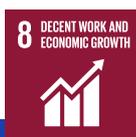


**IMPACT SHEET:** Sustainable textile production and eco labeling in Mongolia

## Developing a sustainable wool and cashmere value chain in Mongolia



*The project strengthened the sustainable wool and cashmere value chains in Mongolia by supporting above 6000 herders and more than 18 local factories to adopt eco-friendly practices and increase their competitiveness in domestic and international market.*



## PROJECT BACKGROUND

Based on traditional pastoralist livelihoods, the cashmere & wool sector is a key driver of the Mongolian economy, second only to the extractive industry. The export revenue from cashmere and fine animal fibers ranges from 300 to 350 million USD yearly, which places the country as the second-largest producer of raw cashmere after China, providing 40% of the worldwide raw cashmere supply. Mongolia's wool and cashmere sector provides direct employment to over 10,000 people and 190,000 herder households. Although this sector has enormous potential for the country to diversify its economy away from mining-based exports, it is also vulnerable to a set of issues related to its inadequate control of raw material sourcing, the relative inefficiency of its production facilities, and its limited access to export markets.

Mongolian nomadic herders are also vulnerable to severe environmental issues linked to pastureland degradation and desertification, a direct consequence of the steep increase in livestock and climate change. The sector has recently become the focus of the Government of Mongolia, which sets as an objective in its Sustainable Development Vision to adopt more environmentally friendly production methods, lower GHG and overall pollutant emissions while increasing the share of nationally processed leather, wool, and cashmere up to 80% by 2030.

This EU-funded SWITCH-Asia project supported Mongolian textile Micro, Small, and Medium Enterprises (MSMEs) to shift to Sustainable Consumption and Production (SCP) and promoted eco-friendly responsible traceable textile products both in the local and international market. The "Sustainable Textile Production and Eco-labeling in Mongolia" (STeP EcoLab) was implemented by Agronomists and Veterinarians Without Borders (AVSF), in cooperation with the Mongolian Wool and Cashmere Association (MWCA), the Mongolian National Federation of Pasture User Groups (MNFUG), the Environment and Safety Center in Mongolia (ESCM), the Mongolian Sustainable Finance Association (MSFA), and the Collaborating Centre on Sustainable Consumption and Production (CSCP).

## CHALLENGE

The Mongolian textile sector is facing increased competition from foreign processors, unfamiliarity among end consumers regarding traditional herding practices and animal welfare, and significant land degradation. One of the biggest challenges STeP EcoLab had to face was streamlining existing complementary initiatives and encouraging convergence towards commonly accepted and promoted frameworks to avoid adding more confusion for consumers already lost in a wealth of ecolabels (108 sustainable labels for textile products only - Ecolabel Index) and to help gain better recognition of Mongolian efforts in export markets. Furthermore, the CO<sub>2</sub> and water intensity of the Mongolian industry are some of the highest in Asia. Water waste management is also poor. In a context where the city of Ulaanbaatar, where most processors are located, is already suffering from energy shortages and may experience severe water shortages in the next decade, the industry is bound

towards rapid transformation. Meanwhile, Mongolian textile and apparel processors are looking for opportunities to better access export markets. The lack of understanding and awareness of environmental and social issues, including sustainable sourcing of raw materials, was identified as the main barrier to adopting better practices. Finally, the sustainability of the cashmere sector rests in the hands of the nomadic herders and their organizations, as the impact of their immense herds on pastureland degradation needs to be addressed, while also addressing their dependency on the cashmere sector and Chinese middlemen.

## PROJECT OBJECTIVES

The project aims at supporting the supply chain and the textile industry in adopting **more sustainable sourcing and production practices**, while improving the **branding** for such products and **diversifying** the portfolio of customers, optimizing **cost-saving** measures, and reaching out to **climate finance**.

STeP EcoLab strove to leverage key drivers of sustainable consumption and production in Mongolia by:

- Consolidating sustainable and certified raw material sourcing options meeting markets expectations,
- Developing a conducive environment for textile processing SMEs to switch to sustainable production practices,
- Raising customers' and consumers' awareness of Mongolian sustainable textile related initiatives.

