



CREDIT GUARANTEE
FUND OF MONGOLIA
БҮНД ОУ МОНГОЛ
СҮБЭДЛ СӨЛӨВЧЛЭЛ



Credit Supplementation Institutions: Going Beyond Guarantee for SMEs

CONTENTS

OVERVIEW OF CGFM

LEGAL ENVIRONMENT AND
SUPERVISION

FUNDING

OPERATION

GOING BEYOND GUARANTEE

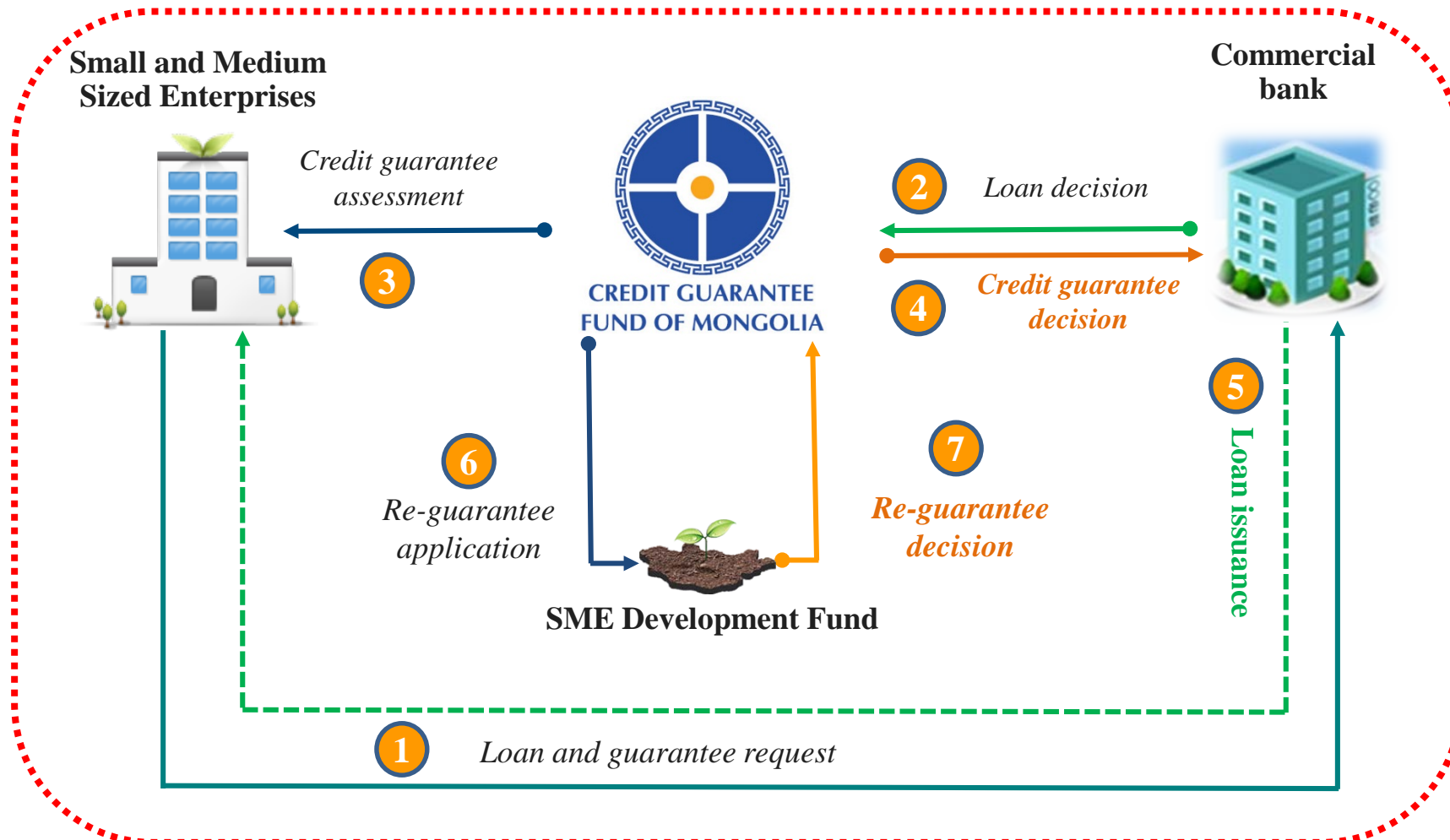


CREDIT GUARANTEE
FUND OF MONGOLIA
БҮГДЭЛЭГ ХАГАМГАА
СЭВЭЛЭГ СУУЦ



OVERVIEW OF CGFM

CREDIT GUARANTEE SYSTEM OF MONGOLIA



OVERVIEW OF CGFM

Status: Non-profit legal entity

Establishment: November, 2012

**Capital Fund: 5.040 million MNT
(~2.016.000 USD)**

Main operations: Indirect Guarantees

**Outstanding Guarantee: 23.5 billion MNT
(~ 9.400.000 USD) (as of June 30, 2017)**

No. of Employees: 34

Biz Network: 1 Head office

Mission of the Fund

- “Contribute to Mongolia’s economic growth through prompt, transparent and reliable services.”

