



# Summary of Gender Baseline Assessment Report

Green Economy Financing Facility (GEFF) MONGOLIA

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## 1. EXECUTIVE SUMMARY

The study, undertaken as part of the technical assistance under the Green Economy Financing Facility (GEFF) Mongolia, attempts at assessing women's access to climate finance in Mongolia and drawing on the findings to address gender specific supply and demand obstacles that women-led businesses face. The analysis is based on answers to a questionnaire by 190 participants representing households and businesses and the results of 4 focus group discussions (FGDs) with a total of 32 participants. Main topics included:

- awareness of climate change risks,
- differentiated needs, priorities, vulnerabilities to climate change as well as coping strategies, including a selection of energy efficient technologies; and
- obstacles to accessing finance for the adoption of energy efficient technologies.

Women's role and related stereotypes, specifically their disproportionate burden to perform care work such as running the household and caring for children, sick, and elderly are the basis for their significant disadvantage to engage in economic activity. Time spent on these tasks is neither spent on earning income, nor on adapting households or businesses to the risks and challenges that come with climate change.

Gender inequality can be found at all levels of decision-making, be it a herder family, an urban household, a company's executive level, or within policy-making roles. According to the FGDs, women are often better informed about the consequences of climate change but have little decision-making power, creating inefficiencies.

The participants of the study showed high awareness of an increase in global temperatures caused by human activity. Climate related issues that occur in Mongolia itself, specifically an increase in average temperatures, flooding, drought and deforestation are relatively better known to Mongolians than more distant phenomena such as mass extinction and ocean currents.

Comments made during the FGD among businesswomen were particularly encouraging given the high awareness of the challenges. The Mongolian businesswomen raised concerns about the consequences of the changing climate they have encountered: higher temperatures, extreme weather events, desertification, and the resulting effect on their livelihoods such as lack of fodder for livestock. They confirmed having themselves experienced the impacts of climate change in different types of businesses.

Particularly in rural areas, Mongolian businesses are adversely affected by extreme weather events related to climate change. While many business owners participating in the survey were planning to adapt to such weather events, just a few of them had a clear outlook for the future of their businesses. Only a few respondents named clear and potentially viable options such as cultivating "short-lived plants" and installing greenhouses or irrigation systems. Given a list of options as to how to respond to climate change, respondents were most interested in installing solar power systems, using energy efficient vehicles and transport, improving insulation, installing energy efficient lighting and building greenhouses.

However, the majority of the business and household respondents to the survey mentioned that they lack access to information about financial products, in general. Most respondents get their information through online research, followed by banks' marketing activities as well as family, friends and colleagues. Civil society and environmental groups also play a role. Many of the household respondents state that they do not have sufficient information about opportunities to access climate finance in particular. Business respondents responded in a similar manner. Banks seem to not reach the relevant market segments with sufficient information, especially on green lending.

Households and businesses highly depend on the financial system, with high levels of respondents holding bank accounts and high levels of short-term borrowing. At the same time, access to finance is identified as the most important obstacle to doing business creating a hurdle on the way to building resilience against climate change.

The study identified the following gender-blind bank practices:

- As property and land are typically registered to women's husbands, lack of collateral is the biggest obstacle for women who wish to expand their businesses and invest in new technologies.
- There's a need for a co-borrower for a single or divorced woman, creating additional barriers to access finance.

- Females of reproductive age who wish to start a business are often not considered as suitable borrowers, despite their often bankable projects and robust business plans.
- Bank staff, particularly male staff, seem to have an unconscious bias towards women's capability to be effective and successful business-owners and managers.
- Networks often play a significant role in securing a loan or learning about opportunities creating an uneven playing field that often disadvantages women.

