FP028

MSME Business Loan Program for GHG Emission Reduction

Mongolia

November 2021

Interim Evaluation Report

This report presents the Interim Evaluation of the Green Climate Fund (GCF)-funded project “MSME Business Loan Program for GHG Emission Reduction”. The evaluation was independently commissioned by the Accredited Entity (AE), XacBank, and submitted to GCF. GCF assumes no responsibility for the accuracy of the information in this report.

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INTERIM EVALUATION REPORT

Green Climate Fund (GCF) Funded Activity
"FP028 – MSME Business Loan Programme for GHG Emission Reduction"

Ulaanbaatar 2021

GREEN CLIMATE FUND

XACBANK

REPORT REVISION NOTE

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DISCLAIMER

This report is developed by an Independent Evaluation Team and does not necessarily represent the views or formal policies of the XacBank LLC and the Green Climate Fund.

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LIST OF ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
AE	Accredited Entity
AMA	Accreditation Master Agreement
APR	Annual Performance Report
BCM	Business Council of Mongolia
BRP	BlackRock Partners LLC
CEO	Chief Executive Officer
CO_2eq.	Carbon dioxide equivalent
Co2rA	Web-based tool
COVID-19	coronavirus
CSR	Corporate Social Responsibility
DWM	Developing World Markets
EBD	Eco Banking Department
EBRD	European Bank of Reconstruction and development
EE	Energy Efficiency
ERC	Energy Regulatory Committee
FAA	Funded Activity Agreement
FMO	Dutch Entrepreneurial Development Bank
FP	Funding Proposal
FP	Focal Point
GAP	Gender Action Plan
GCF	Green Climate Fund
GCPF	Green Climate Partnership Fund
GEF	Green Environment Fund
GHG	Green House Gas
GoM	Government of Mongolia
HS	Highly Satisfactory
HU	Highly Unsatisfactory
IEU	Independent Evaluation Unit
IFC	International Finance Corporation
INDC	Intended Nationally Determined Contribution
IPCC	Intergovernmental Panel on Climate Change
LEED	Leadership in Energy and Environmental Design
LLC	Limited Liability Company
M&E	Monitoring and Evaluation
MET	Ministry of Environment
MNT	Mongolian Tugrug, national currency
MONSEFF	Mongolian Sustainable Energy Financing Facility
MRA	Mitigation Results Areas
MS	Moderately Satisfactory
MSFA	Mongolia's Sustainable Finance Corporation
MSME	Micro, small and medium enterprise
MU	Moderately Unsatisfactory

MW	megawatt
NAMA	Nationally Appropriate Mitigation Measures
NAPCC	National Action Program on Climate Change
NDA	National Designated Company
NDC	Nationally Determined Contributions
NGO	Non-governmental organization
PMF	Project Management Framework
RACER	Relevant, Accepted, Credible, Easy to monitor and Robust
RE	Renewable Energy
RMF	Results Management Framework
S	Satisfactory
SDG	Sustainable Development Goal
TAF	Technical Assistance Facility
TNA	Technology needs assessment
ToC	Theory of Change
ToR	Terms of Reference
U	Unsatisfactory
UNEP	United Nations Environmental Program
UNFCCC	United Nations Framework Convention for Climate Change

EXECUTIVE SUMMARY

Programme summary

XacBank, one of the leading commercial banks of Mongolia works in the same spirit as global communities with its commitment to respond to the global demand for new and innovative perspectives on, and solutions to address, climate change, by enabling the country's access to the Green Climate Fund (GCF)'s resources. GCF accreditation and the Mongolian Sustainable Finance Association (MSFA) award to XacBank: the "Best Sustainable Finance Bank-2020" and confirms its full commitment to serve clients, customers, individuals and Micro, Small and Medium Sized Enterprises (MSMEs) with a full spectrum of inclusive banking, fair investment and other financial products and services. XacBank is proving itself to be a dynamic leader in the Mongolian financial sector, setting the highest standards in corporate governance and social and environmental responsibility, while returning fair value to its shareholders.

XacBank has roughly 200 active corporate clients, more than 3,400 active SME clients (of 22,000 SMEs that have conducted business with the Bank over the years), and a large number of micro-sized clients. XacBank's Business Loan Program, initiated in 2013 has provided an opportunity to MSMEs to expand their businesses. In 2016 XacBank became an accredited entity (AE) of the GCF to enhance its initiative to support local MSMEs and to contribute to Mongolia's Nationally Determined Contribution (NDC) which was approved by Government Decree No.407 of November 2019, with the aim to contribute to the Paris Agreement.

In 2017 XacBank received GCF financing to implement the program "FP028 – MSME Business Loan Program for GHG Emission Reduction" (Programme), mainstreaming cross-cutting themes, including climate change mitigation and gender aspects. The Board of the GCF approved the Funding Proposal (B.15/07) to the amount of USD $20,000,000 (twenty million USD), USD $500,000 (five hundred thousand USD) of which is a grant for the technical assistance facility. The programme supports energy efficient businesses that produce, trade, or install products reducing GHG emissions by at least 20%, or any end-users of products that reduce GHG emissions by at least 15%.

Totally 111 business loans were financed by the Programme during June 2017- December 2020. 84% of the total portfolio was distributed to businesses located in 4 districts of Ulaanbaatar city and 13 various aimags, 77% of the total GCF financing disbursed to date was distributed to women-led businesses.

Figure 1. GHG emission savings by GCF financing

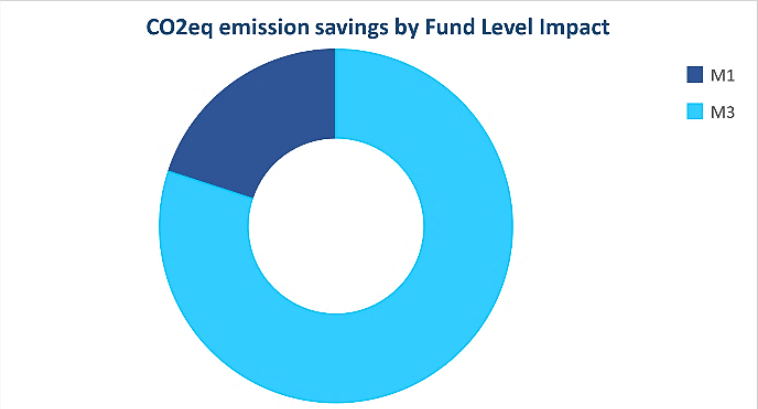
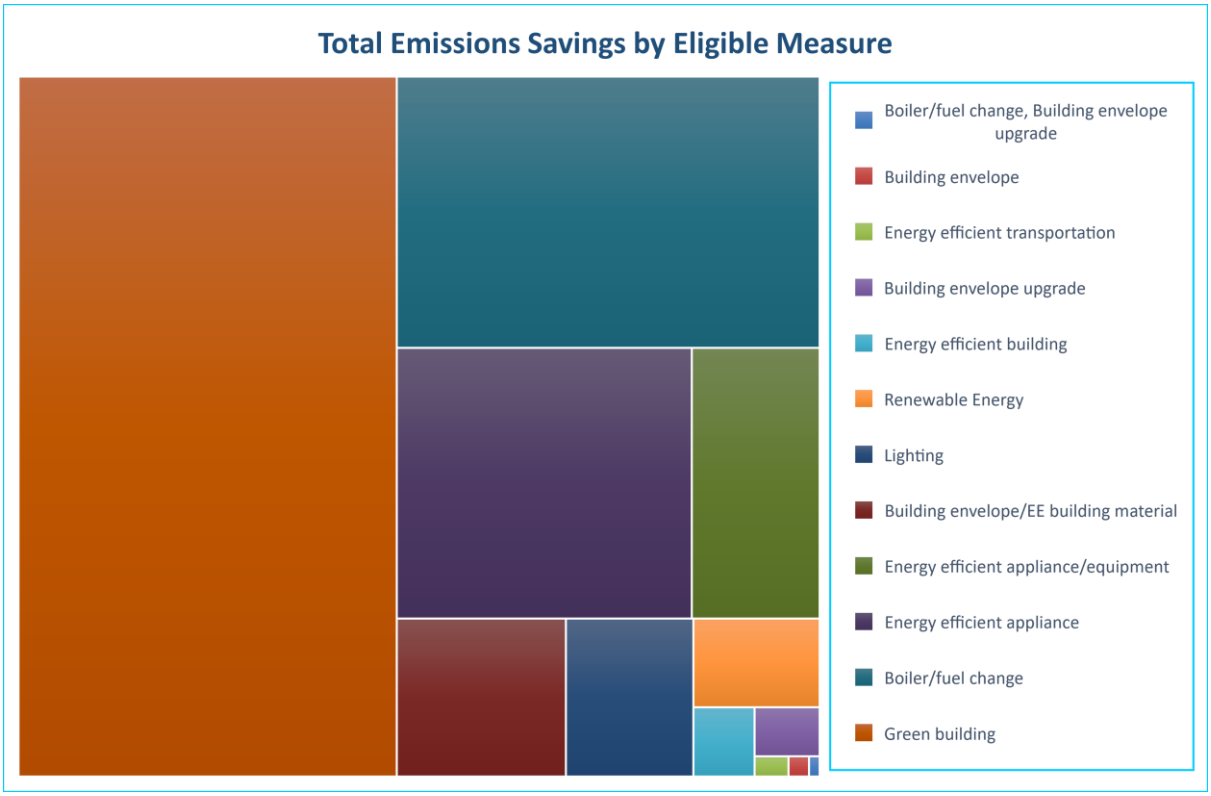


Figure 2. Total Emissions Savings by Eligible Measure



Independent Evaluation summary

This evaluation report covers the Programme implementation period from June 2017 to December 2020 and is an interim independent evaluation of the GCF-financed program "FP028 – MSME Business Loan Program for GHG Emission Reduction".

This Interim evaluation by an independent expert or evaluation team, was planned to be carried out after the third year of implementation but was postponed to September 2021 due to the COVID-19 pandemic. A Final evaluation is planned to be conducted one month after the end of the Intervention.

Based on the approved Funding Proposal ("FP"), Funded Activity Agreements ("FAA") and other relevant documents and reports (*see Annex 5: List of Documents Reviewed*) associated with the Funded Activities, the Evaluation Team assessed the performance of the Programme against seven (7) GCF evaluation criteria, listed hereafter, specified in the GCF Independent Evaluation Unit (IEU)'s TOR (GCF/B.06/06), draft GCF Evaluation Policy and OECD (DAC) guideline:

1. Relevance, effectiveness and efficiency of projects and programmes,
2. Coherence in climate finance delivery with other multilateral entities,
3. Gender equity,
4. Country ownership of projects and programmes,
5. Innovativeness in results areas,
6. Replication and scalability, and
7. Unexpected results, both positive and negative.

Conclusions and recommendations for further improvements of the Programme implementation were developed by Evaluation Team based on analyzed evidence and data. The overall intention of the evaluation is fulfilling the below objectives:

Table 1: Objectives of the Evaluation

Objective 1: GCF financed progress and results are assessed.
Objective 2: Lessons learned, and areas of improvement identified, where restructuring, or changes through adaptive management in project implementation, is needed;
Objective 3: Evidence-based, clear and focused recommendations provided;

The evaluation was conducted during September – November, 2021 to provide an objective assessment of the results of the GCF's Funded activity, its effectiveness and its efficiency, to identify lessons learned and to provide recommendations. The evaluation team made use of several evaluation tools and instruments and gathered information from the different types and levels of stakeholders. The evaluation was guided by key questions and sub-questions developed for each evaluation criterion, formulized in an evaluation matrix, which was the basic guiding document for the interview of participants, data collection and extraction of findings.

The evaluation covers the review of documents, including the Nationally Determined Contribution (NDC), GCF policies and manuals, programme and selected borrowers' documents, the energy auditors' report, the analysis of the loan approval process and an analysis of the loan with the use of the GHG emission monitoring tool, also known as the carbon tool Co2rA.

The evaluation is based on detailed data of the loans provided by the AE. For data sampling a total of 32 loans of 18 businesses located in Ulaanbaatar city and 6 aimags were selected based on 6 selection criteria (investment eligibility criteria, EE eligible measure, location, loan status, women-led, firm or individual). 37 stakeholders at partnership, participation and consultation levels were interviewed traditionally and virtually.

This report contains 5 Chapters, including Introduction, Findings, Conclusion, Lessons Learned and Recommendations with 116 paragraphs, and 7 Annexes, including RMF, evaluation matrix, list of interviewees and reference materials.

Findings' summary

The evaluation findings are based on seven evaluation criteria and questions originally formulated in the Terms of Reference. The findings collected and analyzed within the two months period are detailed within 86 paragraphs.

Key finding 1: Measurable outputs are being delivered, although not always as planned because of the COVID-19 pandemic in 2020. Some activities' milestones and targets are not being achieved in full within the implementation period, but the Outputs expected to be delivered, are likely to contribute to a sufficient extent to the Intervention's Impact.

Key Finding 2: The Business Loan Programme for GHG emission reduction has helped to lay a foundation for private climate financing in the Mongolian market. The Programme is an opportunity for some MSMEs to completely change the way in which they address climate change, by increasing their financial capacities, and seeing clean energy and energy saving in a totally different perspective.

Some of them are already extremely thankful and enthusiastic about the outputs delivered by the intervention.

Key Findings 3: The implementation is cost-efficient, given the outputs produced with the inputs available, and the funds allocated to the AE are more than adequate for delivering all planned outputs.

Key finding 4: The Programme draws a smooth path to greening the economy and allows international financial institutions to see synergy potential in climate activities and step in for coherent initiatives in climate finance.

Key Finding 5: Gender mainstreaming is highly considered linking the Programme to the needs of both men and women, highlighting GAP alignment and consistency to the objectives and indicators of the Programme.

Key Finding 6: AE is not reported the Country ownership as-needed, however the Programme has strong ownership of the programme that responds to the country needs.

Key Finding 7: As a result of the Programme the innovation is being realized through the new technology adoption by some of the borrowers, which are keen to show thought leadership in their sectors and areas of operations.

