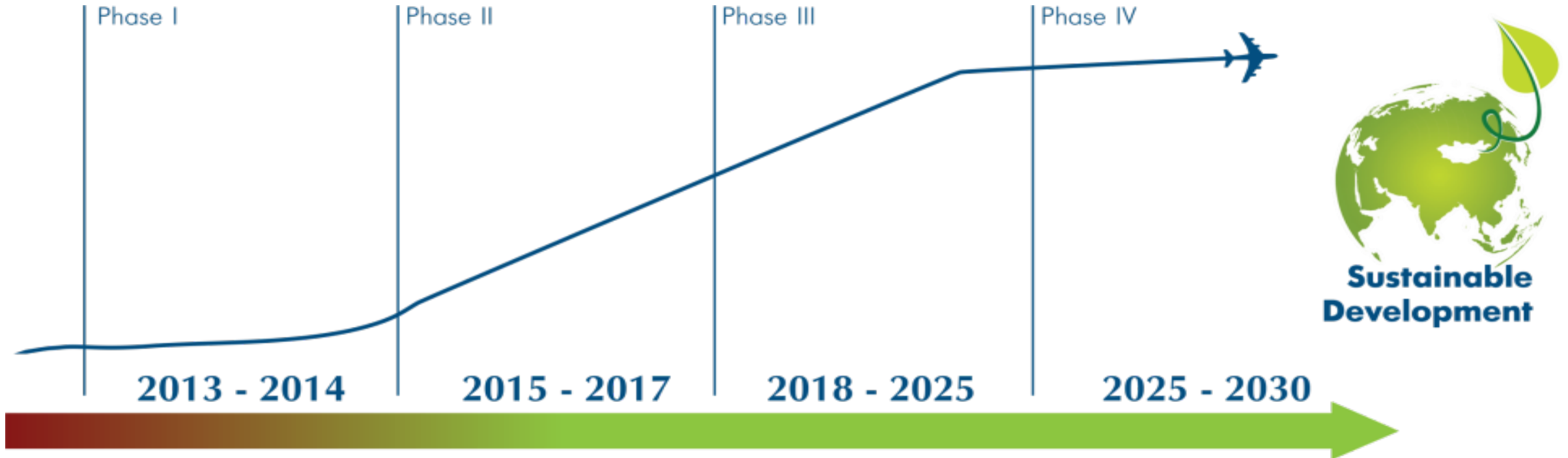
## AWARENESS RAISING

- ✓ Mongolian Sustainable Finance Forum /annual/
- ✓ ToC Week Movement
- ✓ PR activities: newsletter, short videos, articles, interviews etc.
- ✓ Involvement of media partners





# MSFI Vision (Flight ToC 2030)



## 1. SF framework development

- Principles, guidelines, Steering Committee
- Integration of ESG into the banking RM framework

## 2. Regulators/ Stakeholder engagement

- Expansion of cooperation/ network
- Capacity building

## 3. Green Finance and Business Industries

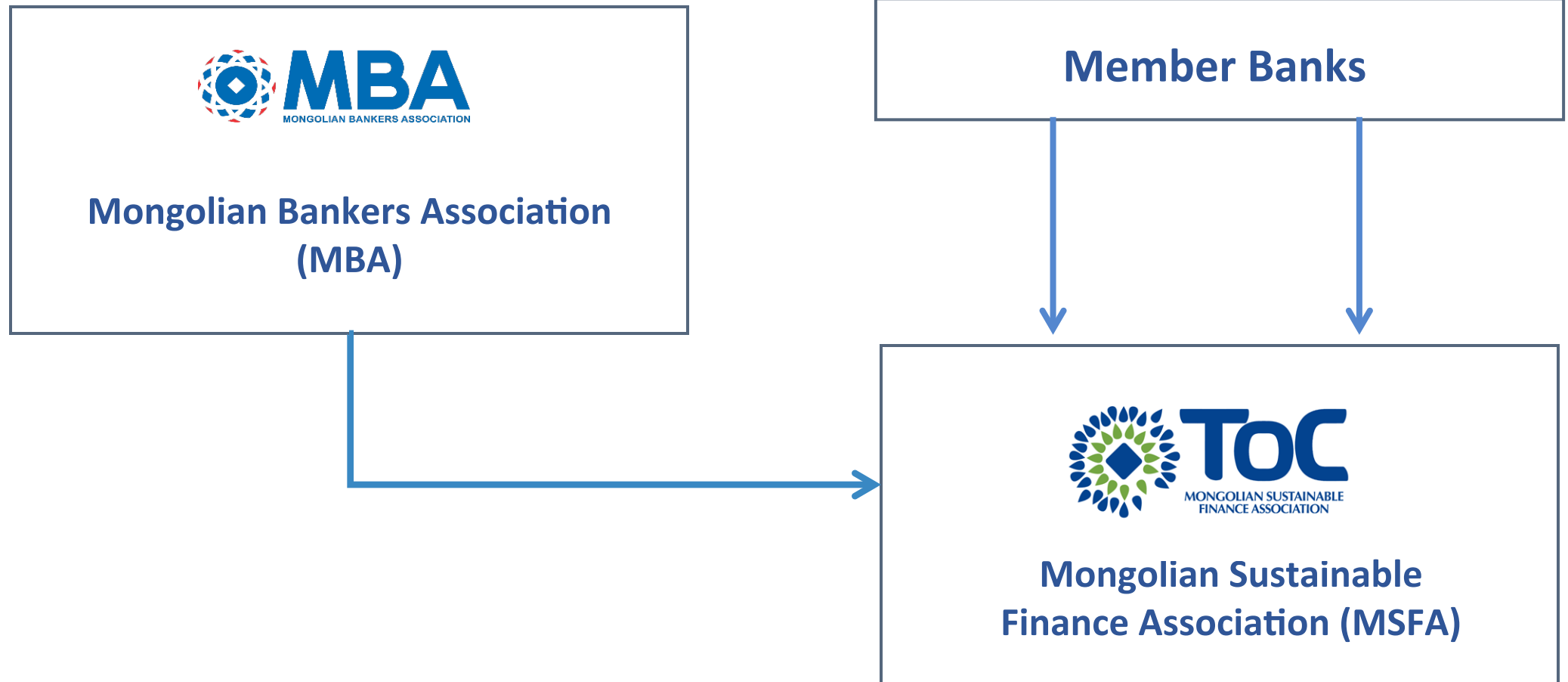
Knowledge sharing with other SBN members