The developed recommendations on how to address the challenges described above include the following:

- Support the pending legislation creating the definition of a female entrepreneur as a basis for business statistics, to measure gender differences in the business sectors, and support gender equality.
- Improve statistical measurements of various dimensions; in particular, produce more gender-disaggregated data.
- Offer targeted support to female entrepreneurs and individuals to improve access to green loans and address gender-blind banking practices.
- Support expansion and growth of women-led businesses by helping them to overcome the barriers to access loans and technologies.
- Plan green finance programmes and introduce green technologies by analysing different sectors' needs and potentials.
- Introduce targeted gender-responsive information campaigns on opportunities related to green loans and introduce green loan products catering to businesswomen's needs.
- Work with civil society, NGOs, women's associations as existing networks that are able to jointly promote green lending products.
- As banks' role in implementing green lending products is crucial for the green transition, loan officers' capacity to meet, serve and know women entrepreneurs' needs to be further strengthened.
- Conduct targeted activities/campaigns providing information on the direct interrelation of climate change and business practices and the availability of mitigation mechanisms/green technologies.
- Support the Central Bank and the Finance Coordination Committee of Mongolia in introducing the bank guidelines developed by the Mongolian Sustainable Finance Association (known as TOC) for gender responsive lending, templates and tools for gender-responsive assessment of client needs, as well as marketing, etc.

This summary covers the main findings, conclusions, and recommendations provided in the full version of the Gender Baseline Assessment Report.

## 2. MAIN FINDINGS

### 2.1 General

There is a number of government and non-government initiatives and projects in Mongolia on climate change and gender related issues, many of them supported by international organisations.

There is, however, insufficient knowledge about the consequences of climate change for businesses and sectors dependent on carbon-emitting technologies or prone to climate risks, the challenges and opportunities the green economy holds for women, and the relationships between these areas of study. Continued research and dialogue will be needed, based on clear definitions of the phenomena studied and on the availability of clear (sex-disaggregated) data. The Mongolian National Statistics Office is well positioned to lead the implementation of increased data-gathering efforts to inform action on a gender-responsive green transition.

The herding sector is a vital sector within the Mongolian economy and acts as a backbone of society with very clear implications in regard to gender-responsive climate action. This sector bears a large burden caused by climate change but many of the scattered and often poor operators (i.e. herding families) have limited capacity to improve their access to markets while environmental degradation threatens their livelihood. Herders have not sufficiently introduced climate change mitigation measures and rural women do not participate on equal footing with men. If the sector is to sustain livelihoods for the herders, it requires a future-proofing transformation. For some herders, diversifying their livelihood might be a viable option, as most Mongolian businesses are found in other sectors (trade, construction, food processing, tourism, etc.).

### 2.2 Climate Change Awareness and Understanding

The respondents of the household and business surveys tend to agree to a more or lesser extent with a series of statements about climate change and its dangers, indicating awareness of climate change. Specifically, there is awareness of an increase in global temperatures and that human activity has caused it. They agree largely with statements that correspond with their own experiences – i.e. that climate change is happening right now.

The great majority of the respondents report that they have average knowledge of processes that have an effect on climate change, such as greenhouse gases, ocean currents, deforestation, flooding, drought and mass extinction.

Climate related issues that occur in Mongolia itself, specifically increase in average temperatures, flooding, drought and deforestation are, unsurprisingly, relatively better known to Mongolians than more theoretical and distant phenomena such as mass extinction, greenhouse gases and ocean currents. In fact, Mongolia is harder-hit than other parts of the world by extreme temperatures with ever dryer summers and harsher winters.

It is generally perceived that the decision-makers and the private sector are well aware of gender issues, the threats of climate change and the need for green finance and that a sizable infrastructure has been created to confront all those issues.

However, the focus group discussions (FDG) with NGOs and representatives of international cooperation projects found the general level of awareness and knowledge to be low among their target groups and even among decision-makers.

Comments from the FGD with the participation of businesswomen were particularly encouraging when it comes to awareness. They spoke of the consequences of climate change they have seen: higher temperatures, more storms, drying rivers, desertification, no grass for the livestock, people getting sick, no snow in winter, and no rain in summer. They have also experienced the impacts of climate change themselves in different types of businesses. For example, cashmere goat hair is getting coarser so the quality of cashmere is decreasing; storms mean you have to change your ger cover twice a year instead of once; prices of water needed for production (of fabrics, for instance) have gone up.

