



MONGOLIA'S INTEGRATED NATIONAL FINANCING STRATEGY 2022





unicef 
for every child





MONGOLIA'S INTEGRATED NATIONAL FINANCING STRATEGY 2022



Acknowledgement and Disclaimer

UN Joint Programme on “Rolling Out an Integrated Approach to the SDG Financing in Mongolia,” implemented by UNDP in partnership with UNICEF under the leadership of Ministry of Finance with the generous and material support from the Joint SDG Fund, provided extraordinary opportunity to Mongolia for the development of the Integrated National Financing Strategy. We would like to express our gratitude to Gantungalag Altansukh, UNDP Mongolia Consultant, Delgernaran Tumurtoo, UNDP Mongolia National Project Coordinator, Yasin Janjua, UNDP Mongolia Country Office, Enkhzul Dambajantsan, Policy Specialist at UNDP SDG Finance Hub, Tim Strawson, UNDP SDG Finance Specialist, Radhika Lal, UNDP SDG Finance Policy Advisor, Mearc Team, and INFS Technical Working Group for their support and contribution to this work.

The designation of the materials in this publication do not imply the expression of any opinion whatsoever on the part of publishing organizations or the government. The content and views expressed in this publication are those of the authors and do not necessarily reflect the views or policies or carry the endorsement of the co-publishing organizations. The publishing organization does not guarantee the accuracy of the data included in this publication and accept no responsibility for any consequence of their use. By making any designation of or reference to a particular territory or geographic area, or by using the term “country” in this document, publishing organizations do not intend to make any judgments as to the legal or other status of any territory or area.

About UNDP

The United Nations Development Programme is the leading United Nations organization fighting to end the injustice of poverty, inequality and climate change. Working with our broad network of experts and partners in 170 countries, we help nations to build integrated, lasting solutions for people and planet.

About UN Joint Programme “Rolling Out an Integrated Approach to the SDG financing in Mongolia”

Funded by the Joint SDG Fund, the Joint Programme seeks to accelerate the progress towards realizing SDGs by establishing an integrated national financing framework in Mongolia that aims to mobilize all financial resources – private and public, international and domestic - under one framework. The Joint Programme is being implemented by UNDP Mongolia and UNICEF Mongolia under the leadership of the Ministry of Finance of Mongolia.

© All rights reserved. Published in 2022.

Publishing organizations encourage printing or copying information exclusively for personal and non-commercial use with proper acknowledgment of the publishing organizations. Users are restricted from reselling, redistributing or creating derivative works for commercial purposes without the express, written consent of the publishing organizations.

Also available online at: <https://www.undp.org/mongolia>

For enquiries, please contact:

United Nations in Mongolia, UN House, United Nations Street 14 Sukhbaatar District, 14201, Ulaanbaatar, Mongolia Telephone: +976-11-327585



Table of Contents

EXECUTIVE SUMMARY	3
ONE. BACKGROUND	7
TWO. GOALS AND OBJECTIVES OF MONGOLIA'S INFS	12
THREE. SIGNIFICANCE AND PRINCIPLES OF AN INFS	14
FOUR. BUILDING BLOCKS OF AN INFF	16
FIVE. ASSESSMENTS AND DIAGNOSTICS	18
5.1 Financing Needs	19
5.2 Recommendations from Previous Assessments and Rationale for INFS	21
5.2.1 Efficiency of the Fiscal Framework	21
5.2.2 Debt management	22
5.2.3 Government revenue	23
5.2.4 State-Owned Banks and Enterprises	24
5.2.5 Climate Change and Environmental Issues	25
5.2.6 Financial Sector Deepening, Private Sector and Public-Private Partnership (PPP) Challenges	27
5.2.7 Development of SMEs	28
5.2.8 Gender Equality	29
5.3 Current measures and progress	30
SIX. FINANCING STRATEGY PILLARS	33
6.1 Public Financing Strategy	35
6.1.1 Key Challenges	35
6.1.2 Strategies to implement	35
6.1.3 Expected results	37

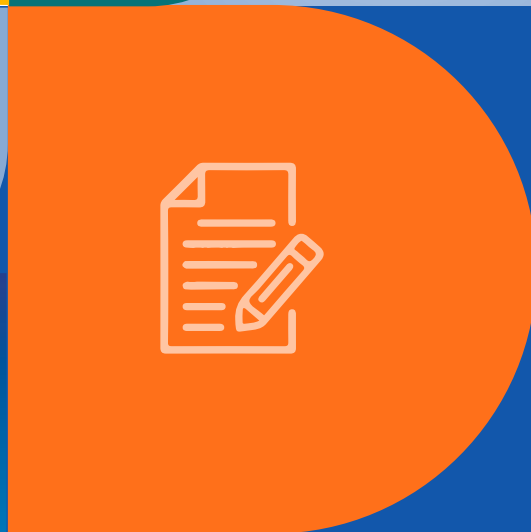
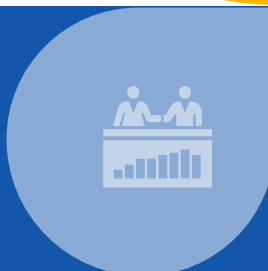
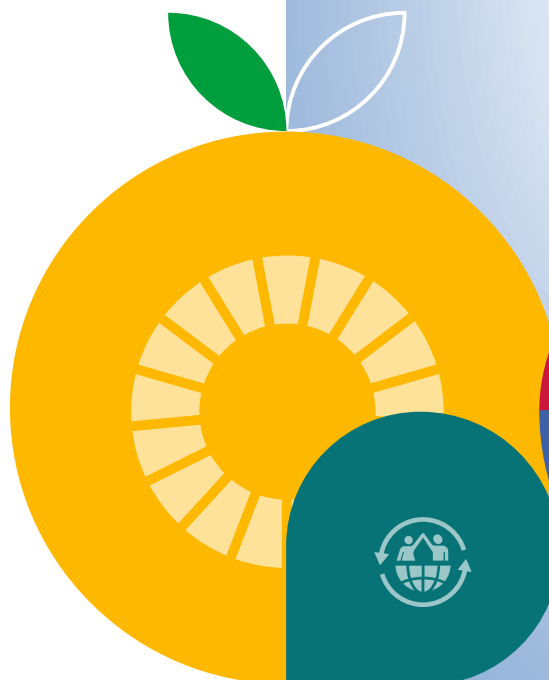


6.2	Private Sector Financing	37
6.2.1	Key Challenges:	37
6.2.2	Strategies to implement	37
6.2.3	Expected results	38
6.3	Strategies for creating a macroeconomic environment / systemic condition to support debt sustainability and financial sector stability	39
6.3.1	Key Challenges:	39
6.3.2	Strategies to implement	39
6.3.3	Expected results	40
SEVEN.	MONITORING, EVALUATION, AND LEARNING SYSTEM	41
7.1	Importance of monitoring and evaluation	42
7.2	Monitoring process	42
7.3	Monitoring implementation indicators	43
7.4	Challenges to Monitoring and Evaluation process	44
7.5	Strategies for strengthening the monitoring, evaluation, and learning system	44
EIGHT.	GOVERNANCE AND COORDINATION	45
8.1	INFF governance and coordination mechanism	46
8.2	Functions of the oversight team	46
8.3	Strategies for strengthening governance and coordination mechanisms	47
NINE.	COHERENCE WITH OTHER POLICIES AND DEVELOPMENT PLANS	48
ANNEX 1.	INTEGRATED NATIONAL FINANCING FRAMEWORK FINANCING STRATEGY PLAN	50
ANNEX 2.	STRATEGIC ELEMENTS FOR ACTION	62
ANNEX 3.	MAPPING OF CURRENT PRACTICES AND SWOT ANALYSIS	69
ANNEX 4.	INFS IMPLEMENTATION PROGRESS REVIEW & MONITORING INDICATORS	73





EXECUTIVE SUMMARY



MONGOLIA'S INTEGRATED
NATIONAL FINANCING

STRATEGY
2022



Executive Summary



Achieving Agenda 2030 requires aligning financial frameworks with Sustainable Development Goals (SDGs) and national development plans.

Integrated National Financing Strategy (INFS) is meant to achieve this objective by aligning Mongolia's financial framework strategically with SDGs and national development targets. The financial strategy *complements Mongolia's VISION 2050*. It provides the overarching framework to achieve Mongolia's ambition of becoming a leading Asian country in terms of its "social development, economic growth and its citizens' quality of life", while also promoting "environmentally friendly green development", maintaining balance of ecosystem, ensuring environmental sustainability, creating conditions for present and future generations to reap its benefits, and creating a society dominated by middle class by lifting people out of poverty.



The INFS builds on national policy documents and strategies and emphasizes the financing alignment with the SDGs and seeks to limit duplication with existing policies and strategies.

The INFS looks at financing of Mongolia's development objectives in line with the Sustainable Development Goals (SDGs). More specifically, the INFS aims to contribute to facilitating the implementation of the SDG-aligned medium-term development plan, "Five-Year Development guidelines for 2021-2025" within the framework of Mongolia's Vision 2050 and strengthening of its monitoring and review, governance and coordination mechanisms. The INFS is developed for the timeframe of 2022-2025, and it is expected that the systemic reforms to continue beyond this timeframe and be embedded into subsequent revisions of the INFS and new sectoral strategies.



The INFS aims at bridging the SDG financing gap through public private partnerships.

Given an ambitious SDG-aligned national development agenda by 2030, a significant amount of additional financing will be required. To close this financing gap, it is imperative to mobilize additional financial resources from domestic and international markets, strengthen planning, budgeting, and financing processes, and ensure a better alignment of existing financing mechanisms with SDGs. Especially, private sector financing leveraged through Public-Private Partnership frameworks is vital to bridge the SDG financing gap.



Public and Private financing actions along with macroeconomic stability are important foundational blocks of the INFF.

Additional financing requirements may have implication for Mongolia's debt if not met through public fiscal resources hence, the INFF also considers the private sector actions and improvement in overall macroeconomic systematic conditions, and debt sustainability for the effectiveness of the INFF. This also includes strategic use of Mongolia's international partnerships, emerging global concessional financing facilities setup by international financial institutions to support green transition.



Previous assessments and analysis of development challenges provide some insights and recommendations on policy areas of improvements that layout foundations for INFS.

For instance, on the public financing side, there is scope to enhance the alignment of public financing with the SDGs and national sustainable development priorities, even as high budget deficits and debt pressures have narrowed fiscal space and impacted future funding flows. While efforts are underway to address these issues, INFS further outlines a number of strategic actions, for example, reforms on Medium-Term Fiscal Framework; the introduction of results-based, SDG-aligned, and gender-responsive budgeting practices; development of innovative and green debt instruments ensuring debt sustainability. Recently, the parliament amended the budget law for 2022 to cut wasteful expenditures¹. Reforms to universal subsidies are also expected in coming months.



Private sector has limited access to international markets and funding while there are growing opportunities globally that can be tapped into for sustainability-driven investments.

Moreover, the legal framework and cooperating mechanisms for Public-Private Partnerships are unclear. For example, on these issues, INFS provides various strategies including initiation of an Impact Investment Fund which would have positive impact towards the sustainable development. Other measures include, the ESG reporting to attract foreign investors, the introduction of innovative financing tools and SDG impact standards, and reforms on the Law on Public-Private Partnership to support the active involvement of the private sector in contributing to national development goals. Further, INFS puts forward strategic thrust on creating a macroeconomic environment and systemic conditions to support debt sustainability, financial sector stability, economic diversification, and investment opportunities.

¹ <https://mof.gov.mn/article/entry/20220420-1>



The report is organized in 9 sections.

Section 1 provides background information outlining Mongolia's development vision and key objectives and how INFS contributes to achieving development goals and overcoming financing roadblocks. Section 2 determines INFS strategic goals and objectives in Mongolia context, aiming to accelerate sustainable development goals. The importance of developing and implementing the INFS and the main principles of the strategy are outlined in Section 3. Section 4 presents the main building blocks of the Integrated National Financing Framework (INFF) for Mongolia, including assessment and diagnostics, financing strategy, monitoring and review, and governance and coordination mechanism. Each block is further developed in a separate section.

Section 5 covers the policy framework that INFS relates to and discusses the financing needs for achieving Mongolia's national development goals. This section also includes main conclusions and recommendations from the existing assessment studies, which helps identify weaknesses or gaps of current practices in policy areas and recognize opportunities to improve. Further, Section 5 reports ongoing efforts, actions, and achievements, which are aimed to enhance current practices and progress towards SDGs. Concerning the discussions in this section, Annex 3 provides detailed information on the mapping of current practices and situation analysis.

Based on the country's unique financing landscape, opportunities, and challenges identified in Section 5, strategic pillars for improving public and private sector financing and creating a macroeconomic environment to support national development goals are determined in Section 6. The corresponding detailed action plans to be carried out in the framework of strategic directions, the planned timeline, and responsible leading and partner organizations are presented in Annex 1. The details of the strategic elements for action, including policy framework, potential instruments, regulations, processes, and system are outlined in Annex 2.

Section 7 defines monitoring and evaluation mechanisms for the implementation of INFS, including a structure for the oversight team, a monitoring and reporting process, frequency, potential challenges, and strategies to improve the effectiveness of the monitoring and evaluation process. Indicators to monitor the implementation of INFS on an annual basis are proposed in Annex 4. Section 8 sets up governance and coordination arrangements of the INFS. Section 9 ensures the coherence of INFS with other development plans and policies.



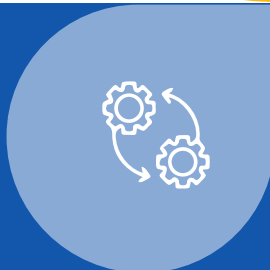


One. BACKGROUND



MONGOLIA'S INTEGRATED
NATIONAL FINANCING

STRATEGY
2022





Background



Mongolia envisions a just green transition of its economy that balances both regional and local development in both urban and rural areas.

Considering the Government's objectives to build a strong, diversified, green and affluent economy by 2050 with shared prosperity Mongolia needs to continue investments in human development, and in priority economic and social sectors to ensure quality of life for everyone leaving no one behind (LNOB). In order to achieve these goals, developing a multi-pillar and inclusive sustainable and green financial system, and creating an enabling environment for investment for promoting public-private partnerships, Mongolia needs to mobilize additional resources for which the INFS will be instrumental.



Mongolia's VISION 2050 provides the overarching framework to achieve its ambition of becoming a leading self reliant sustainable and green Asian economy

in terms of its "social development, economic growth and its citizens' quality of life", while also promoting environmentally friendly green development, maintaining balance of ecosystem, ensuring environmental sustainability, creating conditions for present and future generations to reap its benefits, and improve the quality of human life. The Vision encompasses 9 goals as follows: 1. Shared National Values: National Pride and Unity; 2. Human Development; 3. Quality Of Life and Middle Class; 4. Economy; 5. Governance; 6. Green Development; 7. Safe and Secure Society; 8. Regional and Local Development; and 9. Ulaanbaatar and Satellite Cities.



Establishing the Integrated National Financing Framework helps align the financial system with the SDGs and national development priorities such as Vision 2050.

It would promote financial deepening, diversify the financing landscape and make financing mechanisms available for accelerating the achievement of Mongolia's plan priorities and the SDGs. Mongolia is currently one of the 80 plus countries developing their INFS, each with its unique development priorities, challenges, opportunities, financing needs, and landscape.



The Vision 2050 is to be operationalized through a series of 10-year implementation stages.

In 2020, the Parliament of Mongolia revised the Law on Development Policy, Planning, and Management. In line with this new legal framework, a long-term strategic policy document “Vision-2050” and medium-term policy documents “Five-Year Development guidelines for 2021-2025” and the “Government Action Program for 2020-2024” under the umbrella of Vision 2050 have been prepared and approved. The government is developing a series of the medium-term targeted development programs to achieve the Vision 2050. The first Targeted Development Program is called “New Recovery Policy” to be implemented between 2021-2030 to support economic recovery and accelerate economic development.² The first stage of Targeted Development Program³ conforms with the current remaining period for the global Sustainable Development Goals (SDGs) that Mongolia has signed on to. While the long-term document does not formally make reference to the SDGs, many of the objectives, at the high-level of framing are consistent with the economic, social and environmental sustainability objectives of the global 2030 Agenda and the SDGs.⁴ The parliament has approved and implementing the first medium-term plan, “Five-Year Development guidelines for 2021-2025”, to support the long-term development policy. This medium-term plan is designed to ensure coherence of the resources, capacity, development goals and targets, and outcomes at the national, regional, sectoral level and to preserve the continuity of development policies.



Achieving Mongolia's development objectives as outlined “Five-Year Development guidelines for 2021-2025” will require a significant amount of financial, material (natural resources such as minerals, wind and solar) and human resources and the adoption of an integrated approach to address development challenges.

In this regard, the document includes a number of high-level objectives related to strengthening the financing architecture and mobilization of resources, including, amongst others, through “ensuring macroeconomic stability, increasing the efficiency and resolving the overdue government external debts without compromising the macro-economic stability” (4.1); setting up an efficient and accountable fiscal system that directs the budget resources to economic and social development (4.1.2); developing flexible, digital-based, multifaceted financial services that stimulate the economy (4.3); establishing a wealth fund to invest in financially efficient projects and programs (4.6); developing national capacity to mitigate and adapt to climate change through implementation of the green development strategy and introduction of environmentally friendly, resource efficient and cost effective clean technologies (6.4).



The Integrated National Financing Strategy aims to contribute to the sustainable national development.

It would concretize these and other objectives by outlining a three-pronged approach to a financing strategy, which includes a focus on public, private and development financing. Amongst others, these would also help Mongolia strengthen its planning, budgeting and financing processes within the framework of the long-term vision to overcome the financing roadblocks to the achievement of Sustainable Development Goals (SDGs).





² ibid, MED. 2022.

³ The new Ministry of Economic Development (MED), established in Jan 2022, is working on a ‘Targeted Development Program’ (2022-2030) to operationalize the new economic recovery policy and aligning it with the achievement of SDGs. Government of Mongolia. 2022.

⁴ See UNDP (2021b) Mapping the SDGs against Mongolia’s National Development Plans and Policies and discussion later in this document.



COUNTRIES NEED SUPPORT AND FINANCING FROM ALL AVAILABLE RESOURCES TO REACH THEIR SDG TARGETS.

-  Evidence suggests that no country can finance the SDGs nor COVID-19 recovery by taking action in one area of financing alone, hence need an integrated approach to financing sustainable development.⁵ The amount of additional financing needed by developing countries to reach their SDGs is estimated to be USD 4.2 trillion, taking into account the impact of the pandemic, which equates to only about 1.1 percent of the total USD 379 trillion financial assets circulating globally (OECD & UNDP, 2020).⁶ This estimate suggests that the SDGs are achievable. The real challenge is aligning the available public and private financial resources with the SDGs, which is possible through the adoption of INFF.
-  The outcome document of the Third International Conference on Financing for Development in 2015 emphasized on the importance of countries on developing Integrated National Financing Frameworks (INFFs) to align financing with development priorities and also to mobilize new financial resources for sustainable development, especially from the private sector (UN, 2015).⁷ Evidence suggests that aligning investments with the SDGs contributes positively to the environment, society, and economy and yields better investment returns on average over the medium and long term (For instance, see Whelan et al., 2021).⁸
-  Alignment of SDGs with the business strategy would not only increase the operational and financial efficiency, but also create an additional USD12 trillion worth of new economic opportunities and approximately 380 million new jobs related to SDGs by 2030, the majority of which are located in developing countries (BSDC, 2017).⁹
-  Due to its ESG standards. This also means that governments and corporations are expected to comply with sustainability requirements when seeking to raise capital from international markets and investors.

⁵ Accelerating Finance for the SDGs and COVID-19 Recovery. <https://sdgfinance.undp.org/>

⁶ OECD & UNDP (2020) Framework for SDG Aligned Finance. <https://www.oecd.org/development/financing-sustainable-development/Framework-for-SDG-Aligned-Finance-OECD-UNDP.pdf>

⁷ United Nations (2015) Addis Ababa Action Agenda of the Third International Conference on Financing for Development. <https://www.un.org/esa/ffd/ffd3/index.html>

⁸ In cooperation with the Rockefeller Asset Management, the New York University Stern Centre for Sustainable Business conducted a meta-analysis on the correlation between ESG integration and investment returns of over 1000 studies conducted during 2015-2020. The findings of the meta-analysis indicate that over 60 percent of the ESG investment has yielded more positive returns on investment compared to regular investment; the return has a positive correlation with the time horizon of investment; ESG investment provides downside protection during times of crisis, and the companies that implement ESG standards have higher operational profitability ratios (Whelan et al., 2021). Whelan, T., Atz, U., Holt, T.V., & Clark, C. (2021) ESG and Financial Performance: Uncovering the Relationship by Aggregating Evidence from 1,000 Plus Studies Published between 2015 – 2020. https://www.stern.nyu.edu/sites/default/files/assets/documents/NYU-RAM_ESG-Paper_2021%20Rev_0.pdf

⁹ Business and Sustainable Development Commission (2017), Better Business Better World. <https://sustainabledevelopment.org/index.php?page=view&type=400&nr=2399&menu=1515>

The preliminary estimates suggest that Mongolia needs approximately annual additional spending of 18 percent of GDP on average during 2021-2030 for achieving the relevant global targets for the SDGs¹⁰ (more in section 5.1). To meet the additional financing needs, Mongolia needs to attract private investment from both local and international markets. The analysis suggests that while there are good foundations to build upon, there is also a lot of work to do to effectively mobilize and channel private finance. For instance, the stock market is not very well diversified and trading activity is concentrated in a few sectors. The stakeholders have identified the need to open and have public offering of the stock market for encouraging private sector participation. Similarly, more than half of the loan portfolio of commercial banks, which account for more than 90 percent of the financial market, is short-term (up to 1 year), and most of the investment is in consumer and trade sectors (Bank of Mongolia, 2020¹¹). In addition, more than 70 percent of private FDI is in the mining sector (UNDP 2021c). More on this later in the document.

That said, as of July 2021, the total savings at commercial banks are recorded as USD 6.5 billion (MNT 18.6 trillion) (Bank of Mongolia, 2021 a)¹². The amount of savings has grown about 1.7 percent on average from January 2020 to July 2021, indicating that the deposits have remained stable despite the pandemic situation and present and opportunity to mobilize it towards SDG and sustainable development projects. An SDG investment mapping exercise to provide market intelligence on investment opportunity areas for the SDGs would be helpful in this regard as well as concretizing that into “bankable projects” and preliminary work is underway with UNDP’s technical assistance¹³.



¹⁰ UNDP (2021a) Draft Document Current Status of Sustainable Development Goals Implementation and Future Issues (under revision)

¹¹ Mongolbank (2020). Banks' loan report. <https://www.mongolbank.mn/liststatistic.aspx?id=12>

¹² Bank of Mongolia statistics (2021) <https://www.BOM.mn/eng/liststatistic.aspx?id=7>

¹³ In terms of learning from other countries experience, Bangladesh's approach may be of interest. It is working on a private public SDG investment digital matchmaking platform to attract private investors for investment in SDGs.

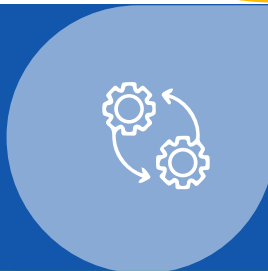


GOALS AND OBJECTIVES OF MONGOLIA'S INFS



MONGOLIA'S INTEGRATED
NATIONAL FINANCING

STRATEGY
2022





Goals and Objectives of Mongolia's INFS

2.1 The purpose of Mongolia's Integrated National Financing Strategy [(INFS) The Strategy hereafter] is to determine integrated and multilateral strategic steps to overcome challenges in financing the medium-term development plan, "Five-Year Development guidelines for 2021-2025", and strengthen its monitoring and review, and governance and coordination mechanisms.

