

MSME Business Loan Program for GHG Emission Reduction

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Empowering Direct Access

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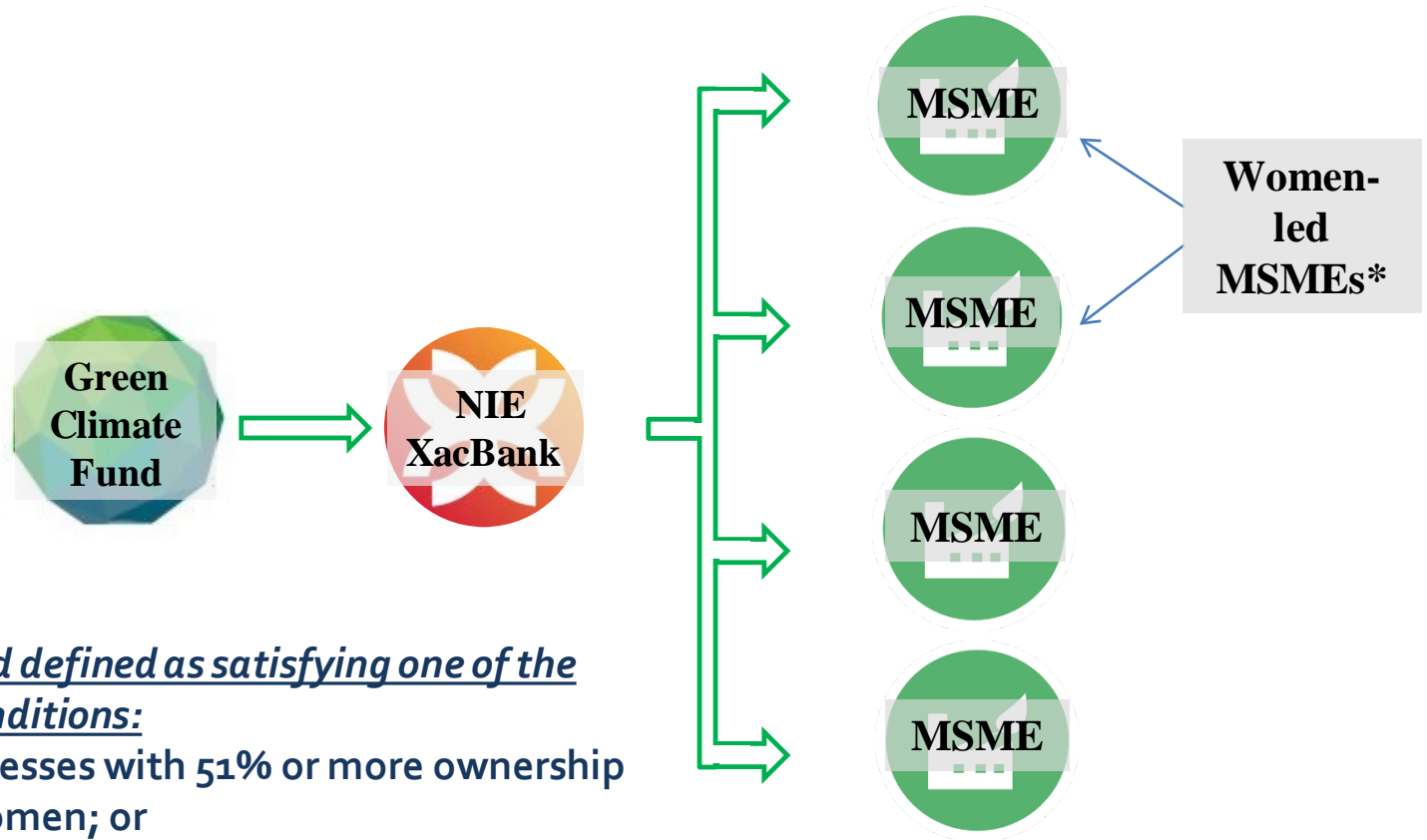


Introduction of the Project

- **Summary:** Loan facility aimed at the Mongolian MSME market, covering all levels of the energy efficiency and renewable energy market supply chain. 50% of facility sub-projects must be women-led MSMEs.
- **Goal:** Incentivizing investments in energy efficiency and renewable energy by reducing capital barriers for businesses
- **Size:** \$60 million total, \$19.5 million from GCF
- **Duration:** 5 years (with possible 3 year extension)
- **Mitigation results areas:**
 - Energy access and power generation
 - Buildings, cities, industries and appliances
- **Impacts:** 1.2 million tons of CO₂ reduced over 5-year facility lifespan



Program structure



*- women-led defined as satisfying one of the following conditions:

- Businesses with 51% or more ownership by women; or
- Businesses with at least 30% women on the Board of Directors or in senior management positions; or
- At least 40% women employment.



Funding Proposal Development Process

- **NDA collaboration:** XacBank has close cooperation with the NDA, both informally and formally, in the receipt of the NOL.
- **Project development:** XacBank's brand reputation in Mongolia aids interaction with stakeholders. As implementing entity, XacBank utilized all available internal resources (e.g. marketing department, SME banking department, risk department) in project development
- **Main difficulties:** The more technical aspects of the FP were difficult, as XacBank is a financial institution, and GCF M&E standards were not fully developed
- **GCF interaction:** Interaction is frequent and easy, due to proactive fund staff and similar time zones



Lessons Learned

- **Lessons learned:**
 - *Gender mainstreaming* is a primary priority for GCF, and must be incorporated throughout the FP
 - Fund disbursement after approval is *slower than anticipated*, and this timeline should be realistically factored into implementation schedule
 - Financing is contingent on *crowding in of co-financiers*
 - The need to *support private-sector must be clearly stated*
 - *Terms sheet should be developed simultaneous to FP*, and negotiated as early as possible
- **For the next FP:**
 - Planning to submit *2nd FP to the Board at B17*, building on B15 experience
 - Striking balance between *utilizing GCF* as cutting-edge financing source and taking measures to *reduce risk*, e.g. utilizing risk sharing mechanisms



Recommendations

- **Recommendations to DEAs:**
 - Submit funding proposals well in advance, to allow time to respond to waves of comments
 - Build on existing expertise for first submission of project/program.
- **Assistance from GCF Secretariat:**
 - More clear monitoring and evaluation expectations and standards, e.g. clear toolkits for designing an M&E system for various types of common programs that meet GCF requirements
 - Earlier realistic indications of terms of funding, to allow for better planning

Thank you for your attention!

