Technical Assistance Consultant's Report

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October 2022

Assessment of Mongolia's Environment for Green Finance, and International Benchmarking

Green Finance in Mongolia

Final Report

CURRENCY EQUIVALENTS

Asian Development Bank

Currency Unit	–	togrog (MNT)
MNT1.00	=	$0.0003571
$1.00	=	MNT2,800

ABBREVIATIONS

Abbreviation	Meaning
ADB	Asian Development Bank
AE	Accredited Entities
AF	Adaptation Fund
AFOLU	Agriculture, Forestry and Other Land Use
BOM	Bank of Mongolia
CBO	Community Based Organization
CCD	Climate Change Department of the Ministry of Environment and Tourism
CCF	Climate Change Finance
CIF	Climate Investment Fund
CCRCC	Climate Change Research and Cooperation Centre
COP	Conference of the Parties
DBM	Development Bank of Mongolia
DMC	Developing Member Countries
DRM	Disaster Risk Management
EBRD	European Bank for Reconstruction and Development
EE	Energy Efficiency
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FO	Financial Institution
FRC	Financial Regulatory Commission
GCF	Green Climate Fund
GeDP	Green Development Policy
GEF	Global Environment Facility
GGGI	Global Green Growth Institute
GHG	Greenhouse Gas
GIZ	Gesellschaft für Internationale Zusammenarbeit
GOM	Government of Mongolia

Abbreviation	Meaning
IFC	International Finance Corporation
IFI	International Financial Institution
JICA	Japan International Cooperation Agency
LE	Low Emissions
LULUCF	Land use, land use change and forest
MBA	Mongolian Bankers Association
MDG	Millenium Development Goal
MED	Ministry of Economy and Development
MET	Ministry of Environment and Tourism
MFA	Ministry of Foreign Affairs
MGFC	Mongolian Green Finance Corporation
MOF	Ministry of Finance
MSE	Mongolian Stock Exchange
MSFI	Mongolian Sustainable Finance Initiative
NAMA	Nationally Agreed Mitigation Action
NAP	National Adaptation Plan
NCCC	National Committee on Climate Change
NCI	New Climate Institute
NCSD	National Council for Sustainable Development
NDA	National Designated Authority
NDC	Nationally Determined Contributions
NBFI	Non-Banking Financial Institution
NFP	National Focal Point
ODA	Official Development Assistance
PSOD	Private Sector Operation Department
RE	Renewable Energy
SDCC	Sustainable Development Climate Change Department
SDCD	Climate Change and Disaster Risk Management Division
SEP	Sustainable Finance Principles
SFA	Sustainable Finance Association
SME	Small and Medium Enterprise

Abbreviation	Meaning
TA	Technical assistance
UB	Ulaanbaatar
UN	United Nations
UNDP	United Nations Development Program
UNFCCC	United Nations Framework Convention on Climate Change
UNICEF	United Nations Children's Emergency Fund
WWF	World Wildlife Fund
ZE	Zero Emissions
CCA	Climate change adaptation
CCM	Climate change mitigation
ESG	Environmental, Social and Governance
SDG	Sustainable Development Goal
DFI	Development finance institutions

WEIGHTS AND MEASURES

tC	–	metric ton of molecular carbon
CO_2e	–	carbon-dioxide equivalent, also with prefix kg for kilograms of CO_2e (used to denote the amount of GHG emissions or removals in warming equivalents of CO_2)
tCO_2e	–	metric ton of CO_2e, also with prefix M for megatonnes (10^6) of CO_2e (unit is typically used in analyses and project documents)
$GgCO_2e$	–	giga (10^9) gram of CO_2e (unit in use in the NGHGI, IPCC and UNFCCC documents) 1 $GgCO_2e$ = 1,000 tCO_2e

GLOSSARY

aimag	–	province
soum	–	district
dzud	–	episode of extreme winter weather

NOTE

In this report, "$" refers to United States dollars.

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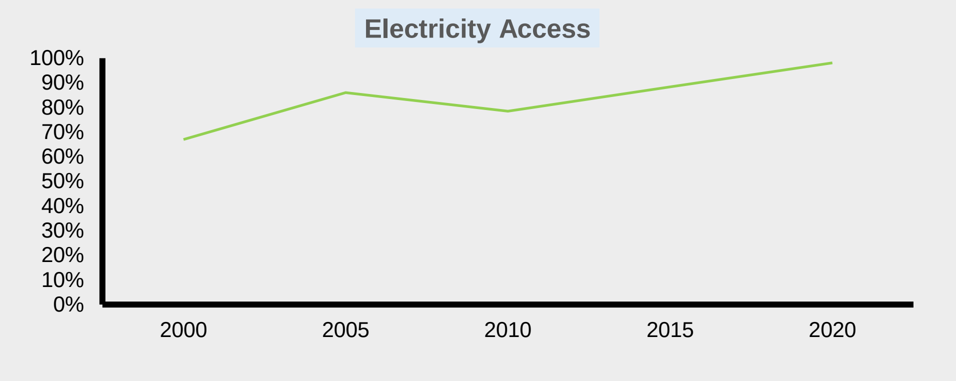
1. Introduction

Mongolia is the world's 19th largest country [1], bordered by 2 countries – Russia and China and an area of 1.5 million square kilometres. Due to the four seasons and the harsh climate, Mongolians can be said to be able to withstand severe cold. Over half of the population of Mongolia's capital, Ulaanbaatar, relies on coal to keep warm in winter. [2]. The energy system in the country is also heavily dependent on coal with coal power constituting close to 90% of the power generation. This has created severe air pollution in the country, with all the accompanying health problems. The energy sector in the country contributes to 2/3rd of the total GHG emissions. [3]. To decarbonize Mongolia's Energy sector, there is a need to increase country's share of renewable energy (Solar, Wind, Hydro etc.). The country's combined renewable energy potential from Solar and Wind alone is close to 2,600 GWh.

Electricity adds massive value to modern life: from having light at night; to washing clothes; cooking meals; running machinery; or connecting with people across the world. Many would say that it is a crucial for poverty alleviation, economic growth and improved living standards. Below figure shows the percentage of people that have access to electricity in Mongolia.

Figure 1: Share of Population in Mongolia having access to electricity



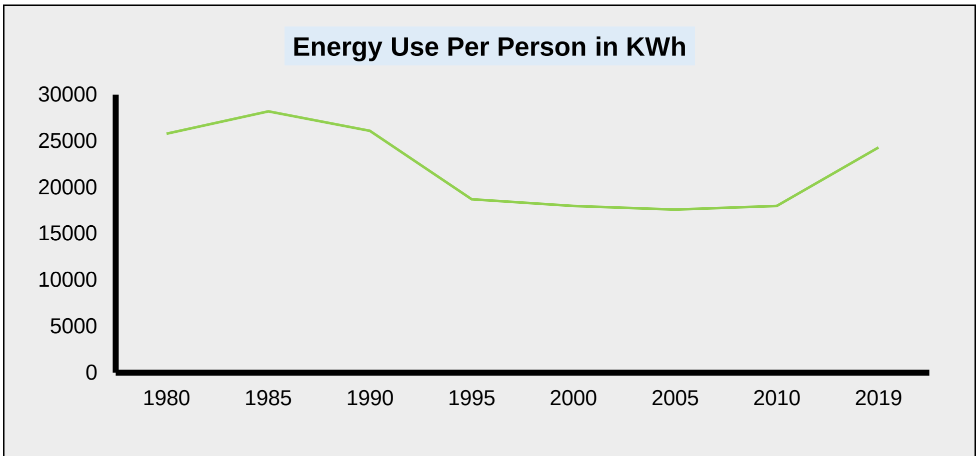
Source: Mongolia: Energy Country Profile - Our World in Data

The definition used in international statistics adopts a very low cut-off for what it means to "have access to electricity". It is defined as having an electricity source that can provide very basic lighting and charge a phone or power a radio for 4 hours per day.

When we compare the total energy consumption across the countries, the major difference is reflected in the population size. It's useful to look into the differences in energy consumption per capital. Below figure shows the average energy consumption per person each year in Mongolia.

1 Mongolian Geography > Physical Features of the Land (amicusmongolia.com)
2 Deep winter in Mongolia often means extreme cold, smog (worldbank.org)
3 Unlocking Mongolia's Rich Renewable Energy Potential | Asian Development Bank (adb.org)

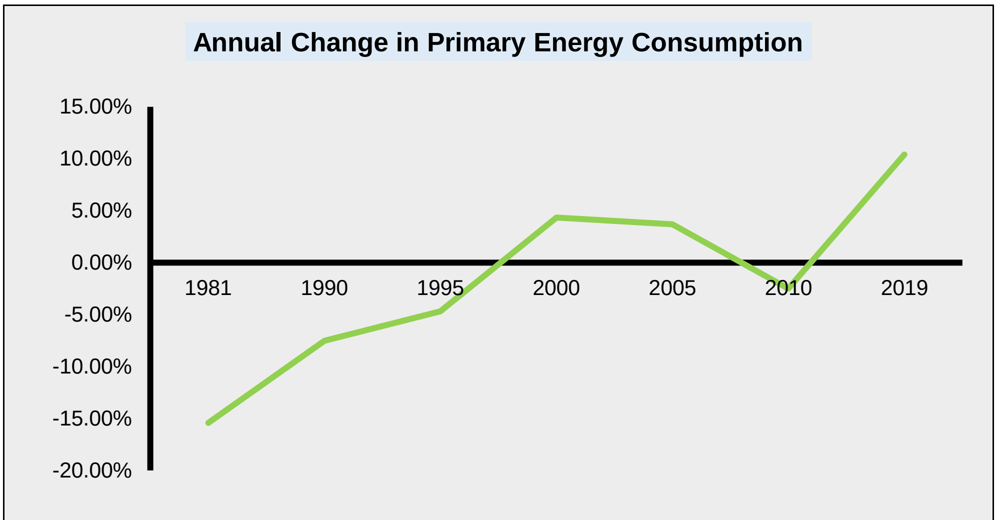
Figure 2: Per Capital Energy Use in Mongolia



Source: Mongolia: Energy Country Profile - Our World in Data

Energy use not only includes electricity, but also other areas of consumption including transport, heating and cooking. In many countries, increase in the amount of energy consumed occurs as people ger richer and population grows. Below figure shows the change in primary energy (the energy input before the transformation to forms of energy for end-use) consumption in Mongolia, given as a percentage of the previous year.

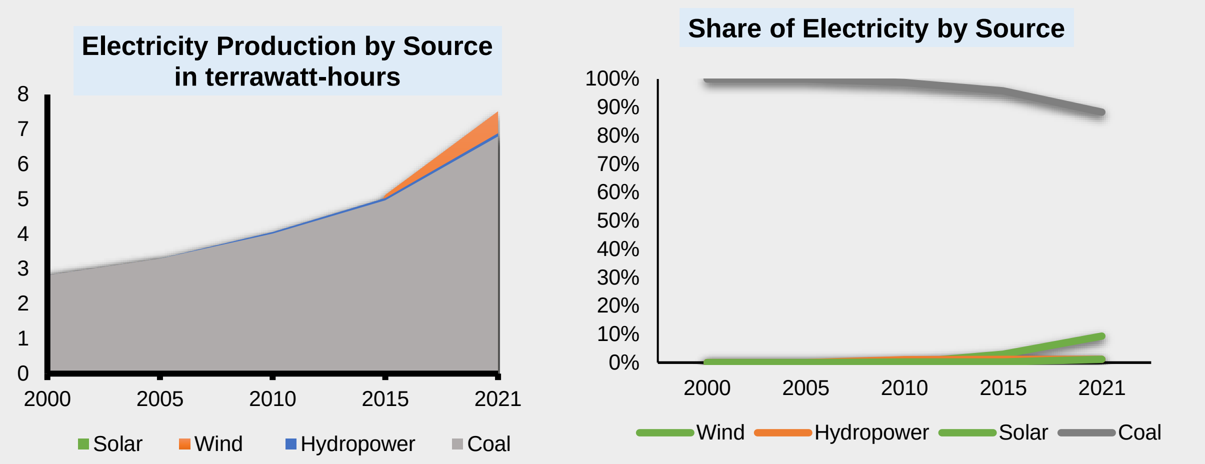
Figure 3: Change in Primary Energy Consumption year on year



Source: Mongolia: Energy Country Profile - Our World in Data

Countries get electricity from coal, oil, gas, nuclear energy or renewables. The electricity mix is increasingly becoming important as more and more countries are trying to shift away from fossil fuels to low / no carbon emission sources. Mongolia is a coal-based economy where by 2021, 88% of electricity is still produced by coal and balance 11-12% of electricity is produced by means of renewable sources (Solar, Wind and Hydro). Below figure is the illustration of same.

Figure 4: Electricity Production by Source



Source: Mongolia: Energy Country Profile - Our World in Data

Mongolia has signed the Paris Agreement in 2016 and has been following the necessary steps by making, reviewing, and updating its Nationally Determined Contribution (NDC) every five years. Mongolia's national concern for climate change stems from multilayered environmental problems, including air pollution, land degradation, desertification, and mining malpractices that pollute the country's water resources. In 2019, Mongolia has set a target to reduce its total greenhouse gas emissions by 14 percent compared to "business-as-usual" levels by 2030, using national and cross-sectoral planning. After that, at the Climate Ambition Summit conducted in December 2020, the then-president of Mongolia, Battulga Khaltmaa, stated that the country could even achieve a higher NDC target of 27.2 percent reduction in greenhouse gases if conditional mitigation measures such as carbon capture and storage and waste-to-energy technology were implemented.

Mongolia faces very specific and demanding challenges in dealing with climate change, fragile environment because of its over – reliance on coal for its electricity and energy needs. The country needs to increase its international climate profile to get more climate finance.

Objective of the Report

Mongolia lacks the necessary resources to finance its planned transition to a low-carbon and resource efficient economy and achieve its Nationally Determined Contribution (NDC) targets. The financing necessary to achieve NDCs mitigation and adaptation target is estimated at ~$ 11 billion [4]. Despite an ambitious agenda, both the domestic financial sector and Government of Mongolia (GOM) are unable to mobilize finance at a required scale to facilitate transition to low-emission technologies. The economy is impacted by commodity market fluctuations and the GOM has been constrained by an Extended Fund Facility of the International Monetary Fund (IMF) with a restricted ability to borrow. There is a lack of knowledge about green finance and associated opportunities in the domestic financial sector of Mongolia. Existing green financing facilities do not match the scale needed to induce transformational impacts.

The report talks about the Green Finance Policy framework in Mongolia, how it stands vis-a vis the international framework and green finance taxonomies around the world, Green Finance Projects being undertaken in Mongolia currently (especially Blue Horse and Billion Tree) and ongoing work by DFIs and Multilateral agencies in regard to Green Finance.

4 funding-proposal-fp153.pdf (greenclimate.fund)

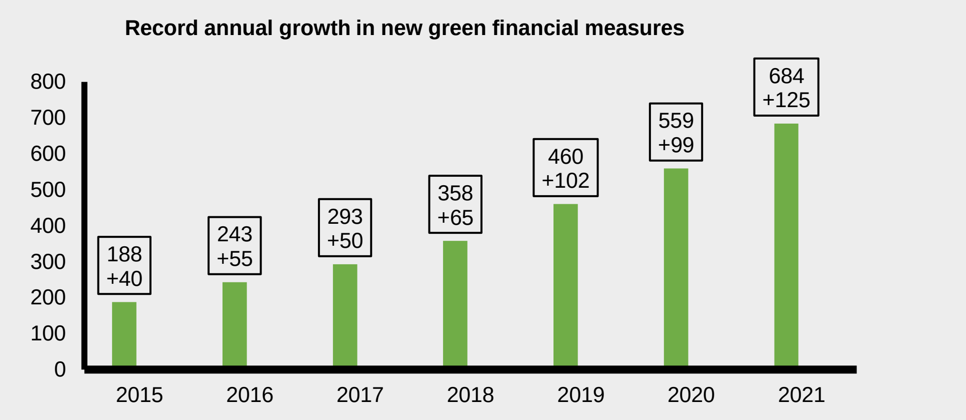
2. Policy Framework

Regulatory objectives and actions related to green finance can be found across various policy documents (**like Millenium Development Goals (MDGs) adopted by UN in 2001, MDGs based Comprehensive National Development Strategy adopted by Mongolian Government in 2008, Green Development Policy adopted by MET in 2014, Sustainable Development Goals adopted by UN in 2015, Mongolian Sustainable Development Vision 2030 adopted by Mongolian Government in 2016 etc.**) issued in Mongolia [*5*]. These documents contribute, to a varying degree, to the policy framework for green finance – some directly and others slightly related. Overview of many, if not most, of these policy related documents can be found in publications and reports generated under previous projects by ADB ($100 million for development of advanced battery energy storage system, Asian Clean Energy Fund of $1.3 million under Clean Energy Financing Partnership Facility etc. to name a few) [*6*] or other entities (For e.g.; Xacbank was granted a funding from Green Climate Fund to set up a MSME business loan programme for reduction in greenhouse emissions in Mongolia) [*7*] .

Current State of International Green Policy Development

The Green Finance Measures Database (GFMD) includes policy and regulatory measures issued by public authorities, including governments, central banks, financial regulators, and public financial institutions across the developing and developed world. The GFMD builds on data and analysis compiled by the United Nation Environment Program (UNEP) inquiry into the Design of a Sustainable Financial System, including country analysis, global reports and the Green Finance Progress Report series delivered to G20 finance ministers. This body of analysis was complemented by desk research on the implementation of policy and regulatory measures over the course of 2019, 2020 and 2021 by the Green Finance Platform. Currently, there are some 684 national and sub-national policy and regulatory measures on green finance in place in 100 developed and developing countries. **This represents a 264% increase since 2015**. The number of Policies on Green Finance in total and across sectors are explained in figures 1 and 2 below:

Figure 5: Number of Policy and Regulatory measures on Green Finance



Source: Green Measures Database, 2022

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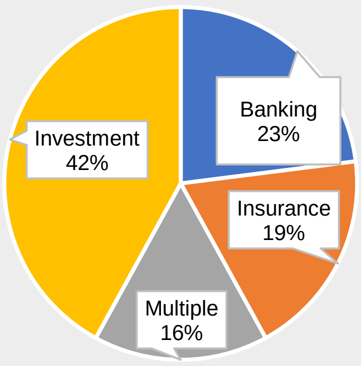
5 gepa_eng_191118.pdf (un-page.org)
6 Projects | Asian Development Bank (adb.org)
7 Green Energy Financing in Mongolia | BASE (energy-base.org)

Figure 6: Policy and Regulatory measures on Green Finance – Across Sectors



Source: Green Measures Database, 2022

Proliferation of Green Policies Internationally

To provide more details on the green policies being introduced in Organisation for Economic Co-Operation and Development (OECD) countries, below table summarizes the policy instruments.

Table 1: Overview of green financial policy instruments (summarizing the rationales and policy instruments of 136 policies in OECD countries).

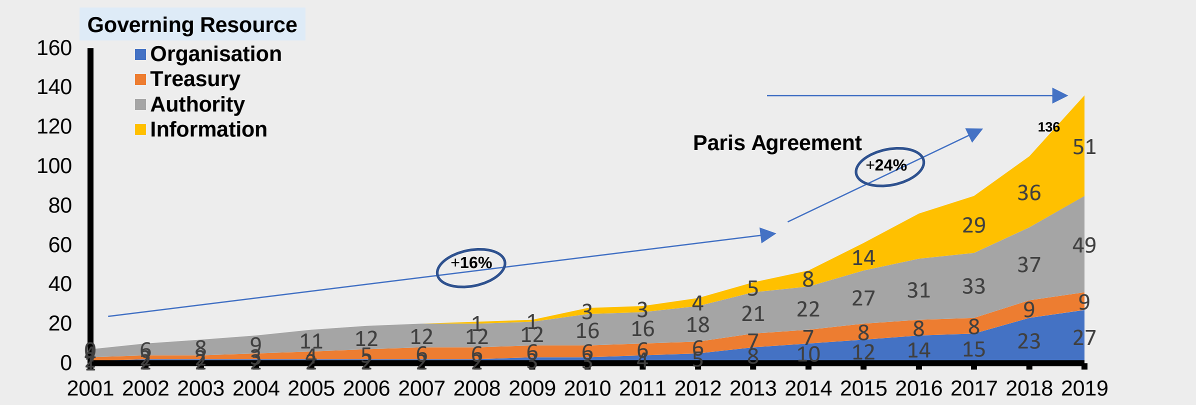
Governing Resource	Policy Rationale	Policy instruments that are part of policy inventory
Information	Collect information and generate knowledge	- Government study / survey / consultation - Government-convened expert panel/research initiative/ exchange forum
	Provide general guidance and specific tools related to green finance	- Government label for green finance products / actors - Voluntary guidelines/recommendations related to green finance - Public green finance strategy/program
Authority	Provide regulatory framework for green finance products	- Guidelines for green bonds - Guidelines for other green finance products / indices - Special legal entities/setups for green finance
	Improve disclosure of climate-related information from companies in general	- Disclosure requirements concerning climate / ESG for corporates - Regulatory guidance on disclosure concerning climate/ESG for corporates
	Improve disclosure of climate-related information from fund managers and other financial actors	- Disclosure requirement whether & how climate / ESG considered in portfolio - Disclosure requirement on climate/ESG impact of portfolio
	Mandate / promote climate-related risk management by financial actors	- Specific regulations on climate risk management
Treasury	Using public funds to establish new green financial products	- Subsidy for private green bond issuance - Subsidies for innovative green loan offerings
	Using public funds to de-risk green financing	- Loan guarantees for immature technologies/solutions
Organization	Leverage general financial market activity of public authorities	- Investment policy of central bank - Investment policy of public funds (e.g., government pension funds) - Sovereign green bond issuance
	Engage in dedicated financial market activity specifically for low-carbon goals	- Green programs at an existing state investment bank - Establishment of a dedicated green state investment bank - Establishment of other financial actors (e.g., accelerator, public–private fund)

Source: Bjarne Steffen, 2021, Environmental Research Letters

Results

Until 2009, few policies had been in place. These early policies were used either by authority or treasury governing resource. Between 2010 and 2014, the number of policies increased mainly driven by authority and organisation. This is the period when climate related disclosure requirements were introduced in many countries. The rapid growth in green financial policies started in 2015, the year of "**Paris Agreement",** which redirected the financial flows as one of the three long term climate policy goals besides adaptation and mitigation. Between 2015 and 2019, the number of policies more than doubled with many of them drawing on government authority and organisation.

Figure 7: Green Policies



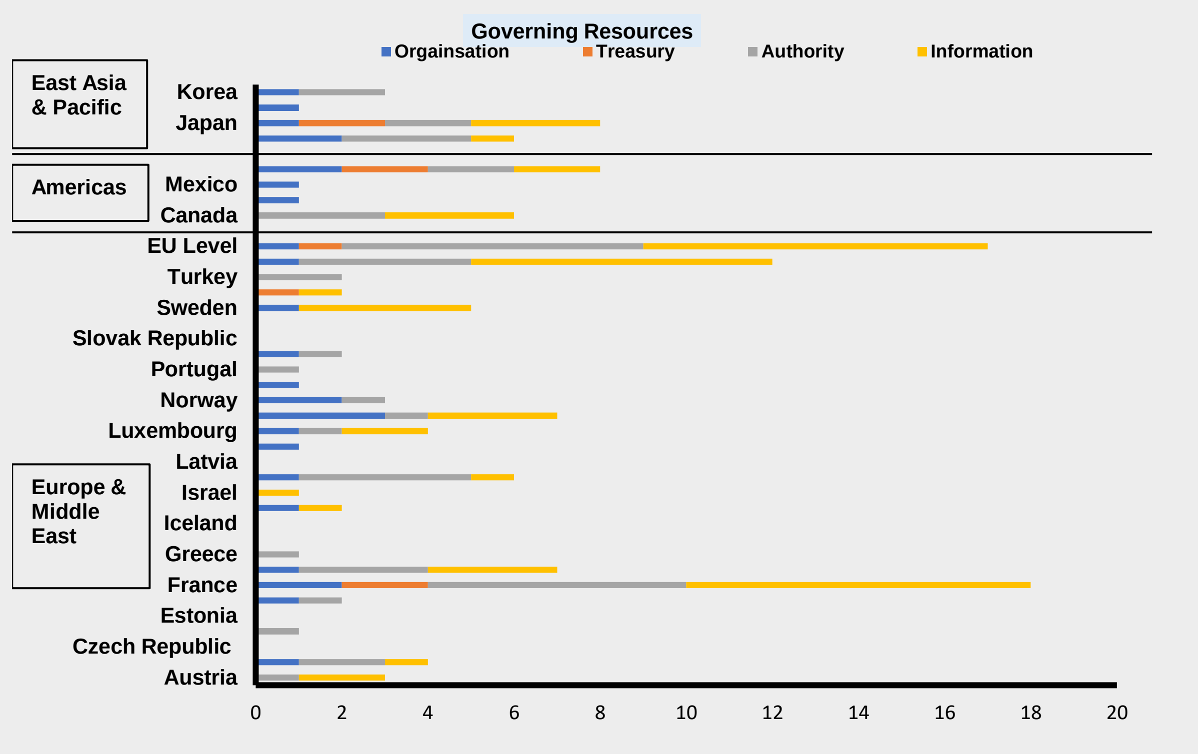
Source: Bjarne Steffen, 2021, Environmental Research Letters

Over time, all the above-mentioned areas have shown increases in number and intensity of regulation with Treasury perhaps the only one as an exception. The number of policies that use primarily treasury resources remained limited which is not that surprising given the fact that climate policies using taxation or subsidies typically address polluting sectors (energy or transport) directly not the financial sector.

The information and authority components have been heavily affected by the promotion of regional taxonomies (the EU in particular) and the organisation by the establishment of a number of Policy Banks and Green Banks across the OECD.

