Mongolia’s Sustainable Finance Journey & Priorities Moving Forward

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2024.06.27

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

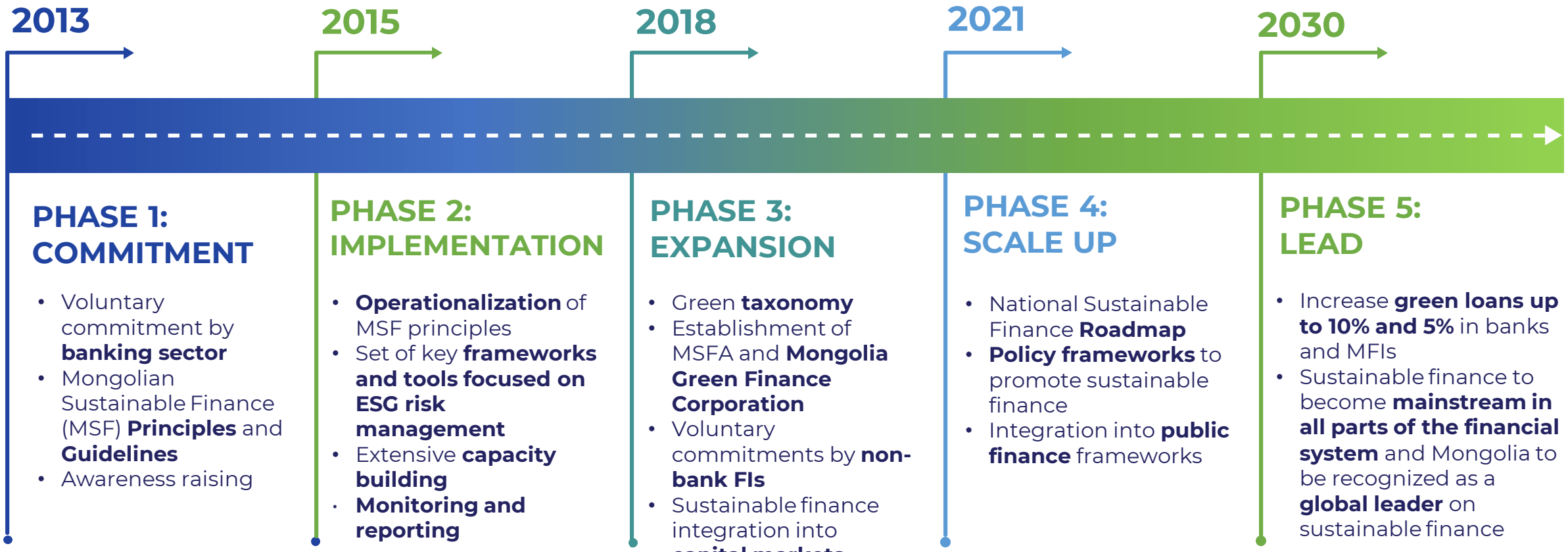
Our Family

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

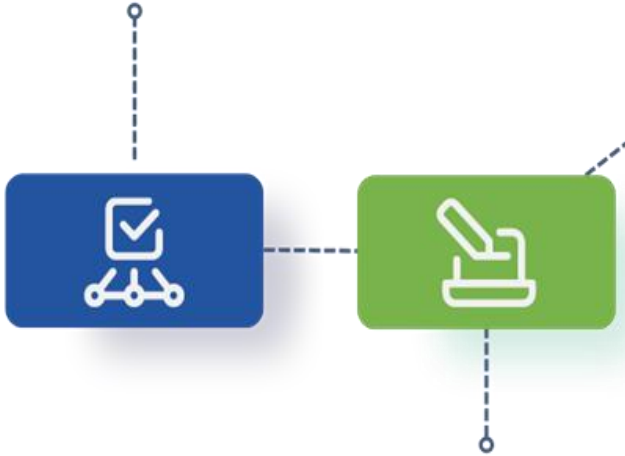

2013
2015
2018
2021
2030
PHASE 1: COMMITMENT
• Voluntary commitment by **banking sector**
• Mongolian Sustainable Finance (MSF) **Principles** and **Guidelines**
• Awareness raising
PHASE 2: IMPLEMENTATION
• **Operationalization** of MSF principles
• Set of key **frameworks and tools focused on ESG risk 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.ENABLING FRAMEWORKS (VOLUNTARY & REGULATORY)

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)

