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ProSPER.Net Leadership Programme 2018

Leadership for Urban Sustainable Development

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Group 1: SDG11 Target 1

By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.

Introduction

Mongolia, located in the central Asia, is a landlocked country with the 18th biggest territory in the world. The country's population is only over three million. Despite the abundant land and small population, 46 percent of the total population lives in a same city, Ulaanbaatar, the capital of Mongolia. The National Statistical Office of Mongolia projected that the city will be home to 58 percent of the population by 2030, compared to 46 percent as of 2017. Rooted in the rapid migration from the provinces to the capital, Ulaanbaatar city has been suffering from complex issues related to economy, society, and environment.

- **Initiative 1 Description**

Arig Bank first launched the Innovation Challenge 'Let's fight air pollution' in early 2017 with the aim to contribute to eliminating air pollution within the city, one of the top concerns facing Ulaanbaatar. As air pollution steadily escalated throughout the past two decades in the city, Arig Bank had the intention to invest in technologies that may reduce air pollution. However, seeing no solutions or technologies that are proven to be effective in the national market, Arig Bank resolved to start a project itself instead of waiting, and announced a public competition open to all local citizens. The competition promised 100 million MNT for the winners as a prize. Out of around 60 applications received, 15 electric heaters were selected for a real-time testing in gers, which are Mongolian traditional dwellings, commonly used for housing residents in the outskirts of the city in an area with poor housing and infrastructure plans. The heaters were tested in gers for two months and independent technical advisors assessed their performances based on several qualities, including heating power, carbon emissions, user-friendliness, and energy efficiency.

Out of tested technologies, 7 electric heaters were awarded. The first three winners received their prizes in three different forms:

1. Cash
2. Interest rate exemption
3. Marketing support

Winners of the next four solutions were awarded with an opportunity to sell their electric heaters through Arig Bank.

In the second stage, winners of the first 3 solutions signed contracts with Arig Bank and started working on commercial advertisements for their products with support from the bank. They were also able to sell their heaters through branches of Arig Bank with their original price for customers, without charging any interest rate fees. Arig Bank's Sustainable Development Team (SDT) will work on upscaling the heaters after the products are made available in the local market, and receive feedback and upgrade comments from the clients. In the long run, Arig Bank plans to pave the way for the heaters to receive funding from international organizations in order to further reach those in need.

Evaluation:

Although Arig Bank's intends to enhance local solutions and make them available at reasonable prices for the residents of the ger area (which is the main source of air pollution in the city), in order to do this the bank will need a sustainable team of people who will solely work on the project for an extended amount of time. Currently, the SDT itself is having some issues with guidance and human resources, especially after the former CEOs moved to the United States. Losing the main person who held the vision and power to support the team can become a big hurdle. As small banks are being pushed to raise their active capital, Arig Bank is trying to save as much as it can and avoid implementing any initiatives that don't bring direct benefits, which hinders the project. In addition, the SDT itself is not very stable since the CEO left. Supporting the local heaters to flourish as a competitive product in international market which are proven to be a worthy alternative to traditional coal-heated stoves requires a stable team with competent staff who are knowledgeable in sustainable development, grant application, and marketing. In order to keep the team motivated, a good leader who understands the value of sustainable development and world trends is essential, which is difficult to find in Mongolia.

- **Initiative 2 Description**

Innovation Challenge is one part of a planned project for providing a package of essential solutions for ger area residents to no longer opt for dirty energy or below standard sanitary facilities in their homes. Four loan products are offered for the customers, with different options in line with their financial capacities. These include:

1. Energy efficient electric heaters
2. Vestibules

3. Insulation
4. Toilets

Each category is comprised of products tried and tested in real-life ger areas before they were made available to the customers. The bank sees the package as a project that is potentially accessible to sustainable financing and grants from international organizations as it offers not only one way out for one issue, but a package of solutions for elevating the quality of life of those in need of more livable conditions. The SDT is to seek and evaluate possible energy efficient and economical options in the market and is already working on a concept note to send to donor organizations. If accepted, the bank will offer the package at a low-interest rate for the target customers who are typically average or below-average income families.