Not surprisingly, the EU has taken a lead in the development of EU wide and harmonised policy, but it is in fact France that has been the most active in both implementing EU Policy into national legislation and the development of specific more onerous green policy across a number of areas. The same is reflected in below figure

Figure 8: Green Policies across the regions



Source: Bjarne Steffen, 2021, Environmental Research Letters

Key Policy Initiatives – Green Finance in Mongolia

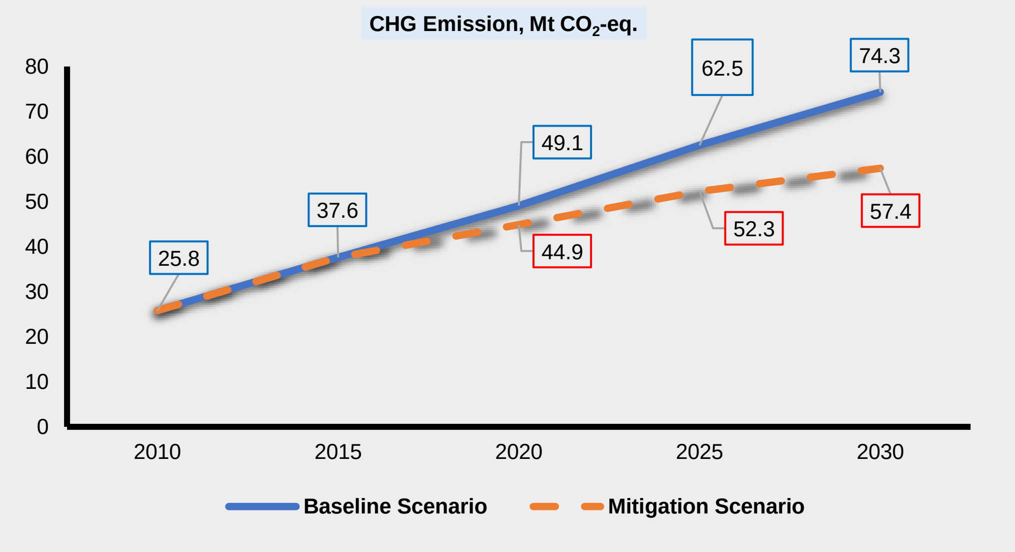
This Section highlights the following policy documents only as these either (i) bear direct impact on the subject matter of the TA or (ii) are not sufficiently publicized yet due to their recent adoption/publication:

- Nationally Determined Contributions
- National Green Taxonomy
- Sustainable Development Vision 2050
- National Sustainable Finance Roadmap
- ESG & Sustainability Reporting Guidance for Mongolian Companies

Nationally Determined Contributions

Mongolia first developed and submitted its Intended Nationally Determined Contributions (Is) to the United Nations Framework Convention on Climate Change (UNFCCC) in 2015. Subsequently, the NDC was updated and approved by the Government of Mongolia in 2019, with the aim to contribute to the Paris Agreement. In addition, the Government has approved its Action plan for implementation of NDC in 2021. The mitigation target of Mongolia's NDC is a 22.7% reduction in total national GHG emissions by 2030 (Figure 9), compared to the projected emissions under a business-as-usual scenario. Mongolia is one of the countries with high GHG emissions per capita and emissions intensity per GDP despite its small contribution to the global GHG emissions (less than 0.1%).

Figure 9: Comparison of Business-as-Usual baseline CHG emissions and mitigation scenarios



Source: Mongolia's NDCs to UNFCCC

The NDC further defines the Mongolia's financing needs for the NDC implementation at an estimated US$11.5 billion, of which US$6.3 billion is for mitigation, and US$5.2 billion for adaptation.

Finally, per the Paris Agreement, Mongolia needs to update its NDCs every five (5) years. In the next iteration of the Mongolia NDCs in 2025, climate change commitments to be submitted to the UNFCCC are expected to further increase, thus, further driving the financing needs above higher.

National Green Taxonomy

The National Green Taxonomy of Mongolia was approved in 2019 by the Financial Stability Commission of Mongolia, a joint government body consisting of top officials of BoM, FRC, MoF and Bank Savings Insurance Corporation[4].

The overall objective of the National Green Taxonomy is: "to develop a nationally agreed classification framework of activities that contribute to climate change mitigation, adaptation, pollution prevention, resource conservation, and livelihood improvement in the context of green finance."

The specific objectives of the Taxonomy are to:

- provide financial institutions, businesses, policy makers, and other market players with a common understanding and approach to identify, develop and finance green projects,
- support investors' confidence to finance green projects and mitigate the risk of "greenwashing",
- boost green finance flows from various sources including the private sector, international financial institutions, and foreign investors,
- track private sector investments in green projects, and measure the impact contribution to Mongolia's green development and climate change related policies and targets, and
- inform and help shape national policies and regulations on green finance that will boost the market development of green opportunities.

The Taxonomy is designed to be applied to a wide range of financial instruments, including corporate lending, consumer lending, project finance, SME finance, green bonds, equity investment, insurance, credit guarantee, grants, financial advisory and technical assistance, among others. As such, its target users include not only commercial banks, but also capital market participants.

Table 2: Activities been taken in National Green Taxonomy of Mongolia

2019	2021	2022
National Green Taxonomy was adopted in Mongolia.	1. Financial Regulation Commission (FRC) Board approved regulations to grow green finance. 2. FRC signed MOU with IFC where IFC assisted in drafting regulations on issuance and registration of green bonds. FRC approved the regulation as part of its Debt Instrument Registration. The regulation defines requirements and processes for issuing green bonds, including the use of proceeds, listing, reporting and verification etc. 3. Regulation of Long-Term Swap Agreement was approved by Bank of Mongolia. The regulation provides discount of 0.5% for USD denominated long term swap rates compared to normal rate, if the loan is included in Green Taxonomy.	1. FRC has recognized green insurance products by way of amendments to the "Requirements and Criteria for Insurers and Insurance Professionals". 2. FRC has updated the "Capital Requirements for Insurance Reserve Fund and Compulsory Insurance Fund and Conditions for Use of its Proceeds for Investment" thereby allowing the insurers to use upto 20% of their reserve funds to acquire "green bonds" which fall under National Green Taxonomy

Source: Authors

Also, Bank of Mongolia has started publishing green loan statistics on a quarterly basis, according to which the green loans currently account for only about 2% of the total loan portfolio[8]. To boost the green loan portfolio, the National Green Taxonomy is now being expanded to include broader Sustainable Development Goals (SDG) aligned, bankable economic activities currently covering 13 sectors and 57 subsectors. With the adoption of the new taxonomy to be called "SDG Finance Taxonomy", the financial

8 www.mongolbank.mn/eng/liststatistic.aspx?id=21 sector of Mongolia is expected to be able to start tracking the financial flows dedicated to the SDGs, monitor its progress and implement tailored policy incentives to support the SDGs financing [9].

Sustainable Development Vision 2050

Vision 2050 (approved by the Mongolian Parliament in 2020, Resolution No.52) is a long-term development policy document aiming to make Mongolia a leading Asian country in terms of its social development, economic growth and its citizens' quality of life by 2050. One of the goals for Vision 2050 is green growth. In particular, Objective #6.4 of the Vision is *"contribute to international efforts to mitigate climate change by developing a low emission, productive and inclusive green economy*". The Objective is segregated into three stages:

Stage I (2020-2030) - The period to establish and develop a national green financing system, and promote environmentally friendly, efficient, clean technologies and efficient use.

Stage II (2031-2040) - The period to develop smart consumption and productive production and increase internal and external sources of climate green financing.

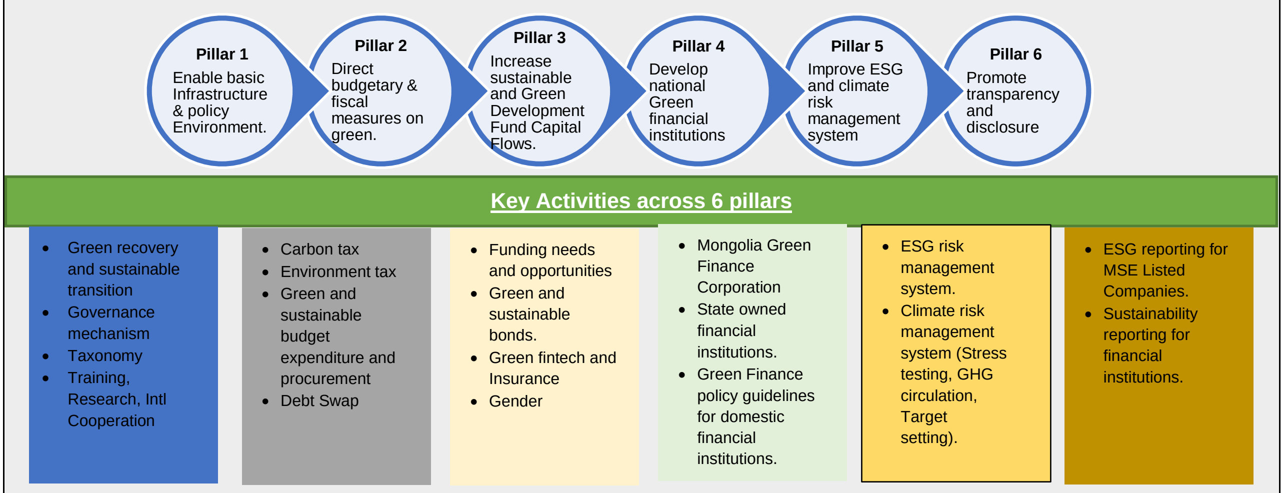
Stage III (2041-2050) - The period to continuously strengthen adaptation to climate change and improve sustainable production and consumption.

Mongolian Sustainable Finance Roadmap

The Mongolian Sustainable Finance Roadmap was approved in 2022 by the Financial Stability Commission of Mongolia. The objective of the roadmap is "*to agree on an integrated, multi-stakeholder, strategic approach towards accelerating the development of a sustainable financial system in the country by 2030 in alignment with Mongolia's sustainable development and climate targets."*

The specific goals of the roadmap are to increase green lending to (i) 10% in the banking sector and (ii) 5% in the non-bank financial sector by 2030.The Roadmap defines six pillars and 24 strategic actions that will help transition Mongolia's financial system into a sustainable one.

Figure 10: Mongolian Sustainable Finance Roadmap



Source: Authors

9 *For overview of these green finance regulations, please see Section 4 below*

The Mongolian authorities have highlighted the following actions with respect to implementation of the roadmap [10]:

- Approve the Mongolian Sustainable Finance Strategy by the Parliament of Mongolia,
- Assess funding needs necessary for implementation of the roadmap and raise the necessary funds,
- Finalize and approve the SDG Finance Taxonomy.
- Introduce a pilot procedure for companies listed on the Mongolian Stock Exchange to voluntarily disclose ESG reports,
- Improve the legal environment for establishing a green finance corporation to finance green and sustainable development projects, industries, and services,
- Develop a nationwide climate finance tracking and monitoring system and provide stakeholders with up-to date information, and
- Establish a joint working group with international development cooperation organizations to collaborate on the harmonization of projects and programs.

ESG & Sustainability Reporting Guidance for Mongolian Companies

The ESG & Sustainability Reporting Guidance for Mongolian Companies was published by FRC, MSE and others in 2022[11]. It contains a set of guidelines to help Mongolian listed companies, prospective issuers and other interested companies to disclose their sustainability practices. In addition, it offers an overview of global sustainability reporting frameworks and trends, followed by an eight-step outline of how Mongolian listed companies and other issuers can build the capacity to report on sustainability. The Guidance suggests a set of key ESG indicators - ranging from Environmental Indicators to Social Indicators to Industry-specific Indicators - that Mongolian companies should consider reporting on and provides practical resources that companies can explore when preparing their sustainability reports.

MSE-listed companies are expected to submit their first sustainability reports in 2023. Listed issuers are encouraged by the regulators to refer to the Guidance in the implementation of sustainability practices, as well as annual reporting. Entities that are not listed on the MSE can also use the Guidance as a guide to assess their sustainability reporting practices and identify and address any gaps.

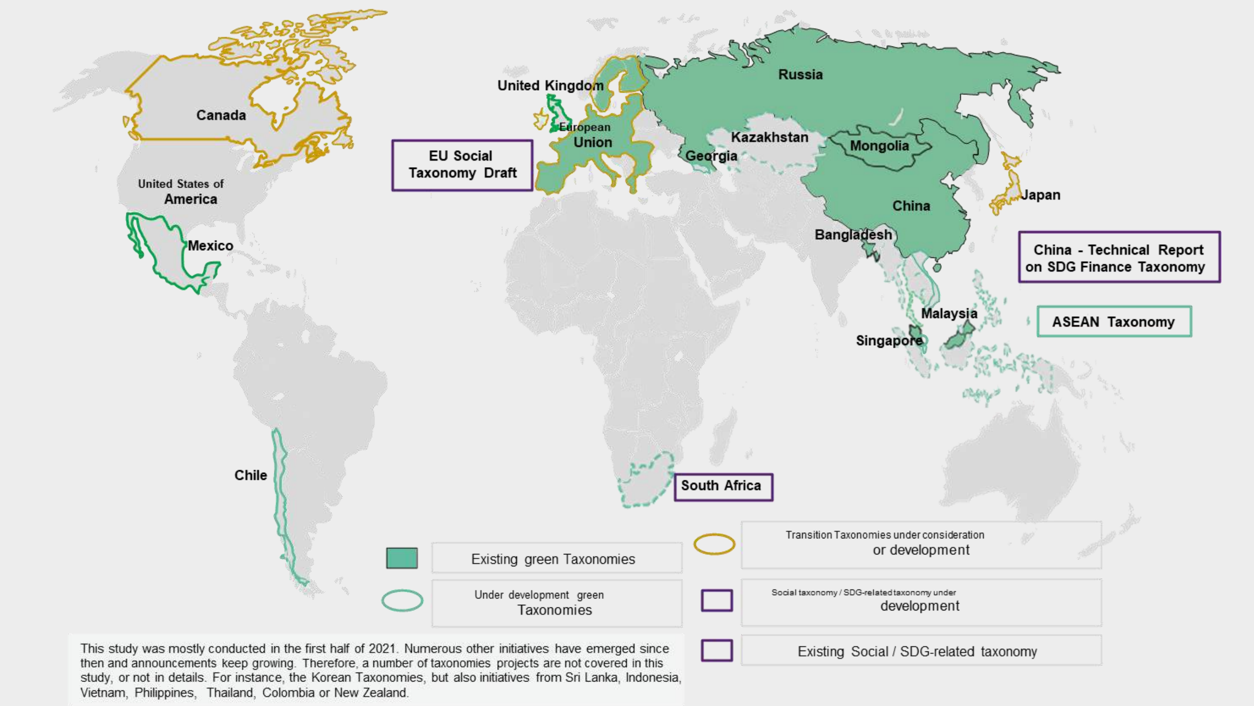
10 Source: "Implementation of Sustainable Finance Roadmap", Mr. B. Dulguun, Head of Securities Department, FRC, presented during "Green Finance Regional Forum, March 29, 2022

11 Available in English at: www.frc.mn/resource/frc/File/2022/08/16/d67ard74qgwc38f9/ENG-ESG%20reporting%20guidance%201.pdf?fbclid=IwAR2isfK1_X8PQat_6uzVOGIV5IvIiHvi7isq9WYdLXNYzrkbg60gbG6q2mA

Review of International Best Practices – Policy Framework

While the European Union (EU) taxonomy has become the reference taxonomy, it is by no means the only taxonomy around the world. Indeed, the Mongolian Taxonomy although a much more circumscribed and limited initiative, predates the implementation of the EU Taxonomy.

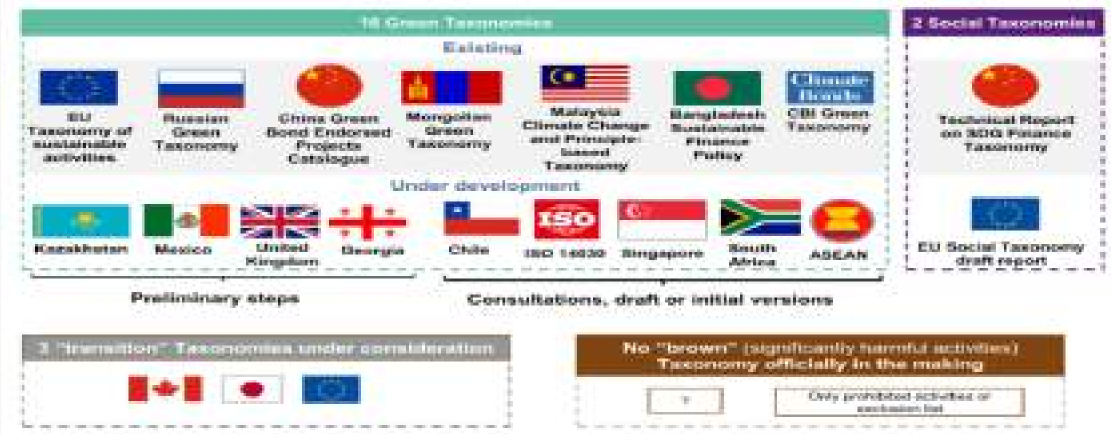
Figure 11: Overview of sustainable finance classification of activities



Source: Natixis 2021

There are however a number of important taxonomies in development or fully elaborated elsewhere in the world. It is generally the taxonomy that acts as the core piece of reference legislation around which a group of disclosure, monitoring and assessment policies and regulations are developed.

Figure 12: Major National Green Taxonomies around the World



Source: Natixis 2021

China Green Taxonomy

The basic principle for project screening in China's green taxonomy is to assess whether the project brings environmental benefits by:

a. making substantive contributions to environmental improvement;
b. responding to challenges of climate change.
c. achieving resource conservation and efficient utilisation.

Under each of China's main objectives are several sub-objectives. The first-level directory echoes the three environmental goals with energy conservation, pollution prevention, resource conservation and recycling, eco-transportation, clean energy, ecological protection, and climate change adaptation. Energy conservation and clean energy are classified as climate change mitigation. Resource conservation and recycling, and clean transportation are intended to contribute to climate change mitigation or adaptation. China generally treats "Do not significant harm" (DNSH) and minimum safeguards by referencing relevant domestic environmental and social policies and standards. The focus of those requirements, which include the Sanitary Standards for the Design of Industrial Enterprises, and the Regulations on Labour Security Inspection, is more on Environmental, Health and Safety (EHS).

The specific development issues, ecological challenges, and policy preferences of the two economies are not identical. As a result, their priorities diverge. China's green taxonomy was designed by industry regulators that set ecological compliance requirements and green transition targets for various industry sectors, while the EU taxonomy is more inclusive.

Common Ground Taxonomy

To cope with this risk of fragmentation, two of the most active players in sustainable finance, namely EU and China, initiated a dedicated taxonomy working group within the International Platform on Sustainable Finance (IPSF) in July 2020. The working group undertook a technical comparison of the taxonomies from the two jurisdictions, the research output forming the EU-China Common Ground Taxonomy (CGT). This joint international effort to improve taxonomy's comparability and interoperability are much needed in a jumble of classification systems. It has fuelled up expectations from various actors on more harmonized taxonomies and mobilization of greater cross-border sustainable capital flows. To this end, special stated objectives are shaped for this Common Ground Taxonomy.

Instead of proposing a 'single' or 'common' taxonomy, the primary purposes of the CGT are to put forward commonalities from the EU and China's taxonomies and provide generic methodologies for benchmarking taxonomies. As emphasized by the working group, the CGT has no legal implications and does not intend to be formally or legally endorsed by any jurisdictions. It is rather a source of inspirations and provides analytical toolkits for other jurisdictions when developing their own taxonomies. On top of these objectives, the potential users will be more extensive compared to other taxonomies.

In addition to providing tools for national governments or regional bodies to develop their own taxonomy, the primary users of CGT will mostly be market participants, such as Chinese and European Green bond issuers and verifiers:

- Chinese companies can voluntarily reference to CGT in their offshore green bond issuances, while western companies can do the same when issuing green panda bonds in mainland China.
- Besides, various entities, including financial institutions and corporates can take it to assess their business alignment with low carbon economy objectives and underpin business model transition.

Within the defined scope, the working group has developed methodologies for macro-sector classification and scenario analysis approach to ascribe technical screening criteria.

Categories of economic activity

The CGT's sector classification system is based on the International Standard Industrial Classification of all Economic Activities (ISIC) [5] as for the EU and China taxonomies. With priority sectors selected based on GHG emission levels and mitigation potentials, the CGT Activities' Table eventually comprises 7 macro-sectors and 55 economic activities [6]. Only the sectors included in both the EU and China taxonomies are covered by the CGT, i.e., ICT from EU taxonomy and green services from China's taxonomy are not included at this stage.

The seven macro-sectors covered in the CGT are:

- Agriculture, forestry and fishing
- Manufacturing
- Electricity, gas, steam and air conditioning supply
- Water supply; sewage, waste management and remediation activities
- Construction
- Transportation and storage
- Others (underground permanent geological storage of CO2 and hydrogen storage)

Despite limited usability, this first international attempt to mitigate the fragmentation of taxonomies is quite welcome12. The substance and methodology presented in the CGT provide valuable tools to facilitate the future comparability and interoperability of taxonomies worldwide. For example, the Hong Kong Monetary Authority (HKMA) intends to take the CGT as reference to design its tailored sustainable finance taxonomy according to its own economic structure. By referring to the Common Ground Taxonomy, HKMA is expecting to participate more actively in the international green financial flows and become a regional green finance centre.

ASEAN Taxonomy

There has also been an ASEAN Taxonomy developed but to date this has not been used.

The ASEAN Taxonomy Board (ATB) was established by the ASEAN Finance Ministers and Central Bank Governors Meeting in March 2021. It is a very recent Taxonomy and aims to be the standard taxonomy for the ASEAN Nations. The ASEAN Taxonomy is developed based on a multi-tiered approach with two main elements: a principles-based Foundation Framework which provides a qualitative assessment of activities, and a Plus Standard with metrics and thresholds to further qualify and benchmark eligible green activities and investments (in version 1, only methodology is included, detailed criteria and thresholds will be developed in the future).

It operates in a similar fashion at a high level to the EU taxonomy in that it has four objectives and two essential criteria (DNSH and what is called remedial measures to transition). Remedial Measures are implemented as proposed actions to mitigate climate and/or environmental impacts should be assessed against the following considerations:

1. Actions should anticipate and avoid risks and impacts at the outset; and
2. If avoidance is not possible, minimise or reduce risks and impacts to acceptable levels.

The depth and breadth of assessment would be proportionate to the scale of business operations. While due diligence may be deemed as sufficient for smaller operations, large scale projects are often subjected to more scrutiny by relevant authorities, which require businesses to conduct Environmental

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Impact Assessments (EIA) prior to project commencement. Any remedial actions taken to reduce risks and impacts need to be taken at the business entity or activity level, namely as close as possible to the place and time at which they occur.

The Climate Bonds Initiative (CBI) Taxonomy

The Climate Bonds Initiative is an international investor-focused charitable trust. It describes itself as the only organisation working solely to mobilise a US$100 trillion bond market to provide solutions to climate change. Its main backers are public and private actors: banks (Bank of America, HSBC), foundations (Oak, Rockefeller, Gordon and Betty Moore), but also the United Nations and the European Union's Horizon 2020 programme. Its work can be broken down into three main areas:

- Market monitoring & experimental projects, with reports on the evolution of climate bonds and an assessment of the size of the climate bond ecosystem.
- Development of a reliable standard, the Climate Bond Certified: this is a "fair trade" type of certification and labelling system adapted to these bonds. The initiative presents this tool as user-friendly for investors and governments, helping them to prioritise investments that effectively help combat climate change. Putting a proper standard into practice would require, among other things, a taxonomy to define which investments are part of a low-carbon economy. For example, the sectoral criteria currently available for certification are geothermal, marine renewable, solar, wind, low-carbon transport and buildings, and water infrastructure. Other sectors will soon be covered: bioenergy, forestry, hydropower, land conservation and restoration, land use, protected agriculture, waste management.
- Provide policy models and advice to the three sectors of government, finance and industry. The initiative's proposals focus on three main areas: how to stimulate bank lending for renewables by adapting the large, covered bond market to create renewable energy bonds; ensuring large-scale energy efficiency (e.g., reaching 85% of the rental stock within ten years); and insuring, through a consortium of governments, against the political risk of renewable energy bonds.

It has developed its own taxonomy in order to enhance the harmonisation of Bond issuance verification (at least initially). The Climate Bonds Taxonomy identifies the assets, activities and projects needed to deliver a low carbon economy. Consistent with the 2 goals of the Paris Agreement. It has been developed based on the latest climate science including research from the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA) and has benefited from the input of hundreds of technical experts from around the world. It can be used by any entity looking to identify which assets and activities, and associated financial instruments, are compatible with a trajectory to net zero by 2050. First released in 2013, the Climate Bonds Taxonomy is regularly updated based on the latest climate science findings, emergence of new technologies and sector specific criteria.

A traffic light system has been adopted to indicate whether identified assets and projects are considered to be automatically compatible with a 1.5˚C degree decarbonisation trajectory.

The CBI Taxonomy is the foundation used by the Climate Bonds Initiative to screen bonds to determine whether assets or projects underlying an investment are eligible for green or climate finance. Where detailed analysis of a sector has been undertaken and specific eligibility Criteria have been developed, bonds in that sector can be Climate Bonds Certified. This is indicated via a blue 'Climate Bonds Certification tick'.

This Section provides a brief comparative analysis of legal texts and approaches to green finance regulations in both developed and developing jurisdictions.