Objectives of the Fund

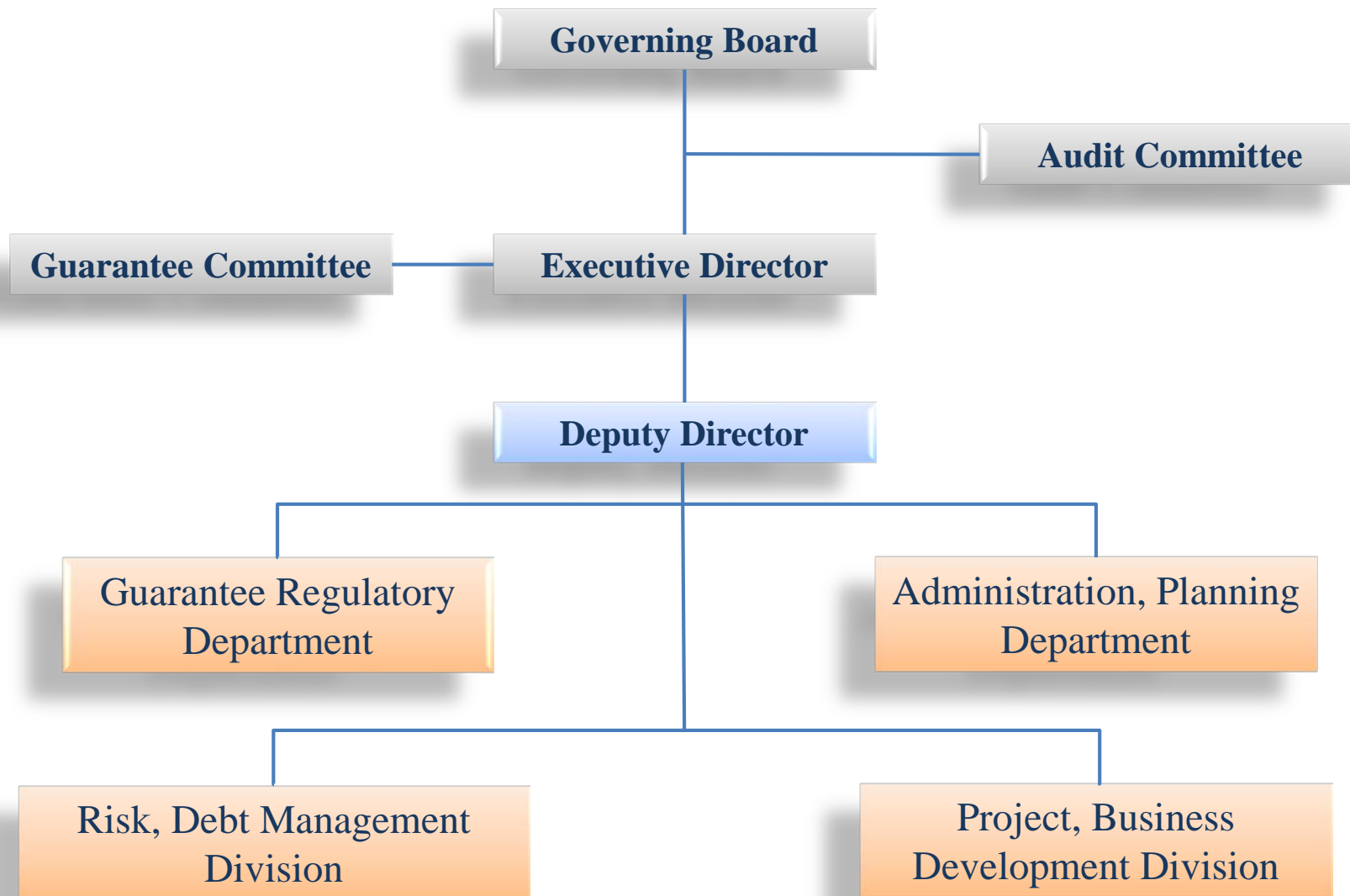
- -To provide credit guarantees to SMEs;
- -To create and sustain employment;
- -To ensure a stable income for the general public.

Our guiding principle

- The fund will adhere the guiding principles of ensuring the equal participation and good governance without conflict of interest.