- Sustainable Finance Roadmap: Going Beyond Banking
- MGFC
- Green Bond

## 4. Knowledge-Research/Green Finance /Investment Center

- Sustainable Financial Industry
- Sustainable Business Industries
- Green Finance Knowledge
- Green Finance/Investment Center
- Green Economy

## MBA to MSFA



# The Initiative Partners



## POLICY SUPPORTERS

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- Ministry of Environment and Tourism
  - Bank of Mongolia
- Financial Regulatory Commission
  - UB City Municipality



## INTERNATIONAL PARTNERS

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- IFC
- FMO
- UN Environment
  - PAGE
- UNEP Inquiry
  - GGGI
  - GCF
  - UNDP
- ESD /GIZ, SDC/
- Bankers Association
- EU Switch Asia Projects



## OTHERS

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- National Chamber of Commerce and Industry
  - Business Council of Mongolia
- Environmental audit association
- Media (tv channels, magazines etc).
  - Universities
- Environmental NGOs and civil society



# Implementation of MSFI – Comparison to Sustainable Finance Initiatives in Different Countries



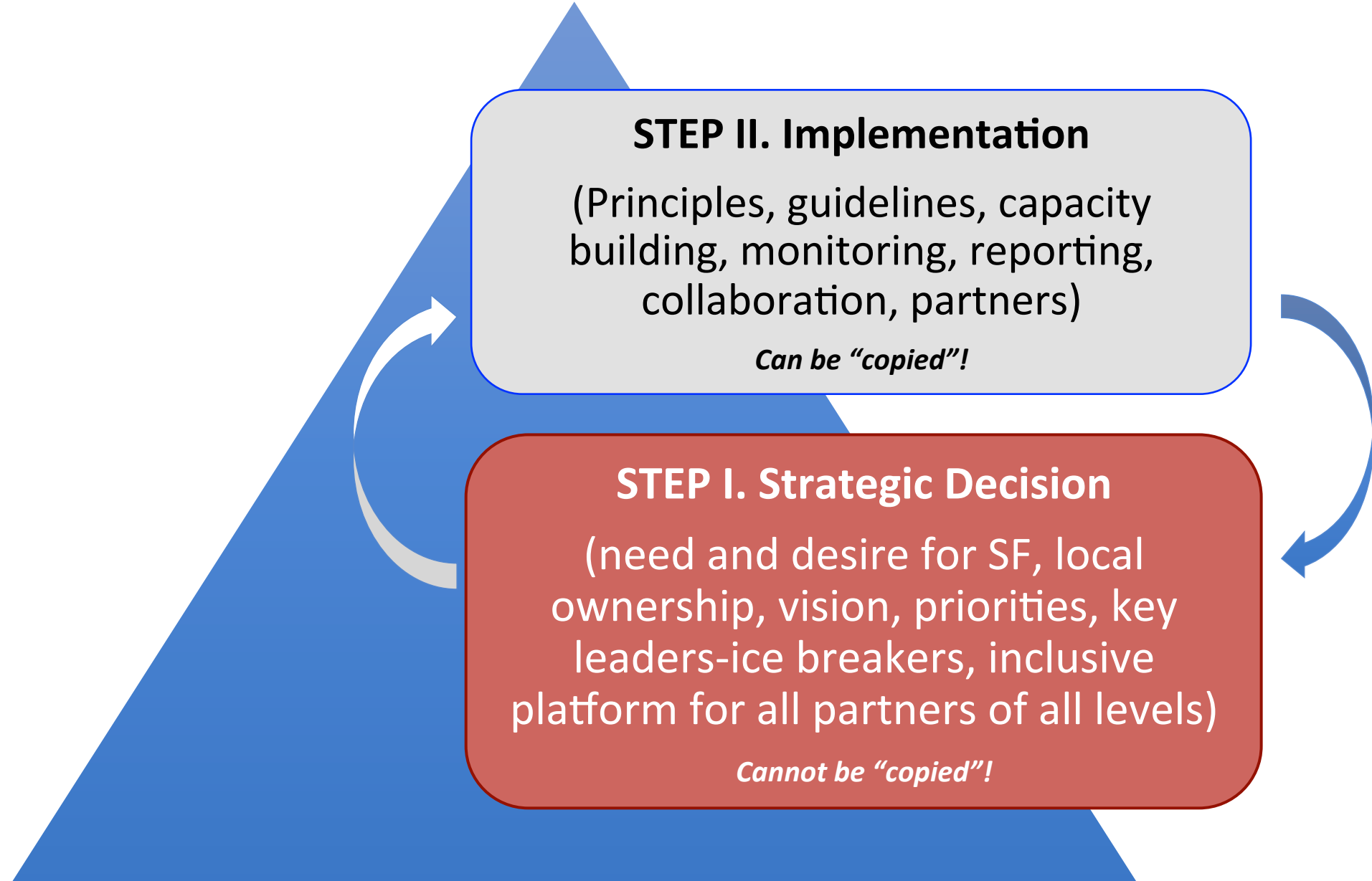
- The Report by the Sustainable Banking Network (SBN), IFC
- Measurement framework for assessing the progress and impact of sustainable finance adoption at national level.
- 15 Member countries' national sustainable finance policies have been covered in the report