Using the Rubric proposed by the Bank for International Settlements we can compare the major taxonomies as follows:[13]

Table 3: Comparison between the Green Taxonomies

		EU Taxonomy	China Taxonomy	CBI Taxonomy	Mongolia Taxonomy
Objective	**Alignment with high-level policy goals**	Activity level criteria aligned with the target of net-zero GHG emissions by 2050.	The translation of targets set by China's Integrated Reform Plan for Promoting Ecological Progress to activity level criteria is unclear.	Project level criteria are aligned with the levels of emission reductions required to meet the 2°C target set by Paris Agreement.	(i) CCM and CCA, (ii) pollution prevention, (iii) resource conservation, and (iv) livelihood improvement
	Independence vs. co-dependency	An economic activity must meet double materiality principles of "Substantial Contribution" AND "Do No Significant Harm", and the minimum social safeguards.	Six environmental objectives are interlinked by honouring "Do No Significant Harm" principle	GHG emission screening criteria aiming to achieve climate mitigation.	Reference to international standards and best practices, such as ESG standards. Also, local standards such as Sustainable Finance Principles. In general, however, no technical criteria.
Scope	**Transition & enabling Activities**	Transition and enabling components are included and are subject to review every three years. But it is not clear how the thresholds of compliance are adjusted over time to accommodate the latest development of climate science and technology innovations.	No transition activities are included.	No transition activities are included (separate framework for identifying transition activities published in 2020).	No specific transition activities. But the activities are subject to review every 3-5 years based on "policy shifts, scientific developments, technological changes, and new industry needs in the green finance space". Accordingly, the Taxonomy is

13 *BIS Papers, No 118, A taxonomy of sustainable, finance taxonomies, Torsten Ehlers, Diwen (Nicole) Gao and Frank Packer, Monetary and Economic Department, October 2021*

		EU Taxonomy	China Taxonomy	CBI Taxonomy	Mongolia Taxonomy
					now being expanded to become SDG Finance Taxonomy.
	Industrial classification	Two-level NACE codes.	Four-level Chinese Standard Industrial Classification (CSIC).	No reference to industrial classification code. Instead, assets are categorised into generation facilities, supply chain facilities and infrastructure.	No reference to industrial classification code. Instead, the activities are categorised by general technology types (generation, construction, manufacturing, conservation, recycling etc.)
Target	**Unit of measurement**	Activity-based metrics with thresholds in line with existing EU regulations and the net-zero target.	Activity-based metrics with thresholds in line with existing national standards.	Asset-based metrics with thresholds in line with the 2°C target.	Activity-based metrics called "Key reference policy targets"
Output	Data availability and disclosure	Further legislative guidance is required to address data disclosure for different types of financial products.	Issuers are required to report use of proceeds while environmental impact reporting is encouraged.	Issuers are required to report use of proceeds and the environmental objectives of the projects	No specific clauses. Issuers are recommended to report use of proceeds
	Verification	Further legislative guidance is required to address data verification for different types of financial products.	Independent review of green credentials is encouraged, but there is not yet a standardised procedure for providing external review.	Climate Bonds Standard & Certification Scheme is the only international third-party certification of green bonds.	No specific, standardised verification system. Verification and standard-setting companies are recommended to use Taxonomy as a reference. Policy-makers are advised to use Taxonomy as basis for

		EU Taxonomy	China Taxonomy	CBI Taxonomy	Mongolia Taxonomy
					further policy action.
	Granularity	Binary – in or out	Binary – in or out	Traffic light system – 5 categories of transition activities separately defined	Voluntary classification. No specific requirements or guidelines as to "green", "towards green" etc

Source: Authors

3. Green Finance Regulatory Framework

This section provides an overview of the guidelines and rules and regulations currently in use and recently developed related to green finance. The regulations are mainly incorporated as additions or corrections to existing regulations.

Green Finance Regulations

Regulation on Listing of Corporate Debt Instruments

The green bond regulation officially titled “Regulation on Listing of Corporate Debt Instruments” was approved by the FRC in June 2021. IFC supported the development of this regulations. Green bonds can be issued to finance ongoing or new projects according to Mongolia's Green Taxonomy or international criteria. The regulation is developed based on international best practices and aims to defines the key requirements and processes for issuing “green bonds”, including use of proceeds, listing, reporting and verification. External verification to ensure “green” can be conducted by an eligible organization.

ESG & Sustainability Reporting Guidance for Mongolian Countries

ESG and Sustainability Reporting Guidance for Mongolian Companies is designed for prospective issuers, and other interested companies. It was developed and published jointly by Mongolia’s financial sector authorities and development partners of Mongolia, including UNDP.

<u>This Guidance aims to</u>:

- Raise awareness amongst issuers and investors on the importance of sustainability reporting and help issuers navigate the rapidly evolving landscape of sustainability disclosure
- Outline simple steps for companies to help prepare annual sustainability reports
- Suggest a set of key ESG indicators that companies should consider reporting on
- Provide some practical resources that companies can explore when preparing their sustainability or integrated reports
- Assist in contributing to the achievement of national and international sustainable development commitments and priorities, such as the National Development Plan and UN SDGs

Monetary policy guidelines for 2022

In the 2022 monetary policy of the Bank of Mongolia, a number of activities have been targeted in relation including Green Finance activities:

- Linked to recommendations and initiatives aimed at mitigating the effects of climate change
- Developing policies and strategies for sustainable financing
- Government agencies are focused on mitigating the risks of climate change
- Coordination, cooperation and consideration in investment decision-making
- It has a positive impact on the environment and society in line with the SDG classification of economic activity, special indicators and certification
- Developing a taxonomy of sustainable development financing with methodology
- Energy efficient and green in residential mortgage financing procedures
- Provisions and methods for financing the building will be added.
- Support for the successful implementation of sustainable finance in financial institutions
-

- In the field of raising public awareness and information about sustainable finance
- Supporting research and analysis

Regulation on Long-Term Swap Agreement

In 2021, Governor of the Bank of Mongolia has made amendments to the Regulation on Long Term Swap Agreement, whereby an additional discount 0.5% for the US dollar denominated long term swap rates are provided for loans covered by the National Green Taxonomy.

Green Insurance

In 2022, the FRC has made amendments to the “Regulation and Criteria for insurers and Insurance Professionals” whereby “Green Insurance Products” are recognized if they insure activities set out in the National Green Taxonomy or are included in the Laws of Mongolia. Green Insurance Products have the following features and characteristics. It includes:

- The terms and conditions of the green insurance must include specific discounts and incentives compared to the conditions of a regular the insurance of the same type;
- The Insurance contract must stipulate that insurance compensation will be provided within 15 (fifteen) days without causing any difficulties to the insured, provided that the insurance event has been proven by relevant documents.
- Insurers who have marketed green insurance products and have met the requirements of the FRC and other related authorities can be issued a “Green Certificate”.
- Also, Capital Requirements for Insurance Reserve Fund and Compulsory Insurance Fund and Conditions for Use of its Proceeds for Investment " have been amended allowing insurers to use up to 20% of its reserve funds to acquire “green bonds” which fall under the National Green Taxonomy.

In the case of providing green insurance services to insurance companies, considerable simplifications and discounts are included in the regulations.

Over-the-Counter Regulation

The Operating Procedures of the OTC market of Mongolia was approved for the first time by the FRC in 2020. Over-the-counter market (OTC Market) provides advantages such as time and cost efficiency for issuers, allowing raising funds in a short period of time, creating a secondary market for OTC trading amongst “professional investors”, improving liquidity, and providing disclosure and information transparency. For Mongolia, this is the first time that under the leadership of the Mongolian Securities Dealers Association, the OTC market for trading the securities to and among professional investors has been launched. With the opening of over-the-counter trading opportunities, the stock market is expected to become more active and the choice of investment products is set to widen. It is further expected that this OTC market regulations will have a positive effect on the green finance market.

Green Finance Regulations & Standards – International Best Practice Review

Compliance with policy and regulation has led to a slew of standards across industry and the financial services sectors to either voluntarily report key Green and ESG activities and investments, or simply to comply with policy and legislation specifically financial services regulation. There are a number of ESG reporting standards that have emerged which can be broadly categorised into three groups, those led by the accounting profession, those led by impact investment groupings and those led by rating agencies:

Group 1: Those led by accounting professions

a. SASB

The Sustainability Accounting Standards Board (SASB) is a not-for-profit organisation founded in 2011 by Jean Rogers to develop sustainability accounting standards. Investors, lenders, asset managers and insurers are increasingly aware of the impact of environmental, social and governance (ESG) criteria on companies' financial performance, hence the need for standardised reporting of ESG data. Just as the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) have established, respectively, International Financial Reporting Standards and US Financial Reporting Standards, which are currently used in financial reporting, the SASB's stated mission "is to establish industry-specific disclosure standards on ESG topics that facilitate communication between companies and investors on financially material and decision-useful information. This information should be relevant, reliable and comparable between companies on a global scale.

b. GRI

The Global Reporting Initiative (GRI) is an independent, international standard-setting body for corporate, governmental and non-governmental sustainability performance and disclosure. The GRI provides requirements and guidelines for the annual reporting of an organisation's sustainability activities. The objectives of this approach are to ensure transparency and social and environmental responsibility of organisations. The GRI was founded in late 1997 by the Coalition for Environmentally Responsible Economies (CERES) and the Tellus Institute with the involvement of the United Nations Environment Programme (UNEP). In 2000, the GRI published the first edition of the guidelines (G1) which were subsequently revised in 2002 (G2), 2006 (G3) and 2013 (G4). As of 2016, the guidelines are replaced by standards. Adherence to the GRI Standards is voluntary.

c. IFRS

In 2021, The IFRS Foundation announced the creation of the International Sustainability Standards Board 'ISSB', which will sit parallel to the International Accounting Standards Board under the IFRS Foundation. This is the most significant development in ESG Reporting for some time and is a major step towards convergence of the currently fragmented reporting landscape. Whilst the ISSB's creation was fully expected the IFRS Foundation also announced it will consolidate the Value Reporting Foundation (itself newly formed following the merger of the Sustainability Accounting Standards Board 'SASB' and Integrated Reporting Framework) and the Climate Disclosure Standards Board. The merger of these existing standard setters to form the ISSB provides some idea of the direction of travel for future standards. The IFRS Foundation had already indicated that it would build on the work of the Task Force on Climate Related Disclosures 'TCFD' when developing its first climate standard. TCFD is very investor focused, seeking to provide investors with information on which to base decisions. SASB is one of the most popular ESG reporting standards, is much broader than just climate and has specific guidance for 77 sectors. This announcement implies that the ISSB standards (which will start with climate then broaden out to other ESG areas) will focus on disclosures that are material to investors. This is in contrast to announcements already made by the European Financial Reporting Advisory Group 'EFRAG', who are developing their own sustainability standards expected to become mandatory for c.50,000 companies across the European Union. EFRAG have already stated they will take a double materiality approach which not only considers what is material to investors, but the material impacts a company has on the environment and society. The Global Reporting Initiative 'GRI', which is the most popular ESG reporting standard globally, has publicly stated they will work with the ISSB and EFRAG in the development of their respective standards. Though notably GRI's approach to materiality goes beyond what is financially material to investors so perhaps better aligns with EFRAG's approach.

Group 2: Those led by impact investment groupings

a. IMP

The Impact Management Project (IMP) began in 2016 as a time-bound forum for building global consensus on how to measure, assess and report impacts on people and the natural environment. From 2016-2018, the IMP brought practitioners of all kinds together to share their experiences managing impact and to inform future standard-setting. From 2018-2021, the IMP facilitated standard-setting organisations – the IMP Structured Network – to clarify the landscape of standards and guidance used by practitioners for their impact management practice.

Five years after its launch, the IMP's facilitation role has concluded as planned, after supporting the development of four initiatives that are collectively well-positioned to mainstream impact management, so that all organisations have the resources they need to improve their sustainability impacts.

b. HIPSO

Since 2008, a forum of senior staff from both multilateral and bilateral development institutions have met to help foster collaboration among Development Finance Institutions (DFIs) to enhance development impact through common development indicators. The Harmonized Indicators for Private Sector Operations are the first tangible result of this partnership. The Harmonized Indicators MoU reflects the commitment of 28 DFIs toward long-term collaboration and, most importantly, a focus on better serving their clients. The MoU sets out 38 reporting indicators for DFIs' shared clients. This helps reduce clients' reporting costs and frees up time for them to focus on what matters most: delivering results on the ground.

c. IRIS+ (GIIN)

IRIS+ is the GIIN's catalogue of generally-accepted performance metrics. IRIS+ is the generally-accepted system for measuring, managing and optimizing impact that the majority of impact investors use to measure social, environmental, and financial success. Impact Measurement and Management (IMM) is at the heart of impact investing, which is why the GIIN provides tools, guidance, and resources to help investors identify metrics and integrate impact considerations into investment management.

d. FAST-Infra

The FAST-Infra Sustainable Infrastructure Label (SI Label) is a globally applicable label for projects demonstrating significant positive sustainability performance. It is designed to enable developers and operators to show the positive impact of an infrastructure asset and attract investors seeking assets which positively contribute to sustainable outcomes. The SI Label is designed to enable transformation of sustainable infrastructure into a mainstream, liquid asset class.

This FAST-Infra Sustainable Infrastructure Framework (SI Framework) sets out requirements and guidance for market participants seeking to apply the SI Label for infrastructure assets. Use of the SI Framework and application of the associated SI Label are voluntary. The SI Label can be applied at all lifecycle stages including planning, designing, sponsoring, developing, constructing, operating, financing, and decommissioning. Application of the SI Label requires consideration of all the following five requirements of the SI Framework:

- Indicative & Non-Exhaustive List of Sustainable Infrastructure Types
- Sustainability Dimensions, Criteria, Methodology, & Measurement
- Minimum Safeguards & Risk Management
- Declaration, Disclosure, & Reporting
- Independent External Review

The SI Framework and the SI Label are designed to promote integrity in the market for sustainable infrastructure assets. The SI Framework encourages transparency, disclosure, and reporting while supporting investment decision-making. It establishes cohesion that builds on, and complements, other standards and guidelines in the market. Indeed, many of the features of the SI Label use existing requirements and good practice in project development. Application of the SI Label enables comparability of metrics across sustainable infrastructure assets.

An indication of usage by DFIs and MDB is shown in below table:

Table 4: Use of SI by DFIs and MDB

	Impact Framework / Model	Internal Impact Tool	Impact Metrics / indicators / Analytics	International Standards
UNDP	Created OECD-UNDP Impact Standards; IMP-5 dimensions of impact	Investment Opportunity Areas (IOAs)	Bespoke data points, categories using SDGs	Created Practice Assurance Standards; SDG impact Seal
UNEP FI	Model Frameworks for holistic impact analysis	Impact Radar	22 Radar "Impact areas"; SDG alignment.	Created the Principles for Positive impact Finance
IFC	Sectoral frameworks; project-level theory of Change (ToC)	Anticipated Impact Measurement & Monitoring (AIMM)	Uses HIPSO / IRIS+ (Developed internal reservoir of 200 gap indicators and 600 intensity indicators)	Signatory to IFC OPIM
CDC Group	IMP-5 dimensions of impact; adding 6th dimension-"how"	Development impact grid & dashboard	Joint Impact Indicators (JII)	Signatory to IFC OPIM; Task Force on Climate-Related Financial Disclosures (TCFD).
IFU	IMP-5 dimensions of impact	Impact Creation Plan; Impact Management System	Uses Harmonized Indicators for Private Sector Operations (HIPSO); Joint Impact Model	Signatory to IFC OPIM; TCFD; PCAF Global GHG Accounting Standard
Norfund	Sectoral theories of change; Additionally, framework; adapted 10 Additionally ambitions.	Additionality calculator	HIPSO/ IRIS+	Signatory to IFC OPIM; Corporate Governance Development Framework (CGDF)

	Impact Framework / Model	Internal Impact Tool	Impact Metrics / indicators / Analytics	International Standards
Finnfund	Theory of Change frameworks	Development Effectiveness Assessment Tool (DEAT)	HIPSO/ IRIS+	Signatory to IFC OPIM
DEG/KfW	Theory of Change frameworks	Development Effectiveness Rating (DERa)	HIPSO/ IRIS+	Signatory to IFC OPIM
DFC	IQ Framework (uses 5 dimensions of impact)	Impact Quotient (IQ)	HIPSO/ IRIS+	Signatory to IFC OPIM
EBRD	Transition impact and Theory of Change (ToC) framework; Transition impact (TI) method / model	Transition Objectives Measurement System (TOMS) & Transition Impact Monitoring System (TIMS)	Repository of 130+ indicators include HIPSO / IRIS+	Signatory to IFC OPIM
IDB Invest	IMP-5 dimensions of impact	Development Effectiveness Learning, Tracking & Assessment (DELTA)	Internal Development Effectiveness Analytics (DEA)	Signatory to IFC OPIM

Source s3i, 2021

Group 3: Those lead by Rating Agencies

A number of independent Credit Rating agencies produce rating of ESG performance of organizations. These ratings are largely used in the listing stock and bond environment and have also been used by alternative and private investment businesses for individual appraisals. These include:

a. Sustainalytics ESG Risk Ratings

Sustainalytics is an ESG rating and data supplier that provides ESG ratings on 20,000 companies and 172 countries. They rate 40,000 companies worldwide. Sustainalytics is a subsidiary of Morningstar, one of the largest stock market data providers in the world. The ESG ratings from Sustainalytics measure environmental, social and corporate governance performance of companies on a global scale. They cover about 13,000 international equities across all regions worldwide. ESG ratings are based on both quantitative ESG data and qualitative analysis. ESG Scores cover several different areas including governance, environmental impact, social contribution, and financial performance to provide a holistic view of the ESG profile of companies.

b. MSCI ESG Ratings

MSCI ESG Ratings are created by MSCI ESG Research, one of the largest rating agencies. These ESG ratings are released for 14,000 different equity and fixed income issuers. They use a rules-based methodology to identify industry leaders and laggards. We rate companies on a ‘AAA to CCC’ scale according to their exposure to ESG risks and how well they manage those risks relative to peers.

c. Institutional Shareholder Services Ratings and Rankings

ISS (Institutional Shareholder Services), majority-owned by Deutsche Bourse Group, provides company, country, and fund ratings as well as data and analysis across the full range of sustainable investment issues, including climate change, human rights, labour standards, corruption, and controversial weapons. ISS ESG ratings can also help investors in determining compliance with ESGs and proactively address ESGs risks faced by companies. These risks and rankings are available for companies across various geographies and industries, with ESGs being assessed based on company-specific key performance indicators (KPIs). These KPIs include climate change, human rights risk assessment, pollution prevention & reduction as well as supply chain management.

d. S&P Global ESG Scores

Standard & Poor's Global is one of the largest companies that provide data analytics and reporting related to companies around the world. A lot of ESG scorecards take a top-down approach, following the idea that ESG scores should be decided by a higher entity. S&P Global ESG Scores is different from other ESG scoring systems because it uses a bottom-up approach. The system's goal is to take the ESGY Scorecard directly to the industry level, which can control their ESG behaviour. S&P Global ESG Scores takes a more analytical look at how well companies perform in areas such as environmental practices and employee relations.

e. Fitch Sustainable Rankings

The ESG Ratings from Sustainable Fitch assess the ESG performance and profile of entities and instruments. They provide an assessment of ESG performance at Entity, Instrument and Framework level, allowing for detailed comparability. The creation of Sustainable Fitch builds on the successful 2019 launch of Fitch Ratings ESG Relevance Scores, which show the impact of ESG factors on credit rating decisions and are now maintained on over 10,500 issuers and transactions.

f. Moody's ESG Solutions Group

Moody's ESG Solutions Group, a Moody's Corp. business unit. Moody's is well-known as being one of the largest credit rating agencies in the world. This segment of their business offers ESG ratings, analytics, sustainability ratings, and sustainable finance reviewer/certifier services using data from Moody's. The group now includes environmental social responsibility (ESG) assessor V.E (Vigeo Eiris), as well as climate data business "Four Twenty-Seven", which was acquired in 2019. Ratings from Moody's are designed for investors who want ESG-related information on companies across all industries, countries, or regions in the world based on more than 13,000 ESG assessments.

The key differences are set in the table below: -

Table 5: Key Differences in Ratings

	MSCI	Morningstar-Sustainalytics	Moody's Vigeo-Eiris	ISS ESG	S&P	Sustainabl e Fitch
Product	ESG Ratings	ESG Risk Ratings	ESG Scores	ESG Corporate Rating	ESG Scores ESG Evaluation	ESG Entity Rating
Type of demand	Unsolicited	Solicited/Unsol icited	Solicited/Unsol icited	Solicited	Solicited/Unsol icited	Unsolicited
Use cases	• Fundame ntal /	o ESG integration	o Portfolio managemen t	o Asset manage ment	o Portfolio Exclusions / Best-in-	o Investmen t strategy

	MSCI	Morningstar-Sustainalytics	Moody's Vigeo-Eiris	ISS ESG	S&P	Sustainable Fitch
	Quant analyses • Portfolio construction / management • Engagement / leadership o Benchmarking / Index-based product develop.	o Best-in-class analysis o Screening & Benchmarking o Thematic investing o Engagement & voting	o Identify issuers reducing ESG performance o Scalable & comparative ESG portfolio snapshot o Internal & external communication	(peer review/ portfolio selection) o Identify ESG risks o Index & ETF develop. o Regulatory reporting	Class Screens o ESG integration o Tilts o Shareholder voting & engagement	o Asset allocation & portfolio construction o Benchmarking / index creation o Risk management. /Stress testing o Identify transition bonds o Disclosure and reporting
Usage by NPBIs	N/A	Yes	Yes	Yes	N/A	N/A
Coverage	8,500 companies	+12,000 companies	+5,000 companies	+9,700 companies	+8000 companies	10,500 issuers
Type of data provider	Comprehensive data provider	Comprehensive data provider	Comprehensive data provider	Comprehensive data provider	Specialized data provider	Comprehensive data provider
Data sources	o Disclosure of the companies o Databases (government, science, NGOs) o News and media	o Disclosure of the companies o Media o NGOs	o Disclosure of the companies o Factiva media sources	o Disclosure of the companies o Media o NGOs o Science	Sector-specific questionnaire	Disclosure of the companies
Number of topics	35 key issues	Around 40 (industry-specific)	28 criteria (industry-specific)	Up to 100 (industry-specific)	Around 20-30 (branch-specific)	26 themes
Main pillars assessed	Environment, Social and Governance	Corporate Governance, Material ESG Issues, and Idiosyncratic Issues	Environment, Social and Governance	Environment, Social and Governance	Environment, Social and Governance & Economic	Entity, business activities, ESG profiles
Financial Materiality based	Yes	Yes	Yes	Yes	Yes	No
Controversies assessment	Yes	Yes	No	Yes	Yes	No

	MSCI	Morningstar-Sustainalytics	Moody's Vigeo-Eiris	ISS ESG	S&P	Sustainable Fitch
Activity exclusion possibility	Yes	Yes	N/A	Yes	N/A	Yes
Differential factors	Dynamic model to capture new and emerging risks	Measures unmanaged ESG risks	Includes relevant issues to stakeholders	Prime threshold defined & strong governance model	Proposes a forward-looking opinion	Integrates the Entity rating into an overall Instrument rating
Participation	Companies are invited to verify data	Companies are invited to provide feedback and additional data	Companies are invited to verify data, provide additional data, ask questions and request support from analysts	Companies are invited to provide feedback and additional data	Companies fill out questionnaire	N/A
Scale	AAA-CCC	5 risk level	0-100	A+ to D-	0-100	1-5 grade 1-100 score
Scoring type	Positive-based	Negative-based	Positive-based	Positive-based	Positive-based	Positive-based
Timing	Ongoing monitoring, annual in-depth review	Ongoing monitoring, annual in-depth review	Yearly	Yearly	Yearly	Yearly

Source ICF, Finance for Impact 2022

4. Institutional Framework – Green Finance

This Section identifies key institutions in Mongolia involved in either designing or implementing the regulatory policies with respect to green finance. Overview provided in this Section is concise for various publications and reports produced by past projects by ADB and other organizations sufficiently highlight roles and responsibilities of the institutional framework. Also, this Section is limited to Mongolian institutions only – both public and private. Description of DFIs and MDBs as well as foreign bilateral agencies and their ongoing work in Mongolia's green finance field is discussed in Section [7] of this Report. The Mongolian institutions discussed in this Section include:

- Bank of Mongolia
- Financial Regulatory Commission of Mongolia
- Ministry of Finance of Mongolia
- Ministry of Environment and Tourism of Mongolia
- Ministry of Foreign Affairs of Mongolia
- Ministry of Economy and Development
- Climate Change Research and Cooperation Centre
- Mongolian Bankers Association
- Mongolian Sustainable Finance Association
- Mongolian Environmental Civil Council
- Development Bank of Mongolia
- Mongolian Credit Guarantee Fund
- Mongolia Green Finance Corporation
- Mongolian Stock Exchange

Bank of Mongolia

The Bank of Mongolia (BOM) regulates the banking sector in Mongolia. In 2015, the Central Bank of Mongolia issued an official directive requiring that all the banks to report the implementation of the Sustainable Finance Principles in their annual reports starting in 2016. The Central Bank of Mongolia and the MSFA are currently discussing on developing an official framework for the review and supervision of the implementation of the Mongolian Sustainable Finance Principles by the banks. Upon approval of the National Green Taxonomy in 2019, the BOM has published green loan statistics on a quarterly basis[14].Last not least, the "Regulation on Long-term Swap Contract" approved by the BOM in 2021. It provides an additional discount of 0.5% for $-denominated long-term swap rates compared to the normal rate, if the loan is included in the National Green Taxonomy.

14 Please see www.mongolbank.mn/eng/liststatistic.aspx?id=21

Financial Regulatory Commission

The Financial Regulatory Commission of Mongolia (FRC) regulates non-banks in Mongolia, including non-bank financial institutions (NBFIs), insurance companies, capital markets, savings and credit cooperatives, and microfinance institutions. Both BOM and FRC are members of international sustainable finance networks, such as the Sustainable Banking Network and the Alliance for Financial Inclusion. In addition to role of adopting the National Green Taxonomy (2019) or the Mongolian Sustainable Finance Roadmap (2022) through its seat on the Financial Stability Commission, the FRC has passed a number of green finance-related regulations (described in Section 4 above) – such as legal recognition of “green bonds” in “Regulation on Listing of Corporate Debt Instruments” (in 2021) or “green insurance products” in the “Capital Requirements for Insurance Reserve Fund and Compulsory Insurance Fund and Conditions for Use of its Proceeds for Investment” (in 2022) allowing insurers to use up to 20% of its reserve funds to invest in “green bonds”.

Ministry of Finance

The Ministry of Finance (MOF) is responsible for administering financial resources that are channeled to Mongolia by IFIs, including those for climate change related activities. It is thus the central contact point/coordinating agency for all ADB, World Bank and EBRD projects. It is also responsible for the national budget. A recent achievement of the MOF in the area of green finance is the introduction of sustainable public procurement standards through amendments to the Law on Public Procurement in 2019. Moreover, the MOF is the process of investing up to $75.7 million of GCF and ADB loan into an investment fund (called “Eco-district and Affordable Housing Fund”) to make long-term debt financing to Mongolian commercial banks to support increased participation by real estate developers in the low carbon housing market and to produce affordable green mortgages for the targeted households currently underserved by the financial market

Ministry of Environment and Tourism

The Ministry of Environment and Tourism (MET) is the lead institution for climate change in Mongolia. MET serves as UNFCCC focal point and NDA to the GCF. In the area of green finance, MET has been a strong supporter of banks’ sustainable finance efforts (described elsewhere in this Report) and demonstrated its commitment through the stipulation of sustainable finance targets in various green development policies and documents. MET operates Environment and Climate Fund. The Fund’s mission includes research of climate change issues with the aim to conserve nature and introduction of advanced technologies. Also, the MET introduced tax exemptions for various types of green technologies. It is also assessing the potential to establish a Green Trust Fund that would support Mongolia’s adaptation priorities by mobilizing, blending, and overseeing the allocation of financial assets. “A polluter pays” liability requirement for financial institutions was introduced in Mongolian law, but its implementation has been inconsistent at best.

