



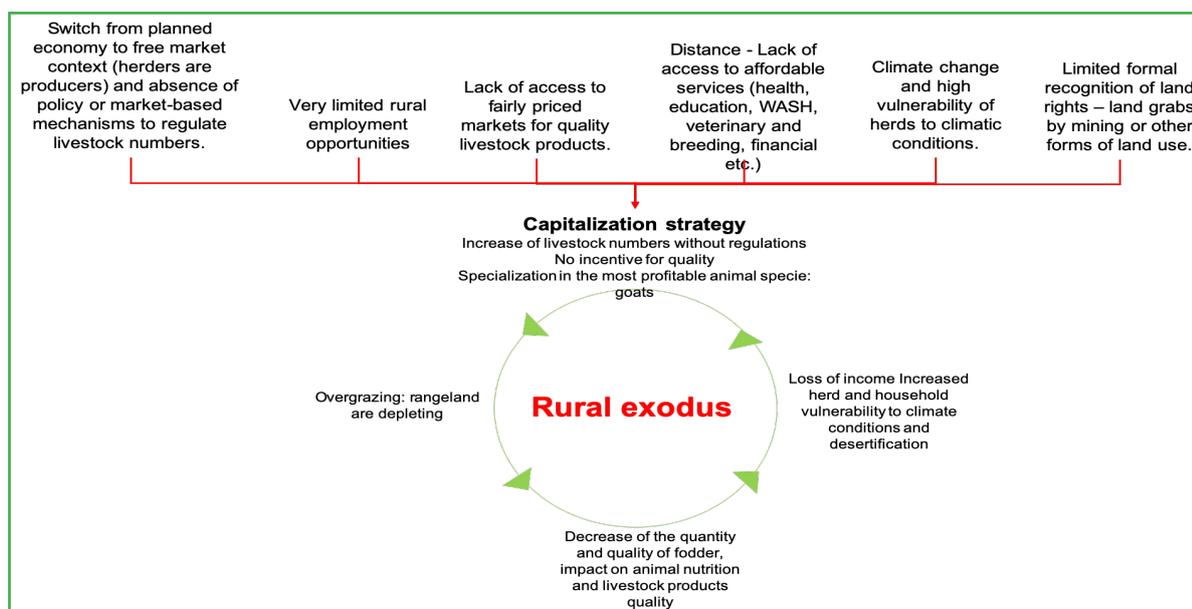
# AVSF SUSTAINABLE CASHMERE PROGRAMME MONGOLIA



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L'ENVIRONNEMENT MONDIAL

## WHY SUSTAINABLE CASHMERE ?

Still in transition towards a free market, Mongolian herders face difficulties to adjust their productive systems to create value, preserve their natural resources and altogether secure their livelihoods and resilience. Loss of traditional know-how on collective rangeland management, collapsing extension services, lack of market opportunities and dysfunctional value chains have contributed to under-performing livestock sector. To cope with economic uncertainties herders have adopted a quantitative strategy, increasing their herds size as a safety net for food and livelihoods. **As of 2020 herd size is estimated at 80+ million while carrying capacity is estimated at about 45 million (AVSF, 2020).** These factors have set off a destructive cycle which is intensifying. Oversized herds are damaging rangeland and water sources as they compete for dwindling quantities of falling quality forage. In turn, quality of livestock product is decreasing, resulting in lower incomes for herders who are compensating by increasing their herds. Due to overgrazing, around **65% of country's rangeland is degraded** (out of which 25% severely degraded) and the soils fertility is depleting at an alarming rate (Green Gold project, 2019).



However, the demand for sustainably produced and traceable products on global textile market is increasing. As one of the few remaining countries with a robust, nomadic pastoral culture supported by extensive natural rangelands, **Mongolia is well positioned to offer sustainable, rangeland-based goods and services to its citizens and to global consumers who place a premium on sustainable products.**

Cashmere is contributing to 70% of herders' income in average, providing leverage to facilitate the development of sustainable livestock value chains that benefit to both environment preservation and pastoral communities.

