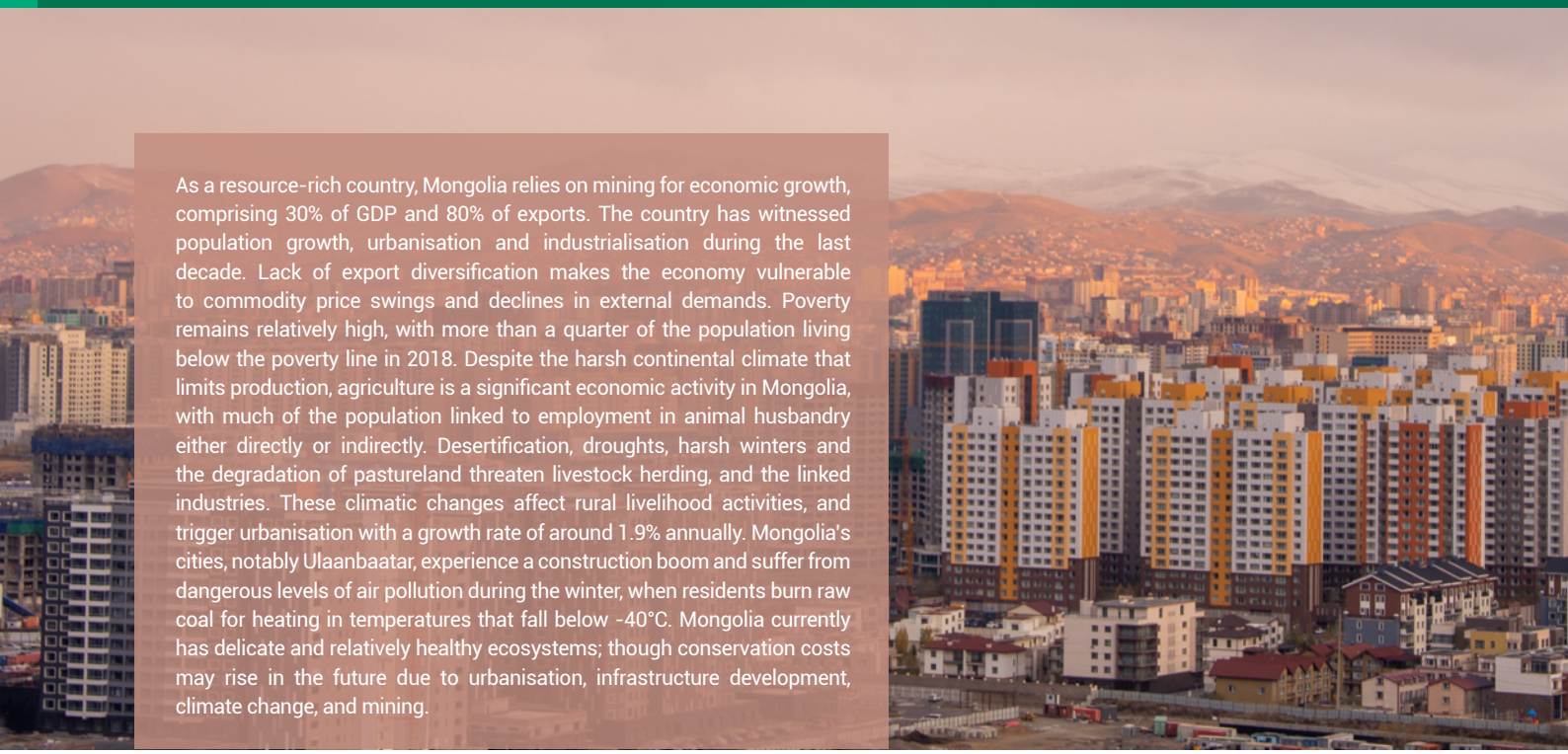
European Commission

Mongolia goes circular

the stepping stones



As a resource-rich country, Mongolia relies on mining for economic growth, comprising 30% of GDP and 80% of exports. The country has witnessed population growth, urbanisation and industrialisation during the last decade. Lack of export diversification makes the economy vulnerable to commodity price swings and declines in external demands. Poverty remains relatively high, with more than a quarter of the population living below the poverty line in 2018. Despite the harsh continental climate that limits production, agriculture is a significant economic activity in Mongolia, with much of the population linked to employment in animal husbandry either directly or indirectly. Desertification, droughts, harsh winters and the degradation of pastureland threaten livestock herding, and the linked industries. These climatic changes affect rural livelihood activities, and trigger urbanisation with a growth rate of around 1.9% annually. Mongolia's cities, notably Ulaanbaatar, experience a construction boom and suffer from dangerous levels of air pollution during the winter, when residents burn raw coal for heating in temperatures that fall below -40°C. Mongolia currently has delicate and relatively healthy ecosystems; though conservation costs may rise in the future due to urbanisation, infrastructure development, climate change, and mining.

Integrating circular economy approaches into policy

In 2013, Mongolia was one of the first countries to join the Partnership for Action on Green Economy (PAGE). Over the years, the country has shown a strong commitment to greening its economy – gradually also including circular practices. An amendment to the Law on Waste (2017) introduced the circular economy in the government policy framework. The complementing Mongolia National Waste Management Improvement Strategy and Action Plan (2017-2030)[1] strived to achieve conservation of raw materials, to reduce waste at source, and to establish the 3R (reduce, reuse, recycle) principles. The strategy embraced - among others – the concept of extended producer responsibility as well as mechanisms for converting waste to value-added products.

The Sustainable Development Vision 2030 aimed to preserve Mongolia's ecological balance. The Vision further prioritised the transition to a circular economy through promoting resource efficiency in production methods at a sector level. Further laws and policies enacted to support the transition to a green and circular economy, include the ban on coal burning in Ulaanbaatar (2019), the ban on single use plastic bags (2019), and the National Sustainable Finance Roadmap of Mongolia (2018), aiming at re-orienting and increasing green investment flows that contribute to the creation of a low-carbon, climate-resilient and circular economy. A Mongolia Green Taxonomy, developed by the Mongolian Sustainable Finance Association, provides a framework of activities that contribute to resource conservation and pollution prevention, integrating circular practices such as energy efficiency and waste recycling.