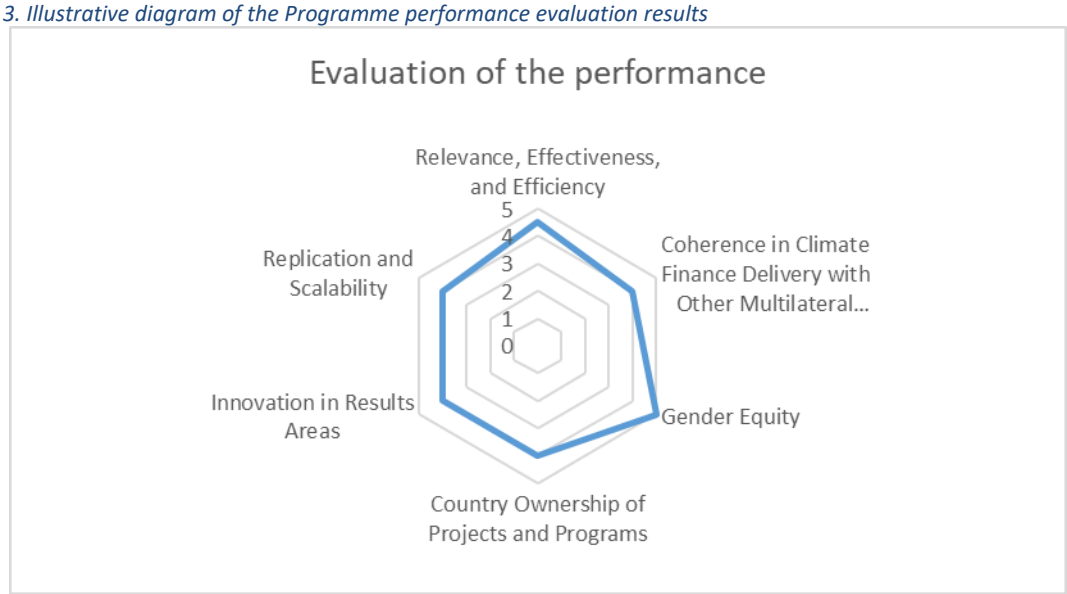
Key Finding 8: The Programme planning contains no explicit or detailed provisions for an exit strategy yet, however the AE has indicated in the FP to replicate the Programme and scale-up the results, since a demand for climate finance persistently exists and is likely to increase across the country.

Key Finding 9: Reduced GHG emission has exceeded the mid-term target by 67% due to an unexpected demand of the green loans amongst MSMEs, which is directly linked with the Programme Output 1 results in total co-financing disbursement, which exceeded expectations by 45% during the evaluation period.

Conclusion summary

The performance of the Programme has been evaluated as follows: Highly Satisfactory (HS), Satisfactory (S), Moderately Satisfactory (MS), Moderately Unsatisfactory (MU), Unsatisfactory (U), Highly Unsatisfactory (HU. A graphical method (shown below) was used to visualize the triangulated results in an illustrative diagram. The Programme's mid-term progress and results achieved in relation to the GCF investment was assessed as "Satisfactory". The concluded result of the assessment is provided below to visualize through an illustrative diagram.

Figure 3. Illustrative diagram of the Programme performance evaluation results



Recommendations' summary

Overall, 13 recommendation is provided to streamline current progress to reach final targets, complementing the achievements with additional actions suggested under concentrate on the Sustainability of the results, Adaptive management, and Programme implementation improvements.

Sustainability of the results

1. Only 3% of total loan portfolio of all commercial banks of Mongolia is considered green. It is recommended to considers all loans to be coherent with the Mongolia's Green taxonomy, which will expand the green investment flow towards MSMEs.
2. Effectively re-allocate Grant's budget due to COVID-19 pandemic impacts.

Adaptive management

3. Develop COVID-19 Pandemic Programme Continuity Plan to ensure the full implementation of the programme and its supplementary commitments under the TAF and GAP.
4. Consider adopting simplified loan review and approval process for the EE and RE projects and women-led MSMEs to differentiate green loans from regular loans.
5. Conduct market research and analysis towards potentials of the lowering loan rate and conduct deep analysis to identify potential segments/sectors.
6. Loan portfolio climate risk assessment can be conducted to identify and minimize climate risk.

Programme implementation improvement

7. Focus on not only training activities, but also on-the-job learning approaches, including mentoring and coaching through business incubator centers, involving stakeholders with the Grant program reshaped or budget revisited. Improve training quality by incorporating tailored subjects on climate change mitigation (EE and RE) and adaptation modules for MSMEs

in various sectors, and increase public awareness of the climate risks, mitigation and adaptation actions for end-users.

8. Develop stakeholder engagement and communications plan, complementing by additional efforts aimed at effective stakeholder engagement and public awareness coupled with appropriate participatory approach elaborated at all levels of planning of activities.
9. Capacity building activities, such as external training for MSMEs achieved their quantitative mid-term target, however the qualitative results are not monitored. Therefore, pre- and post-training skills developed assessment tools shall be utilized to monitor the qualitative results of the outputs.
10. Streamline public awareness through case studies and success stories on innovative results of the Programme, highlighting not only CO_2 emission reduction, but also other successes such as changing attitude and mindset, adopting high energy efficient technology, and tripartite cooperation between the sectors.
11. Improve APR reporting under investment criteria "Country ownership". Although the Programme has achieved satisfactory results through the country ownership, the result was not reported in the APRs accordingly.
12. Consider improving the current monitoring system to ensure that all results achieved of the intervention are well and fully captured by the indicators (e.g. numbers of MWh/year energy saved).
13. Programme has accumulated huge data on MSMEs loans disaggregated by various criteria and gender. Analyze and use these data for reporting, stakeholder engagement, public awareness activities and market assessment purposes and further programme development.

INTRODUCTION

Background of the Programme

1. 66.9% percent of Mongolian businesses are run by Micro, Small and Medium-Sized Enterprises (MSMEs)[1], the majority of which are currently using outdated and inefficient equipment, processes and buildings. The Business Loan Program for GHG Emissions Reduction is an expansion of the existing program that XacBank has been running since 2013, and expects a positive impact on local MSMEs, including market development; development of institutional capacity of local MSMEs through knowledge and process sharing; encouragement of the deployment of new technologies in Mongolia, nationwide impact (as the program is open to all 21 aimags in Mongolia, throughout which XacBank has an active presence with its 86 branches); targets micro-sized as well as women-led enterprises in a developing and vulnerable country (Mongolia).

> *"XacBank has a strong focus on MSMEs, Green Finance and retail customers as part of its mission to create sustainable growth in the banking and financial sector of Mongolia."*
>
> ***Tsevegjav Gumenjav, CEO of XacBank***

2. The Business Loan Program for GHG Emissions Reduction is a USD $60 million blended programme to promote energy efficient and renewable energy initiatives to reduce greenhouse gas emission to further support the NDC. A total of USD $20 million (USD 19.5 million loan, USD $500,000 grant) fund is provided by the GCF, which allows XacBank to improve its lending terms (longer loan tenor and lower interest rate) through blending with its current EE and RE funds, including the EBRD MONSEFF, GCPF GHG emission reduction program.

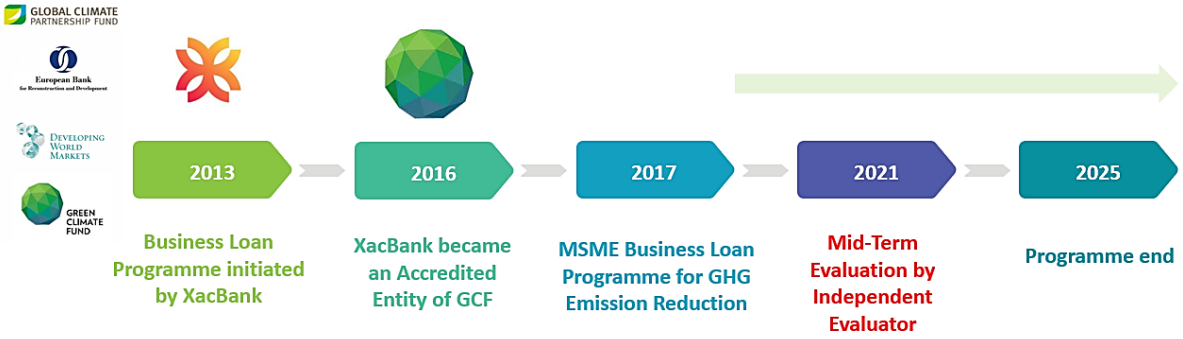


Figure 4. Business loan development XacBank

Programme Description and Strategy

3. The Programme provides XacBank with an enhanced ability to support loans to Mongolian enterprises investing in energy efficiency and renewable energy projects. The Programme became effective in 2017 and has a timeline of 5 years with a possible 3 years extension. The total current portfolio value of the 111 GCF-funded business loans under this program is USD 16.3 million. As per the FAA the GCF provided USD 500,000 as grant for a dedicated technical assistance facility to support an MSME business loan enabling environment.

[1] *Business register, 2019, National Statistics Office, www.1212.mn*

4. GCF financing aims at increasing the number of businesses receiving energy efficiency and renewable energy loans and at making a large climate impact. XacBank utilizes GCF financing for improving its lending terms (longer tenors, lower rates) and increasing the disbursal of energy efficiency and renewable energy loans to Mongolian MSMEs.

5. The Programme is helping Mongolian enterprises to adopt low-carbon business models and helps in alleviating the current prevalence of high financing costs and relatively short-term loan periods. Any business that produces, trades, or installs products reducing GHG emissions by at least 20%, or any end-user of products that reduce GHG emissions by at least 15% is eligible for the Programme. It is estimated that XacBank is able to finance carbon emission reducing projects by more than 1.2 million tons over its lifespan of 8 years.

6. The Programme supports businesswomen and MSMEs, mainstreaming gender and governance as much as possible, by offering more concessional loan terms. In accordance with the programme's gender focus, by the end of the third year of the programme at least 50% of the portfolio will support women-led MSMEs. The Programme contains the following components:

Table 2. Programme components

Components:
1. Financing of projects which increase the generation of renewable energy, the efficient use of resources of MSMEs.
2. Capacity building of financial institutions in originating, assessing, financing, and tracking sustainable energy and climate resilience projects.
3. Awareness raising among MSMEs and individual clients.

Programme Objectives and Expected Outcomes

7. The Loan facility aims at installing energy efficient processes and equipment within existing and/or new factories, with businesses as end-users of energy efficient products. In addition, producers, traders, retailers and installation service providers of energy efficient and renewable energy products are eligible for the loan, thereby incentivizing the production and use of such products within Mongolia. The facility supports the MSMEs loan market from the demand side.

8. Programme objectives align with the GCF's climate change mitigation goal to address increased demand for energy efficiency and renewable energy loan products and XacBank's corporate objectives to contribute to low-emission and sustainable development pathways. The AE provided a total of 111 business loans to MSMEs which comply with the requirement of 20% CO_2 emission reduction.

   (i) Enable increased energy efficiency and renewable energy use amongst MSMEs and end-users;

   (ii) Stimulate supply and demand for energy efficient and renewable energy products by producers, traders, installation service providers and end users.

Paradigm Shift Objectives

9. The Programme mainstreams energy efficiency (EE) and renewable energy (RE) into the MSMEs of Mongolia, by developing market supporting conditions for EE and RE investments, allowing them to compete with the conventional cheaper, high-emission alternatives. The Programme accesses various sectors of the EE and RE supply chain, from producers, traders, installers and end-

users in order to significantly shift the needle on the green sector in Mongolia and allow the benefits of such investments to trickle down to the consumer level.

Mitigation Results Areas (MRAs)

10. Programme outcomes within a logical framework (*see Table 3. Logical Framework/ RMF*) is linked to two (2) mitigation results areas (MRA), which facilitates systematic results reporting. Program mitigation areas are:

    (i) MRA 1 Energy generation
    (ii) MRA 3 Buildings, cities, industries, and appliances.

Table 3. Logical Framework/ RMF

Expected results		Impacts/ Outcomes	Indicator	Targets		Assumptions and risks
				Mid-term (2021)	Final (2025)	
Shift to low-emission sustainable development pathways						
Intermediate results	**Impacts:**	M1.0 Reduced emissions through increased low-emission energy access and power generation	Tonnes of carbon dioxide equivalent (t CO2eq) reduced or avoided	262,564.49 tCO2	525,128.98 tCO2	Majority of the emission reduction is likely to be achieved from energy efficiency projects
		M3.0 Reduced emissions from buildings, cities, industries and appliances	Tonnes of carbon dioxide equivalent (t CO2eq) reduced or avoided	334,597 tCO2	669,195 tCO2	Emission reduction will be achieved mostly from building sector as it is the majority
Immediate results	**Outcomes:**	M6.0Increased number of small, medium and large low-emission power suppliers	MWs of low emission energy capacity installed, generated or rehabilitated	-	60 MW	This indicator is the most conservative, and can increase for technologies with higher capacity factor
		M7.0 Lower energy intensity of buildings, cities, industries and appliances	Energy intensity/improved efficiency of buildings, cities, industries and appliances	51,564 MWh/ year	103,309 MWh/ year	Same as M3.0
Program results	**Outputs:**	1.Commercially viable EE and RE projects are identified, financed and implemented	1.1. Volume of financing	$ 30 million	$ 60 million	n/a
		2.Sustainable energy project identification awareness capacity increased across local institutions	2.1. Number of loan officers trained	240	400	n/a
			2.2. Number of SMEs who reached out to XacBank about participating	-	-	n/a

Expected results		Impacts/ Outcomes	Indicator	Targets		Assumptions and risks
				Mid-term (2021)	Final (2025)	
Shift to low-emission sustainable development pathways						
		3.Increased awareness of benefits of EE and RE projects	3.1. Number of contacts made through various events	900	1700	Based on existing data of active MSMEs that Xacank worked with
			3.2. Number of EcoBanking page views	2400	4800	Based on most up to date analytics on existing EE programme website
			3.3. Number of loan inquiries	576	1152	Based on current experience with existing EE loan programme
			3.4. Number of case studies published	16	32	

Technical Assistance Facility (Grant or TAF) objectives

11. Developing the institutional capacities of local MSMEs is a crucial component of the programme. Awareness of what constitutes energy efficiency, or renewable energy, or "green"-ness, is lacking in Mongolia beyond the basic concept of individual use of solar panels or hybrid cars. MSMEs are interested in green lending programmes due to the lower rates but have limited information on project eligibility criteria. Thus, the programme intends to enhance awareness of business-owners. Therefore, TAF is used by GCF as a means to build green business capacity of Mongolian MSMEs.