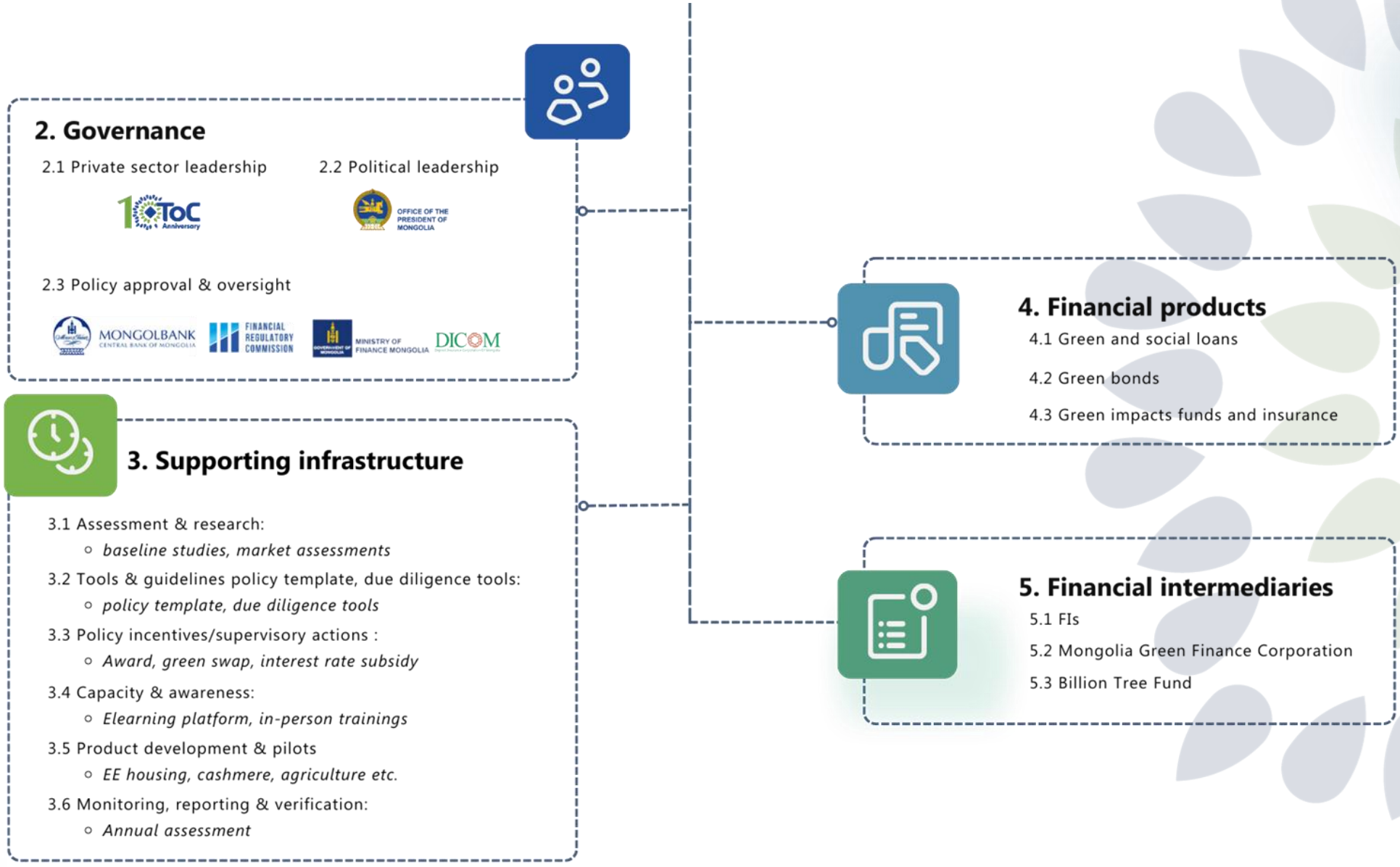
1.4 Climate risk guideline by BoM (2023-2024)



1.5 Reporting & disclosure guidelines

- ESG reporting guideline (2022)

Our Approach (Sustainable finance ecosystem ctd.)