From a sectoral point of view, 80% of the national raw cashmere production (10k tons) are exported in the form of dehaired cashmere, mostly to China. Still, **cashmere sector is contributing to 5% of Mongolian GDP and about 100 textile industries (~95 MSMEs) are providing about 20k+ employment, mostly in the capital city.** Strengthening Mongolian processing industries' capacities to meet international buyers' expectations (quality management & sustainability) would lead to increased added value and job-creation, ultimately supporting country's economic diversification.

# AVSF Sustainable Cashmere Programme

A programme funded by EU & FFEM



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## *Agronomists and Veterinarians Without Borders – 16 years of experience in Mongolia*

Agronomists and Veterinarians Without Borders (AVSF) is a French NGO created in 1977 that reaches out to smallholder communities threatened by exclusion and poverty, offering them professional skills in agri-value chain development, animal husbandry and pastoralism, and animal health. AVSF supports rural communities as they strive to improve standards of living, sustainably manage natural resources upon which they depend, and contribute to the socio-economic development of their territories.

AVSF is acting in Mongolia since 2004, initially supporting animal health and progressively shifting to sustainable livestock product value chain development. After a first successful experience in developing a yak down value chain **AVSF has initiated its Sustainable Cashmere Programme in 2013, first of its kind worldwide.**

AVSF promotes an integrated approach encompassing all steps of sustainable cashmere value chain development, from production to consumption, as the only way to induce systemic change. AVSF vision relies on 4 main principles regarded as necessary drivers for a successful transition of Mongolian livestock & textile sectors towards a green economy:

- ∞ Environmental, social & economic long-term sustainability of production systems
- ∞ A shift from quantitative to a qualitative approach of production
- ∞ Inclusive and gender-equitable development of the value chain
- ∞ Fair profit distribution all along the value chain, especially at producers' level

**90 %**

of financial resources allocated to implementation

**4**

Provinces' Programme implemented

**3 500**

Herders trained - 50% women-

**700**

Herders certified

**20**

Mongolian textile MSMEs involved - 80% of national production-

**20**

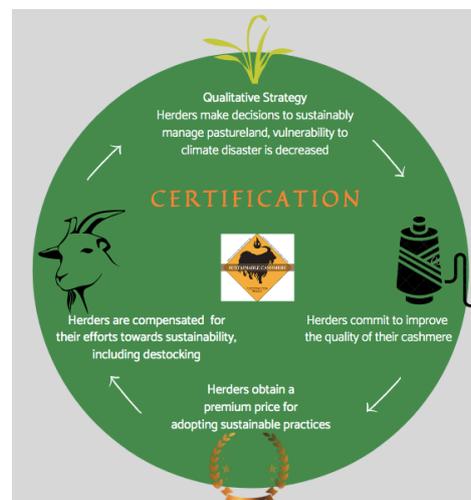
Tones of certified dehaired cashmere sold in 2020

## *From blind market to smart market*

To break the current destructive cycle that jeopardizes sustainability of livestock & textile sectors, **AVSF is engaging herders' communities and textile MSMEs into a more virtuous cycle.** Herders & MSMEs are encouraged to adopt sustainable practices that will be made visible on Mongolian and European markets by certification schemes. **Efforts towards sustainability are financially compensated by a premium partially reinvested in further sustainable investments.**

AVSF intervention is articulated around 3 strategic guidelines:

- ∞ Establishing and upscaling sustainable and certified raw material sourcing scheme
- ∞ Developing a conducive environment for textile processing MSMEs to switch to sustainable practices
- ∞ Promoting and increasing visibility of Mongolian sustainable fibers on national and international markets