## TARGET GROUPS

- Mongolian textile sector processing SMEs (~20)
- Business intermediaries (3)
- Herders households (~3000= 1000 women+2000 men)
- Herders organizations, Pasture User Groups,
- Mongolian policy makers and state institutions,
- Mongolian education sector (Mongolian University of Sciences and Technology)
- Consumers in Mongolia and Europe
- Textile companies and brands in Europe

## PROJECT ACTIVITIES

### Sustainable and quality raw fibers sourcing

NFUG and AVSF organized 84 trainings to replicate best practices and provided training to 6255 (2194 women) people. 28 cooperatives and 120 PUGs were supported to adopt sustainable livestock herding practices. Multiple workshops were organized, including 3 missions of textile industries in Arkhangai, Bayankhongor, Gobi Altai aimags and match-making events, resulting in active contribution of herders and local textile industries to raw fibers sustainability.

## Environmental and social impacts of Mongolian wool and cashmere processing MSMEs

29 training sessions were conducted with 517 textile engineers on sustainable textile, including energy efficiency, water consumption, green chemicals, waste-water management, recycling and re designing. MNS6926:2021 Sustainable Textile Production national standard was approved by the government of Mongolia, becoming the first ever sustainable sectoral standard in Mongolia. 3 national companies obtained the national certificate. “2030 Roadmap for the sustainable development of cashmere sector in Mongolia” was developed, defining vision, objectives and action plan towards the sustainable development of the sector.

## Green finance initiatives for sustainable cashmere sector

National Green Taxonomy was approved by the Financial Stability Council in 2020. The textile sector-specific green loan criteria were approved by the MSFA Board in 2021, documents define verification methods and categories that financial institutions are recommended to apply to issue green loans for the Mongolian textile sector. Green loans exceeding MNT 50 million and 12 months must be assessed by “Textile Sector ESG Risk Assessment Tool”.

## Market promotion

More than 120 SMEs exhibited their products to the 2021 and 2022 ‘Leather, Wool and Cashmere Expo’ jointly organized in Ulaanbaatar by MWCA and MALI /Mongolian Association of Leather Industry. Project partners and final beneficiaries attended the Première Vision fair in Paris in 2022. About 400 visitors visited Mongolian booth, and many organizations and individuals expressed their interest in cooperating with local factories and herders’ cooperatives.

## LESSONS LEARNED

Simultaneously with the beginning of the 3rd year of implementation, the Covid pandemic hit the world. The economic impact on global commerce and the textile sector severely affected the economies of the target groups, with cashmere prices dropping by 55% due to investments being frozen and export orders coming to a halt. In Mongolia, shifting sanitary prevention measures were enforced, including strict border closures, international and national travel bans, strict lockdowns, and restrictions on public gatherings. These measures significantly impacted project implementation and working processes, leading to continuous adjustments and periods of stop and go.

Despite the challenges, the project team adapted to the situation and transferred many trainings and consulting services to an online format using the Zoom platform. They provided full-time online training for factory employees and bank employees to ensure continuity in their support and engagement during the pandemic.

Starting from raising awareness among local textile processors and herders about pastureland degradation, animal welfare, and the importance of introducing sustainable practices in supply chain management, we have learned that developing a sustainable wool and cashmere value chain requires a long-term approach. It involves strengthening the capacity of stakeholders in designing sustainable textile products and collaborating with financial institutions to create textile sector-specific green loan products.

For the sustainable wool and cashmere value chain to thrive, it is crucial to achieve widespread awareness and education among end consumers. This will promote the sales of sustainable products and provide further incentives for brands to invest in sustainability. Scaling up sustainable herding practices, valuing eco-friendly and high-quality raw materials, and implementing ecological incentive mechanisms among herders’ cooperatives demand a comprehensive, long-term strategy at the national level.

Engagement of local textile industries and international brands in sourcing sustainable raw materials has the potential to drive efficient implementation of sustainable herding practices and eco-certification among herders’ cooperatives. To reinforce the progress made, the recently adopted sustainable certification schemas, such as “MNS 6891 2020 Responsible herder” and “MNS 6921 2021 Sustainable textile production,” should also be promoted and strengthened at the international level.