Our Enabling Frameworks

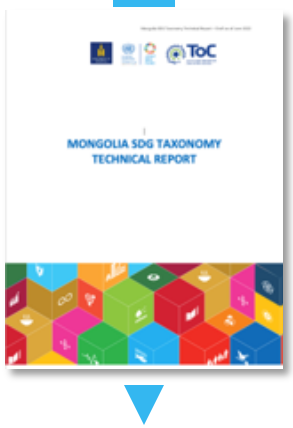
Mongolian Sustainable Finance Principles & National Sustainable Finance Roadmap



ESG Risk Management Guidelines (banks & MFIs)



Green Taxonomy



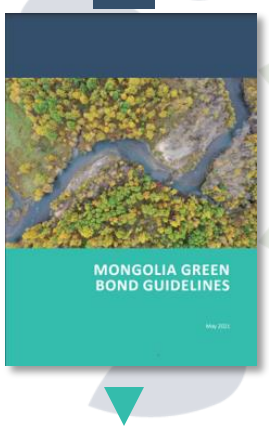
SDG Finance Taxonomy



Gender finance framework & tools



Green capital market roadmap



Green bond regulation



ESG reporting guidelines

Mongolian SDG Finance Taxonomy

CATEGORIES:

Energy production	Green
Energy efficiency	
Sustainable cities and housing	
Pollution prevention and control	
Sustainable water & waste use	Sustainable
Sustainable agriculture and food security	
Sustainable land use, forestry, biodiversity protection	
Low emission transport	
Information and communication technologies	Social
Health	
Education & culture	
Affordable basic infrastructure	





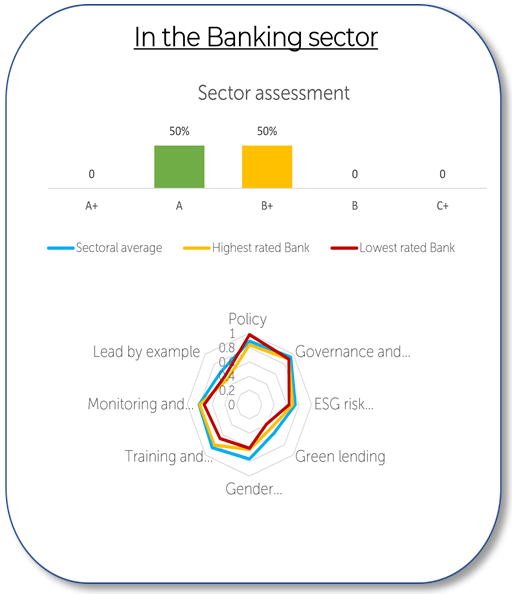
2023
Approved by the Financial Stability Council