2.2 The following objectives will be implemented within the INFS goals:

- 2.2.1 Accelerate the implementation of sustainable development goals by improving the coherence of public finance development policy and planning,
- 2.2.2 Increase financial resources for sustainable development goals by encouraging the development of advanced financing tools to mobilize public, private and mixed financing,
- 2.2.3 Increase the impact of funding sources on sustainable development by creating a supportive environment for the effective implementation of non-financial measures such as improving business environment and increase competitiveness.

2.3 The implementation progress of the INFS for achieving these objectives will be closely monitored using indicators in Annex 4.

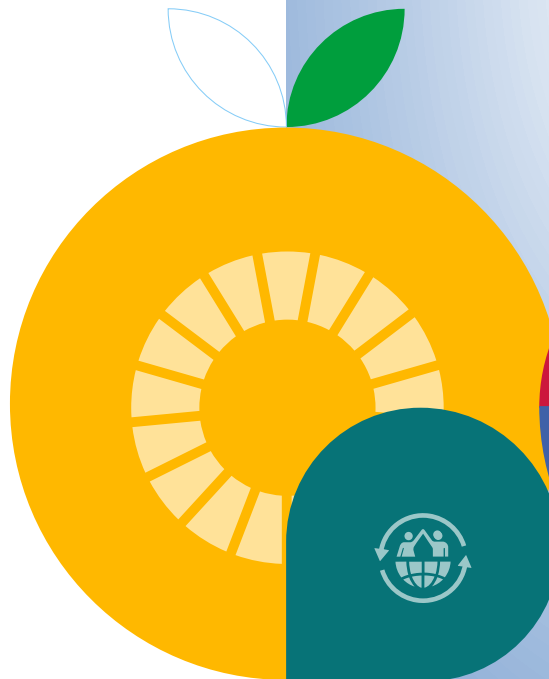
ANNEX 4

MONGOLIA'S INTEGRATED NATIONAL FINANCING STRATEGY

INFS IMPLEMENTATION PROGRESS REVIEW & MONITORING INDICATORS			
INDICATORS	MEASUREMENT METHOD	MONITORING FREQUENCY	RESPONSIBLE ORGANIZATION
1. PUBLIC FINANCING			
1.1. MOVE FROM MTFF TO MTFB			
1.1 Number of development budget programs approved by the Parliament	Full-time increase compared to the previous year	Every year	MOED
1.2 Number of ministries/sectors which developed results based MTFB and annual budget proposals with sectoral and SDG targets	Evaluate increase compared to the previous year	Every year	MSP
1.3 Percentage of budget implementing MTFB	Evaluate increase compared to the previous year	Every year	MSP
1.4 Full transition from MTFB to MTFB	Yes/No	Once at the end of the planned period	MSP
1.5 Budget law is revised in accordance with MTFB proposals	Yes/No	Once at the end of the planned period	MSP, CASBEC
2. INTRODUCTION OF SDG-ALIGNED BUDGETS			
2.1 Number of sectors conducted SDG-aligned budgeting	Evaluate increase compared to the previous year	Every year	MSP
2.2 Number of sectors that planned and introduced RSD	Evaluate increase compared to the previous year	Every year	MSP
2.3 Percentage of the budget that has transitioned to RSD	Evaluate increase compared to the previous year	Every year	MSP
3. INTRODUCTION OF GREENS IN RESPONSIVE BUDGETING			
3.1 Quantity of spending allocated through gender responsive budgeting process each year	Evaluate increase compared to the previous year	Every year	MSP
3.2 Development of guidelines and manuals on gender responsive budgeting	Yes/No	Once at the end of the planned period	MSP
3.3 Number of sectors conducted pilot gender responsive budgeting	Evaluate increase compared to the previous year	Every year	MSP
3.4 Percentage of sectors that consider gender issues in budgeting in total budget sectors	Percentage evaluate growth compared to the previous year	Once at the end of the planned period	MSP
3.5 Number of good practices of gender responsive budgeting	Evaluate increase compared to the previous year	Every year	MSP, NRC
3.6 The revision on budget law including provisions for gender responsive budgeting	Yes/No	Once at the end of the planned period	MSP, CASBEC
3.7 Amount of resources for gender-specific policy and planning	Evaluate increase compared to the previous year	Every year	MSP, NRC
4. INTRODUCTION OF SDG BUDGET TAGGING			
4.1 Development of a system for classifying budget expenditures along with SDGs	Yes/No	Once at the end of the planned period	MSP
4.2 Total volume of spending allocated through SDG-aligned budget allocation process	Evaluate increase compared to the previous year	Every year	MSP
4.3 Percentage of spending aligned with SDGs in the total state budget	Percentage evaluate growth compared to the previous year	Every year	MSP
4.4 The revision on budget law including provisions on SDG-related budgeting	Yes/No	Once at the end of the planned period	MSP, CASBEC
5. ISSUANCE OF SUSTAINABLE DEVELOPMENT BONDS			
5.1 Percentage of domestic and foreign bonds issued to support sustainable development in GDP	Percentage, compared to the previous year	Every year	MSP
5.2 The amount of green bonds	Trillion MNT. Evaluate growth compared to the previous year	Every year	MSP
5.3 Percentage of blue bonds in respect of goods and services	Percentage evaluate decline or stable compared to the previous year	Every year	MSP
6. IMPLEMENTATION OF SDG-FINANCE TOOL			
6.1 Number (in amount) of foreign debt-for-nature swaps	Evaluate increase compared to the previous year	Every year	MSP
7. ALIGNMENT OF ENVIRONMENT BANK OF MONGOLIA'S OPERATIONS WITH SDGS			
7.1 Does ODB have a sustainable financing policy and implementation plan? Whether indicators for equity and gender are met?	Yes/No	Once at the end of the planned period	MSP
7.2 Number of loans disbursed using the ESG risk assessment within ODB	Evaluate increase compared to the previous year	Every year	MSP
7.3 The number of sector specific ESG risk assessment methodology established	Evaluate increase compared to the previous year	Every year	MSP
7.4 Whether to use SDG taxonomy in issuing loans and appropriate loan reporting according to the ODB finance transactions	Yes/No	Every year	MSP
7.5 The amount of bonds issued on concessional terms (SDG bonds, climate green bonds, etc.)	Trillion MNT. Evaluate progress based on growth	Every year	MSP
7.6 Number of people (on technology) employed for capacity building on sustainable development financing	Evaluate increase compared to the previous year	Every year	ODM
8. RETURN OF WHOLLY AND PARTIALLY STATE-OWNED ENTITIES			
8.1 Number of SOEs that have introduced ESG reporting standards	Evaluate increase compared to the previous year	Every year	MSP
8.2 Number of SOEs privatized through the SOE	Evaluate increase compared to the previous year	Every year	MSP
8.3 The share of total SOE liabilities in the total state budget	Percentage evaluate stable or declining compared to the previous year	Every year	MSP
9. INTRODUCTION OF SUSTAINABLE PUBLIC PROCUREMENT PRINCIPLES			
9.1 Whether new policies or regulations have been issued or amended to improve the procurement environment for goods, works and services with state and local funds	Yes/No	Once at the end of the planned period	MSP
9.2 Number of state-owned enterprises implementing sustainable public procurement principles	Evaluate increase compared to the previous year	Every year	MSP
9.3 The share of green procurement in total government procurement	Percentage. Evaluate growth compared to the previous year	Every year	MSP
10. COMBINE FINANCING INSTRUMENTS AND TECHNICAL ASSISTANCE			
10.1 Whether national strategy and action plan on AFD and TF is developed	Yes/No	Once at the end of the planned period	StA
10.2 Law or regulation on mitigating risks associated with credit asset and actual asset providers	Yes/No	Once at the end of the planned period	StA, MCF
11. STRUCTURAL/INTEGRATED DEVELOPMENT CO-OPERATIONS			
11.1 Number of programs collaborated with international development partners (signing and completed this year) through technical and financial assistance	Evaluate increase compared to the previous year	Every year	StA, StA/ICD
12. INCREASE REVENUE GAIN BY TAX REFORMS			
12.1 Percentage increase in annual tax income	Evaluate increase compared to the previous year	Every year	MCF
12.2 Introduction of progressive income tax	Yes/No	Once at the end of the planned period	MCF, GTO
12.3 Number of new green/ environmental tax system	Evaluate increase compared to the previous year	Every year	MCF, GTO
12.4 Initiation of National Health Fund	Yes/No	Once at the end of the planned period	StA, StA/ICD



Three. SIGNIFICANCE AND PRINCIPLES OF AN INFS



MONGOLIA'S INTEGRATED NATIONAL FINANCING

STRATEGY
2022



MONGOLIA'S INTEGRATED NATIONAL FINANCING

STRATEGY
2022





Assessments and diagnostics

3.1 The development and implementation of the integrated financial strategy, increasing pipelines for investment for sustainable development, adopting risk management frameworks, and implementation of sustainable development priorities will have the following benefits:

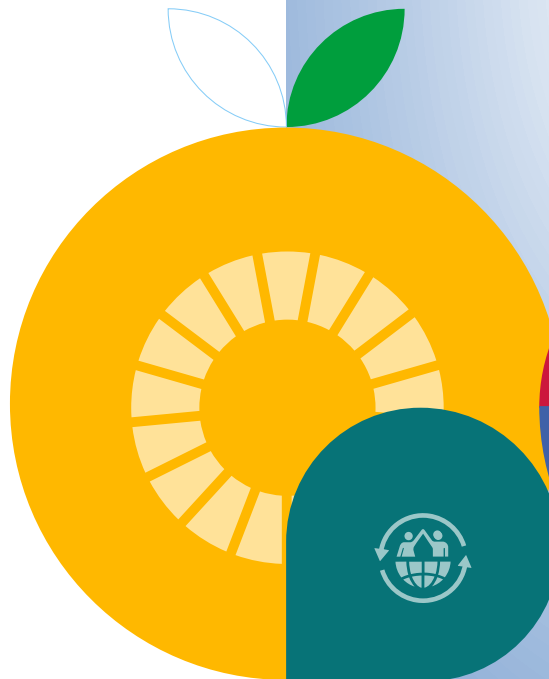
3.1.1	Comprehensive strategies and activities for each financial stream i.e. public, private, and international financing will be established for short- and medium-term financial policy,
3.1.2	The coherence of sustainable development priorities and financing policies will be improved,
3.1.3	Financial resources will be better integrated to support development priorities,
3.1.4	Innovative financing instruments and approaches will be introduced,
3.1.5	Public-private cooperation will be strengthened, and
3.1.6	The order of financing reforms and ways to implement them will become more apparent.
3.1.6	Multilateral and gender-balanced participation will be ensured

3.2 The implementation progress of the INFS for achieving these objectives will be closely monitored using indicators in Annex 4.

3.2.1	Prioritize reforms that will have the greatest impacts on mobilizing, aligning and increasing efficiency of financial resources to accelerate the achievement of national development goals,
3.2.2	Maintain policy continuity and coherence with the long-term development policy of Mongolia Vision-2050, global SDGs agenda, medium-term national development plans and guidelines, Monetary and Fiscal framework, Debt Management Policy, Green Development Policy, and Financial Market Development Program until 2025,
3.2.3	Ensure multi-stakeholder participation in establishing and implementing INFS,
3.2.4	Be transparent and accountable through an open public reporting mechanism.



BUILDING BLOCKS OF AN INFF



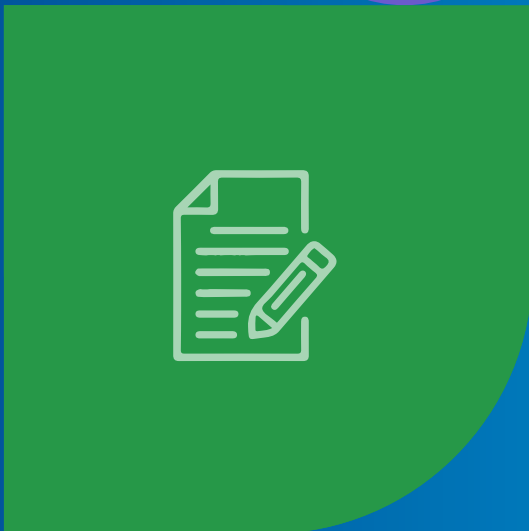
MONGOLIA'S INTEGRATED NATIONAL FINANCING

STRATEGY 2022



MONGOLIA'S INTEGRATED NATIONAL FINANCING

STRATEGY 2022

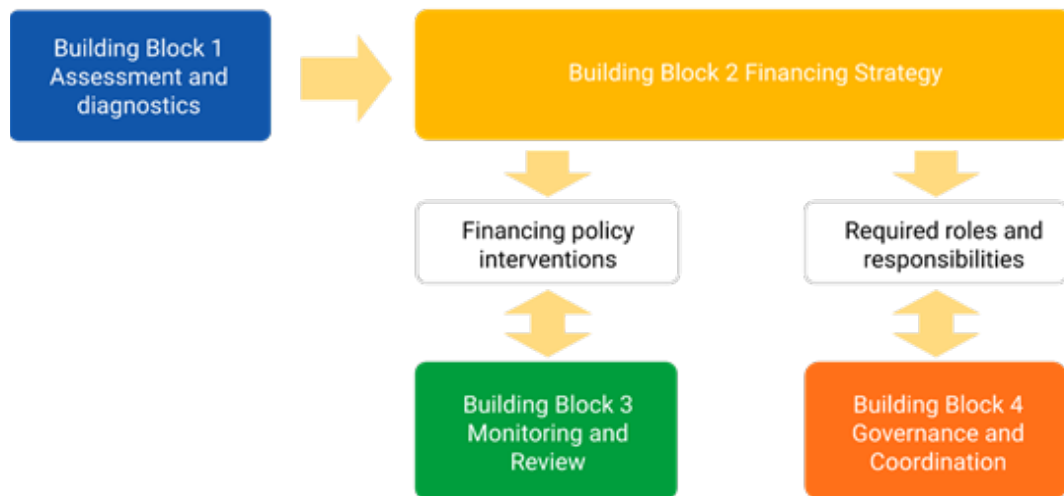




Building Blocks of an INFF

The following four building blocks have been adopted by the Government of Mongolia as it developed and implements the INFF, following recommendations by the UN Inter-Agency Taskforce on Financing for Development (IATF).

Table 1: INFF Building Blocks



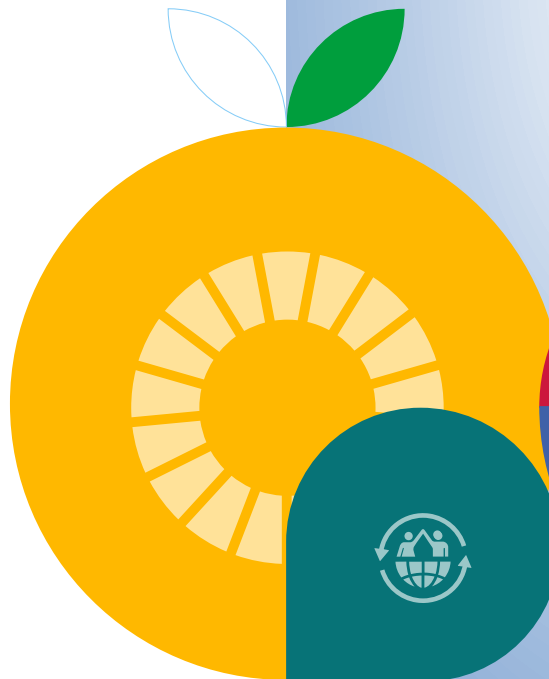
Source: <https://inff.org/inff-building-blocks/financing-strategy>

- 4.1 Assessments and diagnostics
- 4.2 Financing Strategy
- 4.3 Monitoring & review
- 4.4 Governance & coordination

Each building block of the INFF is based on the existing policies, ongoing and planned reforms, structures, and systems and will be implemented to align development policies, financing decisions, and their results with the SDGs.



ASSESSMENTS AND DIAGNOSTICS



MONGOLIA'S INTEGRATED
NATIONAL FINANCING

STRATEGY
2022



MONGOLIA'S INTEGRATED
NATIONAL FINANCING

STRATEGY
2022





Assessments and diagnostics

5.1 Financing Needs

The national budget making exercise is gradually moving towards integrated result-based budgeting and resource mobilization practices.

Parliament Resolution No. 23 of 2020 stated that the funding for projects and activities included in the Five-Year Development guidelines should be reflected in the state budget for that year. While the state budget may not have the capacity to finance new development activities or expand the existing programs due to the prolonged budget deficit (IMF, 2021)¹⁴ yet the government is committed to increasing the fiscal capacity and integrating result-based budgeting and financing in its planning process. The Parliament has approved the Public Investment Program for 2021-2025. The total value of the projects and activities in the investment program is USD 17.5 billion (MNT 50 trillion), with primary sources of financing coming from Development Bank of Mongolia and private sector partnerships (30 percent), concessions and public-private partnerships (20 percent), foreign loans and aids (36 percent), and state budget (8 percent). The remaining about 6 percent of investment does not have identified sources. Over 60 percent of investment is planned to finance infrastructure, mining, and heavy industry sectors. To clarify, Public Investment Plan indicates potential financing sources for the development programs and activities while INFS provides strategies to support financing mechanisms in sustainable manner such as through aligning and mobilizing additional financial resources and improving their efficiencies. Additionally, according to the NDC plan, a total of USD 11.5 billion is required (of which USD 6.3 billion for mitigation and USD 5.2 billion for adaptation¹⁵) to finance actions and measures to mitigate climate change.

Mongolia's Development Plans are aligned with the Sustainable Development Goals.

An assessment of the mapping of SDG targets against national development policies and plans made by UNDP (2021b)¹⁶ found that 83 percent of SDG targets are consistent in content with the objectives and targets of Vision 2050, 78 percent in Five-Year Development guidelines for 2021-2025, and 81 percent in Government Action Program for 2020-2024.

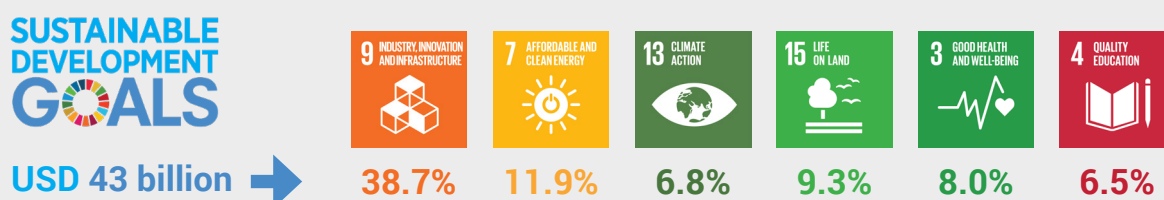
UNDP (2021 a) provided a financing needs assessment to reach SDG goals by 2030 a work that is progressing parallel to the INFS formulation at the moment. Given the very ambitious 2030 Agenda, preliminary estimates indicate that Mongolia would need USD 43 billion (MNT 122 trillion) in additional spending to achieve the nationally determined SDGs by 2030, and about additional USD 22 billion (MNT 62 trillion) is needed by 2025. This suggests about USD 4.3 billion (MNT 12.2 trillion) additional costs per year until 2030, which is on average 18 percent of the annual GDP.

¹⁴ IMF (2021) Article IV consultation. <https://www.imf.org/en/Publications/CR/Issues/2021/11/29/Mongolia-2021-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-510086>

¹⁵ However, we should note that there are overlaps between the NDC plan and Public Investment plans with the extent to some energy and environment projects, and hence double account may have been made in cost. NDC plan: <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Mongolia%20First/First%20Submission%20of%20Mongolia%27s%20NDC.pdf>, Public Investment plan: <https://legalinfo.mn/mn/detail/15584>

¹⁶ UNDP (2021b) Mapping the SDGs against Mongolia's National Development Plans and Policies.

More specifically, approximately additional USD 6.2 billion (MNT 17.7 trillion) need to be allocated to the health and education sector and the remaining USD 36.8 billion (MNT 104.3 trillion) to be spent on other sectors to reach SDGs by 2030. For Mongolia, the distribution of this additional USD 43 billion as per sustainable development targets is the largest for Industry, innovation, infrastructure (38.7 percent of all additional spending), followed by Affordable and clean energy (11.9 percent), Climate action (6.8 percent), Life on Land (9.3 percent), Good health and wellbeing (8.0 percent) and Quality education (6.5 percent).



These estimates are for the achievement of nationally determined targets in the framework of SDGs, which are stated in the Vision 2050, its Five-Year Development Guidelines for 2021-2025 and Investment Program 2021-2025, and Nationally Determined Contributions and National SDGs indicators¹⁷. Additionally, economic growth projection by the World Bank (2021)¹⁸ and poverty rate projection by UNESCAP (2021)¹⁹ and the target levels on health and education sector by IMF²⁰ are adopted.

This is quite significant; ideally, the targets and scope would need to be reviewed to ensure that they are responsive to the current context as COVID-19 has impeded progress and are in line with Mongolia’s development ambitions. That said, there is both an imperative and an opportunity to strengthen the mobilization of additional domestic resources to ensure debt sustainability. Further, mobilize green financing by attracting financing in the form of direct investment from international markets.

These additional funding requirements highlight the importance of private sector investments, investments from international markets, innovative and sustainable financing tools, and integrated strategic approach to align public and private resources to the national development priorities and policies. Besides, increasing the mobilization of various financial resources and strengthening the financing architecture may not be satisfactory to fulfill funding gap. Attention must be drawn to ensure the effectiveness and impact of additional funding in bringing targeted outcomes and improve the efficiency of re-allocation across sectors. These are addressed in the INFS, for example, by introducing financial and policy impact evaluation, performance-based financing modalities, result-based planning and budgeting approaches and conducting social and gender policy impact evaluations in improving efficiency of state budget. Strategies and detailed actions in relation to improving the efficiency of state budget spending, debt management, and SOEs among others are included in Section 6 (Details are provided in Annex 1: I-1, 2, 3, III-1 and Annex 2: I).

¹⁷ NDA (2020). National Indicators and Targets for Mongolia’s Sustainable Development Goals. (draft)

¹⁸ World Bank (2021). Global Economic Prospectus. <https://openknowledge.worldbank.org/handle/10986/34710>

¹⁹ UNESCAP. (2021). Excel model to assess the impact of COVID-19 and design policy responses. <https://www.unescap.org/resources/assessing-impact-covid-19-asia-and-pacific-and-designing-policy-responses-excel-based>

²⁰ Excel based template sheet provided by the IMF.

5.2 Recommendations from Previous Assessments and Rationale for INFS

The Development Finance Assessment and subsequent analysis of development challenges has provided the basis for this INFS. The Strategy is designed to determine integrated and multilateral strategic steps to overcome financing challenges by aligning financing with development priorities, mobilizing new financial resources for sustainable development, especially from the private sector. The baseline assessment of the INFS is the Development Finance Assessment (DFA), which was commissioned by the Ministry of Finance in 2018 and completed with the technical support of the United Nations Development Program. The assessment was updated by UNDP in 2021²¹ to reflect subsequent policy and economic developments and is supplemented by SDG Costing exercise. The SDG costing identifies the financing gap and INFF suggests strategic measures to fill this gap through private sector financing and ensuring debt sustainability by adopting counter cyclical measures in public finance. The recommendations outlined in the Strategy are also informed by the development partners through stakeholder consultations.

