Financing SDGs

NDC

22.7% GHG reduction

$11.5 billion

SDG

$101.7 billion

Source: INFF working group report, 2021
**SDG Finance Taxonomy**

**CATEGORIES:**
1. Energy production and supporting infrastructure
2. Energy efficiency
3. Sustainable cities and Housing
4. Pollution prevention and control
5. Sustainable water and water use
6. Sustainable agriculture & Food security
7. Sustainable land use, forestry, biodiversity conservation & eco tourism
8. Clean transport
9. Information and communication, technologies (ICT)
10. Health
11. Education & Culture
12. Manufacturing

**PRINCIPLES:**
1. Ensure the participation of all parties
2. Contribute to and align with national policies and targets
3. Avoid misuse of SDG branding
4. Encourage financial sector participation
5. Address the needs of underserved groups (LNB principle)

**1. Define strategic goals, principles, and priority sustainability objectives of the taxonomy**

**2. Benchmark international and national best practices**

**3. Identify specific sectors, sub-sectors and economic activities**

**4. Identify eligibility criteria, metrics, and thresholds**

**5. Define implementation arrangements and roles and responsibilities**

53 Sub-category
142 Activities
Implementation

All commercial banks in Mongolia started submitting their green loan reports to the Central Bank of Mongolia (BoM) on a quarterly basis since 2020 upon its approval.

Green bond issuance are now reconciled under the “Regulation on Company debt instrument registration” in June 2021.

The regulation on long-term swap agreement of the Bank of Mongolia (June 2021) states that “foreign currency-denominated funding sources with a purpose to finance activities listed in Green Taxonomy can be deducted at the rate of 0.5%”.

Financial institutions are now developing many types of green financial products in accordance with the National Green Taxonomy.

Green insurance products are defined and regulated under the “Requirements and compliance indicators for Insurers and Insurance market practitioners” by FRC.
# Importance of having an SDG Finance Taxonomy

SDG Finance Taxonomy is the **project classification system** with impact assessment and reporting criteria that allows investors and projects to clearly identify SDGs supporting projects and help measure respective impacts.

<table>
<thead>
<tr>
<th><strong>Mongolia</strong></th>
<th><strong>Financial institutions</strong></th>
<th><strong>Project developers</strong></th>
<th><strong>General public</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ A catalyst for fulfilling international obligations</td>
<td>▪ Measure FI’s real contribution to SDGs</td>
<td>▪ Develop projects in line with SDG investors’ requirements</td>
<td>▪ Live in an inclusive, safe, environmentally, and humanly friendly society</td>
</tr>
<tr>
<td>▪ Sources to finance NDC, SDGs, and projects included in the New Revival Policy</td>
<td>▪ Access to new SDG Investors worldwide</td>
<td>▪ Access to cheaper fundings</td>
<td>▪ Avoid misuse of SDG branding and greenwashing</td>
</tr>
<tr>
<td>▪ Direct government budget to sustainability as well</td>
<td>▪ Improved reputation and step into a new market, new generation clients</td>
<td>▪ Measure and report their contributions to SDGs</td>
<td></td>
</tr>
</tbody>
</table>

**SDG Finance Taxonomy**

SDG Finance Taxonomy is the project classification system with impact assessment and reporting criteria that allows investors and projects to clearly identify SDGs supporting projects and help measure respective impacts.
# National Sustainable Finance Roadmap

## Rationale
- **Policy:** Paris Agreement, Vision - 2050, Financial Market Development 2025, Monetary policy guidelines for 2022
- **Funding needs:** $1 billion per year
- **Sectoral risk:** Lending, policy, and reputational risks

## Aim
- To increase the share of green/sustainable loans
  - In the Banking sector: 10%
  - In the Non-bank financial sector: 5%
- Which make up 15% of NDC funding needs.

## Objective
- To agree on an integrated, multi-stakeholder involved, strategic approach towards accelerating the development of a sustainable financial system in the country by 2030 in alignment with the national sustainable development and climate targets and determine strategic priorities and measures.
Financial model for Mongolian Green Finance Corporation

Loan: GoM
Funding equivalent to 13 million USD to support green finance

Equity:
GCF, GoM, and Banks each invest 5 million USD, and in total 15 million USD

Loan: GCF
Long-term, concessional funding of 20 million USD to finance green financial products

Grant:
GCF will grant funding for MGFC and Banks to support green product development, policy support, and capacity building