Ministry of Foreign Affairs

The Ministry of Foreign Affairs (MFA) coordinates engagement with the international climate change process, external development partners (donors) and regional organizations.

Ministry of Economy and Development

Ministry of Economy and Development (MED) (formerly, National Development Agency of Mongolia) has the mandate to coordinate cross-sectoral policy. Its role includes explicit consideration of sustainability and climate issues. In particular, in accordance with the Sustainable Development Vision 2050 of Mongolia, MED is tasked with identifying economic direction and sectors, developing integrated investment policy and concessions, public and private partnership policies, strengthening junction of cross-sectorial policies etc. The role of the MED, established in late 2021 and still in nascent phase, is likely to grow in the future – it may be expected to play a critical role in policy coordination with respect to green financing.

Climate Change Research and Cooperation Centre

Climate Change Research and Cooperation Centre (CCRCC) was established in 2020 with the mandate to implement Mongolia's state climate policies. It is a self-funded state-owned enterprise (SOE) operating under the guidance of the MET with the purpose to enable cooperation and coordination among concerned government agencies, private business entities, NGOs and CSOs by organizing national and international events and supporting the initiative and efforts of organizations to introduce new technologies to combat climate change. The CCRCC also serves as the focal point for the Green Climate Fund (GCF) and acts as the secretariat of the Joint Crediting Mechanism (JCM) within the Mongolia-Japan Low Carbon Development Partnership agreement. Along with its goal to ensure implementation of the Paris Agreement, the CCRCC may also engage in implementing internationally funded SDG-aligned cross-sectorial projects and programs.

Non-profits and Civil Agencies

Mongolian Bankers Association

Mongolian Bankers Association (MBA) is a trade association representing Mongolian commercial banks. Its key project in the area of green finance was an initiative called the Mongolian Sustainable Finance Initiative (MSFI). Under the MSFI, the Sustainable Finance Principles (SFP) were launched in 2014 as the result of a joint effort from the MBA and its member banks, with the support of the MET and BOM, and with international support from IFC and FMO. The SFP are designed to help banks identify, mitigate, and manage E&S risks associated with their lending portfolio, promote the business case for green finance and manage banks' own environmental footprint. All Mongolian commercial banks have joined the MSFI and committed to the SFP, which increased the leverage and potential impact of this framework and counterbalances its voluntary nature. In 2016, the MSFI moved towards a more blended approach of voluntary and mandatory implementation - the BoM issued an official directive requiring that all the banks report the implementation of the SFP in their annual reports starting in 2016.

Mongolian Sustainable Finance Association

To enable the wider coverage of the entire financial sector of Mongolia, in 2017 the MBA has established the Mongolian Sustainable Finance Association (MSFA), a member-driven NGO, with the mandate to develop and promote sustainable finance practices in Mongolia. Its vision is to become a sustainable finance knowledge and leadership center in the region. A key component of the MSFA is promotion of the role of finance in sustainability, climate change resilience and ecological preservation.

Mongolian Environmental Civil Council

The Mongolian Environmental Civil Council (MECC) is an 'umbrella' organization of environmental NGOs with 21 local branch councils and a membership of more than 700 NGOs (160 being active participants in the Council) as of May 2021. Main functions of the MECC is to contributing to the elimination of environmental degradation in Mongolia, to contribute to the survival of future generations of healthy and safe environment, to provide information and support to NGOs and citizens engaged in environmental activities within the government and civil society partners, to actively engage civil society in supporting sustainable development and sustainable development and to work on implementing a comprehensive partnership and strong monitoring.

Banks and Financial Institutions

Development Bank of Mongolia

The Development Bank of Mongolia (DBM) is a government-owned, policy-oriented development finance institution in Mongolia. In February 2017, amendments to the Law on Development Bank were approved to strengthen the independence, governance, decision-making structure and supervision of the Bank. The DBM provides financing to major policy-oriented projects including priority sectors within the government economic development policy, such as infrastructure, roads and transportation, engineering infrastructure, energy, manufacturing, processing, mining, and housing industries. The MOF is the process of investing up to $75.7 million of GCF and ADB loan into an investment fund (called "Eco-district and Affordable Housing Fund") to make long-term debt financing to Mongolian commercial banks to support increased participation by real estate developers in the low carbon housing market and to produce affordable green mortgages for the targeted households currently underserved by the financial market.

Mongolian Credit Guarantee Fund

Mongolian Credit Guarantee Fund (MCGF) is a 100% state owned enterprise established under the Law on the Credit Guarantee Fund of Mongolia of 2012. Members of MCGF include the MoF, Ministry of Labor, Ministry of Food, Agriculture and Light Industry, FRC, National Chamber of Commerce and Industry, and Mongolian Employers Federation. Capital has only been injected into MCGF by the Government of Mongolia. The main objective of MCGF is to assist Mongolian MSMEs lacking collateral to obtain debt from banks and non-banking financial institutions by issuing guarantees.

Mongolia Green Finance Corporation

The MSFI has since 2016 been working on establishment of a Mongolia Green Finance Corporation, a national financing vehicle that would promote green, clean, resource-efficient and socially inclusive projects. The MGFC initiative is a joint collaboration between the banking sector (as part of its MSFI), the Government of Mongolia represented by the MOF and the MET, and international partners, including the GCF and the Global Green Growth Institute (GGGI). It aims to enable access to low-cost credit facilities that will ultimately help boost private sector involvement in green development. A key mandate of the MGFC is to help the Government of Mongolia meet the goals of the NDCs under the Paris Agreement. The main focus of the MGFC is to promote energy efficiency by large energy consumers, green affordable building development, and air pollution reduction.

Mongolian Stock Exchange

The Mongolian Stock Exchange (MSE) was established in 1991 shortly after transition of Mongolia from state-planned economy to a market-oriented one. At that time, its main objective is to serve as a vehicle for the privatization of large-scale enterprises. Starting from early 2010s, the MSE has seen rapid growth. As of the end of 2017, there were 300 listed companies at the MSE with a total asset of US$1 billion. In 2017, the MSE signed a commitment to promote sustainable and transparent capital markets, signifying its participation in the Sustainable Stock Exchanges initiative. As a member of this voluntary

UN initiative, MSE works with investors, issuers, policymakers, capital market regulators and its stock exchange peer around the world to promote responsible investment in sustainable development. An important initiative that the MSE has recently launched is publication of the ESG & Sustainability Reporting Guidance for Mongolian Companies (co-published with FRC and others) in 2022. The Guidance contains a set of guidelines to help Mongolian listed companies, prospective issuers and other interested companies to disclose their sustainability practices. The Guidance suggests a set of key ESG indicators - ranging from Environmental Indicators to Social Indicators to Industry-specific Indicators - that Mongolian companies should consider reporting on and provides practical resources that companies can explore when preparing their sustainability reports. The MSE expects its listed companies to submit their first sustainability reports in 2023.

Funds Flow / Flow of capital in Mongolia/ existing national green finance system

Since 2016, the MSFI has been moving towards a more blended approach of voluntary and mandatory implementation. In 2015, the Central Bank of Mongolia issued an official directive requiring that all the banks to report the implementation of the Sustainable Finance Principles in their annual reports starting in 2016. The Central Bank of Mongolia and the SFA are currently discussing on developing an official framework for the review and supervision of the implementation of the Mongolian Sustainable Finance Principles by the banks.

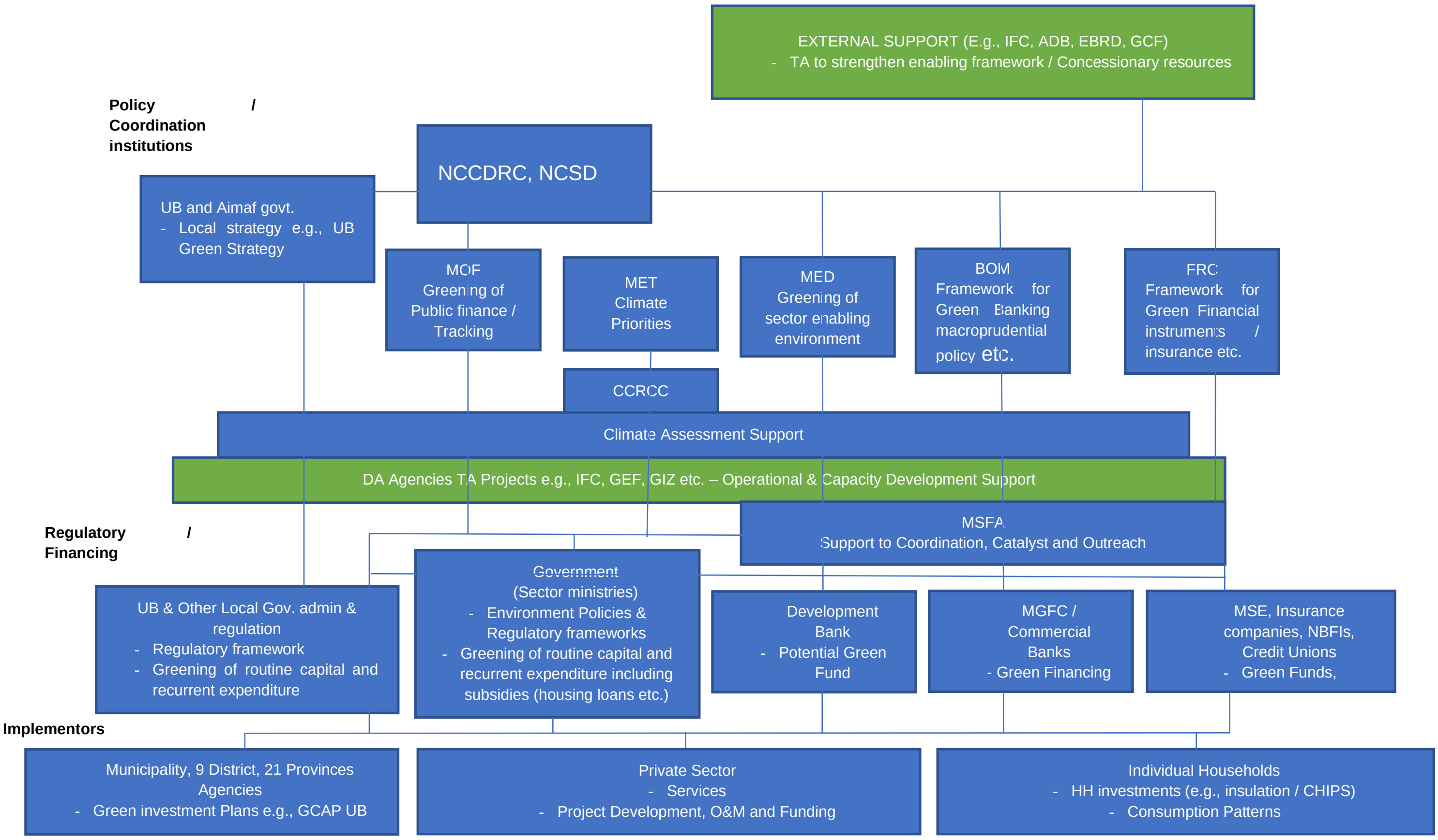
The Ministry of Finance is working on the introduction of sustainable public procurement standards through the Amendment to the Law on Public Procurement in 2018. Although not yet implemented, the Ministry of Finance has examined the potential for a Green Development Fund as an arm of the Development Bank of Mongolia to attract long-term concessional green funding sources to finance large green infrastructure projects.

The Ministry of Environment and Tourism (MET) has been a strong supporter of banks' sustainable finance efforts and demonstrated its commitment through the stipulation of sustainable finance targets in various green development policies and documents. The Ministry of Environment has introduced tax exemptions for 41 types of green technologies. It is also currently assessing the potential to establish a Green Trust Fund that would support the country's adaptation priorities by mobilizing, blending, and overseeing the allocation of financial assets. A polluter pays liability requirement for financial institutions was introduced under the Law on Environmental Impact Assessment. However, the regulation lacks consistent enforcement mechanisms.

The Ministry of Finance, the Central Bank and the Financial Regulatory Commission have approved the Financial Market Development Programme 2025, which covers strategic objectives to build a more sound and stable financial system, including a dedicated section for sustainable and green finance targets. Mongolia has taken a multi-stakeholder, consultative approach to develop its sustainable finance framework. Civil society, media and academia have contributed to the agenda by supporting awareness raising and public understanding of sustainable finance. Three major universities are collaborating with the IFC, SFA and UNITAR to officially integrate sustainable and green finance concepts in their banking and finance curriculums to contribute to the training of future sustainability-oriented financial sector leaders.

The MSFI is emerging as one of the regional pioneers in promoting the shift to sustainable finance and has shared its experience with countries such as Cambodia, Kyrgyzstan and the Philippines, with the support of the SBN

Figure 13: Green Finance in Mongolia



Source: Authors

The structure of funds flows for green investment is shown in the above diagram. Most of the source institutions have been discussed above, but the actual operation of the system needs to be fully understood in order to design mechanisms that can finance the climate investments set out in the above section.

The critical institutions are the finance providing organizations ranged across the middle row of the diagram – the MET, the other operational ministries, the MGFC, the commercial banks and Non-Bank Financial Institutions (NBFIs), the national capital markets (stock exchange) and national institutions such as pension funds and insurance companies. The latter are nascent players in the market but will develop over time in parallel with the development of the capital market. Of these institutions only the MET, the commercial banks and one NBFI have specifically “green” products. The MGFC is not yet operational. These products are limited in their scope and effectiveness though the range and impact of their activities is likely to grow with support from IFIs – see assessment below. The SFA has been doing path-breaking work to develop a green taxonomy and is now building this out with sector-specific standards which need to be institutionalized.

The DBM has extensive experience in financing large scale projects and with channeling International Financial Institutional (IFI) finance. It has a very small green portfolio (RE) however. The DBM currently sources most of its capital internationally. The non-government operational financing institutions *(check),* except most NBFIs, have traditionally substantially funded themselves from external finance sources. This was the result of extremely high local interest rates. The government and BOM have been diligent in working to reduce these rates to the point where now they are competitive with international rates, especially when the FX risk is factored in.

5. Green Finance Projects

The Law on Development Policy, Planning and Its Management was approved by the Parliament in 2020. According to the revision of this law, there are one long-term or 30-year document, seven types of medium-term or 10-year target programs, two documents for four and five-year planning, two short-term or one-year plans, and the state budget. A system of having 12 policy and planning documents in five level has been created. The "**New Revival Policy**" is a mid-term plan to be implemented within 10 years aimed at solving the limiting factors of development without delay, creating the basic conditions for the effective implementation of the long-term development policy of Mongolia "Vision-2050", and improving the economy, infrastructure and state productivity. Important medium-term policy documents include the Government's Action Plan 2020-2024 and The Main Guidelines of Mongolia's Development program 2021 to 2025.

New Revival Policy

The "New Revival Policy" consisted of 99 policy implementation measures, 20 sets of development projects, and 22 sets of laws to be submitted to the State Congress for the discussion in 2022. Among them, if we break down the structure of the 20 sets of projects included in the New Revival Policy, there are 21 projects for energy recovery, 44 for port recovery, 15 for industry, six for urban and rural recovery, five projects for green development recovery, and three for state productivity recovery, totaling 94 projects. Please see the below table 6. To present the implementation progress of these projects, 62 projects have been starting for implementation and 32 are in the planning stage. It is planned that seven projects will be completed in 2022, 12 in 2023, 35 in 2024, 10 in 2025, five in 2026, two in 2027, and one in 2040. However, there are 22 projects with uncertain timeline. See the table below for the 5 projects included in the Green Revival. A total of 8.1 trillion MNT is needed to implement these projects.[15]

Table 6: Green projects included in "Revival Policy"

S. No	Project name	Lead Agency	Total cost /in billion MNT/	Total cost /in million $*	Source of funding
1	Kherlen-Toono water park /Blue horse project/	MET	1,600.00	571.4	Source of funding not determined
2	Orkhon-Ongi project	MET	1,153.00	411.8	Foreign loan and grant
3	A Project to establish a centralized eco-facility for hazardous waste	MET	308.00	110	PPP
4	A project to establish a centralized eco-facility for general waste	MET	359.10	128.3	Direct Investment
5	Billion tree national campaign	MET	4,700.00	1678.6	Source of funding not determined
	Total		**8,120.10**	**2900.0**	

Source: Authors

15 https://www.polit.mn/a/93534

The next important medium-term document is The Main Development Guidelines and investment program for Mongolia in 2021-2025. The program will require financing of 49 trillion MNT ($ 14.74 Billon, including a total of 150 projects. It includes 6 green development projects, the implementation of which will require a total of 1.1 trillion MNT ($ 331 Million). See the project breakdown in the table below.

Table 7: Investment program of Mongolia for 2021-2025

S.No.	Name of Project and activities	Location	Duration	Project cost /million MNT/	Project Cost ($ Million) *	Funding source	Lead agency
GREEN DEVELOPMENT							
1	Biodiversity Conservation and Climate Change Adaptation Phase 2 Project	Nationwide	2020-2024	63,426.4	22.6	Foreign loan and grants /German grants/	MET
2	Ulaanbaatar solid waste treatment facility renewal project	UB city	2020-2021	41,737.0	14.9	Foreign loan and grants /EBRD loan and grants/	UB city Municipality
3	Improving the capacity of the Central Environmental Analysis Laboratory	UB city	2021-2024	42,562.0	15.2	Foreign loan and grants /Korea sofl loan/	MET
4	Project to increase the flow of Tuul and Selbe rivers and improve the environment	UB city	2021-2024	170,355.0	60.8	Foreign loan and grants /China soft loan/	MOF
				7,896.0	2.82	State budget	
5	Renewable Energy Enhancement Project	Govi-Altai, Zavkhan, Khuvsgul	2019-2023	113,569.9	40.5	Foreign loan and grants /ADB soft loan/	Ministry of Energy
			2019-2024	58,488.7	20.8	Foreign loan and grants /ADB grant/	
6	Environmentally friendly, electric and gas engine combined public transport	UB city	2021-2030	638,759.1	228.1	PPP	MET

S.No.	Name of Project and activities	Location	Duration	Project cost /million MNT/	Project Cost ($ Million) *	Funding source	Lead agency
	development project						
	TOTAL			**1,136,794.1**	405.99		

Source: Authors

The government has approved 88 investment projects for 2021-2025 with uncertain funding sources. 18.6 trillion MNT is needed to implement these projects. See the table below for a breakdown of the list. To carry out these projects, the government is looking for assistance from international organizations and the private sector to implement these projects.

Table 8: List of Projects which the source of funding has not been determined for 2021-25

Name of Project and Activities	Project cost /million MNT/	Project Cost ($ Million) *
UNITED NATIONAL VALUES	279,500	99.82
HUMAN DEVELOPMENT	1,321,365	471.92
Science and Innovation	244,570	87.35
Health	1,011,795	361.3
Physical activities and Sport	65,000	23.2
QUALITY OF LIFE AND THE MIDDLE CLASS	286,150	102.2
Decent employment and start-ups	87,000	31.1
Social welfare	199150	71.1
ECONOMIC	1,582,288	565.1
Mining and heavy industry	1,347,087	481.1
Food, agriculture, and light industry	314,094	112.2
Tourism	1,582,288	565.1
Infrastructure: Energy	2,355,750	841.3
Infrastructure: Road, and Transport	5,510,960	1968.2
Infrastructure: Construction and City Development	87,650	31.3
Governance	70,491	25.2
Green Development	1,191,060	425.4
Peaceful and safe community	351,650	125.6
Regional and local development	2,118,412	756.6
Ulaanbaatar and Satellite City	1,792,685	640.2
Total	**18,609,142**	**6646**

Source: Authors

Six projects in the field of green development are also included among the projects whose sources of financing have been unspecified, the implementation of which requires approximately 1.2 trillion MNT. See the following table for project details.

Table 9: Green development projects which the source of funding has not been determined

Name of Project and Activities	Location	Duration	Cost /million MNT/	Project Cost ($ Million) *
Hazardous waste centralized facility project	Ulaanbaatar	2021-2025	308,000	110
Kherlen-Toono project	Khentii, Dornogovi, Govisumber	2020-2025	160,500	57.3
Orkhon-Ongi project	Uvurkhangai Dundgovi, Umnugovi	2020-2025	165,860	59.2
Construction of a hydroelectric power plant in the central region	Central region	2021-2025	284,200	101.5
Afforestation and restoration of 13.0 thousand hectares of land every year	Nationwide	2020-2025	72,500	25.9
Rehabilitation of 8000 hectares damaged by mining operations	Nationwide	2020-2025	200,000	71.4
TOTAL			**1,191,060**	**425.4**

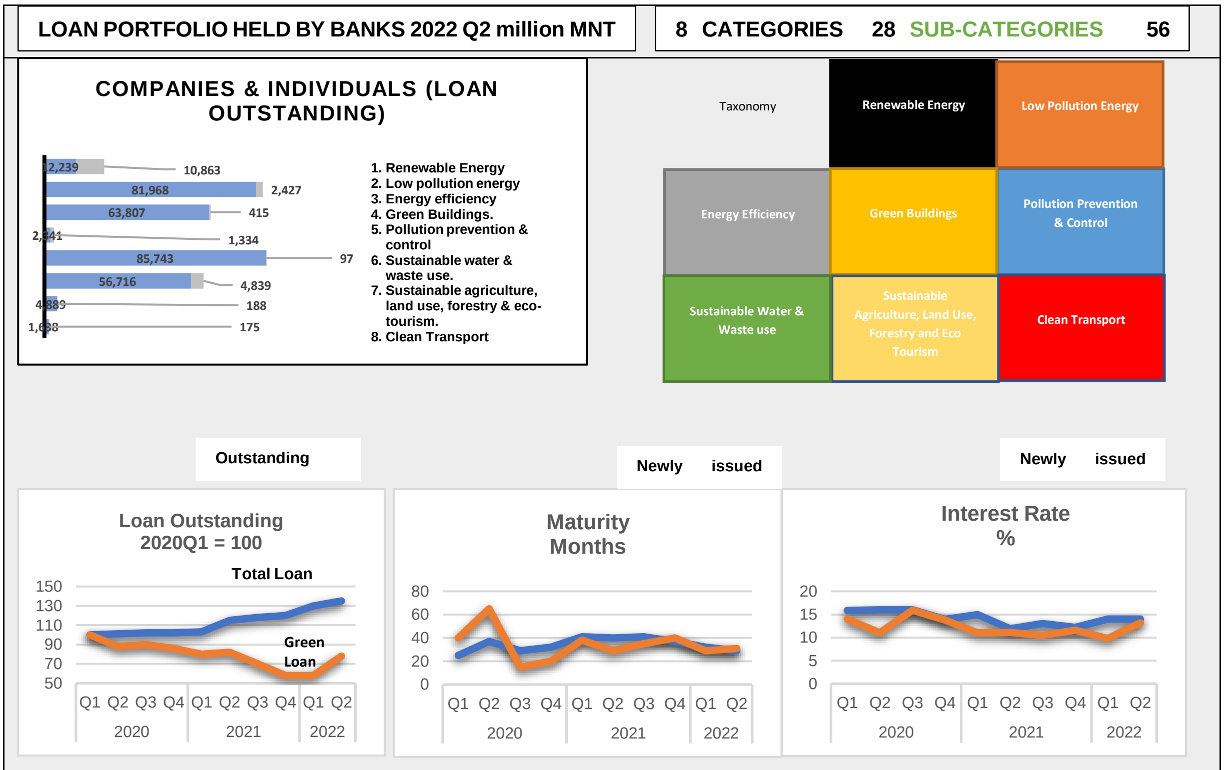
Source: Authors

Recent Implemented Projects

Green Loans – Current Status

The green taxonomy was approved by the Mongolian Financial Stability Board in 2019 Green loan reports issued by commercial banks are sent to Bank of Mongolia according to the green taxonomy classification. According to the statistics of Q2 of 2022, banks have outstanding green loans of about 330 billion MNT (approx. $100,749,000) in total which is about only 1.42% of the total loan portfolio, which is not enough. As seen from the below figures, the interest rate and the term of the loan are not significantly different from those of other loans. In terms of interest rates and terms, green loans are supposed be different from other loans to attract the attention of consumers. Banks are currently providing green loans with their own funds without any major subsidy support except for a few small number of subsidies from MET and IFI soft loan. SucSuch a development status of green loans suggests a significant amount of effort a to made to achieve the Sustainable Finance Roadmap's target of having at least 10% green/sustainable loans in the portfolio of the banking sector by 2030r NBFIs, the green loan portfolio is set to be at least 5%. There is currently no monitoring of green loan reports. The central bank only collects, and aggregates reports from commercial banks.