12 Categories

53 Sub-category

142 Activities

Our Monitoring and Reporting Framework



1. Member performance assessment and scoring by MSFA

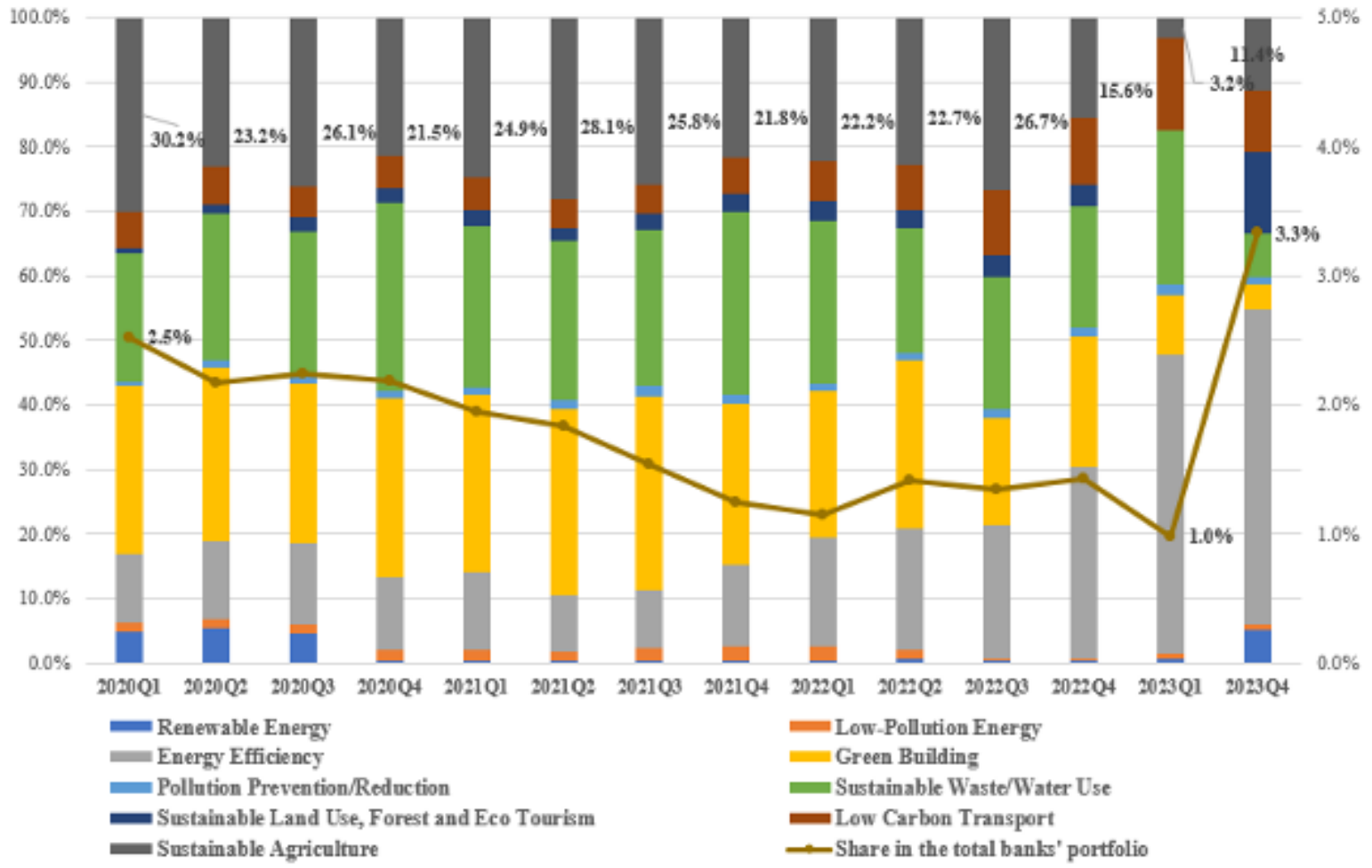


2. Green loan dashboard by BoM and FRC



3. Global benchmarking and assessment (SBFN Annual Progress Report)