## Challenges And Lessons Learned

- Continued **commitment** of banks /level playing field/
- Local **leadership and ownership** /MBA-MSFA/ - platinum to gold standard
- support **from senior management**, active participation of **WG members**
- **International support and network** /IFC, FMO, SBN, UNEP FI etc./
- **Regulators' engagement** /Bank of Mongolia - Central Bank/
- **Capacity**, trainings (front line, E&S officers, credit committee, risk officers, lawyers etc.)
- Monitoring, reporting and evaluation
- **Openness** among the Working Group
- **Client** engagement
- **Public** support and awareness

# The Key Success Factor





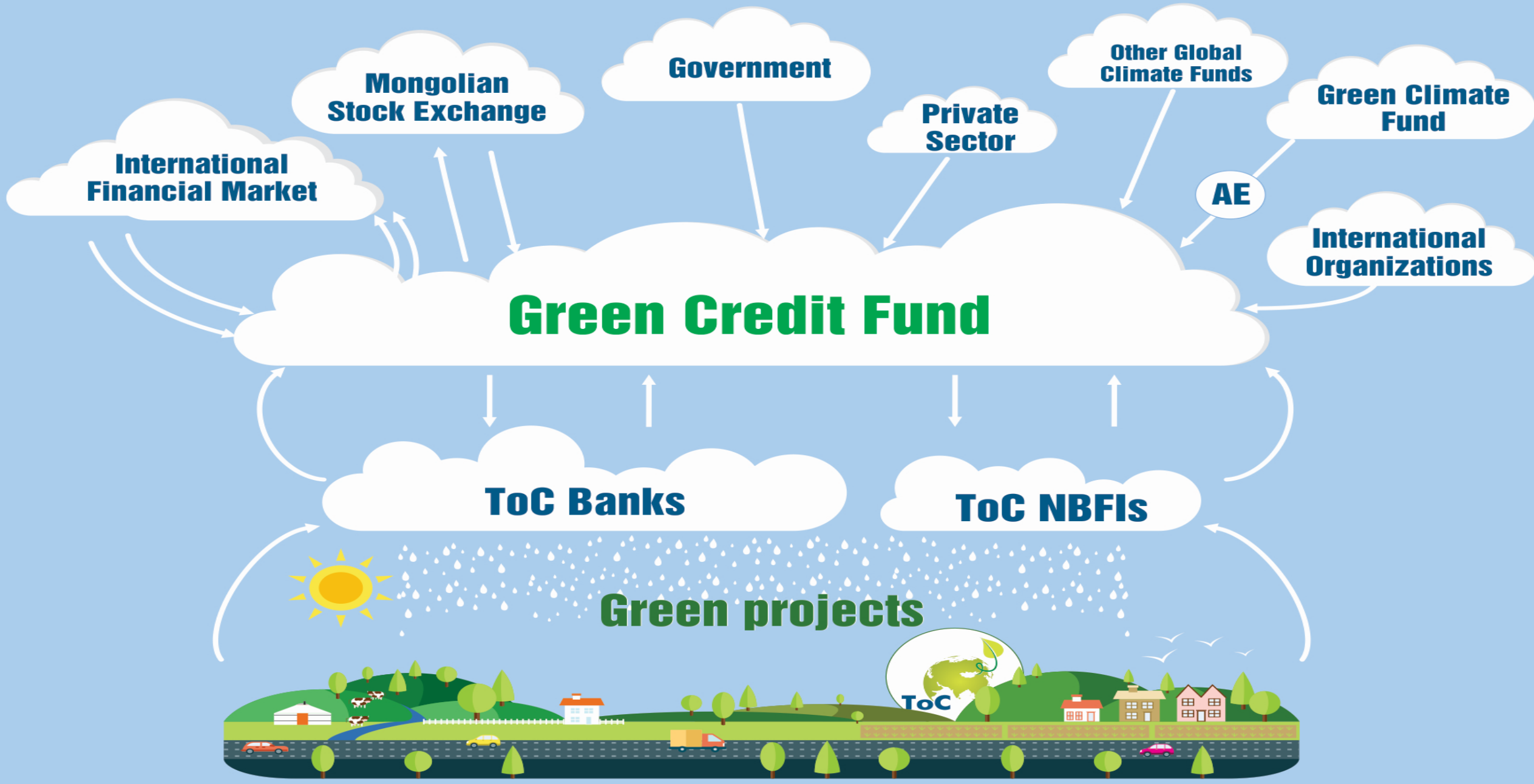


## **The Public Private Partnership Model: Mongolia Green Finance Corporation (MGFC)**

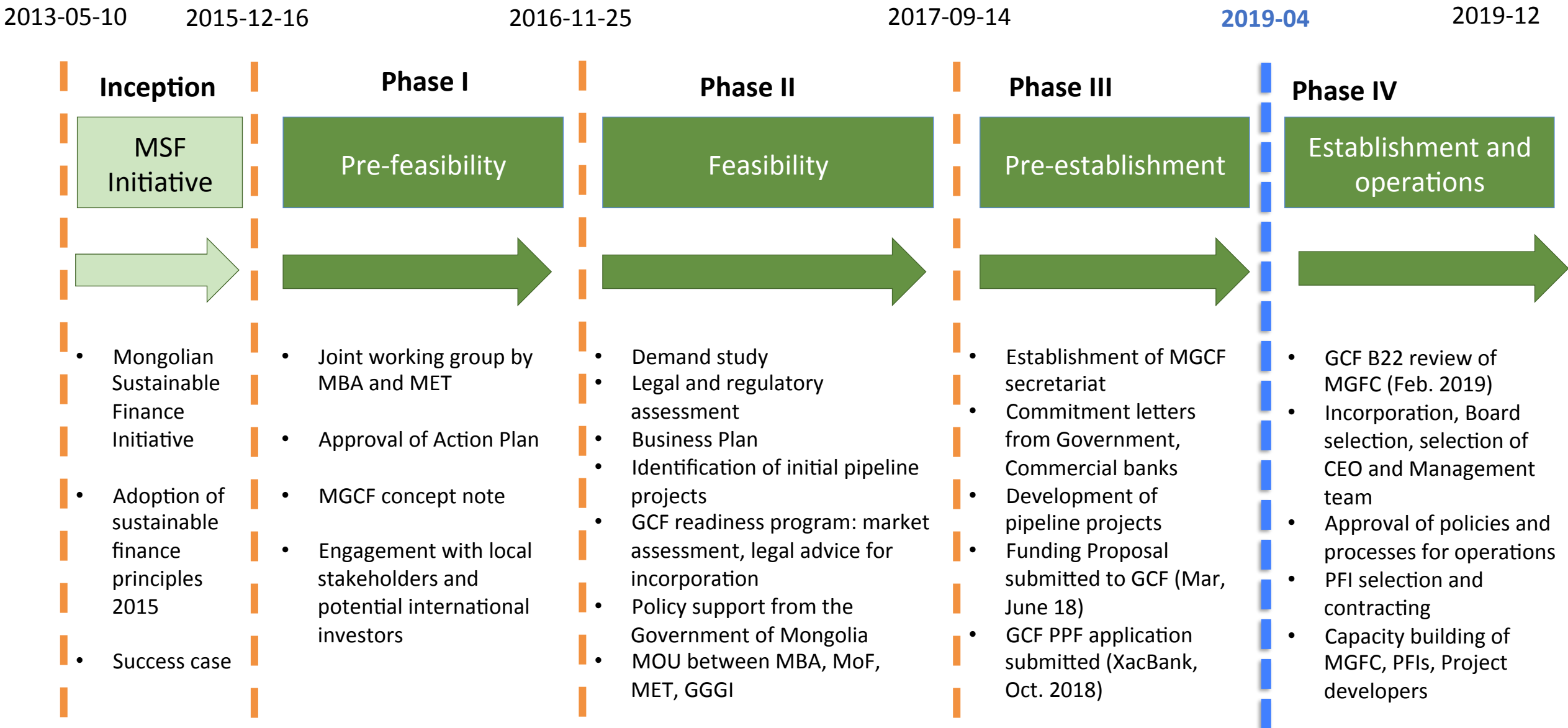




# The “Irrigation System” for Green Projects

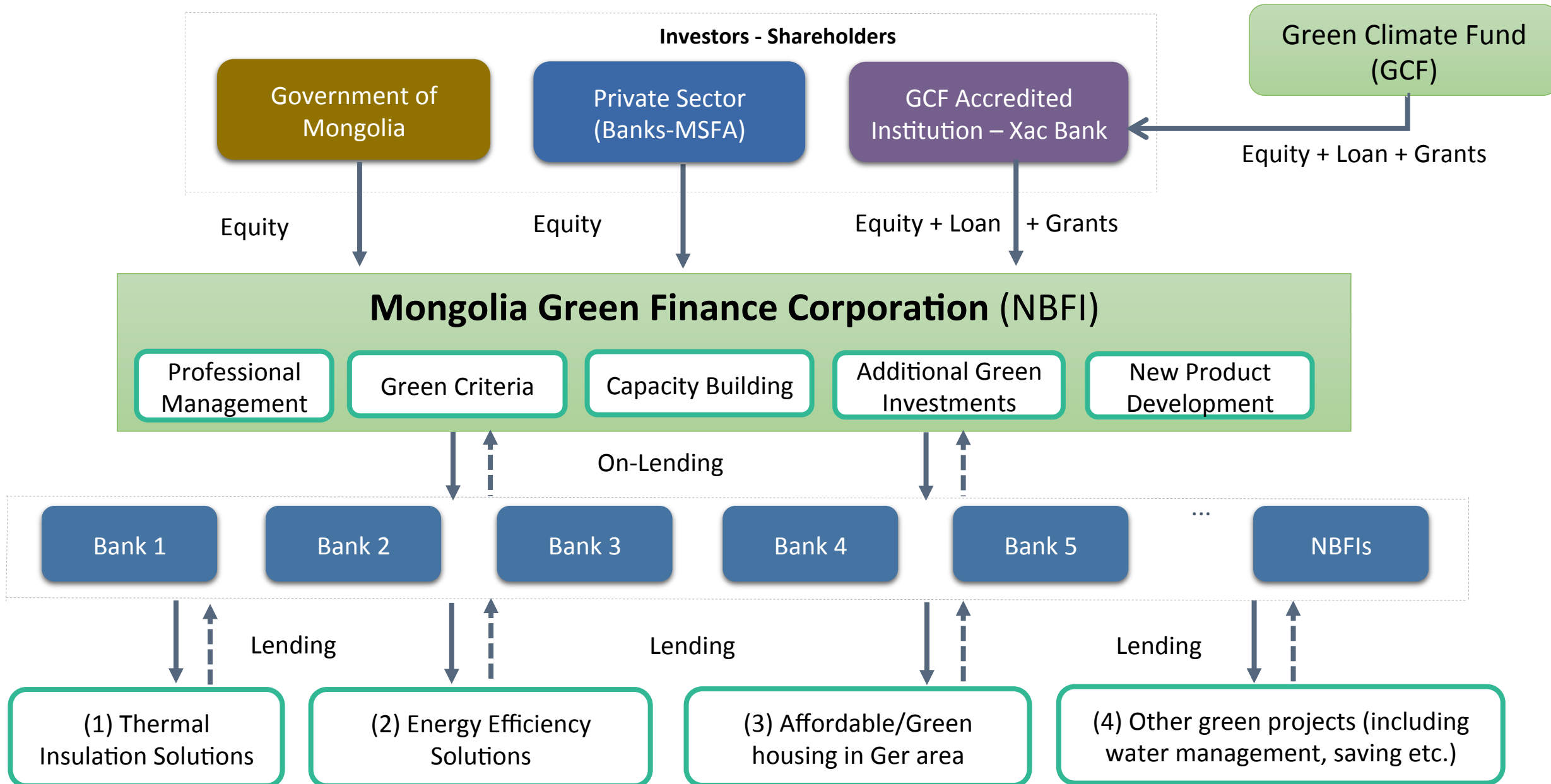


# MGFC - Roadmap Towards Operations





# The Mongolia Green Finance Corporation (MGCF) Structure









# Pipeline: Thermal Insulation Measures of Existing Houses

## Reference projects define products and costs

- Previous projects demonstrate that the consumption of energy for heating can be reduced by 48 to 53% due to improved insulation.