5.2.1 Efficiency of the Fiscal Framework

The Government of Mongolia has legal framework and procedures in place to align its development priorities with its macroeconomic framework.

The government of Mongolia is committed to improving alignment of public financing with national development priorities. Under the Fiscal Law and Fiscal Stability Law framework, Mongolia has been implementing the medium-term fiscal framework (MTFF) since 2004. Through the medium-term fiscal framework statement, and an Annual State Budget, the Government (Ministry of Finance as a principal actor) manages macroeconomic conditions (including debt, GDP growth, unemployment) and aligns financing to development priorities.

According to the baseline assessment, sectoral strategies are not adequately linked to the annual state budget or the MTFF. This is due to weaknesses with regard to well-developed long-term budgeting practices, the need for a unified methodology for costing and cost-effectiveness analysis, a legal framework for development policy and planning, and of the adoption of cost-effective policy decision making processes (UNDP et al., 2018²²). As a result of these gaps and challenges, the ability to align the budget with development goals, allocate it efficiently between sectors, and prioritize funding within the allocated budget is limited, potentially compromising efficiency in public spending and the Government's ability to achieve its policy objectives. The INFS addresses this for instance with proposed strategic actions on upgrading Medium-Term Expenditure Framework, introducing SDGs-aligned results-based budgeting and budget tagging, and introducing sustainable public procurement principles (See Annex 1: I-1, 2, 3, 4, 12 and Annex 2: I for further details).

²¹ UNDP (2021c) Baseline Assessments for Integrated National Financing Framework

²² UNDP et al (2018), Development Finance Assessments for Mongolia

Government has started taking actions in establishing a classification system that identifies measures for public investment in line with SDGs and transit to the next step of the medium-term expenditure framework to improve the efficiency of the public financing, following the suggestions made in assessment documents. Stepwise strategies and actions to transit from the medium-term fiscal framework to the medium-term budgeting framework²³ and to introduce budget tagging are set out in the action plan of this strategy (Please refer to section 6 and Annex 1: I-1, 4).

5.2.2 Debt management

While the Pandemic related emergency spending has resulted in an increase in the debt burden, it has also provided opportunities to address macroeconomic challenges and development opportunities.

Expansionary fiscal and monetary policies, increased support for welfare policies have increased the budget deficit, government debt burden and narrowed the budget space for development priorities (IMF 2021, UNDP 2021c, UN and ADB 2018). As of 2016, government debt was 87 percent of GDP, and since 2017 the IMF's Extended Fund Facility (EFF) has taken measures to stabilize the macroeconomy and restore debt stability (UN and ADB, 2018²⁴). Regardless, the public debt remained high compared to the average of middle-income countries and rose again in 2020 (due to COVID response), reaching 77.5 percent of GDP (IMF, 2021).

Mongolia adopted fiscal forbearance during pandemic and has been encouraged by the IMF to improve its debt management and social expenditure targeting to free up resources for public investments.

During the IMF article IV consultation, the government was recommended to carry out structural fiscal reforms: adopt stronger fiscal consolidation, implement better targeting and effectiveness of social assistance programs, carry out pension reform, improve public investment management, and tax administration to ensure debt sustainability. These suggested actions are to free-up resources, reduce current debt burden and in response to the future alleviated fiscal cost of meeting the government's SDG commitments by 2030 and implementing the long-term goals by 2050.

According to the World Bank (2022) Mongolia's debt outlook is concerning²⁵ Hence, the country requires innovative approach to finance additional spending required to achieve Mongolia's medium and long-term development objectives. However, the government is strongly committed to ensuring debt sustainability and keeping the debt below ceiling (indicated in the Fiscal Stability law) through the implementation of the medium-term debt management strategies, reducing deficit by cutting off expenditures from the planned budget.

²³ The implementation of Medium-term Expenditure Framework (MTEF) consists of three phases: i. Medium Term Fiscal Framework (MTFF), ii. Medium Term Budgeting Framework (MTBF) and iii. Medium Term Performance Framework (MTPF). MTFF mainly focuses on achieving fiscal discipline and fiscal consolidation whereas MTBF focuses not only fiscal discipline but also on allocations among sectors (World Bank 2013).

World bank (2013) Beyond the Annual Budget. Washington, DC. <https://documents1.worldbank.org/curated/en/354601468330959258/pdf/Beyond-the-annual-budget-global-experience-with-medium-term-expenditure-frameworks.pdf>

²⁴ UN and ADB (2018), SDGs Mainstreaming, Acceleration, and Policy Support

²⁵ <https://www.worldbank.org/en/news/press-release/2022/04/19/mongolia-reforms-crucial-to-navigate-stronger-headwinds>

For example, the debt management strategy for 2019-2022 was focused more on restricting public borrowings and improving debt management efficiency through actions including maintaining fiscal discipline; reducing budget losses; avoid issuing commercial bonds other than the purpose of refinancing; striving to use resources that are long-term and evenly paid overtime when refinancing; and prioritizing foreign loan projects based on economic and social significance and cost-effectiveness. A debt management strategy for 2023-2025 has been developed focusing on objectives, including increasing the economic and social benefits for projects being implemented; improving the debt management system through the adoption of international good practices such as using derivative instruments to reduce market risks; supporting domestic securities market development; cooperating with the private sector through government guarantees and other supports to the private sector in the implementation of major national strategic projects and reducing the risk of contingent liabilities; and improving debt transparency.

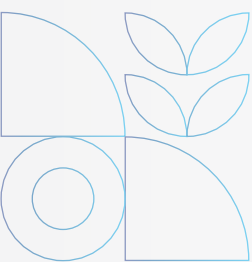
Consistently, INFS includes strategies and actions to ensure debt sustainability and alignment of the government's medium-term debt target (60 percent of GDP from 2024 onwards as indicated in the Fiscal Stability law). Yet to mobilize financing sources to fulfill the financing required to progress towards Mongolia's development priorities is imperative. To this end, measures include improving the efficiency of public investment through the adoption of the medium-term budgeting framework, result-based budgeting, and the introduction of improved public procurement procedures; increasing budget revenues through tax reforms (including environmental taxes), implementing counter-cyclical macroeconomic policies, increasing the alignment of private sector capitals to development priorities through public-private partnerships, restructuring and refinancing debt with sustainable debt instruments such as issuance of SDG bonds and green bonds, developing a system to manage contingency liabilities, and implementing debt-for-nature swaps (See Annex 1: I-1, 2, 5, 8, 9, 12, II-8, III-1). In other words, without increasing the budget expenditure that lead to an increase in budget deficits and sovereign debt, INFS suggests approaches to implement development financing effectively by increasing public investment efficiency and mobilizing private sector resources for sustainable national development with appropriate instruments and incentives.

5.2.3 Government revenue

The Government has realized the need to improve the fiscal performance and has shown progress in implementing tax reforms.

As part of the IMF's EFF, the Government is committed to developing policies that aim to increase public revenue, including introducing excise taxes and other measures to improve revenue performance. The government increased the excise tax on fuel, tobacco, alcohol, and cars, customs duty on tobacco, and social insurance premiums; and removed the threshold for withholding tax on interest earned in 2017 (see Annex 3).

DFA recommends the Government of Mongolia to institutionalize a Sovereign Welfare Fund to support sound fiscal management and stabilize revenue streams, given that tax revenue can fluctuate largely due to commodity price shocks in the mining and mineral products sector. Establishing an internationally recognized national wealth fund to support economic diversification, innovation, human development, new technology adoption, and green growth is one of the objectives in Goal 4 of Vision 2050. This goal is incorporated in the action plan on streamlining the operation of the wealth fund to improve revenue management (See Annex 1: I-7).



Recently, the Government has approved laws to align the tax revenue measures with environmental and climate change actions.

This is very much in line with Vision 2050's call for promoting environmentally friendly green development, maintaining balance of ecosystem, ensuring environmental sustainability, creating conditions for present and future generations to reap its benefits, and improve the quality of human life (goal 6).

In 2012, the law of Natural Resource Use Fee (NRUF) was approved by the Parliament with an objective of imposing natural resource use fees on legal entities, centralize it to the budget, and reallocate funds to protect the environment and rehabilitate natural ecosystems. The enforcement of NRUF law was not satisfactory, resulting lower level of reinvestment to the environmental protection actions (MET-REDD Mongolia 2021²⁶). To support the implementation of NRUF law and bridge potential gaps, the government endorsed a bylaw in January 2022 to regulate income generation from use fees and ensure healthy ecosystem²⁷. A livestock head tax was approved in November 2020 and was officially enacted in July 2021 which aimed to improve livestock and pasture management. Additionally, as recommended in the DFA, the introduction of Environmental Tax Reform to incentivize mechanisms in favor of environment friendly production and consumption is planned through which Government's objectives in environmental areas will be supported and sources of budget revenue will be increased. For example, different form of carbon taxes will be introduced to address severe air pollution caused by coal consumption, which may also have a positive impact on gradual transition towards renewable and environmentally sustainable energy solutions. Furthermore, the Government is committed to increasing public revenue by reducing prevailing substantial tax exemptions and breaks and extend the tax base by such as through e.g., by implementing strategies for combating informal economy and improving tax administration, as recommended by IMF (2021). All of suggested actions by DFA and IMF are planned in the framework of INFS, under the policy areas of revenue strategy and environmental tax reform (See Annex 1: I-5, 6 and Annex 2: I).

5.2.4 State-Owned Banks and Enterprises

The state-owned financial institutions have shown possibility to align their operations with sustainable development needs and financing priorities.

The Development Bank of Mongolia is the state-owned policy bank that accounted for about a quarter of total public investment by 2020. While most Government bonds and loans from international markets are disbursed by DBM, its strategy and operations are not well-aligned with development policies and SDGs (UNDP, 2021 c). (IMF, 2021).

According to the Law on Development Bank of Mongolia, it aims to finance the projects and programs to be implemented in the priority sectors to ensure the national economy's sustainable growth, create the necessary resources to develop products and services to replace imports, and increase export revenue. Baseline studies recommend DBM to improve the alignment of the projects and programs with national development goals, and most importantly, increase loan efficiency and repayment.

²⁶ <https://www.mn.undp.org/content/dam/mongolia/Publications/Environment/UNREDD/6%20-%20Brief%20Financing%20Mechanisms%20and%20option%20to%20implement%20REDD%2B.pdf>

²⁷ <https://www.mne.mn/?p=15914>

A recent audit found that 53 percent of the loans of DBM were non-performing. Hence, a number of actions outlined in the INFS in relation to improving the alignment of DBM operations with SDGs, for example, establishment of sustainable units for sustainable financing, adoption of ESG standard in loan issuance and development of SDG impact action tools (See Annex 1: I-10 for details). Further, the Ministry of Finance has introduced a strategy to reorganize DBM to implement the role of EXIM bank and make reforms to “The State Bank” to support the middle class and Small Medium Enterprises (SMEs). The INFS reflects these reforms and outlines necessary actions in the INFS implementation plans (See Annex 1: III-5, 6).

Therefore, the Government has planned to restructure and reform the SOE governance mechanisms.

The financing needs of some challenged State-Owned Enterprises (SOEs) may continue to crowd-out financing for other higher value-added development initiatives. It is observed that many inefficient and unprofitable state-owned enterprises (SOEs) consume large portion of public funding through subsidies and restrict productive use of resources. Some enterprises are pushed to finance extra-budgetary government decisions, affecting their sustainability and impacting stability of government’s fiscal policy framework. Hence, excessive government interventions reduce the incentives for market-based development and efficiency for promising enterprises (UNDP, 2021c). Therefore, reforming the governance system of state-owned enterprises, aligning operations with long-term development policies, preparing reporting to international standards, and increasing the capacity to attract funding from foreign markets have become priorities to support sustainable development. A list of actions in relation to SOEs reforms is included in the action plan table (Annex 1: I-11).

5.2.5 Climate Change and Environmental Issues

In order, to tackle climate change and environmental challenges, Mongolia needs to finance climate adaptation and green energy initiatives.

According to the Mongolia Voluntary National Review report (2019)²⁸, environmental and climate change are significant challenges for Mongolia, including global warming, air pollution, water scarcity, soil pollution, waste and pasture degradation. These require Mongolia to focus on the green economy, natural resource management, responsible mining, and increased use of renewable energy. Yet, the revenue from natural resource use is not adequately spent on environmental protection and rehabilitation (VNRR, 2019).

The Government of Mongolia has in fact set goals and targets in “Vision-2050” and “Five-Year Development guidelines for 2021-2025”, and Green Development Policy to reduce environmental pollution and degradation, use and rehabilitate natural resources, introduce environmentally friendly advanced green technologies, mitigate climate change, and implement adaptive policies. Moreover, by the government decree No 407 in 2019, Mongolia has approved Nationally Determined contributions (NDC) on climate change, aiming to enhance mitigation and adaptation efforts in natural resource management by 2030. This also requires carrying out environmental tax reforms, which will be carried out in the short-term by strengthening a green tax system (Annex 1: I-6).

²⁸ Government of Mongolia 2019. Mongolia Voluntary National Review Report: Implementation of the Sustainable Development Goals.

Raising finances from both domestic and international financial markets is imperative for Mongolia to meet its NAP and NDC targets.

The National Adaptation Plan (NAP) process was also launched in 2019 and is still ongoing to support medium and long-term climate change adaptation planning and budgeting in crucial sectors. Therefore, Mongolia is already committed to resolving climate issues. However, under current circumstances, characterized by COVID-19 response and recovery, there is little opportunity to increase the flow of public funds for climate change without support from international development partners and/or reliance on innovative debt refinancing approaches and attracting sustainable investments. The INFS reflects on this and include actions on strengthening green tax system, increasing carbon tax, implementing debt-for-nature swaps, operationalizing Green Finance Corporation, introducing sustainable financing instruments directed to environmental issues such as green and/or SDG bond, introducing ESG standards and cooperating with Private Financing Advisory Network (PFAN) on climate and green energy projects (See Annex 1: I-6, 9, II-1, 6).

Compared to selected countries, Mongolia's high external debt to GDP ratio and increasing debt servicing requirements indicate that its financial resources are over stretched despite having a higher tax to GDP ratio²⁹, and its ability to obtain additional loans and raise bonds is limited (UNDP, 2021c). According to the NDC plan, a total of USD 11.5 billion in financings would be required to reach climate targets by 2030³⁰. Given substantial financial needs, active mobilization from both the domestic private sector and the international capital market will be pursued to finance green development (Annex 1: I-6, 8, 9, 10).

Private Sector participation is imperative in SDG financing to bridge the SDG financing gap.

International development partners have reminded that Mongolia's private sectors have ample opportunities to attract foreign capital, aid, and investment (UNDP et al. 2018, UN and ADB 2018, UNDP 2021c, IMF 2021). For example, private sector can attract concessional funding from the Global Environment Facility (GEF), the Environmental Trust Fund (ETF), and the Green Climate Fund (GCF) through which additional resources from the private sector can be catalyzed and channeled to address the country's challenges related to energy, the environment, and climate change. The banking sector has been proactive, raising funds from several foundations. For example, TDB has raised concessional financing from International Bank for Economic Cooperation (IBEC) and Khan Bank from the Global Climate Partnership Fund (GCPF). These activities will be expanded in the future to combat climate change such as through actions on activating the operations of Green Finance Corporation, introducing ESG standards to financial system, increasing concessional financing and access to long-term green financing, and encouraging philanthropists to contribute resolving climate issues which are listed in the INFS (See Annex 1: II-1, 11, and III-2)

²⁹ The revenue to GDP ratio from 2017-2021 was on average 30 percent, and it is projected to be around 35 percent between 2022 and 2024 according to the MOF projection.

³⁰ The NDC action plan cost is related to reducing national greenhouse gas (GHG) emission actions only and does not include all SDGs. Hence, one cannot compare the SDG costing reported above earlier.

5.2.6 Financial Sector Deepening, Private Sector and Public-Private Partnership (PPP) Challenges

Mongolia can adopt the lessons learned from other countries. All over the world, private sector is aligning its operations and finances with sustainable development.

Private-sector funding has limited alignment with sustainable development. The private sector needs peripheral vision beyond business profitability and needs to pay attention to its positive impact on the economy, society, and the environment. For example, the stock market is less diversified, and activity is concentrated in a few sectors. Similarly, more than half of the loan portfolio of commercial banks, which account for more than 90 percent of the financial market, is short-term (up to 1 year), and most of the investment is in consumer and trade sectors (Bank of Mongolia, 2020). Furthermore, more than 70 percent of private FDI is in the mining sector (UNDP 2021c). Although the mining sector is the driving force of Mongolia's economy, it has the most significant negative impact on the environment (VNRR, 2019)³¹. The government will act for supporting economic diversification by improving the effectiveness of policy coordination and creating enabling environment. More specifically, actions on developing infrastructure, increasing export financing, improving investment environment are planned in the INFS (See Annex 1: III-3, 5).

Internationally, governments benefit by leveraging private sector financing and technical expertise capacity in the infrastructure and energy sectors using public private partnership frameworks.

In Mongolia, public-private partnerships are regulated through Government policy on Public-Private-Partnership framework, which was approved in 2009 and aimed to attract private investment in infrastructure and essential social services, increasing budget efficiency, and create a favorable legal environment to support private sector activities through concessional agreements.

According to the DFA, the environment for PPP projects needs improvements.

Mongolia's PPP framework is ranked in the lowest category compared to other Asia-Pacific countries. The current PPP policy is limited concerning how the partnership will be implemented, their roles, and risk-sharing mechanisms for parties (UNDP, 2021c)³². A new law on PPPs has been developed by the Ministry of Finance and consultations are ongoing with stakeholders including the World Bank, and International Monetary Fund (IMF)³³. The PPP reforms are listed in the INFS (Annex 1: II-8).

Furthermore, Mongolia needs a well function PPP framework and incentive mechanism for mobilizing private finance for SDGs.

In addition to the legal and policy framework, the supporting system, a classification, measurement, and reporting standards for SDG-focused activities, to direct private sector activities to SDGs will be established (an establishment and adoption of SDG taxonomy is outlined in Annex 1: II-2.).

³¹ ibid

³² ibid

³³ Recently, the government held a consultation and sought suggestions from stakeholders for upcoming changes to PPP framework.

The Government will provide incentives to enterprises operating in the categories through leverage mechanisms including interest and tax incentives, provision of guarantees. In the context of Mongolia, PPP arrangement is planned to be used for financing and operating infrastructure projects, traditional and renewable energy projects, and expand service in health and education sectors. Additionally, an effective and efficient PPP is impractical without the implementation of sustainable procurement practices. The INFS ensures the introduction of sustainable public procurement principle (Annex 1: I-12).

An effective PPP framework can be instrumental in mobilizing financing for infrastructure and renewable projects.

Mongolia has exceptionally high potential in renewable energy sources including wind and solar and it is a key development sector in Mongolia's economy. Mongolia's PPP framework if properly developed and aligned with SDGs can become instrumental in accelerating: the development of the renewable energy sector and become an enabler in achieving long-term sustainable energy target of 30 percent renewable energy share in total capacity by 2030, as per the State Policy on Energy; economic diversification; the process of becoming an exporter in the region; and meeting environmental goals stated in NDC plan (Annex 1: II-8).

5.2.7 Development of SMEs

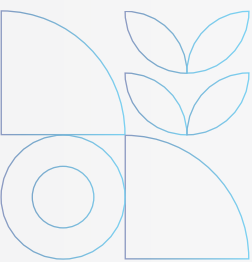
Supporting and developing SMEs is imperative for Economic Diversification and Growth

It is important for the Government to support the SME sector, which provides about 50 percent of all jobs, and link their activities to the capital market to increase investment opportunities (UNDP et al. 2018³⁴ and ADB 2014³⁵). Through cooperation with development partners, including the European Bank for Reconstruction and Development, ADB, and USAID, the Government established a loan guarantee fund in 2012 to alleviate main challenges to SMEs such as short-term high-interest rates, insufficient collateral and limited access to SME support due to a broad classification of SMEs. The Government also has introduced the plan to reorganize State Bank so that its primary role is to support Small Medium Enterprises (SMEs) through loans and investment (stated in Annex 1: III-5, 6).

Further, Government is committed to improve the legal framework by revising the Law on Support of Small and Medium Enterprises and Services with the respective change, increase the knowledge of enterprises about the capital market and intensify their involvement in the capital market, and ensure inclusive support taking into account funding size and areas of activity (Annex 1: II-6).

³⁴ *ibid.* P.56-57

³⁵ Shinozaki, Shigehiro (2014). Capital Market Financing for SMEs: A Growing Need in Emerging Asia, ADB. <https://www.adb.org/publications/capital-market-financing-smes-growing-need-emerging-asia>



5.2.8 Gender Equality

Mainstreaming gender equality is imperative for inclusive and sustainable growth.

Alignment with sustainable development goals in terms of promoting and providing for Gender equality is aimed to be adequately addressed in Mongolian development policies and plans and financing framework. In addition, there is a need to increase financing for gender-specific policies and plans that have aims to support gender equality. To this end the INFS supports strategic action on gender responsive budgeting (Annex 1: I-3 and Annex 2: I). According to a recent Mongolia Sustainable Finance Association (MSFA) study, women's ability of economic and social progress is restricted due to challenges, which include lack of named ownership of assets and subsequent difficulty in accessing loans and other financial products and services in their name for female entrepreneurs, gender-based discrimination and harassment at the workplace by female workers, lack of opportunity to participate in the labor market due to limited access to quality childcare services, an early retirement age compared to men which is mandated by law, and increased family responsibilities especially for single mothers (MSFA, 2021³⁶). On the other hand, to increase access to international capital and attract foreign financing, the financial institutions will need to demonstrate their efforts to meet growing expectations globally on gender mainstreaming progress across financial sector.

The financial sector has taken initiatives to address gender mainstreaming issues.

Some progresses have been made by MSFA by conducting baseline gender study in financial sector and embedding gender into sustainable finance guideline, and by BoM and FRC on collecting and reporting gender disaggregated data in financial and non-financial sectors. Ministry of Finance also started piloting gender-responsive budgeting since 2021. Nevertheless, there are gaps in developing and providing an enabling environment, increasing institutional commitment and capacity building towards gender mainstreaming, and data availability to track progress and achievements (MSFA, 2021)³⁶. To fill these gaps, INFS outlines number of action plan items in the framework for introducing gender-responsive budgeting in all sectors and creating a gender-responsive financial system (please refer to Annex 1: I-3, II-7).

³⁶ MSFA (2021) Mongolia gender financial sector baseline

³⁷ *ibid.* P.18

5.3 Current measures and progress

Progress is made in reorienting expenditure focused budgeting to Integrated Result Based Budgeting and Expenditure.

On the public financing side, there are various efforts and progresses by the Government to align public financial budgeting sources and policies with the SDGs. The SDG-aligned, Results-Based Budgeting (RBB) is being piloted since 2018 and Gender-Responsive Budgeting (GRB) since 2021. These pilots are expected to have immense contribution towards expanding lessons learned and aligning budgeting with the development priorities in other sectors, ministries and different levels of the government, enhancing the efficiency of the state budget. In addition, the Development Bank of Mongolia (DBM) plays an important role in the financial sector being the policy bank to support national industry and exports and contribute to sustainable economic development in Mongolia. The DBM is working towards the integration of sustainable financing principles into its operations (Annex 1: I-1, 2, 3).