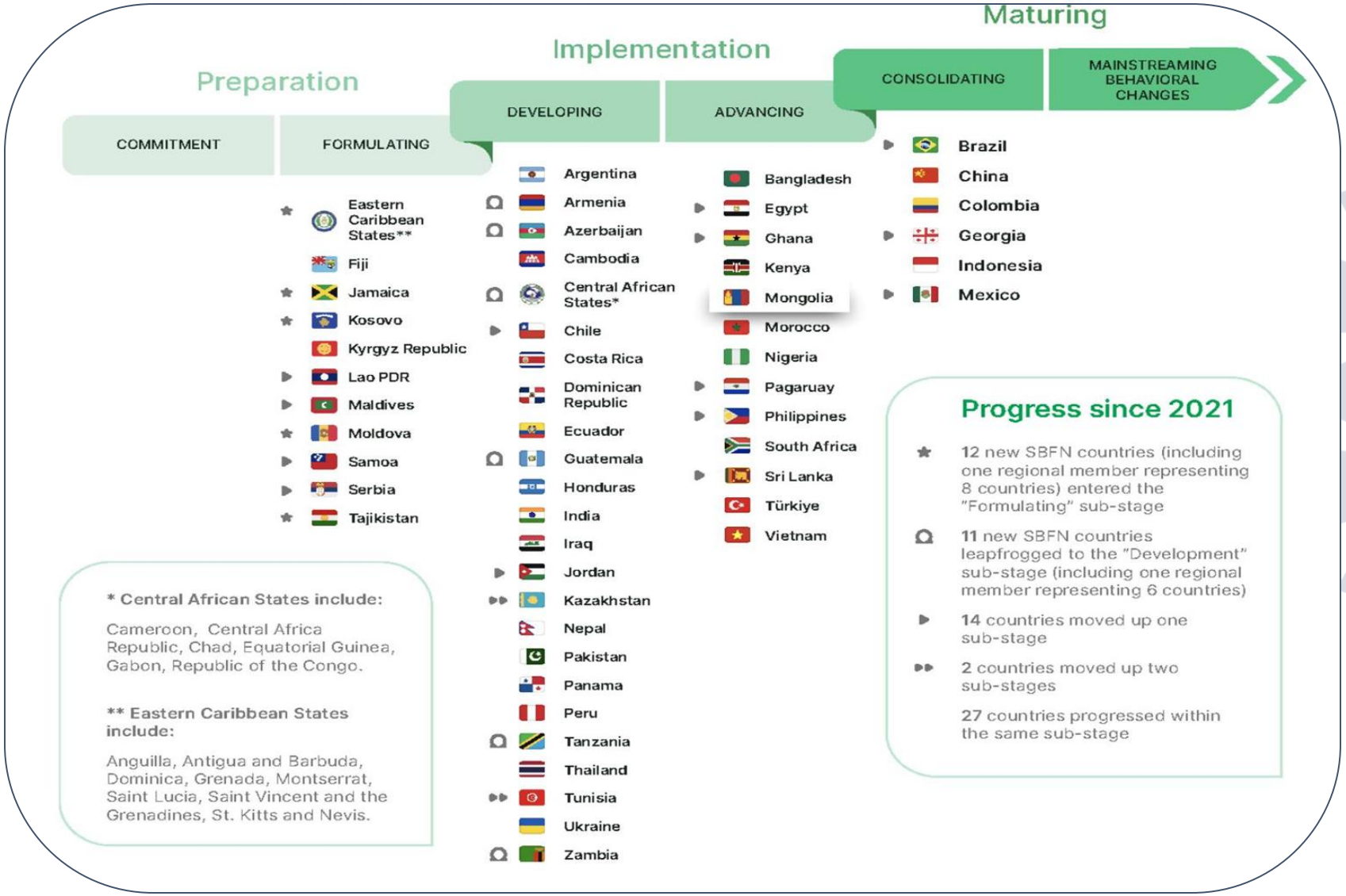
Green Loan Dashboard





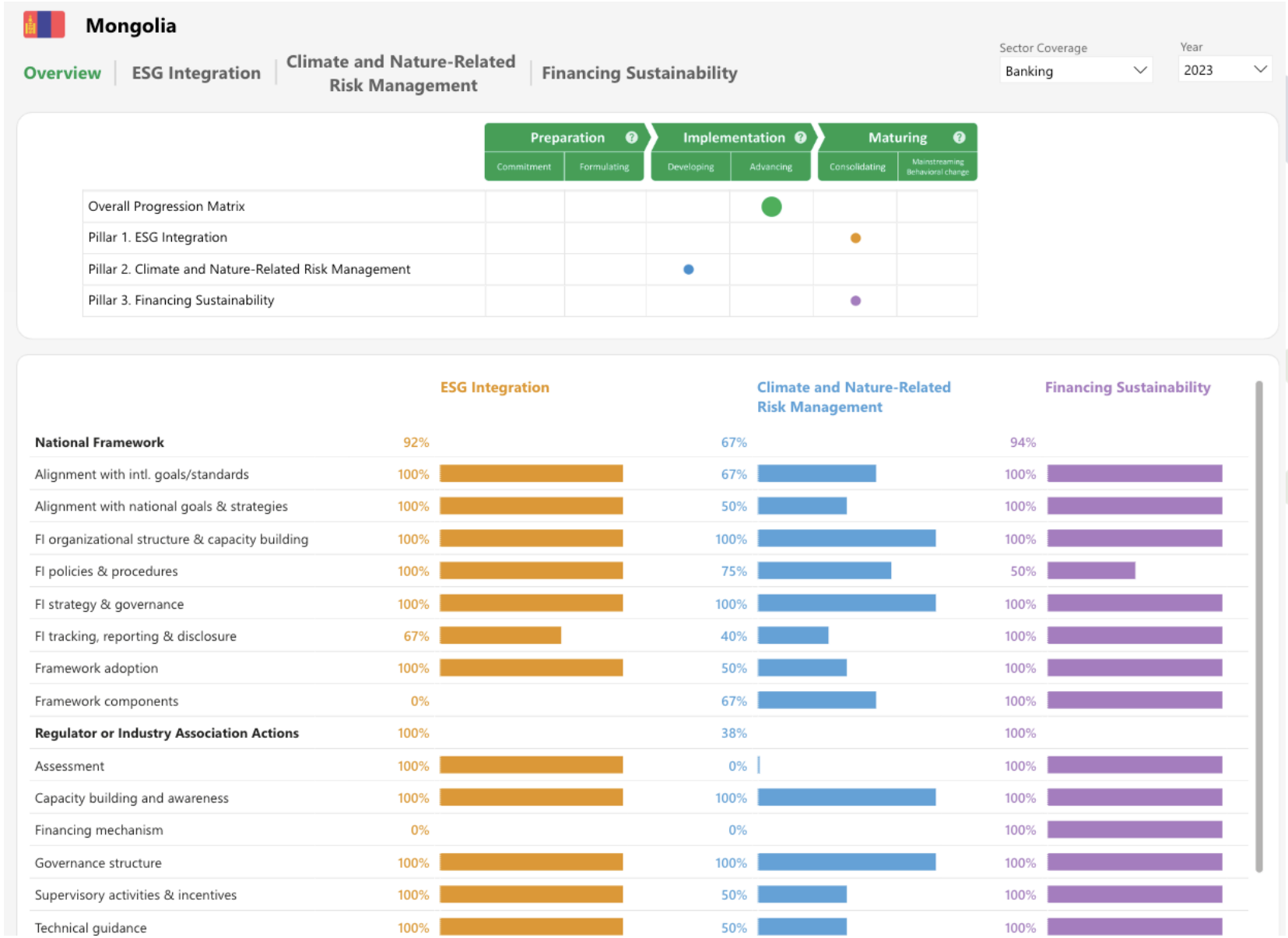
- Share of green loans reached 2.9% as of Q4 2023 (tripling over the last year)
- NPL of green loans is 0-1.4%
- Energy efficiency, sustainable agriculture, land use, and clean transport dominate current green financing

