



Ulaanbaatar /MONTSAME/ The ToC (an abbreviation of Тогтвортой санхүү, sustainable finance in Mongolian) or Mongolian Sustainable Finance Initiative has been in effect in Mongolia since 2013, and all Mongolian commercial banks have joined the initiative, and developing 8 principles and 4 sector guidelines of sustainable financing, and adhering to these principles in their lending and financial activities.





On January 16, 2020, the largest EU-funded textile project STeP EcoLab collaborating with ToC, organized a workshop for wool and cashmere companies, commercial banks and representatives of international organizations to disseminate the sustainable financing guideline in the textile industry in Mongolia, which is the fifth sector guideline of ToC. The need to develop industry guidelines for this sector is essential as the cashmere sector is a strategically important sector in Mongolia, and there are many projects and programs in place to create a "sustainable cashmere" in Mongolia. In terms of wool and cashmere production, processing of raw materials may be related to the agricultural sector, while processing of finished goods and end products may be related to the manufacturing sector. This situation has also led to the development of separate sustainable financing guidelines for the textile sector. With the sector guideline, banks can easily make the environmental and social risk assessment of loans given to the textile sector.

Also, the green finance market demand study of the textile sector in Mongolia was presented during the workshop, which shows that the green finance demand for the textile sector is around MNT 576 billion and that the available green and sustainable finance sources in the textile sector are MNT 75 billion. Consequently, funding for SMEs in the industry to meet the green finance demands required to make their activities environmentally friendly and green is currently insufficient in the market or whose demand is 3.3-7.6 times higher than their potential supply. However, only one cashmere processing company applied for a potential 75 billion MNT and received funding of MNT 150 million. The reasons for it are, firstly, the factories operating in the textile industry have little information on available sources, and on the other hand, the programs and projects that provide funding are failing to spread the information. Secondly, the companies which operate in the sector express that they have no interest in high-interest loans and funding within the purpose to make their operations sustainable and green because of the fear of financial burden and risk. For them, the most important need for loans and additional funding is to keep their raw material preparation more stable, improve their equipment capacity, maintain working capital, labor costs, operating costs and continuous production operations rather than green and sustainable production.

However, as banks have solid sustainable finance guidelines for the textile sector and accurate information on market demand, there may more loan products and funds for textile companies. On the other hand, for the wool and cashmere companies, they have one step ahead to get information on available green sources in the market and to have their environmental and social risk assessments made by banks more easily. These activities were part of the STeP EcoLab project within the framework of the EU-funded SWITCH ASIA and further works will be done to bring sustainable green finance closer to the textile industry throughout the project. The bottom line is that the project team and partners are working hard to build a solid foundation for further development of sustainable cashmere.