ORGANIZATIONAL STRUCTURE OF CGFM

(Law on CGFM, Clause 7.1; 7.2), (Governing Board resolution #07 on 2016.04.29)





CREDIT GUARANTEE
FUND OF MONGOLIA
ЭГЭЭЛЭГ ХААГААГАА
СЭРЭЭЛЭГ СУВГАЧИЙН



LEGAL ENVIRONMENT AND SUPERVISION

POLICY TO START AND TO INTENSIFY OPERATIONS OF CREDIT GUARANTEE FUND

Laws

- **Credit Guarantee Law 2012.2.10.**
- **SME Law 2007.7.27 - 2015.01.29**
- **Law to support industrialization 2015.07.09**

Program

- **“SME supporting program”(2014-2016) Government, 2014.8.28-278**
- **“Government’s Policy on Industry” State great hural, 2015.06.19**

Resolutions

- **“some action to take about Credit Guarantee Fund” Government’s resolution, Government, 2012.11.24-141**

LEGAL ENVIRONMENT OF CREDIT GUARANTEE FUND AND ITS MANAGEMENT

“Credit Guarantee Fund Law” provision 4.1

CGFM is non-profit organization providing credit guarantee to SME runners, which have insufficient collateral, through banks and financial institutions

As of CGFM Law provision 7.3, 7.5, 7.6 the Fund is managed by Board of Directors

Supervision Committee

Credit Guarantee Committee

Executive Director

Board of Directors

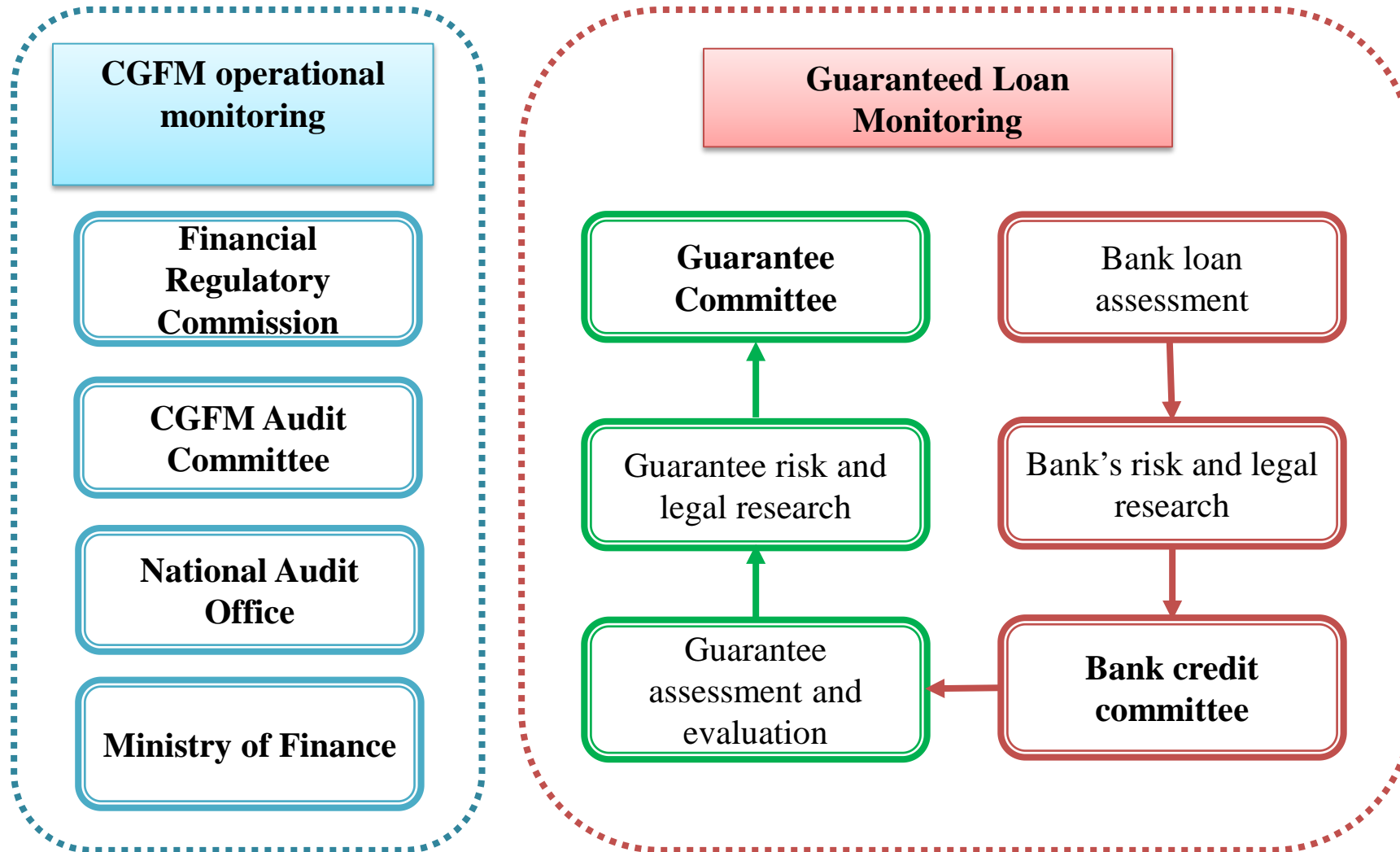
The government body responsible for state budget and finance