## *Programme development timeline*

- ∞ **2013-2015:** demonstration of proof of concept in Bayankhongor province (EU seed funding)
- ∞ **2015-2018:** in-province reinforcement and replication (FFEM)
- ∞ **2018-2024:** development of integrated and inclusive sectoral approach, dissemination of best practices and replication in 4 provinces, and underpinning pre-conditions for national upscaling (FFEM & EU)



## *AVSF current projects*

- ∞ Sustainable Textile Production and Eco-Labeling in Mongolia (STeP EcoLab)-EUSWITCHAsia 2018-2022 (2.3M EUR)
- ∞ En-gendering rural economic development in Mongolia (IMPACT) – EU CSO-LA 2019-2022 (1M EUR)
- ∞ Integrated Production System – Sustainable Cashmere (IPS-SC) – FFEM & private sector 2020-2024 (1.3M EUR)

### *Alignment with National Programmes and EU Green New Deal*

- ∞ **A programme built in coherence with Mongolia Sustainable Development Vision 2030**, national Livestock and Cashmere programs, Mongolian Agenda for Sustainable Livestock, national program for Gender Equity.
- ∞ **A programme fully aligned on recently adopted European Green Deal** for making EU's economy sustainable and inclusive, with decreased carbon footprint.

### *Transversal approaches: gender, climate change, DRR, One Health*

Transversal development approach is rounding out the Programme that focus on:

- ∞ **Climate change adaptation and building resilience** of local communities & economy
- ∞ **Gender equity & mainstreaming** by reinforcing the place and role of women in the value chain, specifically in terms of access to productive resources and decision-making
- ∞ **DRR: reducing socio-economic vulnerabilities** to climate events and economic fluctuation
- ∞ **One Health:** supporting environment, animal, and human health as being mutually beneficial



# 1. Establishing and upscaling sustainable and certified raw material sourcing scheme

AVSF and its partners provide technical assistance to pastoral communities for establishment and reinforcement of herder's organizations, collective management of pastoral resources, improved herding practices (animal health, nutrition, welfare & breeding), quality management (incl. traceability), provision of market linkages and integration into existing sales & marketing schemes.

Sustainable rangeland management offers a very large climate change mitigation potential, estimated at over **440 million tons of CO<sub>2</sub>** country wide over a **20 year** period. (ADB, 2020)

## *Structuration of and technical assistance to Herders' organizations*

∞ At pastoral communities' level **Pasture-User Groups (PUGs)** are created and their capacities are built. The concept developed by Green Gold project in 2005 is **territory-based & herder-centered, and promotes collective range-management**. Ecological site description mapping and rangeland assessment at PUG-level enable the estimation of carrying capacity and the elaboration of livestock adjustment plan, agreed upon collective decision of PUGs' members. PUGs are formally acknowledged by local authorities through **Rangeland User Agreements (RUA)** that **secure tenure and access rights to rangeland**, and is embedded in the local land management plan.



∞ District-level **PUG-based cooperatives** are created to support collection of livestock raw materials and marketing. Cooperatives are **herder-driven, for the benefit of herders**. Technical assistance is provided to strengthen their governance scheme, as well as their financial & technical capacities (incl. finance access). Training of trainers' process facilitate the dissemination of knowledge and know-how for sustainable management of pastoral resources, improved herding practices, cashmere quality management and traceability. Cooperatives are operating specific revolving funds dedicated to sustainable investments (protection of hay area or water source), animal nutrition (hay & fodder sold at cost price to their members, risk management fund (mitigating climate disasters), a PUG investment co-funding fund, and a social fund (tackling the lack of public services in countryside).