12. GCF's USD $500,000 is provided for goods and services concerning the following components:

    (i) Building capacity of end-beneficiaries,
    (ii) Preparing list of EE and RE technologies eligible to receive funding,
    (iii) Improving monitoring and evaluation of the project
    (iv) Lowering technical risks for the end-users-beneficiaries.

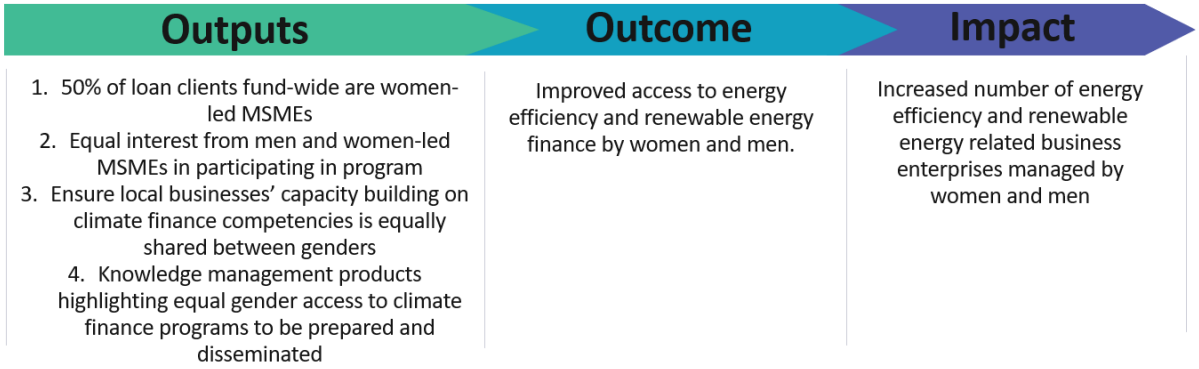
Gender objectives

13. Although the Programme gives equal access to the funds, it ensures that women-led MSMEs are the core focus of the loan activities. A women-led MSME, satisfies one of the following conditions:

    a) Firm with 51% or more ownership by women; or
    b) Firm with at least 30% women on the Board of Directors or in senior management positions; or
    c) At least 40% women employment.

14. A gender assessment was conducted, using the Swiss Agency for Development and Cooperation's Gender Overview of Mongolia report statistics, and a Gender Action Plan (GAP) was developed for improved access to energy efficiency and renewable energy finance to both men- and women-led businesses.

Figure 5. GAP ToC



Evaluation Methodology

15. The Evaluation is to provide an objective assessment of the results of the GCF's Funded activity and its effectiveness and efficiency, to identify lessons learned and to provide recommendations. The evaluation is conducted with the use of participatory approaches and principles, including a) participatory consultancy, b) applied knowledge and skills, c) results-based management and d) respect and anonymity. The evaluation is guided by the Evaluation Policy for the GCF (GCF/B.28/05/Rev.01) on the evaluation approach, evaluation criteria and practices of the Fund. Evaluation criteria found in standards and guidelines from the Organization for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) were also considered to apply the following evaluation criteria:

    1. Relevance, effectiveness and efficiency of projects and programmes,
    2. Coherence in climate finance delivery with other multilateral entities,
    3. Gender equity,
    4. Country ownership of projects and programmes,
    5. Innovativeness in results areas,
    6. Replication and scalability, and
    7. Unexpected results, both positive and negative.

16. Performance of the Programme was evaluated based on the rating system presented below. Spider web, a graphical method was used to visualize the triangulated results, transferred to an illustrative diagram. Rating descriptions:

    - Highly Satisfactory (HS): Programme is on track to exceed its mid-of-project targets and is likely to achieve transformational change by its closure. That can be presented as 'outstanding practice'.
    - Satisfactory (S): Programme is on track and to achieve end-of-project targets by its closure. That can be presented as 'good practice'.
    - Moderately Satisfactory (MS): Programme is on track and to achieve end-of-project targets by its closure with minor shortcomings.
    - Moderately Unsatisfactory (MU): Programme is on track and is expected to partially achieve its end-of-project targets by its closure with significant shortcomings. Programme results might be fully achieved by its closure if adaptive management is undertaken immediately.

- Unsatisfactory (U): Programme is off track and is not expected to achieve its end-of-project targets by its closure. Programme results might be partially achieved by its closure if major adaptive management is undertaken immediately.
- Highly Unsatisfactory (HU): Programme is off track and is not expected to achieve its end-of-project targets without major restructuring.

17. The evaluation methodology combines several evaluation tools and instruments. Information was gathered from the different types and levels of stakeholders, guided by key questions and sub-questions for each evaluation category. An evaluation matrix was developed which was used as the guiding document for interviewing participants, collection of relevant data and for extracting findings. *See* ***Error! Reference source not found.***.

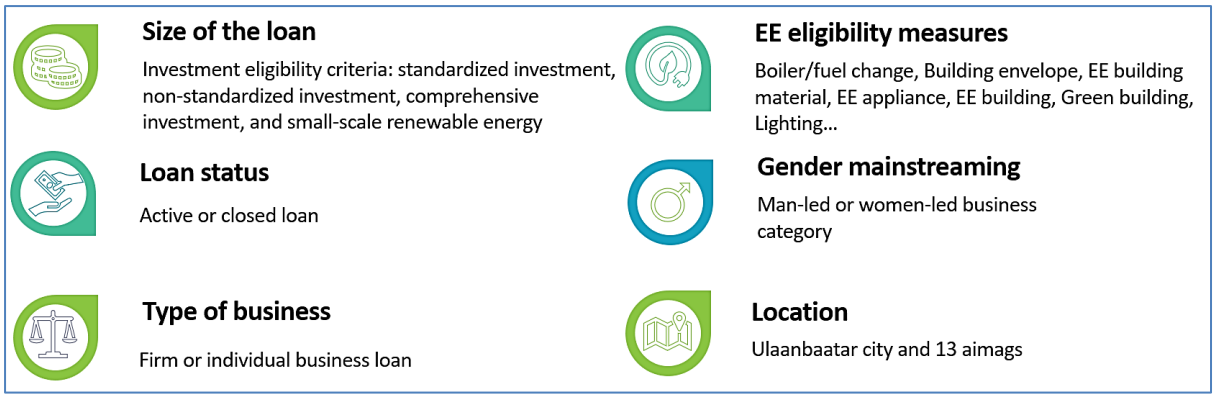
Methodology description and data collection

18. The total of 111 GCF- funded business loans were provided as of the end of 2020, the fourth year of funding, disbursing USD $16.3 million out of the GCF loan of USD $19.5 million. The Evaluation consisted of data sampling analysis, desk review of documents, stakeholder mapping, interviews, site visits and meetings.

Data sampling

19. According to the desk review of the AMA, FP, FAA and other supporting documents provided by the AE, the evaluation team requested the list of 111 business loans, with specific information for selection of loans for detailed analysis. The AE applied four (4) types of investment eligibility criteria: 1) standardized investment, 2) non-standardized investment, 3) comprehensive investment, and 4) small-scale renewable energy. The evaluation reviewed loan size, energy saving or GHG emission reduction targets, pre-program evaluation criteria, monitoring and post-evaluation criteria, eligible measures and restrictions. These criteria and other specifics of the loan were used in the selection of borrowers and loans for data sampling.

Figure 6. Specifics of the Business loans



20. 18 borrowers with a total of 32 loans were selected for data sampling, site visits, and interviews. The selected borrowers covered all criteria listed above, as:

- Loan size per investment criteria: 17 standard, 5 non-standard; 9 comprehensive; 1 small-scale renewable energy loan;
- Eligible measures: all 12 types
- Location: 7 locations out of 14 - 12 in Ulaanbaatar city; 6 in aimags;
- Borrower status: 12 firms; 6 individuals borrowers;
- Loan status: 13 active; 5 closed loans;
- Gender mainstreaming: 18 businesses, including 13 woman-led businesses.

v Stakeholder mapping

21. The desk review of the documents resulted in a list of stakeholders in varying levels of engagement, as follows: 1) partnership, 2) participation and 3) consultation levels.

    1) Partnership level: AE, borrowers, NDA, GCF Focal Point,
    2) Participation level: Government organizations, other stakeholders mentioned in the Funding Proposal and APRs,
    3) Consultation level: others.

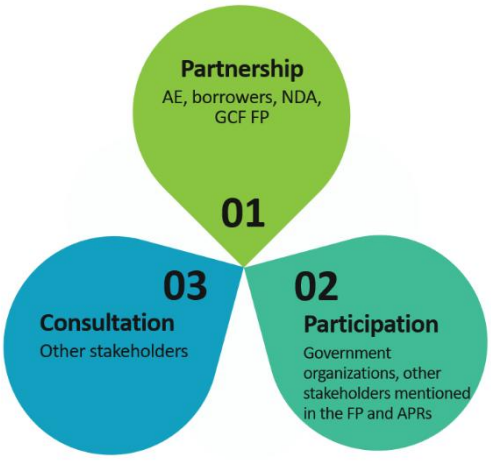


Figure 7. Stakeholder mapping

22. Interview questionnaires were developed for each type of stakeholder: a) AE, b) Government stakeholders, c) multilateral entities, international and local organizations, and d) borrowers. Interview questionnaires were developed using the evaluation matrix.

23. The evaluation team considered gender equity in stakeholder mapping and meetings. 37 (50% female) stakeholders' representatives were interviewed at all levels. *See* ***Error! Reference source not found.***.

Triangulation assessment

24. The evaluation is based on detailed data of the loans disbursement (disbursement year, loan status (closed/ active), borrowers status (entity/ individual), disbursed amount (MNT/USD), loan type (standard/women-led), GHG emission savings (CO_2eq.), project lifetime, electricity savings (kWh), loan category (Impact indicator: M1/M3), eligibility criteria, eligible measures, locations), details of grant disbursement, list of trainings (internal/ external), participants (F/M), training materials and public awareness activities and events provided by the AE.

25. Additional data for the evaluation was collected through desk reviews of the Funding Proposal, FAA, APRs and other supporting documents listed in **Error! Reference source not found.** and through semi-structured interviews with key stakeholders, implementing partners, climate change specialists, energy experts, government officials, NGOs, and international and donor organizations. Interviews were used to supplement the data collected during the desk reviews and were conducted in-person, virtual, via telephone calls.

Code of conduct

26. The Evaluation was carried out in accordance with the ethical guidelines and Code of conduct established by the BRP LLC based on internationally recognized guidelines independently, impartially, and rigorously. *See* ***Error! Reference source not found.***.

Limitation of the evaluation

27. The COVID-19 pandemic, which is registered as high risk, had an impact on the evaluation of the Programme. The pandemic limited field trips, meetings and site visits to the borrowers' business locations. Most interviews were conducted via online platforms (Zoom, Microsoft teams, Google Meet), which created barriers to obtaining qualitative information.

28. Evaluation team has conducted several in-person visits at XacBank location to conduct review of the loan documentation, and internal policies and procedures of the loans. The COVID-19 pandemic impacted on some of the Evaluation team members to conduct in-person reviews of the documents at the XacBank's location, scheduling and conducting interviews with stakeholders, and internal and external team meetings and team members' availability, directly caused the extension of the evaluation process.

29. Stakeholder communication is registered as low risk. Although the AE coordinated each selected borrower for site visits and interviews, borrowers with closed loans and accounts were not available.

KEY STRATEGIC FINDINGS

30. The evaluation findings based on the seven (7) evaluation criteria and key proposed questions are presented in the next chapters. Key proposed questions are presented in boxes under each criterion to guide the readers through the findings.

1. Relevance, Effectiveness and Efficiency of the Programme

31. Evaluation criteria "Relevance, Effectiveness and Efficiency of the Programme" applied, considering each aspect of this criterion separately as summarized below.

Table 4. Summary of the Section "Relevance, Effectiveness and Efficiency of the Programme"

Relevance	Effectiveness	Efficiency
- Relevance of the Programme to the country's needs and priorities - Analysis of the Programme Theory of Change and Intervention Logic	- Achievement and Effectiveness of the Programme on progress towards the results	- Implementation and Efficiency - Adaptive and Risk Management - Monitoring and Evaluation - Programme finance and co-financing

Relevance of the Programme to the needs and priorities

32. This section analyses the Programme's relevance to the country's needs and priorities, and links with local situation, considering its design logic (in the framework of outcomes and objectives to reach the objectives) and the framework formulation.

- *Was the context, problem, needs and priorities well analysed and reviewed during project initiation?*
- *Are the planned project objectives and outcomes relevant and realistic to the situation on the ground?*

33. The Programme is well anchored with local market needs and demands that are recognized as being low interest-long term business loan to the MSMEs. Since the Programme is an extension of former the Business Loan Program for GHG Emission Reductions which was offered by XacBank since 2014 when it partnered with the EBRD and GCPF. The XacBank's previous experience in financing the EE and RE solutions leveraged in the country (stakeholders and beneficiaries) needs assessment. In addition to their knowledge and experience, country specific analytic reports and research studies were employed to identify needs and priorities, such as:

- Technology Needs Assessment (TNA), GEF/ UNEP, 2013 – Guidebooks provide information in technologies for climate change mitigation and adaptation in priority sectors of Mongolia.
- SMEs and Women-owned SMEs in Mongolia, IFC, 2014 – Market research study, a guidance to financial institutions in the design and implementation of their SME Banking and Women-focused products in Mongolia. This market research study highlights the key trends, challenges, and opportunities for Mongolian SMEs in three areas: enabling environment, supply and demand prospects for financial and non-financial services, and demand for and access to finance, with particular focus on women-owned business.

- Assessing Energy Efficiency Potential in Mongolia, ADB, 2015 - an assessment of demand-side energy efficiency potential in the country to identify appropriate business models and suitable technologies and developing an investment portfolio.

34. Numerous multi-stakeholder consultations with ERC and other financial institutions on green financing were organized during the initiation phase. Moreover, the programme is fully in line with national priorities that aim directly or indirectly at mitigating GHG emissions including:

    - Green Development Policy (2014) has six strategic objectives, of which Strategic Objective #1 is to "Promote resource efficient, low greenhouse gas emission and waste less production and services".
    - Mongolia's Third National Communication on Climate Change to the UNFCCC (2014) lists a number of strategies for reducing greenhouse gas emissions from the energy sector, including options to "improve building insulation and heating systems" (mentioning improved building insulation, improved heating systems in buildings and improved lighting efficiency)
    - Energy Conservation Law (2015) mandates large energy consumers to undergo an energy audit and to report annually their energy consumption as well as plans and activities in reducing their energy consumption.
    - Nationally Determined Contribution (2019) specifically mentions a target in the energy sector increasing the renewable electricity share in total installed capacity by 30% by 2030, compared to the 2014 level.
    - Towards Mongolia's Long Term Development Policy -Vision-2050, 2020 (Vision-2050) stated that Government of Mongolia intends to meet global climate change commitments through Objective 6.4 "Contribute to international climate change mitigation efforts by developing low-carbon, productive, and inclusive green economy."

