

Sustainable development policy in Mongolia: National aspirations and local priorities for the resource regions

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ABSTRACT

The institutional framework is the most important basis for the functioning of sustainable development instruments. For an intensively developing economy like Mongolia, it is important to maintain harmony between economic, social and environmental concerns. This paper provides an overview of the key features of sustainable development policy in Mongolia. Relevant documentation is reviewed, and the most important priorities are highlighted. Authors have analyzed documents such as Vision for Sustainable Development of Mongolia until 2030 and “VISION 2050”, The Mongolian Green Taxonomy. Sustainable financing instruments are highlighted as the most important aspect of the practical application of the issues under study, especially green loans and social loans, sustainability-related loans. Due to the critical importance of the mining industry for the Mongolian economy, a model territory in the form of Umnugovi aimag is selected, for which the case of the Oyu Tolgoi mine is considered. It is important to note which aspects of policy implementation are left to governmental and non-governmental organizations, and which aspects are taken up by business. Big degree of responsibility regarding ESG-policy currently falls on the private companies. A particular case study of the Oyu Tolgoi revealed how the sustainable development of the resource region is related to the industrial actor. This particular case study is an example of the successful implementation of such dependence, although it is unlikely to be the case for every private company. Further study of this topic will not only provide concrete analytical reports, but will also contribute to the development of practical solutions to the nature-society nexus in Mongolia.

KEYWORDS

ESG, Regional policy, Sustainable development, Mining

1. INTRODUCTION

In accordance to the UN-designated sustainable development goals, many local governments, as well as privately-owned corporations, place great importance on the policy of sustainable development. While it is technically enacted on many levels and by many actors, the reality of ESG-policy is that it is often done only as a formality. As such, it is important to determine which sustainable development goals are being achieved on the national and local levels, and which require further effort. The national sustainable development goals are mainly set out in the “Mongolia 2030” and “VISION 2050” [1].

In the resource regions, some goals should preferably have higher priorities, seeing how regionally appropriate policy has to consider the salient features of the territory in terms of its environment and society. The topic of sustainable development of Mongolia is by no means new (see, for instance, [2]), but the newer trends of ESG-oriented approach and some of the legal changes require further investigation. At the same time, the challenges that Mongolia faces geographically [3] can be potentially overcome with sustainable governance.

2. RESEARCH METHODS

The objective of this paper is to determine the priorities and the instruments of the national and local sustainable policy-making of Mongolia. In order to do that, the analysis of the national policy was conducted with the use of an institutional paradigm. Upon analytical reflection, the historical and comparative approaches were taken. Relevant documentation has been reviewed, first by sorting it in the timeline order, and then by comparing the most important positions from the perspective of sustainable development policy making. The similarities and differences with the international priorities are then shown. In order to consider an example from a local level, a case study method was invoked. As a model territory, Umnugovi Aimag was chosen and Oyu Tolgoi mine serves as a case study. The choice of the model territory is made on the economic-geographic principle, due to Umnugovi aimag being a resource region in a country with the mining sector taking the leading role in the economic growth. A case study method, in particular that of Oyu Tolgoi, is conducted as approached by institutional geography, i.e. by considering the institutional factors as relevant to the territorial development. Based on the company's publicly

available reports and documents, analytical reflection is provided on how the local sustainable development is determined by the policy of a private company, in order to then assess how the potential growth of the resource region is related to it.

3. RESULT AND DISCUSSION

3.1. National Aspirations

In 2016, the Great State Khural of Mongolia adopted the Vision for Sustainable Development of Mongolia until 2030. This concept is a strategic document of Mongolia's development in 7 main directions until 2030 [4]. The 17 goals and 169 targets of the global SDGs correspond to the 4 priorities and 44 targets of Mongolia's 2030 Sustainable Development Vision as follows:

The SDGs are recognized as the most relevant and applicable to the Sustainable Development Concept in Mongolia: 1- Eradicate poverty; 8 - Decent work and economic growth; 10 - Reduce inequality; 11 - Sustainable cities and communities; 12 - Responsible consumption and production; 13 - Combating climate change; 15 - Conservation of terrestrial ecosystems.

The first priority or basic goal of the Concept is Sustainable Economic Development. The Concept establishes that Mongolia's economy will be diversified to achieve the goals of sustainable economic development. Each of the priority sectors has its own targets and time periods for implementation of measures to achieve the targets. For example, for the mining sector of the economy, the two main objectives are to support the creation of a transparent reporting system in the extractive industry and increase the competitiveness of the mining sector, as well as to support the development of the sector by the state.

The second integrated priority of the concept is Sustainable Social Development, which includes ensuring gender equality, improving the quality of and access to health services, creating a healthy and safe living environment for citizens, health education, ensuring equal and quality education for every citizen, establishing a national system of lifelong learning, eradicating all forms of poverty, as well as a sustainable and consistent increase in the proportion of the middle class in the population of the country, and a sustainable and consistent increase in the number of people living in poverty.

