MONGOLIA
GCF READINESS PROGRAM FOR MONGOLIA

OVERVIEW

<table>
<thead>
<tr>
<th>Country / Global implementation</th>
<th>Mongolia Lower Middle Income Country (LMIC)</th>
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<tbody>
<tr>
<td>Thematic area</td>
<td>Multi-sectoral</td>
</tr>
<tr>
<td>Project start date</td>
<td>Q3 2017</td>
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<tr>
<td>Funding source</td>
<td>Earmarked Green Climate Fund (GCF)</td>
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<tr>
<td>2017 budget</td>
<td>USD 79,616</td>
</tr>
<tr>
<td>% of budget disbursed</td>
<td>63%</td>
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RELEVANT SDGs

7. Ensure access to affordable, reliable, sustainable and modern energy for all.
9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.
12. Ensure sustainable consumption and production patterns.
13. Take urgent action to combat climate change and its impacts.
17. Strengthen the means of implementation and revitalize the global partnership for sustainable development.

OVERALL OBJECTIVE

Seeks co-funding GCF Readiness Programme to: (i) prepare investment projects/programs within the scope of three high impact sub-sectors (ii) undertake market and technical assessments to ensure the investment potential of MGFC programme to scale up and enabling the development of bankable funding proposals.

Potential impact of MGFC includes:
- Small-scale renewable and alternative electricity and heating solutions for peri-urban areas;
- Green and affordable residential buildings;
- Waste management and sanitation technologies and services in peri-urban areas;
- Energy efficiency measures for buildings, SMEs, and industrial markets.

HIGHLIGHTS

- Initiation of market assessment and formalization of the financial products to be financed through the Mongolian Green Credit Finance Corporation (MGFC. Formally called Mongolian Green Credit Fund/MGCF) in alternative heating, green and affordable housing and waste and sanitation sectors.

CONTEXT

Mongolia has made commitments to increase renewable energy generation and improve urban planning and resilience in its National Green Development Policy (NGDP) and Action Plan, Nationally Determined Contributions (NDCs) and Sustainable Development Vision 2030. While the supporting policy environment has improved, implementation and financing to address these challenges remain well below the levels needed to transition to inclusive green growth.

- Mongolia’s energy sector is highly dependent on fossil fuels with over 90% of heating and electricity derived from coal. The resulting soil and air pollution is particularly acute in the peri-urban areas of Ulaanbaatar and other secondary cities, where poverty exceeds the national average.

- Given the current impacts of weak commodities prices and low investment, a stretched government budget reduces the ability to introduce many of the intended green development measures.
**OUTCOME 1**

Project/program preparation support, including for adaptation, to develop funding proposals provided and private sector engaged in country consultative processes.

Project/program preparation support such as three market demand assessment and investment potential study and funding proposal development is underway by hiring four staff under GCF Readiness Programme.

**OUTPUT 1.1**

Market demand and investment potential study - Small scale RE and alternative energy solutions to peri-urban areas and follow up with implementation work.

The study is on track and initial findings are included in the funding proposal. Further detailed assessment and product development to be continue.

**OUTPUT 1.2**

Market demand and investment potential study - Waste management and sanitation solutions and follow up implementation work.

The study is on track and initial findings are assessed. Given lack of commercial viability and low of potential impacts, the selected products are not to be considered in the funding proposal. Further detailed assessment and product development to be continue.

**OUTPUT 1.3**

Market demand and investment potential study - Green and affordable residential building and follow up implementation work.

The study is on track and initial findings are included in the funding proposal. Further detailed assessment and product development to be continue.

**OUTPUT 1.4**

Legal service consultancy - Scale-up phase of the MGCF.

Consultant procurement process will begin in April 2018.

**OUTPUT 1.5**

Funding proposal development support.

Funding proposal development work is underway with a new staff hired under GCF Readiness Programme. XAC bank agreed to take a role of Accredited Entity to submit the Funding proposal to GCF.

**ADDITIONAL RESULTS**

- GGGI helped secure additional resource mobilization in the origination of project pipelines.
- As the MGCF is a public private partnership scheme-based initiative, GGGI’s main role was defined as a neutral leading intermediary between local stakeholders and potential investors. GGGI has been leading consultations with potential investors while actively supporting identification and origination of project pipeline development. During project pipeline development activities, GGGI conducted energy efficiency pipeline project engaging major energy consumers showing market potential and investment need. Additional resource mobilization from GCF Readiness Program is dedicated to additional market assessment, product design and operationalization of the MGCF.
PARTNERS

LOCAL
- Ministry of Environment and Tourism
- Ministry of Finance
- Mongolian Bankers Association
- XAC Bank

INTERNATIONAL
- GCF
- Dutch Development Bank
- UN-PAGE/UNEP

LESSONS LEARNED
- Understanding GCF disbursement process and requirements: This readiness program was the second readiness program handled by GGGI and the process was well managed as a result of learning from previous experiences where major delays were encountered.