35. Overall, the Business Loan Programme for GHG emission reduction has helped to lay a foundation for private climate financing in the Mongolian market. The Programme is an opportunity for some MSMEs to completely change the way in which they address climate change, by increasing their financial capacities, and seeing clean energy and energy saving in a totally different perspective. Some of them are already extremely thankful and enthusiastic about the outputs delivered by the intervention.

Analysis of the Programme Theory of Change and Intervention Logic



- *Is the project Theory of Change (ToC) and intervention logic coherent and realistic?*
- *Does the ToC and intervention logic hold, or does it need to be adjusted?*
- *Do outputs link to intended outcomes which link to broader paradigm shift objectives of the project?*

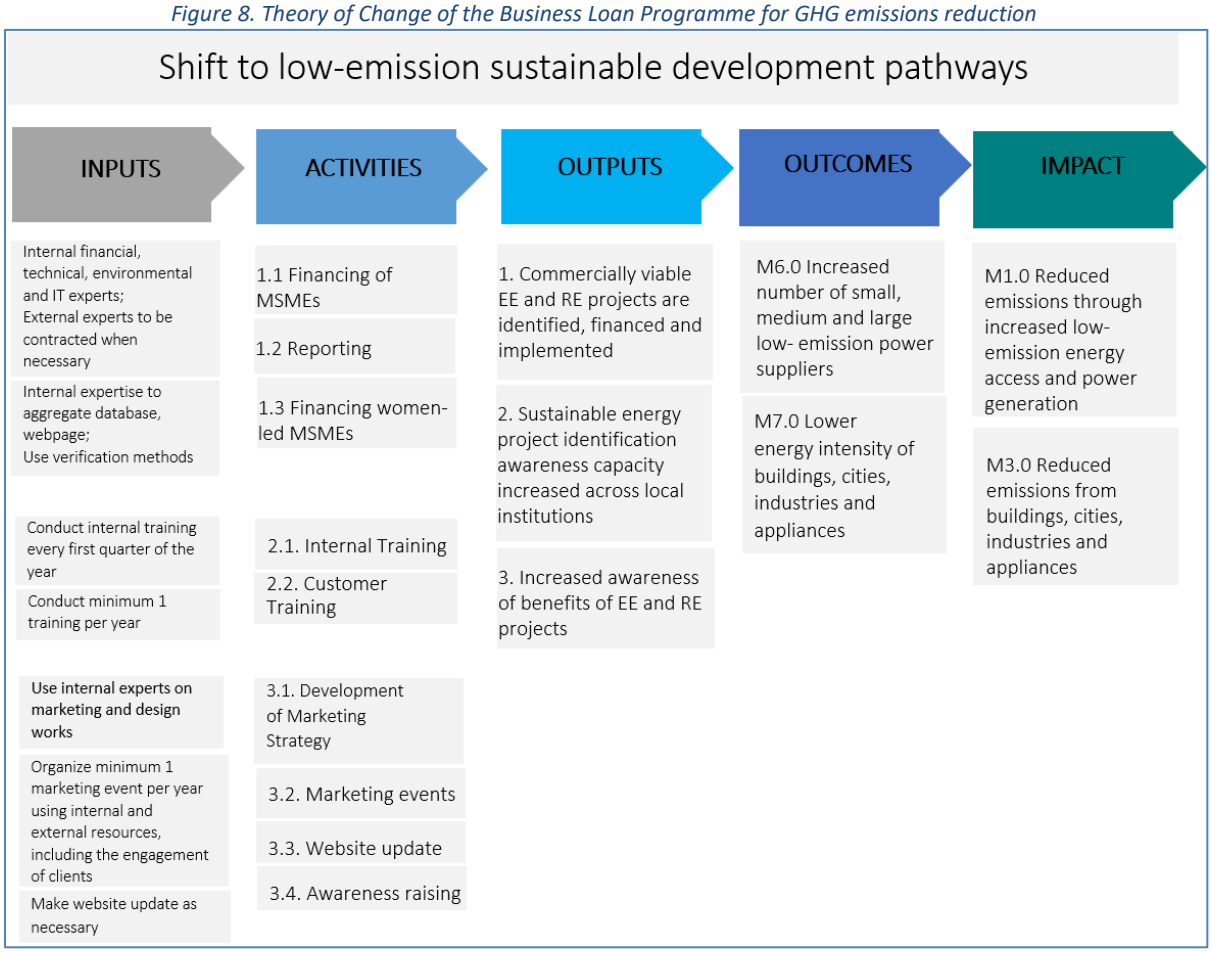
36. The logical framework is coherent and adequately describes the intended results of the programme and clearly shows how one relates to another. The key outputs are relevant and consistent with the overall logic of the programme.

37. By design, the intervention incorporates a holistic approach, financing modality for energy efficiency and renewable projects aimed at MSMEs with longer term and lower rate business

loans. In particular, it aims at a) providing commercially feasible climate financing, b) increasing local institutions' awareness and capacity in identifying sustainable energy projects, and c) raising awareness on EE and RE benefits. Most importantly, the programme promotes gender-equal funding access to support women-led MSMEs which is a core focus of the loan activities.

38. "Commercially viable financing" set up in the framework together with increasing awareness activity is relevant and appropriate to lead to the expected results. Overall, the resources foreseen for the intervention and its duration are sufficient for responding to the needs of the target groups.

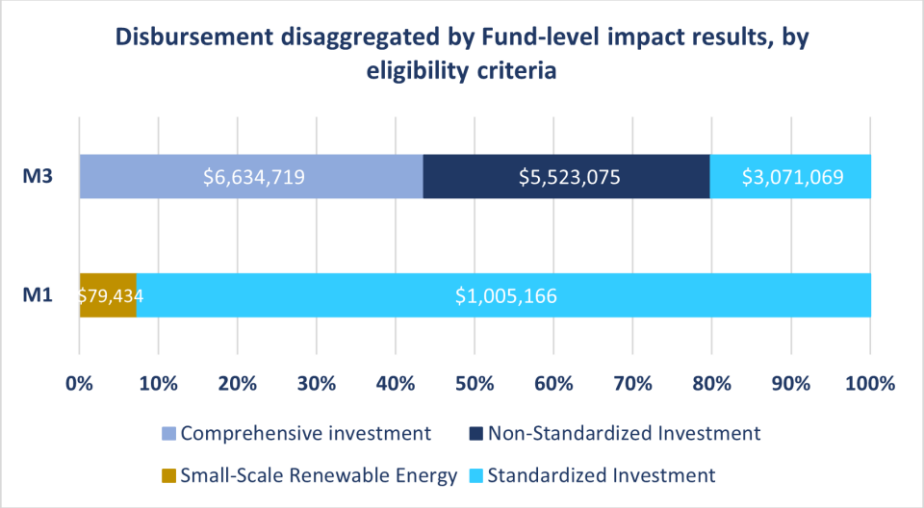
Figure 8. Theory of Change of the Business Loan Programme for GHG emissions reduction



39. The Programme and its implementation strategy have been calibrated according to the needs and problems identified for private sector EE and RE investments, both at the levels of the implementer and of the borrower. The Programme effectively builds on previous experience both in the EE and RE sector and in the country.

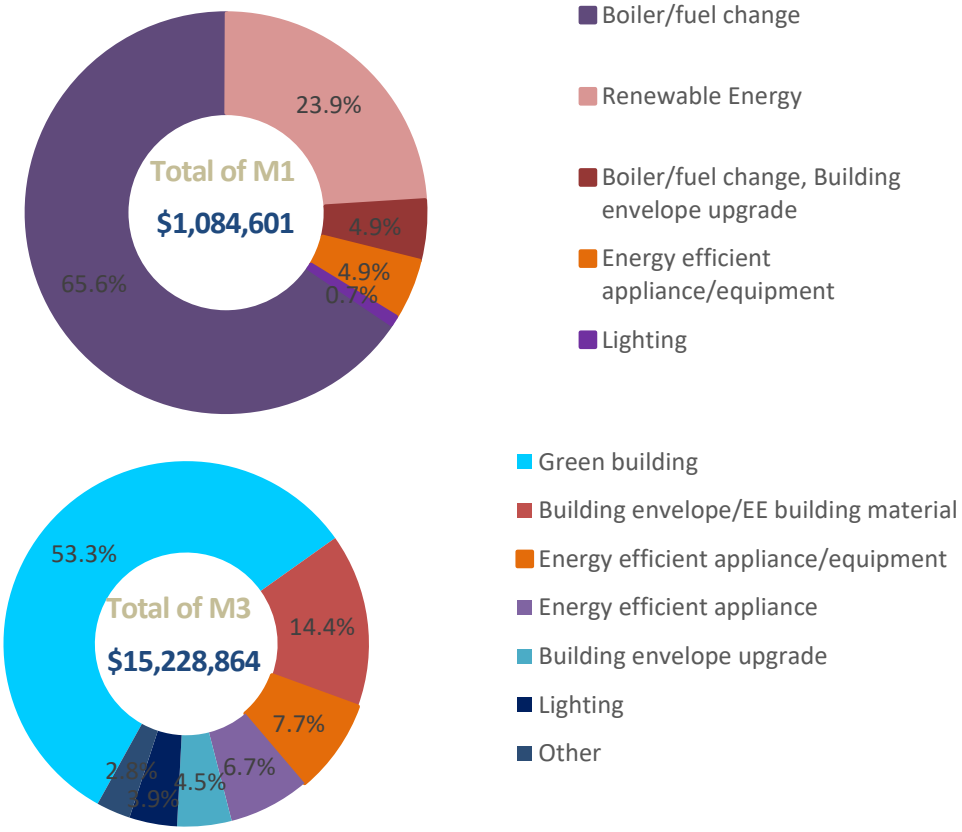
40. The Intervention logic is straightforward, complete, and clear and it is well presented in an adequately detailed 2-level logic framework. The expected Impact is in line with GCF Performance Measurement Frameworks and considered as measurable and optimal: a) M1.0 Reduced emissions through increased low-emission energy access and power generation; and b) M3.0 Reduced emissions from buildings, cities, industries and appliances.

Figure 9. Loan disbursement disaggregated by Fund-level impact results, by eligibility criteria



41. The Outcome is two-fold, referring to a) M6.0 Increased number of small, medium and large low-emission power suppliers and b) M7.0 Lower energy intensity of buildings, cities, industries and appliances. Although, the AE has neither measured, nor reported results achieved on M6.0 and M7.0 outcomes through its APRs, the AE has accumulated information through energy auditor's reports included in the final Programme Report. More-over the results on Fund-level impacts M1.0 and M3.0, and Program-level outcomes M6.0 and M7.0 can be disaggregated by gender and industry type. *See Figure 10. The figure below for detailed disbursement of loan amount disaggregated by fund-level impacts results area M1.0 and M3.0 by eligible measures.*

Figure 10. Disbursement disaggregated by Fund-level impact results, by eligibility criteria and eligible measures



42. A total of three (3) Outputs are sufficiently well formulated, being concrete and specific enough to lead to the achievement of two (2) Outcomes while there are nine (9) specific activities under the Outputs. The Intervention logic framework includes eleven (11) quantitative indicators at the three (3) levels of results.

Table 5. Results level indicators

Indicators at Impact level	Indicators at Outcome level	Indicators at Output level
1. tonnes of carbon dioxide equivalent (tCO2eq) reduced or avoided; 2. tonnes of carbon dioxide equivalent (tCO2eq) reduced or avoided	3. 6.3 MWs of low emission energy capacity installed, generated or rehabilitated 4. 7.1 Energy intensity/ improved efficiency of buildings, cities, industries and appliances	5. Volume of financing 6. Number of loan officers are trained to offer Eco Products 7. Number of SMEs who reach out to XacBank about participating 8. Number of contacts made through various marketing events 9. Number of unique page views on Eco Banking program website 10. Number of loan inquiries (regardless of ultimate acceptance) 11. Number of case studies published

43. All indicators are RACER (Relevant, Accepted, Credible, Easy to monitor and Robust), adequately formulated and properly embedded into the logic framework. Therefore, baseline, mid-term and final targets (including reference year), sources of verification and assumptions are adequately presented. Output level indicator "Number of SMEs who reach out to XacBank about participating" has not determined mid- and final targets but was reported on an-annual basis. Next year targets are set in each APR. Although the majority of indicators can be disaggregated by sex, none of them have sex-disaggregated targets. Only one gender-sensitive indicator included is "Number of case studies published with emphasis on showcasing women-led MSMEs".

Achievement and Effectiveness

44. This section presents progress towards the Programme results. For each of the outcomes, the section assesses the progress in implementation of the outputs and activities, following the logic framework of the Programme and as reported by the Annual Performance Reports (APRs).

- *What and how much progress has been made towards achieving the overall outputs and outcomes of the project (including contributing factors and constraints)?*
- *Are the planned inputs and strategies identified realistic, appropriate, and adequate to achieve the results? Were they sequenced sufficiently to efficiently deliver the expected results?*
- *Are the outputs being achieved in a timely manner? Is this achievement supportive of the ToC and pathways identified?*

45. The Programme has produced encouraging results to date. By 2020, a total of 995,267 tCO_2 eq. GHG have been reduced and USD 43,827,585 disbursed through the Programme. The web-based tool, named CO2rA[2], which is a simplified reporting and tracking tool on project eligibility, which

[2] *https://www.responsability.com/impact-for-climate*

tracks on-lending targets, details an overview of AE's portfolio and visualizes CO_2 emissions and energy saved. CO2rA's approach to CO_2 saving calculations are in line with global reporting standards, which allows the Programme to meticulously monitor and report GHG emission savings of the projects' Fund-level impacts M1.0 and M3.0.