∞ **An umbrella organization, the Union of Sustainable Cashmere Cooperatives (Union),** have been established to **pool cooperatives' production and facilitate sales on Mongolian and international markets (mostly EU).** The Union is provided with technical assistance on organizational & commercial management, products transformation and processing follow-up, as well as communication & positioning strategy for high quality cashmere products. Operating from Ulaanbaatar the Union is prospecting buyers, negotiating sales contracts, and allocating equitably orders between its members (depending on number of members, production capacities, and raw cashmere specs). **The Union is also providing health services to its members** (medical check-up, financing treatment or surgery), financed by a share of sales profit. Executive Board of the Union consists is composed of representatives of herders' cooperatives while its operational staff is made of business development & marketing experts. Since its creation the Union has successfully built trust with high luxury brands in France, Italy and Germany, as well as with Mongolian companies, and sales volume are continuously increasing.

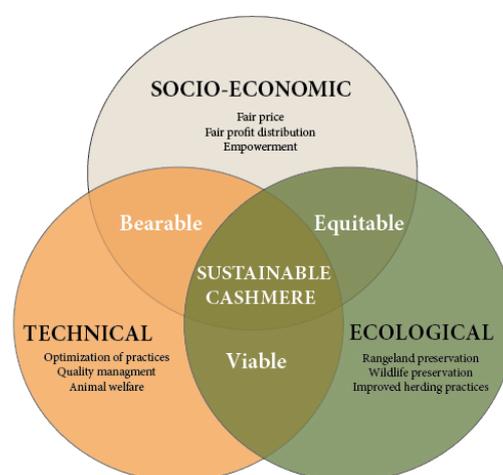


### *An acknowledged certification & marketing scheme*

In order to engage buyers in a premium scheme built on sustainability claims, the **Sustainable Cashmere certification has been elaborated by AVSF and promoted on Mongolian and international markets. The certification is by-design suited to semi-nomadic pastoralism context and cashmere production.** This robust, traceable, and verifiable certification meets market expectations and demonstrates the adoption of sustainable practices by the herders and their communities. The certification is supported by a clear price policy and communication guidelines.

#### **Key values & sustainability criteria:**

Sustainable Cashmere certification targets ecological, socio-economic, and technical key values. The certification guarantees good practices at herders, PUGs, and cooperatives' levels. It is made of 25 criteria covering sustainable management of pastoral resources, good herding practices, quality management, good governance, financial management and fair profit distribution.



The certification is relying on a set of key principles:

- ∞ **Scientifically sound:** best practices are identified on scientific evidence
- ∞ **Suited to local context:** manageable by and with herders, easy to implement and control, affordable
- ∞ **Voluntary:** all herders are free to choose whether they want to integrate the certification scheme
- ∞ **Independent:** a combination of internal and external controls ensures impartiality and hinder conflicts of interest
- ∞ **Transparency and traceability:** all data and information are made available to buyers
- ∞ **Self-sustaining:** financial & technical sustainability is secured by the mechanism
- ∞ **Progressive and evolutive:** designed to enable progressive transition towards full compliance & possibility of insertion of new criteria for continuous improvement

The **Sustainable Cashmere certification mechanism is steered and implemented by an independent body**, the Sustainable Cashmere Certification Committee (S3C). The S3C is a neutral actor and the guarantor of the certification credibility. The S3C is composed of management board (representatives of relevant authorities and civil society organizations), a scientific committee (experts on environment, agri-value chain development), and a consultative committee (representatives of herders, processors, buyers) providing feedback to the S3C for continuous improvement of the certification. The S3C is **acting at national level and relies on provincial branches to conduct external controls, promote the certification locally, and ultimately facilitate upscaling of the mechanism.**

Multi-level control mechanism based on Participative Guarantee Scheme:

- ∞ **Herders' self-evaluation** of implementation of technical instructions
- ∞ **Internal controls** conducted by cooperatives, which are elaborating a list of pre-certified herders
- ∞ **External controls** conducted by the S3C. AVSF strives to reach a critical mass of sustainable cashmere that will attract internationally recognized third-party certification body for strengthen credibility of the certification, and acknowledgment by sector actors worldwide.