Evaluation

The main issue with this initiative is that it hasn't done extensive and inclusive research beforehand to choose what the ger area residents really need to positively elevate their quality of life. The four categories were chosen by the former CEO who saw the typical needs of ger area communities, however, there is no guarantee that the package is practical and what ger area residents actually need and/or could afford. The Ger Community Mapping Center, which the SDT plans to partner with for the research, highlighted that offering a package may be a good way to bring bigger impacts, however, what ger area residents need might be totally different, or rather smaller in scale to start with. Long-term financial commitment for loans is quite difficult for these residents as they can afford to buy only what is available for them in smaller portions in little tranches of money. Not all residents have records of paying social insurance, which makes it impossible for them to apply for bank loans, etc. What they need might be partial insulation or a better toilet, not a package of 4 generic facilities or products. Without research on what the ger area residents need, and are willing to invest in, the project will lack systematic implementation due to loss of vision.

- **Initiative 3 Description**

A project initiated by Spirit Mongolia – and NGO supporting the livelihood of local communities and conserving the forests in Bulgan Soum in Arkhangai Province is another initiative which Arig Bank is working with. The project targets building a resilient local community in Bulgan Soum where illegal logging has become the biggest problem in the area. Due to very little employment opportunities and low-income, Bulgan Soum, known for its rich forests, is suffering from weaker ecosystems and an increased number of capable youth moving to the capital Ulaanbaatar for better prospects. To find solutions for the complex issues found in the region, Arig Bank with Spirit Mongolia is preparing to run a holistic project in the Soum. The three components of the project include:

1. **Fencing:** Fencing is a way to protect forests and rivers. Wildlife-friendly fences can help curb harmful actions within the area from both livestock and irresponsible use of natural resources. It will also help the locals with employment opportunities in building and

maintaining fencing systems, and it will help build responsible forest management system.

2. **Eco-tourism:** This component will help local families in Bulgan Soum become small tourism agents, which will allow them to support their livelihoods and encourage responsible tourism. If developed effectively, all the local families in the area can earn sustainable sources of income, and by increasing the stream of tourists to Arkhangai Province, it is hoped locals will better cooperate with each other, decrease the domination of tourist camps, and decrease irresponsible use of natural resources in the area.
3. **Logging and bio-charcoal manufacturing systems:** Once the fencing is done and only selected woods are cut, the waste wood from the logging can be used for producing bio-charcoals, which are known for their sustained heat providing power and more eco-friendly consumptions as opposed to fossil fuels. First, small manufacturing facilities must be built in the area, and second, locals must be trained to use the manufacturing equipment to turn the waste wood into an end-product available for direct sale within the region and to urban areas outside the region.

Evaluation

As the main implementer of the project will be Spirit Mongolia, the preparation stage will require both financial and professional commitment, which the NGO lacks. Although Arig Bank can serve as the financial advising partner, there is also no guarantee that the core team can persuade international organizations to provide grants. Secondly, building production facilities, and prior to that, coming to a consensus within the local communities that this is the way they want to go will be challenging. Even with agreement among them, educating the locals with needed knowledge in finance, marketing, and fixed systems is hard work that needs a lot of attention and resources. Whether the project can be implemented within coming years and show results remains to be seen.

Conclusion

Although rich in mineral and other natural resources, Mongolia has been struggling with quality planning, implementation, evaluation, and overall management processes for decades. Due to relatively recent transition to a free market, as well as other issues rooted in non-inclusive education, general awareness of the public on sustainability and its importance remains unsatisfactory. Private sector companies in Mongolia are continuously investing in “green” initiatives for years now as part of their corporate social responsibility. However, the sector still needs to understand that sustainable development is a “win-win”, in which all stakeholders can benefit. Banks in particular need to educate their staff first, and then move towards implementation of “green” initiatives. Without an informed staff, implementing sustainability related projects – which can appear to be not directly aligned with the core operation of banks – will not become a reality.