

## Mongolian Sustainable Finance Roadmap

**Brief background:** Mongolia made ambitious commitments as part of the Paris Agreement, the Vision 2050, and the National Green Development Policy to lower its carbon emissions by 22.7% against the business-as-usual scenario by 2030 and achieve a development pathway that is green and inclusive, with improved quality of life, better human development, good governance and quality education. The financing required to achieve Mongolia's Nationally Determined Contributions (NDCs) is estimated at USD 11.7 billion. Achieving the sustainable development goals (SDGs) by 2030 is estimated to require an additional USD 43 billion in total. This calls for ambitious financing strategies and actions to ensure existing and new financial flows are directed and mobilized towards Mongolia's sustainable development agenda. On the other hand, sustainability has become a fundamental part of the financial system stability, contributing to sustainable economic growth, inclusiveness, and new market opportunities.

Recognizing the importance of sustainable finance, the Monetary Policy Guidelines for 2022 defined sustainable finance as one of its strategic priorities requiring the development and approval of a National Sustainable Finance Strategy.

The **objective** of the Mongolian Sustainable Finance Roadmap is to agree on an integrated, multistakeholder, strategic approach towards accelerating the development of a sustainable financial system in the country by 2030 in alignment with the country's sustainable development and climate targets. The proposed Roadmap defines six pillars and 25 strategic actions that will help transition Mongolia's financial system into a sustainable one.

The roadmap draft was developed based on pre-existing studies, roadmaps and recommendations by the Mongolian Sustainable Finance Association (MSFA), IFC, UNEP Inquiry and EBRD and also considers international best practices from the EU, China, Indonesia and other countries.

This is the Annex of the Joint Order No.XXX dated 29 March 2022 of Financial Stability Council.

***Annex I of the Joint Order No.XXX of Minister of Finance,  
Governor of Bank of Mongolia, Head of Financial Regulatory Commission,  
and Director of Deposit Insurance Corporation, dated 29 March.***

## NATIONAL SUSTAINABLE FINANCE ROADMAP

**Objective:** To agree on an integrated, multi-stakeholder involved, strategic approach towards accelerating the development of a sustainable financial system in the country by 2030 in alignment with the national sustainable development and climate targets, and determine strategic priorities and measures.

**Aim:**

- To increase the share of green/sustainable loans in the banking sector to at least 10% by 2030
- To enable the environment for non-banking sector to increase the share of green/sustainable loans to at least 5% by 2030

#	Reforms	Activity/description	Lead implementing organization	Timeline
<b>Pillar I: Develop core building blocks to unlock sustainable finance</b>				
<b>1</b>	<b>Sustainable finance, green recovery, and sustainable transition strategy</b>	1.1 Develop a National Sustainable Finance Strategy draft and submit to the Parliament for approval	MoF, MED, BoM, FRC, DICOM	1-2 yrs
		1.2 Develop sub-strategies, climate change investment policies, and targets of key economic sectors, and collaborate with relevant ministries and agencies in implementation	MET, MED, MoF	3-5 yrs
		1.3 Define activities and action plan to support green and sustainable finance under the "New Revival Policy"	MED, MoF	1-2 yrs
		1.4 Assess the feasibility of transitioning traditional coal, crude oil, and natural gas investments into clean technology and renewable energy	MMHI, MoE, MoF	3-5 yrs
<b>2</b>	<b>National sustainable finance governance mechanism</b>	2.1 Define a recommended National Sustainable Finance Governance Mechanism including oversight committee, sub-committees and task forces and submit to the Parliament for approval	MoF, MED, BoM, FRC, DICOM	1-2 yrs
		2.2 Setup a sustainable finance donor coordination platform and working group	MoF, MED	1-2 yrs
<b>3</b>	<b>Taxonomy</b>	3.1 Expand the National Green Taxonomy to an SDG Taxonomy by adding social impact sectors	MoF, BoM, FRC, DICOM	1-2 yrs