Figure 14: Green Loan Report



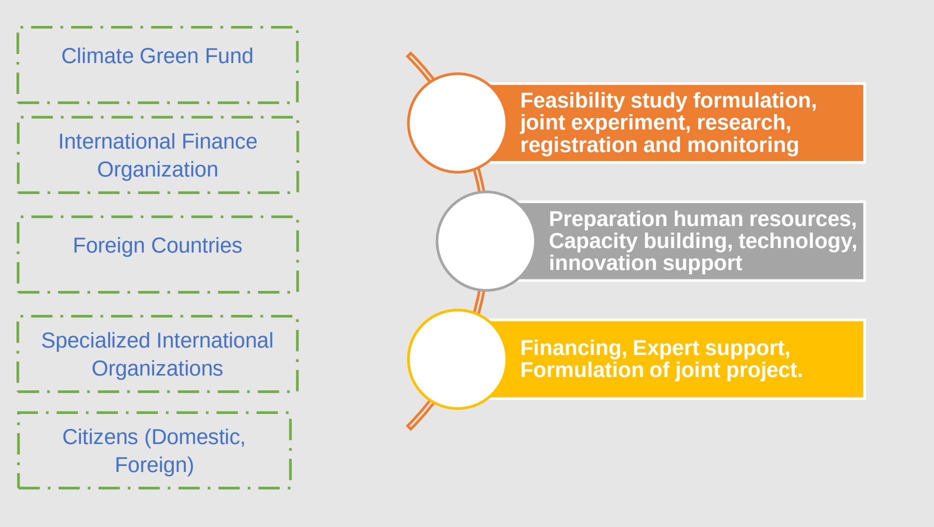
Source: www.mongolbank.mn

Billion Tree

In Oct. 2021, Mongolia launched a nationwide campaign to plant 1 billion trees by 2030, pledging to spend at least 1% of its GDP each year on this mega project to combat climate change and deforestation. With a total land area of 1.6 million square kilometers, only 7.9% is covered by forests as on date while 77% of the country has been subject to desertification and land degradation. To cater this, Mongolian Government has sketched a three-stage plan for the campaign, with a preparatory phase from 2021-24, intensification phase planned from 2024-26 and sustainable implementation phase from 2026-30. In total, 21 large corporations of Mongolia have signed government contracts and pledged to plant 608.5 million trees [*16*].

Member organizations of the Mongolian Banker Association (MBA) will contribute at least MNT 2 billion (approx. $714,286) annually [*17*]. In addition to this, green loans in the banking sector will be increased to 10% by 2030 and MNT 5.2 trillion (approx. $1,857,400,000) will be disbursed. The funds will be raised by donations from banks, NBFCs, individuals. The Billion Tree initiative will support Mongolia's sustainable development goals and contribute to efforts to mitigate global climate change in line with Mongolia's long-term climate change development policy, desertification control program, and Vision 2050. The Billion Tree campaign can support the establishment of forest enterprises and the creation of appropriate financial mechanisms by bringing the development of the forestry sector into the focus of the public's attention. (Figure 15)

Figure 15: Stakeholder Participation-Cooperation



Source: Ministry of Environment and Tourism

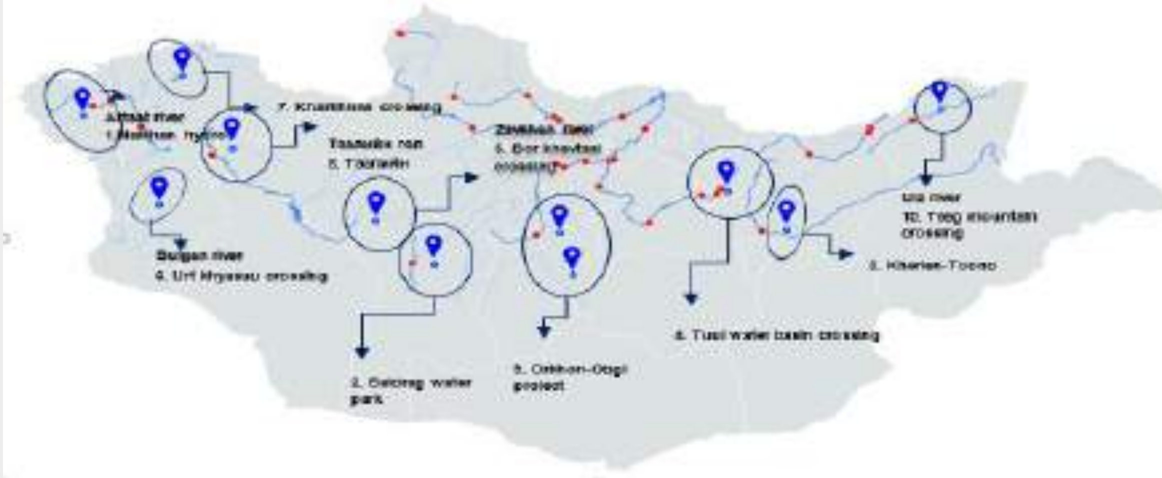
Blue Horse

Mongolia's "Blue Horse Program" is an approach to climate adaptation and mitigation by means of multi-purpose reservoir building and construction of long-distance water transfers to satisfy needs of mining industry. This project is included in NDCs under Paris agreement, Sustainability Development Vision 2050, and Government Action Plans for 2020-2024 and in many other planning documents. In 2020, , Ministry of Environment and Tourism (MET) and Ministry of Energy (ME) commissioned the first map of the blue horse project under which construction of 33 dams on 13 rivers were proposed. After that, 7 additional dams were incorporated in the "Vegetable Production and Irrigated Agriculture" Project by the ADB and 5 small hydro projects proposed by Water Agency under MET, thereby bringing the total number of dams proposed to 44 on 23 rivers. A transect study was carried out as part of the "Blue Horse" project at 33 technically feasible locations along the main Mongolian rivers, such as Khovd River, Selenge River, Egi River, Orkhon River, Delgermoron River, Tuul River, Kherlen River, and Onon River. According to the survey, the priority order of 33 location crossing projects was determined by

16 Largest national entities pledge to plant over 600 million trees (montsame.mn)
17 Fund established to support 'One Billion Trees' initiative (montsame.mn)

evaluating the indicators such as project purpose, demand, level of research, social importance, environmental risks and impacts, legal environment, difficulties, cost of funds, proposals for project implementation, efficiency, and investment. A total of 8.3 billion m3 of water will be stored at eight locations, and 10.5 m3/ of water can be transferred to the Gobi region.

Figure 16: Blue Horse Project



Source: Water Authority

Technical projections for increasing water resources through the creation of surface water storage and flow adjustment in Mongolia were developed in 33 locations, and 10 locations were selected for detailed research and construction work. The above 10 locations will create 3,642.48 million m3 of water resources. The projects in these 10 locations require a total investment of 1.3 billion dollars.

Table 10: Investment of Blue Horse Project for 10 implementable locations

River Name	Location	Project Cost ($ Million)
Artsat salaa river, Khar nuur	Bayan-ulgii, Tsengel, Ulaankhus soum, Maikhan hydro plant	20.4
Baidrag river	Bayankhongor, Bumbugur soum	33.4
Kherlen river	Khentii, Delgerkhaan soum, Kherlen Toono water mountain park	595
Tuul river	Ulaanbaatar, Nalaikh, Tuul-Terelj crossing	161.4
Zavkhan river	Zavkhan, Shiluustei, Bor khavtsal crossing	45.6
Bulgan river	Khovd, Bulgan, Urt khyasuu water park	12.25
Kharkhiraa river	Uvs, Ulaangom, Kharkhiraa crossing	42.11
Teel river	Zavkhan, durvuljin, Teel crossing	9.1
Orkhon-Ongi river	Uvurkhangai, Zuunbayan-Ulaan soum, Khujirt, Orkhon-Ongi Multi purpose water park	402.1

River Name	Location	Project Cost ($ Million)
Ulz river	Dornod, Bayandun soum, Teeg mountain crossing	1.55
TOTAL		**1322.9**

Source: www.energy.gov.mn

Benefits of Blue Horse project implementation:

- Reduce pole gas emissions.
- New jobs will be created.
- There is opportunity to develop irrigated land.
- Supply water for people, mountain agriculture, energy and mining industry of south Gobi region
- Tourism, recreation and fisheries development zones will be created along the aquatic complexes.
- Access to local surface water will be increased by establishing a water reservoir

Erdeneburen Hydro Power Plant Project

The Erdeneburen hydropower plant is planned on the Khovd River in western Mongolia, in an ecologically sensitive area of the Tsambagarav Uul National Park, a Ramsar protected area. The dam is included in the Blue Horse program. The 90 MW hydroelectric power plant with installed capacity of multifaceted importance will provide a reliable source of the growing energy needs of the western region, to replace expensive imported electricity with cheap domestic energy, and to act as a mode adjustment of the western region's energy system. Please see table below:

Table 11: Erdeneburen Hydro Power Plant

S. No	Particulars	Details
1.	Funding Source	China
2.	Funding Type	Soft Loan of Export and Import Bank of China
3.	Total Funding Amount	$ 288,500,000
	3 (a) Loan Amount	$ 271,100,000
	3 (b) Funding from Budget	$ 14,400,000
4.	Project Duration	5 Years

Source: www.energy.gov.mn

Social and Economic Benefits of the Project:

- The Western Provinces will get rid of their dependence on imported electricity and have a reliable source of renewable energy that is beneficial to the economy, does not harm the environment, and will be provided with 100% domestic sources.
- To have the capacity to meet the growth of total consumption in the next 10 years of the integrated energy network of the western region.
- Reducing the cost of energy.

- A tourism, recreation and fish farming development zone will be created along the HPP reservoir. As a lot of water accumulates in the reservoir, the ambient air humidity will increase, and the local climate will have a positive effect on the pastures.
- There will be an opportunity to develop irrigated agriculture in Erdeneburen, Hovd, and Buyant sum of Hovd province.
- Reduce greenhouse gases. It will reduce the emission of carbon dioxide equivalent to approximately 756,6 thousand tons of coal burned per year / approximately 1,3 million tons.
- Subsidies from the state budget will be canceled at the regional level.
- Increase jobs.

Another stated objective of the BHP is expansion of irrigated agriculture. The ADB and the Government of Mongolia in May 2020 signed loan agreements of $40 million and a $2 million Japan Fund for Poverty Reduction (JFPR) grant to support the modernization of government-owned irrigation networks and vegetable (and fodder) production in Mongolia. The country's irrigation systems are recognized as having low water productivity and lacking resilience to severe droughts and floods.

The "Vegetable Production and Irrigated Agriculture" project aims to install efficient and climate-resilient irrigation infrastructure and management systems, improve sustainability of agriculture production systems, and management capacity and coordination.

6. Ongoing Work by DFI and Multilateral Agencies

Mongolia has been quite successful in accessing climate finance through bilateral and multilateral sources in particular, the GCF, the GEF, the CIFs (Climate Investment Fund), Adaptation Fund, (through UNDP acting as intermediary), ADB, World Bank (though IFC), and activities funded by the Governments of Germany and Japan (**refer the below tables**) on a case-to-case basis. However, it has comparatively done less well in accessing flexibility mechanisms under the UNFCCC, such as Clean Development Mechanism (CDM), or bilateral mechanisms such as JCM for which less than 10 - mostly relatively small – projects have been registered.

Mongolia does not benefit from specific sectoral climate frameworks, e.g., Reducing Emissions from Deforestation and Forest Degradation (REDD+), which are focused mainly on forest-related measures that cannot be implemented in the region. This situation needs to be taken into account when considering sources for climate finance that can be developed to support the implementation of the NDCs - 2021 to 2030. The estimated funding requirement to meet the NDCs under the same period is close to $ 7.7 billion which is equivalent to 11% of Mongolian's GDP over this period, or 55% of annual GDP if 2019 base is taken.

Development Finance Institutions

Green Climate Fund (GCF)

The GCF [18] was set up to make serious and ambitious contribution to the global efforts towards attaining the goals set by the international community to combat climate change. The fund intends to play a key role in channeling, new, additional, adequate and predictable financial resources to developing countries and will catalyze climate finance both public and private and at international and national levels. The fund pursues a country-driven approach and promotes strong engagement at the country level though effective involvement of relevant institutions and stakeholders. The fund provides simplified and access to funding, including direct access for national institutions. The MET of Mongolia is the National Designated Authority (NDA) and National Focal Point (NFP) to the GCF and the NDA Office. The NDA is responsible for coordinating the work on developing, and thereafter updating, the GCF Country Programme for Mongolia.

The GCF approved the Trade and Development Bank of Mongolia as second Accredited Entity in May 2020. The Khas Bank is first Accredited Entity which approved by the GCF in 2016. In addition, the main IFIs operating in Mongolia are Accredited Entities (AEs) and have provided the anchor for the bulk of financing received by Mongolia. Mongolia has 10 investment projects from GCF, mainly through co-financing with IFIs, for a total financing of $ 437.1 million, and 6 Readiness activities for a total of $ 4.5 million with $ 3.5 million disbursed. [19] The GCF has thus provided significant support to Mongolia. Further support will likely be predicated on very high levels of ambition and innovation in respect to both adaptation and mitigation projects. The implemented GCF projects and the associated AEs are set out in below table:

18 Source: http://gcfund.net/about-the-fund/mandate-and-governance.html
19 https://www.greenclimate.fund/countries/mongolia

Table 12: GCF Programme in Mongolia

Project	Total Investment	GCF Allocation	Accredited Entity
GCF-EBRD Sustainable Energy Financing Facility Co-Financing Programme (multi-country). 2016	$1.4 billion	$334 million	EBRD
Micro, Small and Medium Enterprise Business Loan Program for GHG Emission Reduction. 2016	$60 million	$19.5 million	XacBank
Renewable Energy Program #1 – Solar. 2017	$17.6 million	$8.7 million	XacBank
Ulaanbaatar Green Affordable Housing and Resilient Urban Renewal Project. 2018.	$570.1 million	$140 million	ADB
Green Cities Facility (multi-country). 2018.	$305 million	$102.5 million	EBRD
Climate Investor One (multi-country). 2018.	$821.5 million	$100 million	FMO
Energy Efficient Consumption Loan Programme. 2018.	$21.5 million	$9 million	XacBank
Improving Adaptive Capacity and Risk Management of Rural communities in Mongolia. 2020.	$79.3 million	$23.1 million	UNDP
Mongolia Green Finance Corporation. 2020.	$49.7 million	$26.7 million	XacBank
Aimags and Soums Green Regional Development Investment Program	$735 million	$175 million	ADB

Source: Authors

Global Environmental Facility (GEF) and its Funds

The Global Environment Facility (GEF) [20] and the GEF Trust Fund was established on the eve of the 1992 Rio Earth Summit to tackle our planet's most pressing environmental problems. Since then, it has provided more than $ 21.5 billion in grants and mobilized an additional $ 117 billion in co-financing for more than 5,000 projects and programs. The GEF is the largest multilateral trust fund focused on enabling developing countries to invest in nature and supports the implementation of major international environmental conventions including on biodiversity, climate change, chemicals, and desertification. In Mongolia priorities are to focus on climate change adaptation and mitigation generally but specifically related to NAMAs in the construction sector and to facilitate market transformation for energy efficiency in the construction sector through the development and implementation of NAMAs.

The GEF administers various funds including one specifically for climate change, the Special Climate Change Fund (SCCF); Least Developed Countries Fund (LDCF); Capacity-building Initiative for Transparency (CBIT); Nagoya Protocol Implementation Fund (NPIF); and the Adaptation Fund (AF). Mongolia does not qualify for the LDCF. Mongolia has had two projects from the AF totaling $ 10 million and with current resources some additional funds can be foreseen but support is unlikely to provide major capital investment. Mongolia's current allocation under GEF-7 is set out in below tables.

20 https://www.thegef.org/about-us

Table 13: Mongolia GEF-7 Activities - Allocation and Utilization ($)

Focal area	Indicative Allocation ($)	Allocation Utilized ($)	Allocations remaining to be programmed ($)
Land Degradation	3,344,572	2,200,000	1,192,565
Biodiversity	3,392,565	2,150,000	200,571
Climate Change	2,350,571	4,150,000	(805,428)
Total	**9,087,708**	**8,500,000**	**587,708**

Source: https://www.thegef.org/country/mongolia - **figures as on 26.09.2022**

Table 14: Total Funding Received

Trust fund	Project type	Number of Projects	Total Financing ($)	Total Co-financing ($)
GEF	National	33	45,387,146	179,665,274
	Regional/Global	28	422,864,829	1,370,021,894
SCCF	National	1	1,500,000	11,480,000
	Regional/Global	0	0	0
CBIT Trust Fund	National	1	863,242	460,000
	Regional/Global	0	0	0

Source: https://www.thegef.org/country/mongolia - **figures as on 26.09.2022**

The Climate Investment Funds (CIFs)

CIF are generally provided as co-financing with IFIs. With CIF support, 48 developing countries are piloting transformations in clean technology, sustainable management of forests, increased energy access through renewable energy, and climate-resilient development The CIFs are: the Clean Technology Fund and three other funds- the Forest Investment Programme; the Pilot Programme for Climate Resilience and the Scaling Up Renewable Energy Programme. These three funds come within the Strategic Climate Fund. CIFs provide grants, concessional loans and risk mitigation instruments. Mongolia has had significant support from the fund, through co-financing with IFIs – (see below table). The CIFs have recently attracted additional funding and some programs, such as the Smart Cities program, may be of significant interest to project proponents in Mongolia.

Table 15: CIF support to Mongolia

NAME	FUND	FUNDING ($ MILLION)	CO-FINANCING ($ MILLION)	MDB
Capacity Building and Regulatory	Scaling Up Renewable Energy	1.2	0.10	IBRD

NAME	FUND	FUNDING ($ MILLION)	CO-FINANCING ($ MILLION)	MDB
Support Technical Assistance	Program in Low Income Countries			
Test Project Only-Second Level 1	Scaling Up Renewable Energy Program in Low Income Countries			IBRD
Upscaling Renewable Energy Sector	Scaling Up Renewable Energy Program in Low Income Countries	14.6	46.0	ADB
Upscaling Renewable Energy Sector-Solar PV	Scaling Up Renewable Energy Program in Low Income Countries	12.4	12.5	IBRD

Source: https://www.climateinvestmentfunds.org/country/mongolia

Multilateral Agencies

Asian Development Bank (ADB)

ADB

For decades, ADB has been one of Mongolia's largest sources of ODA playing a key role in the country's transformation to a market –based economy. [21] By the end of May 2021, 432 projects for a total value of $ 3.73 billion had been undertaken. The sectoral breakdown was public sector management – $ 696.42 million in 69 projects; transport – $ 691.92 million in 55 projects; energy – $ 457.01 million in 41 projects; urban development and water projects – $ 425.89 million in 43 projects; and finance – $ 417.17 million in 57 projects. Current projects, in addition to COVID response focus on food safety and traceability, climate-resilient and sustainable livestock development, strengthening health security, green urban development in Ger areas, and energy sector development.

The strategic focus areas of ADB's country strategy are promotion of sustainable natural resource management; broadening of climate change response to support the GoM's compliance with COP21 targets and promote renewable energy; and building capacity on disaster risk management to improve disaster preparedness mechanisms and climate change adaptation. ADB's future investment programme will focus on: Ulaanbaatar public transport and traffic management, Northeast Asia power system interconnection; renewable heating in remote areas, renewable energy development, and enhancing engagement with private sector financing. Climate change mitigation and adaptation are increasingly focal areas ADB's programme so far for Mongolia.

ADB has undertaken a number of projects that have a specific climate investment focus and has done so using modalities that partner with Mongolian financing institutions. In particular, the Ulaanbaatar Green Affordable Housing and Resilient Urban Renewal Sector Project and the Aimags and Soums Green Regional Development Investment Program loans have both leveraged additional resources for the sector from other co-financiers (the European Investment Bank and the Green Climate Fund) and

21 https://www.adb.org/countries/mongolia/main the private sector, amounting to 79.8% and 52.6% respectively (net of government resources). Both loans established funds at the DBM which are managed by its Asset Management Company – the Eco-district and Affordable Housing Fund and the Green and Inclusive Regional Agribusiness Fund. In both cases the funds are channeled through commercial banks to developers and entrepreneurs/ herders respectively.

European Bank for Reconstruction and Development (EBRD)

In Mongolia the EBRD focuses on industry diversification, sustainable growth, responsible mining and institutions and infrastructure and private sector development. [22] Nearly all EBRD-financed projects support private sector companies and banks. The Bank has undertaken 116 for a cumulative investment of $2.2 billion [23]. The EBRD tends to co-finance with other IFIs or channel finance through banks.

EBRD has committed to aligning all its activities with the Paris Agreement by 2022, and by 2022 it will be a "green bank" in that it will devote over 50% of its investments to the green economy. The new five-year country strategy for Mongolia, scheduled to commence in 2022, with be in line with these goals and thus increasingly focus on climate-related support. It will continue its support to the development of the capital markets, in particular in relation to the development of green bond initiatives and green capital markets incentives.

International Finance Corporation (IFC)

IFC supports Mongolia's sustainable economic development by investing and mobilizing capital for private sector clients as well as advising the government and firms to enhance business competitiveness. It engages with all key sectors of the Mongolian economy, from financial services and agri-business to infrastructure and sustainable mining, in order to create jobs and diversify the economy. Since IFC first opened our office in Ulaanbaatar in 1997, it has invested and mobilized more than $470 million [24]. They have also implemented a number of capacity building activities such as workshops, train-the trainer sessions, monthly knowledge sharing meetings, international exchange visits, and a sustainable finance online learning platform.

United Nations Development Programme (UNDP)

UNDP's country programme focuses on three areas: democratic governance; youth and private sector; and climate and disaster resilience. Within the latter area, the on-going portfolio consists of projects worth of $ 11 million (total co-financing over $ 20 million) and above $ 14 million is in the pipeline for next few years. These resources will focus on five distinct areas as below. [25]

a. *Environmental Governance:* UNDP supported institutionalizing Environmental Auditing as a tool to enable stronger enforcement of environmental legislation and introduction of environmentally friendly standards that have become legally binding. UNDP also cooperates with local governments, civil society organizations, academia and media for wider awareness

22 https://www.ebrd.com/mongolia.html

23 EBRD invests over USD2.2 billion to Mongolia - News.MN
24 IFC+in+Mongolia.pdf
25 https://www.mn.undp.org/content/mongolia/en/home/climate-and-disaster-reslience/in-depth.html

of environmental issues and increased involvement of citizen in decision making on environmental matters.

b. *Natural Resources Management:* In partnership with the Government of Mongolia, UNDP supports empowerment of community-based organizations and local institutions in sustainable management of land, water and forest resources and strengthening and expanding the protected areas system (National parks). UNDP supports the Government to amend the Special Protected Area Law, and update the National Protected Area Programme, enabling Protected Area management by NGOs and local communities, as well as novice income generation options for Protected Areas among others. The institution is also assisting the Government in reducing negative impacts of mining through building appropriate legal framework and institutional capacity to apply mitigation hierarchy and offset principles into the landscape level planning and management, and in introduction of multi-purpose forest inventory methodology. With UNDP's support in collaboration with other UN agencies, the National REDD+ Roadmap was formally approved by UN-REDD Policy Board in 2014, which would greatly contribute to reduce deforestation and improve forest resources management.

c. *Climate Change:* In support of national efforts on climate change adaptation and mitigation, UNDP supports the implementation of the national action programmes for climate change and combating desertification and nationally appropriate mitigation actions in energy, construction and forestry sectors. UNDP prioritizes demonstration of proven adaptation measures to maintain ecosystem functions and services and minimize vulnerability of local communities. Through the UN-REDD programme protection and sustainable management of forest assets is being supported to produce globally significant lessons considering Mongolia's considerable size of boreal forest. UNDP collaborated with partners the economic valuation of ecosystem services and climate change impacts, vulnerability analyses for adaptation interventions, and development of permafrost distribution map for the country.

d. *Water and sanitation:* With the support of donors such as Australia and Korea, UNDP develops capacities of State and non-State actors, at national and local level, to deliver safe drinking water and sanitation services. This also includes the demonstration of such systems in rural areas. UNDP's water and sanitation interventions were successfully aligned with Government's large-scale public infrastructure improvement programme for rural settlements. UNDP led the development of and negotiation on an innovative co-investment model that was instituted in eight localities scaling – up the national programme.

e. *Disaster Management:* In partnership with the Government of Luxembourg, UNDP supports capacity building of the Government of Mongolia for effective disaster management since the establishment of the National Emergency Management Agency (NEMA) in 2004 as the nodal institution to manage and coordinate all aspects of disaster management. UNDP continues to support institutional and human capacity development of NEMA, the central and local levels, provides technical assistance for planning disaster management including cross border threats mining related environmental disasters such as chemical spills and promotes partnership with key stakeholders to improve public education and awareness for disaster prevention. The current programme focuses heavily on disaster risk prevention rather than response measures, capacity development at the local level and improved resilience of local communities. Through UNDP support, Law on Disaster Management was amended, the National Programme on Community Based DRR developed, and the National Disaster Management Plan updated.

World Bank

Mongolia became a member of the World Bank in February 1991. Over the last three decades, the World Bank has provided over $1.3 billion in development financing to the country. As of October 2021, the Bank's portfolio in Mongolia has total commitments of $524.41 million, comprised of 14 operations financed by IDA/IBRD credits of $500.21 million, 2 co-financing grants of $18.07 million, and 3 recipient-executed trust fund operations of $6.13 million. In its latest country partnership framework engagement period, the World Bank has focused on a wide range of projects: in fostering a mining sector and related activities that better support the economy, in fostering economic growth more broadly, in improving social welfare and service delivery and in reducing vulnerability. This has included support to the GOM in the implementation of NDCs in: (i) low carbon growth and resilient cities; (ii) hydromet modernization and climate services. This work has been financed through Global Facility for Disaster Reduction and Recovery Trust Funds and the NDC Support Facility. The Bank also contributed to reducing Mongolia's vulnerability to natural disasters and helped put in place a highly innovative livestock insurance scheme.

In the next country strategy period starting in 2021,[26] the World Bank will, included within its three main pillars of engagement focus on the following climate-related issues: broaden climate change response to support the GOM's compliance with COP21 targets and promote renewable energy; promote sustainable natural resource management; enhancing climate actions in agriculture, especially livestock; inclusive and sustainable tourism, sustainable infrastructure including renewable energy and energy efficiency, supporting improvement of the liability of urban centres in multiple dimensions; and building capacity on disaster risk management to improve disaster preparedness mechanisms and climate change adaptation.

26 https://documents1.worldbank.org/curated/en/820241621966528091/pdf/Mongolia-Country-Partnership-Framework-for-the-Period-FY21-FY25.pdf

Bi-lateral Agencies

GIZ

GIZ first set up a country office in Mongolia in 1998. GIZ Mongolia works in priority areas of Sustainable Economic Development and Environmental Policy including Energy Efficiency. GIZ Mongolia works primarily on behalf of the German Federal Ministry for Economic Cooperation and development (BMZ). GIZ Mongolia employs 130 staff members, and its turnover annually is approximately 10 million euros. GIZ are looking to raise $ 4-5mn for the Climate Readiness REDD+ project to create a create national inventory. Support is targeted for sustainable mineral resource management, biodiversity (including introducing strategies in Mongolian forestry sector for conservation and sustainable use of forest ecosystems); and energy efficiency (including policy incentives for both suppliers and consumers, capacity building for the private sector in energy efficiency, building energy efficiency (especially the multi-family housing blocks in UB).