## Technological solutions

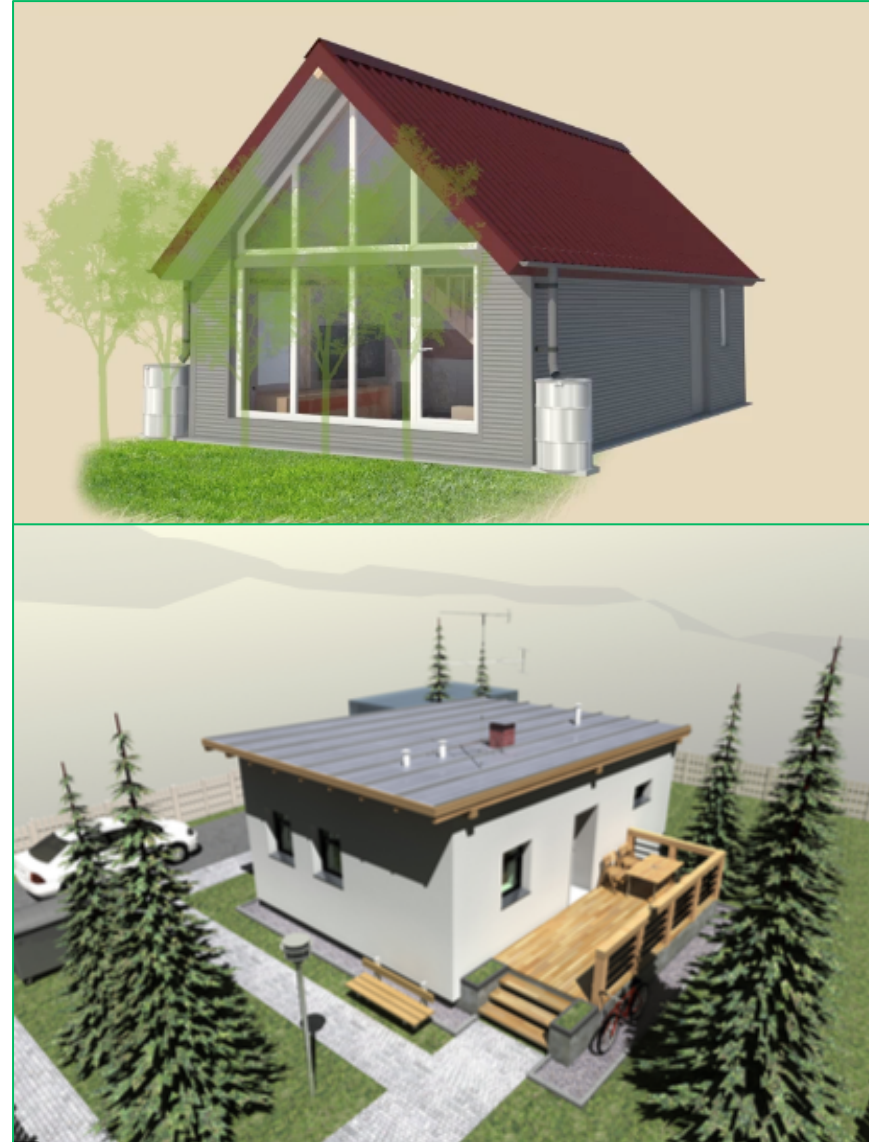
- Roof, wall and floor insulated using EPS, XP, rock wool and sheep woolen material.
- Average budget for insulation of a typical house including material cost and construction work estimated at USD 2428.



# Pipeline: Mortgage for Green Affordable Housing In “Ger” Areas

БАРИЛГЫН НОРМАТИВ БАРИМТ БИГЧ, ЗУРАГ ТӨСӨЛ БА БАРИЛГЫН ҮЙЛ ДҮРМийн ЦОМГОТ	БАРИЛГЫН НОРМАТИВ БАРИМТ БИГЧ ИЙН ТОГТОЦОО МОНГОЛ УЛСЫН БАРИЛГЫН НОРМ БА ДҮРЭМ	БАРИЛГЫН НОРМАТИВ БАРИМТ БИГЧ ИЙН ТОГТОЦОО МОНГОЛ УЛСЫН БАРИЛГЫН НОРМ БА ДҮРЭМ
"НЭГ АЙЛЫН ОРОН С БАРИЛГЫН ТӨЛӨВЛӨЛТ, БАРИЛГЫН НОРМ БА Д ТАЙЛБАР БД 31-107-07	"НЭГ АЙЛЫН ОРОН СУУЦНЫ БАРИЛГЫН ТӨЛӨВЛӨЛТ, УГСРАЛТ" БНбД 31-09-07	БАРИЛГЫН ДУЛААН ХАМГААЛАЛТ БНбД 23-02-09
МОНГОЛ УЛСЫН ЗАМ, ТЭЭВЭР, БАЙГУУЛАЛТЫН ЯМ Улаанбаатар хот 2007 он	МОНГОЛ УЛСЫН ЗАМ, ТЭЭВЭР, БАРИЛГА, ХОТ БАЙГУУЛАЛТЫН ЯМ Улаанбаатар хот 2007 он	ЗАМ, ТЭЭВЭР, БАРИЛГА, ХОТ БАЙГУУЛАЛТЫН ЯМ Улаанбаатар хот 2009 он

