Mongolia’s Sustainable Finance Journey & Priorities Moving Forward

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About Mongolian Sustainable Finance Association

2013 – Mongolian Sustainable Finance Initiative

2017 – Mongolian Sustainable Finance Association (MSFA)

Vision: Bridge finance, policy and business action towards a sustainable future

Objectives:
- **Scale up** private sector financing and participation in climate goals and SDGs
- **Create a platform** for collaboration (no compete)
- **Set common frameworks** in line with international standards and Mongolia’s unique local context
Our Family

Established in 2017
50 members (as of June 2024)

Commercial banks (12)
Development bank (1)
Large NBFIs (18)
Mortgage Corporation (1)
Credit Guarantee Fund (1)
Insurance companies (2)
Asset managers/ securities companies (4)
Business entities (9)
Research & training institutions (2)
Our Journey

PHASE 1: COMMITMENT
- Voluntary commitment by banking sector
- Mongolian Sustainable Finance (MSF) Principles and Guidelines
- Awareness raising

PHASE 2: IMPLEMENTATION
- Operationalization of MSF principles
- Set of key frameworks and tools focused on ESG risk management
- Extensive capacity building
- Monitoring and reporting

PHASE 3: EXPANSION
- Green taxonomy
- Establishment of MSFA and Mongolia Green Finance Corporation
- Voluntary commitments by non-bank FIs
- Sustainable finance integration into capital markets

PHASE 4: SCALE UP
- National Sustainable Finance Roadmap
- Policy frameworks to promote sustainable finance
- Integration into public finance frameworks

PHASE 5: LEAD
- Increase green loans up to 10% and 5% in banks and MFIs
- Sustainable finance to become mainstream in all parts of the financial system and Mongolia to be recognized as a global leader on sustainable finance
Our Approach (Sustainable finance ecosystem)

1.1 Overarching frameworks
- Mongolian sustainable finance principles by MBA & MSFA (2015 & 2023)
- National Sustainable Finance Roadmap by FSC (2018 & 2022)

1.2 ESG risk management
- ESG risk guidelines by MBA (2015)
- ESG risk management directive by BoM and FRC (2022 & 2023)

1.3 Sustainable finance
- Green and SDG Taxonomy by FSC (2018 & 2023)
- Green bond framework by FRC (2021)
- Gender finance framework (2022)

1.4 Climate risk guideline by BoM (2023-2024)

1.5 Reporting & disclosure guidelines
- ESG reporting guideline (2022)
Our Approach (Sustainable finance ecosystem ctd.)

2. Governance
2.1 Private sector leadership
2.2 Political leadership
2.3 Policy approval & oversight

3. Supporting infrastructure
3.1 Assessment & research:
   - baseline studies, market assessments
3.2 Tools & guidelines policy template, due diligence tools:
   - policy template, due diligence tools
3.3 Policy incentives/supervisory actions:
   - Award, green swap, interest rate subsidy
3.4 Capacity & awareness:
   - Elearning platform, in-person trainings
3.5 Product development & pilots
   - EE housing, cashmere, agriculture etc.
3.6 Monitoring, reporting & verification:
   - Annual assessment

4. Financial products
4.1 Green and social loans
4.2 Green bonds
4.3 Green impacts funds and insurance

5. Financial intermediaries
5.1 FIs
5.2 Mongolia Green Finance Corporation
5.3 Billion Tree Fund
Our Enabling Frameworks

Mongolian Sustainable Finance Principles & National Sustainable Finance Roadmap

- ESG Risk Management Guidelines (banks & MFIs)
- Green Taxonomy
- SDG Finance Taxonomy
- Gender finance framework & tools
- Green capital market roadmap
- Green bond regulation
- ESG reporting guidelines
### Mongolian SDG Finance Taxonomy

#### CATEGORIES:

<table>
<thead>
<tr>
<th>Category</th>
<th>Sub-Categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green</td>
<td>Energy production, Energy efficiency, Sustainable cities and housing, Pollution prevention and control, Sustainable water &amp; waste use, Sustainable agriculture and food security, Sustainable land use, forestry, biodiversity protection, Low emission transport, Information and communication technologies, Health, Education &amp; culture, Affordable basic infrastructure</td>
</tr>
<tr>
<td>Sustainable</td>
<td></td>
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<tr>
<td>Social</td>
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</tbody>
</table>