Table 6. Achievement Progress, by Programme level Outcomes

Indicator with mid-term (end of 2021) target	Actual value or status of the indicator
M6.0 MWs of low emission energy capacity installed, generated or rehabilitated **Target: None**	"Will be reported in the final report for this Programme. Only emission reductions will be reported yearly" reported through APRs
M7.0 Energy intensity/improved efficiency of buildings, cities, industries and appliances **Target: 51,564 MWh/ year**	No data reported through APRs

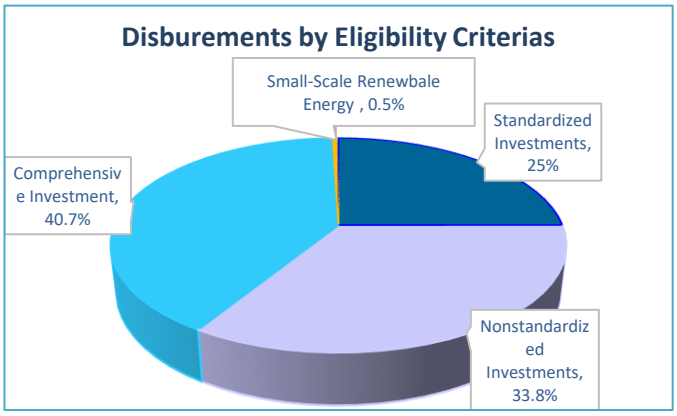
46. Achievements under outcome level indicators were calculated as a result of evaluation, based on the detailed loan list, including CO_2 emission reduction, energy saving, etc. The GCF financing itself could save 51,328.3 MWh/year as of end of 2020, which is almost hit Programme mid-term Outcome M7.0 target. An average tCO_2 emission reduction per MWh energy saving per year is 1.03 tCO_2/ MWh (GCF financing only), excluding outlier in data provided.

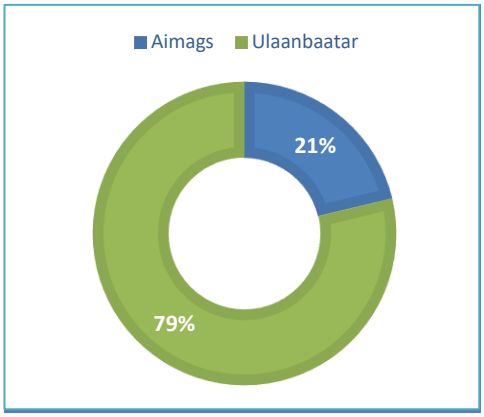
47. Output 1 comprises data from three interrelated activities: Financing of MSMEs, Reporting, and Financing women-led MSMEs. As of December 2020, an implementation progress of the Financing of MSMEs achieved 84% and the Financing women-led MSMEs[3] 77%.

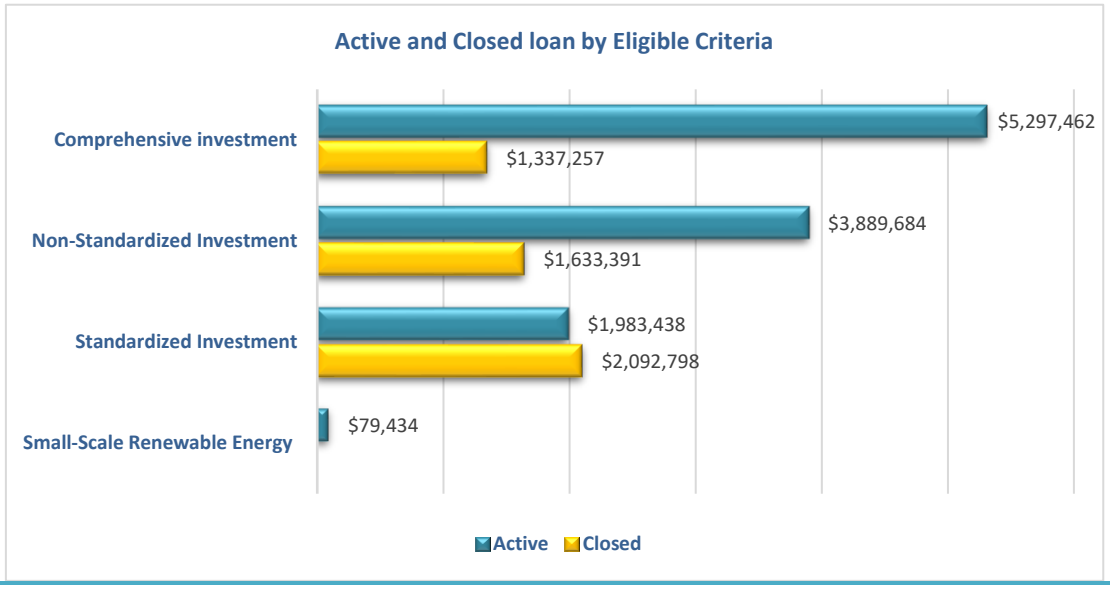
[3] *Please see Section Gender Equity for more detailed information*

Box 1. Loan disbursement

The XacBank has provided 111 sub-loans to disbursing 84% of the total Loan Programme amount, 84% of which are entity loans, 21% of disbursed loan amount are distributed to support rural businesses in 13 aimags through its branches. AE used four (4) types of investment eligibility criteria: 1) standardized investment, 2) non-standardized investment, 3) comprehensive investment, and 4) small-scale renewable energy, considering loan size, energy saving or GHG emission reduction targets, pre-program evaluation criteria, monitoring and post-evaluation criteria, eligible measures and restrictions. Comprehensive and non-standardized loans have longer terms, most of which are still active loans.







48. The financing undertaken to date is achieving high energy saving performance (with savings ranging 20-40%). Most interviewed MSMEs highlighted the accessibility and affordability of business loans, which have contributed to significantly expand their productivity, ability, and knowledge in the field of EE and RE.

49. Under Output 2, capacity building trainings targeting 240 loan officers of XacBank and customers on originating, assessing, financing and tracking sustainable energy and climate resilience projects were developed and conducted. Total number of participants gained knowledge on essential concepts on sustainable energy project identification through the internal capacity building trainings reached 881, and total number of people attended in external training organized under the Programme reached 656.

50. The Intervention has positively impacted building capacity outputs for the AE and businesses, directly contributing to the Outcomes. However, APR for 2018 reported 217 participants, whereas the findings confirms 242 participants attended in the external trainings.

51. Output 3 comprises of multi-activities including development of marketing strategy; marketing events; website update; and awareness raising. Design for brochures updated and marketed XacBank capacity for EE and RE projects. However, the 4th Green Financing Forum– annual marketing event – was cancelled due to the Government's restriction on COVID-19. Annual events were organized consecutively in 2017-2019. According to latest performance report, an implementation progress of each activity achieved 70% by end of 2020. Particularly, a total of 2650 contacts were made through marketing events and the Eco Banking MSME product page was viewed 6270 times, 611 loan inquiries were accepted, and 12 case studies were published[4].

52. Overall, measurable outputs are being delivered, although not always as planned because of the COVID-19 pandemic in 2020. Some activities' milestones and targets are not being achieved in full within the implementation period, but the Outputs expected to be delivered, are likely to contribute to a sufficient extent to the Intervention's Impact.

Implementation and Efficiency

53. This section describes the assessment of quality of the execution by XacBank regarding Programme governance and resource utilization during implementation and the role of adaptive management. Also, it presents the assessments of the Programme monitoring and evaluation at implementation.

Management Arrangements

- *Are the project's governance mechanisms functioning efficiently?*
- *To what extent did the design of the project help or hinder achieving its own goals?*
- *Were there clear objectives, ToC and strategy? How were these used in performance management and progress reporting?*
- *Were there clear baselines indicators and/or benchmark for performance measurements? How were these used in project management?*
- *Have project resources been utilized in the most economical, effective, and equitable ways possible (considering value for money; absorption rate; commitments versus disbursements and projected commitments; co-financing; etc.)?*

54. The Programme is overseen by the Eco Banking Department of XacBank and process of distributing loans follows normal bank disbursal procedures with additional steps to ensure that 20 percent reduction in energy consumption or 20 percent CO_2 reduction (15 percent for end-users) is achieved. The Treasury Division and the Financial Management Department of XacBank are mandated to provide overall governance guidance to the Programme.

55. The implementation mechanisms are sufficient and function fully efficiently due to XacBank's years of experience and sustainable operations in this field. The AE has set up an adequate management structure and appropriate tools (5-C analysis[5]) derived from past experiences in similar areas. Moreover, XacBank is putting efforts to ensure capacity enhancement for a range of internal staff such as loan officers and retail staff to recognize clients with investment potential.

[4] *APRs for 2017-2020*
[5] *5-C (Character; Condition; Capacity; Capital; Collateral)*

This is clearly adding benefits to achievement of the Programme results in various approaches: identification and assessment of potential projects/measures – sales – tracking estimated impact of the financed projects/measures.

Adaptive and Risk Management



- *To what extent is the project able to demonstrate changes against the baseline (assessment in approved Funding Proposal) for the GCF investment criteria (including contributing factors and constraints)?*
- *How realistic are the risks and assumptions of the project? How did the project deal with issues and risks in implementation?*
- *To what extent and how the project applies adaptive management?*

56. XacBank's Internal Audit Division has provided overall management and guidance and has been responsible for monitoring and evaluation along with quality assurance for the Programme.

57. A risk assessment of the Programme has identified 5 potential risks (with the type of risk and probability of occurrence): 1. Lack of interest in loan program from MSMEs/limited uptake of EE and RE products; 2. Currency risks, foreign exchange fluctuations; 3. MSMEs default on loans; 4. Funds not being used for intended EE and RE purpose; and 5. Technology-related risk e.g., failure of installed EE and RE components, installed technologies not suited for required task, inexperienced staff unable to operate the equipment to achieve efficiency gains. These risks did not seriously affect the actual implementation of the Programme, outside the effects of the COVID-19 pandemic.

58. A stringent control systems and fully developed risk assessment and mitigation tools in place utilized by XacBank, being responsive to related changes to the implementation where needed due to COVID-19 pandemic:

    - Internal traditional trainings were replaced with online trainings, while external trainings and events were limited due to restrictions imposed by the Government on public gathering, travel bans and border closures;
    - Online submission of loan request was utilized and advanced following series of lockdown and outbreak of the pandemic.

Monitoring and Evaluation



- *To what extent did the project's M&E data and mechanism(s) contribute to achieving project results?*

59. An adequate internal Monitoring and Evaluation (M&E) system is in place, using the internal organizational structure. XacBank quarterly monitors the development of its associated activities including levels of loan disbursement, through various monitoring processes including the following:

    a. loan disbursal activities overseen by Eco Banking Department, and
    b. audited by Internal Auditing Department.

60. The Eco Banking Department in charge of collecting the data to measure progress on the implementation of activities and update frequency and status of the results achieved. The performance of the Programme is monitored and evaluated according to the GCF standards with

all indicators from the logic framework and reported on results and implementation progress through APRs each year.

Programme finance and co-financing

- *Have project resources been utilized in the most economical, effective, and equitable ways possible?*

61. The GCF loan of USD 19.5 million is approved for disbursement over the Programme lifespan, currently USD 16.3 million have been disbursed by end of 2020. According to the latest Annual Performance Report (2020), 84% of the approved portfolio have been distributed to borrowers.

62. By the end of 2020, the total distributed amount was USD 43.6 million which is 73% progress to the total Programme financing amount (USD 60 million). GCF financing portion is 37.7% vs total programme disbursement as of 2020.

63. Overall, the implementation is cost-efficient, given the outputs produced with the inputs available, and the funds allocated to the AE are more than adequate for delivering all planned outputs.

2. Coherence in climate finance delivery with other multilateral entities

64. This section describes findings on how GCF financing is additional, able to attract other investments and amplify climate finance to Mongolia through partnerships not limited to multilateral entities but including local programs.

Partnership in Paradigm shift

- *Who are the partners of the project and how strategic are they in terms of capacities and commitment?*
- *How has the project contributed to achieving stronger and more coherent integration of shift to low emission sustainable development pathways (GCF RMF/PMF Paradigm Shift objectives)?*

65. At the Funding proposal approval stage, the AE has had multilateral co-financiers on MSMEs loan Programmes being implemented since 2013. According to the interview attempts to extend blending of the Programme with another multilateral entities, such as EBRD, were made by the AE. However, XacBank implements other MSME support loan programmes financed by multilateral entities[6].

66. The Programme's results under M1, M3 Impacts being achieved as a result of coherent approach towards the shift to low emission sustainable development pathway is found to be an important contribution.

67. The team has assessed the results under the following sub-indicators of the key impact potential indicators disaggregated by leveraged GCF fund:

[6] *ADB, EBRD, GCPF, IFC, FMO provided financial support to Mongolian economy through Xacbank, the recognized GCF's accredited entity. IFC syndicated $65 million loan to XacBank to support the expansion of access to finance for more than 44,000 MSMEs, to create jobs and promote economic diversification in Mongolia, FMO – $100 million syndicated to strengthen XacBank's long-term funding base and allow the bank to further grow and expand in its focus areas in retail, MSME. ADB - $30 million loan to support expansion of XacBank LLC's financing to MSMEs, focusing on those owned by women and located outside of Ulaanbaatar.* www.xacbank.mn

a. tCO2 eq. reduced as a result of GCF fund (as indicated in the APRs)
b. Cost per tCO2 eq. decreased for all GCF fund (as indicated in the APRs)

Box 2. Impact potential indicator, GCF funds

- *The life-time cumulative CO_2 eq. as a result of total financing fund has been estimated to be 995,269.99 tCO_2 eq., which is 67% greater than mid-term Fund level mitigation target of 597,161.40 tCO_2 eq.*
- *Estimated GCF cost per tCO_2 eq. as of 2020 is USD 16.59, which is lesser than the final target of USD 16.74 per tCO_2 eq.*
- *Estimated cost per tCO_2 eq. as of 2020 is USD 43.84, which is lesser than the final target of USD 50.24 per tCO_2 eq.*

68. XacBank collaborated with the ERC, one of the stakeholders to increase local knowledge and capacity on EE and RE under this Programme's capacity building Output 2, such as conducting energy auditors' training on improving energy usage and utilized energy auditors for the calculation of energy savings and CO2 reduction of the borrowers' projects. The interview with borrowers indicated that knowledge about EE and RE has improved, but unequally.

69. At the implementation stage, the Programme has involved other multilateral entities funded projects and programs to create synergy activities on sustainable local capacities in energy efficiency building retrofit or new development, financing, and monitoring, as well as in development and implementation of the enabling regulatory framework. As such, a collaborative approach with the USAID funded REACH project implemented to support MSMEs was relevant and coherent in delivering climate finance.