		3.2 Develop complementary sector guidelines and technical screening criteria to identify, assess, and report on green/SDG projects in line with the Taxonomy	MSFA, BoM, FRC, MoF	1-2 yrs
		3.3 Align the national Taxonomy with EU-China Common Ground Taxonomy	MoF, BoM, FRC, DICOM	2-3 yrs
		3.4 Strengthen green/SDG taxonomy-aligned loan reporting requirements for banks and non-bank financial institutions	BoM, FRC, MSFA	1-2 yrs
		3.5 Develop green/SDG impact measurement and reporting methodologies and tools	MSFA, BoM, FRC, MoF	1-2 yrs
		3.6 Develop system to track green/SDG ODA and FDI flows in line with national taxonomy	MED, MoF	3-5 yrs
4	Training, research, and international cooperation	4.1 Develop and implement a comprehensive sustainable finance capacity building programme	BoM, FRC, MoF, MSFA	1-2 yrs
		4.2 Integrate sustainable finance aspects into competency exams and mandatory certification programs	BoM, FRC, MoF	3-5 yrs
		4.3 Establish a Sustainable Finance Research Forum to foster knowledge exchange between researchers and the financial community	BoM	3-5 yrs
		4.4 Promote sustainable finance as part of financial literacy/public education program	BoM, FRC, MoF, DICOM	1-2 yrs
		4.5 Design and implement dedicated sustainable finance awareness campaign to information to households and businesses on the benefits of sustainable financial products	BoM, FRC, MoF, DICOM	1-2 yrs
		4.6 Create/enhance partnerships with international networks, platforms, and exchanges and actively participate in global sustainable finance policy dialogues	BoM, FRC, MoF, DICOM	ongoing
5	Monitoring and evaluation	5.1 Develop national-level climate finance monitoring tool/platform to track country NDC progress and its efficiency	MET, MED, MoF	ongoing
		5.2 Develop M&E framework to monitor ministries' and financial regulators' performance on green/sustainable investment targets	MED, MoF	3-5 yrs
		5.3 Develop M&E framework to monitor FIs' progress on sustainable finance	BoM, FRC	ongoing
		5.4. Give out annual sustainable finance and green project awards to FIs and companies	BoM, FRC, MoF	ongoing
		5.5 Collect and analyze multi-year data on sustainable finance practices by financial intuitions to show consistent behavior changes and benefits.	MSFA, BoM, FRC	3-5 yrs
Pillar II: Promote green fiscal spending				
6	Carbon price/tax	6.1 Conduct feasibility study and develop options to introduce carbon tax/price	MMHI, MoF	3-5 yrs
		6.2 Develop carbon offsets and exchange platform	MMHI, MET, MoF	5+ yrs
7	Environmental tax policies	7.1 Co-revise MET's green tax exemption/incentive policy to align with Green Taxonomy	MET, MoF	3-5 yrs

		7.2 Increase transparency of polluter tax payment and its usage	MoF, MET	3-5 yrs
		7.3 Amend and improve enforcement of the Natural Resource Use Fee Law and Regulation on Management of Government Special Funds, to strengthen proper collection and reallocation of the resource use and environmental taxation and fees	MET, MoF	3-5 yrs
		7.4 Establish Green Billion Trust Fund for environmental protection as an independent and neutral entity	MET, FRC, MBA	3-5 yrs
8	Green preferential spending and procurement	8.1 Introduce green procurement regulation and standards	MoF, MET	3-5 yrs
		8.2 Improve transparency of green public procurement	MoF	5+ yrs
9	Debt swap	9.1 Conduct feasibility study and develop options for sustainable and climate finance debt swap	BoM, MET, MoF	1-2 yrs
Pillar III: Stimulate green/SDG/climate finance flows				
10	Assessment of green/SDG/climate finance needs and opportunities	10.1 Develop methodology and conduct detailed costing of national sustainable/green development policies and target sectors, identify financing gaps, and develop roadmap for the financing of key target sectors	BoM, MED, FRC, MoF	1-2 yrs
		10.2 Develop methodology to identify, assess, tag, and prioritize green/SDG public projects	MoF, MET, MSFA	1-2 yrs
		10.3 Develop national green/SDG project pitchbook by reviewing existing and new public and private projects	MoF, MSFA	1-2 yrs
11	Policies to support green/SDG lending	11.1 Increase current discount rates/preferential terms for green swap agreements and currency hedging to accelerate green lending	BoM	3-5 yrs
		11.2 Study green macroprudential policies including adjusted asset risk weightings, reserve requirements, debt-to-income ratio, collateral requirements and introduce policies to promote green lending	BoM, FRC	3-5 yrs
		11.3 Create a regulatory and policy environment that encourages NBFIs to increase the share of green loans to at least 5 percent of the total loans issued	FRC	1-2 yrs
12	Policies to support green/SDG bond issuance	12.1 Raise awareness on green bond framework under the Company debt instrument procedure	FRC, MoF	1-2 yrs
		12.2 Explore establishment of a leverage mechanism to cover green bond development (initial assessment etc.) and verification cost	FRC, MoF	3-5 yrs
		12.3 Introduce green bond tax incentives for issuers and investors	MoF, MET	3-5 yrs
		12.4 Reduce listing/registration fees for green bond issuers and give priority registrations benefits	FRC	1-2 yrs
		12.5 Co-develop standards and guidelines for verifiers	FRC	3-5 yrs