- Compliance with BNbD 23-02-09 “Thermal Performance of Buildings”
- State expertise and energy audit on the building design
- Provide individual and partial engineering /infrastructure solutions



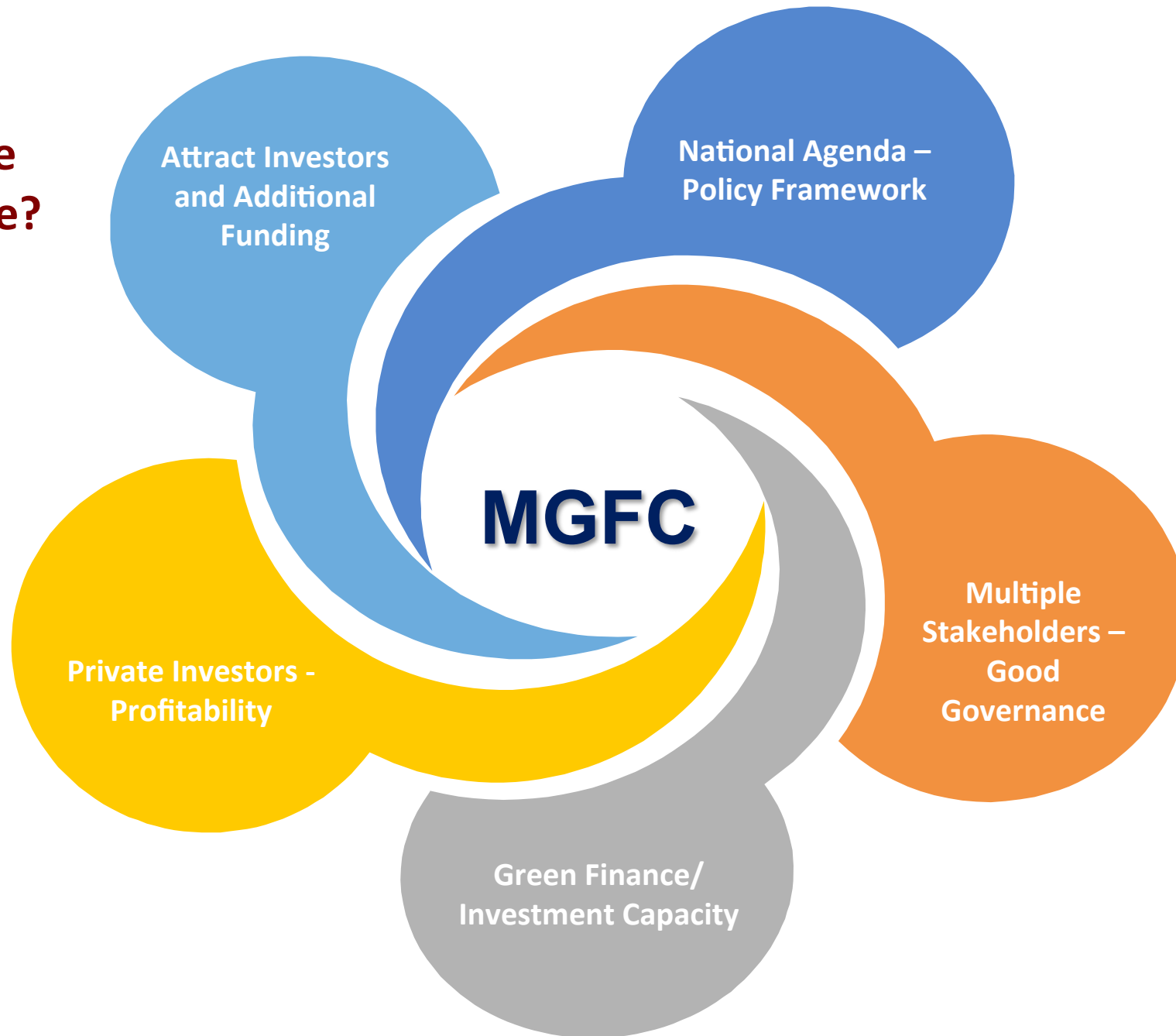
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Барилгын ашиглалтанд орсон он: 2018 он	38.38 м2	
Барилгын үнэлгээнд харагдах талбай: 38.38 м2		
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хороо баг: 194		
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A++ < -15		194 кВт/цаг/ж
A+ < -100		194 кВт/цаг/ж
A < -200		194 кВт/цаг/ж
B < -300		194 кВт/цаг/ж
C < -400		194 кВт/цаг/ж
D < -500		194 кВт/цаг/ж
E < -600		194 кВт/цаг/ж
F < -700		194 кВт/цаг/ж
G > -700		194 кВт/цаг/ж
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Барилгын өмчлөгч: Гэрчилгээ олгогч		
Нэр: С. Түвшинжүү		
Хаяг: Барилгын эрчим хүчний зөвлөл		
Утас: 976 + 95097585		
Гарын үсэг: 976 + 95097585		

Б-Пас: 003/18	Олгоон оноо: 9/9/2018	Хүчинтэй хугацаа: 9/9/2018
Орон сууцны зориулалттай барилгын эрчим хүчний хэрэглээний гэрчилгээ		
Барилгын ашиглалтын хэлбэр: Орон сууц		
Хүүхдийн тоо: 2018 он	35.8 м2	
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Барилгын үнэлгээнд харагдах талбай: 35.8 м2		
хот айм: Улаанбаатар	Барилгын байрлалын хаяг: дүүрэг сүм: Байрны дугаар:	
хороо баг: 212		
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A+ < -100		212 кВт/цаг/ж
A < -200		212 кВт/цаг/ж
B < -300		212 кВт/цаг/ж
C < -400		212 кВт/цаг/ж
D < -500		212 кВт/цаг/ж
E < -600		212 кВт/цаг/ж
F < -700		212 кВт/цаг/ж
G > -700		212 кВт/цаг/ж
Барилгын халаалтын дулааны хувийн хэрэгцээ: 212 кВт/цаг/ж	Барилгын халаалтын дулааны жилийн хэрэгцээ: 7,595.5 кВт/цаг/ж	Барилгын халаалтын дулааны хэрэгцээт чадал: 3.7 кВт/цаг/ж
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Нэр: С. Түвшинжүү		
Хаяг: Барилгын эрчим хүчний зөвлөл		
Утас: 976 + 95097585		
Гарын үсэг: 976 + 95097585		