70. Through interviews with stakeholders it has been identified that the collaborative approach leads to change the strategy of the business development organizations, which are now keen to deliver trainings specifically focusing on green products and services, since the Mongolian Green Taxonomy was developed and approved in 2020. However, only 3% of the total loan portfolio of all commercial banks of Mongolia is considered green[7]. Coherence between the needs in green finance and supply is still urgent, while Green taxonomy enables a shift to low emission sustainable development pathways.

Complementary relationship in climate finance

- *Is there coherence and complementarity by the project with other actors for other climate change interventions?*
- *To what extent has the project complimented other on-going local level initiatives (by stakeholders, donors, governments) on climate change mitigation efforts?*

71. The needs of financing for INDC actions in energy savings estimated to be 3,407 million USD till 2030, and the budgeted amount in the GoM action plan is 12.5 million USD. The clear need to find sources of co-financing in energy saving technologies and insulation led to increase in coherence in climate finance delivery with other multilateral entities, and aligned with the Vision 2050, Green Development Policy and National Action Programme on Climate Change.

72. One of the key features of the program is that this Programme started at the time when there was a gap in the green financing, as indicated by the Focal point, NDA during the interview.

[7] *Bank of Mongolia*

73. The Business Loan Programme is the pioneer programme that establishes fundamentals of the green financing, attracts international funding organizations and creates possibilities to open-up the opportunity for low-rate loans. XacBank received two key investments: US$20 million support from GCPF in 2013, and US$15 million support from EBRD's Sustainable Energy Financing Facility in 2014.

74. The Programme draws a smooth path to greening the economy and allows international financial institutions to see synergy potential in climate activities and step in for coherent initiatives in climate finance. The climate finance delivery and national policies generally aim at decreasing GHG emissions from Energy and Construction sectors through increasing renewable energy sources or efficiency of energy and heat systems, which is coherent with the commercially viable EE and RE projects that are identified and financed through this MSME Programme (*Output 1*).

75. As this programme, implemented by XacBank is launched, other "green" climate financing products have initiated by other banks as follows[8]:
    - Green loan by Golomt bank – aimed towards EE housing in the ger district (housings no access to centralized supply of water or sanitation or heating system)
    - Green Loan by State bank – aimed towards EE and RE and sanitary sectors
    - Green loan by Trade and Development bank – all activities classified by MSFA
    - Green loan by Khaan bank – EE and RE activities/projects are covered
    - Green loan by Transcapital Non-Bank Financing Institution – energy efficient building, eco-car, eco-appliances.

3. Gender Equity

76. This section describes linkage of the Programme to the needs of both men and women, alignment and consistency of the Gender Action Plan (GAP) to the objectives and indicators, and assessment of the GAP results.

77. Programme's objective to equally increase business enterprises managed by men and women is being overseen by the GAP. Objectives, outputs and indicators are linked to the country needs, interlinked and coherent with Programme objectives, outputs and indicators. GAP logic is to contribute to equal distribution of climate finance to both men and women and targeted towards outcome of improved access to energy efficiency and renewable energy finance to both men and women. GAP has four (4) outputs directly aligned with the Programme level outputs as shown in below table. *See Table 7s below*

[8] Note: The evaluation was being conducted during the period when the GoM has launched MNT 2 trillion loan program to support businesses affected by the COVID-19 pandemic. The Program has annual interest rate of 3% with 3 years of term, and the government will be responsible for 60% of loan guarantee where necessary. According to interview local businesses have applied and received support besides their loan from XacBank, which creates a true coherence in getting financial support.

Table 7. GAP alignment with and Programme outputs

GAP outputs	Alignment	Programme outputs
50% of loan clients fund-wide are women-led MSMEs		Financing pf projects which increase the generation of renewable energy, the efficient use of resources of MSMEs
Equal interest from men- and women-led MSMEs in participating in programme		
Ensure local businesses' capacity building on climate finance competencies is equally shared between genders		Capacity building of financial institutions in originating, assessing, financing and tracking sustainable energy and climate resilient projects
Knowledge management products highlighting equal gender access to climate finance programme to be prepared and disseminated		Awareness raising among MSMEs and individual clients

78. Eight (8) GAP indicators are formulated to show quantitative gender results achieved through this Programme. Five (5) indicators are coherent with Programme level indicators and supports Programme outputs gender mainstreaming, while three (3) stand-alone indicators are not directly linked but are relevant as is.

Table 8. Coherence between GAP and Programme indicators

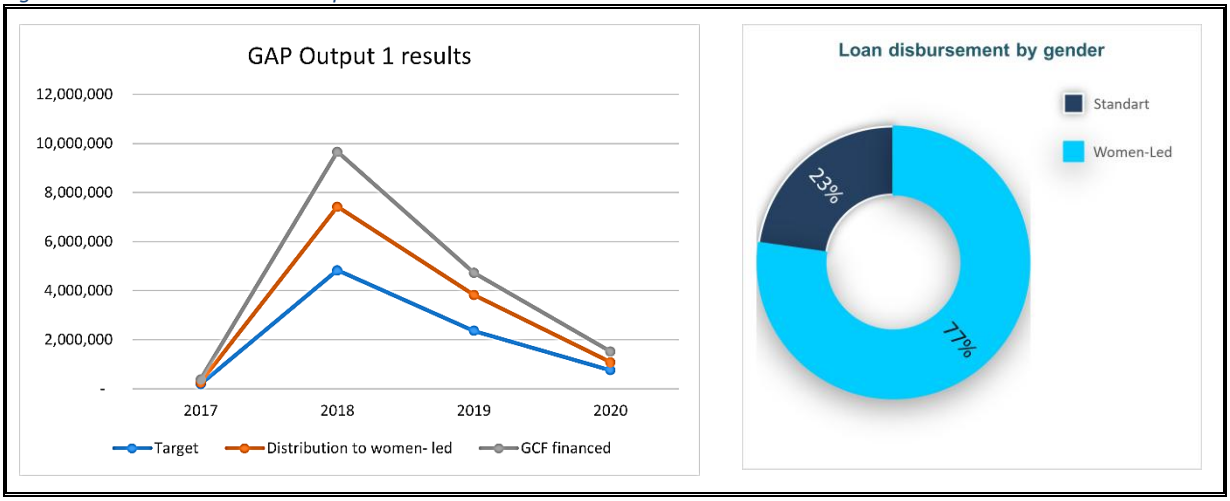
GAP indicators	Programme indicators
1. Loan data of MSME clients disaggregated by gender and classified as women-led based upon achieving one of the three criteria below: ❖ Greater than 50% ownership by women ❖ At least 30% women on company board or in senior management positions ❖ At least 40% of employees are women	Volume of financing
2. At least 50% of participating MSMEs must be women-led	Volume of financing
3. Data on potential SME program client meetings and inquiries disaggregated by sex	Number of SMEs who reach out to XacBank about participating
4. All inquiring companies to be classified as either women-led or not, regardless of if they end up participating in the program. This data will be compared to target ratios	Number of loan inquiries (regardless of ultimate acceptance)
5. Aim for 50% of company inquiries from women-led SMEs, adjust gender-targeted marketing based on if these goals are achieved	n/a
6. Outsourcing employment statistics to be disaggregated by gender	n/a
7. Aim for 50% of all external advisors to be women	n/a
8. Number of case studies every quarter of program operation	Number of case studies published

Intervention through GAP Outputs

- *Does the project only rely on sex-disaggregated data per population statistics?*
- *Are financial resources/project activities explicitly allocated to enable women to benefit from project interventions?*
- *Do women as beneficiaries know their rights and/or benefits from project activities/interventions?*
- *How do the results for women compare to those for men?*
- *Is the decision-making process transparent and inclusive of both women and men?*
- *To what extent are female stakeholders or beneficiaries satisfied with the project gender equality results?*

79. GAP Output 1: The Programme concentrated on increasing women's access to climate finance by bolstering their economic empowerment and by focusing on women-led businesses. The critical measurable Output 1 of the GAP is the goal to distribute at least 50 per cent of the GCF-finance to women-led MSMEs and to reach that goal in the project's third year. By the end of 2019 women-led MSMEs could get 78 per cent of the total provided loan; by end of 2020 - 77 per cent, indicating that the project's GAP target was well met by 2020. *See Figure 11below for targets fulfilment each year.*

Figure 11. Gender Action Plan Output 1 Results



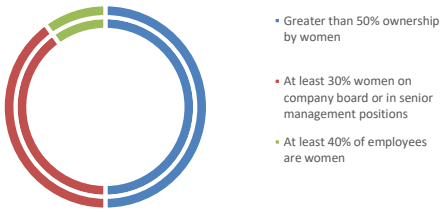
80. GAP Output 1 activities were complemented to mainstream gender into the implementation of Programme Output 2. The report shows that the following activities were implemented, while it was not possible to assess the performance one by one as mentioned in the GAP, as the APRs did not provide separate results for each activity. Therefore, the following activities were reviewed in group to assess overall gender mainstreaming.
    a) Annual training for internal staff;
    b) Annual training for external clients;
    c) Adjustment of the bank interest rate for green funding, particular for women-led businesses, and lowered the interest rate as much as possible in line with GCF funded projects;
    d) Other activities that incentivizing women-led MSME in Mongolia;

81. Evaluation found that the main obstacle and challenge to MSMEs in Mongolia is lack of affordable capital. Prior to GCF involvement, the XacBank offered EE and RE business loans at 18.0% and 19.2% per annum. A gender-mainstreaming approach has not been attempted in the Eco business loan program funded by existing financiers. With GCF funding, the AE was able to blend the funds

and reduce these rates down to 14.4%, thus lowering rates between 3.0 – 5.4 percentage points. AE is offering loans as low as 13.8% interest rate to women-led MSMEs (15% interest rate to all other MSMEs, as compared to the market rate of 20.4%)[9].

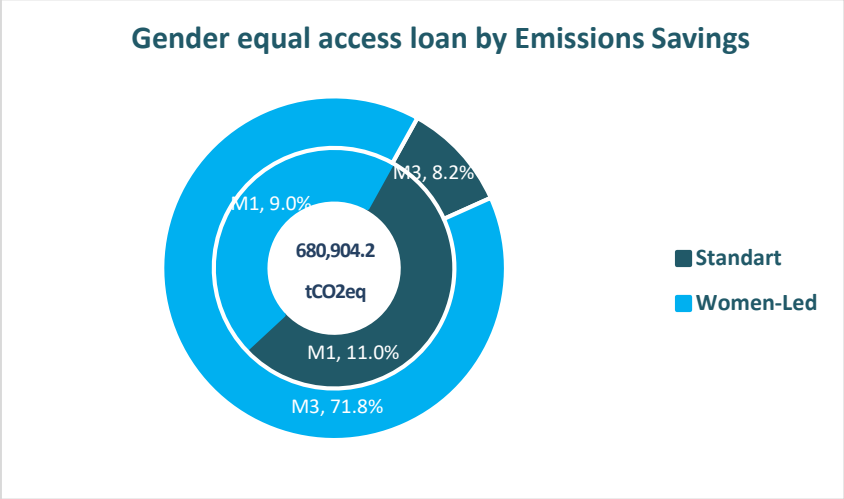
82. The AE started to disaggregate women-led MSMEs by three (3) gender eligibility categories since 2019. The Eco Banking Department staff mentioned during the interview, that many clients were rushing to satisfy the requirements to be eligible for the lower rate to become a women-led enterprise, which is a factor that facilitates the increase of women's participation in decision making processes. This is however not yet visible in statistics.

Figure 12. Women-led indicators, 2019-2020



83. 61,147.59 CO_2eq GHG emission was reduced by GCF-financed women-led businesses towards fund-level impacts M1.0 Reducing emissions through increased low-emission energy access and power generation and 489,175.40 CO_2eq emission was reduced towards M3.0 Reduced emissions from buildings, cities and appliances.

Figure 13. Women-led MSMEs contribution to fund level impacts



84. Output 2: The GAP concentrates mainstreaming gender issues in public outreach events, including meetings. Similarly, with assessment of the Output 1, the Output 2 activities were assessed in groups:

    a. XacBank's Annual Green Financing Forum is organized every year on different topics;
    b. Sponsored Annual Renewable Energy Forum in cooperation with NGOs active in renewable energy sector;
    c. Participation of women in decision-making process – Output 3;
    d. Meetings with gender focused organizations.

85. There is sufficient information provided in all APRs on participants of the annual Forums disaggregated by sex.

[9] *APR 2018*

86. According to desk reviews and interview, changes in attitude towards incentivizing women-led businesses were observed in some cases, such as family-owned MSMEs, where wives were added as signatory or ownership was transferred to or shared with female members of the family. Neither supporting statistics or data nor information about other non-standard activities, incentivizing women-led MSME was found in the APRs.

87. Output 3 activity to establish gender equity in local talent identification and recruitment has meaningful indicators "Outsourcing employment statistics to be disaggregated by gender; Aim for 50% of all external advisors to be women" to pay attention to establishing internal policy towards gender mainstreaming. The Eco Banking Department reported increased gender ratio in 2019 compared to 2018 reaching 75% of female employees.
88. APR for 2017 is silent about outsourcing, while no quantitative results are reported in 2018-2019, except "all advisors were women" is reported.
89. Output 4 is linked with Programme Output 3 to promote women-led businesses to raise awareness by publishing case studies. Overall Programme level Output results are being achieved the target. The case studies published were not the case on women-led category.

Inclusiveness of cross-cutting issues



- *Does the project account in activities and planning for local gender dynamics and how project interventions affect women as beneficiaries?*
- *Did the project sufficiently address cross cutting issues including gender?*

The Programme implementation included 13 aimags located in all regions (east, west, south, north and central regions) of Mongolia, as well as the capital city. Loans are equally disbursed between the location of the businesses.

90. Gender mainstreaming for Programme level Output 2 Capacity building. As of the end of 2020 a total of 49 (28 internal, 21 external) activities (training, events and meetings) with a total of 1467 participants (55% female) were organized and co-organized by the AE under this Programme and financed by the TAF. COVID-19 spread restricted public events, thus had a negative impact on delivering Programme Outputs 2 as planned in 2020, while showing an overall percentage of 46% of female participation in external events, excluding Green Financing Forums and Renewable Energy Forums, organized three years in a row, except 2020.