At the challenging times of the pandemic when the Mongolian economy shrank by 4.6 percent last year and the credit rating was relegated to B, the Government of Mongolia implemented effective debt management strategy, by issuing 'Century Bonds' at the lowest-to-date interest rate of 3.5 percent with 6 years maturity raising \$500 million, and 4.45 percent for 10 years maturity with a capitalization of \$1.0 billion, successfully refinancing part of Mongolia's debt maturing in two years and supporting economic recovery. Additionally, Ministry of Finance has developed SDG bond framework with technical assistance from UNDP which will be issued and allocated to projects that are closely aligned with SDGs and deliver social and environmental benefits.

The Banking Sector in Mongolia has moved strategically to launch Sustainable Finance Initiative and ESG standards in Mongolia.

Private sector has been pro-actively working towards mobilizing and enhancing financing for the SDGs (Annex 1: I-10, II-1, 4, 9). For instance, Mongolian commercial banks voluntarily launched the "Sustainable Finance Initiative" under the Mongolian Banking Association in 2013 and started implementing the principles of sustainable financing in their lending activities from 2015. In order to develop sustainable financing not only in commercial banks, but in the financial sector as a whole, the initiative was expanded in 2017 to become the "Mongolian Sustainable Finance Association" NGO (MSFA), and will continue to strengthen under INFS (Annex 1: II-1, 4, 9).

In 2021, "Sustainability Reporting Guidance" has been developed^{38, 39} which guides Mongolian companies to make a disclosure on environmental, social, and governance standards. Subsequently, in 2021, MSFA has organized multi-stakeholder consultation on introducing ESG standards into the Mongolian capital markets⁴⁰.

³⁸ This document was developed through partnerships between the Mongolian Stock Exchange (MSE), the FRC, MSFA, the International Finance Corporation (IFC), the International Network of Financial Centers for Sustainability (FC4S), the United Nations Environment Programme (UNEP), the United Nations Development Programme (UNDP), and the United Nations (UN) Resident Mission in Mongolia, with the financial support of the Global Environment Facility (GEF) and the UN Joint SDG Fund.

³⁹ MSE et al (2021) Sustainability reporting Guidance for Mongolian Companies [draft].

⁴⁰ <https://www.mn.undp.org/content/mongolia/en/home/presscenter/pressreleases/environmental-social-and-governance-disclosure-and-reporting-st.html>

“Mongolian Green Taxonomy”, a classification system establishing a list of environmentally sustainable economic activities, was approved in 2019 served as an accelerator to the development of sustainable financing in the country. Recently, the National Sustainable Finance Roadmap of Mongolia was approved in March 2022. Mongolia, as a member of the International Finance Corporation’s (IFC’s) Sustainable Banking Network, has become one of the 10 countries rated as 4 out of 5 levels during the assessment among about 40 members by the Sustainable Banking Network (SBN, 2019)⁴¹.

Commercial Banks have made significant progress on sustainable financing.

It should be duly acknowledged that commercial banks are actively working to attract long-term concessional financing to support sustainable financing in the country. For example, the Mongolian Green Finance Corporation was established with the joint investment of Government, private sector and international organizations, specifically the Government of Mongolia, the United Nations Green Climate Fund (GCF) and commercial banks. GFC is in the process of conducting preparations to start its operations with USD 50 million concessional financing endowment. XacBank and the Trade and Development Bank (TDB) have become the GCF national accredited entities in 2016 and 2020 respectively. Since then, the TDB has launched the Climate + 30 initiative in 2021, with the objective of mobilising USD 2 billion on climate change by 2030, and has received USD 10 million in funding from the International Bank for Economic Cooperation (IBEC). In 2021, Khan Bank raised USD 15 million from the Global Climate Partnership Fund to combat climate change and support the implementation of SDGs. These are manifestation of the pro-activity and dedication of the private sector, in particular, of the financial institutions towards enabling financing for sustainable development. The INFS provides due strategic support for introduction of sustainable finance by public and private sector financial institutions (Annex 1: I-8,10, 11 II-1, 4, 6, 9)

The Central Bank of Mongolia has also started reporting on green Loans and gender disaggregated data in financial sector.

Financial regulators are also providing policy support. The Bank of Mongolia started issuing “Green Loan Report of Banking Sector” since 2020, and as of the second quarter of 2021, the amount of green loan portfolio reached USD 122.4 million (MNT 348.8 billion) (Bank of Mongolia, 2021b)⁴². In addition, the Bank of Mongolia has started to publish “Gender Statistics of the Banking Sector” from 2021, catalyzing further development of a gender-responsive financial system in Mongolia. The Financial Regulatory Commission (FRC) has approved regulations for issuing green bonds in 2021, which is a significant step towards developing sustainable financing in the non-banking sector (See Annex 3 for details).

⁴¹ International Finance Corporation (2019) Global Progress Report of the Sustainable Banking Network Innovations in Policy and Industry Actions in Emerging Markets.

⁴² Bank of Mongolia (2021b) Green Loan Report of the Banking Sector

International Organizations are providing technical support for developing and operationalizing INFF framework in support of government's plans to mobilize and effectively use sustainable financing.

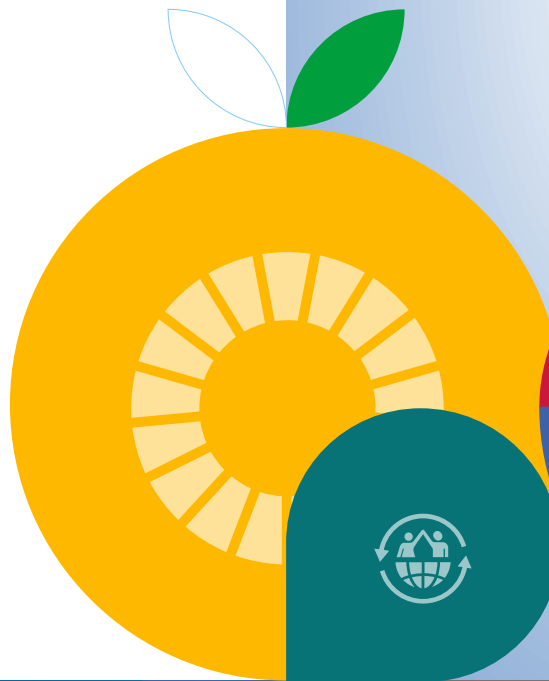
There are a number of initiatives and projects supported by international organizations such as the introduction of ESG reporting standards among blue-chip private sector entities and publicly listed companies, and development of an SDG finance taxonomy and impact measurement system, which is a classification and impact measurement tool of economic activities that contribute to the SDGs (Annex 1: II-1, 2, 4). The above examples illustrate that the stakeholders, including the Government, private sector and international organizations, are already working proactively in their respective areas to enhance financing for sustainable development. The mapping information on the current practice is outlined in Annex 3.

A well developed and functioning INFS would increase cooperation among all stakeholders including the public, private and international development partners to mobilize finance for SDGs.

Therefore, the key value added by INFS is that it serves as a mechanism for these stakeholders to align and coordinate their efforts, to cooperate and support each other, create policy incentives to encourage financing for development, and increase the amount and efficiency of financing flows, hence enabling the achievement and acceleration of SDGs.

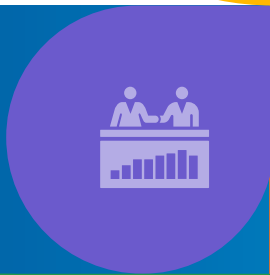


FINANCING STRATEGY PILLARS



MONGOLIA'S INTEGRATED
NATIONAL FINANCING

STRATEGY
2022



MONGOLIA'S INTEGRATED
NATIONAL FINANCING

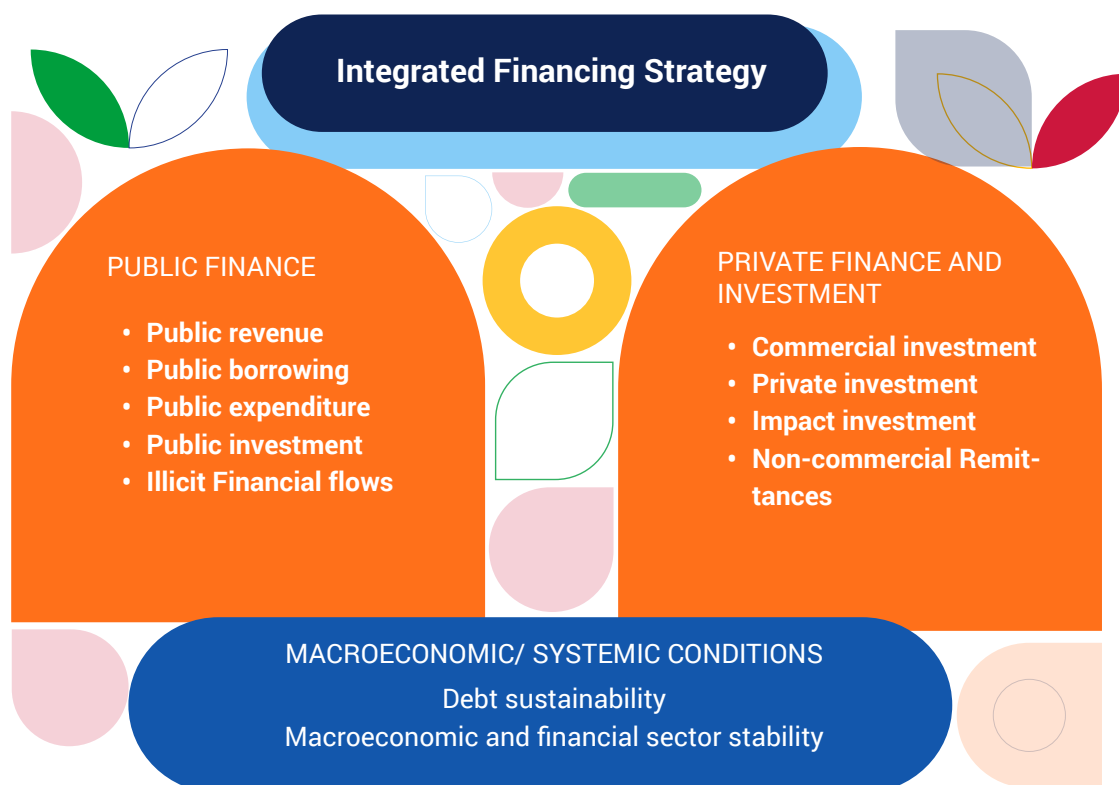
STRATEGY
2022



Financing Strategy Pillars

The strategic directions of the INFS are determined based on the country's unique financing landscape, opportunities, and challenges. The INFS builds on other currently effective policy documents and strategies and emphasizes the financing alignment with the SDGs limiting duplication with existing policies and strategies. The strategy is developed for the timeframe of 2022-2025, and it is expected that the systemic reforms to continue beyond this timeframe and be embedded into subsequent revisions and new sectoral strategies. This section identifies strategies for improving public and private sector financing and creating an economic environment to support SDGs. Details of the action plans to be carried out in the strategic areas, the planned timeline, responsible leading, and partner organizations can be found in the action plan table given in Annex 1.

Table 2: Integrated Financing Strategic Framework



Source: www.inff.org

The details of the strategic elements including policy framework, potential instruments and regulations that authorities put their policies into practice, processes and system, stakeholders that should be involved in the whole process of implementing strategies and links to the useful resources, are outlined in Annex 2.

6.1 Public Financing Strategy

6.1.1 Key Challenges

There is scope to further enhance the alignment of public financing with the SDGs and national sustainable development priorities, even as high budget deficits and debt pressures have narrowed fiscal space and impacted future financing flows.

While efforts are underway, there is currently insufficient coherence of the DBM's activities with sustainable development policies and SDGs. Further, many state-owned enterprises experience low profitability, governance challenges, show weak coordination with development policies and more needs to be done to enable them to more effectively and sustainably access the international capital market where appropriate.

6.1.2 Strategies to implement

6.1.2.1	Increase budget space for sustainable development by tax reforms aimed at reducing negative impact on the environment, promoting environmentally friendly consumption and production, renewable energy, reducing income inequality and extending tax base through improved tax administration.
6.1.2.2	Institutionalize a National Wealth Fund (NWF) and ensure its effective governance mechanism by incorporating detailed regulations on maintaining transparency, accountability and responsibility in the National Wealth Fund Law ⁴³ in accordance with internationally accepted good principles.
6.1.2.3	Medium Term Expenditure Framework ⁴⁴ will be upgraded by transitioning from the Medium-Term Fiscal Framework to Medium-Term Budgeting Framework to align public expenditures with development priorities and increase the efficiency of public funds ⁴⁵ .
6.1.2.4	Introduce gender-sensitive, results-based budgeting coherent to the national sustainable development goals and priorities.
6.1.2.5	Improve public investment management by selecting investment projects based on their economic efficiency and contributions to SDGs for cost effectiveness; incorporating investments in the medium-term budgeting framework for better planning, and continuous implementation; improving

⁴³ The National Wealth Fund has objectives to improve basic social and economic outcomes, increase employment, increase national economic productivity, create sustainable livelihoods by increasing wages and provide long-term benefits to citizens. The corresponding draft law on the National Wealth Fund has been drafted and discussed at the Cabinet. It will be discussed at the spring Parliament session. Find more details at: <https://ikon.mn/n/2jts> <http://www.erdenesmongol.mn/index.php?view=article&type=item&val=574>

⁴⁴ The implementation of Medium-term Expenditure Framework (MTEF) consists of three phases: i. Medium Term Fiscal Framework (MTFF), ii. Medium Term Budgeting Framework (MTBF) and iii. Medium Term Performance Framework (MTPF). MTFF mainly focuses on achieving fiscal discipline and fiscal consolidation whereas MTBF focuses not only fiscal discipline but also on allocations among sectors looking at the medium term plans/targets (World Bank 2013).

⁴⁵ Further, efforts are underway to transition towards result based budgeting in central and local ministries.

6.1.2.5	public procurement law to promote participation of business organizations and citizens through simplified procurement procedure, and reduced costs; enacting Public-Private Partnership law to create a legal environment that meets international standards and addresses practical needs ⁴⁶ .
6.1.2.6	Increase the amount of climate and SDG-related ODA finance including bilateral and multilateral funds and new forms of concessional borrowing (IMF the Resilience and Sustainability Trust, GCF, GEF etc) from Development Finance Institutions for renewable energy, environmental and climate related interventions.
6.1.2.7	Increase the efficiency of the Development Bank of Mongolia in financing sustainable development initiatives, by supporting government's initiatives aimed at removing political influences, carrying out governance reforms, ensuring transparency and accountability, strengthening capacity building, and introducing the principles of sustainable financing in its activities.
6.1.2.8	Reduce the negative impact on the environment and increase the positive effects on social development by renovating state-owned and partly state-owned legal entities and introducing ESG reporting standards.
6.1.2.9	Introduce the principles of sustainable public procurement and increase procurement that is more resource-efficient, has a less negative impact on the environment, and positively impacts society and the economy.
6.1.2.10	Develop and implement a medium-term policy and strategy based on FATF recommendations to improve the national system for combating money laundering and terrorist financing and create a legal environment for its implementation ⁴⁷ , especially focusing on taking measures to mitigate risks associated with virtual assets and virtual asset service providers.
6.1.2.11	Strengthen regional, bilateral, and multilateral relations to foster collaboration and partnerships with development partners and build confidence among partners by enhancing coordination mechanisms, transparency and accountability.
6.1.2.12	Support the process of achieving the national development goals by increasing technical and financial assistance from developing partners and improve coordination between projects implemented with assistance of international organizations and ensure their coherence with development priorities.

⁴⁶ Work on PPP is already underway. <https://mof.gov.mn/article/entry/20220107>

⁴⁷ This strategy is embedded in the Government's Monetary Policy Guidelines for 2022.

6.1.3 Expected results

6.1.3.1	Public fund will be increased and effectively mobilized for priority development sectors by implementing revenue strategies, initiating welfare fund, improving public investment management, and increasing ODA loan.
6.1.3.2	By adopting a medium-term budgeting framework, result-based budgeting practice, introducing sustainable public procurement principles, improving public investment management and fostering partnerships with developing partners opportunities will be created to improve alignment of planning and budgeting process with medium and long-term national development policy goals and objectives, which further accelerate the implementation of sustainable development goals.
6.1.3.3	Furthermore, the efficiency and positive impacts of public spending for development priorities will be enhanced by carrying out governance reforms to stated owned banks and enterprises and introducing sustainable finance principles and ESG standards into their operations.



6.2 Private Sector Financing

6.2.1 Key Challenges:

Private sector financing is not well aligned with SDGs and national priorities. Private sector has limited access to international markets and funding while there are growing opportunities globally that can be tapped into for sustainability-driven investments. Moreover, legal framework and cooperating mechanisms for Public-Private partnerships are not clear and insufficient legal and policy support to private sector development. One of the main challenges in the macroeconomic environment is high-interest rates that limits investment opportunities. Also, there is a lack of a regulatory framework, accountability, transparency, and liquidity to activate the capital market and develop sustainable financial products.

6.2.2 Strategies to implement

6.2.2.1	Develop financial and capital markets by encouraging innovative financing tools to mobilize private financing to the SDGs and national development priorities.
6.2.2.2	Promote innovative financing using digital technologies and increasing digital literacy.
6.2.2.3	Create and introduce SDG finance taxonomy to increase the private sector's contribution to sustainable development by enabling the classification, identification, and reporting of activities aimed at the sustainable development of the private sector.

6.2.2.4	Establish impact investment funds to raise funds from domestic and international investors by revising Investment Fund Law in accordance with international standards focusing on investable assets, duration and the legal status of investment fund, and introduce innovative incentive mechanisms targeted in increasing impact investment funds.
6.2.2.5	Recommence Asset Management Company, a subsidiary of Development Bank of Mongolia, as a sustainable investor by introducing SDG impact standards for its operations and activities.
6.2.2.6	Attract and retain international investors by developing SDG investor mapping, preparing the list of SDG-aligned investment projects, and introducing them to international investment fair/roadshow, and revising Investment Law to make it more friendly toward international investors.
6.2.2.7	Develop a gender-responsive financial system to enhance gender equality.
6.2.2.8	Expand public-private partnerships by reforming the Law on Public-Private Partnerships and encourage private sector involvement to contribute to national development priorities.
6.2.2.9	Improve the policy and legal environment to increase diaspora savings, investment, and remittances, leverage these resources to support national priorities and development goals by establishing innovative financial products and programs to attract investment from diaspora communities.
6.2.2.10	Encourage foreign and domestic donors to contribute to resolving environmental and climate challenges and social sector developments by increasing their awareness of such issues and publicly advertising their contributions.

6.2.3 Expected results

6.2.3.1	Additional funding for SDGs and national development priorities will be increased and mobilized from domestic and foreign private-sector sources as a result of successful implementations of strategies including developing innovative financing tools in financial and capital markets, establishing investment funds and attract foreign investors, and catalyzing private sector funds through public-private partnerships.
6.2.3.2	Private sector resources will be better aligned with development priorities with adoption of SDG finance taxonomy by which classification, identification, and reporting of activities aimed at the sustainable development of the private sector are made. Additionally, developing gender-responsive financial system in light of “Leave no one behind” principle and call for action from domestic and foreign donors to contribute to development areas that have the most lags will help to align current financial resources to development priorities.
6.2.3.3	Policy and technical support to integrate SDG impact standard and ESG standard into operations and activities of private sector enterprises will be enhanced by government agencies and international partners which will increase the positive impacts of private sector in resolving environmental and social challenges.



6.3 Strategies for creating a macroeconomic environment/systemic condition to support debt sustainability and financial sector stability

6.3.1 Key Challenges

Public debt has been increased mainly due to emergency assistance related to the pandemic, and extended welfare policies. Inflation has risen recently due to border closure which affects import prices. Financial sector has become vulnerable with asset quality deterioration, limited international reserves, and increased pressure on exchange rate. Moreover, adoption of pro-cyclical policies could adversely impact on the stability of macro financial and debt sustainability (IMF, 2021).

6.3.2 Strategies to implement

6.3.2.1	Strengthen a coherence of a macroeconomic policy framework with Mongolia's sustainable development priorities by assessing newly formulated policy's targets and their conductiveness to achieving development priorities prior to approval.
6.3.2.2	Focus on ensuring debt sustainability when raising the necessary financing resources to achieve the national development goals by implementing sound debt management, avoiding pro-cyclical macro-economic policies, and increasing private sector participation through public-private partnerships.
6.3.2.3	Develop innovative sustainable debt instruments (derivatives, SDG bond, green bond etc.) to improve government debt management, ensure debt sustainability, and accelerate sustainable development goals.
6.3.2.4	Ensure macro-economic and financial sector stability by increasing long-term, low-cost and green financing resources, implementing effective monetary policy, macroprudential policy and counter-cyclical macroeconomic policies.
6.3.2.5	Choose sustainable financing options to support economic recovery during pandemic and medium-term macroeconomic stability and implement prudent macroeconomic policies in combination with monetary policy to prevent the accumulation of risks in the financing sector.
6.3.2.6	Create infrastructure and a sustainable environment to support economic diversification and business growth by engaging private sector in implementing infrastructure projects that are beneficial to as many economic priority sectors and lowering interest rate to increase investments.
6.3.2.7	Establish standards, tracking and certification system for a sustainable supply chain for priority sectors of the economy to build competitive and more sustainable economy which have positive impacts on the environment, economy, and society.
6.3.2.8	Establish institutions to support economic diversification such as export and SME financing and guarantee organizations.

6.3.3 Expected results

<p>6.3.3.1</p>	<p>While meeting financing needs for achieving sustainable development, the government will maintain debt sustainability, macroeconomic and financial sector stability and prevent risk accumulation by implementing policies and strategies stated above.</p>
<p>6.3.3.2</p>	<p>Future financial resources from public and private sectors will be increased by promoting enabling environment for economic diversification today and supporting sectors that have large positive impacts on development priorities. For example, improved infrastructure will reduce business costs, increase competition, and promote sustainable economic sectors such as agriculture and tourism.</p>
<p>6.3.3.3</p>	<p>Primary resource production sector will be developed by establishing a sustainable supply chain in priority sectors of the economy. The participants in the supply chain will have the opportunity to mobilize their capital, products, and movable assets to increase future investments, and access insurance services, which will increase the profitability of the entire sector, create jobs and impact positively on economic growth.</p>



Seven. MONITORING, EVALUATION, AND LEARNING SYSTEM



MONGOLIA'S INTEGRATED
NATIONAL FINANCING

STRATEGY
2022



MONGOLIA'S INTEGRATED
NATIONAL FINANCING

STRATEGY
2022





Monitoring, evaluation, and learning system

7.1 Importance of monitoring and evaluation

Reviewing and monitoring the INFS progress will be important to identify duplications and gaps in the strategy and actions, provide evidence-based conclusions to improve the effectiveness of financing policy, and evaluate whether the flow of funding and the SDGs have improved financing and policy support has increased. Additionally, the monitoring process facilitates policymaking by examining whether strategies are effective or ineffective, increasing cooperation and trust between relevant partners, and improving transparency and accountability (INFF International guidelines, 2021).

7.2 Monitoring process

A subcommittee will be established under the National Committee for Sustainable Development which will be responsible for supporting and monitoring the implementation of INFS and improving coordination among stakeholders. A subcommittee will include high rank representatives of the Ministry of Finance, the Ministry of Economic Development, the Bank of Mongolia, the Financial Regulatory Commission, and the National Audit Office who will collaborate to ensure the implementation of the INFS and provide appropriate support. The parties will take the initiative and exchange information regularly within the framework of their rights and responsibilities provided by the respective Law.