The third priority of the Concept is environmental sustainability, which is to provide the basis for

improving the quality of life of people through the efficient use of natural resources, preserving the sustainability of the ecosystem and creating opportunities to benefit from natural resources in the long term. It is important to note that the principles on which the Vision bases environmental sustainability are inextricably linked to different sectors of Mongolian society and especially the industrial sector. Thus, to encourage the participation of local residents and society as a whole in ensuring environmental sustainability; to use resources rationally; to support environmentally friendly technologies and encourage low-waste and sustainable production and consumption; to develop and implement environmental remediation measures at the level of international standards; to encourage environmental stewardship and appropriate behavior.

The fourth priority is governance for sustainable development. The fundamental condition for the successful implementation of the sustainable development concept is to ensure stable and sustainable management. Ensuring stable and sustainable management, as well as ensuring economic independence and development with ecological balance.

The next basic document that creates the vector of sustainable development of Mongolia (approved by the Government of Mongolia) is "Vision 2050", according to which by 2050 Mongolia will become the leading Asian country in terms of social development, economic growth and quality of life of citizens. The document declares social goals to a greater extent [5].

It is worth noting that green financial instruments are used to achieve the SDGs in Mongolia.

The Mongolian Green Taxonomy was approved in December 2019 by the country's Financial Stability Commission [6].

In February 2019, the Sustainable Finance Association of Mongolia in partnership with the Central Bank of Mongolia and Ministry of Environment and Tourism established the Green Taxonomy Committee (Green Taxonomy Committee). The committee has established five technical working groups to discuss and develop industry standards: energy, green building, environmental protection, water and waste, and sustainable agriculture and clean transportation.

In 2022, the Financial Stability Council - FSC (composed of representatives of the Central Bank of Mongolia, Ministry of Finance) developed and approved the "National Sustainable Finance

Roadmap" [7]. In 2023, the FSC approved a more expanded version of the "Taxonomy of Sustainable Development Goal Financing" and the Bank of Mongolia approved methods for assessing and managing environmental, social and governance (ESG) and climate risks [Ibid.].

Profile institutions on the topic:

1. Development Bank of Mongolia DBM - cooperation with international organizations to attract green loans to finance projects. Cooperation by the Ministry of Environment of Mongolia to attract green finance - cooperation agreement signed in December 2024.

2. Ministry of Environment and Climate Change of Mongolia - direct project financing.

3. Mongolian Sustainable Finance Association (MSFA) - promotes the principles of sustainable development outside the banking industry and engages financial institutions' customers in adopting sustainable development practices. Established in 2017.

The goal of the green taxonomy is to develop a nationally harmonized classification structure for activities that contribute to climate change mitigation, adaptation, pollution prevention, resource conservation and improved livelihoods in the context of green finance."

The purpose of the Sustainable Development Goal Financing Taxonomy (SDG taxonomy) according to information from this Asian Development Bank report from 2025 banks and IFIs will apply exactly the SDG taxonomy - To provide a common, nationally harmonized classification structure for activities that are enabled by sustainable finance and contribute significantly to the achievement of Mongolia's sustainable development goals and targets. The SDG taxonomy is designed to help Mongolia transition to a sustainable, low-carbon, climate resilient and equitable economy.

3.2. Local priorities – Oyu Tolgoi and the model territory of Umnugovi aimag

Now to gain an understanding of the local priorities of the sustainable development policy we shall consider the case study of Oyu Tolgoi mine, located in Umnugovi aimag. A different approach had to be taken here as it is far better to look at the local level from the perspective of a private-owned company and its' interactions with local communities and governments, rather than from the point of view of the government. Oyu Tolgoi is owned by Rio

Tinto. The following ESG targets are of high priority for Rio Tinto at this time [8]:

From the Environment block - climate change;
From the Social block - management of cultural heritage; respect for human rights; health, safety and well-being.

Medium priority:

From the Environment block - Water Resources Management; Biodiversity and Ecosystems; Waste Management; From Social - Inclusion, Diversity and Equality; Community Relations; From Governance - Business Integrity and Governance, Transparency and Disclosure, Business Performance.

Other targets are of low priority:

Thus, the corporation's particular focus is on the societal block, which includes three of the four goals with the highest priority for them. At the same time, climate change stands out as the most important item in the nature block.

The integrated Oyu Tolgoi "Environmental and Social Action Plan" envisages a range of activities that makes sense to consider under the natural and community blocks. The community aspect is reflected, in addition to the comprehensive plan in the provision of decent work in accordance with the OT Investment Agreement with the Government of Mongolia, the company's internal programs "Management", "Contractor Management" and "Migration".

An important step was the establishment of a council made up of representatives of the herders, the company and the local administration [9]. The council was established in 2015 and continues to work. Work with local residents in the form of discussion of problems is being carried out. Key topics of discussion include: water management (utilization of groundwater resources for mining and delays in the national government's Blue Horse surface water project); local employment and procurement opportunities; and projects funding; Khanbogd sum's quality of life, road conditions, land permits and pasture loss.

OT aims to get 75% stakeholders opinion approval (Figure 1, surveys were conducted by internal OT Community and Public Opinion team [10]). As seen from the figure, the attitudes remain positive to neutral throughout the last five years, leaning more neutral recently, in 2021 and 2023. At the same time, negative attitudes among the stakeholders are notably low, with the numbers

almost unaffected by the changes among positive – neutral attitudes.