## PROJECT ACHIEVEMENT

- Production of sustainable certified traceable raw material in Mongolia, progressively increasing to reach 137.4 tons.
- Improved yearly fiber income of herder households by 15%, primarily due to sales in the international market.
- Dissemination of best practices of sustainable livestock herding in 3 target aimags through 84 training sessions, leading to 8,566 herders implementing sustainable pastureland management on 4.4 million hectares, and ensuring the stabilization of 2.3 million hectares of pastureland.
- Reduction of average water use by beneficiary enterprises to 0.14 m<sup>3</sup>/kg, energy to 13.13 kWh/kg, and wastewater to 0.14 m<sup>3</sup>/kg. The water consumption per unit product decreased by 20% compared to the baseline value of 2018, equivalent to the water consumption of 16,196 families in the “Ger” districts.
- Significant investment by 8 MSMEs into energy and water-efficient technologies.
- Assessment of 84.87% of the textile-sector loan applications by Environmental, Social, and Governance risks.
- Issuance of 19 loans totaling MNT 20.5 billion to sustainable textile projects/companies.
- Development of a new curriculum for textile engineering, which is being taught in classes for the 2022-2023 academic year.
- Promotion of the sustainable cashmere value chain from Mongolia on the international scene, through participation in the Première Vision fair in Paris.



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Mongolia, as a developing country, is strongly committed to promoting sustainable development in the wool and cashmere value chain and driving economic growth. The STeP EcoLab project has made significant contributions to the implementation of Sustainable Consumption and Production (SCP) practices in the Mongolian textile and livestock sectors, gaining global recognition. However, this is just the beginning, and much more needs to be achieved.



## Long-term project sustainability

AVSF Mongolia and NFPUG have jointly established an NGO with the aim of issuing an internationally recognized eco-certificate for herders' cooperatives and ensuring a steady supply of sustainable raw materials to local and international customers. Their joint team will focus on a comprehensive promotional and marketing campaign to raise international consumer awareness about Mongolian sustainable cashmere. Additionally, the NGO plans to expand its activities by collaborating with an international certification body. As part of their efforts, NFPUG, the project partner, has conducted audits to assess the compliance of five herders' cooperatives with the national requirement MNS 6892:2020 Responsible Nomad since August 2022. They have successfully delivered the conformity certificate. In 2023, approximately 20 herders' cooperatives, including 5 wool pressing plants and 1 meat processing factory, will undergo similar audits. In alignment with Mongolia's long-term development policy "Vision 2050," the national standard "MNS 6926:2021 Sustainable textile production - Code of Practice" was officially approved by the Chairman of Mongolian Agency for Standardization and Metrology through order #C/39 on July 22, 2021. The standard became effective from July 2021. Manufacturers are now adhering to sustainable textile production guidelines, which cover aspects such as clean water, wastewater, energy, chemicals, industrial waste and packaging, social responsibilities, labor relations, child and juvenile labor, discrimination, harassment, wages and benefits, occupational health and safety (OSH), and animal welfare code. In 2022, the Mongolian National Accreditation issued accreditation to MWCA, and they assessed the compliance of local textile factories with the national requirement of sustainable textile production. As a result, the certificate was awarded to "Gobi" JVC, "Khanbogd Cashmere" Co. Ltd, and "Cashmere Holding" Co. Ltd in 2023. These initiatives demonstrate Mongolia's commitment to promoting sustainability in the textile sector and ensuring the responsible and ethical production of cashmere products.

## Project contributions to Climate Change Mitigation and SDGs

**SDG 13,15:** Global warming and considerable livestock cause severe degradation in Mongolian pastureland. From 2018-2022, AVSF and NFPUG disseminated best practices of sustainable livestock herding in 3 target aimags through 84 training sessions. 8566 herders implemented sustainable pastureland management in 4.4 million hectares pastureland and ensured the stabilization of 2.3 million hectares land.

**SDG 12:** Supporting Mongolian wool and cashmere processing factories in adaptation of sustainable practices on their production line was at the heart of STEP ECOLAB. Initial VCP for Mongolian wool and cashmere processing companies and newly adopted national requirement "MNS 6926 2021 Sustainable textile production" focus on the environmental and social responsibility of local factories. Chapter 6.1 of national standard "MNS 6926" contains 34 environmental requirements, while Chapter 6.2 contains 27 social responsibility requirements. 6 technical experts specialized in renewable energy, wastewater technology, social criteria, chemical and waste management provided on-site support and training for processing companies between May-December 2021 for a total of 913 hours.