The Ministry of Finance is responsible for monitoring of budget revenue and expenditure, debt management, public investment and taxation and custom issues, as mandated by Law on Government and evaluates whether the effectiveness is improved and aligned with national development priorities. The Ministry of Economic Development will have a role for monitoring the coherence of development financing policy and planning, monitoring the improvements in enabling legal environment, including Investment policy, PPP, and Trade and Economic policies ensuring whether these policies support the increase of financing flows and channel resources into sustainable development.

The Bank of Mongolia and the Financial Regulatory Committee jointly oversee and monitor the overall structure of financial and capital markets, in accordance with the Law on Central bank and the Law on the Legal Status of the Financial Regulatory Commission, respectively. They monitor the implementation of strategic actions under the private sector development strategies in the INFS, maintain the stability of financial sector while supporting the increase in financial flows or investments and aligning private sector resources with national development goals. The National Audit Office plays an important role in providing evidence-based conclusions on the progress of INFS implementation.

Additionally, representatives from other public and private sector organizations, civil societies, international development partners and academic institutions will also provide assistance in implementing the INFS and have a role of external surveillance.

In monitoring the implementation of the INFS, the “General Procedure for Monitoring and Evaluating the Implementation of Policy Documents and the Activities of Administrative Organizations” approved by the Government Resolution No. 206 of 2020 will be followed. More specifically, a progress report of the financing strategy implementation will be consolidated by the Ministry of Finance and presented annually to the subcommittee and at the National Committee for Sustainable Development. Further, the progress report will be presented to the Cabinet Secretariat on an annual basis. The final evaluation report will be delivered once every five years to Parliament with the participation of the National Committee for the sustainable Development and the Cabinet Secretariat of Government. The report will be discussed, and policy guidelines and recommendations will be submitted to the implementing agencies.

Based on the results of the medium-term assessment to be made in 2025 and also reflecting changes in Mongolia’s social, economic, and financial circumstances, amendments and revisions to the subsequent strategic objectives and measures shall be made.

7.3 Monitoring implementation indicators

Indicators set out in Annex 4 are used to monitor ongoing implementation procedures annually. This annex contains indicators corresponding to actions within each policy area along with measurement methods, frequency, and responsible monitoring organizations. Indicators are defined both in terms of quantitative and qualitative measures.

The primary sources of official data are Management Information System which provide administrative statistics from the Ministries and other government organizations and the NSO which provide official statistics of socio-economic and financial indicators. Other unofficial data can be found at non-government organizations, research institutions and academia that will be useful to track progress of national development.

Monitoring and evaluation can also make a use of the upcoming Voluntary National Review report (VNRR) which monitor the progress made in achieving the Sustainable Development Goals, and SDG related statistics by National Statistical Office (NSO) to evaluate whether the INFS effectively increase financing flows and improve policy support to achieve SDGs and national development goals.

The medium-term outcomes of the strategy will be evaluated in 2025, and the INFS will be revised accordingly to set out objectives and corresponding activities until 2030.

7.4 Challenges to Monitoring and Evaluation process

The availability of formal and quality digital data is important to monitor the progress and outcomes of the INFS. In general, the availability and quality of digital data are not satisfactory, although government agencies and the NSO are making efforts to expand database and improve data collection system. As of 2021, the NSO reports 190 indicators out of 244 criteria for evaluating SDG implementation (NSO, 2021⁴⁸). The Bank of Mongolia has been reporting “Bank Green Loan Reports” since 2020 and “Gender Statistics in the Banking Sector” from 2021, which is an important impetus for measuring the effectiveness of SDGs and these will be reported as part of the annual monitoring report. In addition, some progress has been made to increase the type and quality of digital data extracted from the Management Information Systems (UNDP et al., 2018). Further actions which need to be carried out in enriching statistical database for SDGs are set out (See Annex 1: V-1).

Furthermore, it is vital to improve monitoring methodologies and approaches for quantitative and qualitative information, establish clear and measurable indicators for measuring outcomes, improve the capacity of monitoring professionals, and collaborate with academic and research institutions to evaluate the implementation of strategies (UNDP, 2021c). The corresponding actions are included in the Annex 1: V-2, 3, 4 of the Strategy. In addition, the introduction of SDG finance taxonomy will be a great help to facilitate performance-based monitoring and good track of SDG related data.

7.5 Strategies for strengthening the monitoring, evaluation, and learning system

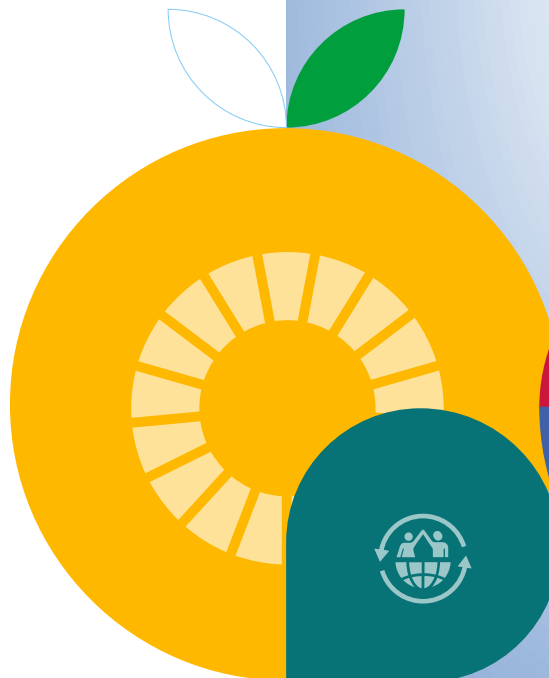
The following additional measures shall strengthen the monitoring, evaluation, and learning system and increase effectiveness. These include:

7.5.1	Establish nationalized SDG indicators and targets and periodically update these indicators to facilitate effective monitoring and evaluation.
7.5.2	Increase the number of SDG statistics and expand the SDG database by strengthening NSO capacity and improving Management Information System.
7.5.3	Conduct SDG implementation audit regularly and strengthen audit capacity for SDGs.
7.5.4	Establish the INFS M&E matrix, indicators, and data sources to develop and implement INFS M&E framework and build the capacity of government departments and officials through training to measure INFS implementation progress.
7.5.5	Improve capacity to measure and report on contributions and impacts to SDGs to evaluate whether the flow of funding and policy support for sustainable development and national priorities have increased.
7.5.6	Introduce social and gender impact evaluation and enhance external monitoring and review process from civil society organizations and citizens and improve their engagement.

⁴⁸ Retrieved from: <http://sdg.1212.mn/EN/Home/Availability>



GOVERNANCE AND COORDINATION



MONGOLIA'S INTEGRATED NATIONAL FINANCING

STRATEGY 2022



MONGOLIA'S INTEGRATED NATIONAL FINANCING

STRATEGY 2022



Governance and coordination

8.1 INFF governance and coordination mechanism

The National Committee for Sustainable Development was established in 2017 by a government resolution. Under the committee's auspices, a technical working group was established in 2020 to strengthen the integrated financing system for sustainable development in Mongolia and consequently, the technical working group developed an INFS⁴⁹. To provide unified governance and coordination for implementing the INFS, a sub-committee will be established under the National Committee for Sustainable Development. The sub-committee includes representatives from the Ministry of Finance, the Ministry of Economic Development, the Bank of Mongolia, the Financial Regulatory Commission, the National Audit Office, other public and private organizations, international development partners, civil society, and NGOs.

The sub-committee chair should be a high-ranking government official who will oversee the entire INFF process between the government and external stakeholders to ensure effective implementation of the strategy. The Ministry of Finance can be appointed as the subcommittee chair based on the overlap of responsibilities, and strategic scope of government members set out in the Law on the Government of Mongolia.

8.2 Functions of the oversight team

The role of the sub-committee chairperson is to define the overall strategic goals and directions, provide leadership to the working group, provide leadership in the implementation of the INFS, persuade government officials, external high-level decision-makers, and other parties to promote active participation and coordinate their policies and activities.

The main responsibilities of the sub-committee members are to lead their respective sectors in implementing the INFS within the scope of their legal rights and responsibilities, monitor implementation, report to higher authorities, develop results-based policy recommendations, and update strategies as needed. An annual report on the strategy's performance will be made available to the public, and multilateral consultations will be held.

⁴⁹ The technical working group, chaired by the Deputy Minister of Finance includes representatives from Line Ministries, the National Development Agency, the Bank of Mongolia, the Financial Regulatory Commission, the National Audit Office, the Development Bank of Mongolia, International organizations, the Mongolian National Chamber of Commerce and Industry, the Mongolian Banking Associations, Mongolian Sustainable Finance Association, and Mongolian Business Council. There were number of meetings and forums to exchange ideas in the working group, the results of which are reflected in the INFS.

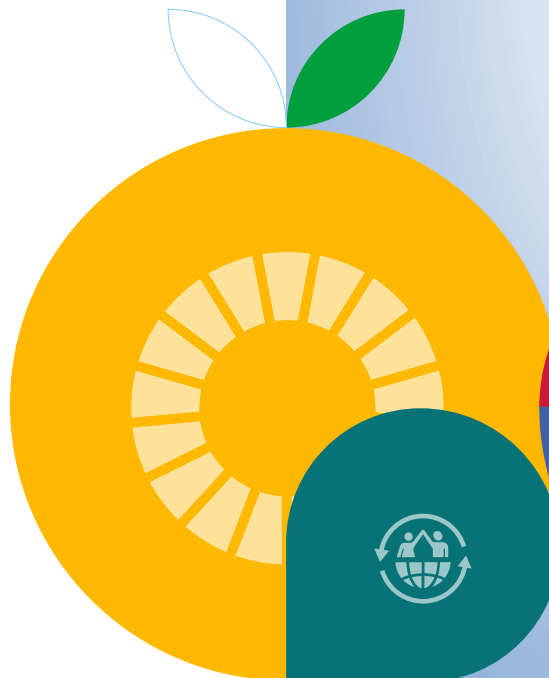
8.3 Strategies for strengthening governance and coordination mechanisms

The following strategies will be implemented to improve the governance and coordination mechanism of the INFF, and the corresponding detailed strategic actions are outlined in Annex 1: IV. These include:

8.3.1	Based on the country's unique needs and circumstances, determine the SDG aligned projects to better channel financing sources to the development priorities.
8.3.2	Estimate additional financing needs and outline the prioritization/sequencing strategy to reach SDGs targets localized/relevant to Mongolia and identify financing sources.
8.3.3	Evaluate the implementation of the INFS on an annual basis and report it to the Parliament and National Committee on Sustainable Development.
8.3.4	Strengthen the multilateral dialogue and cooperation mechanism by organizing the SDG financing forum on an annual basis and publicly making the yearly report.

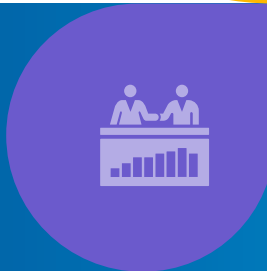


COHERENCE WITH OTHER POLICIES AND DEVELOPMENT PLANS



MONGOLIA'S INTEGRATED
NATIONAL FINANCING

STRATEGY
2022



MONGOLIA'S INTEGRATED
NATIONAL FINANCING

STRATEGY
2022





Coherence with other policies and development plans




The tasks on developing and implementing an integrated sustainable development financing strategy and establishing its indicators and targets are embedded in the Government's Monetary Policy Guidelines for 2022 and Government Action Program for 2020-2024.






The INFS complies with and supports policy documents and strategies, including SDGs, Vision-2050 long-term development policy of Mongolia, Five-Year Development guidelines for 2021-2025, Government Action Program for 2020-2024, Monetary and Fiscal policies, Debt Management Policy, Green Development Policy, Financial Market Development Program until 2025 and Intersectoral Strategic Plan for Gender Equality.










ANNEX 1

INTEGRATED NATIONAL FINANCING FRAMEWORK FINANCING STRATEGY PLAN

№	STRATEGY/POLICY	ACTION	TIMELINE	RESPONSIBLE	
				MAIN ORGANISATION	PARTNER ORGANISATION
I. PUBLIC FINANCING					
1	MOVE FROM THE MTFE TO MTBF (UPGRADE MEDIUM-TERM EXPENDITURE FRAMEWORK) 	Develop and approve the result-based Development target programs at parliament	2022-2023	CABSEC, MOED	Line ministries
		Develop the methodology for aligning the annual budget with MTBF and conduct pilots in selected sectors	2022-2024	MOF, Line ministries	UNDP, EU, WB
		Monitor the implementation of the pilots and expand pilot sectors	2024-	MOF, Line ministries	UNDP, EU, WB
		Revise the budget law in accordance with the MTBF principle	2024-2025	CABSEC, MOF	Line ministries
		The transition from MTFE to MTBF	2025-	MOF, Line ministries	UNDP, EU, WB
2	INTRODUCTION OF SDGs-ALIGNED, RESULTS-BASED BUDGETING 	Conduct sectoral expenditure reviews for main economic sectors and update previous reviews	2022-2023	MOF, Line ministries	UNDP, EU, WB
		Continue the pilot of RBB at the Ministries of Education and Science, Health, Labor and Social Protection, and Environment and Tourism, and extend the pilot for Ministries of Road and Transport, Construction and Urban Development, and Energy.	2023-2025	GOM, MOF, Line ministries	UNDP, EU, WB
		Full transition to RBB	2025 -	MOF, Line ministries	UNDP, EU, WB
3	INTRODUCTION OF GENDER-RESPONSIVE BUDGETING 	Conduct gender analysis in sectoral budget	2022-2023	MOF, Line ministries	EU, WB, NGC
		Develop guidelines and manuals for gender-responsive budgeting	2022	MOF, Line ministries	EU, WB, NGC
		Implement pilots for gender-responsive budgeting at the Ministries of Education and Science and Labor and Social Protection	2022-2023	MOF, Line ministries	EU, WB, NGC
		Conduct pilots of gender-responsive budgeting at other ministries	2022-2024	MOF, Line ministries	EU, WB, NGC
		Revise the Law on Budget, including provisions for gender-responsive budgeting	2025 -	CABSEC, MOF	Line ministries, NGC
		Promote and advertise gender-responsive budgeting good practices at the sectoral, local and organizational levels	2022-2025	MOF, NGC	Line ministries, Governors' office



№	STRATEGY/POLICY	ACTION	TIMELINE	RESPONSIBLE	
				MAIN ORGANISATION	PARTNER ORGANISATION
I. PUBLIC FINANCING					
3	INTRODUCTION OF GENDER-RESPONSIVE BUDGETING 	Strengthen the capacity of the national gender system through the introduction of gender-responsive budgeting	2022-2025	MOF, NGC	Gender sub-councils, sub-committees, experts
		Track budget expenditure targeting gender equality using budget tagging for gender.	2022-2025	MOF, NGC	Gender sub-councils, sub-committees, experts
		Complete transition to gender-responsive budgeting	2025 -	MOF, Line ministries	EU, WB, NGC
4	INTRODUCTION OF SDG BUDGET TAGGING 	Develop a budget expenditure classification system	2022-2023	MOF	UNDP, Line ministries
		Develop SDG budget tagging methodology	2022-2023	MOF	UNDP, Line ministries
		Pilot SDG budget tagging	2023-2025	MOF, Line ministries	UNDP
		Reflect into the Law on Budget	2025 -	CABSEC, MOF	Line ministries
		Transition to SDG budget tagging practice	2025 -	MOF, Line ministries	UNDP
5	IMPLEMENT REVENUE STRATEGIES 	Expand the tax base and reduce tax exemptions and breaks	2022-2024	MOF	GTO, GCO, Line Ministries
		Introduce multi-level progressive income tax	2022-2023	MOF	GTO
6	CARRY OUT ENVIRONMENTAL TAX REFORM 	Strengthen and extend a green (waste, pollution, energy, transport, and resource etc.) tax system	2022-2025	MOF	GTO, MOET
		Increase carbon pollution tax	2022-2023	MOF	GTO, MOET
7	DEVELOP WEALTH FUND ACTIVITIES 	Streamline the operation of the National Wealth Fund	2022-2024	MOF	Line Ministries
		Ensure to incorporate principles on transparency, accountability, and responsibility in the new National Wealth Fund Law	2022	CABSEC, MMHI	MOF





№	STRATEGY/POLICY	ACTION	TIMELINE	RESPONSIBLE	
				MAIN ORGANISATION	PARTNER ORGANISATION
I. PUBLIC FINANCING					
8	ISSUANCE OF SDG BOND 	Develop SDG bond framework and prospectus for the offer	2022-2023	MOF	UNDP
		Issue pilot SDG bond in the local market	2022-2023	MOF	MSE, FRC, Mongolian securities organizations
		Strengthen capacity to measure, verify and report the impacts of the use of SDG bond proceeds	2025-	MOF	UNDP
9	IMPLEMENTATION OF DEBT-FOR-NATURE SWAP 	Conduct feasibility study on debt-for-nature swaps	2022-2023	MOF	UNDP
10	ALIGNMENT OF DEVELOPMENT BANK OF MONGOLIA OPERATIONS WITH THE SDGs 	Carry out governance reforms and ensure transparency and accountability	2022-2023	MOF	DBM
		Strengthen capacity building in identifying, supporting and financing sustainable development initiatives.	2022-2023	MOF	DBM, DPs
		Establishment of a sustainability unit for sustainable financing and incorporate sustainable financing principles in its activities	2022	MOF	DBM
		Introduction of Environmental, Social and Governance (ESG) standards in loan issuance	2022-2023	MOF	DBM , UNDP, MSFA
		Develop and adopt sectoral ESG tools in loan issuance	2022-2024	MOF	DBM , UNDP, MSFA
		Develop a tool of positive SDG impact actions and offer to customers	2023-2025	MOF	DBM , UNDP, MSFA
		Qualify for and access concessional financing from international markets (Green Climate Fund accreditation, IMF the Resilience and Sustainability Trust, etc.)	2024-	MOF	DBM , MOET
11	REFORM OF WHOLLY AND PARTIALLY STATE-OWNED ENTITIES 	Introduce ESG reporting standards at state-owned companies	2022-2025	MOF, GA-PCSP	SOEs, DPs
		Organize full and partial state privatizations through the capital market	2022-2025	GOM, GA-PCSP	FRC, Mongolian securities trading organizations
		Improve the governance of SOEs (e.g. inclusion of CSO members in the Board of Directors)	2022-	GA-PCSP	SOEs




№	STRATEGY/POLICY	ACTION	TIMELINE	RESPONSIBLE	
				MAIN ORGANISATION	PARTNER ORGANISATION
I. PUBLIC FINANCING					
12	THE INTRODUCTION OF SUSTAINABLE PUBLIC PROCUREMENT PRINCIPLES 	Revise Law on Public Procurement for improving transparency, digitalization, accountability and supporting local suppliers.	2022-2023	MOF	
		Introduce Sustainable Public Procurement Principles into public procurement	2022-	MOF, GA-PP, GA-PCSP	Line ministries, SOEs
		Conduct a Mongolian procurement risk assessment regularly	2022-	MOF	Line ministries, SOEs ADB
13	COMBAT MONEY LAUNDERING AND TERRORIST FINANCING 	Develop and implement national strategy and action plan for AML and TF, based on FATF recommendations	2022-2023	BoM, FRC, MOF	MSE, GIA, ADB
		Create a legal environment for taking measures to mitigate risks associated with virtual asset and asset service providers	2022-2024	GOM	MOF, BoM, FRC
		Conduct national risk assessment regularly and update national strategy accordingly	2023-	BoM, FRC, MOF	GIA, GPD, Commercial banks, NBFIs
14	STRENGTHEN INTERNATIONAL DEVELOPMENT CO-OPERATIONS 	Increase technical and financial assistance from developing partners to achieve national development goals and SDGs	2022-2025	GOM, BOM, FRC, MSE, line ministries	DPs (UNDP, UN, ADB, IMF, WB, EU etc.)
		Expand development partner base by actively seeking cooperative opportunities in new projects	2022-2025	GOM, BOM, FRC, MSE, line ministries	DPs (UNDP, UN, ADB, IMF, WB, EU etc.)
		Ensure transparency of spending of projects and programs financed by loans from international partners	2022-2024	MOF, BOM, FRC, MSE	DPs (UNDP, UN, ADB, IMF, WB, EU etc.)
		Improve coordination between projects implemented in cooperation with international organizations and coherence with development priorities	2022-2024	MOF, BOM, FRC, MSE	UNDP, WB, EU, IMF, ADB





№	STRATEGY/POLICY	ACTION	TIMELINE	RESPONSIBLE	
				MAIN ORGANISATION	PARTNER ORGANISATION
II. PRIVATE SECTOR FINANCING					
1	ALIGNMENT OF FINANCIAL MARKET WITH SDGs 	Kick-off the operations of the Mongolian Green Finance Corporation	2022-2023	MOF, MOET	MSFA, Commercial banks, GCF
		Channel concessional financing to SDG projects via commercial banks	2022-	BOM	FRC, Commercial banks, NBFIs
		Implement ESG risk management standards across the financial sector	2022-2025	BOM, FRC	MSFA, IFC
		Pilot blended finance products (e.g. risk-sharing mechanism)	2022-2025	MED, MOED,	BOM, MNCCI, BCM, DPs, commercial banks
		Develop supply chain financing products	2022-2025	MOF, BOM, FRC,	DPs, commercial banks
2	ADOPTION OF THE CLASSIFICATION SYSTEM OF ECONOMIC ACTIVITIES WITH SDG IMPACT AND IMPACT MEASUREMENT, REPORTING AND VERIFICATION SYSTEM (SDG FINANCE TAXONOMY) 	Develop and adopt SDG finance taxonomy and produce detailed sectoral guidelines	2022-2023	BOM,	FRC, UNDP, MSFA
		Implement SDG finance taxonomy in banking sector	2022-2023	BOM,	UNDP, MSFA, commercial banks
		Track SDG financing statistics and create SDG loans database	2022-	BOM,	NSO, commercial banks
		Introduction of new SDG finance products (SDG loan, SDG-linked loan, SDG fund etc.)	2022-2025	BOM, FRC,	UNDP, MSFA, commercial banks
		Introduce SDG finance taxonomy across the financial sector	2022-2025	BOM, FRC,	UNDP, MSFA, Commercial banks
		Create policy incentives to support SDG financing (on prudential ratios etc.)	2022-2025	BOM, FRC	
3	ESTABLISHMENT OF IMPACT INVESTMENT FUND 	Create incentives specifically targeted to impact investment fund	2022-2025	FRC, MOF, MOED	MSE, DPs
		Develop a concept for a TA facility to build a supply chain,	2022-2023	MOFALI	UNDP, DPs
		Implement SDG Impact Standards for Private Equity Funds	2023-2025	MOF	BOM, FRC, UNDP
		Recommence the operations of the DBM Asset Management Company as an impact investor and introduce SDG Impact Standards for Private Equity Funds	2022-2024	MOF, DBM	UNDP