Government body responsible for SMEs

Investors, Donors

Stakeholders (with direct relationship)

Monitoring scheme of Credit Guarantee Fund of Mongolia and Guaranteed loan





CREDIT GUARANTEE
FUND OF MONGOLIA
БҮГД БИР ХАМГААГАХ
СЭВЭГЭЛ СЭВЭГЧИЙН ГҮНДЭВ

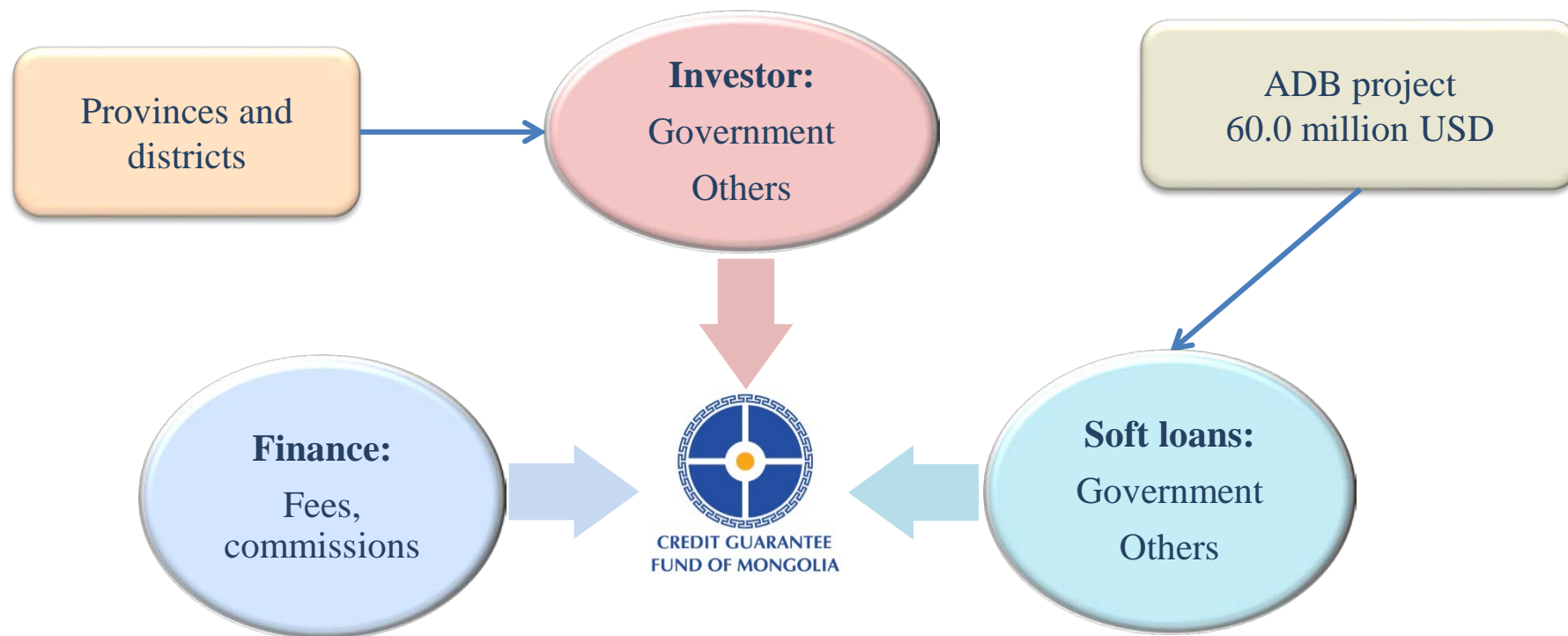


CREDIT GUARANTEE
FUND OF MONGOLIA
БҮГД БИР ХАМГААГАХ
СЭВЭГЭЛ СЭВЭГЧИЙН ГҮНДЭВ



FUNDING

SOURCES OF FUNDING





CREDIT GUARANTEE
FUND OF MONGOLIA
БҮГД БИР ХАМГААГАХ
СЭВГИЙН СУВГАВИЛЭЭ



CREDIT GUARANTEE
FUND OF MONGOLIA
БҮГД БИР ХАМГААГАХ
СЭВГИЙН СУВГАВИЛЭЭ



OPERATIONS

OPERATIONS OF CGFM

CREDIT GUARANTEE ELIGIBILITY:

- ✓ Must be Small and Medium Sized Enterprise (Law on SME, Clause 5.1)
- ✓ No overdue loan or debt occurred within 6 months.
- ✓ Not engaged in prohibited activities.
- ✓ Must have insufficient collateral.

