



TSL-II

Two-Step Loan Project



**“TWO-STEP-LOAN PROJECT FOR
SME DEVELOPMENT AND
ENVIRONMENTAL PROTECTION”**

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Objective

Private sector development and environmental protection

1

provision of long-term finance to SME including projects for environmental protection

2

provision of technical assistance to commercial banks and SMEs

3

strengthening long term financing capacity of the participating banks

Contribution to the development of LTF market; employment creation and poverty reduction in Mongolia



Participating financial institutions

Phase I (2006-2010)

- Anod
- Capitron
- Golomt
- Khan
- TDB
- Xac
- Zoos (State)

Phase II (2011-2015)

- Capital
- Golomt
- Khan
- TDB
- Xac
- UB City



Characteristics of TSL

1. Long term finance

- * 3-10 years of loan period
- * 10,000–600,000 USD or equiv. MNT

2. Grace period

0-3 years depending on project maturity

3. Low interest rate

- * MNT: 7.0% (annual)
- * USD: 5.0% (annual)



Ineligible sectors

- ★ Trade (wholesale and trade)
- ★ Entertainment business that is harmful to the society (e.g. prostitution, gambling)
- ★ Real estate, including for individual housing
- ★ Environmentally-damaging projects
- ★ Refinancing
- ★ Military activities
- ★ Loans for consumers
- ★ Mining extraction
- ★ Loans for individual business
- ★ Alcohol and tobacco/cigarette manufacturing
- ★ Loans for working-capital



Eligible enterprises

- ✓ SMEs which are defined in the SME Law, enacted in 2007, and are domestically private (i.e. majority private-owned)
- ✓ Number of employees not higher 199
- ✓ Loan-to-value ratio < 80 percent
- ✓ Debt-service-coverage ratio > 1.3
- ✓ Financial internal rate of return of loan project > 13%
- ✓ No previous default
- ✓ Must have Environmental Impact Assessment (EIA) and no negative impact on environment



Environmental Protection Loan

TSL – (B) component



Environmental protection loans

	TSL-I	TSL-II
Term	2006-2010	2011-2015
Total seed fund	573 million JPY (5.8 billion MNT)	870 million JPY (14.7 billion MNT)
Loan condition	Same as SME loan	* No specific ceiling for loan amount
Disbursed amount	5.8 billion MNT	8.6 billion MNT
No. of sub-projects financed	21 (SA)	21 (as of Sep 2013)
Priority area	Environment protection	Air pollution reduction

Priority: Air pollution reduction



1. Heat-Only-Boilers (HOB)

Replacement old HOBs

- Manufacturing
- Production of efficient Ger stoves



2. Clean fuel

- Processing of raw coal
- Production of efficient clean fuel: briquettes, semi-coke



3. Other:

- Energy efficient construction materials
- Renewable energy
- Recycling



Disbursed EPL sub-projects

TSL – Phase I

■ 21 EPL projects

(2006-2010):

- Recycling of technical oil
- HOB replacement , ger stove
- Eco bag factory
- Felt production
- Semi-coke and briquette manufacturing
- Sewage cleaning facility
- Expansion of irrigation facility
- Seabuckthorn plantation
- Power supply equipment
- Tree farming, green house, bee farm
- Energy, heat efficient construction materials

■ 9 EPL projects from *Revolving fund (since 2011)*

TSL – Phase II

■ 21 EPL projects

(since 2011):

- *HOB replacement - 7*
- *Clean fuel - 1*
- *Renewable energy - 2*
- *Energy efficiency - 9*
- *Dust recycling - 1*
- *Carbon capture - 1*