In 2020, the Mongolian government adopted the Vision 2050, a long-term policy document replacing the Sustainable Development Vision 2030. Vision 2050 outlines nine fundamental goals to which circular models can contribute, such as protecting and reclaiming the environment and ecosystems, increasing productivity through resource-efficient and low-waste advanced technologies and innovative products and services, and encouraging eco-friendly lifestyles. Sub development goals further include preventing water resource scarcity, and contributing to international climate change mitigation efforts. The goals outlined in the Vision 2050 form the basis of the Government Action Plan 2020-2025.

switch2 green

1. Other relevant sector specific policy initiatives include the second National Biodiversity Program approved in 2015, the National Program on Water (2010-2021), the National Plan of Action to Combat Desertification in Mongolia (NPACD, 2010-2020), National Action Program on Climate Change (NAPCC, 2011-2021), National Green Belt program (2005 2035), and the National Program on conservation of rare and endangered animals (2012-2021)

In the same year, the Ministry of Construction and Urban Development adopted new regulations on recycling demolition and construction waste, including regulations for classifying, recycling, reusing, or appropriately disposing of waste from construction and demolition of buildings. Together with standards for secondary materials from demolition waste, this is a step towards advancing the circular resource use in the sector.

Progress towards a circular economy is also based on the foundations laid down by the National Green Development Policy (2014), the Green Action Plan 2016-2030, and the Sustainable Public Procurement Action Plan (2017). The National Green Development Policy aspires to achieve participatory and inclusive economic growth through measures like the introduction of the 'green development areas' model in national parks and natural and cultural heritage sites, by limiting mining and industrial activities while developing eco-tourism and traditional livestock husbandry. It envisions economic incentives to increase productivity of natural resource use, including payment for ecosystem services for herders contributing to pasture degradation prevention and water sources maintenance. Additionally, the National Green Development Policy puts forward measures to (among others) introduce technologies for the recycling, reuse and retreatment of wastewater up to permissible standard levels (thus limiting the use of ground water for industrial purposes), and to promote surface water accumulation and utilisation, including rainwater harvesting.