JICA

JICA or Japan International Cooperation Agency, in Mongolia work on three key sectors: sustainable mining and governance, inclusive growth and environmentally friendly and balanced economic development (including UB's urban programme in energy, water, garbage, and traffic). JICA wants the proper use of funds from the mining sector. JICA runs 500 courses a year in Japan, 100 people attend from Mongolia and possibly this route could be used for climate training. Specific projects have involved climate-related investment and policy, for example: promoting industry diversification (SME development) and enhancing strategic planning of regional development; developing high quality infrastructure to underpin development and creating an environment friendly safe city (air pollution management and DRM capacity); achieving healthcare standards and improving basic social services; and facilitating the establishment of a sustainable national system on GHG inventory preparation with improved data reliability, accuracy and consistency.

USAID

The U.S. government, through the United States Agency for International Development (USAID), launched the five-year, $ 12-million Mongolia Energy Governance activity that will provide access to reliable electricity and facilitate sustainable and inclusive economic growth. USAID Mission Director for the Philippines, Pacific Islands and Mongolia Ryan Washburn formally launched the program during his inaugural visit to the country and was joined by U.S. Ambassador to Mongolia - Michael Klecheski, Chairman of the Energy Regulatory Commission - Tleikhan Almalik, Advisor to the Minister of Energy - Purevjav Tovuudorj, and other key stakeholders.

Through the project, USAID will work with key government and private sector partners to improve planning and operational performance, guide planning for new infrastructure, enable greater market competitiveness and incentivize private investment through clear and transparent rules, and support increased adoption of modern clean energy technologies. The project will help develop a more sustainable and self-reliant energy sector that will reduce fiscal pressures on the government.

The Millennium Challenge Corporation (MCA)

MCA activity focuses on a $350m assistance package to bolster the resilience of the Ulaanbaatar water supply system.

Other Potential Large Sources

There is significant potential to tap **European Union** (EU) resources. The EU is also a significant source of climate change financing with major projects in renewable energy and other climate-related sectors across Asia. Mongolia already taps the EU Asian Infrastructure Fund (AIF).

Other institutions engaging with Mongolia to finance climate-related activities are set out in the table below.

Table 16: Relationships with international partners (selected main activities)

Development Partner	Area/s of focus	Engagement in country	CCF focus/ relevance
UNHabitat	Resilience building in 10 vulnerable communities in UB.	Provision of flood control infrastructure and community building	Building potential for community-based financing by development of CBO capacity to manage local investments
KfW	Protected area management	Key bilateral partner of government, currently supporting Phase 1 national "Biodiversity and climate change programme" project to strengthen protected area management in the Northern provinces. Phase 2 (up scaling to the rest of the country) is starting from beginning of 2019	High potential for co-financing in forthcoming climate projects
Global Green Growth Institute	- Green public transport; - GHG emission inventory; Energy sector policy formulation	- Development of policies for green public transport in Mongolia; - Strengthening GHG inventory system - NDC project with UN Environment - NAMA facility project - GCF readiness capacity development	Technical assistance support to MGFC and other funds mobilization e.g.; NAMA energy audits and investment follow up
Korea International Cooperation Agency (KOICA)	- Air quality management - Waste management - Tree planting	Key projects involving: - Capacity building for quality management of oil and coal usage - Recycling of automotive parts - National "Green Wall" program will contribute to the soil conservation and land restoration through	Potentially can be engaged in the forthcoming projects

Development Partner	Area/s of focus	Engagement in country	CCF focus/ relevance
		establishment of forest strip and forestation. - Interested in further engagement in building energy efficiency retrofit.	
UNICEF	Upgrading vulnerable communities living standards with a focus on women and children	Piloting and promoting CHIPS packages (500 households in 3 Aimags) - WASH programs - Nutrition programs - Strengthening household response to economic shocks	Focus on engaging NBFIs as well as banks to finance CHIPS packages for households in lower income communities
Food and Agricultural Organization of United Nations (FAO)	Sustainable agriculture and livestock management	- NDC project - Readiness for REDD+ - Building capacity to access climate finance - Support to value chain development	TA laying basis for CBO financing of sustainable agriculture
Asia Foundation	Building capacity for climate investment especially in the waste sector	Project focusing on waste sector: - Policy support (NDC sector action plan) - Technology support component - Capacity building	TA at policy level to address financing constraints
Chinese Export Credit	Investments in metals/steel, energy / coal, hydro, “alternative” and transmission lines, education, transport/auto and utilities/ waste.	Between 2014 and 2019, there were three direct investments from China, totaling up to $2.55 billion, and nine construction contracts totaling up to $2.6 billion were listed.	Where loan terms are favorable, can be part of financing mix.
International Fund for Agricultural Development (IFAD)	- Livestock Sector - Adaptation Project	To increase the resilience of Mongolian livestock sector to changing climatic conditions by strengthening the adaptive capacity as well as the capacity of herder’s groups to cope with climate change impact	Mainstream GCF funding consideration into planning
WWF Mongolia through WWF US	Freshwater, forest wildlife, Climate change and energy	Climate and Energy[1] as cross-cutting issues with major focus on climate smart grassing practice and climate change adaptation measures through integrated water resource management approach	Technical support
Climate Technology	Technology needs assessment for climate change	To identify and determine the mitigation and adaptation technology priorities of Mongolia	Technical support

Development Partner	Area/s of focus	Engagement in country	CCF focus/ relevance
Centre and Network (CTCN)			
Swiss Agency for Development & Cooperation	Pasture/land management and desertification	They will be a key partner and will share their successes, lessons learned, and best practices, especially in sustainable pasture management including improvement of livelihoods of the local people	Potentially can be engaged in the forthcoming projects
The Nature Conservancy	eco-regional assessments	They will be a key partner and will share their successes, lessons learned, and best practices, especially in designing of environmentally friendly development planning	Potentially can be engaged in the forthcoming projects
Wildlife Conservation Society	biodiversity monitoring and conservation of large mammals (particularly wild ass) in the Southern Gobi linked to the mining project	They will be a key partner and will share their successes, lessons learned, and best practices, especially in community-based nature resource management including sustainable cashmere management	Potentially can be engaged in the forthcoming projects

Source: Project team interviews, agency websites and GCF Country Programme Document 2019.

Other sources of financing for specific types of projects are available to Mongolian institutions. These institutions typically have small grants for technical assistance or small-scale community-based projects. Such assistance can be obtained from specialist UN agencies such as UNEP (environment) which are in principle available through the local UN office under the “One UN” approach. International network organisations such as UCLG (local governments) undertake capacity building for members in climate-related activities. Other international NGOs such as ICLEI (urban areas), World Vision (informal areas) and CACC can also support various climate-related activities.

Detailed Mapping of Ongoing Work – National Sustainable Finance Roadmap

The table below provides a list of ongoing initiatives/ work by multilateral agencies across the six pillars of sustainable finance roadmap in Mongolia. Based on this assessment, the TA also identified the specific focus areas for improvement to mobilize green finance in the country.

Table 17: Detailed Mapping of Ongoing Work by Multilateral Agencies – National Sustainable Finance Roadmap

Pillar	Ongoing/ Planned initiative	Agency
Pillar 1	**Mongolia Energy Governance** The United States government, through the United States Agency for International Development (USAID), has launched a five-year, $12 million Mongolia Energy Governance activity to improve access to reliable electricity and promote sustainable and inclusive economic growth.	USAID
	Development of green financing and improve access to financial products and services for MSMEs IFC, a World Bank Group member, has signed two agreements with Mongolia's Financial Regulatory Commission (FRC) to develop green financing and improve access to financial products and services for the country's micro, small, and medium-sized enterprises. Mongolia will see the implementation of value chain finance (VCF) to assist the country's micro, small, and medium-sized enterprises (MSMEs) in obtaining funding from financial institutions. It builds on previous work that allowed MSMEs to borrow money using their movable assets as collateral. The project builds on the Mongolian government's ongoing efforts to boost agricultural exports, develop local suppliers, and leverage technology such as e-platforms.	IFC and FRC
	Development of Integrated National Financing Strategy The Integrated National Finance Framework will focus on (1) strengthening the governance structure of SDG financing and monitoring and review systems; (2) developing an integrated national financial strategy; and (3) developing key stakeholders' capacity to implement SDG financing strategies, incorporating international best practices and innovative solutions.	UN and MOF
	Water compact to expand Ulaanbaatar's supply of potable water	US MCA and MFA

Pillar	Ongoing/ Planned initiative	Agency
	Water supply expansion in Ulaanbaatar City is being funded by the Mongolian government and the United States Millennium Challenge Fund. The United States Millennium Challenge Corporation will be implemented with a grant of 350 million US dollars from the US government and an investment of up to 111.8 million US dollars from the Mongolian government, with the goal of reducing poverty through economic growth. The Compact Agreement was signed on July 27, 2018 and was approved by Parliament in January 2019. With the Compact Agreement investment, the parties will implement the program to increase the total water supply of Ulaanbaatar city, and will invest in the three major interrelated projects and activities listed below. It includes the following: 1. Construction of a new underground water source in the lower western part of Ulaanbaatar city, a project to construct a new underground water source, as well as related infrastructure, a reservoir, and a plant with advanced water treatment technology. 2. Wastewater recycling operations or the development of a plant and associated infrastructure to reprocess waste water from the new Central Treatment Plant and supply it to the third and fourth Thermal Power Plants. 3. Water sector stability activities or a project to improve policy, legal framework, and institutional capacity in Ulaanbaatar to ensure long-term water supply stability.	
	Municipal Waste Collection and Transportation Management in Ulaanbaatar Based on Swiss and international best practices, the project aims to contribute to an effective, efficient, and financially sustainable solid waste collection and transportation system in Ulaanbaatar. The intervention will help to improve services, implement a transparent tariff system, and support the implementation of the new waste management law. It focuses on underserved and underdeveloped areas of the capital (ger areas), where the majority of poor people live, with the goal of reducing inequalities. The project implementation period is 2019-2023 and total project budget is CHF 3.8 million.	SDC and Municipality of Ulaanbaatar
	Identification of portfolio of green projects (pipeline of 30-40 projects with focus on RE) The National Development Agency has requested that the EBRD assist in the identification of a green pipeline of projects for the "Green Project Portfolio," as well as a review of the	EBRD and MED

Pillar	Ongoing/ Planned initiative	Agency
	investment environment and policy for renewable energy. Based on this request, the Bank is considering launching a Technical Cooperation project to identify green projects that meet international standards, as well as an investment climate and policy review for Mongolia's National Development Agency. The Technical cooperation will need to review the Government action plan and sectoral investment plans, relevant climate-related strategies and work plans (such as Mongolia's NDC and Country Programme for the Green Climate Fund), investment projects prepared by various international and local stakeholders, and prepare a priority list of projects. The TC will also include a review of the current investment environment and policy for green projects, as well as recommendations for creating an enabling environment for green investments in order to attract foreign direct investment in green and renewable energy projects.	
	"Rolling Out an Integrated Approach to the SDG Financing in Mongolia," supporting development of SDG Financing Taxonomy Mongolia's specific challenges in achieving the SDGs, particularly in the people (social) domain, are due not only to a lack of financial resources, but also to a weak link between policies and financing. This Joint Programme aims to improve the alignment of financial resources with national development policies and the planning system in order to mobilize financial resources for SDV. The Joint Program's strategy is to combine three streams of reform activities into a new financing architecture for Mongolia in order to finance the Sustainable Development Vision-2030. It will be accomplished by 1) strengthening the governance structure, monitoring and review systems for financing SDGs, 2) developing an integrated national financial strategy, and 3) developing key stakeholders' capacity to implement SDG financing strategies while incorporating international best practices and innovative solutions. The program will concentrate on strategies and budget programs with specific target beneficiaries, putting Leave No One Behind, women, youth, and children at the center of support to social sector ministries.	UNDP, UNIFEC and MOF
	Implementation of ADB's Climate Change Operational Framework 2017–2030 - Establishing Mechanisms to Measure, Monitor, and Report on Commitments made under the Paris Agreement. Focused on NDCs. completed)	ADB

Pillar	Ongoing/ Planned initiative	Agency
	The TA cluster will assist developing member countries (DMCs) in meeting their climate goals by I assisting in refining and translating nationally determined contributions (NDCs) into climate investment plans that can be implemented with ADB assistance; (ii) enhancing DMCs' access to external public and private climate finance, including support for innovative financing mechanisms; and (iii) developing methods and approaches for establishing baselines and monitoring tools for indicators to measure and gauge DMC progress on climate actions, as well as ADB's contribution to these actions.	
Pillar 2	**Mongolian startup URECA Pte. Ltd has been developing a one-stop platform for carbon offsetting** Main objective: URECA's blockchain-powered carbon credit marketplace and proprietary deep-learning verification systems enable anyone to trade in high-quality carbon credits on an accessible, transparent, and trusted platform.	URECA
Pillar 3	**New guarantee products for the Credit Guarantee Fund of Mongolia** The Asian Development Bank is collaborating with Mongolia to improve financing for small and medium-sized enterprises, which account for more than 90% of all registered businesses in the country. The project provides new financing guarantee products for Mongolia's Credit Guarantee Fund, making it easier for small businesses to obtain long-term funds from banks. **Green Affordable Housing and Resilient Urban Renewal Project** The project will provide long-term and comprehensive solutions to transform Ulaanbaatar's substandard, climate-vulnerable, and heavily polluting ger areas into affordable, low-carbon, climate-resilient, and livable eco-districts. It will use private sector investment to I build 10,000 affordable green housing units and (ii) redevelop 100 hectares of ger areas into eco-districts. **NAMA facility for retrofitting of older residential apartment buildings in Ulaanbaatar** The project will launch the country's first energy performance contracting model for residential building energy efficiency retrofitting. This will be guided by a set of financial support mechanisms, including the establishment of a blended fund to pool financial resources for energy efficient retrofitting and the	ADB and MOF ADB, Asset Management LLC (DBM) and Municipality of Ulaanbaatar GIZ, GGGI and Municipality of Ulaanbaatar

Pillar	Ongoing/ Planned initiative	Agency
	implementation of a Standard Offer Programme, which will function similarly to a feed-in tariff for energy savings. The EUR 11 million will be used as grants to de-risk the business models of Thermo-technical Retrofitting construction companies. During the NAMA Support Project's lifetime, the NAMA support project leverages EUR 15.4 million in public co-funding and another EUR 5.6 million from the private sector. **FRC is exploring possibility of creating framework for green bonds in the OTC market** Following the signing of a memorandum of understanding between the International Finance Corporation (IFC) and the FRC, the IFC assisted the FRC in developing a regulation for the issuance and registration of green bonds in accordance with the internationally recognized Green Bond Principles. This regulation was approved by the FRC as part of the newly enacted Company Debt Instrument Registration Regulation. The Green Bond Regulation paves the way for Mongolia to develop a thriving domestic green bond market and fund green development projects.	IFC and FRC
Pillar 4	**Assistance with establishment and operation of Mongolian Green Finance Corporation** The program will establish the Mongolia Green Finance Corporation (MGFC) in collaboration with the Government of Mongolia (GoM) and the Mongolia Sustainable Finance Association (MSFA) to borrow through local partner financial institutions (PFIs) for thermal insulation of housing, energy efficiency for businesses, and mortgages for green affordable housing. The goal for this phase is to reduce emissions by 3.8 million tonnes of carbon dioxide equivalent ($MtCO_2eq$). Following its initial operations, MGFC will seek to attract new capital and target other industries for potential direct investment. Technical assistance is provided to help the MGFC become operational and to help the GoM and financial sector stakeholders build capacity.	GCF
Pillar 5	**ESG & Sustainability Reporting Guidance For Mongolian Companies** The Guidance provides an overview of global sustainability reporting frameworks and trends, followed by an eight-step outline of how listed companies asnd other issuers can build the capacity to report on sustainability. Also included in the document are lists of indicators that companies can select from to fulfill their sustainability disclosure requirements.	MSFA, FRC, MSE, IFC, FC4S, UNEP, UNDP, UN Resident Mission in Mongolia, GEF, UN Joint SDG Fund.

Pillar	Ongoing/ Planned initiative	Agency
	Sustainability policies and initiatives both in Mongolia and globally have progressed significantly, due to the intensifying impacts from climate change and sustainability-related risks and the growing recognition from investors, regulators and the public about the importance of effectively addressing these risks and impacts. Some of the key developments that drive sustainable business and reporting practices include the adoption of the Sustainable Development Goals (SDGs) and the Paris Agreement by countries around the world. In line with these global goals, the Mongolian government has made several strong policy commitments through the approval of the Vision-2050 and the Nationally Determined Contributions (NDC). Mongolia strives to achieve a 22.7% reduction in total national greenhouse gas (GHG) emissions compared to a Business-as-Usual (BAU) scenario and reach a development path in which economic growth, environmental balance and social stability co-exist.	
Pillar 6	**Introduction of ESG disclosure and reporting standards to Mongolian capital market** Mongolia issues corporate ESG and sustainability reporting guidelines. The Sustainability Reporting Guidance for Mongolian Companies begins with an overview of global sustainability reporting frameworks and trends, followed by an eight-step outline of how listed companies and other issuers can build sustainability reporting capacity. The document also includes lists of indicators from which companies can choose to meet their sustainability disclosure requirements. The practice of an organization publicly reporting on its significant economic, environmental, and/or social impacts in accordance with globally accepted standards is known as sustainability reporting. Such disclosures enable organizations to measure, comprehend, and communicate their environmental, social, and governance (ESG) objectives, as well as their progress toward them.	MSE, SFA, FRC, UNEP, FC4S and IFC

7. Next Steps

Since the last approval of scope for ADB KSTA 51413-001 in 2019, the Mongolian green finance regulatory environment has witnessed some developments. For instance, the Mongolian Government have adopted several legislative changes encouraging introduction or scale-up of green finance products such as green bonds or green insurance (2021). In addition, regulatory and policy documents – most important of which is “National Green Taxonomy” (2019) - have been adopted by various Mongolian authorities. Other recently published documents include “Mongolia Sustainable Finance Roadmap” and “ESG & Sustainability Reporting Guidance for Mongolian Companies” (both adopted in 2022).

Adoption of these legal, regulatory and policy documents has led some of the local stakeholders such as Mongolian Sustainable Finance Association (MSFA) and international partners of the Mongolian Government to step up efforts to achieve objectives and goals set out in these documents. Some of these efforts appear to duplicate or overlap certain parts of the TA scope approved in 2019.

In addition, other DFIs have similarly been adjusting their strategies and approaches to align with these regulatory and legal changes in Mongolia’s green finance field. Last not least, since 2019 when KSTA scope was approved, there have been some changes to the institutional setup in Mongolia related to green finance and its regulatory framework. For example, in 2021 the powers of National Development Agency of Mongolia, have been expanded into “Ministry of Economy and Development of Mongolia” (MED). This new Ministry is tasked, among others, with identifying economic direction and sectors, developing integrated investment policy and concessions, public and private partnership policies, strengthening junction of cross-sectorial policies etc. As such MED should be expected to play a critical role in policy coordination with respect to green financing. The proposed change in TA scope is aligned with the new developments taken place in Mongolia in the areas of green finance development, as explained below.

Output 1 - National Strategies and guidelines for green finance supported

With relevance to Output “National Strategies and guidelines for green finance supported”, various key policy initiatives have been notified in Mongolia towards Green Finance:

1. *Nationally Determined Contributions* - Mongolia first developed and submitted its Intended Nationally Determined Contributions to the United Nations Framework Convention on Climate Change (UNFCCC) in 2015 which was then updated and approved by the Government of Mongolia in 2019, with the aim to contribute to the Paris Agreement. The objective of the updated NDCs is to enhance the Government of Mongolia’s mitigation efforts with policies and measures to be implemented in key economic and natural resource management sectors by 2030.

2. *Mongolian Green Taxonomy* - The National Green Taxonomy was approved in 2019 by the Financial Stability Commission of Mongolia. The Green Taxonomy represents an attempt by the country to develop a nationally agreed classification framework of activities that contribute to climate change mitigation, adaptation, pollution prevention, resource conservation, and livelihood improvement in the context of green finance.

3. *Sustainable Development Vision 2050* - Vision 2050 (approved by the Mongolian Parliament in 2020) is a long-term development policy document aiming to make Mongolia a leading Asian country in terms of its social development, economic growth and its citizens' quality of life by 2050.

In view of above, it is proposed that the KSTA covers below mentioned scope:

a. Assessing the Mongolia's environment for green finance with a focus on international benchmarking of key policies (to avoid any duplication of work already done or undergoing in Mongolia) and ongoing initiatives by multilateral institutions in green finance – ***this report***

b. Highlight possible additional incentives that MOF can implement to encourage more green projects and green loans

c. Review of Green Loan lifecycle (from issuance to reporting) and National Taxonomy guidelines to recommend updates based on international best-practices.

Output 2 - Roadmap and action plan for green finance prepared

With relevance to Output " Roadmap and action plan for green finance prepared", it is pertinent to note that The Mongolian Sustainable Finance Roadmap was approved in 2022 by the Financial Stability Commission of Mongolia. This commission includes approvals from Bank of Mongolia (BOM), Financial Regulatory Commission (FRC), Ministry of Finance (MOF) and Deposit Insurance Corporation of Mongolia.

The Mongolian Sustainable Finance Roadmap 2022: The objective of the roadmap is "to agree on an integrated, multi-stakeholder, strategic approach towards accelerating the development of a sustainable financial system in the country by 2030 in alignment with Mongolia's sustainable development and climate targets, including targets in Vision-2050. The specific goals of the roadmap are to increase green lending to 10% in the banking sector and 5% in the non-bank financial sector by 2030.The Roadmap defines six pillars and 24 strategic actions that will help transition Mongolia's financial system into a sustainable one.

In view of above, it is proposed that the KSTA supports implementation of certain initiatives under the Mongolian Sustainable Finance Roadmap, as listed below:

a. Review the green bond guidelines of Mongolia (under development) and suggest updates based on international benchmarking.

b. Develop guidelines for external verification of green instruments (e.g., green bonds).

c. Review and recommend policy measures for FRC and MOF to establish a green bond guarantee mechanism; based on international benchmarking.

Output 3 – Green financial products and innovative financing projects to promote green development

With relevance to Output "Green financial products and innovative financing projects to promote green development", it is pertinent to mention that there are primarily three sources to raise Green Finance namely

a. Green Lending

b. Green Securities/ capital market products

c. Green Insurance.

Mongolia has seen some progress in green lending and green capital markets products, with extensive support from bilateral and multilateral sources in particular, the GCF, the GEF, the CIFs (Climate Investment Fund), Adaptation Fund, (through UNDP acting as intermediary), ADB, World Bank (though IFC), and activities funded by the Governments of Germany and Japan on a case-to-case basis.

a. To speed the development of the Mongolian capital market, the government, often with help from international organizations, has been taking several measures to improve governance practices of listed companies, develop the corporate bond market, introduce an institutional investor base, and list major state-owned mining companies.

b. *New Revival Policy 2022:* Mongolia has notified consisted of 99 policy implementation measures, 20 sets of development projects, and 22 sets of laws to be submitted to the State Congress for the discussion in 2022. Among them, there are 21 projects for energy recovery, 44 for port recovery, 15 for industry, 6 for urban and rural recovery, 5 projects for green development recovery, and 3 for state productivity recovery, totaling 94 projects..

In view of above, it is proposed that the KSTA provides support on specific areas as listed below, for green finance products and project pipeline for ADB's future support:

a. Identifying potential for minimum three green finance products, focusing on insurance sector.

b. Prepare a list of green finance projects (with consideration to New Revival Policy) for ADB and other financial institutions.

Output 4 – Capacity for Green Finance Strengthened

With relevance to Output "Capacity for Green Finance Strengthened", while there has been various discussions to strengthen the capacity for green finance in Mongolia, not much progress has been made in this regard as on date. So, the TA will continue to focus on this capacity building aspects for various stakeholders like MOF, Bank of Mongolia (BOM) and Financial Regulatory Commission (FRC).

The KSTA has its own design and monitoring framework (DMF). The impact, outcome and output statements have been applied to the KSTA as provided below.

Table 18: Design and Monitoring Framework (Green Finance TA)

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Outcome	By November 2023		
Comprehensive green finance policy and regulatory framework in Mongolia enhanced	Enhanced green finance policy and regulatory framework using TA recommendations submitted to Ministry of Finance and Financial Stability Council for approval. (2019 baseline: Not Applicable) (RFI A)	a. MOF annual reports, announcements, and website	Change in government priorities
Outputs	By November 2023		
1. National Strategies and guidelines for green finance supported.	1a. Assessment of Mongolia's environment for green finance with a focus on international benchmarking of key policies and ongoing initiatives by multilaterals in green finance. (2019 baseline: Not Applicable). 1b. Highlight possible additional incentives that can be implemented by the MOF to encourage green projects and mobilize green loans (2019 baseline: Not Applicable) 1c. Review of Green Loan Lifecycle (from issuance to reporting) and National Taxonomy guideline (under development) to recommend updates based on international best-practices (2019 baseline: Not Applicable)	1 a-c. TA Progress reports	Unexpected changes in government procedures and staff turnover
2. Roadmap and action plan for green finance.	2a. Review the green bond guidelines of Mongolia (under development) and suggest updates based on international benchmarking. (2019 baseline: Not Applicable).	2a-c TA Progress Reports.	