TOTAL GUARANTEE AMOUNT:

Shall not exceed multiple of **10** (~~20~~) of its capital.

GUARANTEE COVERAGE RATIO PER APPLICANT:

Up to **60 percent** of credit per applicant and maximum guarantee amount is **500 million** MNT (**~200.000** USD) per credit.

PERIOD OF GUARANTEE:

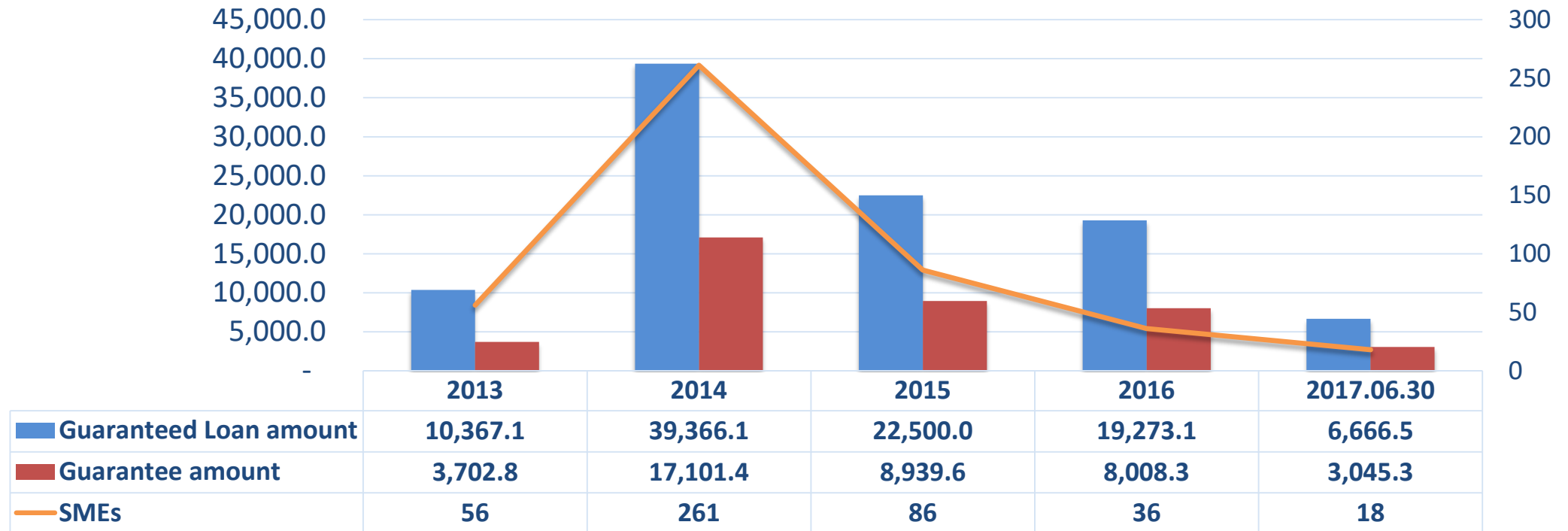
Shall not exceed the term of the loan agreement.

GUARANTEE FEE: Guarantee fee will be charged **once** based on the credit duration.

- Up to 1 year – **1%**
- Up to 2 years – **2%**
- Longer than 2 years - **3%**

OUTRACH OF CGFM

Issued Guarantees /in billion MNT/

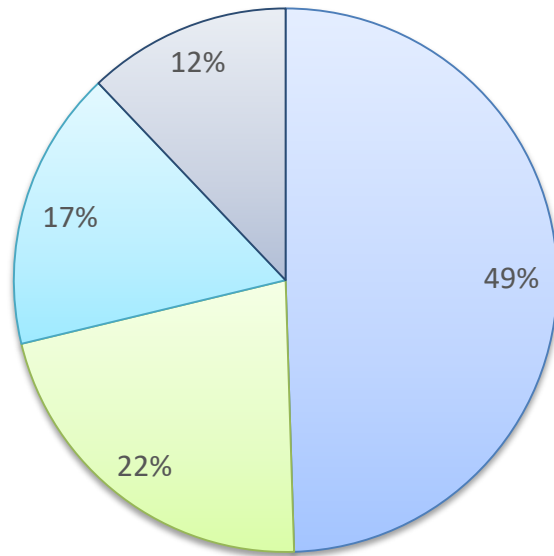


Number of employment sustained

Jobs/Date	2013	2014	2015	2016	2017.06.30	Total
Sustained	506	1908	797	665	123	3999
Created	212	878	286	163	102	1641