		12.6 Study feasibility to establish a green bond guarantee mechanisms to promote green bond issuance	FRC, MoF	5+ yrs
		12.7 Conduct feasibility study for sovereign green/SDG bond issuance	MoF	1-2 yrs
		12.8 Develop sovereign green/SDG bond framework	MoF	1-2 yrs
		12.9 Identify and develop list of green/SDG projects can be funded by bonds	MoF	3+ yrs
13	Green/SDG credit guidelines/programs	13.1 Dedicate partial funds from the COVID 3% loan program, subsidized mortgage program, cashmere loan program, SME Fund for green projects/sectors	BoM, MoF	1-2 yrs
		13.2 Revise the government and Bank of Mongolia Mortgage Directive to include energy efficient mortgages	BoM, MoF	3-5 yrs
		13.3 Expand amount, scope and coverage of green interest rate subsidy program	MoF, BoM, MED	1-2 yrs
		13.4 Introduce green guarantee products as part of the Credit Guarantee Fund of Mongolia	MoF, BoM, FRC	3-5 yrs
		13.5 Access more MDB green credit lines/funds	MoF, BoM, FRC	
14	Green/SDG financial products	14.1 Standardize green financial products including:	MSFA, BoM, FRC	3-5 yrs
		- <i>EE housing, business loans</i>		
		- <i>green/social/SDG-linked consumption/micro loans</i>		
		- <i>green/social/SDG-linked SME/corporate loans</i>		
		- <i>green/SDG digital finance products</i>		
		- <i>green/SDG mortgage products</i>		
		- <i>gender responsive products</i>		
		- <i>others</i>		
		14.2 Create and manage a green technology database in line with the Mongolia Taxonomy	MSFA, BoM, FRC	1-2 yrs
		14.3 Implement pilot projects	MSFA, BoM, FRC	3-5 yrs
		14.4 Build TA facility/incubator for green project feasibility study, criteria, metrics, assessment tools, verification support	MSFA, MoF	3-5 yrs
		14.5 Revise national green labeling standard and develop sector-specific labeling guidelines, criteria and impact measures	MSFA, MET	3-5 yrs
		14.6 Establish an independent green labeling/certification platform	MSFA, MET	3-5 yrs
		14.7 Conduct green labeling of products/services/vendors	MSFA, MET	5+ yrs
15	Green insurance	15.1 Explore possible areas to introduce and develop sustainable pension fund and insurance	FRC, MSFA	5+ yrs