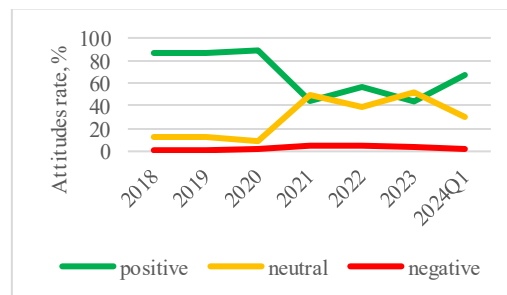


Figure 1. Stakeholders attitudes

Source: Independent Monitoring of Oyu Tolgoi by Strength GEC, LLC [10]

The Gobi Oyu Development Support Fund has been established. In particular, it allocates funds to participate in the construction and repair of social infrastructure facilities. In the period of 2015-2023 it is declared to allocate funds for: construction of 6 kindergarten buildings; 2 schools; 103 new and 52 repaired wells; reconstruction at Dalanzadgad CHP; tree irrigation system; 1 feed storehouse with treatment facilities; 1 guard tower; 1 gymnasium; 1 museum; medical center [11]. Gobi Oyu Student Scholarship Program has been adopted. The Gobi Oyu Development Support Fund is committed to providing tuition scholarships to students from Umnugovi aimag since 2016. By 2023, there were 517 scholarship recipients [12].

Cooperation agreement was made between the regional, local authorities and the company. Oyu-Tolgoi commits to pay 5 million dollars each year to develop the area of operation. Signed in 2015, signatories-Oyu-Tolgoi, Umnugovi aimag, Khanbogd sum, Manlai, Bayan Ovoo, Dalanzadgad sums. It is implemented annually. The agreement was the basis for the establishment of the Gobi Oyu Development Support Fund.

A set of measures to improve the state of the natural environment has been introduced, but many of them are not being implemented. For example, introduction of technology of biological methods of land restoration was planned by April 2024, but it was decided that modern biological methods cannot provide sufficient results compared to technical methods [10]. Cleaning pastures from OT activity traces by May 2023 is a problem. Initially not implemented by May 2023, postponed to May 2024, also not implemented by this date and postponed. At the same time, Rio Tinto claims that Oyu Tolgoi is one of the most efficient water users in the industry. Rio Tinto's target water consumption should be no

more than 500 liters per ton of copper ore annually in 2019-2023 [8].

The OT site's climate change measures boil down to a goal of reducing total greenhouse gas emissions by 30 percent from the 2018 baseline by 2025 and 50 percent by 2030 [11].

Overall, the company's case study shows a good quality of investigation of the sustainable development related issues, even though it is not without issues. Further deepening of the partnership between business and the government seems to be the next important point to establish, seeing how vital it is for the local level territory development in particular.

4. CONCLUSIONS

In Mongolia, the resource regions' economy is fully reliant on mining industry. While many implications of it has already been highlighted by the researchers [13], the interconnection of this dependence and the policy-making is still in progress, including the analysis from the sustainable development perspective. The review of the documentation showed that it is currently the responsibility of companies' policy-making that determines how the ESG-policy is enacted. The companies place greater importance on the social aspect, while with environment they mostly single out climate change. The governance part is left out as the most formal criteria. The comparative study of the several actors in the mining industry shows that to some extent the reports on sustainable development are published with consistency across all industry, however the depth of particular reports varies greatly. A particular case of foreign-owned mining industry company study shows the share of ESG-policy bullet points which are determined by the local acts is significantly bigger over those determined by corporate headquarters, however some of the environmental standards are still an exception and are subject to company's policy.

For a national level, the most interesting part of ESG policy-making is the financial instruments. Note the following sustainable finance instruments in Mongolia:

1. Green loans: any type of credit instrument provided exclusively to finance or refinance, in whole or in part, new and/or existing eligible green projects, which include renewable energy development, clean transportation, energy efficiency, green buildings, etc.

Green credits are designed to promote and support environmentally sustainable economic activity and must comply with the following four key components: 1) use of funds solely for their intended purpose 2) project evaluation and selection process according to taxonomy 3) management of funds 4) accountability.

2. Social loans: Social loans are any type of credit instrument provided exclusively to finance the creation of basic infrastructure in cities, affordable housing, and job creation. Social loans aim to support economic activities that mitigate social problems and challenges, and/or achieve positive social outcomes under the SDGs.

3. Sustainability-related loans: these are any type of credit instruments and/or contingent facilities (such as bonds, guarantees or letters of credit) that incentivize the borrower to achieve predetermined performance targets.

During the 29th session of the UN Climate Change Conference, Mongolia addressed the countries of the world and launched an initiative to establish the "International Alliance for Sustainable Development of Pastures and Future Lands". On Mongolia's initiative, 2026 was declared as the International Year of Rangelands and Pastoralists. It aims to raise awareness and promote the value of healthy pastures and sustainable pastoralism, as well as the need for capacity building and increased responsible investment in the sector.

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