**What kind of  
Institution is the  
MGFC going to be?**



# MGFC Vision 2030

**Green Banking-Financial system.** Green Finance capacity enhancement and improvement

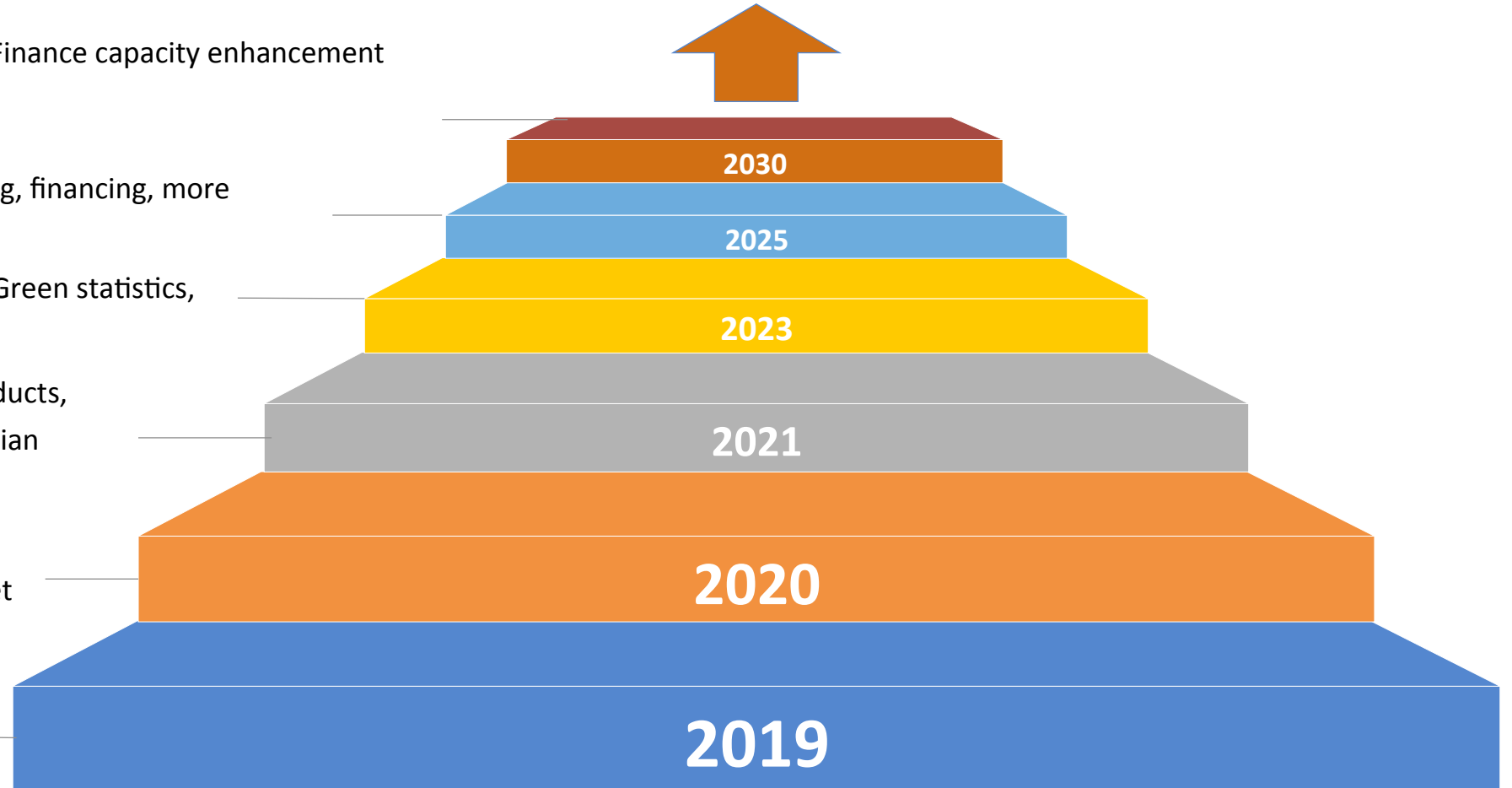
**GCF and other accreditations.** Good rating, financing, more investors and improved products

**Organizational Strength.** New investors. Green statistics, markets, standards and pattern.

**Role model.** Additional funding, new products, redemptions and good reporting. Mongolian Green Credit portfolio.


**Good example.** Internal capacity, good team, loan issuance, customer and market preparation, training, green standards

**Good Project.** Establishment, operational arrangements



# The Expected Outcomes/Impacts


**GLOBAL COMMITMENTS TO LOCAL PROJECTS.** An efficient and self-sustainable national platform to convert global funding and commitments on climate change into local sustainable projects.



**INCLUSIVE PLATFORM.** A Public Private Partnership to establish inclusive platform for green financing (Public Policy/Private Management model).