16	Green FinTech	16.1 Conduct baseline study to develop green FinTech, and introduce relevant products such as green payment cards	BoM, FRC, MSFA	2-3 yrs
17	Gender mainstreaming	17.1 Finalize and integrate gender mainstreaming guidelines into operations of Financial Institutions	MSFA, BoM, FRC	1-2 yrs
Pillar IV: Develop green banks and financial institutions				
18	Green bank	18.1 Finalize investment agreement and start operations of the Mongolia Green Finance Corporation (MGFC)	OGCC	1-2 yrs
		18.2 Explore possibilities to create a legal environment that meets the mandate of MGFC	OGCC, BoM, FRC, MoF	1-2 yrs
		18.3 Direct various green capital flows to MGFC to support green financing	OGCC, BoM, FRC, MoF	3-5 yrs
19	State-owned institutions	19.1 Introduce sustainable finance policies and strategies to state-owned financial institutions (such as State Bank, Development Bank of Mongolia, DICOM, Credit Guarantee Fund, and other sovereign funds)	MoF, DICOM	3-5 yrs
20	Financial institutions	20.1 Introduce sustainable finance strategies to DBM, MIK, and CGF	MoF, MSFA	2-3 yrs
		20.2 Support the financial institutions through holistic green bank transformation advisory support in line with the Paris Alignment	BoM, MSFA	2-3 yrs
Pillar V: Improve ESG/climate risk management framework				
21	ESG risk management framework	21.1 Develop ESG risk management guideline, templates and for non-bank financial institutions	MSFA, FRC	1-2 yrs
		21.2 Develop ESG risk management guideline, templates and tools for asset management companies	MSFA, FRC	2-3 yrs
		21.3 Introduce ESG risk management guidelines, templates and tools for mortgage corporations	MSFA	3-5 yrs
		21.4 Introduce mandatory ESG and climate risk management directive for banks	BoM	1-2 yrs
		21.5 Develop guideline for credit information companies to integrate ESG factors into credit scorings	BoM	5+ yrs
		21.6 Establish third-party verification unit to provide second opinion on ESG reporting	MSFA, MoF	5+ yrs
		21.7 Introduce guidelines for FIs to track credit risk (e.g. loan defaults) and/or financial returns in relation to ESG risk level	BoM, FRC, MSFA	2-3 yrs
22	Climate related risk management	22.1 Assess coal industry and climate change outlook, global trends and policies, and short to long-term impacts/scenarios on the Mongolian economy and financial sector	MMHI, MED, BoM	1-2 yrs
		22.2 Identify priority sectors and conduct scenario analysis/stress testing in those specific sectors and FI portfolios	BoM, FRC	3-5 yrs

		22.3 Revise the Mongolian Sustainable Finance Principles Guidance Note to better integrate climate risk	MSFA, BoM, FRC	1-2 yrs
		22.4 Develop methodologies and tools to calculate the GHG emissions of investments and loans in the financial sector	MSFA, BoM, FRC, MoF	2-3 yrs
		22.5 Develop methodologies and tools to assess climate-related risks in the financial sector	BoM, FRC	2-3 yrs
		22.6 Develop sample climate change frameworks for FIs and companies	MSFA, BoM, FRC	2-3 yrs
		22.7 Develop methodologies for FIs to set emission reduction targets	MSFA, BoM, FRC	3-5 yrs
<b>Pillar VI: Promote disclosure and accountability</b>				
<b>23</b>	<b>ESG/climate reporting requirements for listed companies</b>	23.1 Integrate ESG and climate disclosure requirements into MSE transparency and listing rules	FRC, MSE	2-3 yrs
		23.2 Develop ESG and climate disclosure guidance note for listed companies on the stock exchange	FRC, MSE, MSFA	1-2 yrs
		23.3 Define sector specific ESG benchmarks and develop a reporting, assessment, ranking (KPIs) platform of listed companies	FRC, MSE, MSFA	3-5 yrs
		23.4 Introduce ESG products/incentives including ESG indexes, awards, listing fee waivers	FRC	3-5 yrs
		23.5 Establish ESG knowledge exchange and capacity building platform for listed companies	FRC	3-5 yrs
<b>24</b>	<b>Sustainability reporting for financial institutions</b>	24.1 Develop sustainability reporting guideline for Financial Institutions in line with TCFD and other relevant standards	MSFA, BoM, FRC	2-5 yrs
		24.2 Introduce Gender-Assessment-Tool for all FIs and require FIs to disclose sex-disaggregated data	FRC, MoF	ongoing

BoM – Central Bank of Mongolia

FRC – Financial Regulatory Commission

MoF – Ministry of Finance

MET – Ministry of Environment and Tourism

MED – Ministry of Economy and Development

MMHI – Ministry of Mining and Heavy Industry

MoE – Ministry of Energy

MSE – Mongolian Stock Exchange

DICOM – Deposit Insurance Corporation of Mongolia

OGCC – Office of the Governor of the Capital City

MSFA – Mongolian Sustainable Finance Association