№	STRATEGY/POLICY	ACTION	TIMELINE	RESPONSIBLE	
				MAIN ORGANISATION	PARTNER ORGANISATION
II. PRIVATE SECTOR FINANCING					
4	ALIGNMENT OF CAPITAL MARKETS WITH SDGs 	Implement the recommendations from the UN Sustainable Stock Exchanges Initiative (sustainability report, sustainability index etc.)	2022-2025	FRC, MSE	Mongolian securities organization, DPs
		Adopt ESG reporting standards for implementation by publicly listed companies	2022-2023	FRC	MSE, MSFA, IFC, UNDP
		Develop SDG bond regulations and issue pilot SDG bond from the private sector	2022-2023	FRC, MSE	FRC, ADB, IFC, UNDP
		Pilot SDG, Green sustainability bond	2022	GOM, FRC	MSE
		Reduce fees associated with green bond registration and settlement in the early stages of development	2022-2024	BOM, FRC	MSE, IFC, MSFA, MSEA
		Increase foreign exchange hedging concessions and establish different criteria for macroprudential ratios to stimulate green financing	2022-2024	MOF, BOM, FRC	MSE, Commercial banks, MSFA, IFC,
		Classify new issuances in accordance with SDG finance taxonomy	2022-2023	FRC, MSE	UNDP, MSFA
		Implement the green capital markets incentives developed by EBRD for Mongolian capital markets	2022-2023	FRC, MSE	EBRD
		Adopt the SDG Impact Standards for Enterprises and Bonds	2023-2025	FRC	MSE, UNDP
		Organize non-deal roadshows on upcoming bank IPOs targeted to international investors	2022	FRC, MSE	MOF, MOED, EBRD, MASD
		Offer the shares of SOEs and strategic mining deposits through the capital market and diversify product offering	2022-2025	GOM, SPC, FRC, MSE	MOF, FRC, MASD
		Introduce professional investors Tier for start-ups, mining explorations and companies at early stage of development.	2022-2023	FRC	MSE
		Refine regulations for Over-the-Counter market	2022-2025	FRC	MASD
		Obtain Frontier market status from FTSE Russell Country Classifications	2022-2024	MOF, MSE	FRC
Increase level of securities trading and liquidity through use of e-money, available to citizens living and working abroad	2022-2025	FRC, MSE	Mongolian securities organizations		





№	STRATEGY/POLICY	ACTION	TIMELINE	RESPONSIBLE	
				MAIN ORGANISATION	PARTNER ORGANISATION
II. PRIVATE SECTOR FINANCING					
5	SUPPORT THE ESTABLISHMENT OF DOMESTIC INSTITUTIONAL INVESTORS 	Revise the Investment Fund Law in accordance with international standards, focusing on investable assets, duration of fund, and the legal status of asset manager and investment fund	2022-2023	GOM, MOF	FRC, MSE, MASD, AMCs, Investment funds
		Revise the FRC investment fund regulations following the amendment of the Law	2022-2023	FRC	MSE, MASD, AMCs, Investment funds
		Introduce private pension fund system (including Legal changes)	2022-2025	GOM, MLSP	MOF, MSE
		Conduct research within the framework of introducing insurance-based derivative products and services	2022-2025	FRC	MSE
		Develop regulations for establishing Real Estate Investment Trusts (REIT)	2022-2023	FRC	MSE, MASD
		Introduce the Global Investment Performance Standards (GIPS)	2022-2023	FRC, MSE	AMCs, Investment funds
		Develop Exchange Traded Fund regulations	2022-2023	FRC	MSE
		Introduce SDG impact standards for private equity funds for fund operations	2023-2025	FRC	AMCs, Investment funds, MSE, UNDP
6	ATTRACT AND RETAIN FOREIGN INVESTMENT TO SDGs 	Amend the Investment Law	2022-2023	CABSEC, MOED	ADB, EBRD
		Develop SDG investor mapping	2022-2023	MOED	UNDP, FRC, BOM
		Place the SDG investment opportunities into global SDG investment platforms	2022-2023	MOED	UNDP
		Promote SDG investment opportunities at SDG investment fairs and organize roadshows	2022-2023	GOM, MOED, MOF	DPs
		Cooperate with Private Financing Advisory Network (PFAN) on investment readiness of climate and green energy projects	2022-2025	MOED	PFAN
		Conduct mapping of international investors with SDG focus/portfolio and connect with projects	2022-2023	MOED	DPs
		Establish Investors Council and make the operations regular	2022-2023	MOED	DPs
		Develop ombudsman services for foreign investors as dispute resolution mechanism	2022-2023	MOED	DPs

№	STRATEGY/POLICY	ACTION	TIMELINE	RESPONSIBLE	
				MAIN ORGANISATION	PARTNER ORGANISATION
II. PRIVATE SECTOR FINANCING					
6	ATTRACT AND RETAIN FOREIGN INVESTMENT TO SDGs 	Reform of foreign investment related government services (digitalization, capacity improvement etc.)	2022-2025	MOED	DPs
		Create incentives for investors in key economic sectors to invest into more value-added manufacturing across the supply chain	2022-2025	CABSEC, MOED	DPs
7	CREATE GENDER-RESPONSIVE FINANCIAL SYSTEM 	Develop sample gender-responsive financing policy and gender tools for financing	2022	NGC	UNDP, MSFA
		Pilot gender-responsive financing framework at commercial banks	2022-2025	BOM, FRC,	Asia Foundation, NGC, UNDP, MSFA, commercial banks
		Expand the gender statistics and database of the financial sector	2022-2025	BOM	Commercial banks
		Develop gender-responsive financial products	2022-2025	BOM	UNDP, MSFA, NGC, Commercial banks
		Implement gender-responsive financing across the financial sector	2024-	BOM, FRC	
8	REFORM OF PUBLIC-PRIVATE PARTNERSHIPS 	Develop and approve a new law on Public-private partnerships reflecting the diverse PPP modalities	2022-2023	MOED	IMF, ADB, MNCCI
		Develop regulation in accordance with the new PPP law (on change management, dispute resolution, market pricing of tariffs)	2022-2024	MOED	IMF, ADB, MNCCI
		Create a competitive and transparent system for selection of projects	2022-2025	MOED, MOF	
		Establish PPP center to strengthen capacity for project financing and assessment of project economic returns	2022-2025	MOED, MOF	IMF, DPs
		Create incentives for private sector engagement	2022-2025	MOED	MOF, MNCCI, MOF
9	ALIGNMENT OF PRIVATE SECTOR FINANCING WITH SDGs 	Introduce ESG reporting standards	2022-2023	MOED, FRC	MNCCI, BCM, MSFA, DPs
		Introduce SDG Impact standards	2022-2025	MNCCI, BCM	MSFA, DPs
		Create financial and policy incentives for financing the SDGs for private sector	2022-2025	MOED	
		Establish conservation trust fund with the participation of private sector	2022-2023	MOET	MNCCI, BCM, UNDP, DPs,

№	STRATEGY/POLICY	ACTION	TIMELINE	RESPONSIBLE	
				MAIN ORGANISATION	PARTNER ORGANISATION
II. PRIVATE SECTOR FINANCING					
9	ALIGNMENT OF PRIVATE SECTOR FINANCING WITH SDGs 	Conduct feasibility study on “Project Finance for Permanence”	2022-2024	MOET	MNCCI, BCM, DPs
		Promote and showcase the best examples of private sector engagement and contribution towards SDGs implementation and financing	2022-2025	MOED	MNCCI, BCM, DPs
10	LEVERAGE DIASPORA SAVINGS, INVESTMENTS AND REMITTANCES TO SUPPORT SDGs 	Establish innovative financial products and programs to attract investment from diaspora communities	2022-2025	BOM, FRC, MSE	Commercial banks, NBFIs, DPs
		Create opportunities to participate in securities trading through electronic money for diaspora communities	2022-2025	BOM, FRC	MSEO
11	ALIGN PHILANTHROPIES WITH SDGs 	Create regulations or policies to improve the transparency of private donation disbursement	2022-2023	MOF	NGOs, Foundations
		Encourage donors to contribute resolving climate issues and social sector development	2022-2025	Line ministries	NGOs, Foundations

№	STRATEGY/POLICY	ACTION	TIMELINE	RESPONSIBLE	
				MAIN ORGANISATION	PARTNER ORGANISATION
III. CREATING A MACROECONOMIC ENVIRONMENT / SYSTEMIC CONDITION TO SUPPORT DEBT SUSTAINABILITY AND FINANCIAL SECTOR STABILITY					
1.	ENSURE DEBT SUSTAINABILITY 	Develop a system to manage contingency liability	2022-2023	MOF	BOM
		Refinance debt with innovative sustainable debt instruments (derivatives, SDG bond, green bond etc.)	2022-2025	MOF	BOM
		De-risk private investment in sizeable sustainable development projects	2022-2025	MOF,	MOED
		Revise debt management strategy with post-covid recovery actions	2022	MOF, GOV	Line ministries
		Switch commercial loans with concessional loans	2022-2025	MOF, GOV	Line ministries, DBM
		Align Debt with SDGs and national priorities	2022-2025	MOF, GOV	Line ministries, DBM
2	ENSURE MACROECONOMIC AND FINANCIAL SECTOR STABILITY 	Increase access to long-term and/or green financing	2022-2025	MOF, BOM	DBM, banks, NBFIs
		Implement counter-cyclical policy aimed at ensuring macroeconomic stability	2022-2025	MOF, BOM, GOV	Line ministries
3	INFRASTRUCTURE AND SUSTAINABLE ENVIRONMENT TO SUPPORT ECONOMIC DIVERSIFICATION AND BUSINESS GROWTH 	Implement policy to support economic diversification	2022-2023	MOF, GOV, MOED	Line ministries, MNCCI
		Make selection of infrastructure projects that are beneficial to as many economic priority sectors	2022-2025	MOF, MRTD, MOE, MCUD, MOED	MOFALI, MMHI
		Engage private sector in the selection of infrastructure projects	2022-2025	MRTD, MOE, MCUD, MOED	MNCCI, manufacturers associations
4	CREATION OF SUSTAINABLE SUPPLY CHAIN IN ECONOMIC PRIORITY SECTORS 	Develop a tech-based, supply chain tracking system	2022-2023	MOFALI, MOED	MNCCI, manufacturers' associations
		Develop standards for sustainable supply chain and set up certification system	2022-2025	MOFALI, MOED	MNCCI, manufacturers' associations
		Create and promote sustainable product label	2022-2024	MOFALI, MOED	manufacturers' associations, MNCCI,
		Strengthen the capacity of the Commodities Exchange and introduce derivative products on commodities trading	2022-2024	FRC	FRC, MOFALI, MOED, ComEx

№	STRATEGY/POLICY	ACTION	TIMELINE	RESPONSIBLE	
				MAIN ORGANISATION	PARTNER ORGANISATION
III. CREATING A MACROECONOMIC ENVIRONMENT / SYSTEMIC CONDITION TO SUPPORT DEBT SUSTAINABILITY AND FINANCIAL SECTOR STABILITY					
5	SUPPORT EXPORT FINANCING 	Restructure DBM as an EXIM bank	2022-2025	MOF, BOM	MOED, MNCCI
		Establish an export guarantee body	2022-2025	MOFALI, MoF, MOED, BOM	Banks and FIs, MNCCI
		Develop pre-export and export financing products	2022-2025	BOM, FRC, MOF	Banks and FIs
6	SUPPORT SME DEVELOPMENT 	Introduce sustainable financing principles at the State Bank of Mongolia and restructure the bank with SME orientation	2022-2025	MOF	State bank
		Provide technical assistance to SME development program implementation	2022-2023	MOFALI, SMEA	MOF, DPs
		Conduct a feasibility study on restructuring the SME fund in line with market principles	2022-2023	MOFALI, MOF, BOM	CABSEC, MNCCI
		Expand the operations of the Loan Guarantee Fund including targeted support for SDG financing	2022-2025	MOF, LGF	MOF, BOM
		Introduce green loan guarantee product into Loan guarantee Fund	2022-2024	MOF	FRC, ADB
IV. GOVERNANCE AND COORDINATION OF INFF					
1	IMPLEMENTATION AND OVERSIGHT OF INFS 	Establish sub-committee under the NCSD to support the implementation of INFS	2022-2025	MOF, MOED	Line ministries, DPs, MNCCI, BCM, BOM, MSFA
		Conduct comparative analysis on SDG financing and implementation on annual basis and review its progress	2022-2025	MOF, MOED	
		Report the implementation of INFS to Parliament and National Committee on Sustainable Development on annual basis and approve the INFS implementation plan for the next year	2022-2025	MOF, MOED	
2	MULTI-STAKEHOLDER DIALOGUE AND CONSULTATION PLATFORM 	Organize SDG financing forum every year and develop regular practice of multi-stakeholder consultation	2022-2025	CABSEC, MOED	Line ministries, DPs, MNCCI, BCM, BOM, MSFA
		Engage in dialogue, exchange of experiences and cooperation with other countries working on INFS development	2022-2025	CABSEC, MOED, UNDP	Line ministries, DPs, MNCCI, BCM, BOM, MSFA
		Cooperate with international organizations and development partners on developing capacity for INFS implementation	2022-2025	CABSEC, MOED, UNDP	Line ministries, DPs, MNCCI, BCM, BOM, MSFA

№	STRATEGY/POLICY	ACTION	TIMELINE	RESPONSIBLE	
				MAIN ORGANISATION	PARTNER ORGANISATION
V. MONITORING AND REVIEW OF INFF					
1	CREATE STATISTICS DATABASE FOR SDGs IMPLEMENTATION MONITORING 	Approve nationalized SDG indicators at Parliament	2022-2023	CABSEC, MOED	Line ministries
		Develop SDG statistics database and support building capacity at National Statistics Office on SDG data	2022-2025	MOED, NSO	CABSEC, line ministries,
		Track, consolidate and create a database of SDG financing statistics	2022-2025	BOM, FRC, NSO	
		Calculate and report the financial returns of SDG financing	2022-2025	MOED, NSO	BOM, FRC
2	BUILDING CAPACITY FOR SDG PERFORMANCE AUDIT 	Develop SDG performance audit methodology and guidelines based on INTOSAI guidance	2022-2023	NAO	UNDP, EU
		Strengthen SDG performance audit capacity	2022-2024	NAO	NGC
		Implement SDG performance audit in selected programs	2022-2025	NAO	UNDP, EU
		Implement Citizen Engagement Strategy in public auditing	2022-2025	NAO	UNDP, EU
3	CREATE MULTI-STAKEHOLDER MONITORING AND REVIEW STRUCTURE FOR INFS AND SDGs FINANCING 	Report on the implementation of INFS on annual basis	2022-2025	CABSEC, MOED	
		Organize budget hearing at Parliament and enhance the Parliament's role in SDGs implementation and financing	2022-2025	MOF, Parliamentary standing committee on budget,	UNDP, EU
		Create citizen's budget both as consolidated and by sectors, and enhance the role of citizens in monitoring of budget planning and performance	2022-2025	MOF	UNDP, EU
		Introduce social and gender impact evaluation of the budget spending and build relevant capacity	2022-2025	MOF	NGC
		Enhance the capacity of CSOs in monitoring the SDGs implementation and financing	2022-2025	MOF	UNDP, EU
4	MONITORING AND EVALUATION FOR THE INFS IMPLEMENTATION PROGRESS 	Establish INFS Monitoring and Evaluation matrix, indicators and data sources to develop and implement INFS M&E framework	2022-2023	INFF oversight committee	UNDP, EU, IMF
		Build the capacity of government officials and oversight committee members to conduct INFS implementation monitoring process through training	2022-2023	line ministries	UNDP, EU, IMF and other relevant stakeholders

ANNEX 2

STRATEGIC ELEMENTS FOR ACTION

ACTION AREAS	POLICIES/ STRATEGIES/ FRAMEWORKS	FINANCING INSTRUMENTS/ REGULATIONS	PROCESSES/ SYSTEMS	ACTORS TO ENGAGE	USEFUL REFERENCES / RESOURCES
I. PUBLIC FINANCE					
PUBLIC REVENUE	<ul style="list-style-type: none"> • Fiscal Law • Fiscal Stability Law • Tax laws <p>Revenue strategies</p> <ul style="list-style-type: none"> - Increase non-tax budget revenue - Increase tax base, - Reduce tax exemptions and breaks - Fight informal sector economy <p>Tax policy reforms</p> <ul style="list-style-type: none"> - Introduce progressive tax - Strengthen and extend Environmental tax (green tax system) - Raise social security premium <p>Institutionalize National Wealth Fund</p>	<ul style="list-style-type: none"> • Non-tax income (Dividends on shares, Interest income, Rental income etc.) • Public assets (Income from the sale of state and local property, privatizations) • Tax income (VAT, income tax, property tax, Social Insurance premium, commodity and service tax, excise tax, carbon tax, customs duties etc.) • ODA Grants (from foreign government and international organizations) • Future Heritage Fund 	<ul style="list-style-type: none"> • Integrated tax management system (tais.mta.mn) • Improved PFM process • Tax administration process • Public sector auditing and accounting • Information Management System 	<p>State: GOV, MOF General Tax Office, General Department of Social Insurance, MOET, National Auditing Office</p> <p>Developing Partners: IMF, UNDP, World Bank</p>	<ul style="list-style-type: none"> • https://legalinfo.mn/mn/detail/12254 • https://legalinfo.mn/mn/detail/503 • https://legalinfo.mn/mn/detail/15573 • https://mof.gov.mn/data_grid/total-budget • https://itc.gov.mn/tais • https://www.1212.mn/stat.aspx?LIST_ID=976_L08&type=tables • https://www.ifswf.org/members/future-heritage-fund • https://www.undp.org/content/dam/rbap/docs/dg/dev-effectiveness/RBAP-DG-2018-Development-Finance-Assessment-Mongolia.pdf
PUBLIC BORROWING	<ul style="list-style-type: none"> • Debt management law • Integrated budget law • Government's Debt management strategies 2019-2022 • Medium-term fiscal framework, State budget <p>Debt management strategy reforms</p> <ul style="list-style-type: none"> - Switch commercial loan with concessional loans - Align Debt with SDG and national priorities - Debt for climate swaps - Revision to debt management strategy with post-Covid actions - Expand blended financing through guarantees and concessional debt - Develop innovative sustainable debt instruments (Derivatives, SDG bond green bond) - Increase amount of climate and SDG related ODA finance including funds and new form of concessional borrowings 	<ul style="list-style-type: none"> • Loans (concessional and non-concessional) • ODA loans (from foreign governments and international organizations) • Long term & low-cost foreign bonds (such as Century bonds etc.) • Domestic securities • Government debt guarantees • Concession agreements • SDG Bond • Green Bond • Debt swap agreements 	<ul style="list-style-type: none"> • Government's debt and guarantee issuance process (according to the provisions of the Integrated budget law with authorization by Parliament) • Debt management principles (and prudential ratios) as stated in Debt management strategies 2019-2022 • Loan guarantee system • Public debt auditing 	<p>State: GOV, MOF, MOED, BOM, FRC</p> <p>Developing partners: IMF, UNDP</p>	<ul style="list-style-type: none"> • https://legalinfo.mn/mn/detail/10933 • https://legalinfo.mn/mn/detail/14515 • http://nda.gov.mn/backend/f/tailan1.pdf

ACTION AREAS	POLICIES/ STRATEGIES/ FRAMEWORKS	FINANCING INSTRUMENTS/ REGULATIONS	PROCESSES/ SYSTEMS	ACTORS TO ENGAGE	USEFUL REFERENCES / RESOURCES
I. PUBLIC FINANCE					
PUBLIC EXPENDITURE	<ul style="list-style-type: none"> • Integrated Budget Law • Fiscal Law • Fiscal Stability Law • Medium Term Fiscal Framework, State budget • Yearly Fiscal Framework statement • Law on State procurement • Welfare policies (child money, social welfare benefits and discount etc.) • Expenditure Strategy reforms <ul style="list-style-type: none"> - Transition from MTFFs to MTBFs (is being piloted) - Improve cost-effectiveness analysis for economic sectors - Introduce Result based budgeting (RBB is being piloted) - Introduce Gender Responsive budgeting (GRB is being piloted) - Introduce budget expenditure classification system (SDG budget tagging) methodology - Introduce Sustainable public procurement principles • Revise Fiscal law with changes • Improve policy framework for development planning and budgeting 	<ul style="list-style-type: none"> • State budget • Public spending • Subsidies (in social sectors, stabilization in commodity prices etc.) • Transfer payments (food coupon, money transfer to households under poverty line etc.) • SDG budget tagging methodology • Tools and methodology to conduct effective cost-effectiveness analysis • Gender assessment tools (is being prepared by MSFA) 	<ul style="list-style-type: none"> • Improved budgetary process and PFM procedure • Public sector auditing and accounting • System to track gender equality budget allocations and expenditures • Improved cost-effectiveness analysis process /approach • Public expenditure tracking system (with SDG budget tagging) • Improved coordination among development planning agencies and budgeting agencies. • Information Management System 	<p>State: GOV, MOF and other general budget administrators (line ministries), MOED, BOM, National Auditing Office</p> <p>Non-State: MSFA</p> <p>Developing Partners: IMF, UNDP, World Bank, EU</p>	<ul style="list-style-type: none"> • https://documents1.worldbank.org/curated/en/919041561132206950/pdf/Growing-without-Undue-Borrowing-Enhancing-Efficiency-of-Spending-and-Revenue-Summary.pdf • https://legalinfo.mn/mn/detail/12254 • https://legalinfo.mn/mn/detail/503 • https://legalinfo.mn/mn/detail/15573 • https://legalinfo.mn/mn/detail/493
PUBLIC INVESTMENT	<ul style="list-style-type: none"> • National Investment Program 2021-2025 • Annual government budget • Public-Private partnership (PPP) policy • Nationally Determined Contributions (NDC) plan • 10 trillion plan to protect health and recover economy • Public investment strategy reforms <ul style="list-style-type: none"> - Increase export financing support through DBM - Increase SMEs financing support through State Bank and Credit guarantee Fund - Align public investment with SDG and national priorities - Enhance RBB practices 	<ul style="list-style-type: none"> • Public investment instruments (provision of guarantees, tax or interest rate incentives, subsidies) • Sovereign Wealth fund (with help of ADB) • Credit guarantee fund • SDG budget tagging • Blended finance • PPP • DBM and State Bank operation • ESG reporting standard for SOEs and state-owned banks 	<ul style="list-style-type: none"> • Improved public investment management system • Improved coordination process between public and private sector • Information Management System 	<p>State: CABSEC, GOV, MOF, BOM, MOED, line ministries, DBM, State Bank,</p> <p>Non-state: SMEs, MNCCI, MSFA, Commercial banks</p> <p>Developing Partners: IMF, UN, UNDP, World Bank, ADB</p>	<ul style="list-style-type: none"> • https://cabinet.gov.mn/wp-content/uploads/2020_five_year_development_guideline_of_mongolia_2021-2025_final_oe.pdf • https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Mongolia%20First/First%20Submission%20of%20Mongolia%27s%20NDC.pdf • https://ppp.worldbank.org/public-private-partnership/sites/ppp.worldbank.org/files/documents/State%20Policy%20on%20PPP.pdf