## 2.3 Access to Information on Climate Change and on Financing Opportunities

While it is clear that the internet and television provide most of the information on climate change, respondents assessed their knowledge on that subject mostly as “average”. Further research is needed to find out why people do not know more about it and exactly where Mongolians get most of their information from (e.g. if it is online, is it the news media, which ones, or exactly which social media platforms) in order to decide how to best generate higher awareness and knowledge of climate change and, more importantly, what measures could be taken to respond to the threat.

Business respondents, like the household respondents, feel in majority that they do not have enough information about financial products. Most respondents get their information through an internet search, followed by the banks themselves and family, friends, and colleagues. Preferred sources of information are banks and financial literacy training providers.

Civil society and environmental groups also play a role in informing people and these would be interested in knowing exactly which news media or social media they can target. Green finance programmes should collaborate with these groups where possible.

While lack of access to information in the first instance does not seem to be a felt problem to the surveyed Mongolians, when asked specifically about banking and available financial products, many of the household respondents state they do not have sufficient information about opportunities to access financial products. Business respondents provided similar answers. Clearly, there is insufficient information on financial products.

Women who live in remote areas including marginal districts of the capital city have insufficient knowledge of laws and legal procedures and in general are less informed about gender discrimination as well as business opportunities. This is probably also an issue for rural men.

The government is aware of the lack of information and has initiated a number of actions to address the situation. Particular mention was made in the FGDs of the efforts by the Ministry of Food and Agriculture and Light Industry with its SME department and the SME Development Fund.

## 2.4 Vulnerabilities and Coping Strategies of Men and Women Regarding Climate Change Risks

Particularly in rural areas, Mongolian businesses are adversely affected by extreme weather events related to climate change. While many of the surveyed business owners were planning to make changes related to such weather events, just a few of them had a clear outlook for the future of their businesses (some of the alternatives involved leaving the agricultural sector).

Only a few answers in the survey involved clear and potentially viable options such as cultivating “short-lived plants” and installing greenhouses or irrigation systems. While a third of the small business owners had made changes in response to climate-related losses, 21% had not and 36% had not but were planning to.

Given a list of options as to how to respond to climate change, people were most interested in installing solar power systems, using energy efficient vehicles and transport, improving insulation, putting in energy efficient lights and building greenhouses.

Nevertheless, a quarter of the respondents said that making changes is not perceived as a profitable option. For instance, the agriculture (and herding) sector, so important in the rural areas and still employing nearly a quarter of the labour force, represent only 13% of the generated GDP. It represents a source of subsistence for the poor, but at the same time, it is a vulnerability<sup>1</sup> and changes are difficult to make in this sector. The rural poor withstand the worst of many extreme weather events and they contribute to the degradation of grazing lands if they try to grow their herds while the changes in weather patterns make it increasingly difficult for them to sustain their business model.

Families who own livestock would tend to look at moving to other aimags looking for pastures while unemployed people in aimag- or soum centres might contemplate taking a chance on migrating to the cities as a coping strategy. However, in the city they face a very uncertain future as well as they become victims of severe air pollution.

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<sup>1</sup> Climate Risk Country Profile: Mongolia. 2021. Published by World Bank Group and Asian Development Bank

Women's role and related stereotypes, specifically their disproportionate burden to perform care work such as running the household and caring for children, sick, and elderly are the basis for their significant disadvantage to engage in economic activity. Time spent on these tasks is neither spent on earning income, nor on adapting households or businesses to the risks and challenges that come with climate change. Single mothers' main coping strategy is relying on parents or other adults to generate income or take over care duties. These gender stereotypes need to be tackled.

## **2.5 Men's and Women's Barriers to Access to Finance and Green Technologies**

Households and businesses highly depend on the financial system, with high levels of respondents holding bank accounts and high levels of short-term borrowing. In the case of small operational costs of households, many of these loans do not require collateral but they may carry high interest rates.

At the same time, access to finance is identified as the most important obstacle to doing business creating a hurdle on the way to building resilience against climate change. The following gender-insensitive bank practices were identified during the study:

- As property and land are typically registered to women's husbands, lack of collateral is the biggest obstacle for women who wish to expand their businesses and invest in new technologies.
- There's a need for a co-borrower for a single or divorced woman, creating additional barriers to access finance.
- Females of reproductive age who wish to start a business are often not considered as suitable borrowers, despite their often bankable projects and robust business plans.
- Bank staff, particularly male staff, seem to have an unconscious bias towards women's capability to be effective and successful business-owners and managers.
- Networks often play a significant role in securing a loan or learning about opportunities creating an uneven playing field that often disadvantages women.