AVSF recently submitted a project proposal to the French Ministry of Foreign Affairs and Economy to assess feasibility of **real time rangeland monitoring relying on remote sensing images provided by the European SENTINEL satellites**. It would enable provision of evidence-based information to inform monitoring and evaluation tools of AVSF programme and related certification, and more broadly of national environmental policies.

### *Reaching a consensus for harmonization*

Recent multiplication of sustainable cashmere initiatives is creating among private sector actors and Mongolian authorities, calling for stronger multi-stakeholder collaboration mechanisms to be established in order to address in a more systemic manner some of the key challenges currently facing the sector (UNDP, 2019). **AVSF is striving to contribute actively and in a constructive manner to ongoing dialogue initiatives aiming at harmonizing sustainable cashmere concepts and standards promoted by existing initiatives, while ensuring that its vision and values will be preserved and well represented.** As such AVSF:

- ∞ has initiated the Mongolian Sustainable Textile Coalition
- ∞ is a member of the Advisory Committee of the UNDP led Mongolian Sustainable Cashmere Platform
- ∞ has established privileged partnerships with Wildlife Conservation Society and National Federation of Pasture-User Groups for mutual reinforcement and joint efforts in harmonizing standards and certification schemes.



## 2. Developing a conducive environment for textile processing MSMEs to switch to sustainable practices

The CO<sub>2</sub> and water intensity of the Mongolian industry are one of the highest in Asia (UNIDO, 2011) and wastewater management is poor. In a context where the city of Ulaanbaatar, where most processors are located, is already suffering energy shortages and may experience severe water shortages no later than 2021 (ADB, 2014), the industry is bound towards rapid transformation. A key recommendation is to create a consistent plan for the textile industry in terms of economic performance and energy-water nexus. In addition, Mongolian MSMEs have the will to adopt better Environmental & Social (E&S) practices but the main barrier for adoption is a lack of understanding and awareness of the issues.

The main barrier to MSME competitiveness in Mongolia is access to finance (OECD, 2016) with Mongolian MSMEs encountering four main difficulties: (i) an inadequate loan offer that does not respond to their financial needs (ii) high collateral requirements (iii) cumbersome administrative processes (iv) limited understanding of financial concepts which weakens their applications.

AVSF and its partners are striving to tackle the abovementioned challenges through the EU SWITCH Asia funded 'Sustainable Textile Production and Eco-Labeling in Mongolia' (2018-2022) by:

### *Raising Mongolian textile MSMEs awareness of E&S issues and challenges, and to engage them into a positive dynamic of commitment to improve their practices*

- ∞ **Initial tailored assessment of E&S performance of cashmere sector** have been conducted, taking into account the diversity of impacts at different stages of the fiber processing process. International best practices relevant to Mongolian context on key impacts have been identified and recommendations for improvements have been elaborated and disseminated among targeted MSMEs. **Their awareness of E&S management is raised and related capacities are continuously built.**
- ∞ Elaboration of a long-term **roadmap for the development of a sustainable and competitive cashmere sector**, based on a review of national policies and programmes, and in consultation with sector actors and authorities. Identification of priority areas for intervention & support to be considered by Mongolian government for driving the industry's progressive transformation will inform policy-making processes.
- ∞ Co-development of a **Voluntary Code of Practice (VCP)**, building on existing initiatives, **with references to internationally recognized best practices and standards** (e.g. OEKOTEX, GOTS), in order to align these commitments with existing international best practices, and **facilitate linkages for companies willing to pursue later third-party certification**. VCP is enabling MSMEs to promote a set of credible commitments covering labor standards, occupational health & safety, environment preservation, anti-corruption and ethics. VCP includes monitoring and evaluation guidelines, as well as a commitment to report on performance. AVSF, its partners, and Ministry of Agriculture and Light Industry of Mongolia are currently collaborating to reinforce the State-owned 'Noble Fiber' quality standard with a 'Sustainability sub-standard' build on the VCP. To promote and ensure quick uptake of the VCP, **technical assistance will be provided to MSMEs for its implementation.**

- ∞ **Gap analysis of institutional and regulatory framework** regulating the E&S impacts of the Mongolian cashmere industry has been conducted and recommendations for improvement have been made.
- ∞ In partnership with the Textile Engineering School of Haute-Alsace, France, AVSF is supporting the **reinforcement of existing curriculum of the Mongolian University of Science and Technology School of Industrial Technology**, in order to meet present expectations of wool and cashmere processors, but also to integrate their new commitment to improve their social and environmental practices.