- **12 Categories**
- **53 Sub-category**
- **142 Activities**

2023
Approved by the Financial Stability Council
Our Monitoring and Reporting Framework

1. Member performance assessment and scoring by MSFA
2. Green loan dashboard by BoM and FRC
3. Global benchmarking and assessment (SBFN Annual Progress Report)
Green Loan Dashboard

- Share of green loans reached 2.9% as of Q4 2023 (tripling over the last year)
- NPL of green loans is 0-1.4%
- Energy efficiency, sustainable agriculture, land use, and clean transport dominate current green financing
Sustainable Finance in Mongolia vs. Other EMDEs

**Preparation**
- **Commitment**
  - Eastern Caribbean States**
  - Fiji
  - Jamaica
  - Kosovo
  - Kyrgyz Republic
  - Lao PDR
  - Maldives
  - Moldova
  - Samoa
  - Serbia
  - Tajikistan
- **Formulating**
  - Colombia
  - Georgia
  - Indonesia
  - Mexico

**Implementation**
- **Developing**
  - Argentina
  - Armenia
  - Azerbaijan
  - Cambodia
  - Central African States*
  - Chile
  - Costa Rica
  - Dominican Republic
  - Ecuador
  - Guatemala
  - Honduras
  - India
  - Iraq
  - Jordan
  - Kazakhstan
  - Nepal
  - Pakistan
  - Panama
  - Peru
  - Tanzania
  - Thailand
  - Tunisia
  - Ukraine
  - Zambia
- **Advancing**
  - Bangladesh
  - Egypt
  - Ghana
  - Kenya
  - Mongolia
  - Morocco
  - Nigeria
  - Papua New Guinea
  - Philippines
  - South Africa
  - Sri Lanka
  - Türkiye
  - Vietnam

**Maturing**
- **Consolidating**
- **Mainstreaming**
  - Behavioral Changes
  - Brazil
  - China
  - Colombia
  - Georgia
  - Indonesia
  - Mexico

**Progress since 2021**
- 12 new SBFN countries (including one regional member representing 8 countries) entered the “Formulating” sub-stage
- 11 new SBFN countries leapfrogged to the “Development” sub-stage (including one regional member representing 6 countries)
- 14 countries moved up one sub-stage
- 2 countries moved up two sub-stages
- 27 countries progressed within the same sub-stage

* Central African States include: Cameroon, Central African Republic, Chad, Equatorial Guinea, Gabon, Republic of the Congo.

** Eastern Caribbean States include: Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, Saint Lucia, Saint Vincent and the Grenadines, St. Kitts and Nevis.

Source: IFC-SBFN Global Progress Brief, 2024
Our Monitoring and Reporting Framework

Source: IFC-SBFN Global Progress Brief, 2024
Our Impact and Results

60 FIs formally made commitments to implement MSF principles

50+ GREEN LOAN PRODUCTS

11 GENDER-FOCUSED PRODUCTS

2.9% OF BANKING SECTOR LOANS ARE LABELED AS GREEN

AS OF 2023

FI $s RAISED OVER USD 350 MILLION FUNDING SPECIFICALLY FOR GREEN LOANS

ISSUED GREEN BOND

KHAN BANK

2 COMMERCIAL BANKS ACCREDITED BY GCF

TDB XACBANK

9 FI $s FORMALLY JOINED PCAF

KHAN BANK GOLMONT BANK STATE BANK

CAPTRON BANK DEVELOPMENT BANK OF MONGOLIA

TransBank

IF: BUSINESS LOAN >$20’000 Lending portfolio is assessed by ESG risk management criteria

70%

6 BANKS THAT ISSUED IPOS made commitments to allocate 35 percent of the capital raised for green loans

35%

“A pioneer in sustainable finance frameworks” (roadmap, taxonomy, green bank & more)
# Our Collaboration with Development Partners

## National Sustainable Finance Roadmap of Mongolia (FSC, MSFA, UNEP, IFC, 2022)

- Green capital market development roadmap (FRC, MSFA/CBI, EBRD, 2021)
- Mongolian Sustainable Finance Principles (MBA/MSFA, IFC, FMO, 2015)