ACTION AREAS	POLICIES/ STRATEGIES/ FRAMEWORKS	FINANCING INSTRUMENTS/ REGULATIONS	PROCESSES/ SYSTEMS	ACTORS TO ENGAGE	USEFUL REFERENCES / RESOURCES
I. PUBLIC FINANCE					
PUBLIC INVESTMENT	<ul style="list-style-type: none"> - Increase PPP and blended finance activities to support private sector's SDG contribution - Align operations of SOEs with SDGs and improve efficiency - DBM will become sustainable bank and will finance sustainable development initiatives - Carry out DBM's governance reforms and ensure its transparency and accountability, and strengthen capacity building <ul style="list-style-type: none"> • Draft and approve new law on PPP 				<ul style="list-style-type: none"> • https://legalinfo.mn/mn/detail/6653 • https://www.mongolbank.mn/news.aspx?tid=1&id=2091
INTERNATIONAL DEVELOPMENT COOPERATION	<ul style="list-style-type: none"> • Parliament resolution on Mongolia's foreign policy concept • Mongolia's development cooperation policies and frameworks with development partners. (Such as, United Nations Sustainable Development Cooperation Framework (UNSDCF), country partnership strategies between ADB and Mongolia, WHO and Mongolia etc.) • Reforms <ul style="list-style-type: none"> - Expand international development co-operations to get technical and financial assistance to achieve SDGs or national goals - Expand development partner base by actively seeking cooperative opportunities in new projects - Cooperate developing partners to introduce innovative financing tools in mobilizing financial resources towards national development goals - Learn from international good practices to improve efficiency of current practices (such as RBB, MTBF, budget tagging etc.) 	<ul style="list-style-type: none"> • Technical assistance • Grants • Concessional and non-concessional loans 	<ul style="list-style-type: none"> • Coordination and cooperation system (such as on Sustainable Developments Goals, Economic stabilization, Anti-corruption, etc.) • Improved capacity building and expertise in public and private sectors 	<p>State: MOED, MOF, MOD, BoM, MSE, DBM, relevant line ministries, General Intelligence Agency (GIA)</p> <p>Non-state: MSFA</p> <p>Developing partners: IFC, World Bank, UN, UNDP, UNICEF, ADB, IMF, WHO, USAID, SDC, JICA and others</p>	<ul style="list-style-type: none"> • https://mfa.gov.mn/documentation/55645 • https://mongolia.un.org/en/156421-un-mongolia-co-creates-its-new-strategic-cooperation-framework-2023-2027 • https://www.adb.org/sites/default/files/institutional-document/320271/cps-mon-2017-2020.pdf • https://www.mn.emb-japan.go.jp/files/100096070.pdf • https://www.eda.admin.ch/dam/deza/en/documents/laender/cooperation-strategy-mongolia-2018-2021_EN.pdf • https://www.usaid.gov/mongolia/work-with-us/partnership-opportunities

ACTION AREAS	POLICIES/ STRATEGIES/ FRAMEWORKS	FINANCING INSTRUMENTS/ REGULATIONS	PROCESSES/ SYSTEMS	ACTORS TO ENGAGE	USEFUL REFERENCES / RESOURCES
I. PUBLIC FINANCE					
INTERNATIONAL DEVELOPMENT COOPERATION	<ul style="list-style-type: none"> • Parliament resolution on Mongolia's foreign policy concept • Mongolia's development cooperation policies and frameworks with development partners. (Such as, United Nations Sustainable Development Cooperation Framework (UNSDCF), country partnership strategies between ADB and Mongolia, WHO and Mongolia etc.) • Reforms <ul style="list-style-type: none"> - Expand international development co-operations to get technical and financial assistance to achieve SDGs or national goals - Expand development partner base by actively seeking cooperative opportunities in new projects - Cooperate developing partners to introduce innovative financing tools in mobilizing financial resources towards national development goals - Learn from international good practices to improve efficiency of current practices (such as RBB, MTBF, budget tagging etc.) 	<ul style="list-style-type: none"> • Technical assistance • Grants • Concessional and non-concessional loans 	<ul style="list-style-type: none"> • Coordination and cooperation system (such as on Sustainable Developments Goals, Economic stabilization, Anti-corruption, etc.) • Improved capacity building and expertise in public and private sectors 	<p>State: MOED, MOF, MOD, BoM, MSE, DBM, relevant line ministries, General Intelligence Agency (GIA)</p> <p>Non-state: MSFA</p> <p>Developing partners: IFC, World Bank, UN, UNDP, UNICEF, ADB, IMF, WHO, USAID, SDC, JICA and others</p>	<ul style="list-style-type: none"> • https://mfa.gov.mn/documentation/55645 • https://mongolia.un.org/en/156421-un-mongolia-co-creates-its-new-strategic-cooperation-framework-2023-2027 • https://www.adb.org/sites/default/files/institutional-document/320271/cps-mon-2017-2020.pdf • https://www.mn.emb-japan.go.jp/files/100096070.pdf • https://www.eda.admin.ch/dam/deza/en/documents/laender/cooperation-strategy-mongolia-2018-2021_EN.pdf • https://www.usaid.gov/mongolia/work-with-us/partnership-opportunities
ILLICIT FINANCIAL FLOWS	<ul style="list-style-type: none"> • Law on AML/TF • National Anti-Money Laundering and Terrorist Financing Program • Tax policies • Law on Economic Transparency • Reforms <ul style="list-style-type: none"> - Develop and national strategy and action plan for AML and TF - Create legal environment for measures to mitigate risks associated with virtual assets and virtual asset service providers - Conduct national risk assessment regularly and update national strategy accordingly 	<ul style="list-style-type: none"> • Regulation on preventing money laundering and terrorist financing • World bank guidelines on ML and terrorist financing risk assessment • Tax instruments • Financial Intelligence unit (FIU) by the Bank of Mongolia. 	<ul style="list-style-type: none"> • Counter terrorism coordinative council (CTCC)-regulatory oversight mechanism • Information Management System 	<p>State: BoM, FRC, MSE, MOF, General Intelligence agency (GIA), General Police Department (GPD)</p> <p>Non-state: Commercial Banks, NBFIs, FATF</p> <p>Developing partners: ADB</p>	<ul style="list-style-type: none"> • https://legalinfo.mn/mn/detail/11269 • https://legalinfo.mn/mn/detail/9242 • https://www.mongolbank.mn/documents/cma/20170515_NRA_report.pdf • https://www.mongolbank.mn/documents/guidelines-project/2022.pdf

ACTION AREAS	POLICIES/ STRATEGIES/ FRAMEWORKS	FINANCING INSTRUMENTS/ REGULATIONS	PROCESSES/ SYSTEMS	ACTORS TO ENGAGE	USEFUL REFERENCES / RESOURCES
II. PRIVATE FINANCE					
COMMERCIAL PRIVATE INVESTMENTS	<ul style="list-style-type: none"> • Mongolia's investment law and Investment policy reform • National Sustainable Finance Roadmap • Sustainable Capital Markets Roadmap for Mongolian Stock Exchange 2022-2024 • PPP policy • Loan Guarantee Fund to support SMEs • Private investment strategy reforms <ul style="list-style-type: none"> - Activate operation of GFC - Align private sector (financial and capital market, SMEs etc.) activities with SDGs and national priorities i.e., introduce standards with positive impacts on environment and society (ESG etc.) - Develop Capital market with the sustainable capital market roadmap - Increase private sector investments with innovative financing tools - Create SDG investor mapping - Create sustainable investment funds (ongoing in agriculture sector) - Introduce Gender-responsive financial system - Develop Supply Chain in main economic sectors • Improve legal environment and policy support to promote private investment <ul style="list-style-type: none"> - Revise Investment law and policy (ongoing) - Revise law on Investment Fund - Draft and approve new Law on PPP (ongoing) - Revise other relevant regulations reflecting law amendments 	<ul style="list-style-type: none"> • Mongolian Green taxonomy • SDG Finance taxonomy • ESG standard for financial and non-financial institutions • SDG Impact standard • Regulation on issuing green bonds • PPPs • Blended financing • Operation of GFC • Innovative financial instruments (SDG Bond, SDG investment fund etc.) • Sustainable Investment Funds • Gender assessment tools • Concessional Loans 	<ul style="list-style-type: none"> • Leverage mechanisms through PPP • Improved private sector engagement process • Data collection process and database to track progress. • Information Management system (IMS) 	<p>State: CABSEC, GOV, MOF, MOED, BoM, FRC, MSE, relevant line ministries</p> <p>Non-state: MBA, MSFA, GCF, Commercial Banks, NBFIs, MNCCI, Mongolian securities organizations (MSO), Investment funds</p> <p>Developing partners: UNDP, ADB, IMF, IFC, World Bank, Asia Foundation, EBRD</p>	<ul style="list-style-type: none"> • <i>Үндэсний Хөгжлийн Газар (nda.gov.mn)</i> • http://www.ilo.org/dyn/natlex/natlex4.detail?p_lang=en&p_isn=49342&p_country=MNG&p_count=137 • <i>World Bank Document</i> • <i>National Sustainable Finance Roadmap of Mongolia: Unlocking Mongolia's potential to become a sustainable finance knowledge center in the region Green Finance Platform</i> • <i>Sustainable Capital Markets Roadmap for Mongolian Stock Exchange 2022-2024 Green Finance Platform</i> • https://legalinfo.mn/mn/detail/6653 • <i>7 PPPs Concessions Assessment - country report (2012).pdf</i> • <i>Credit Guarantee System Expands Finance for Mongolia's SMEs Asian Development Bank (adb.org)</i>

ACTION AREAS	POLICIES/ STRATEGIES/ FRAMEWORKS	FINANCING INSTRUMENTS/ REGULATIONS	PROCESSES/ SYSTEMS	ACTORS TO ENGAGE	USEFUL REFERENCES / RESOURCES
II. PRIVATE FINANCE					
IMPACT INVESTMENT	<ul style="list-style-type: none"> • Sustainable Capital Markets Roadmap for Mongolian Stock Exchange 2022-2024 • National Sustainable Finance Roadmap • Impact investment strategy reforms <ul style="list-style-type: none"> - Re-establishment of The Asset Management Company, of the DBM, as sustainable investor - Introduce SDG impact standard for enterprises, investment funds, private equity funds and Bonds - Create SDG investor mapping 	<ul style="list-style-type: none"> • Tax and other incentives including loan guarantee, subsidy. • Blended financing • SDG impact standards 	<ul style="list-style-type: none"> • Improved private sector engagement process • Information management system • Data collection process and database to track progress. 	<p>State: CABSEC, MOF, BOM, FRC, MSE, AMC</p> <p>Non-state: MSFA, enterprises, commercial banks, NBFIs, MSO</p> <p>Developing partners: UN, UNDP,</p>	<ul style="list-style-type: none"> • <i>Sustainable Capital Markets Roadmap for Mongolian Stock Exchange 2022-2024 Green Finance Platform</i>
REMITTANCES	<ul style="list-style-type: none"> • Law on National Payment System • Reforms <ul style="list-style-type: none"> - Improve legal environment to increase diaspora and remittances - Establish innovative financial products and programs to attract investment from diaspora communities - Align diaspora investments with SDGs 	<ul style="list-style-type: none"> • Payment system of Mongolia • Bank of Mongolia and Commercial Banks • Diaspora blended financing 	<ul style="list-style-type: none"> • National Council of Payment and Settlement System • Information management system 	<p>State: BoM, MOF, MOED, MSE</p> <p>Non-state: commercial Banks</p>	<ul style="list-style-type: none"> • https://www.mongolbank.mn/eng/listpaymentsystem.aspx?id=2
PHILANTHROPIC GIVING	<ul style="list-style-type: none"> • Provisions on philanthropy in Budget Law • Provisions on philanthropy in Law on Non-Government organizations • Reforms <ul style="list-style-type: none"> - Create regulations or policies to improve the transparency of private donation disbursement - Encourage donors to contribute resolving climate issues and social sector development 	<ul style="list-style-type: none"> • Recommendations of Anti-Corruption Agency on transparent and open disclosure of donation expenditures to the public • Regulation on receiving philanthropy (it is available in education sector only) 	<ul style="list-style-type: none"> • Operations of NGOs and foundations 	<p>State: MOF, relevant Line ministries, NGOs, and foundations</p>	<ul style="list-style-type: none"> • https://legalinfo.mn/mn/detail/494 • https://legalinfo.mn/mn/detail/12254 • https://lead.style/n/tSOVIAHIA2N6dhAL2x An https://old.legalinfo.mn/law/details/16968

ACTION AREAS	POLICIES/ STRATEGIES/ FRAMEWORKS	FINANCING INSTRUMENTS/ REGULATIONS	PROCESSES/ SYSTEMS	ACTORS TO ENGAGE	USEFUL REFERENCES / RESOURCES
III. MACROECONOMIC/ SYSTEMIC CONDITIONS					
DEBT SUSTAINABILITY	<ul style="list-style-type: none"> - Government's Debt management strategies 2019-2022 - Debt management strategy reforms - Switch commercial loan with concessional loans - Align Debt with SDG and national priorities - Debt for climate swaps - Revision to debt management strategy with post-Covid actions - Expand blended financing through guarantees and concessional debt - Carry out activities within sustainable debt management framework - Avoid cyclical overheating or recessionary policies - Develop innovative sustainable debt instruments (Derivatives, SDG bond green bond) 	<ul style="list-style-type: none"> • Concessional loans • ODA loans (from foreign governments and international organizations) • Long term & low-cost foreign bonds (such as Century bonds etc.) • SDG Bond (domestic and foreign) • Green bond • Debt for Nature Swaps • Domestic securities • Government debt guarantees • Concession agreements 	<ul style="list-style-type: none"> • Debt management principles (and prudential ratios) as stated in Debt management strategies 2019-2022 • Public debt auditing • Government's debt and guarantee issuance process (according to the provisions of the Integrated budget law with authorization by Parliament) 	<p>State: GOV, MOF, MOED, BOM, FRC</p> <p>Developing partners: IMF, UNDP</p>	<ul style="list-style-type: none"> • https://legalinfo.mn/mn/detail/15586 • https://legalinfo.mn/mn/detail/14515 • https://mof.gov.mn/article/entry/CITBUDGET • http://nda.gov.mn/backend/f/taian1.pdf
MACROECONOMIC AND FINANCIAL SECTOR STABILITY	<ul style="list-style-type: none"> • Monetary policy • Macroprudential policy strategy • National Sustainable Finance Roadmap • Sustainable Capital Markets Roadmap for Mongolian Stock Exchange 2022-2024 • Sustainable development strategies <ul style="list-style-type: none"> - Support business growth (such as developing and investing infrastructure and sustainable environment, increase competitiveness) - Create sustainable supply chain in key sectors (agriculture etc.) - Support export financing (by establishing export guarantee organization, strengthening export supporting role of DBM) - Support SME development (through State Bank, and SMEs fund) - Increase access to long-term and/or green financing - Lower interest rate to increase investment - Implement counter-cyclical policy aimed at ensuring macroeconomic stability 	<ul style="list-style-type: none"> • Policy rate (announced by BOM) • Inflation target • Macroprudential policy instruments (Loan-to-value ratio, Debt-to-income ratio, reserve requirement, liquidity coverage ratio, limits in net open currency positions, risk weights etc.) • PPPs in social sector development • Sustainable product tagging • Export guarantees, & concessional loans • Credit guarantee fund 	<ul style="list-style-type: none"> • Monetary policy committee (MPC) • Interest rate corridor system • Financial Stability council • A supply chain tracking system 	<p>State: GOV, BOM, MOF, FRC, MSE, DBM, State Bank,</p> <p>Non-state: Commercial banks, NBFIs.,</p> <p>Developing partners: ADB, UNDP</p>	<ul style="list-style-type: none"> • https://www.mongolbank.mn/documents/sudalгаа/20180810_gan_ochir.pdf • https://www.mongolbank.mn/listfinstability.aspx?id=32

ANNEX 3

INTEGRATED NATIONAL FINANCING FRAMEWORK FINANCING STRATEGY PLAN

FINANCING OBJECTIVES		1. IMPROVE THE EFFICIENCY OF STATE BUDGET EXPENDITURE	2. BETTER ALIGN THE STATE BUDGET WITH SDGs AND RESULT-BASED BUDGETING	3. DEBT MANAGEMENT
Government actions		<ul style="list-style-type: none"> • MTFF since 2004 • Some progress on transiting MTFF to MTBF and strengthening the capacity for realistic program cost estimation 	<ul style="list-style-type: none"> • SDG-aligned, Result-Based Budgeting is being piloted since 2018 (MOH, MOET, MOES, MOLSP) • Gender-Responsive Budgeting since 2021 	<ul style="list-style-type: none"> • IMF's EFF since 2017 to restore debt stability • Government Debt management strategy 2019-2022 to improve debt management efficiency • Government action program 2020-2024 and Five-Year development guidelines for 2021-2025 include actions to reduce debt burden and cost, restructure debt through refinancing, reform post-Covid debt management, and use sustainable debt instruments. • GOM issued Century bond with the lowest interest rate in history through DBM
Responsible government institution		MOF	MOF	MOF
Assessment indicator	Indicator of progress	MTEF	Adoption of RBB, gender-responsive budget	Domestic and foreign debt share in GDP
	Baselines			2017
Partner support		Line ministries, MOED, DPs (UNDP, IMF, WB)	Line ministries, DPs (UNDP, WB EU)	BOM, MOED, IMF
Status and suitability of actions (strengths, weakness, gaps)		<p>Actions are suitable. Current practices lack long-term budgeting practices, cost-effectiveness analysis, a legal framework for development policy and planning. A gap in government actions that needs to be addressed is to improve reconciliation between development plans and budgets by separating the overlapping responsibilities of MOF and MOED and promoting their close cooperation. Also, there is a lack of regular procurement risk assessment practices.</p>	<p>Actions are suitable. Absence of budget expenditure classification system (SDG budget tagging) and lack of sectoral specific approach to do RBB and gender-based budgeting.</p>	<p>Current actions are proven effective as Government debt has been declining. Further, new financing tools to support SDGs, including sustainable development bonds and green bonds, can be developed, and used more for debt management. In the long term, GOM should aim for more concessional loans where feasible rather than expensive commercial debts.</p>

FINANCING OBJECTIVES		4. INCREASE STATE BUDGET REVENUE	5. BETTER ALIGN OPERATIONS OF STATE-OWNED ENTERPRISES (SOES) AND STATE-OWNED POLICY BANKS WITH DEVELOPMENT PRIORITIES, AND INCREASE THEIR EFFICIENCIES	6. BETTER ALIGN FINANCIAL MARKET ACTIVITIES AND FUNDING WITH SDGs
Government actions		<ul style="list-style-type: none"> • Tax is levied at a flat rate of 10 percent • Increased excise tax on fuel, tobacco, alcohol, and cars, customs duty on tobacco in 2017. • Raised social security contributions in 2017 • Eliminated threshold for withholding tax on interest earned in 2017. 	<ul style="list-style-type: none"> • MOF introduced a plan to reorganize DBM to become a sustainable bank to finance development priority goals set in the Vision 2050 and medium-term development plan. • MOF planned to reorganize State Bank to support SMEs through sharing their risks, providing loan guarantees, and using mixed financing tools to increase access to funding. • GOM set goals to review and privatize large number of SOEs and increase their efficiency. 	<ul style="list-style-type: none"> • GOM, MFSA and other DPs co-established Mongolian Green Finance Corporation in 2020 • Mongolian Green Taxonomy, a classification system of environmentally sustainable economic activities, was approved in 2019 • National Sustainable Finance Roadmap of Mongolia was approved in 2018
Responsible government institution		MOF	MOF	BOM
Assessment indicator	Indicator of progress	State budget revenue	DBM's and SOE's balance sheet	SDG statistics, (BOM, NSO statistics)
	Baselines			
Partner support		General Tax Office, MOET	DBM, State Bank,	FRC, MSFA, Commercial banks, UNDP
Status and suitability of actions (strengths, weakness, gaps)		Ongoing. Currently, substantial tax exemptions and breaks, a non-negligible shadow economy restrict budget revenue. Also, tax revenue can fluctuate largely due to mining sector price shocks. Actions to alleviate the revenue fluctuations are needed such as through development of Wealth fund for better income management. Potential to introduce an environmental tax to increase tax revenue and address environmental issues.	Some actions were taken especially for the DBM for becoming a sustainable bank. They are considered as potentially effective actions to increase alignment of financing to the development priorities. Further, efficiencies can be improved by introducing ESG standards to SOEs and DBM. Currently, DBM and SOEs' operations are not well-aligned with national development goals and SDGs. Their profitability is short due to loan inefficiency, unsatisfactory repayment for DBM, and inefficient governance for the SOEs.	Ongoing. The private sector has been proactive in mobilizing financing for the SDGs. A classification system of economic activities that are more compliant to SDGs is absent. Lack of legal environment and policy incentives from the Government to prioritize financing activities with positive impacts on the economy, environment, and society, and to introduce sustainable financing products.

FINANCING OBJECTIVES		7. BETTER ALIGN CAPITAL MARKET ACTIVITIES AND FUNDING WITH SDGs	8. CREATE INVESTMENT FUNDS AND INCREASE DOMESTIC INVESTORS	9. ATTRACT AND RETAIN FOREIGN INVESTORS, ALIGN INVESTMENT WITH SDGs
Government actions		<ul style="list-style-type: none"> • MSE joined the Sustainable Stock Exchange Association in 2017 • MSE has started working to introduce ESG reporting standards for all listed companies with the help of international developing partners. • FRC approved regulation for issuing green bonds in 2021 	<ul style="list-style-type: none"> • The Asset Management Company, a subsidiary of the DBM, is being re-established as a "sustainable investor." • The DBM is working on updating the Investment Fund classification and the list of potential investment projects • Sustainable investment funds to raise funding from the international market to invest in agriculture are tested with UNDP initiatives. 	<ul style="list-style-type: none"> • MOED and IFC cooperate to reform Mongolia's Investment policy and Investment law considering global trends and best practices.
Responsible government institution		MSE, FRC	GOM, MOF	MOED
Assessment indicator	Indicator of progress	Securities trading report by MSE, Basic securities market indicators by NSO	Growth in investment fund and number of domestic investors	Approval of new Investment Law and Investment Policy, growth of FDI
	Baselines			
Partner support		MOF, MSFA, MSO, DPs (UNDP, ADB)	FRC, MSE, UNDP, MASD	IFC, CABSEC
Status and suitability of actions (strengths, weakness, gaps)		<p>Ongoing. There is insufficient legal and policy support for capital market development and attracting domestic and international funding.</p> <p>Capital market activities are weak in creating and using innovative financing tools.</p>	<p>Activities are ongoing at their earlier stages. Investment Fund Law needs to be revised with international standards and to reflect current market needs and innovative approaches.</p>	<p>Ongoing. To increase foreign investment and direct it to the SDGs, GOM needs to keep investment projects ready, reform the legal environment for investors, establish a council and protect investors' interest.</p>

FINANCING OBJECTIVES		10. INTRODUCE A GENDER-RESPONSIVE FINANCIAL SYSTEM	11. SUPPORT PUBLIC-PRIVATE PARTNERSHIPS	12. IMPROVE ECONOMIC CONDITIONS FOR PROMOTING SUSTAINABLE DEVELOPMENT
Government actions		<ul style="list-style-type: none"> • Mongolian Law of Gender Equality was approved in 2011. • BOM started to publish Gender Statistics of the Banking Sector in 2021. • FRC report some gender disaggregated data from savings and credit cooperatives • MSFA conducted a baseline study of gender mainstreaming in the financial sector, with technical assistance from the UNDP and UN joint program in 2021 • MSFA is preparing Gender Assessment Tool and working to incorporate gender into Sustainable Finance guidance. • Gender-Responsive Budgeting since 2021 • The GCF mandates gendered approach 	<ul style="list-style-type: none"> • Government policy on Public-Private Partnership was approved in 2009. • Law on Concessions was enacted in 2010 • Currently developing a new law on PPPs 	<ul style="list-style-type: none"> • GOM is investing and planning to invest even more to build infrastructure (road and railways) and create sustainable environment in Investment plan 2021-2025, Five-Year Development Guidelines for 2021-2025. • BOM is working to establish a sustainable supply chain for priority sectors. • GOM is planning Banking sector reform to reduce the interest rate, support SMEs, and increase competitiveness and costs. • GOM is planning to support export financing through the operation of DBM.
Responsible government institution		BOM	MOED	GOM, BOM, MOF
Assessment indicator	Indicator of progress	Gender statistics of the Banking and Non-Banking financial sectors	Approval of new law on PPPs	Performance monitoring for Investment Plan and Medium-term development plan.
	Baselines			
Partner support		FRC, Commercial banks, MFSA, UNDP, Asia Foundation	CABSEC, MOF, MNCCI, ADB	Line ministries, MOED, MNCCI
Status and suitability of actions (strengths, weakness, gaps)		Ongoing. There is growing interest from financial institutions to integrate gender mainstreaming in their operations and some progresses have been made. Actions are very suitable. However, gender-based data is limited to track progress and build baseline in financial and non-financial sectors. Also as stated in the baseline study by MSFA, the important thing to advance gender mainstreaming is capacity building in financial institutions and increase public awareness.	Ongoing. The current PPP policy is limited concerning how the partnership will be implemented, their roles, and risk-sharing mechanisms for parties. The new law on PPPs should fill those gaps. Government should clearly state the incentives for better private sector engagement and contributions to national development priorities.	Ongoing. The investment environment and regulatory framework lack guiding private sectors for sustainable development. Whereas, given an ambitious plan to develop infrastructure and promote enabling economic environment, the involvement and financing from the private sector are essential. It needs a more integrated approach to promote economic diversification.