Sustainable Finance in Mongolia vs. Other EMDEs



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

AS OF 2023

- **50+** GREEN LOAN PRODUCTS
- **11** GENDER-FOCUSED PRODUCTS
- **2.9%** OF BANKING SECTOR LOANS ARE LABELED AS GREEN

AS OF 2023

FIs RAISED OVER USD 350 MILLION FUNDING SPECIFICALLY FOR GREEN LOANS

ISSUED GREEN BOND

KHAN BANK

2 COMMERCIAL BANKS ACCREDITED BY GCF

TDB TRADE & DEVELOPMENT BANK

XACBANK

9 FIs FORMALLY JOINED PCAF

KHAN BANK · GOLOMT BANK · XACBANK · STATE BANK · CAPITRON BANK · TransBank · МИК · DEVELOPMENT BANK OF MONGOLIA · InvesCore



IF: BUSINESS LOAN >$20'000

Lending portfolio is assessed by ESG risk management criteria



6 BANKS THAT ISSUED IPOS

made commitments to allocate 35 percent of the capital raised for green loans

"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	**Pillar 1: ESG risk management**	**Pillar 2: Climate and nature-related risk management**	**Pillar 3: Green and social financing**		**Pillar 4: Sustainability management and reporting**
Frameworks	• **Mongolian Sustainable Finance Principles** (MBA/MSFA, IFC, FMO, 2015) • **ESG risk framework for banks** (BoM & MSFA, 2022) • **ESG risk framework for MFIs** (FRC & IFC, 2022)	• **Climate reporting guideline** (BoM & MSFA, ESCAP/NDC-P, GCF, 2024)	• **Green Taxonomy** and reporting framework for banks and MFIs (FSC & MSFA, 2019) • **Green Bond Framework** (FRC & IFC, 2022)	• **SDG Finance Taxonomy v1 & reporting** (FSC, MSFA, UN/UNDP, ADB 2023) • **Gender Finance** Guideline for FIs (MSFA, UNDP, Canada/TAF, 2022)	• **ESG reporting guideline** for Mongolian companies (FRC, MSFA, MSE, UN/UNDP/UNEP, IFC 2022)
Guidelines. tools, trainings	• ESG Risk Management **5 Sector Guidelines** (MBA/MSFA, IFC, FMO, EU/AVSF, 2015-2022) • E&S **Policy framework templates, ESG Risk Assessment Tool,** and other tools for FIs (MBA/MSFA, IFC, FMO, 2019-2022) • **FI sustainable finance performance assessment tool** (MSFA, updated annually) • **E-learning** platform (MSFA, FMO, 2017)	• **Climate stress test and scenario analysis** (BoM, WB, ESCAP-NDC-P, 2024) • **PCAF methodology, tool, and training** (through MSFA partnership, 2022) • **Project GHG emissions reductions calculation** tool (MET, MSFA, GCF, 2021) • **Scope 1,2,3 GHG emissions** calculation tool -under development (MSFA, GCF, 2024)	• **EE housing finance guideline and training** (MSFA, GIZ, 2021) • **Sustainable textile market study, green finance criteria** & training (EU/AVSF, MBA/MSFA, 2022) • **Sustainable livestock lending** guideline (MGFC, UNDP, 2024) • **Sustainable tourism green finance** criteria (MET, MSFA, ADB, 2024) • **Green loan policy incentives** research (MoF, MSFA, GCF, ADB, 2024) • **Green project identification tool**, under development (GCF, MSFA, 2024) • **Green Fintech Assessment and roadmap** (under development, FRC, MSFA, GCF, 2024)	• **GAP guidelines** and other tools (MSFA, UNDP, TAF, 2022) • **Gender finance training materials & elearning module** (MSFA, Canada/TAF, GCF, 2023)	• **ESG reporting data platform,** under development (Canada, MSFA, 2024) • **ESG assessment & verification** platform & training for companies (EU/PIN, MSFA, 2024) • **ESG reporting training** (MSFA, FRC, UN/UNDP, IFC, 2024)