OUTREACH OF CGFM

**Extended guarantees
/by sectors/**



■ **Manufacturing**
■ **Service**
■ **Trading**
■ **Agriculture**

Sectors	SMEs	Loan	Guarantee	Guarantee share
Manufacturing	230	51,237.01	20,196.53	49.5%
Service	67	20,503.00	8,867.87	21.74%
Trading	102	16,118.19	6,802.35	16.67%
Agriculture	58	10,314.60	4,930.72	12.09%
Total	457	98,172.8	40,797.47	100.00%

DOMESTIC COOPERATION OF CGFM

COMMERCIAL BANKS

 ARIG BANK	 GOLOMT BANK	 CAPITAL BANK
 CAPITRON BANK	 KHAN BANK	 TӨРИЙН БАНК
 XAC BANK	 TRADE AND DEVELOPMENT BANK	 STATE BANK
 CREDIT BANK	 BOGD BANK	 ULAANBAATAR CITY BANK
	 CHINGGIS KHAN BANK	 NIBank
		 NATIONAL INVESTMENT BANK

NON-BANKING FINANCIAL INSTITUTIONS

 БИД Бизнесийг дэмжигч ББСБ	 CHONO FINANCE NON BANK FINANCIAL INSTITUTION
 IF	 ОЧИР УНДРАА ОМЗ БАНК БҮС САНХҮҮГИЙН БАЙГУУЛЛАГА
 CUM	 ХӨГЖИЛ ФИНАНС БАНК БҮС САНХҮҮГИЙН БАЙГУУЛЛАГА
	 MASTER GROUP

OTHER INSTITUTIONS

 SME development fund
 MBA МОНГОЛЫН БАНКНЫ ХОЛБОС Mongolian Bankers Association
 USAID FROM THE AMERICAN PEOPLE REACH project

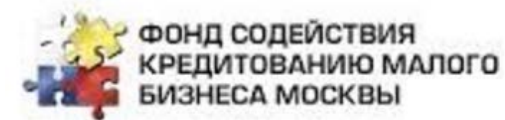
FOREIGN COOPERATION OF CGFM



Signed MoU with KOREG on April 25th of 2016.



Signed MoU with JICA On November 26th of 2016, during the 29th ACSIC annual conference.



Extended the MoU period between CGC Malaysia until 2020.

PRACTICE EXCHANGE



Participated in 25th Annual AECM Global Conference
Madrid, Spain – June 2017



Made in Mongolia EXPO 2017
Toronto, Canada and Chicago, USA



World Bank's Task force meeting
Washington, USA – March 2017
Development of an Additional
Assessment Framework for Public Credit Guarantee
Schemes for Small and Medium Enterprises



"Strengthening the Capacity Building of the
Mongolian Credit Guarantee System"
JICA Training