### Thematic pillars

<table>
<thead>
<tr>
<th>Frameworks</th>
<th>Pillar 1: ESG risk management</th>
<th>Pillar 2: Climate and nature-related risk management</th>
<th>Pillar 3: Green and social financing</th>
<th>Pillar 4: Sustainability management and reporting</th>
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<tr>
<td>• ESG Risk Management 5 Sector Guidelines (MBA/MSFA, IFC, FMO, EU/AVSF, 2015-2022)</td>
<td>• Climate stress test and scenario analysis (BoM, WB, ESCAP-NDC-P, 2024)</td>
<td>• EE housing finance guideline and training (MSFA, GIZ, 2021)</td>
<td>• GAP guidelines and other tools (MSFA, UNDP, TAF, 2022)</td>
<td>• ESG reporting guideline for Mongolian companies (FRC, MSFA, MSE, UN/UNDP/UEN P, IFC 2022)</td>
</tr>
<tr>
<td>• E&amp;S Policy framework templates, ESG Risk Assessment Tool, and other tools for FIs (MBA/MSFA, IFC, FMO, 2019-2022)</td>
<td>• PCAF methodology, tool, and training (through MSFA partnership, 2022)</td>
<td>• Sustainable textile market study, green finance criteria &amp; training (EU/AVSF, MBA/MSFA, 2022)</td>
<td>• Gender finance training materials &amp; elearning module (MSFA, Canada/TAF, GCF, 2023)</td>
<td>• ESG reporting data platform, under development (Canada, MSFA, 2024)</td>
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<tr>
<td>• FI sustainable finance performance assessment tool (MSFA, updated annually)</td>
<td>• Project GHG emissions reductions calculation tool (MET, MSFA, GCF, 2021)</td>
<td>• Sustainable livestock lending guideline (MGFC, UNDP, 2024)</td>
<td>• Gender finance and other tools (MSFA, UNDP, TAF, 2022)</td>
<td>• ESG assessment &amp; verification platform &amp; training for companies (EU/PIN, MSFA, 2024)</td>
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<td>• E-learning platform (MSFA, FMO, 2017)</td>
<td>• Scope 1, 2, 3 GHG emissions calculation tool -under development (MSFA, GCF, 2024)</td>
<td>• Sustainable tourism green finance criteria (MET, MSFA, ADB, 2024)</td>
<td>• Green loan policy incentives research (MoF, MSFA, GCF, ADB, 2024)</td>
<td>• ESG reporting training (MSFA, FRC, UN/UNDP, IFC, 2024)</td>
</tr>
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Piloting New Approaches

Energy-efficient housing mortgage:
- 27 EE houses financed through a new green mortgage product
- 12 EE housing blueprints and SMEs
- EE housing green loan criteria & guideline
- Training for bank officers
- Review of EE housing finance policy barriers
- Policy advocacy

Energy-efficient ger (yurt) financing:
- Over 2,700 gers insulated via CHIP
- Local green SME suppliers prepared
- Green revolving fund piloted to support green microfinance products via MFIs
- Scale up of revolving fund through USAID grant
- Testing of risk-sharing mechanism

Gender mainstreaming in finance sector:
- Women in Finance Fellowship programme (30 women empowered in 2023)
- Women entrepreneurs financial accelerator program (30 women SMEs)
- Setup of guarantee fund for women SMEs (looking for funding)

SDG Taxonomy pilot:
- Piloting of SDG Taxonomy V1 at Khan and Golomt bank
- Portfolio screening to identify SDG financing opportunities
- Recommendations for SDG Taxonomy adoption
Scaling Up Sustainable Finance in Mongolia

Mongolia Green Finance Corporation

- $50 mln Total capital
- 3.7M tCO2e GHG emission reduction
- 86,291 Direct beneficiaries

Green Climate Fund (GCF) $27M
- Equity
- Loan
- Grant

GCF AE (XacBank) $18M
GoM
Mongolian Mortgage Corporation $5M

Mongolian Green Finance Corporation (MGFC) $50M
- On-lending (Commercial loan)

Banks and other NBFIs (Shareholders)

Co-financing Credit

Green projects, SMEs, Individuals

I. Bank and non-bank FI selection process
II. Loan disbursement

- +2,232 EE houses built in the ger area
- +130 companies take EE measures
- +21,732 houses in ger district insulated
- +1,470 new green jobs created, 40% of which are female