ANNEX 4

INFS IMPLEMENTATION PROGRESS REVIEW & MONITORING INDICATORS

	INDICATORS	MEASUREMENT METHOD	MONITORING FREQUENCY	RESPONSIBLE ORGANIZATION
I. PUBLIC FINANCING				
1. MOVE FROM MTFF TO MTBF				
1.1	Number of development target programs approved by the Parliament	Evaluate increase compared to the previous year	Every year	MOED
1.2	Number of ministries/sectors which developed results based MTEF and annual budget proposals with sectoral and SDG targets	Evaluate increase compared to the previous year (desirable to have 8 or more ministries/sectors)	Every year	MoF
1.3	Percentage of budget implementing MTBF	Evaluate increase compared to the previous year	Every year	MoF
1.4	Full transition from MTFF to MTBF	Yes/No	Once at the end of the planned period	MoF
1.5	Budget law is revised in accordance with MTBF principles	Yes/No	Once at the end of the planned period	MoF, CABSEC
2. INTRODUCTION OF SDGS ALIGNED, RESULTS-BASED BUDGETING (RBB)				
2.1	Number of sectors conducted expenditure reviews	Evaluate increase compared to the previous year	Every year	MoF
2.2	Number of sectors that piloted and introduced RBB	Evaluate increase compared to the previous year	Every year	MoF
2.3	Percentage of the budget that has transitioned to RBB	Evaluate increase compared to the previous year	Every year	MoF
3. INTRODUCTION OF GENDER RESPONSIVE BUDGETING				
3.1	Quantity of spending allocated through gender responsive budgeting process each year	Evaluate increase compared to the previous year	Every year	MoF
3.2	Development of a guideline and manuals on gender responsive budgeting	Yes/No	Once at the end of the planned period	MoF
3.3	Number of sectors conducted pilot of gender responsive budgeting	Evaluate increase compared to the previous year	Every year	MoF
3.4	Percentage of sectors that consider gender issues in budgeting in total budget sectors	Percentage, evaluate growth compared to the previous year	Once at the end of the planned period	MoF
3.5	Number of good practices of gender-responsive budgeting	Evaluate increase compared to the previous year	Every year	MoF, NGC
3.6	The revision on budget law including provisions for gender-responsive budgeting	Yes/No	Once at the end of the planned period	MoF, CABSEC
3.7	Amount of financing for gender-specific policy and planning	Evaluate increase compared to the previous year	Every year	MoF, NGC

	INDICATORS	MEASUREMENT METHOD	MONITORING FREQUENCY	RESPONSIBLE ORGANIZATION
4. INTRODUCTION OF SDG BUDGET TAGGING				
4.1	Development of a system for classifying budget expenditures align with the SDGs	Yes/No	Once at the end of the planned period	MoF
4.2	Total volume of spending allocated through enhanced SDG-aligned budget allocation process	Evaluate increase compared to the previous year	Every year	MoF
4.3	Percentage of spending aligned with SDGs in the total state budget	Percentage, evaluate growth compared to the previous year	Every year	MoF
4.4	The revision on budget law including provisions on SDG-related budgeting	Yes/No	Once at the end of the planned period	MoF, CABSEC
5. ISSUANCE OF SUSTAINABLE DEVELOPMENT BONDS				
5.1	Percentage of domestic and foreign bonds issued to support sustainable development in GDP	Percentage, compared to the previous year	Every year	MoF
5.2	The amount of green bonds	Trillion MNT, evaluate growth compared to the previous year	Every year	MoF
5.3	Percentage of debt service in exports of goods and services	Percentage, evaluate decline or stable compared to the previous year	Every year	MoF
6. IMPLEMENTATION OF DEBT-FOR-NATURE SWAP				
6.1	Number (or amount) of foreign debt-for-nature swaps	Evaluate increase compared to the previous year	Every year	MoF
7. ALIGNMENT OF DEVELOPMENT BANK OF MONGOLIA'S OPERATIONS WITH SDGS				
7.1	Does DBM have a sustainable financing policy and implementation unit? Whether indicators for society and gender are used?	Yes/No	Once at the end of the planned period	MoF
7.2	Number of loans disbursed using the ESG risk assessment within DBM	Evaluate increase compared to the previous year	Every year	MoF
7.3	The number of sector specific ESG risk assessment methodology established	Evaluate increase compared to the previous year	Every year	MoF
7.4	Whether to use SDG taxonomy in issuing loan and appropriate loan reporting according to the SDG finance taxonomy	Yes/No	Every year	MoF
7.5	The amount of funds raised on concessional terms (SDG bonds, climate green funds, etc.)	Trillion MNT, Evaluate progress based on growth	Every year	MoF
7.6	Number of people (or trainings/ workshops) for capacity building on sustainable development financing	Evaluate increase compared to the previous year	Every year	DBM

	INDICATORS	MEASUREMENT METHOD	MONITORING FREQUENCY	RESPONSIBLE ORGANIZATION
8. REFORM OF WHOLLY AND PARTIALLY STATE-OWNED ENTITIES				
8.1	Number of SOEs that have introduced ESG reporting standards	Evaluate increase compared to the previous year	Every year	MoF
8.2	Number of SOEs privatized through the MSE	Evaluate increase compared to the previous year	Every year	MoF
8.3	The share of total SOE liabilities in the total state budget	Percentage, evaluate stable or declining compared to the previous year	Every year	MoF
9. INTRODUCTION OF SUSTAINABLE PUBLIC PROCUREMENT PRINCIPLES				
9.1	Whether new policies or regulations have been issued or amended to improve the procurement environment for goods, works and services with state and local funds	Yes/No	Once at the end of the planned period	MoF
9.2	Number of state-owned organizations implementing sustainable public procurement principles	Evaluate increase compared to the previous year	Every year	MoF
9.3	The share of green procurement in total government procurement	Percentage, Evaluate growth compared to the previous year	Every year	MoF
10. COMBAT MONEY LAUNDERING AND TERRORIST FINANCING				
10.1	Whether national strategy and action plan on AML and TF is developed	Yes/No	Once at the end of the planned period	BoM
10.2	Law or regulation on mitigating risks associated with virtual asset and virtual asset providers	Yes/No	Once at the end of the planned period	BoM, MOF
11. STRENGTHEN INTERNATIONAL DEVELOPMENT CO-OPERATIONS				
11.1	Number of programs collaborated with international development partners (ongoing and completed this year) through technical and financial assistance.	Evaluate increase compared to the previous year	Every year	Stakeholders
12. INCREASE REVENUE/ CARRY OUT TAX REFORMS				
12.1	Percentage increase in annual tax income	Evaluate increase compared to the previous year	Every year	MOF
12.2	Introduction of progressive income tax	Yes/No	Once at the end of the planned period	MOF, GTO
12.3	Number of new green/ environmental tax system	Evaluate increase compared to the previous year	Every year	MOF, GTO
12.4	Initiation of National Wealth Fund	Yes/No	Once at the end of the planned period	GOM, MMHI

	INDICATORS	MEASUREMENT METHOD	MONITORING FREQUENCY	RESPONSIBLE ORGANIZATION
II. PRIVATE SECTOR FINANCING				
1. ALIGNMENT OF FINANCIAL MARKET WITH SDGS				
1.1	Amount of funding provided through the Mongolian Green Finance Corporation	Trillion MNT, Evaluate increase compared to the previous year	Every year	BOM
1.2	Percentage of soft loans provided to SDG projects through Commercial Banks and NBFIs in total sector loans	Percentage, evaluate growth compared to the previous year	Every year	BOM
1.3	Percentage of green loans in total financial sector loans	Percentage, evaluate growth compared to the previous year	Every year	BOM
1.4	Number of enterprises that have introduced ESG risk assessment standards in the financial sector	Evaluate increase compared to the previous year	Every year	BOM
1.5	Number of projects and programs with blended financing	Evaluate increase compared to the previous year	Every year	BOM
2. ADOPTION OF SDG FINANCE TAXONOMY				
2.1	Whether the SDG finance taxonomy and instructions for its use have been developed and approved	Yes/No	Once at the end of the planned period	BOM/FRC
2.2	The share of the loan in each taxonomy category in total financial sector SDG aligned loans	Percentage, evaluate increase compared to the previous year	Every year	BOM
2.3	Number of new data series on SDG funding and operations	Evaluate increase compared to the previous year	Every year	BOM
2.4	Number of new financial products targeted at SDG	Evaluate increase compared to the previous year	Every year	BOM
3. ESTABLISHMENT OF IMPACT INVESTMENT FUND				
3.1	Number of private equity funds targeting SDG	Evaluate increase compared to the previous year	Every year	FRC
3.2	The existence of legal framework (law or regulation) to support sustainable Private equity funds	Yes/No	Every year	FRC
4. ALIGNMENT OF CAPITAL MARKETS WITH SDGS				
4.1	Number of listed companies that comply with the ESG reporting standard	Evaluate increase compared to the previous year	Every year	FRC
4.2	The amount of SDG bonds issued by the Government and private companies in the domestic market	Trillion MNT, Evaluate growth compared to the previous year	Every year	FRC
4.3	Total valuation of shares of SOE, private sector and strategic deposits traded through MSE	Trillion MNT, evaluate increase compared to the previous year	Every year	FRC
4.4	Share of stock market valuation in GDP	Percentage, evaluate growth compared to the previous year	Every year	FRC

	INDICATORS	MEASUREMENT METHOD	MONITORING FREQUENCY	RESPONSIBLE ORGANIZATION
4.5	Percentage of SDG aligned domestic bonds in total value of domestically issued bonds	Percentage, compared to the previous year	Every year	FRC
4.6	Number of companies registered in the stock market that meet the gender criteria	Evaluate growth compared to the previous year (calculate new and re-meet counts separately)	Every year	FRC, MSE
5. SUPPORT THE ESTABLISHMENT OF DOMESTIC INSTITUTIONAL INVESTORS				
5.1	Whether the Law on Private equity fund regulations was amended	Yes/No	Once at the end of the planned period	MoF, FRC
5.2	Have the relevant regulations been updated in line with the amendments to the Law?	Yes/No	Once at the end of the planned period	MoF, FRC
5.3	The number of private equity funds use SDG impact standard	Evaluate increase compared to the previous year	Every year	FRC
5.4	Number of private equity funds that introduced GIPS	Evaluate increase compared to the previous year	Every year	FRC
6. ATTRACT AND RETAIN FOREIGN INVESTMENT TO SDG				
6.1	Are there any amendments made to the Investment Law?	Yes/No	Once at the end of the planned period	MOED, FRC
6.2	Has an investment map for SDG been developed?	Yes/No	Once at the end of the planned period	MOED
6.3	Number of SDG investment projects presented to foreign investors or hosted on an international platform	Evaluate increase compared to the previous year	Every year	MOED
6.4	Percentage of investors who have invested in 2 or more different sectors as a share of total investors, by sector	Percentage, evaluate growth compared to the previous year	Every year	MOED
6.5	Percentage of foreign investment and official aid in the state budget, by sector	Percentage, evaluate growth compared to the previous year	Every year	MoF
6.6	The amount of investment attracted from international funds as a percentage of GDP, by sector	Percentage, evaluate growth compared to the previous year	Every year	MoF
7. ESTABLISH GENDER- RESPONSIVE FINANCIAL SYSTEM				
7.1	Has a gender baseline survey of the financial sector been conducted?	Yes/No	Once at the end of the planned period	ToC
7.2	Number of financial products aimed at reducing gender inequality	Evaluate increase compared to the previous year	Every year	BOM
7.3	Number of newly registered gender statistics in the financial sector	Evaluate increase compared to the previous year	Every year	BOM

	INDICATORS	MEASUREMENT METHOD	MONITORING FREQUENCY	RESPONSIBLE ORGANIZATION
8. REFORM OF PUBLIC-PRIVATE PARTNERSHIPS				
8.1	Has the Law on Public-Private Partnership been approved?	Yes/No	Once at the end of the planned period	MOED
8.2	Whether new regulations or amendments have been issued in line with Public-Private Partnership Law	Yes/No	Every year	MOED
8.3	Number of public-private joint projects and programs	Evaluate increase compared to the previous year	Every year	MOED
8.4	Total amount of government subsidies, incentives, loans, loan guarantees and sureties to increase private sector participation in development programs	Evaluate increase compared to the previous year	Every year	MoF
9. ALIGNMENT OF PRIVATE SECTOR FINANCING WITH SDGS				
9.1	Percentage of the company's total income spent on corporate social responsibility	Evaluate on average percentage, compared to the previous year	Every year	MNCCI
9.2	Number of private entities that comply with the ESG reporting standard	Evaluate increase compared to the previous year	Every year	MNCCI
9.3	Number of private entities that comply with the SDG impact standard	Evaluate increase compared to the previous year	Every year	MNCCI
9.4	Number of SDG projects and programs funded by the private sector	Evaluate increase compared to the previous year	Every year	MNCCI
10. DIASPORA SAVINGS, INVESTMENTS AND REMITTANCES				
10.1	Amount of remittances (and diaspora investments if separate data is available)	Evaluate increase compared to the previous year	Every year	BoM
10.2	Number of financial tools designed to attract diaspora investments and remittances	Evaluate increase compared to the previous year	Every year	BoM
11. ALIGN PHILANTHROPIES WITH SDGS				
11.1	Share of philanthropies contributing to resolve climate issues	Percentage, evaluate increase compared to the previous year	Every year	Line ministries, NGOs
11.2	Share of philanthropies contributing to social sector development	Percentage, evaluate increase compared to the previous year	Every year	Line ministries, NGOs

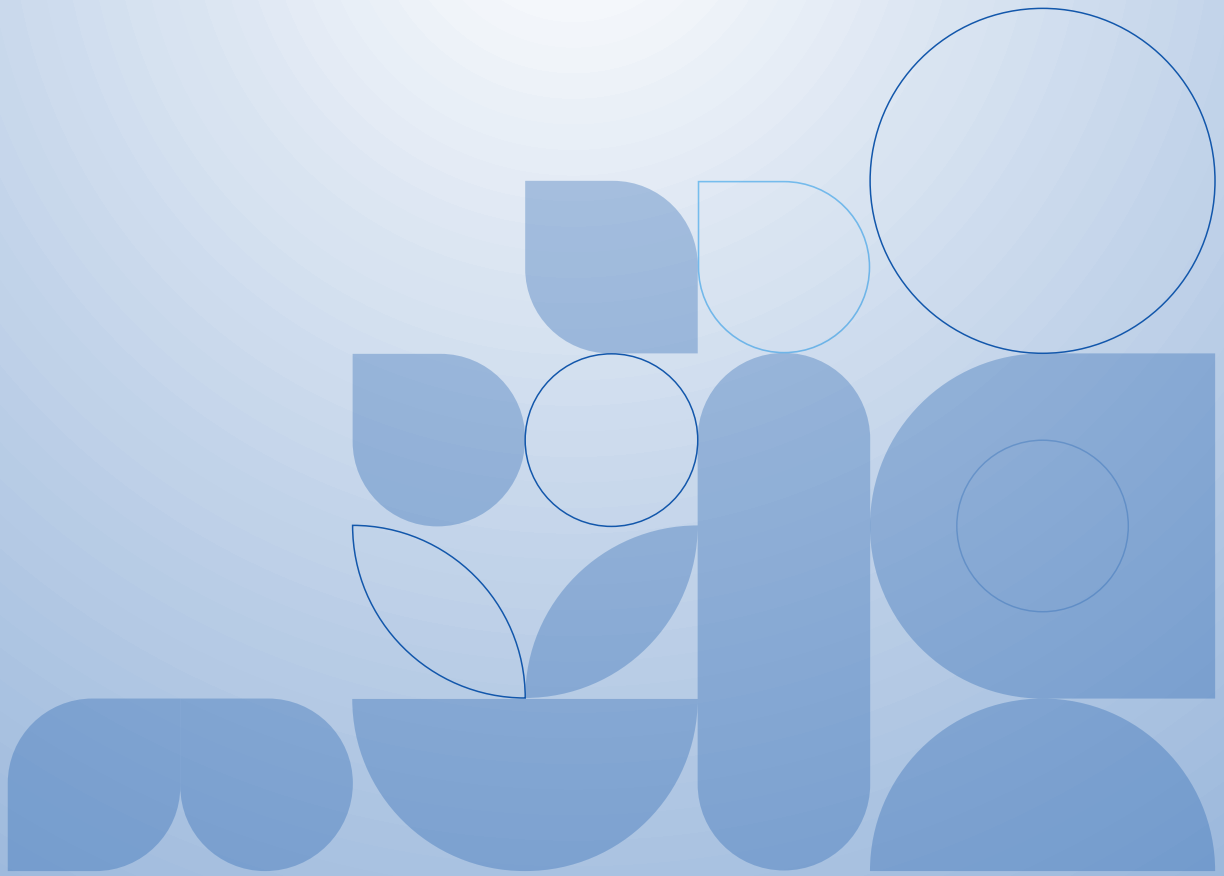
	INDICATORS	MEASUREMENT METHOD	MONITORING FREQUENCY	RESPONSIBLE ORGANIZATION
--	------------	--------------------	----------------------	--------------------------

III. CREATING A MACROECONOMIC ENVIRONMENT / SYSTEMIC CONDITION TO SUPPORT DEBT SUSTAINABILITY AND FINANCIAL SECTOR STABILITY

1. INFRASTRUCTURE AND A SUSTAINABLE ENVIRONMENT TO SUPPORT ECONOMIC DIVERSIFICATION AND BUSINESS GROWTH				
1.1	Total public and private sector investment, formal and other development assistance devoted to infrastructure	Trillion MNT, evaluate compared to the previous year	Every year	MoF
1.2	Loan interest rate	Percentage, evaluate decrease compared to the previous year	Every year	BOM
2. CREATION SUSTAINABLE SUPPLY CHAIN IN ECONOMIC PRIORITY SECTORS				
2.1	Availability of tech-based supply chain tracking system	Yes/No	Once at the end of the planned period	MNCCI
2.2	Number of products labeled as "Sustainable Products"	Evaluate increase compared to the previous year	Every year	MNCCI
3. SUPPORT EXPORT FINANCING				
3.1	Whether an export credit guarantee corporation has been established	Yes/No	Once at the end of the planned period	MoF
3.2	The amount of export promotion loans provided by the DBM as a percentage of total DBM loans	Percentage, evaluate increase compared to the previous year	Every year	MoF
4. SUPPORT SME DEVELOPMENT				
4.1	The amount of loans provided by the State Bank to support SMEs as a percentage of its total loan portfolio	Percentage, evaluate increase compared to the previous year	Every year	MoF
4.2	Value of guarantees issued by the Loan Guarantee Fund to support SDG financing	Trillion MNT, compared to the previous year	Every year	MoF
4.3	Amount of loans provided to small businesses as a percentage of the total loan portfolio	Percentage, evaluate increase compared to the previous year	Every year	MoF
5. DEBT SUSTAINABILITY				
5.1	Weighted average interest rate on government debt	Evaluate decrease compared to the previous year (desirable to be less than 1)	Every year	MoF
5.2	Percentage of total public debt refinanced by Sustainable Development Financing	Percentage, evaluate growth compared to the previous year	Every year	MoF
5.3	Percentage of loans, guarantees and sureties issued for major development projects in total public debt	Percentage, evaluate growth compared to the previous year	Every year	MoF
5.4	Number of innovative sustainable debt instruments that are newly introduced in the market (green bond, SDG bond, derivatives, swaps etc.)	Evaluate increase compared to the previous year	Every year	MoF


	INDICATORS	MEASUREMENT METHOD	MONITORING FREQUENCY	RESPONSIBLE ORGANIZATION
6. MACROECONOMIC AND FINANCIAL SECTOR STABILITY				
6.1	The amount of green financing/loan/ investment in total loan	Percentage, evaluate increase compared to the previous year	Every year	MoF
6.2	Average interest rate of bank loans	Percentage, evaluate decline compared to the previous year	Every year	BOM
7. GOVERNANCE AND COORDINATION OF INFF				
7.1	Has the necessary costing estimates been made for SDGs and have funding resources been identified?	Yes/No	Once at the end of the planned period	MOED
7.2	The amount of the SDG funding gap (comparing needs and sources)	Trillion MNT, evaluate decrease compared to the previous year	Every year	MOED
7.3	Whether the implementation of the INFS is monitored and reported annually	Yes/No	Every year	MOED
7.4	Whether multi-stakeholder SDG forum is organized	Organize at least once a year	Every year	MOED
MONITORING AND REVIEW OF INFS				
8.1	Have the national SDG goals and indicators been approved by Parliament?	Yes/No	Once at the end of the planned period	MOED, Cabinet Secretariat of Government of Mongolia
8.2	Number of newly created SDG data series	Evaluate increase compared to the previous year	Every year	BOM, MOED
8.3	Number of programs and activities that SDG performance audit is made	Evaluate increase compared to the previous year (desirable to have 3 and more programs/sectors)	Every year	Mongolian National Audit Office
8.4	Number of Budget Hearings on RBB and expenditure effectiveness, based on budget proposals or sector/ program expenditure reviews (by sector/ministry)	Evaluate increase compared to the previous year (desirable to have 4+)	Every year	Parliament, MOF
8.5	The availability of indicators and data sources for INFS implementation	Improved/not Improved	Every year	MOF, BOM, MOED, FRC, NAO
8.6	Number of officials that are trained for monitoring the implementation of INFS	Evaluate increase compared to the previous year	Every year	UNDP, IMF, EU
8.7	Evaluate the implementation of the INFS and report the results to the public in a transparent manner	Yes/No	Every year	MOED

	INDICATORS	MEASUREMENT METHOD	MONITORING FREQUENCY	RESPONSIBLE ORGANIZATION
8.8	Number (and %) of sectors/ministries monitored by CSOs on their budget implementation, using RBB and LNOB principles, and communicated to public	Evaluate increase compared to the previous year (desirable to have 6+ sectors/ministries)	Every year	MOF, CSOs
8.9	Amount of public financing with a direct reference to "Five-Year Development guidelines for 2021-2025". Implementation costs of programs and activities as stated in Public Investment Plan 2021-2025 will be accounted here but not limited to.	Evaluate compared to the previous year	Every year	MoF






For more information:


 Mr. Sonor Luvsandorj | Director of the Financial markets and Insurance Department


 Financial policy division of the Ministry of Finance


 sonor_l@mof.gov.mn

 + 51 260679

 Mr. Delgernaran Tumurtogoo | National Project Coordinator

 UN Joint Programme “Rolling Out an Integrated Approach to the SDG financing in Mongolia”

 Delgernaran.tumurtogoo@undp.org

 + 11 327585