Key milestones for the green and circular transition

01 — 2012
Commitment to green development in the Government Action Plan 2012-2016

02 — 2013
Mongolia becomes a **member of PAGE**

03 — 2014
Mongolia adopts the **National Green Development Policy**

Mongolia Sustainable Finance Principles are launched

04 — 2016
Action plan for the **National Green Development Policy is developed**

The Sustainable Development Vision (SDV) 2030 integrates green development considerations

05 — 2017
Sustainable Public Procurement Action Plan is established

The **National Sustainable Finance Roadmap** is adopted

The **Mongolia National Waste Management Improvement Strategy and Action Plan** is launched and the Law on Waste (2017) comes into force

06 — 2018
The **EU Delegation is established** in Mongolia

The **Sustainable Outlook Mongolia** puts prioritisation on sustainable land and water management, industrialisation and tourism

07 — 2019
Ban on single use plastic bags comes into effect

Ban on coal burning for domestic use in Ulaanbaatar comes into force

Amendment to the Public Procurement Law of Mongolia introduced green aspects into procurement

08 — 2020
Vision 2050 replaces the SDV 2030

New regulation on management of construction and demolition waste (including circular economy considerations)

Construction Codes and Standards on Building Envelope Thermal Insulation for Mongolia amended

Drivers for the circular shift

Diversifying the economy and creating jobs: Acknowledging the need to increase the resilience of the economy and address volatility and risks related with Mongolia's economic dependence on mining and traditional livestock husbandry, both the National Green Development Policy and the Sustainable Development Vision support green and circular activities like renewable energy, eco-tourism and sustainable agricultural value chains, as a means to diversify the economy and create jobs and growth.

Reducing air pollution and waste: Pollution has significant impacts on citizens' health, especially in Ulaanbaatar. By tackling pollution, the government aimed at protecting human health and reducing economic losses. Increasing energy efficiency in housing and heating systems, and transitioning to alternative heating technologies are measures to reduce harmful air pollution levels. With solid waste management being a major issue in Mongolia, closing the loop of product life cycles is a key circular economy consideration towards managing resource flows and ensuring the availability of resources for future use.

DRIVERS

Diversification of the economy (notably exports) and job creation

Reducing air pollution and waste

Securing clean water supply

Protecting eco-systems as cultural, natural and economic assets

Securing clean water supply: Water scarcity threatens Mongolia's development. Reducing water pollution and securing future access to clean and safe drinking water is therefore a priority of the Mongolian Government as reflected in the National Green Development Policy's ambition for wastewater treatment and water reuse. Circular economy practices are also confirmed by the Mongolian National Technical Committee on Standardization that endorsed *Technical Requirements of Treated Wastewater Reuse* in 2019.

Protecting eco-systems as cultural, natural and economic assets: Preventing the loss of essential natural eco-systems drives policy making as natural capital dependent agriculture and animal husbandry are significant economic activities in Mongolia. Protection of eco-systems secures traditional livelihoods and employment in animal husbandry. Healthy ecosystems also allow for sustainable tourism in around 21% of the land that is protected.

How the EU helped kick-off a CE process in Mongolia

The **European Union** supports Mongolia's transition to a green and circular economy through initiatives on energy efficiency, waste management, and the circular economy. The EU SWITCH-Asia Programme provides technical and policy support on circular economy topics related to sustainable consumption and production (SCP) covering themes such as green products, plastics, recycling and waste as well as construction. SWITCH-Asia has been a catalyst for Mongolia's New Regulation on Construction and Demolition Waste (CDW) Management, paving the way for the use of secondary materials in the buildings and construction sector. The SWITCH-Asia SCP Facility has undertaken multi-stakeholder consultations and provided training on Sustainable/Green Public Procurement. Recently, the SWITCH-Asia SCP Facility developed an SCP Baseline Study to map relevant policies and stakeholders, and identify practices to support increased awareness on SCP.