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 barrier**s
- **Policy advocacy**



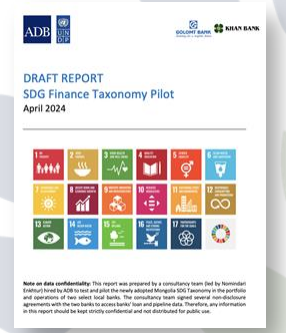
Energy efficient ger (yurt) financing:

- **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 o**f 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

САНГИЙН ЯАМ

БАЙГАЛЬ ОРЧИН, АЯЛАЛ ЖУУЛЧЛАЛЫН ЯАМ

MBA МОНГОЛЫН БАНКНЫ ХОЛБОО

ToC MONGOLIAN SUSTAINABLE FINANCE ASSOCIATION

GREEN CLIMATE FUND

ХАСБАНК Амьдралд - ашид хамтдаа.

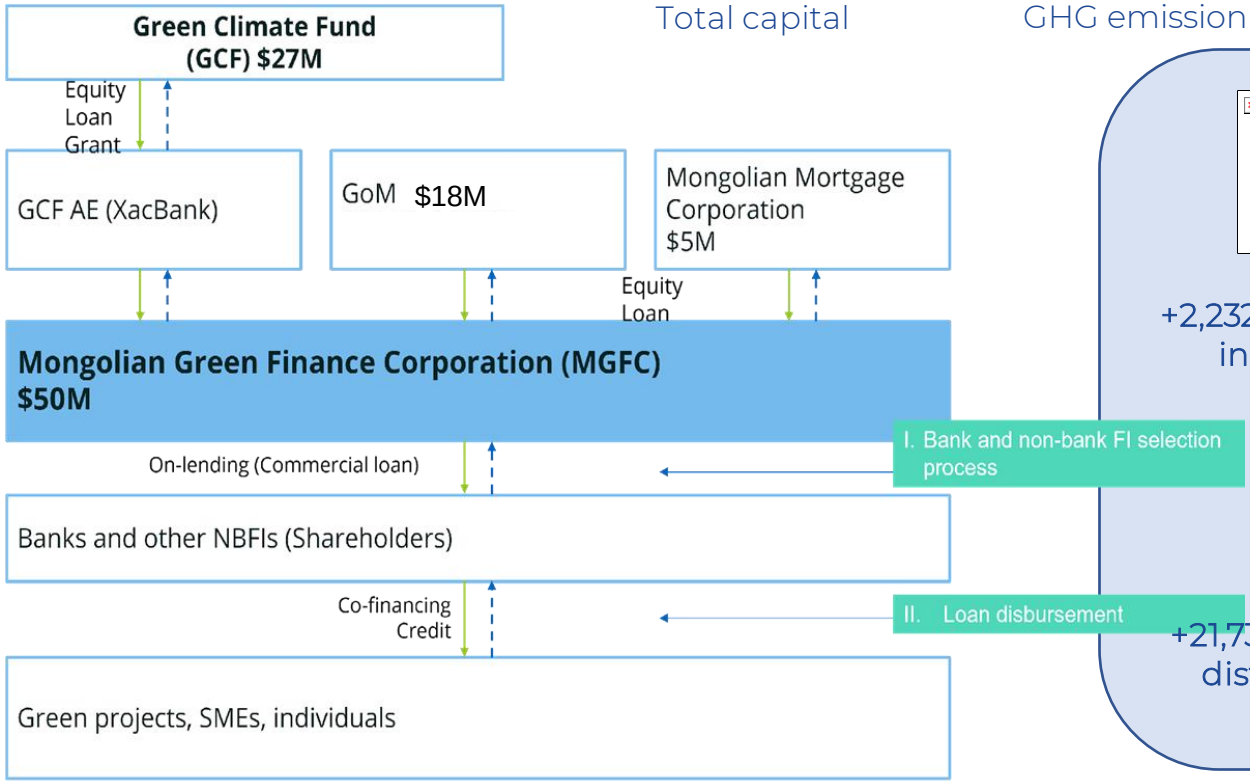
Global Green Growth Institute

Mongolia Green Finance Corporation

$50 mln Total capital

3.7M tCO2e GHG emission reduction

86,291 Direct beneficiaries



+2,232 EE houses built in the ger area