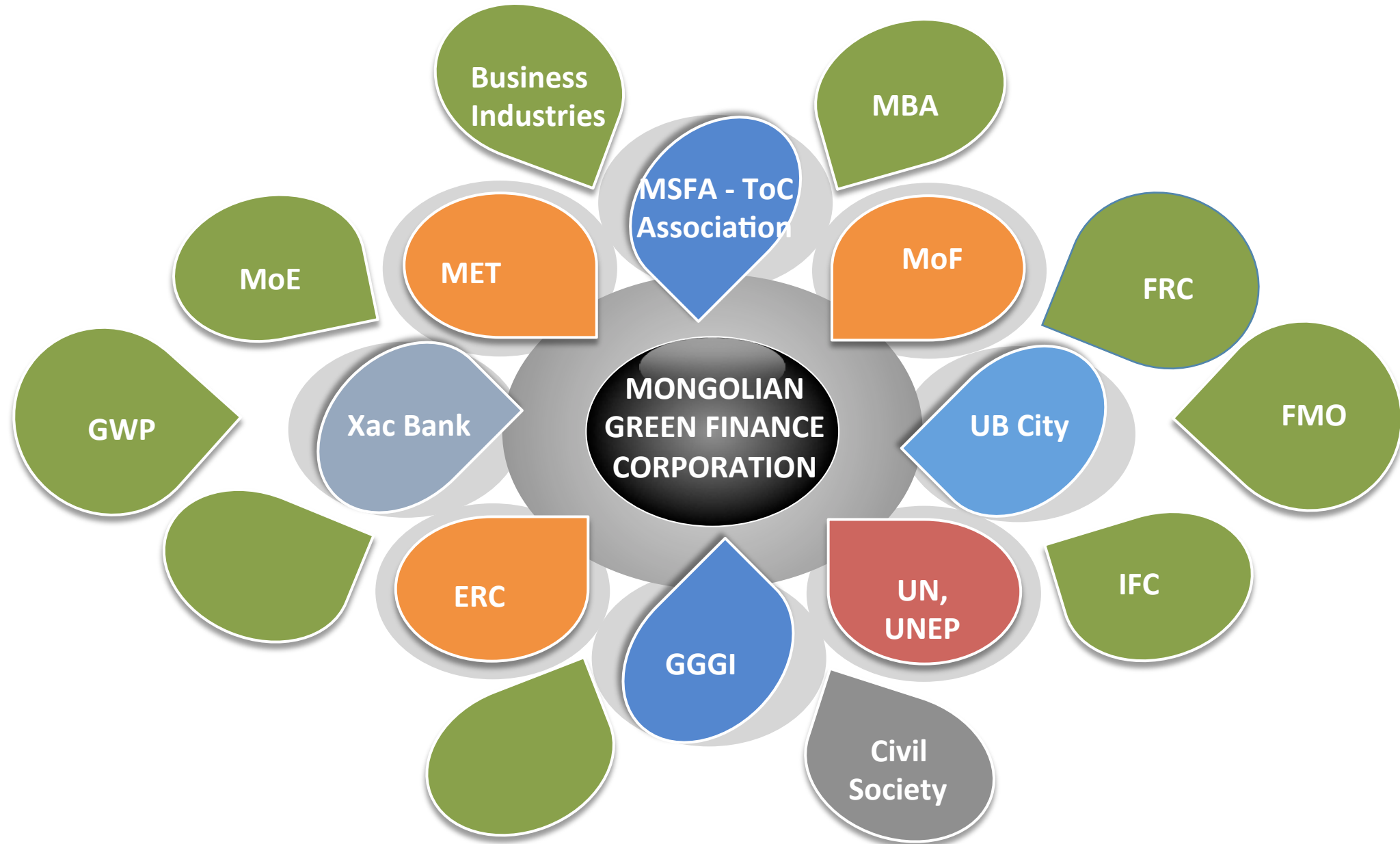
**NEW FINANCIAL PRODUCTS.** Pioneering new green financial products in Mongolia – such as green bonds, green housing loan, energy efficiency loan products and other green financial products in line with National Agenda.

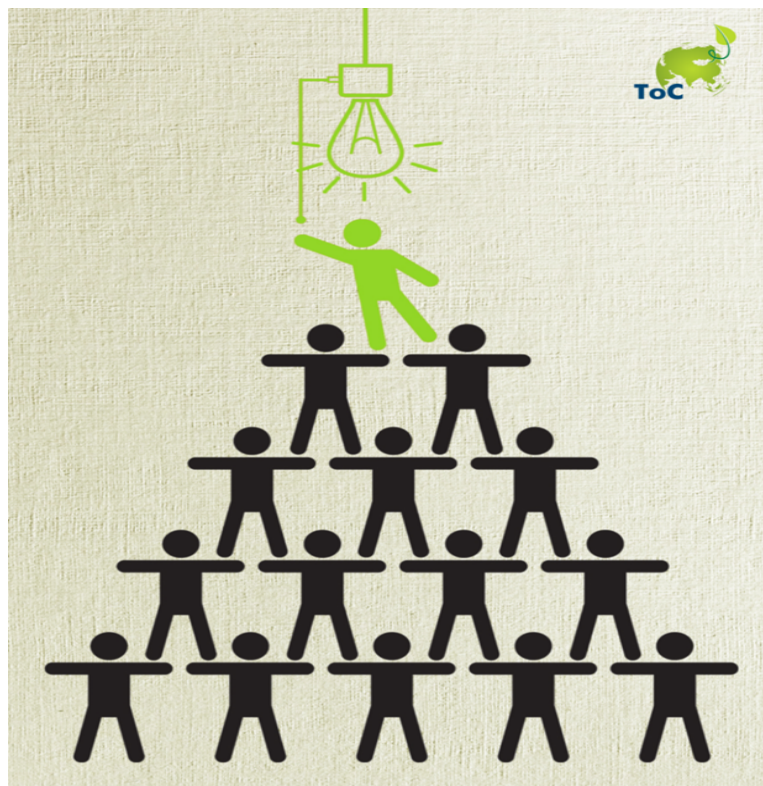


**REAL INCENTIVE.** Creating a real financial incentive to boost the sustainable finance (ToC) initiative of local banks, and further compel the introduction of the sustainability principles to other industries.



# Inclusive Platform: Stakeholders' Contributions and Participations





Thank you for your attention