$50 mln
$18M
$5M

Investment
Reporting, payback

Global Green Growth Institute

ToC

MBA

Mongolia Sustainable Finance Association

Хасбэнк

CANGIYN IAM

BAIGAL ORCHI, АРАЯЛ ЖУРТЧИЙЛЯН НЯМ
Our Priority Areas Ahead (systems transformation)

Goal: Support sustainable financing flows at scale, speed, and equal access

- **Government**
  - Political leadership and will
  - National targets and goals
  - National policies
  - Sectoral strategies
  - Investments plans
  - Monitoring
  - Coordination of planning and delivery
  - Convening
  - Legislation and regulation

- **Financial Stability Council**
  - Financial Regulators (BoM, FRC, MoF)
  - Sustainable financial instrument e.g. SDG budget tagging, SDG Sovereign Bond
  - Other finance and fiscal policies for SDGs, e.g. grants, aligning subsidies, tax incentives

- **Deploy blended Finance**
  - Public Financial Institutions (e.g. State Bank, Credit Guarantee Fund, DBM)
  - Public-Private Institutions Vehicles (e.g. MSFF)
  - Deploy private Finance
  - Financial Institutions
    - Banks
    - Non-banks (e.g. MFIs, insurers)
    - Asset Owners
    - Asset Managers
  - Training, Data, Product and Service Providers (inc. universities etc)
  - Products, suppliers and technologies
  - Capacity building, information, data, R&D
  - Convening, influencing etc
  - Others: professional bodies, standards etc

- **Sustainable finance mainstreamed**
  - Private finance for SDGs mobilized
  - Leverage public finance for increased private and development finance

- **Real-economy & Society**
  - **Public buildings, hospitals, schools**
  - Critical infrastructure and critical service providers: roads, rail, telecoms, energy, water, education, health
  - Protective infrastructure (flood defenses)
  - Corporates
  - Project developers
  - MSMEs
  - Start-ups
  - Households
  - Individuals

- **Public assets**
  - **Public buildings, hospitals, schools**
  - Critical infrastructure and critical service providers: roads, rail, telecoms, energy, water, education, health
  - Protective infrastructure (flood defenses)
  - Corporates
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Adapted by MSFA from Mission Climate Ready
Our Priority Areas Ahead (systems transformation)

**Goal:** Support sustainable financing flows at **scale, speed, and equal access**

1. Policy, strategy
2. Implementation tools, guidelines, and training
3. Policy incentives
4. Pilots, projects
5. Monitoring, reporting & verification
6. Financial instruments
Our Priority Areas Ahead (systems transformation)

1. Aligning frameworks with global trends and standards:
   - **Aligning with emerging trends:** Nature-related risk management, disclosure guidelines
   - **Guidance for innovative products:** Transition finance, biodiversity and ESG/sustainability-linked finance guidelines

2. Inclusive ESG/green impact measurement, verification, and disclosure (green fintech):
   - **Companies and SMEs:** ESG and sustainable finance performance assessment, labeling, verification, and reporting digital platform aligned with ESG reporting standards
   - **Project:** Green/social project impact assessment, verification, and reporting tool aligned with SDG Taxonomy
   - **Technology providers:** Green technology providers database and certification aligned with SDG Taxonomy
   - **Carbon markets:** Explore opportunities to link green finance impact with international carbon markets

3. Systematic capacity building:
   - **Structured capacity building programmes** and modules for FIs, clients, policymakers, new generation financiers (green finance, climate risk, transition finance, disclosure etc)

4. Policy environment to scale up green inclusive finance:
   - **Green blended finance:** Operationalization of Mongolia Green Finance Corporation
   - **Incentives for green finance:** Removal of disincentives or introduction of incentives by BoM, FRC
   - **Reform of tax and subsidy policy** to support climate and SDG objectives (GoM, MoF, MED)
Mongolian Sustainable Finance Week 2024

**Co-hosts:** The Office of the President, MSFA, KHAN Bank, UN Mongolia

**Partners:** local and international partners

**Date:** December 2024

Mongolian Sustainable Finance Forum (MSFF) is a globally recognized example of public-private-international partnership efforts to promote and scale up sustainable finance. This year marks the 10th anniversary of MSFF.

*Preliminary discussions will be organized throughout October.*
Thank you for your attention and enjoy Mongolia!

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