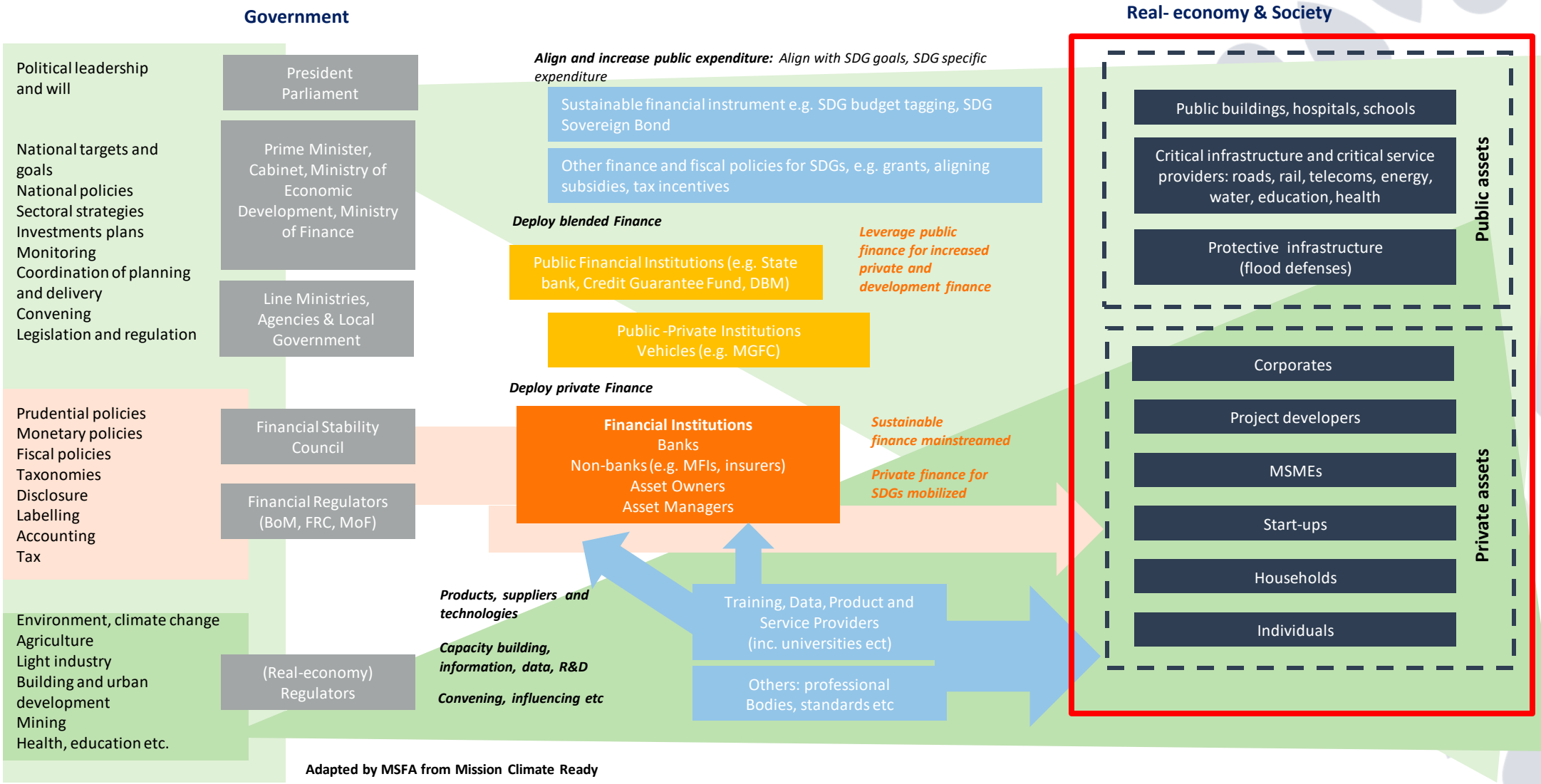
+130 companies take EE measures

+21,732 houses in ger district insulated

+1,470 new green jobs created, 40% of which are female

Our Priority Areas Ahead (systems transformation)

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



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

Supporting infrastructure

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 remarks the 10th anniversary of MSFF.

*Preliminary discussions will be organized throughout October.

ToC
MONGOLIAN SUSTAINABLE FINANCE ASSOCIATION

Thank you for your attention and enjoy Mongolia!

www.toc.mn

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