**SDG 1, 8:** STeP EcoLab promoted sustainable cashmere to international luxury brands. The sales of sustainable fine animal fibers rose up to 137.4 t and herders' income increased by 15%.

**SDG 5:** Respect for human and children's rights, gender equality are implemented in the national wool and cashmere processing industries through national standard MNS 6926. Whole chapter 6.2.2 of the mentioned standard is dedicated to gender equality in the processing companies. 18 processing companies were supported by 273 hours consultancy specific to social responsibility and demonstrated solid and recorded proof in compliance with the above-mentioned requirements. Additionally, gender, social, and governance aspects are well reflected in the textile-sector-specific sustainable financing guidelines with an associated ESG risk assessment tool for MSFA member financial institutions.

# Impacts at a Glance

<b>Economic Impact</b>	<ul style="list-style-type: none"> <li>• 19 loans equal to MNT 20.5 billion have been newly issued for sustainable textile projects/companies</li> <li>• 30.000 sustainable traceable cashmere knitwear sold in the international market.</li> <li>• 4 SMEs initiated exportation of end garment in the French market</li> <li>• 15% increase of herders income</li> <li>• launch of recycled cashmere product among project beneficiaries' factories</li> </ul>
<b>Environmental Impact</b>	<ul style="list-style-type: none"> <li>• Technical improvement of wastewater pre-treatment plant.</li> <li>• Initiation of new finishing technology to wash cashmere knitwear at low temperature.</li> <li>• 2.3-million-hectare pastureland were maintained.</li> <li>• 30% decrease in water consumption for textile companies.</li> </ul>
<b>Social Impact</b>	<ul style="list-style-type: none"> <li>• Collective management of the pastureland and commercialization activities through Pasture User Groups and Cooperatives, reduction of conflicts around resources.</li> <li>• Implementation of national standard for sustainable textile production included gender related indicators.</li> </ul>
<b>Climate Benefits</b>	<ul style="list-style-type: none"> <li>• Reduction of energy use (electricity, fuel) by 19-25%.</li> <li>• 19000 kWh of renewable energy per year for 1 company.</li> <li>• Installation of solar panels.</li> <li>• Textile finishing at low temperature.</li> </ul>
<b>Target Group Engagement</b>	<ul style="list-style-type: none"> <li>• 18 textile industries engaged in project activities.</li> <li>• 17 technical training sessions for textile engineers.</li> <li>• 84 training sessions for herder, pasture users' groups and herders' cooperatives.</li> <li>• Participation to Edition July 2023 Premiere vision in Paris with representatives.</li> <li>• Sustainable pasture management at herders and cooperatives level.</li> <li>• Sustainable sourcing for enterprises and improvement of processing in terms of environmental impacts.</li> </ul>
<b>Policy Development</b>	<ul style="list-style-type: none"> <li>• 3 new policies, regulations or standards defined based on recommendation from project.</li> <li>• Types of policy processes engaged in: Pastureland carrying capacity methodology, 2 National sustainable standards, Green taxonomy, ESGM guideline of Bank of Mongolia, 2030 Roadmap for the sustainable development of cashmere sector in Mongolia.</li> <li>• Types of policy changes/new regulations contributed to: Parliaments resolution No19, on 5th May 2022 to improve policy regulatory environment for wool and cashmere production and accelerating its application in practice.</li> </ul>





## FUNDING

EUR 1,867,330  
(EU Contribution: 80%)



## DURATION

2018 - 2022



## PARTNERS



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MONGOLIAN WOOL & CASHMERE  
ASSOCIATION

Mongolian Wool and Cashmere  
Association (MWCA)



NATIONAL FEDERATION  
OF PASTURE USER  
GROUPS OF HERDERS

Mongolian National Federation of  
Pasture User Groups (MNFPUG)



Environment and Safety  
Center in Mongolia (ESCM)



Mongolian Sustainable  
Finance Association (MSFA)



Collaborating Centre on Sustainable  
Consumption and Production (CSCP)



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