*Linking Mongolian cashmere processing MSMEs with existing green finance initiatives and to finance pilot projects aiming at improving their E&S impacts*

- ∞ Elaboration of textile sector specific **E&S Risk Assessment Guidelines** and associated checklists and tools, to be used by banks when screening related transactions and operations. The guidelines induces systematic requests from banks to project carriers, to include E&S information in their loan applications, **providing an important “push” factor for textile MSMEs to assess their impacts.**
- ∞ In addition to the Guidelines, a **Green Credit Criteria** and related assessment tools for sustainable textile projects has been developed. Whereas Guidelines are used to screen all transactions related to the textile sector, the Green Credit Criteria are used to assess whether a project can qualify for accessing green financial products. Banks’ staff have been provided with a comprehensive set of training on Guidelines and Green Credit Criteria while **cashmere MSMEs are trained on business plan and loan requests writing.**
- ∞ A **green finance market demand** study has been conducted to asses the needs for financial products of sector companies, identifying which could qualify for green finance products. A **pipeline of projects amounting about 120 million Euros** have been identified. Additionally, a **mapping of international funding sources available to support green finance initiatives** will be conducted and disseminated to Mongolian banks.
- ∞ The project will provide support to most potential sustainable projects presented by cashmere MSMEs to a panel of industry & finance specialists, by **supporting maturation & development of their projects and identifying relevant green financial products.**



### 3. Raising Mongolian & international buyers and consumers awareness of sustainable fibers initiatives

Mongolian wool and cashmere companies are looking for opportunities to better access export markets. Several product lines build on environmental claims. European business to business clients already show a high level of interest for potential sustainable textile initiatives from Mongolia. With a view at better managing potential image risks, limiting their dependence to existing suppliers and securing long term quality sourcing options in the context of global climate change (BSR, Kering, 2015), or **building on the image of natural fibers, several luxury brands and companies have demonstrated an increasing interest for sustainable cashmere**. European consumers are also increasingly willing to consume sustainable products, with 26% of EU citizens often buying environmentally friendly products. AVSF and its partners are supporting the promotion of Mongolian sustainable cashmere products on both **Mongolian and European markets**:

- ∞ Mongolian MSMEs & herder cooperatives are supported for the **development of promotional materials** in order to promote their efforts towards sustainability (e.g creation of a website to advertise their initiatives).
- ∞ In order to facilitate the possible launch of sustainable textile product ranges on the Mongolian market, a survey on the perception of sustainability of cashmere products on the Mongolian market has been conducted. **Promotional events on sustainable textile initiatives and products will be organized in Mongolia.**
- ∞ **Cashmere marketing experts** are subcontracted to represent and promote MSMEs and herders' cooperatives demonstrating efforts towards sustainability towards **European brands, industry actors, luxury groups and relevant professional and mainstream medias.**
- ∞ Organization of **promotional events on key European markets** on ongoing Mongolian sustainable textile initiatives are planned, taking advantage of the gathering of brands, and textile industry actors during well know fairs and exhibitions. However, current Covid-19 sanitary crisis and related preventive measures might lead to an adjustment of those activities.

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## CONTACTS

**TOUATI Guillaume**

Mongolia National Coordinator

[g.touati@avsf.org](mailto:g.touati@avsf.org)

**CHOTARD Anaïs**

Programme Manager

[a.chotard@avsf.org](mailto:a.chotard@avsf.org)

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