Host Country	Mongolia
Name of Borrower	Trade and Development Bank of Mongolia JSC
Project Description	Direct Loan of up to $120 million (the "**Loan**") to the Borrower to finance the expansion of the Borrower's on-lending program to Micro, Small and Medium-Sized Enterprises ("**MSMEs**") with at least 30% of Loan proceeds on lent to Qualified Climate Finance Customers[1] in Mongolia (the "**Project**").
Proposed DFC Loan	$120,000,000
All-Source Funding Total	$150,000,000
Policy Review	
Developmental Objectives	Accounting for an estimated 50% of Mongolia's employment and 90% of all registered businesses, the country's MSME segment is an important contributor to its economic growth. Notwithstanding their role in the economy, there is a significant financing gap for MSMEs of approximately $1.3 billion. Women-owned/led MSMEs are disproportionately affected by this dearth of capital as they account for approximately 30% of all MSMEs in the country but represent 62% of the financing gap. Additionally, economic growth in Mongolia is hindered by extreme climate conditions, which have been exacerbated by heavy air pollution. The IFC has estimated that Mongolia's annual green investment need is nearly $700 million to transition to a more sustainable economy. In response to these challenges, the Project will have a positive development impact in Mongolia by increasing access to finance for the country's growing MSME segment, including enterprises that are women-owned/led and/or seek to make investments in distributed renewable energy installations, energy efficiency improvements, and sustainable agriculture practices. Given the Project characteristics, the Project is categorized as Highly Impactful per DFC's Impact Quotient ("IQ").
Environment and Social Assessment	The Project has been reviewed against the DFC's 2020 Environmental and Social Policies and Procedures manual ("ESPP") and has been determined to be categorically eligible. DFC investments into financial institutions who will subsequently invest into MSMEs are classified as Financial Intermediary C (FI-C) for environmental and social assessment. These downstream investments are expected to result in minimal adverse environmental and social impacts. Therefore, all those downstream investments have been pre-screened as low risk and further review and consent is not required for these investments.

[1] Qualified Climate Finance Customers are borrowers of DFC-supported financial institutions who receive financing for end uses compatible with DFC On-lending Eligibility Guidelines for Qualified Climate Finance Customers.

	To ensure that the Borrower’s investments are consistent with the DFC’s statutory and policy requirements, the DFC loan will be subject to conditions regarding the use of proceeds. The primary environmental and social issues identified in this transaction relate to the need for an Environmental and Social Policy (“ESP”) that meets the 2012 IFC Performance Standards. Under the DFC’s ESPP, the Borrower is required to comply with applicable local and national laws and regulations related to environmental and social performance and applicable provisions of the 2012 International Finance Corporation’s Performance Standard (“PS”) 1 and 2. A desk-review based due diligence assessment indicates that because the Project will use DFC support for a financial institution to make subsequent debt investments in MSMEs in Mongolia, significant adverse impacts concerning community health and safety, biodiversity, land acquisition and resettlement, indigenous peoples, and cultural heritage are not anticipated; therefore, PS 3, 4, 5, 6, 7, and 8 are not triggered at this time. The Borrower has an Environmental and Social Management system generally commensurate with the risks associated with its investment strategy but will require some strengthening of its processes as a condition of DFC support. This will include strengthening and updating its ESMS to include the use of third-party experts when in-house expertise is insufficient, client protection standards for financial service providers, and examination of supply chain risks within its borrowers’ supply chains.