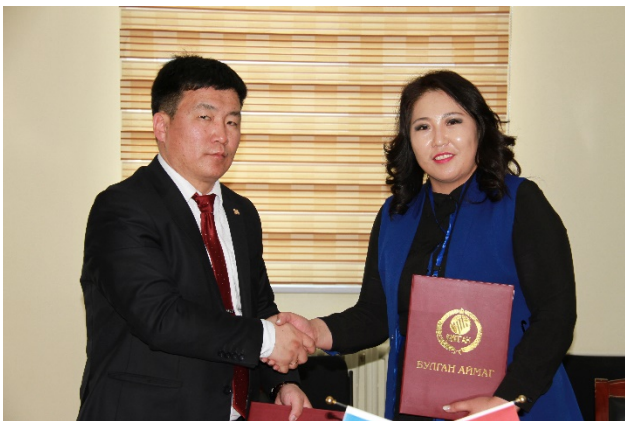
Tokyo, Japan – January 2017

INVESTMENT ATTRACTION

Signing of Cooperation Agreement between CGFM and Provinces of Mongolia



Bayan-Ulgii province



Bulgan province



Dornod province



Sukhbaatar province



CREDIT GUARANTEE
FUND OF MONGOLIA
БҮГДЭЛ ХАВГАЛГА
СҮБЭДЛ СӨЛБӨМӨЛӨӨ



Going Beyond Guarantee

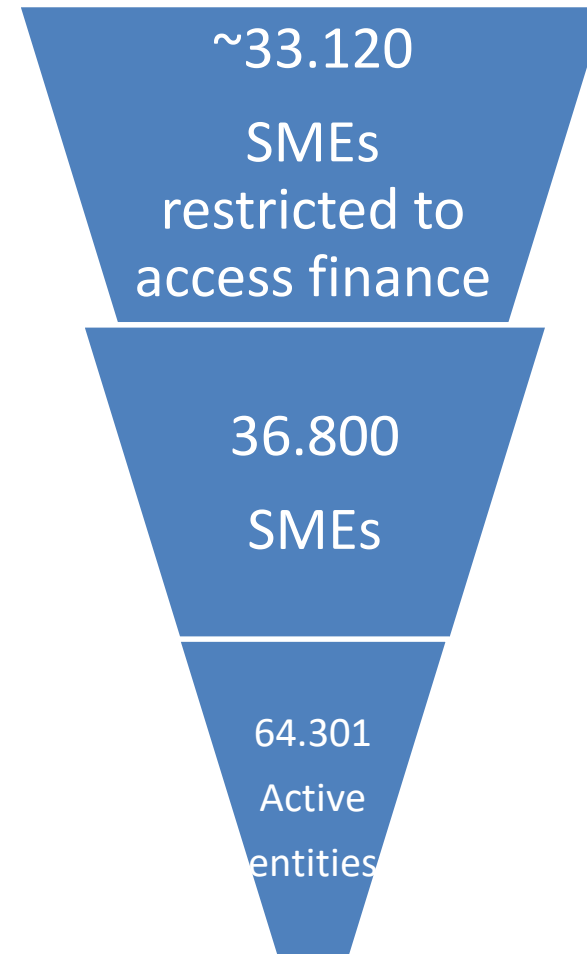
ASIAN DEVELOPMENT BANK PROJECT



Requested to provide lending support to SMEs by backing the Credit Guarantee system operated by the CGFM.

Rationale of the project

GDP by sectors /2016, percentage/



Rationale of the project

Reasons for the limited access for SMEs

Lack of pledgeable collateral of SMEs

Lack of longer-term loans offered by banks at reasonable rates

Liquidity constraints faced by banks in funding longer-term lending

Inadequate credit information base

Burdensome requirements when applying for credit

SMEs lack of financial knowledge

Underdeveloped loan underwriting capabilities of banks

Asian Development Bank project

PROJECT NAME: “SUPPORTING THE CREDIT GUARANTEE SYSTEM FOR ECONOMIC DIVERSIFICATION AND EMPLOYMENT” PROJECT

CONDITION OF THE LOAN:

- Total loan amount is **60 mil USD** and annual loan amount is **12 mil USD**.
- Project implementation period is **5 years, 2021**.
- Duration of loan repayment : **18 years, 2034**.
- Grace period: **12 years, 2028**.

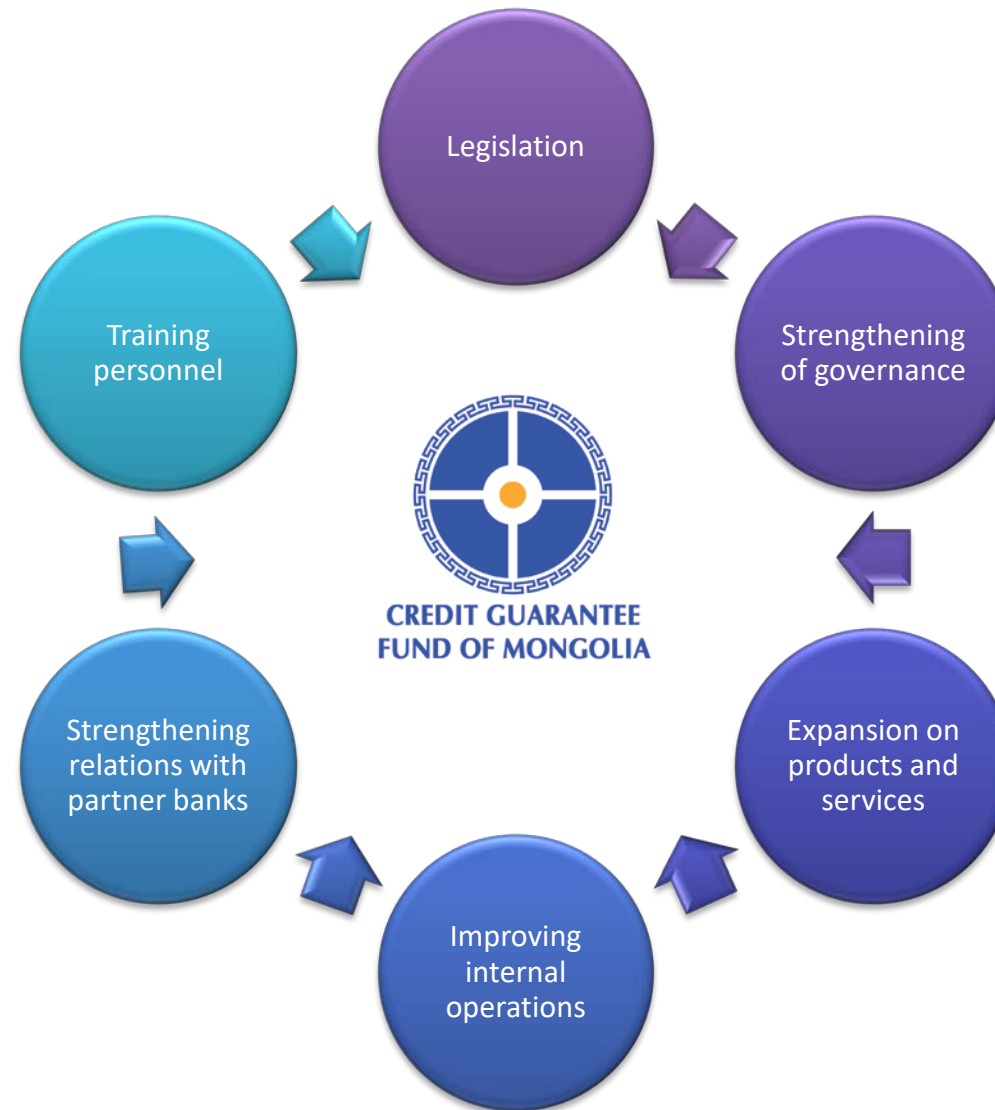
THE MAIN FEATURE OF THE LOAN:

- Will develop long term deposit market in the Mongolian banking system.
- Will develop long term SME supporting loan with lower level of interest rate.

THE MAIN RESULT OF THE PROJECT:

- Legal environment and financial capacity will be improved by supporting the credit guarantee system.
- Will create economic diversification and support non mining sectors.
- Will create more employment and sustainable SME work place.

RECOMMENDATIONS AND ADVICES FROM ADB



PROJECT RESULT

Project Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting
<p>Outcome</p> <p>SMEs' access to finance expanded</p>	<p>Mix of rural vs. urban area SME loan to be increased to 20%</p> <p>(Baseline 2011: 17.3%)</p> <p>SME loan accounts to opened by women to be 50%</p> <p>(Baseline 2014: 46%)</p> <p>Number of active enterprises with fewer than 50 employees to be increased at 10% annual average rate</p> <p>(Baseline 2014: 8.8% average annual rate of increase from 2006 to 2014)</p>	<p>Global Financial Inclusion Database (World Bank: Annual)</p> <p>PFI reports</p> <p>Global Financial Inclusion Database (World Bank: Annual) and Mongolian Year Book (NSO: Annual)</p>

PROJECT RESULT

Project Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting
1. Longer-term financing for SMEs increased	1a. At least 3 new guarantee products	1a. Project monitoring reports; CGFM reports
2. A longer-term bank deposit market developed	1b. At least \$58.63 million of funding to be channeled to PFIs utilizing CGFM guarantees	1b. Project monitoring reports; CGFM, PFIs, and MOF reports
3. Quality of CGFM and the credit guarantee system improved	2a. At least 4 PFIs participating in the CGFM program regularly offer time deposits of at least 5-years maturity in MNT	2a. Project monitoring reports; CGFM, PFIs, and MOF reports
	3a. Two new procedures on risk management and financial management adopted and implemented by CGFM	3a. Project monitoring reports; CGFM, MOF, and MOI reports
	3b. Amendments are adopted for enhancement of the legal framework supporting the credit guarantee system, including support for a private guarantee system.	3b. Project monitoring reports; CGFM, MOF, and MOI reports
	3c. CGFM marketing program and action plan drafted and implemented jointly with regional CGFM representatives and PFIs	3c. Project monitoring report CGFM
	3d. Management Information system of CGFM allows collecting, reporting and analyzing of gender disaggregated data on the number of guarantees and loans issued, types and sizes of loans, and repayment status of loans	3d. Project monitoring report CGFM

CONCLUSION

Credit Guarantee System is relatively a new scheme for Mongolia. Thus it has many aspects to focus on in order to successfully operate. On the other hand Commercial banks of Mongolia provide only short-term loans, which are more suitable for trading, microfinance, and consumer finance. As a result, small and medium-sized enterprises (SMEs) that require longer-term loans have limited access to bank finance at present. There is an opportunity to fill this gap by supplying appropriate funding for SME development, for both employment generation and poverty alleviation. Accordingly, the CGFM believe, the solution for this above obstacle is the PROJECT we have started to implement. Most importantly, as for Mongolian Guarantee System, it is significant to cooperate with commercial banks on supporting SMEs in near future.

Thank you for your attention!