4. Country Ownership of projects and programmes

91. This section emphasis the findings to the extent of the Programme alignment with national and global goals, and sustainability of the results through country ownership.

Alignment with different levels of priorities



- *To what extent is the project aligned with national development plans, national plans of action on climate change, or sub-national policy as well as projects and priorities of the national partners?*
- *Is the project implemented as responsive to local challenges and relevant /appropriate /strategic in relation to SDG indicators, National indicators, GCF RMF/PMF indicators, AE indicators, or other goals?*

92. The Programme was defined to align with relevant national development plans and policies and international climate change commitments, including Vision 2050, 2020, NDC, 2019, Green Development Policy, 2014, National Climate Change Program, 2011, Sustainable Development Goals (SDGs), 2015 and GCF Integrated Results Management Framework, 2021. *See Table 11.*

93. The Programme mainly facilitated the development of green building evaluations and energy audits, which is a part of the Green Development Policy, by increased utilization of energy auditors, and creating new practical approaches on EE and RE. It meaningfully supports the implementation of the National Climate Change Program of Mongolia. Moreover, the Programme aligned with the Green Development Policy's objective "reducing energy loss, improve energy efficiency up to 20%, reduce heating loss up to 40% by 2030 and improve EE appliances supply and trade".

94. The Programme is aligned with the Sustainable Development Goal (7): Ensure access to affordable, reliable, sustainable, and modern energy for all, and with GCF Results Management Framework indicators.

95. The Programme is directly aligned with NDC aims of reducing energy loss from buildings etc. It is aligned with Vision-2050's implementation Program (2021-2030)'s aims of reducing CO_2 emissions from energy & building sectors (2), suppling energy in the remote areas (3), supporting local green, EE product producers in construction sector (6.4.10), implementing EE national program (9.3.36), using renewable energy in areas with no centralized infrastructure (9.3.47), and providing support to the Mongolia's input to the global commitment on climate change (6.4).

Table 9. Alignment with National level policies and plans and SDGs

Programme indicators	National level Programme indicators	Global level indicators/ SDGs/GCF
Impact level Indicators	NDC: Energy sector GHG emission reduction	SDG 13: Climate change SDG 9: Industry Innovation and infrastructure SDG 5 – Gender equality GCF: M1, M3
1. tonnes of carbon dioxide equivalent (t CO2eq) reduced or avoided;		
2. tonnes of carbon dioxide equivalent (t CO2eq) reduced or avoided		
Outcome level Indicators	Vision 2050 (3): suppling energy in the remote areas, Vision 2050 (9.3.36): implementing EE national program, Vision 2050 (9.3.47): using renewable energy in areas with no centralized infrastructure	SDG 13: Climate change SGD 7: Affordable and Clean Energy SDG 9: Industry Innovation and infrastructure SDG 5 – Gender equality GCF: M6
1. 6.3 MWs of low emission energy capacity installed, generated or rehabilitated		
2. 7.1 Energy intensity/improved efficiency of buildings, cities, industries and appliances	NDC: reducing energy loss from buildings Vision 2050 (2): reducing CO2 emissions from energy & building sectors, Vision 2050 (6.4.10): supporting local green, EE product producers in construction sector Green Development Policy, reducing energy loss, improve energy efficiency up to 20%, reduce heat loss up to 40% by 2030 and improve EE appliances supply and trade	SDG 13: Climate change SGD 7: Affordable and Clean Energy SDG 9: Industry Innovation and infrastructure GCF: M7
Output level Indicators	Vision-2050 (6.4): providing support to the Mongolia's input to the global commitment on climate change	SDG 9: Industry Innovation and infrastructure SDG 5 – Gender equality GCF Gender Policy
1. Volume of financing 2. Number of loan officers are trained to offer Eco Products 3. Number of SMEs who reach out to XacBank about participating 4. Number of contacts made through various marketing events 5. Number of unique page views on Eco Banking program website 6. Number of loan inquiries (regardless of ultimate acceptance) 7. Number of case studies published		

Programme ownership

- *How well is country ownership reflected in the project governance, coordination and consultation mechanisms or other consultations?*

96. The Programme is a pioneer initiative in Mongolia, therefore the AE's implementation approach leads to ownership of the programs to support MSMEs through banking sector, although the state ownership reflection in the Programme is challenging for the private sector due to their consideration of independency, governance and state alone strategy.

97. Evaluation determined that the Programme governance, coordination and consultation mechanisms are operationalized at all levels of the Programme's output delivery, including the fact that (Output 2) stakeholders are being consulted, while results (Output 1) are published through public awareness activities (Output 3), however actions from government organisations to intensify meaningful engagement to accelerate dissemination of climate finance to MSMEs seems to be lacking at local partnership and consultation levels. Although, the AE identified neither the private sector nor NGOs as stakeholders in the Funding proposal, the Programme's stakeholders mapping was expanded during the implementation stage and additional stakeholders were identified, such as the Energy Regulatory Committee (ERC), Business Council of Mongolia (BCM), Mongolian Sustainable Finance Association (MSFA) and American Chamber of Commerce (AmCham) among others, most of which are identified as stakeholders at the participation level for the events and working groups. Additionally, borrowers have indicated that XacBank has worked together with relevant government agencies and municipalities to support the project of borrowers. It is realized through the interview that the Programme's intention to amplify green financing is highly appreciated by some stakeholders.

Box 2: Government stakeholder at the partnership level

The Energy Regulatory Committee (ERC) is defined as one of the key Government stakeholders at the partnership level (see Annex 2. List of Interviewees), which was engaged on internal trainings to identify green loans stimulating the achievements (Output 2), and public awareness raising campaign by co-hosting the Green Financing Forum "Let's Support Energy Efficiency!" on energy efficiency and sustainable financing (Output 3).

Monitoring and Evaluation system

- *To what extent are country level systems for project management or M&E utilized in the project?*
- *Were the modes of deliveries of the outputs appropriate to build essential/necessary capacities, promote national ownership and ensure sustainability of the result achieved?*

98. GCF investment through the private sector is not formally monitored and recorded, except by the AE, as the Ministry of Finance monitors the state budget, while Bank of Mongolia oversees commercial banks and its direct investment. Reduced GHG emission through the Programme under climate investment is not reported to any levels of government organizations. However, Bank of Mongolia summarizes green loans portfolio of the country through commercial banks reporting based on Green taxonomy adopted in 2020 by the Financial Stability Commission consisting of Bank of Mongolia, FRC, Ministry of Finance and Savings Insurance Corporation.

Box: National statistics on green loans

National Statistics (Mongol Bank, 2020) show that only 3% of the commercial loans is green, 52% out of which was provided for low carbon transportation, 20% for sustainable agriculture, forestry and eco-tourism, 11% for energy efficiency, 6% for green building, 6% for pollution reduction, 2% for low-emission energy consumption, and 1% is for renewable energy.

99. The Programme utilizes UNDP and GCF monitoring, evaluation and reporting systems and tools, including Annual Performance Reports, Technical Reviews, and others. In addition, evaluation team was introduced to the CO2rA programme, utilized by the Programme. At the national level CO_2 reduction is generally estimated by using IPCC's guideline (tier 1, mainly) or UNFCCC approved CDM methodologies for smaller projects. During the interview process, the compatibility of the CO2rA programme, developed by GCPF, and the IPCC guideline could not be assessed.

100. Project lifetime CO_2 emission reduction calculation were made at the loan approval stage. Recalculation is in place in case of the loan purpose change, monitored by the AE. Programme level GHG emission reduction is based on total assumptions of each year approved project lifetime CO_2 emission reduction assumptions.

101. Nevertheless, the monitoring and reporting of the GHG emission reduction had some shortcomings. Annual values of M1 and M3 for 2020[10] reported in cumulative amount of 2019 and 2020, and M1 and M3 category CO_2 reduction values for 2018 were missing. GHG emission reduction monitoring could be more accurate if the Monitoring and Evaluation tool were developed as planned in the TAF Grant (TAF Component 3).

5. Innovativeness in results areas

102. This section presents the observed innovations and describes the changes that bring about a paradigm shift in terms of contribution or attribution to the GCF investment.

- *What role has the project played in the provision of "thought leadership," "innovation," or "unlocked additional climate finance" for climate change mitigation in the project and country context?*
- *Please provide concrete examples and make specific suggestions on how to enhance these roles going forward.*

103. Programme streamlined cooperation between the sectors specifically focusing on energy audit, interlinking energy sector and finance sectors cross-cutting by private sector: tripartite cooperation energy auditing – GCF financing – business, one of the innovative approaches of doing business and climate finance delivery.

Box 3. Establishment of Mongolia Green Finance Corporation

XacBank's leadership in building environment to open-up climate finance potentials to Mongolia led to establishment of public-private partnership to boost the green loan and enhance impact investment in Mongolia. Government of Mongolia's strategic commitment to establish Mongolian Green Finance Corporation, Public, Private Partnership was complimented by GCF approval to finance the establishment with USD $ 50 million through XacBank to reduce 3.8 million tCO_2-eq. GHG emission reduction by thermal insulation of housing, energy efficiency for businesses and mortgages for green affordable housing.

[10] *APR for 2020*

104. While strengthening domestic eco-products market, the Programme innovativeness is reinforced with its focus on promoting green mindset in businesses. There have been several borrowers stated that they become more thoughtful on company's sustainability efforts and what they can do protect nature and be more socially responsible with this climate financing. The Evaluation determined that this Programme was the first green loan program of which most of the borrowers ever heard, therefore the intervention has affected the green mindset in businesses leading to thought leadership by MSMEs.

105. As a result of the Programme the innovation is being realized through the new technology adoption by some of the borrowers, which are keen to show thought leadership in their sectors and areas of operations.

6. Replication and Scalability

106. This section presents the explicit conditions and success factors that enable the replicability and scalability of the Programme.



- *Are the actions and results from project interventions likely to be sustained, ideally through ownership by the local partners and stakeholders?*
- *What are the key factors that will require attention in order to improve prospects of sustainability, scalability or replication of project outcomes/outputs/results?*
- *What factors of the project achievements are contingent on specific local context or enabling environment factors?*
- *What are project lessons learned, failures/lost opportunities to date? What might have been done better or differently?*
- *How effective were the exit strategies and approaches to phase out assistance provided by the project including contributing factors and constraints?*

107. Currently the Programme is being implemented in Ulaanbaatar city and 13 out of the 21 aimags in Mongolia. The effective design and implementation of a training program for XacBank loan officers in rural areas is one of the success factors attracting borrowers living outside Ulaanbaatar, where EE and RE projects are highly needed. In fact, XacBank has been working to expand and offer EE and RE financial products to its branches nation-wide.

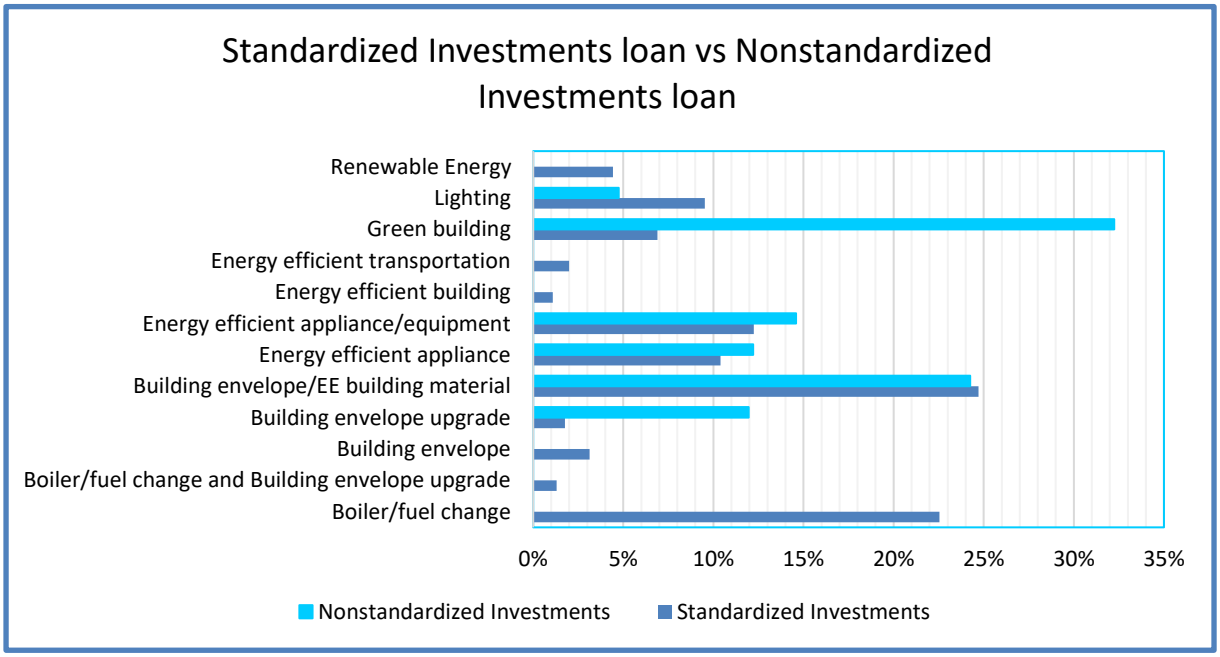
108. The Programme has a high potential to be replicated and scaled-up in other sectors, institutions and geographical areas. In the design part, XacBank has indicated that the MSMEs would be distributed across Mongolia, particularly in areas where access to finance and energy were both limited due to remoteness. About 21% of the project financing is extended to the remote areas (*see Figure 9*).

Figure 14. Inclusiveness of the Programme



109. The Programme was designed to develop and implement an innovative, country specific financial scheme for loans for energy and construction sectors, specifically for energy efficient building retrofits or new buildings, renewable energy source and efficiency of energy and heat systems. Most of the loan distributed to construction sector businesses. *See Figure 15.*

Figure 15. Standardized and non-standardized loans per EE measures



110. Moreover, sustainability of actions after the GCF funding is considerably supported by collaboration with additional stakeholders, including business development organizations, such as MSME Agency (government) Development Solutions (non-government), which provide matchmaking services to MSMEs to get green loans. In addition, the interviewees underlined the

need to focus on not only capacity building activities, but also on-the-job learning, mentoring and coaching approaches.

111. Nonetheless, the Programme planning contains no explicit or detailed provisions for an exit strategy yet, however the AE has indicated in the FP to replicate the Programme and scale-up the results, since a demand for climate finance persistently exists and is likely to increase across the country.

