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IFC and Financial Regulatory Commission Join Hands to Develop Green Finance and Improve Access to Funding for Small and Medium Enterprises

Ulaanbaatar, Mongolia, May 15, 2020—IFC, a member of the World Bank Group, has signed two agreements with Mongolia's Financial Regulatory Commission (FRC) with the aim of developing green financing, as well as improving access to financial products and services for the country's micro, small and medium enterprises.

The agreements will see the introduction of value chain finance (VCF) in Mongolia, to help the country's micro, small and medium sized enterprises (MSMEs) access funding from financial institutions. It follows earlier work which allowed MSMEs to use their moveable assets as a basis for borrowing loans. The project builds on the government of Mongolia's ongoing efforts to increase agricultural productivity, develop local suppliers and make use of technology such as e-platforms.

Under the memorandums of understanding, IFC will also work with FRC to develop a market for green finance in Mongolia, particularly through green bond guidelines, and also support financing of environmentally friendly projects and practices in the country. It will also help to promote the use of environmental, social and governance (ESG) standards, and assess climate related risks in the financial system.

Sustainability is a priority area for Mongolia. This cooperation with IFC will support the government's initiatives in green growth by developing regulations and policies to create a market for green finance, while identifying new opportunities for climate-friendly investments," said Bayarsaikhan Dembereldash, Chairman, Financial Regulatory Commission. "We also hope that developing value chain financing in Mongolia will help spur the country's agribusiness as more small and medium sized enterprises gain access to funding to expand their operations."

While Mongolia has successfully developed a basic infrastructure to enable lending based on movable assets, the movables finance market remains small. Value chain financing is a relatively new way for MSMEs to obtain credit as it allows them to leverage the higher credit standings of larger buyers or suppliers to borrow from financial institutions.

"At a time when enterprises of all sizes are being impacted by COVID-19, it's important to look at innovative ways to help small and medium sized enterprises. In Mongolia, this especially applies in areas like livestock and agriculture, as enterprises need support to obtain finance to expand and create jobs," said Rufat Alimardanov, IFC Resident Representative for Mongolia. "IFC is also committed to working with the Mongolian financial sector to promote the sustainability agenda. Since IFC was one of the first movers in the green bond market, we are well - placed to use our expertise to help Mongolia develop its green bond market in line with international standards."

IFC is one of the world's largest financiers of climate-smart projects for developing countries. IFC launched a Green Bond Program in 2010 to help catalyze the market and unlock investment for private sector projects that support renewable energy and energy efficiency. As of September 30, 2019, IFC had issued over \$10 billion across 157 bonds in 18 currencies.

IFC has also helped develop movable asset finance markets in more than 40 emerging markets including Columbia, China, Ghana, and Vietnam. The plans to develop Mongolia's value chain finance market will be delivered in partnership with Switzerland's State Secretariat for Economic Affairs (SECO).

About IFC

IFC—a sister organization of the World Bank and member of the World Bank Group—is the largest global development institution focused on the private sector in emerging markets. We work with more than 2,000 businesses worldwide, using our capital, expertise, and influence to create markets and opportunities where they are needed most. In fiscal year 2019, we delivered more than \$19 billion in long-term financing for developing countries, leveraging the power of the private sector to end extreme poverty and boost shared prosperity. For more information, visit www.ifc.org.

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