



Funded by the  
European Union



STeP EcoLab

switchasia  
GRANTS PROGRAMME



## FACT SHEET

### Project title

*Sustainable Textile  
Production and EcoLabelling  
in Mongolia (STeP EcoLab)*

### Total budget

*2,320,755 EUR funded by  
European Commission's  
SWITCH ASIA program  
(80%)*

### Duration

*2018-2022*

### Target groups & beneficiaries

- Mongolian textile sector processing SMEs (~80) & business intermediaries (3)
- Herder households (~5000) & herders organizations (such as Cooperatives), Pasture User Groups
- Mongolian policy makers and state institutions
- Mongolian education sector (MUST)
- Consumers in Mongolia and Europe (~1,500,000)
- Textile companies and brands in Europe

## CONTEXT

Based on traditional pastoralist livelihoods, the cashmere & wool sector is a key driver of the Mongolian economy and second only to the extractive industry. It is however facing new challenges due to increased competition from foreign processors (sourcing & production). Therefore, the need to establish a more quality-driven production system as well as the emergence of a niche market amongst end customers.

The sector has recently been the focus of the Government of Mongolia and its *Sustainable Development Vision in order to adopt* more environmentally friendly production methods, thereby, lowering GHG and overall pollutant emissions while increasing the share of nationally processed leather, wool and cashmere up to 80% by 2030. The 2018 *National Cashmere program* has the objective to introduce eco-friendly technology and develop niche competitive products to Mongolia.

In parallel, various agencies have been working consistently with the upstream value chain by looking at the existing environmental impacts and pasture degradation issues which are the key challenges faced by herders' communities in rural Mongolia.

*Within this conundrum, virtuous practices* (amongst herders and within the banking sector thanks to a progressive legislation) have risen, encouraging actors to adopt more sustainable and quality driven practices.

The STeP EcoLab project aims at building on this momentum to mainstream sustainable sourcing and production practices within the value chain and to open to all actors the opportunity to reach out to niche markets for its sustainable products in Mongolia and Europe.

## OBJECTIVE

The project aims at supporting the supply chain and the textile industry in adopting **more sustainable sourcing and production practices** and simultaneously improve the **branding** for sustainable products, optimise **cost-saving** measures and reach out to **climate finance & diversify** the portfolio of customers.

STeP EcoLab will **strive to leverage key drivers of sustainable consumption and production** in Mongolia by (i) **consolidating sustainable and certified raw material sourcing options** meeting markets expectations, (ii) developing a **conducive environment for textile processing SMEs to switch to sustainable production practices** and (iii) **raising customers' and consumers' awareness** of Mongolian sustainable textile related initiatives.

## EXPECTED RESULTS

1. – Sustainable and quality raw fibers sourcing options are consolidated and replicated, allowing improved products for the wool and cashmere processing industry, as well as better income for herder households
2. – Mongolian wool and cashmere processing SMEs have a better understanding and management capacity of their environmental and social (E&S) impacts, and commit to improve their practices
3. – Mongolian wool and cashmere processing SMEs are linked to existing green finance initiatives and pilot projects aiming at improving their E&S impacts are funded
4. – European textile companies, brands and European and Mongolian final consumers' awareness about Mongolian sustainable textile initiatives is raised and sustainable textile products are sold



NATIONAL FEDERATION  
OF PASTURE USER  
GROUPS OF HERDERS



## TARGET AREA

- **Ulaanbaatar** related to processing industries
- Three provinces: **Bayankhongor, Gobi-Altai, Arkhangai** for the upstream support related to cashmere, yak and camel fibers.

## MAIN ACTIVITIES

1. Promotion by AVSF and NFPUG of best practices on raw material sustainability, quality improvement & control and sustainable certification.
2. Creation of a multi-stakeholder platform to foster and promote the convergence and extension of existing animal fibers eco-labelling schemes. Consolidation of sustainable raw material sourcing options for Mongolian textile processors.
3. Performed by CSCP and ESCM, assessment of textile processors related to their social and environmental impacts, including joint-identification of feasible improvements. With and under MWCA, creation of a platform to co-develop a sectorial roadmap and a Voluntary Code of Practice (VCP), embodying the commitments of the processors to switch to more sustainable production practices. In parallel, analysis of the existing regulation in order to build the case for regulatory adjustments.
4. With the Mongolian Bankers' Association, sector specific Environmental and Social (E&S) risk assessment, development of dedicated tools and guidelines. Demand study for sector specific green finance products. Identification and development of a pipeline of projects for international and domestic green finance operators. Jointly, capacity building of MWCA members to access green finance.
5. Academic level support to MUST in developing courses on E&S management tailored for textile engineers, follow-up with Training of Trainers for MUST professors and integration of the content in the official curriculum.
6. With relevant expert support, study on expectations of Mongolian and European consumers. Sustainable products marketing and communication support for MWCA and its members in Mongolia. Organization and participation in trade fairs (Europe and Mongolia) in order to connect processors and suppliers to the market for sustainable products.



18' Credit: Dulguun B

## CONTACT

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## KEY CHALLENGES to be ADDRESSED

- (i) Boosting the resilience of herders by promoting sustainable and quality driven practices, climate change adaptation systems and better income opportunities.
- (ii) Supporting the wool and cashmere industry in reducing their environmental footprint.
- (iii) Diversifying the offer on financial products for wool and cashmere SMEs by mainstreaming green finance initiatives.
- (iv) Supporting new B2B relationships between actors interested in sustainable textile initiatives.