■ 5 EPL projects in pipeline

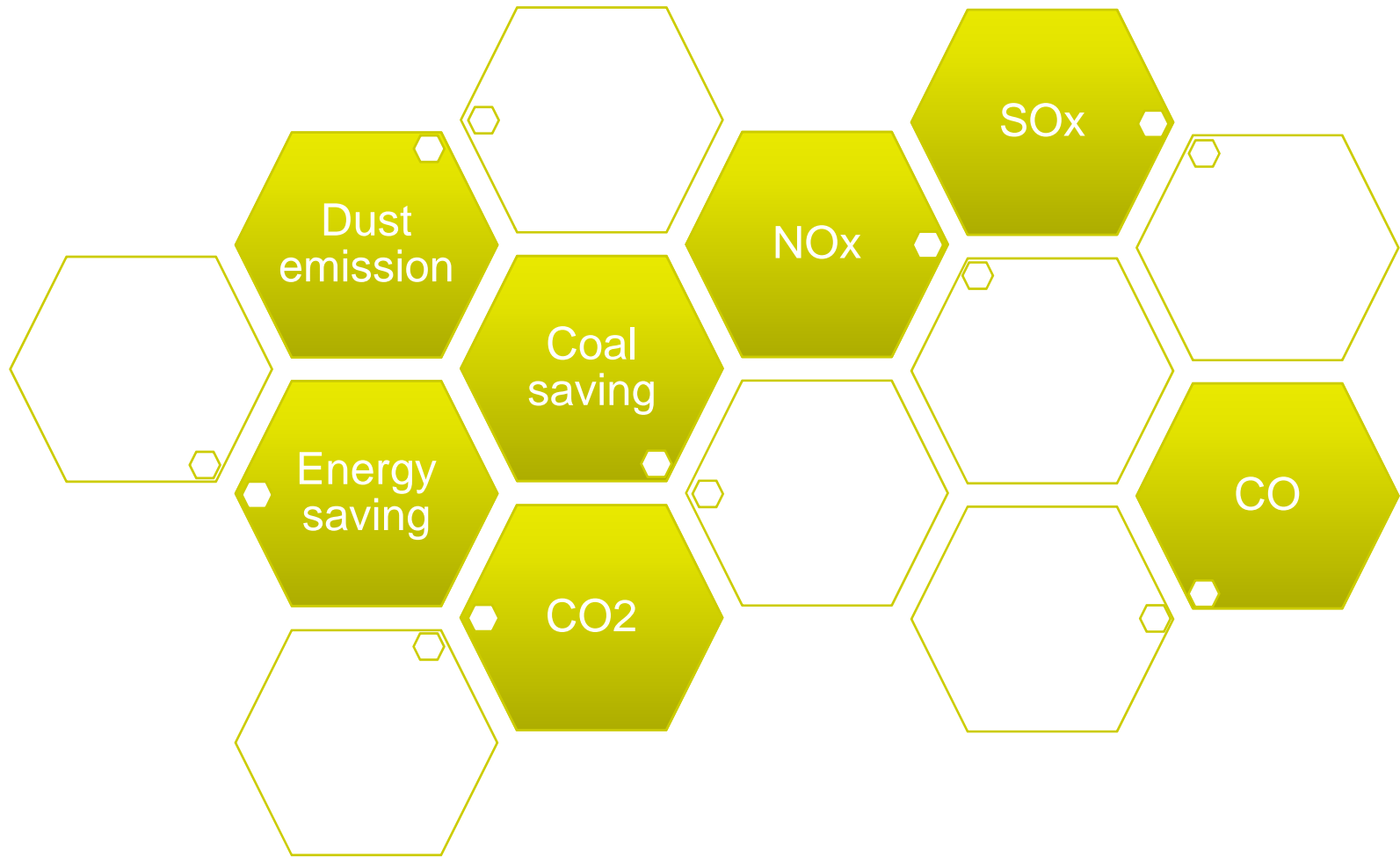


EPL eligibility: Monitoring indicators

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- ✓ Debt-service-coverage ratio > 1.3
- ✓ Financial internal rate of return of loan project > 13%
- ✓ No previous default
- ✓ Must have Environmental Impact Assessment (EIA) and no negative impact on environment
- ✓ **Measurable impact on environment**