7. Unexpected Results

112. This section describes the factors that contributed to the results and effects observed at Programme, AE and national level.

- *What has been the project's ability to adapt and evolve based on continuous lessons learned and the changing development landscape? Please account for factors both within the AE/EE and external.*
- *Can any unintended or unexpected positive or negative effects be observed as a consequence of the project's interventions?*
- *What factors have contributed to the unintended outcomes, outputs, activities, results?*

113. Evaluation found out that several family-owned MSMEs added female members as business owner in order to be eligible for a lower loan rate, which became a factor in laying the fundamentals for an increase in the number of women-led MSMEs. suchS cases were not statistically recorded at the AE level, while national statistics show an increase since 2018. *See Figure 16.* This stimulation has reflected in overperforming by 59% in GAP Output 1, reaching 77% of the distributed GCF financing allocated to women-led businesses.

114. The Programme most likely became an indirect factor in stimulating the increase of MSMEs since 2017. *SeeFigure 17.* Besides, the Programme changes mindsets and stimulates opportunities for green loans for other stakeholders, at the same time Government financed loan providers for MSMEs consider loan category and financial products to concentrate on GHG emission reduction.

Figure 16. Women percentage at managerial positions, country-wide

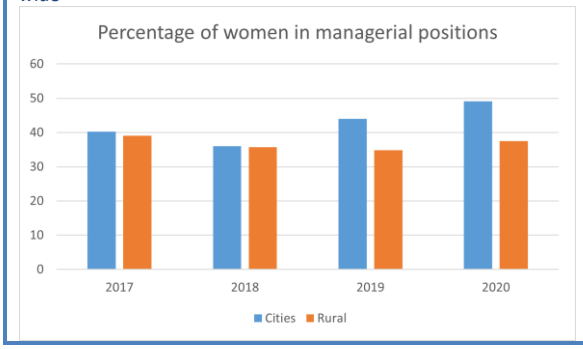
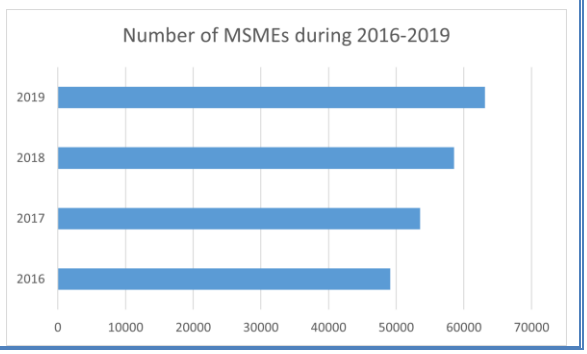


Figure 17. Increase in number of MSMEs during 2016-2019, country-wide[11]

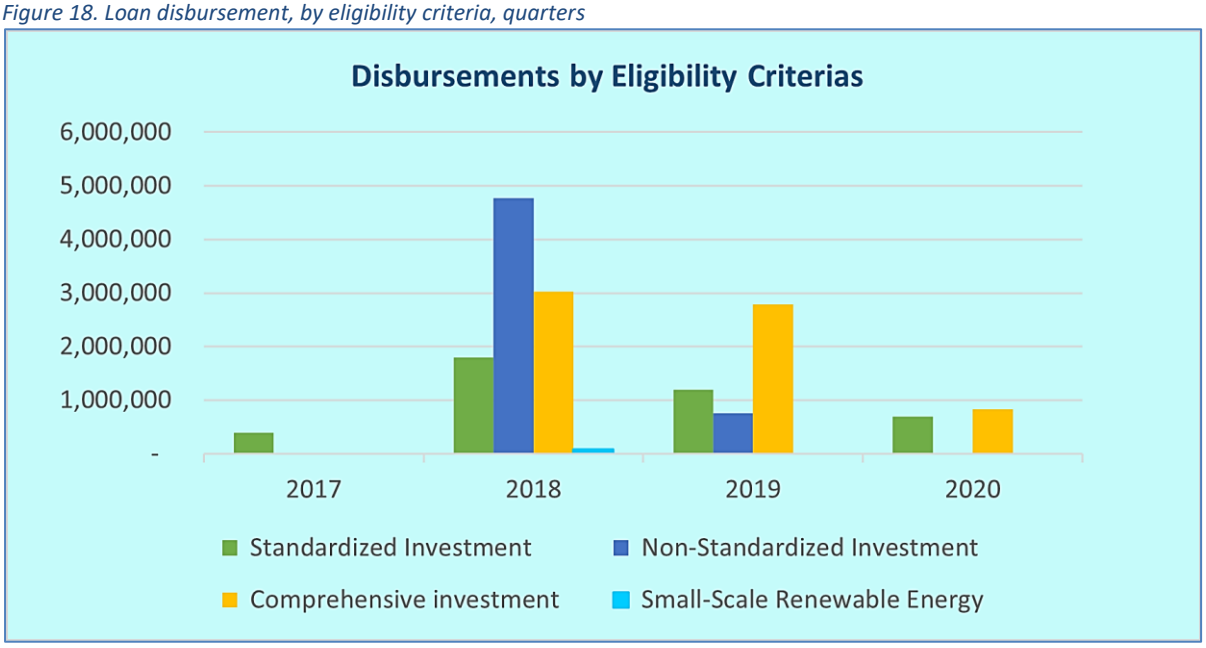


115. Fund level Impact resulting in reduced GHG emission has exceeded the mid-term target by 67% due to an unexpected demand of the green loans amongst MSMEs, which is directly linked with the Programme Output 1 result in total co-financing disbursement, which exceeded

[11] www.1212.mn

expectations by 45% during the evaluation period. Even though GCF financing distribution is slowed down due to COVID-19 pandemic (*see Figure 18*), the AE has maintained appropriate management by keeping track of output results in 2020. The AE was awarded "Best Sustainable Bank -2020" by MSFA, which further leads to further increase the reputation of the bank, especially its specific focus on MSMEs and EE and RE projects.

Figure 18. Loan disbursement, by eligibility criteria, quarters



CONCLUSIONS

This section presents the comprehensive and balanced concluding statements that are evidence-based and connected to the findings, which highlight the strengths, weaknesses and results of the Programme, which performance has been evaluated as "*SATISFACTORY*".

Table 10. Conclusions on Evaluated Criteria

#	Evaluation Item	Rating
1	*Relevance, Effectiveness and Efficiency*	*Satisfactory*
2	*Coherence*	*Satisfactory*
3	*Gender*	*Highly Satisfactory*
4	*Country ownership*	*Satisfactory*
5	*Replication and Scalability*	*Satisfactory*
6	*Innovativeness in result areas*	*Satisfactory*
7	*Unexpected results*	*Unable to assess*

Relevance, Effectiveness and Efficiency of the Programme – (S)

1. The Intervention and its objectives respond adequately to the current needs of the target groups and they are fully aligned and consistent with Mongolia's policy priorities in the field of energy efficiency, renewable energy, and climate change mitigation as well. The majority of the target groups and beneficiaries understands the objectives and planned outputs of the Intervention and demonstrate an appropriate level of ownership of its support actions. The implementation of the outputs is likely to have sufficient positive effects on the objectives and priority areas of national plans in the field of energy, sustainability, and climate change.
2. Medium to high quality outputs are being delivered following an inclusive approach, though not always as planned because of external factors. Non-negligible achievements at Outcome level are already visible.
3. The Financing delivery model is successful and operational which leveraged AE's past experience in similar fields. The financing is achieving sufficient energy saving and GHG emission reduction performance in an accessible and affordable way.
4. The trainings are comprehensive and contribute well to the Outcome while the number of trained people is sufficient to meet the targets set. Valuable knowledge outputs are being developed and leveraged by other donors and public authorities.
5. A decent number of target group is aware of benefits of energy efficient and renewable energy projects through various marketing activities. Few activities are pending implementation due to the COVID-19 pandemic (Government of Mongolia restricted public gathering and events).
6. The Programme is being adaptively managed and implemented in a cost-efficient manner. A monitoring system is in place, which facilitates timely and good progress reporting; however, it has not fully captured some of the results achieved.

7. It is likely that the intervention will consume the full fund within the planned implementation period. Overall, the implementation is cost-efficient, given the outputs produced with the inputs available, and the funds allocated to the AE are adequate for delivering all planned outputs.

Coherence - (S)

1. Programme framework is well designed to contribute to the country's priorities on building capacity and raising public awareness through delivering climate finance. The Programme is a pioneer in delivering GCF financing in Mongolia, becoming an illustrative case for delivering climate finance by the private sector entity.
2. The objectives of the Programme are coherent with the need and demand of Mongolia's MSMEs, and it has adequately framed the activities and actions on climate change mitigation, based on AE's experiences with other multilateral organizations.
3. Programme rationale, internal logic, including structure, activities, delivery approaches, scopes and financing and its expected results regarding impact, outcome and output levels are well interlinked and coherent.

Gender Equity- (HS)

1. The Programme kept well the gender concept towards establishing new climate finance mechanism in Mongolia, which has created potential market opportunities thereby tackling the barrier of business expansion.
2. GAP objectives and indicators are fully aligned and consistent with the Programme objectives and indicators, even stand-alone indicators have high significance to mainstream gender in programme implementation. GAP responds to the needs of the Programme, and fulfils the consideration of cross-cutting, including gender.
3. GCF financing consideration of gender mainstreaming is fully achieved through the GAP Outputs. Majority of the loans were women-led businesses, which is a proven high result of the intervention to support both men and women equally.
4. AE accumulated high number of data and statistics on loans disaggregated by sex, which will further be used to improve Programme and AE's strategy towards mainstreaming gender in all activities and objectives.

Country ownership of the Programme – (S)

1. Mongolia's development stage has well established climate change related policies. However, there is still a lack of climate finance mechanisms in place, while the Programme itself well contributed to its development.
2. The AE is guided by its vision for "people, planet, prosperity", and understands well the global commitment to mitigate climate change impacts, delivering climate finance, initiating pioneer activities, supporting businesses specifically focused on GHG emission reduction, and concentrating on vulnerable business groups in urban and rural areas 1) MSMEs, 2) women. The intervention was highly inclusive, including gender, various ethnic groups through programme ownership at the country level.

3. Programme Output 3 has strong focus on delivering nation-wide public awareness on climate change mitigation aspects through organizing annual events on 1) Renewable Energy Forum, 2) Green Finance Forum, step-by-step building strong country ownership.

Replication and Scalability – (S)

1. The AE has large flexibility and opportunity to replicate and scale up the Programme, as the AE has improved institutional, human resource and operational capacities, experience on energy efficiency strategies and gender practices to ensure a continuous flow of climate financing.

Innovativeness of the Programme – (S)

1. The Programme became a long-term private financing modality to projects and measures to reduce GHG emissions.
2. Programme has adopted innovative approach of climate finance delivery, a streamlined cooperation of energy and finance sectors through MSMEs, i.e., tripartite linkage between energy auditing – GCF financing – business.
3. The Programme highly supports to localize new technologies, and standards on EE and RE, and introduce international best practices to MSMEs.

Unexpected Results – (u/a)

1. Blended financing modality and effectively reduced high amount of CO_2 eq. emission in short term period contributed to MSME industry's sustainable development is unexpectedly high.

LESSONS LEARNED

From the desk review of project documents, interviews and meetings with key informants, and the analysis of the information and data, several lessons were learned presented below:

- CO_2 emission reduction calculation is based on pre-project data provided by the borrowers and through energy auditor reports. Fund level impact results could be more accurate if comparable monitoring tool to be used as stated in the APR for 2020. The AE should have used such approach at the early stage of implementation.
- Capacity building activities, such as external training for MSMEs achieved their quantitative mid-term target, however the qualitative results are not monitored. Therefore, neither quality of the trainings nor the level of skills developed was evaluated.
- Risk register was not updated immediately assessing COVID-19 pandemic situation and accordingly risk mitigation action was not developed to avoid postponement of the Programme and Grant output delivery.

RECOMMENDATIONS

Overall, the recommendation is dedicated to streamline current progress to reach final targets, complementing the achievements with additional actions suggested under concentrate on the Sustainability of the results, Adaptive management, and Programme implementation improvements.

Sustainability of the results:

- Only 3% of total loan portfolio of all commercial banks of Mongolia is considered green. It is recommended to considers all loans to be coherent with the Mongolia's Green taxonomy, which will expand the green investment flow towards MSMEs.
- Effectively re-allocate Grant's budget due to COVID-19 pandemic impacts.

Adaptive management:

- Develop COVID-19 Pandemic Programme Continuity Plan to ensure the full implementation of the programme and its supplementary commitments under the TAF and GAP.
- Consider adopting simplified loan review and approval process for the EE and RE projects and women-led MSMEs to differentiate green loans from regular loans.
- Conduct market research and analysis towards potentials of the lowering loan rate and conduct deep analysis to identify potential segments/sectors.
- Loan portfolio climate risk assessment can be conducted to identify and minimize climate risk.

Programme implementation improvement:

- Focus on not only training activities, but also on-the-job learning approaches, including mentoring and coaching through business incubator centers, involving stakeholders with the Grant program reshaped or budget revisited. Improve training quality by incorporating tailored subjects on climate change mitigation (EE and RE) and adaptation modules for MSMEs in various sectors, and increase public awareness of the climate risks, mitigation and adaptation actions for end-users.
- Develop stakeholder engagement and communications plan, complementing by additional efforts aimed at effective stakeholder engagement and public awareness coupled with appropriate participatory approach elaborated at all levels of planning of activities.
- Capacity building activities, such as external training for MSMEs achieved their quantitative mid-term target, however the qualitative results are not monitored. Therefore, pre- and post-training skills developed assessment tools shall be utilized to monitor the qualitative results of the outputs.
- Streamline public awareness through case studies and success stories on innovative results of the Programme, highlighting not only CO2 emission reduction, but also other successes such as changing attitude and mindset, adopting high energy efficient technology, and tripartite cooperation between the sectors.

- Improve APR reporting under investment criteria "Country ownership". Although the Programme has achieved satisfactory results through the country ownership, the result was not reported in the APRs accordingly.
- Consider improving the current monitoring system to ensure that all results achieved of the intervention are well and fully captured by the indicators (e.g. numbers of MWh/year energy saved).

14. Programme has accumulated huge data on MSMEs loans disaggregated by various criteria and gender. Analyze and use these data for reporting, stakeholder engagement, public awareness activities and market assessment purposes and further programme development.

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