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
	2b. Develop guidelines for external verification of green instruments (e.g., green bonds).. (2019 baseline: Not Applicable) 2c. Review and recommend policy measures for FRC and MOF to establish a green bond guarantee mechanism; based on international benchmarking.. (2019 baseline: Not Applicable)		
3. Green Finance products and innovative financing projects to promote green development.	3a. Identifying potential for minimum three green finance products, focusing on insurance sector. (2019 baseline: Not Applicable) 3b. Prepare a list of green finance projects (with consideration to New Revival Policy) for ADB and other financial institutions. (2019 baseline: Not Applicable)	3a-c. TA Progress Reports	
4. Capacity for green finance strengthened.	4a. A capacity development plan developed. (2019 baseline: Not Applicable) 4b. 50 participants (at least 30% women) to enhance their capacity to assess, identify, measure, develop, and manage green finance products and Projects (2019 baseline: Not Applicable)	4a-d. TA Progress Reports	

8. Appendix

Taxonomies – International Review

The EU has taken the lead in global sustainable finance and was the first law making body to rigorously assess and implement sustainable finance policy and regulation broadly across market sectors and financial services regulatory universe, the European Commission (Commission)'s Action Plan on Sustainable Finance was adopted in March 2018, informed by the recommendations of the High-Level Expert Group on Sustainable Finance (HLEG). The Action Plan on Sustainable Finance has three main objectives:

- to reorient capital flows towards sustainable investment, to achieve sustainable and inclusive growth.
- to manage financial risks stemming from climate change, environmental degradation and social issues.
- to foster transparency and long-termism in financial and economic activity.[27]

The Action Plan on Sustainable Finance included the following key policy actions:

- Establishing a clear and detailed EU taxonomy, a classification system for sustainable activities.
- Creating an EU Green Bond Standard and labels for green financial products.
- Fostering investment in sustainable projects.
- Incorporating sustainability in financial advice.
- Developing sustainability benchmarks.
- Better integrating sustainability in ratings and market research.
- Clarifying asset managers' and institutional investors' duties regarding sustainability.
- Introducing a 'green supporting factor' in the EU prudential rules for banks and insurance companies.
- Strengthening sustainability disclosure and accounting rule-making.
- Fostering sustainable corporate governance and attenuating short-termism in capital markets.

A Renewed Sustainable Finance Strategy was published in the beginning of 2021 which included proposals to build on the 2018 Action Plan and identify further areas for reform. This includes the proposed adoption of an EU Green Bond Standard and the establishment of an ecolabel for retail investment products.

A cornerstone of the EU Green Deal is the target of achieving climate neutrality for EU member states as a whole by 2050. This objective is proposed to be implemented via a proposed European Climate Law. EU leaders have also agreed an interim emissions reduction target of 55 percent by 2030 as a checkpoint to the 2050 target. The targets are not only intended to mitigate the effects of climate change, but to achieve economic growth, transitioning all aspects of the EU economy toward sustainable methods.

In tandem, the European Commission launched the European Green Deal Investment Plan (also known as the Sustainable Europe Investment Plan) to mobilise EU funding and create an enabling framework to facilitate and stimulate the public and private investments toward a climate-neutral, green, competitive and inclusive—in short, a sustainably financed—economy.

The European Investment Bank plays an important role in delivering the Sustainable Europe Investment Plan. In November 2019, it approved a new climate strategy and energy lending policy. which has at its

27 European Commission, 2018

heart the aim of mobilising €1 trillion into climate action and environmentally sustainable investment up to 2030 so that by 2025, 50 percent of its operations will be dedicated to supporting sustainable financing. The bank has also committed to aligning all of its financing principles to reflect the goals of the Paris Agreement from the end of 2020.

EU Taxonomy

A central aspect of the Action Plan on Sustainable Finance was to develop a taxonomy for climate change and environmentally and socially sustainable activities which would provide a legal basis for using this classification system across different areas (e.g., standards, labels, green-supporting factor for prudential requirements, sustainability benchmarks).

The Taxonomy Regulation (EU) 2020/852 was published in the Official Journal on 18 June 2020. This was supported by the Technical Expert Group's (TEG) report on the EU Taxonomy[28], published in March 2020, prepared to support the Commission in the development of future delegated acts.

At the core of the Taxonomy Regulation is the definition of a sustainable economic activity. This definition is based on two criteria. An activity must:

- Contribute to at least one of six environmental objectives listed in the Taxonomy; and
- Do no significant harm to any of the other objectives, while respecting basic human rights and labour standards.

The six environmental objectives of the Taxonomy are: (1) climate change mitigation, (2) climate change adaptation, (3) sustainable use and protection of water and marine resources, (4) transition to a circular economy, (5) pollution prevention and control, and (6) protection and restoration of biodiversity and ecosystems.

Technical Screening Criteria (TSC) define the specific requirements and thresholds for an activity to be considered as significantly contributing to a sustainability objective. These TSCs are being elaborated in secondary legislation called Delegated Acts (DAs).

'Do No Significant Harm'(DNSH)

For an activity pursuing one or more of the six objectives to qualify as sustainable it cannot cause significant harm to any of the other Taxonomy objectives. For each activity, the TSC lay out thresholds to define compliance with do no significant harm.

Enabling & Transitional Activities

Within the activities that substantially contribute to one or more environmental objectives, the Taxonomy also defines two classification categories: enabling activities and transitional activities. These were added to allow activities which may not otherwise have been considered sustainable to contribute to the overall objective of promoting sustainability.

Enabling activities allow other activities to make a substantial contribution to one or more of the Taxonomy's six objectives. However, enabling activities cannot lead to a 'lock-in' of assets which would undermine long-term environmental goals. They must also have a substantial positive environmental impact over the activity's lifecycle. Transitional activities must contribute to climate change mitigation and a pathway to keeping global warming in line with Paris Agreement commitments. Transitional activities only qualify where the following criteria are met:

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28 https://knowledge4policy.ec.europa.eu/publication/sustainable-finance-teg-final-report-eu-taxonomy_en

- There are no technologically or economically feasible low-carbon alternatives;
- Green House Gas emission levels correspond to the best performance in the sector or industry; and
- The activity does not lead to carbon lock-in or hamper the development and deployment of low-carbon alternatives.

The EU Taxonomy and Delegated Acts sit within a broader sustainable finance or “Taxonomy framework” which includes the Non-Financial Reporting Directive (NFRD) and the Sustainable Finance Disclosure Regulation and an EU Green Bond Standard which is yet to be finalised.

Taxonomy Reporting Requirements

While the Taxonomy is primarily a classification tool, it has other functions. For example, it requires certain entities to disclose information concerning the degree of alignment of their activities with the Taxonomy. This is achieved by amending the disclosure requirements in the EU’s Non-Financial Reporting Directive (NFRD) and the Sustainable Finance Disclosure Regulation (SFDR).

NFRD Taxonomy Disclosure

Any undertaking subject to the NFRD needs to disclose how, and to what extent, its activities are associated with activities that are considered as environmentally sustainable. Within that group, non-financial undertakings will need to disclose:

- The proportion of turnover derived from the Taxonomy activities; and
- The proportion of their capital expenditure and operating expenditure associated with Taxonomy activities.

This is known as Article 8 disclosure, and it will also apply to the expanded list of entities captured by the EU’s new proposal for a Corporate Sustainability Reporting Directive (CSRD).

SFDR Taxonomy Disclosure

SFDR scoped entities will need to disclose information on Taxonomy-alignment of their products. The disclosure covers products that have sustainable investment as their objective (Art. 9 SFDR products), and for those with environmental or social characteristics (Art. 8 SFDR products).

This is known as Article 5 and Article 6 Taxonomy disclosure. The disclosure will cover how and to what extent the investments underlying the financial product are in economic activities that qualify as environmentally sustainable under the Taxonomy Regulation.

For financial products that do not do not consider the EU criteria for environmentally sustainable economic activities, the entity must make this statement in its disclosure. This is known as Article 7 Taxonomy disclosure.

CSRD

The scope of the regulation has been expanded by way of the Corporate Sustainability Reporting Directive (CSRD) in order to create a “comprehensive corporate reporting framework” within which large and listed companies can articulate their sustainability risk. The CSRD increases the scope of the NFRD to large companies (having more than 500 employees) in addition to the already covered public interest entities (listed companies, banks and insurance companies). The CSRD incorporates the EU Taxonomy by reference and companies will be required to report on their environmental performance and any

Taxonomy-aligned economic activities. The CSRD requires reporting on a broad number of environmental performance indicators i.e., turnover, capital expenditures and operational expenditure around the impact of their business on the climate, the impact of climate change on their business and it is not limited to Taxonomy alignment.

The CSRD proposals include a requirement that all sustainability reporting is subject to audit or some alternative “assurance” by third party providers. Mandatory reporting under the CSRD commences from January 2022 and it is also proposed that the scope of the CSRD is expanded to listed SMEs from 2026 but the reporting standards may be simplified for them in order to reduce the reporting and economic burden.

ESMA

The European Securities and Markets Authority (ESMA) published its own strategy on sustainable finance on 6 February 2020. ESMA will take into account sustainable business models and integrating ESG related factors across its activities, including the implementation of the EU Single Rulebook, supervisory convergence, direct supervision and risk assessments. ESMA’s key priorities include completing the regulatory framework relating to transparency obligations arising under the Disclosure Regulation (EU) 2019/2088, and to work with the European Banking Authority and European Insurance and Occupational Pensions Authority to produce draft technical standards on this subject. ESMA will also include a dedicated chapter on the risks related to sustainable finance in its biannual reports on trends, risks and vulnerabilities (TRV), which it has published twice (February21 and September 2022) since adopting this policy. It will also analyse the financial risk from climate change, including climate-related stress testing, foster a supervisory convergence of EU law in the ESG area, focus on mitigating the risk of greenwashing, prevent mis-selling and misrepresentations, and improve transparency and reliability in reporting non-financial information. It also has a role on the Sustainable Finance Platform to maintain EU taxonomy and monitor capital flows to sustainable finance.

Changes are also being introduced to affect how company disclosures are interpreted and relied upon. In 2019, ESMA published a Technical Advice paper23 and Final Report24 on the Credit Rating Agency Regulation (EU) 462/2013 pertaining to the relevance of sustainable finance in the credit rating market. These documents suggested that a ‘good practices’ document should be published collating the disclosure requirements that are applicable to credit ratings’ press releases and reports—as they pertain to investors. This would aim to also improve the transparency of credit rating actions concerning the extent to which sustainability factors have been key driving factors.

Measures were also proposed in relation to including ESG considerations into the advice that investment firms and distributors offer clients. The Commission published delegated legislation amending the Markets in Financial Instruments Directive 2014/65/EU and Insurance Distribution Directive (EU) 2016/97. Through these actions, investment firms and insurance distributers are obliged to take into account sustainability issues when providing advice to their clients. This ensures that the information disclosed by companies reach the end-consumers in a format they understand from the advice they receive.

Green Bonds

ICMA

The best way to categorise the types of ‘sustainable’ bonds currently understood by the capital markets is to use the ICMA (International Capital markets Association) classification which are subject to their ‘Principles’:

ICMA defines four types of Bonds, three of which are Use of Proceeds Bonds, and one which is a general-purpose Bond.

Green, Social and Sustainability Bonds are any type of bond instrument where the proceeds will be exclusively applied to eligible environmental and social projects or a combination of both:

1. Green Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance projects with clear environmental benefits, and which are aligned with the Core Components of the Green Bond Principles (GBP). Eligible Green Project categories include renewable energy, energy efficiency, pollution prevention and control, environmentally sustainable management of living natural resources and land use, terrestrial and aquatic biodiversity conservation, clean transportation, sustainable water and wastewater management, climate change adaptation, circular economy and/or eco-efficient projects, and green buildings.

2. Social Bonds finance projects that directly aim to address or mitigate a specific social issue and/or seek to achieve positive social outcomes, especially but not exclusively for a target population(s) and are aligned with the Core Components of the Social Bond Principles (SBP). Social Project categories include providing and/or promoting affordable basic infrastructure, access to essential services, affordable housing, employment generation, food security, or socioeconomic advancement and empowerment.

3. Sustainability Bonds are effectively a combination of the above two categories. i.e., any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance a combination of Green and Social Projects, and which are aligned with the Core Components of the GBP and SBP.

4. Sustainability-Linked Bonds are any type of bond instrument for which the financial and/or structural characteristics (i.e., coupon, maturity, repayment amount) can vary depending on whether the issuer achieves predefined Sustainability/Environmental and/or Social and/or Governance (ESG) objectives within a predefined timeline, and which are aligned with the Core Components on the SLBP.

It is possible to combine a “use of proceeds” approach with a Sustainability-Linked Bond approach, if an issuer chooses to earmark the proceeds of their sustainability-linked bond to specific projects, and where these are eligible green and/or social projects, by aligning their bonds simultaneously with all the Core Components of the GBP/SBP/SLBP.

Sustainability-Linked Bonds (“SLBs”) are intended to be used for the issuer’s general purposes but incorporate measurable forward-looking sustainability key performance indicators and sustainable performance targets into the financial and/or structural characteristics of bonds that are aligned with all Core Components of the SLBP.

Transition bonds can be either Green Bonds, Sustainability Bonds, or Sustainability-Linked Bonds that are issued by those looking to align their financing strategy to their climate transition strategy and decarbonisation trajectory.

A number of transactions have been promoted as “Blue Bonds” to emphasise the importance of the sustainable use and protection of water resources and the promotion of related sustainable economic activities. Such “Blue Bonds” are also Green Bonds as long as they align with the four Core Components of the GBP. SDG bonds are Sustainability Bonds that aim to promote wide sustainability criteria and/or the SDGs to which the GBP/SBP’s environmental objectives can also contribute (see High Level Mapping to the Sustainable Development Goals).

They can however only be considered as Green, Social, Sustainability or Sustainability-Linked Bonds if they align with the GBP, SBP, SBG or SLBP.

As with SLBs, ESG bonds also integrate governance criteria which are not featured in the GBP, SBP or SBG; and may refer to an issuer’s overall sustainability credentials rather than a specific use of proceeds. They can therefore only be considered SLBs if they align with the Core Components of the SLBP, and can only be deemed Green, Social or Sustainability Bonds if they align with the GBP, SBP or SBG.

EU Green Bond Standards

To implement its Sustainable Finance Action Plan, the European Commission mandated a Technical Expert Group to come forward with a standard for green bonds. This EU Green Bond Standard (GBS) proposal report provides impressive efforts and interesting content on the background to how the TEG is analysing and understanding the green bond market, including its barriers and its practices. The proposal’s main outcome is a set of recommendations to the market on how to support and monitor the implementation of the EU GBS, and more importantly, ensure the market makes most use of it.

On 6 July 2021, the European Commission unveiled its Proposal for a Regulation on the European Green Bond Standard (EU GBS). Most of its requirements follow market practices.

There were two major enhancements to existing practices proposed:

1. Under this Standard, issuers would have to allocate 100% of the proceeds to economic activities aligned with the European green taxonomy requirements (technical screening criteria, DNSH, social minimum safeguards).

2. A new supervisory regime would be created for external reviewers to ensure that issuers using the Standard are following the Regulation requirements. It is noteworthy that the EU GBS proposal includes its use as voluntary. However, the ECB called to make it compulsory within three to five years.

At this stage, the EU GBS is still a Proposal and must be adopted by the Commission, the European Parliament and the European Council as part of the co-legislative process to enter into force. The current form of the Proposal is likely to change. Still, some issuers are already actively trying to be “EU GBS” or “Taxonomy” compliant. [*29*] As of now, some blurred areas, especially regarding ESMA’s overall governance, interpretation and exercise of its role, makes predictions an erratic exercise.

The EU GBS has been drafted to focus on two main objectives: supporting the green bond market growth and promoting its transparency and integrity.

An EU Green Bond is now defined as “any type of listed or unlisted bond or capital market debt instrument issued by a European or international issuer, defined as meeting the 3 following requirements:

- Green bond framework;
- Proceeds to green projects;
- External verification.”

29 Natixis 2022

By defining Green Projects as taxonomy-aligned projects, the TEG turns the EU Taxonomy into the cornerstone of the EU GBS, placing integrity as a key principle behind EU GBs.

The ICMA Green Bond Principles are very embedded within the EU GBS, but the EU GBS turned the ICMA recommendations into requirements, especially for explicit alignment with issuer's strategy, mandatory reporting of both allocation and impacts, bond by bond reporting, pro-rated share of impact, financing vs refinancing disclosure, and mandatory verification.

Market commentators have argued that the expected level of stringency in eligibility metrics & thresholds are likely to harm the growth objective for the green bond market while preserving its very necessary integrity.

Ultimately, the EU GBS is proposing that an EU GB should be financing green activities as defined by the EU Taxonomy, though not taking any stance on whether activities falling outside the taxonomy deserve, or not, financing overall. In that context, stringency is what we expect from the EU Taxonomy, as it aims to preserve the integrity of Sustainable Finance; a lack of which is the main risk to its development.

Accordingly, one of the key add-ons of the EU GBS relate to the mandatory pre and post issuance verification by accredited external reviewers.

The EU GBS have entered trialogue negotiations between the Commission, the Council and the European Parliament as of July this year (2022) assuming agreement, the co-legislators will deliver the final version of the text for adoption (or not) by the Commission. Depending on the length of this dialogue, EU Green Bond Standard final version might be released by the end of 2022 and the legislative proposal may enter into application in 2023 or 2024.

ASEAN Green Bond Standards

The ASEAN Green Bonds Standards is an initiative that facilitates ASEAN capital markets (AMCF) in tapping green finance to support sustainable regional growth and meet investor interest for green investments and is part of the ASEAN Capital Markets Forum's broader efforts in developing green finance for the region. The ASEAN Green Bond Standards have been developed in collaboration with the International Capital Market Association (ICMA) with the Green Bond Principles (GBP) as its basis.

The ASEAN GBS intend to enhance transparency, consistency and uniformity of ASEAN Green Bonds which will also contribute to the development of a new asset class, reduce due diligence cost and help investors to make informed investment decisions.

While the GBP have provided broad principles on green bonds, the ASEAN GBS aim to provide more specific guidance on how the GBP are to be applied across ASEAN in order for green bonds to be labelled as ASEAN Green Bonds. In this respect, Issuers who wish to issue and label green bonds as ASEAN Green Bonds must demonstrate compliance with the ASEAN GBS. Thus, the ASEAN GBS will provide certainty to investors that green bonds labelled as ASEAN Green Bonds have met uniformed standards while providing Issuers with guide rails on best market practices for green bonds.

Key additional features of the ASEAN GBS [30]:

The ASEAN GBS are aligned and guided by the four core components of the GBP, i.e., use of proceeds, process for project evaluation and selection, management of proceeds, and reporting. Key additional features of the ASEAN GBS include:

1. Eligible Issuers - To create a green asset class for the ASEAN region, the Issuer or issuance of the green bond must have a geographical or economic connection to the region.

30 Source : AGBS2018.pdf (theacmf.org)

2. Ineligible Projects - Fossil fuel power generation projects are excluded from the ASEAN GBS, so as to provide further guidance to investors and Issuers as to what qualifies as green in order to mitigate greenwashing of projects and protect the ASEAN Green Bonds label.

3. Continuous Accessibility to Information - The ASEAN GBS further set out how investors are to be given access to information continuously by requiring the Issuers to disclose information on use of proceeds, process for project evaluation and selection, and management of proceeds to investors in the issuance documentation, as well as ensuring such information is publicly accessible from a website designated by the Issuer throughout the tenure of the ASEAN Green Bonds.

4. Encourage More Frequent Reporting - In addition to annual reporting, Issuers are encouraged to provide more frequent periodic reporting which would increase transparency on the allocation of proceeds and investor confidence on the ASEAN Green Bonds.

5. External Review - In line with the GBP, the appointment of an external reviewer is voluntary under the ASEAN GBS. However, considering the nascent stage of green bond market development in ASEAN, the ASEAN GBS nonetheless require the external reviewers to have the relevant expertise and experience in the area which they are reviewing. The external reviewers' credentials and scope of review conducted must be made publicly accessible from a website designated by the Issuer throughout the tenure of the ASEAN Green Bonds. Such disclosure will contribute towards awareness creation and increased investor confidence.

The ASEAN GBS have been developed in consultation with the ICMA as well as capital market regulators and industry players in the ASEAN region and was first published in 2018. The ASEAN GBS have been endorsed by the ACMF and will be implemented for the issuance of ASEAN Green Bonds.

New Revival Policy, 2022

New revival policy of Mongolia aims to ensure macro-economic and political stability in the country, accelerating the public-private partnerships, creating a favourable business environment and opening up more foreign and domestic investments. The Policy has identified six “recovery areas” – Energy, Port, Urban and Rural, State Productivity, Ports and Green Growth. The policy presents the opportunities to develop EU-Mongolian Trade investment ties [*31*]. The Green Growth strategy for an initiative like "billion Tree” provides opportunities to collaborate in combating desertification. Below is the list of the projects identified under the policy.

Table 19: Projects under Mongolia's New Revival Policy

D / d	Activity	Achieved results
ONE.PORT REVIVAL		
Objective 1.1. Develop hard and soft port infrastructure, increase freight and passenger capacity, and increase exports.		
1.1.1	Bring port development to the same level as neighboring ports by clarifying and developing new general development plans and partial master plans for port development, and bring infrastructure and transportation organization in line with international standards.	All port development plans have been developed.

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D / d	Activity	Achieved results
1.1.2	Resolve the issue of importing all types of goods through border crossings through diplomatic channels with neighboring countries	The proposal was discussed and resolved through diplomatic channels with neighboring countries.
1.1.3	Make diplomatic proposals to neighboring countries to extend the opening hours of ports	Agreements and negotiations have been concluded.
1.1.4	Conclude and implement agreements and negotiations to reduce tariff and non-tariff barriers to export goods	Agreements and negotiations have been concluded.
1.1.5	Expand and renovate the main port facilities (power, heating, water supply, sewerage, internet network, customs laboratory, passenger and freight terminals) and create a comfortable working environment for passengers and staff	Passenger and cargo capacity has tripled.
1.1.6	Construction of container transport terminals, loading and unloading terminals, and transshipment terminals at major mining export ports	Terminals have been built.
1.1.7	Study and build additional facilities (swing transport, automatic control transport) to increase the cargo carrying capacity of ports	The cargo carrying capacity of the ports has increased by 2-3 times.
1.1.8	Establish smart exits, modern high-capacity X-ray and inspection equipment and laboratories in customs control zones	The ports are equipped with modern high-capacity X-ray and sampling equipment and a customs laboratory.
1.1.9	Transform customs control, clearance and laboratory operations into electronic form and reduce the time spent on border inspection	Time spent on border inspection is 26 hours decreased by at least a percentage.
1.1.10	Plan transportation arrangements for the transportation and transit of mining products at each port	Time spent on mining exports has decreased.
Objective 1.2. Completely connect border crossings by rail and paved roads, improve transport *and* logistics competitiveness, improve freight traffic, and create the basic conditions for further transit.		
1.2.1	Improve road access to ports and increase transport capacity	2650 km of paved roads and 4600 km of railways will be built. 11 new ports will be connected by road and 4 by rail.
1.2.2	Expand the national railway network and create the basic conditions for it to become a transit country in the future.	Intensify right and left vertical railway projects.
1.2.3	Establish a regional logistics center connecting Asia and Europe and increase transit traffic	The volume of transit cargo has increased.
Objective 1.3. Improve Mongolia's airspace management and air traffic, increase the number of transit aircraft, establish a freight hub and support the tourism sector by gradually continuing air transport liberalization.		
1.3.1	Increase the number of permanent international airports and develop cargo transportation and tourism	The capacity of local airports has been improved, and six airports have been selected as international border crossings for passenger and freight traffic.
Objective 1.4. Increase trade turnover through the gradual establishment of free economic zones and land ports based on the concept of regional development of Mongolia.		
1.4.1	Study and resolve the issue of developing some border crossings as free zones	A new free zone has been established.
1.4.2	Develop cross-border tourism based on some ports	Six ports have been developed as tourist ports and upgraded.
1.4.3	" On land ports " Establishment of land ports in Altanbulag, Zamyn-Uud, Sainshand and Ulaanbaatar in stages in accordance with the 2013 agreement between the governments of the member countries of the Asia Pacific - Economic and Social Commission	A logistics center connected to the seaport shall be established for one or more modes of transportation, loading and storage of goods transported for international trade, storage and related inspections.

D / d	Activity	Achieved results
ENERGY RECOVERY TWO. ENERGY REVIVAL		
Objective 2.1. New energy sources, transmission and distribution networks will be built, capacity will be expanded, and energy production and supply will be improved. **2.1 Establish new energy sources, transmission and distribution networks, expand and increase capacity, and improve the reliability of energy production and supply.**		
2.1.1	Build a 450 MW thermal power plant in Tavan Tolgoi and a 220 kV high voltage transmission line to meet the energy needs of strategic deposits and industrial and technology parks in the southern region. Construction of Tavan Tolgoi thermal power plant with a capacity of 450 MW and 220 kV overhead transmission line to supply energy to strategic deposits and industrial and technology parks in the southern region	It will generate 3,150.0 million kWh of electricity per year and meet the growing demand for electricity from Oyu Tolgoi's growing 2,242.5 million kWh and Tavan Tolgoi deposits and other strategically important mining projects in the southern region. It will generate 3,150.0 million kWh of electricity per year and meet the growing demand for Oyu Tolgoi's growing 2,242.5 million kWh and Tavan Tolgoi deposits and other strategically important mining projects in the southern region.
2.1.2	Expand the capacity of the Choibalsan Thermal Power Plant by 50 MW to meet the energy needs of mining and tourism projects in the eastern region Expand the capacity of the Choibalsan Thermal Power Plant by 50 MW to meet the energy needs of mining and tourism projects in the eastern region	Growing electricity consumption in the Eastern region and uninterrupted and reliable power supply to soums and settlements of Dornod and Sukhbaatar aimags, concentrators, mining complexes and tourist complexes. Growing electricity consumption in the Eastern region and uninterrupted and reliable power supply to candidates and settlements of Dornod and Sukhbaatar provinces, concentrators, mining complexes and tourist complexes.
2.1.3	Expand the Amgalan thermal power plant to increase heat consumption in the eastern region of Ulaanbaatar Expand the Amgalan thermal power plant to increase heat consumption in the eastern region of Ulaanbaatar	In the eastern part of Ulaanbaatar, heating will be provided to new apartment areas in the Bayanzurkh district and around Uliastai as part of the redevelopment. In the eastern part of Ulaanbaatar, heating will be provided to new apartment areas in the Bayanzurkh district and around Uliastai as part of the redevelopment.
2.1.4	Build a new source with a capacity of 400 MW based on the infrastructure of Thermal Power Plant III Build a new source with a capacity of 400 MW based on the infrastructure of Thermal Power Plant III .	The plant's capacity has been increased by 400 MW of electricity and 370 Gcal / h of heat, meeting the growing demand for heat and electricity in the central districts of Ulaanbaatar. The plant's capacity has been increased by 400 MW of electricity and 370 Gcal / h of heat, meeting the growing demand for heat and electricity in the central districts of Ulaanbaatar.
2.1.5	Build a 300 MW Bagakhangai power plant and meet the energy needs of new eco and green development projects in the capital city of Ulaanbaatar Build a 300 MW Bagakhangai power plant and meet the energy needs of new eco and green development projects in the capital city of Ulaanbaatar	It generates 1,855.9 million kWh of electricity per year and supplies it to the central power grid. Technical opportunities have been created to fully support eco-friendly and green projects to be implemented in the city. It generated 1,855.9 million kWh of electricity per year, supplied it to the central power grid, and created the technical capacity to fully supply eco-green projects to be implemented in Ulaanbaatar.
2.1.6	Construction of Erdeneburen-Myangad-Uliastai 220 kV transmission line and substation to supply electricity generated by Erdeneburen hydropower plant to the regional network Construction of Erdeneburen-Myangad-Uliastai 220 kV transmission line and substation to supply electricity generated by Erdeneburen hydropower plant to the regional network	The energy supply and accessibility of the western region and the Altai-Uliastai energy system has improved. The energy supply and accessibility of the western region's energy system and the Altai-Uliastai energy system's 5 western villages have improved.