With the Economic Governance for Equitable Growth (EG4EG), the EU funded a project aiming to strengthen the economic governance of revenues from Mongolia's mineral wealth towards sustainable development. The EU co-funded Partnership for Action on the Green Economy (PAGE) also supports the country's transition, with macro-economic planning and monitoring, mapping of the national policies on the green economy to SDGs, policy development, and training and capacity building.

The European Bank for Reconstruction and Development focuses on economic diversification, responsible mining, and the development of institutions, infrastructure and the private sector. Relevant blending projects with contributions by the EBRD and the EU include the Ulaanbaatar District Heating Project, the Green Cities programme, through which the EBRD supports the Capital City Governors' office on a new Green City Action Plan, and the GrCF Ulaanbaatar Solid Waste Modernisation Project, which contributes to CE objectives by introducing proper waste management practices, and investing in a Construction and Demolition Waste Plant (CDW). The Mongolian Sustainable Energy Financing Facility (MonSEFF) is a credit line developed by the EBRD to enable the Partner Banks in Mongolia to finance businesses seeking to invest in energy efficiency.

The EU-funded Green Economy Coalition (GEC) Dialogues supported the Economic Policy & Competitiveness Research Centre in Mongolia to build networks of civil society, business and government that drew up future economic scenarios and policy roadmaps to inform decision making, demonstrated the value of green investment, and helped local entrepreneurs access finance for innovative green, notably circular projects.

EU support at a glance

- The EU SWITCH-Asia programme has provided support through grants and the SCP Facility.
- EU and EBRD blending projects include the Green Cities Programme, District heating, the Solid Waste Modernisation programme and the MonSEFF.
- The EU funded Economic Governance for Equitable Growth (EG4EG) project aimed at enhancing sustainability considerations in economic governance of revenues from the mining sector.
- The EU co-funded PAGE supports policy development and capacity building.
- The EU-funded GEC Dialogues organised multi-stakeholder platforms informing policy, demonstrating the value of green investment and helping local entrepreneurs materialise innovative green projects.

Lessons Learnt

The EU Delegation to Mongolia has identified practices that leverage the policy and stakeholder landscape to accelerate green and circular economy topics.

Ensure interest of and close coordination with the relevant focal point and line Ministries. Finding an entry point for the green or circular economy narrative that is of interest to the Government is crucial; this is likely to come from other than the environmental sectors, for example, from infrastructure development. Coordination at the government level is equally important to the sustainability of a project, and to ensure implementation of the measures proposed.

Integrate circularity coherently across EU's portfolio. A coherent portfolio minimises overlap and increases efficiency of spending. By building on existing projects and stakeholder experience, a coherent integration of the circular economy in new actions can be achieved. In the context of a call for proposals, such as the one of the EU SWITCH-Asia programme, a relevant engagement strategy has been successfully promoted by encouraging potential applicants to discuss with on-going projects.

Ensure coordination among multiple stakeholders. In Mongolia, multi-stakeholder working groups as for example promoted by the EU supported GEC dialogues project, bring together development partners working including government bodies, civil society, and the private sector on topics like air pollution.

"It is important to have thorough involvement of the line Ministry when developing a project. Otherwise, the initiative becomes standalone with no follow up."

Byambaragchaa Magvandorj,
Project Manager - EU Delegation to Mongolia

Future Steps

Despite a strong policy landscape for the transition to a green and circular economy, Mongolia lacks progress in implementation, as reflected in the country's ranking (120th out of 130 countries) in the 2018 Global Green Economy Index. To fully unfold, the transition would also need to address current inefficiencies in regulatory and institutional frameworks, financial constraints, skills gaps, and technology barriers. Increasing access to finance and awareness in the private sector can facilitate the implementation of initiatives outlined in the national plans for green and circular economy development – an effective strategy with SMEs e.g. in the construction sector. To raise awareness on resource efficiency is also key to the country, where 17 kilograms of natural resources is used for every dollar of economic activity, compared to the region's average of three kilograms per US dollar.