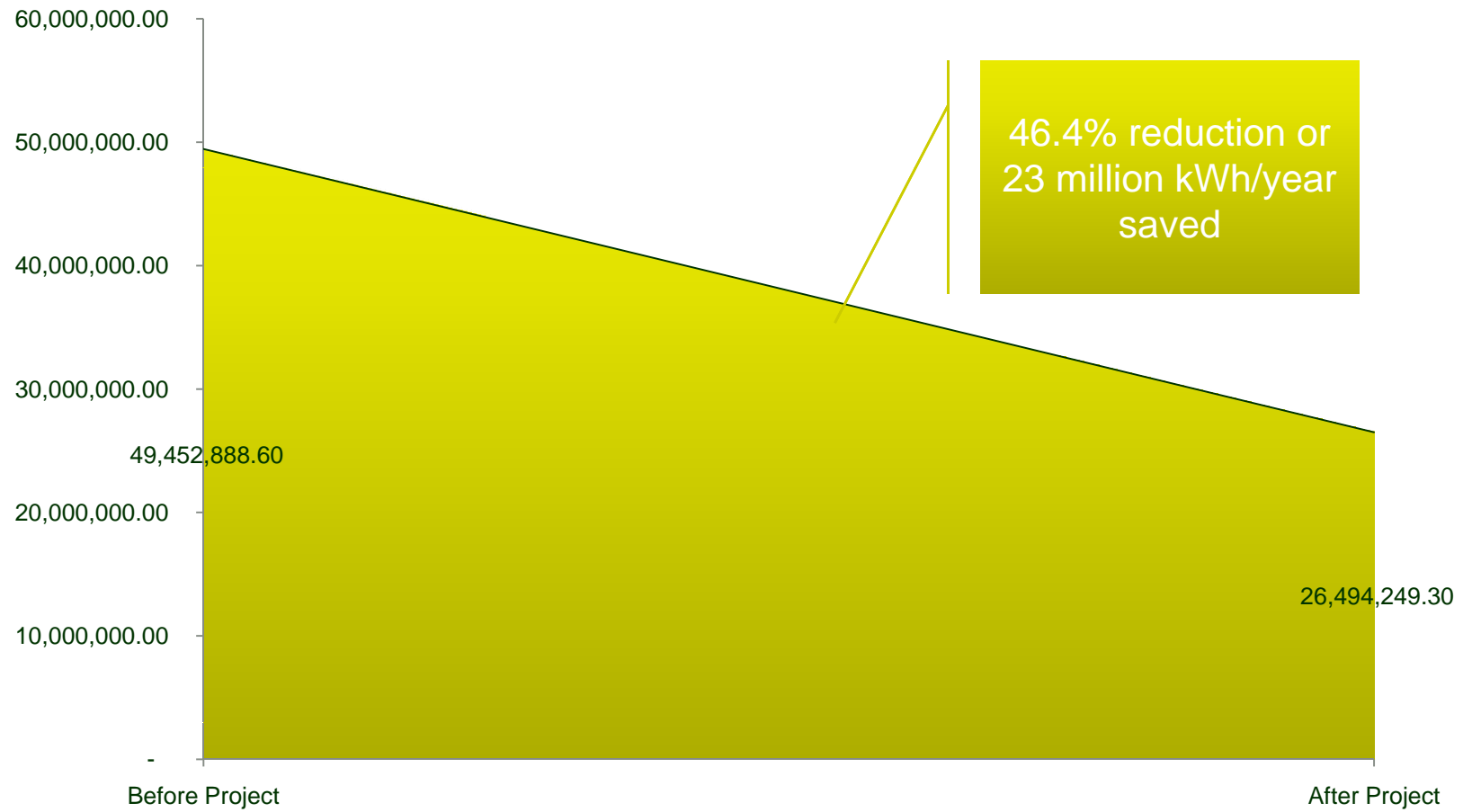
Monitoring indicators



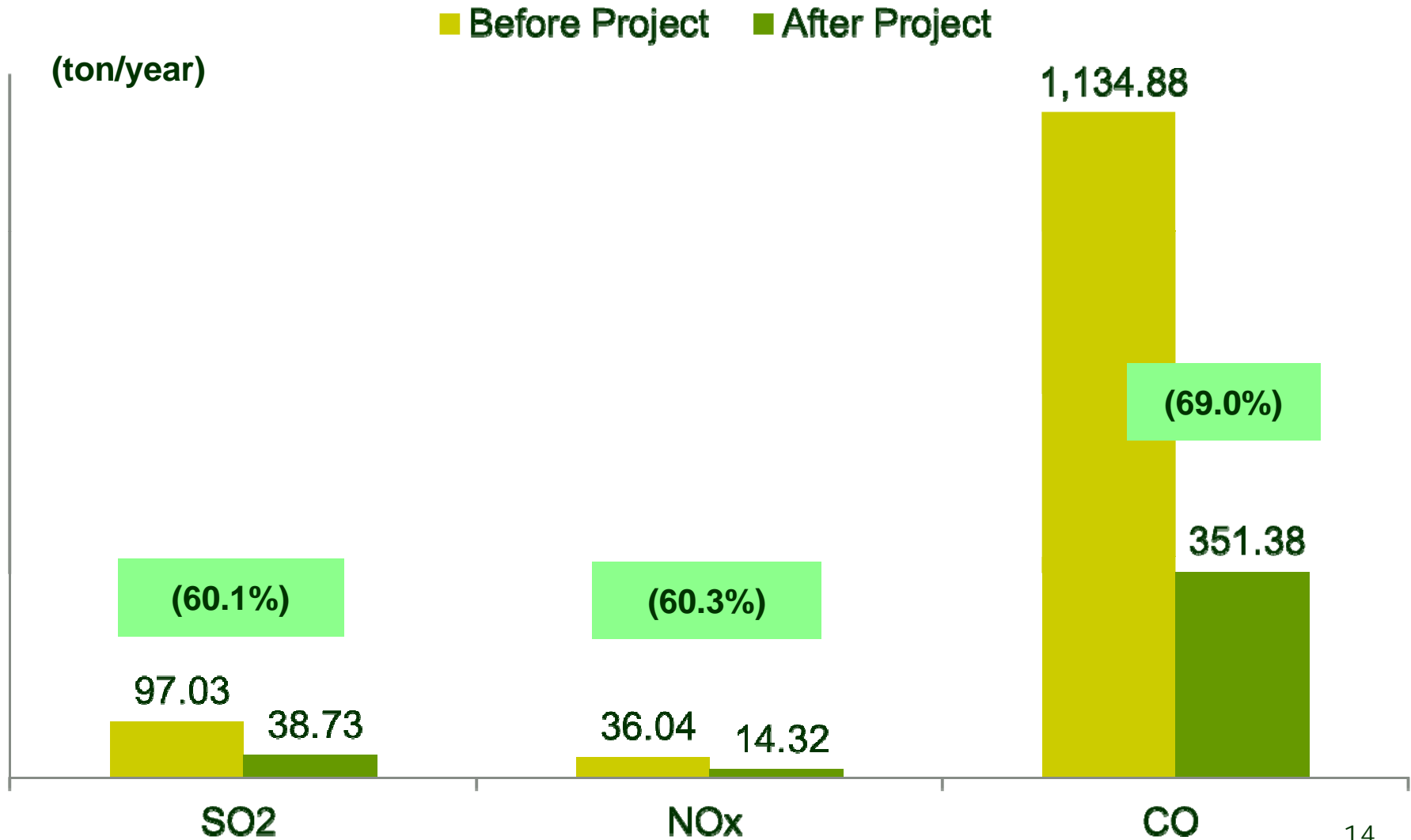


Emission reduction: Electric energy

Electric Energy (kWh/year)



Emission reduction (SO2, NOx, CO)



Emission reduction (coal, dust, CO2)