D / d	Activity	Achieved results
2.1.7	Solve the source of heat and electricity supply needed to establish and develop new satellite cities and free economic zones in Khushig valley of Tuv aimag Address the sources of heat and electricity supply needed to establish and develop new satellite cities and free economic zones in the Khushig valley of Tuv aimag - **FIND LOCATIONS**	The new satellite will be commissioned in line with the city's planning stages. The new satellite will be commissioned in line with the city's planning stages.
Objective 2.2. Renewable energy will be developed in a balanced way, water and storage plants will be built, and the reliability and stability of the integrated energy system will be ensured. **2.2 Renewable energy shall be developed in an appropriate ratio, hydro and storage stations shall be built, and the reliability and stability of the integrated energy system shall be ensured.**		
2.2.1	Build a 90 MW hydropower plant in Erdeneburen to fully meet the energy needs of the western region Build a 90 MW hydropower plant in Erdeneburen to fully meet the energy needs of the western region -	A power plant with a capacity of 366 million kWh of electricity per year was built to meet the energy needs of the western region. A power plant with a capacity of 366 million kWh per year was built to meet the energy needs of the western region.
2.2.2	To enable to adjust the peak load of the central network using the 160 MW capacity accumulator in the central power grid To enable to adjust the peak load of the central network using a 160 MW capacity battery storage in the central power grid	Accumulators have been put into operation to provide frequency and voltage adjustment services to the central region's power system, improve energy quality, and ensure system stability. Accumulators have been put into operation to provide frequency and voltage auxiliary services to the central region's power system, to improve energy quality, and to ensure system stability.
2.2.3	Complete a biodiversity impact study on the Egiin hydropower plant and submit it to the World Heritage Committee Complete a biodiversity impact study on the Egiin hydropower plant and submit it to the World Heritage Committee	It was presented to the UNESCO World Heritage Committee and a decision was made. It was presented to the UNESCO World Heritage Committee and a decision was made.
Objective 2.3. The energy sector will be gradually transferred to an independent financial and economic system. **2.3 Transform the energy sector into an independent financial and economic system in stages.**		
2.3.1	Energy prices and tariffs will be indexed and updated quarterly. Energy prices and tariffs will be indexed and updated quarterly.	Prices and tariffs are indexed on a quarterly basis. Prices and tariffs are indexed on a quarterly basis.
Objective 2.4. Northeast _ Renewable energy sources for the Asian grid will be provided , as well as overhead transmission lines and substations connected to the grid . **2.4 Prepare for the preparation of renewable energy sources to supply energy to the Northeast Asian Integrated Energy Network, ultra-high voltage transmission lines and substations connected to the network.**		
2.4.1	South Gobi solar and wind power generation to generate renewable energy to supply power to Northeast Asia's integrated power grid Conduct a study on the supply of renewable energy to the Northeast Asian Integrated Power Grid using solar and wind energy from the South Gobi	Renewable energy capacity to be built in the South Gobi, transboundary high-voltage power transmission lines connected to the Northeast Asian power grid, substation technical and technological solutions, technology to produce green hydrogen using South Gobi solar and wind sources The solution is studied. The technological solutions for the r enewable energy capacity to be built in the South Gobi, cross-border high-voltage overhead power transmission lines connected to the Northeast Asian power grid, substation technical and technological solutions and production of green

D / d	Activity	Achieved results
		hydrogen using solar and wind sources in the southern Gobi have been studied.
Objective 2.5. Intensify the construction of a natural gas pipeline from the Russian Federation to the People's Republic of China through Mongolia. **2.5 Intensify the construction of a natural gas pipeline from the Russian Federation to the People's Republic of China through the territory of Mongolia.**		
2.5.1	From the Russian Federation to the People's Republic of China to build through the territory of Mongolia to complete the feasibility study of the natural gas pipeline and prepare for the start of construction work Complete the feasibility study for the construction of a natural gas pipeline from the Russian Federation to the People's Republic of China through the territory of Mongolia and prepare for the start of construction	A study of Mongolia's gas consumption, capacity, location, infrastructure, and logistics terminals of gas distribution facilities was conducted and prepared. A study of Mongolia's gas consumption, capacity, location, infrastructure, and logistics terminals of gas distribution facilities was conducted and prepared.
THREE. INDUSTRIAL REVIVAL		
Objective 3.1. Fully digitize mineral licensing, reduce costs , increase investment, increase the volume of value-added mining products based on advanced techniques and technologies, and increase the guaranteed mineral resources .		
3.1.1	Digitalize the issuance of mineral licenses, increase the number of licenses and create opportunities to attract investment	Electronic selection and application of mineral licenses has been streamlined, private investment in exploration has been increased, and mineral resources have been enriched.
3.1.2	To carry out geological exploration work in the state special protected area and in the perspective area located in the border area with the state budget funds	Exploration for economically important minerals (gold, copper, high-tech raw materials, etc.) was carried out by a state-owned company and put into economic circulation.
3.1.3	Put into operation the Tavan Tolgoi coal concentrator and create conditions for the full development of the deposit	The first module will commission a 10 million tonne coal concentrator in 2023, create 928 new jobs and increase export earnings.
3.1.4	In order to reduce the cost of open pit mining and increase the capacity of “Erdenes-Tavan Tolgoi” JSC, we made a comparative selection of technologies /1. Multi-shovel excavator-conveyor, 2. electric excavator-conveyor, 3. electric excavator-heavy truck / to be a mining company	Mining capacity has been gradually increased to 50 million tons. Mining costs have been reduced by 20-30 percent.
3.1.5	Increase Erdenes-Tavan Tolgoi JSC's non-open pit resources and underground exports	Mining has been increased *by* 10 million tons, creating 1,500 to 1,800 new jobs.
Objective 3. 2. Develop value-added heavy industry, meet domestic development needs and increase exports.		
3.2.1	Establish a mining-metallurgical chemical value-added production complex (copper concentrate processing plant, cathode copper production from oxidized ore) in order to increase the efficiency of Erdenet Mining Corporation	The park's plants will produce 135,000 tons of pure cathode copper a year, increasing export earnings and creating 1,050 new jobs. A cluster of small and medium-sized enterprises for the production of copper products has been established.
3.2.2	To develop the metallurgical industry together with related factories to meet the domestic demand for steel products	“Mongol Steel Complex I” for domestic processing of iron ore and production of value-added end products such as 350 thousand tons of steel products, Altanshireet Industrial Park for production of 500 thousand tons of cast iron and 1 million tons of coke, and Erdenet Metallurgical Plant for production of 200 thousand tons of steel products are being implemented. By the end of 2025, the country will have met 80 percent of its domestic demand for key steel products (such as rebar) and increased its exports.

D / d	Activity	Achieved results
3.2.3	Establish a copper concentrate processing plant based on the Oyu Tolgoi deposit and increase the production of value-added products such as cathode copper, gold and silver	The project's facilities have been put into operation, producing an average of 257,000 tons of pure cathode copper, 5.7 tons of gold and 57 tons of silver per year, increasing export earnings.
Objective 3. 3. To supply domestic refineries with raw materials by increasing proven oil reserves and increasing production.		
3.3.1	Reduce dependence on imports of petroleum products, build a refinery based on domestic raw materials and lay the foundation for the petrochemical industry	When the plant is fully operational, it will reduce its dependence on fuel imports, create a new petrochemical industry, contribute to the state budget, and meet 50-60 percent of domestic fuel needs, reducing the trade deficit by about $ 1 billion. is.
3.3.2	Increase proven oil reserves and build a pipeline to supply domestic refineries with domestic raw materials	Exploration and development work has been intensified by attracting foreign investors to the Davst-31 area. A new transportation technology was introduced with the construction and commissioning of a 530 km long oil pipeline.
3.3.3	Improve quality standards and control systems for petroleum products and stabilize supplies	The capacity of testing laboratories has been improved, equipment has been upgraded and international laboratories have been accredited. In order to increase the company's reserves of importing companies, it cooperated with the Bank of Mongolia.
Objective 3.4. Develop agricultural production based on advanced techniques, technologies and innovations, and increase the volume of new products, services and production.		
3.4.1	Improve the level of primary processing of livestock raw materials and increase the production of value-added products	By raising the level of leather processing to 60 percent, the prices of livestock products have been stabilized and herders' real incomes have increased. Exports will be increased by $ 232.7 million (and MNT 32.7 billion) will be transferred to the state budget. Annually, 4.5 million tanneries and 5 ancillary factories were established, creating a total of 2.4 thousand jobs.
3.4.2	Improve the level of primary processing of livestock raw materials in the Western region and increase the value of value-added products	19 factories with advanced equipment and technology have been built to increase the economic and social development and competitiveness of the western region. Exports totaled $ 51.8 million. About 30 billion MNT in taxes and fees have been paid to the state budget. Factories with a capacity of processing 200 bods and 500 goats per day, processing 5,000 liters of milk per day, processing 3,000 tons of wool and 300 tons of cashmere per year, and processing 600,000 pieces of leather per year have been built.
3.4.3	Construction of 4 complexes with meat factory and quarantine zone, technological modernization, preparation of livestock products in accordance with international standards	Annually, 640 thousand small and 101 thousand large livestock are put into economic circulation, and the economic situation of herders has improved and incomes have increased. Exports of meat and meat products increased by 21,000 tons. Conditions have been created to supply domestic tanneries with raw materials that meet international standards.
3.4.4	Develop the production of various extruded panels and wood products in Selenge, Khuvsgul, Darkhan-Uul aimags and the capital city	Annually, 50,000 cubic meters of timber is put into economic circulation, supplying 70% of the domestic market for extruded wood panels and supplying up to 37% of exports. 2,500 jobs have been created.
Objective 3.5. Increase the export share of semi-finished products and increase the export of value-added finished products by increasing the capacity of processing plants in line with agricultural raw materials and product resources.		

D / d	Activity	Achieved results
3.5.1	Increase the capacity of the processing industry and provide preferential financial support for export trade turnover and investment	The production of raw materials and products of domestic factories has been doubled, and the utilization of installed capacity has been increased to at least 80 percent.
3.5.2	Access to the halal processed meat market and expand the export market	Export products to secondary markets, stabilize supply, and increase unit sales prices. Meat exports will reach 10,000 tons in the first year and 5,000 tons annually has been increased.
3.5.3	Discuss the possibility of exporting meat and meat products by concluding an agreement with the People's Republic of China Port Authority to create conditions for the transportation of meat and meat products by rail (special wagons).	It has made it possible to export 50,000 tons of meat to the People's Republic of China annually in accordance with the standards, established a reliable transportation network, and transported deep into the People's Republic of China, reducing transportation costs.
3.5.4	Establish a protocol with the People's Republic of China on quarantine, veterinary and sanitary requirements for the export and import of horse by-products	The range and quantity of livestock export products has increased.
3.5.5	The government will provide integrated storage and transportation of wool, cashmere, leather, meat and other raw materials of export importance. Step-by-step implementation of measures to improve logistics infrastructure	Improved warehousing and transportation and logistics infrastructure for raw materials and products of export importance.
Objective 3.6. Introduce high-tech, blockchain and artificial intelligence achievements based on science, and develop industrialization in line with digital economic trends.		
3.6.1	human resources for the development of science -based industries such as innovation, the Fourth Industrial Revolution, artificial intelligence, and blockchain	Exports of information technology products have increased.
FOUR. URBAN AND RURAL REVIVAL		
Objective 4.1. Improve the quality and standards of public transportation in the capital city of Ulaanbaatar , introduce new types of high-capacity public transportation services, expand and upgrade the network of main and main roads and road facilities, establish multi-level intersections, increase accessibility and reduce traffic congestion.		
4.1.1	Develop, expand and upgrade the main and main road network to reduce traffic congestion in Ulaanbaatar	The traffic congestion index decreased by 15-20 percent and road capacity improved by 35 percent.
4.1.2	Establish an integrated and intelligent traffic management and control system	A real-time traffic information system has been established for use in traffic policy and planning, integrated monitoring and regulation.
4.1.3	Introduce new high-capacity public transportation technologies to improve the quality and standards of public transportation and increase access	The number of public transport passengers has increased by 30 percent compared to 2020, and 50-60 thousand vehicles have been neutralized.
4.1.4	Improve the legal framework for tax incentives for companies that have taken measures to reduce congestion	Legislation has been put in place to provide tax breaks to companies that have taken steps to reduce congestion.
4.1.5	To build a “New Orbit Road” with multi-level intersections connecting the sub-centers of the capital city of Ulaanbaatar	A total of 71.5 km of “New Ring Road” network with 11 multi-level intersections has been established, reducing the traffic congestion index by 15-20 percent.
Objective 4.2. Intensify the development of new residential areas, satellite cities, and free economic zones, and decentralize by supporting citizens and businesses migrating from Ulaanbaatar to rural areas through a comprehensive policy .		
4.2.1	Intensify the construction of sub-centers and build basic infrastructure in order to decentralize the capital city of Ulaanbaatar	The construction of sub-centers funded by foreign loans and grants has been completed, and additional sub-centers and community centers have been established.
4.2.2	Intensify the development of new residential areas, free economic zones and satellite cities	Preparations and planning have been made to intensify the development of new residential areas, free economic zones and satellite cities.

D / d	Activity	Achieved results
4.2.3	New cities and Intensify the construction of free economic zones	General development plans, feasibility studies and working drawings for new satellite cities and free economic zones have been developed, and the first phase of engineering networks have been built.
4.2.4	Provide budgetary and financial support to citizens and businesses relocating from Ulaanbaatar to rural areas	Migration to Ulaanbaatar has slowed.
4.2.5	Create a legal environment to provide soft loans to small and medium enterprises that employ local migrants	There is a legal framework for providing soft loans to small and medium enterprises that employ local migrants.
4.2.6	Build engineering infrastructure to localize production, services and population	Local production and services have been created, jobs have been created, and migration has decreased.
4.2.7	Support the provision of housing with engineering infrastructure to relocated and resettled citizens, households and employees in accordance with the partial master plan	In accordance with the regional development policy and the partial master plan, the concentration and congestion of Ulaanbaatar has been reduced by developing urban areas in rural areas.
4.2.8	Government policy support for local business environment, restocking of urban-rural migrants and other small agricultural businesses	The government has supported the resettlement of urban migrants and other small agricultural businesses.
4.2.9	logisticscenters based on food, raw materials, agriculture, agriculture and construction materials production	In the production of food, raw materials, crops, agriculture and construction materials Based on this, local logistics centers have been established and a cold transportation system has been established.
4.2.10	Decentralize some universities by diversifying them into specialties and relocating them to satellite towns and rural areas.	Some universities have been relocated to satellite cities and rural areas.
Objective 4.3. Develop aimag centers as independent cities and create financial and economic opportunities for local governments to generate their own budget revenues.		
4.3.1	Development of cities and settlements in the Gobi region based on the main center of the Khangai region and large mining within the framework of balancing urban and rural development	The Khangai Regional Pillar Center, the General Development Plan of Erdenet, the capital of Orkhon aimag, and the General Development Plan of Khanbogd, Tsogttsetsii and Gurvantes soums of Umnugovi aimag were developed and implemented.
4.3.2	Organize the operation and maintenance of soum engineering infrastructure in an integrated manner and provide comprehensive and hassle-free services to customers	Consumers are provided with a full range of public services.
4.3.3	Ensure reliable and normal operation of engineering networks	The use of engineering infrastructure supply networks has improved and operating costs have decreased .
Objective 4.4. Based on the regional economic development policy , support the sustainable growth of livestock and agricultural production, meet domestic food demand and increase the share of exports .		
4.4.1	Policy support for forage and medicinal plants, greenhouse farming and fish farming	The orchards were increased by 3,500 hectares, agro-forestry was developed in 450 locations, and a 120-hectare crop protection zone was established. Interest in environmentally friendly businesses such as fodder crops, medicinal plants, greenhouses, and fish farming has increased.
FIVE. GREEN DEVELOPMENT REVIVAL		
Objective 5.1. In order to make a significant contribution to mitigating climate change, the " Billion Tree" national movement will be effectively launched and a legal environment will be created to support citizens, businesses and organizations .		
5.1.1	"Billion trees" Effectively implement tree planting and care activities within the framework of detailed strategies and plans within the framework of the national movement	The area planted with newly planted trees and forests has increased.

D / d	Activity	Achieved results
Objective 5.2. Protect water resources , provide safe drinking water to the population, irrigate pastures, increase water supply in the Gobi region , reuse gray water, build artificial lakes and ponds , and rehabilitate dried rivers, springs and streams .		
5.2.1	Implement a policy to protect and use water resources, provide the population with hygienic drinking water, improve industrial and agricultural water supply, and create resource savings	The number of protected riverbeds, water supply sources and reservoirs built on major rivers has been increased, and the proportion of the population provided with hygienic and standard drinking water has been increased.
5.2.2	Meet the technological requirements for energy-efficient, gray water reuse for the construction of social service facilities	Social service facilities will be built according to green technology and running costs will be reduced.
Objective 5.3. Aimags to recycle environmentally friendly advanced technologies to be established regionally in the capital city.		
5.3.1	To support waste sorting, reduction, recycling and economic recycling activities in the capital city and aimag centers, and to build a waste processing plant	Waste recycling has been increased to 27 percent.
Objective 5.4. In implementing the policy of economic and industrial revival, preserve the national traditions of environmental protection and define a model of green development in accordance with global development trends. **Objective 5.4. In implementing the policy of economic and industrial recovery, preserve the national traditions of environmental protection and define a model of green development in accordance with global development trends.**		
5.4.1	Improve environmental monitoring and evaluation in order to ensure environmental safety and create healthy and safe living conditions for the population	Environmental monitoring and evaluation has improved.
5.4.2	Implement the national goal of mitigating climate change and reducing desertification and land degradation	Areas affected by severe and severe desertification will be maintained without increasing the size of the affected areas.
5.4.3	Implement environmentally friendly, low greenhouse gas, energy and water efficient green projects, and provide soft loans and incentives for purchasing goods Implement environmentally friendly, low greenhouse gas, energy and clean water efficient green projects, and provide soft loans and incentives for purchasing products	International agreements, such as the Paris Agreement and the Sustainable Development Goals, have created facilities, industries and technologies that have a positive impact on the environment. Buildings, industries and technologies that meet international standards, such as the Paris Agreement and the Sustainable Development Goals, have been created and have a positive impact on the environment.
5.4.4	Introduce a system of financing to support green development, rational incentives for loans and incentives, and introduce clean technology Introduce a system of financing to support green growth, rational incentives for loans and incentives, and introduce clean technology	Increased the efficiency of green projects and green loans for citizens, businesses and organizations. Increased the efficiency of green projects and green loans for citizens, businesses and organizations.
SIX. REVIVAL OF STATE PRODUCTIVITY		
Objective 6.1. Digitalize government services and reduce government bureaucracy .		
6.1.1	Intensify efforts to become an " electronic nation ", improve public information infrastructure, reduce paper-based activities, move to electronic communication, ensure that citizens and legal entities do not need information that can be obtained and exchanged from public information systems, and access to electronic public services , increase the number and provide citizens with electronic signatures in stages	Launched on October 1, 2020, E-Mongolia, an integrated public service system, introduced 563 services from 57 government organizations to 1,000, creating conditions for concluding e-contracts, and citizens regardless of time and distance. There are conditions for prompt access to public services.
6.1.2	Transfer the database of other organizations that compile spatial data and information to a single standard, introduce “One map” for government policy planning and decision making through geoportals, and “Open map”	An open electronic system based on spatial data infrastructure has been developed and implemented.

D / d	Activity	Achieved results
	electronic service for citizens, public and business nationwide.	
6.1.3	Introduce an integrated address system	At the national level, addressing has been transferred to a unified system.
6.1.4	Develop an integrated system of 3D and 4D land and real estate registration, valuation, tax and payment based on artificial intelligence, blockchain and geographic information systems in accordance with international standards	Edited more than 500,000 building drawings and registration information registered in the land cadastre database, established a database, introduced a unified system of 3D and 4D land and real estate registration, valuation, tax and payment, and established a joint database connected to public and private organizations. and inter-sectoral coherence.
6.1.5	Organize 1: 1000 scale topographic maps of urban centers and underground network maps nationwide in the ITRF2020 coordinate era	During the ITRF2020 era, 2,400 Class B networks were established, AA Class networks were transferred, and new 1: 1000 digital topographic maps were performed in 21 aimags, 330 soums, and Ulaanbaatar.
6.1.6	Establish an electronic land exchange within the jurisdiction of the state administrative organization in charge of land issues, create a land development fund for a certain percentage of the land exchange's activities, and put land into economic circulation	An e-land exchange has been established under the jurisdiction of the state administrative body in charge of land issues, and a national land fund has been established to organize the land and real estate market by introducing an integrated land system that can centralize the land and real estate market.
Objective 6.2. Carry out a comprehensive analysis of the structure and organization of the government, evaluate and evaluate it, determine the optimal structure, and transfer some government functions to the private sector and professional associations.		
6.2.1	Conduct a step-by-step study of government functions that can be delegated to a professional association in each sector	Some government functions have been transferred to the private sector and professional associations, expanding opportunities for public-private partnerships and making the civil service smaller and more efficient.
Objective 6.3. Overlap the system of duplication of state inspections, suspend scheduled inspections and reduce the number of licenses and specifications required by government agencies.		
6.3.1	Make government operations more transparent and efficient, eliminate government bureaucracy, halve the number of licenses and permits to support businesses, and create opportunities for electronic issuance and renewal	Individuals and legal entities are free to engage in activities other than those prohibited by law or require a permit in accordance with the law.
6.3.2	On the basis of auctions, tenders, professional inspections and on land, minerals, oil, explosives, blasting, banking, finance, customs, national payment system, media, nuclear energy, telecommunications, tobacco and alcohol production, payment Provide conditions for prompt issuance of licenses other than puzzles, gambling games and lotteries . stretch	There is a favorable environment for doing business.
6.3.3	Establish and maintain an electronic electronic database of licenses	Favorable business environment has been created and transparency and openness have increased.
6.3.4	The Bank of Mongolia, the Financial Regulatory Commission, reduce planned inspections in areas other than taxes, customs, social insurance and health insurance, and implement risk-based and supervised government inspections.	In order to reduce the negative impact of the Kovid-19 epidemic on the economy and increase economic efficiency, scheduled inspections will not be carried out for a certain period of time as specified in the Law on State Inspection. Unscheduled inspections shall be carried out in case of direct or indirect damage to human life, health or the environment. This will reduce government bureaucracy and save businesses time and money.

D / d	Activity	Achieved results
6.3.5	No restrictions on the number of foreign workers in the private sector, and a 50 percent reduction in job fees imposed by law	Unable to supply labor force domestically from abroad.
Objective 6.4. Improve the efficiency and governance of state-owned enterprises and bring them under direct public scrutiny.		
6.4.1	Early promotion of civil servants working in areas other than Ulaanbaatar if they meet 50% of the special requirements set by the Civil Service Law;	Decentralization and labor demand will be met.
6.4.2	Complete the transition to a three-year contract with suppliers and service providers to agree on prices and other conditions for the purchase of goods, works and services with state and local funds, remove unnecessary restrictions on bidders, and make the bidding process transparent, open and expeditious.	The bidding process will be easier and more accessible by eliminating unnecessary restrictions on bidders and making it possible to conclude certain types of contracts directly for 3 years .
6.4.3	If a participant in the procurement of goods and services of a state or locally owned company is a business entity that operates in a local area other than the capital city or district, or has a tax-paying cluster, it shall give preference to tender evaluation.	Supported small and medium enterprises, services and start-ups, and increased local employment.
6.4.4	Improving the effectiveness of the pre-trial settlement mechanism, improving non-judicial debt settlement methods, and facilitating the process of resolving cases and disputes in court by citizens and traders.	Citizens and legal entities will be able to resolve their debts and receivables without the involvement of courts and court decision enforcement agencies.
6.4.5	The state does not compete with the private sector, only in strategically important sectors, for the implementation of major projects of economic and social development, and in areas where the government regulates prices and tariffs, the private sector cannot operate alone, and in the public interest. Establish a company, intervene in the management of business activities, limit influence, make business decisions free from political influence, improve the governance of state-owned legal entities, and gradually implement a process to become an open joint stock company	The governance, transparency and profitability of state-owned and partly state-owned companies have been improved.
Objective 6.5. Strengthen penalties for corruption and official misconduct.		
6.5.1	Strengthen penalties for corruption and official misconduct	Chapter 22 of the Criminal Code, which criminalizes corruption, has been tightened.
Objective 6.6. Exclude from the Financial Action Task Force (FATF) list of countries with a lack of strategies to combat money laundering and terrorist financing (gray and black list), the European Union's "List of Non-Tax Cooperation Regions", as well as Mongolia's prevent the downgrade.		
6.6.1	List of countries with a lack of strategies to combat money laundering and terrorist financing gray and black list /, to be included in the European Union's "List of Non-Cooperative Tax Areas"	Ensuring Mongolia's economic stability, increasing foreign and domestic investment, and avoiding the list of countries that lack strategic strategies to combat money laundering and terrorist financing from the Financial Action Task Force (FATF) .
6.6.2	Take measures to improve Mongolia's credit rating	Mongolia's credit rating has not dropped from current Moody's (B3, stable), Fitch and S&P (B, stable).