Gender inequality can be found at all levels of decision-making, be it a herder family, an urban household, a company's executive level, or within policy-making roles. According to the FGDs, women are often better informed about the consequences of climate change but have little decision-making power, creating inefficiencies.

### 3. RECOMMENDATIONS

The following represents recommendations on how to address the challenges described above:

- Support the pending legislation creating the definition of a women entrepreneur as a basis for business statistics, measure gender differences in the business sectors, and support gender equality.
- Improve statistical measurements of various dimensions; in particular, produce more sex-disaggregated data.
- Offer targeted support to female entrepreneurs and individuals to improve access to green loans and address gender-blind banking practices, including:
  - the issue of collateral that is in the name of a woman's husbands;
  - discriminatory requirement of a co-borrower for single women;
  - issues of stereotypes portraying women as especially active in micro businesses with limited ability to expand;
  - overcoming gender-based biases and discrimination in the banking financial sector employment;
  - training bank employees in gender-sensitive responsive approaches and in how to overcome stereotypes, opening up women borrowers as an untapped market potential.
- Support expansion and growth of women-led businesses by helping them to overcome the barriers to access loans and technologies.
- Plan green finance programs and introduce green technologies by analysing different sectors' needs and potentials. For instance, many women are bound to stay in the wholesale and retail trade sector with little opportunity to expand, so green lending programmes should target this sector with a view to supporting women's businesses to future-proof their operations and benefit from the competitive edge cost efficiencies of green technologies can bring.
- Introduce targeted gender-responsive information campaigns on opportunities related to green loans and introduce green loan products catering to businesswomen's needs.
- Work with civil society NGOs, women's associations as existing networks that are able to jointly promote green lending products. The Federation of Women in Business, which has branches across the country is well positioned to support the introduction of green technologies and green lending products targeting women entrepreneurs.
- As banks' role in implementing green lending products is crucial for the green transition, loan officers' capacity to meet, serve and know women entrepreneurs' needs to be developed. For instance, many participants in the survey expressed an appreciation to have a designated bank official serving them. Visiting clients on-site to build a relationship, and being proactive about working with women entrepreneurs can be effective measures.
- Conduct targeted activities/campaigns providing information on the direct interrelation of climate change and business practices and the availability of mitigation mechanisms/green technologies.
- Support the Central Bank and the Finance Coordination Committee of Mongolia in introducing the bank guidelines developed by the Mongolian Sustainable Finance Association (known as TOC) for gender responsive lending, templates and tools for gender-responsive assessment of client needs, as well as marketing, etc.



## 4. GENDER-RESPONSIVE GEFF MONGOLIA

Green Economy Financing Facilities (GEFF) is a product of the European Bank for Reconstruction and Development (EBRD). Through GEFs the EBRD provides credit lines to local financial institutions so that they can finance households and private sector businesses to improve competitiveness, through high performance technologies and practices.

GEFF Mongolia builds upon the successes of the Mongolian Sustainable Energy Financing Facility (MonSEFF), which operated from 2014 until 2019. MonSEFF had a total volume of USD 25 million and helped almost 40 Mongolian businesses to reduce their energy consumption through targeted investments in new equipment and energy efficiency measures. Combined, the projects financed generated 255,047 MWh in annual energy savings and reduced carbon emissions by 94,044 ton eq. CO<sub>2</sub>/y.

The current GEFF facility goes further and supports Mongolia's green economy transition with US\$ 92 million of financing for energy efficiency and small-scale renewable energy investments. Households and companies can request from banks participating in the Facility:

- technical support to develop of a green investment project, and
- the finance (loans or leases) to implement it.

An experienced EBRD team of bankers and technical programme managers ensures consistent quality and innovation in the GEFF product and service delivery. The technical support is provided by a local GEFF team for various stages of project origination, investment appraisal and project implementation. This helps identify the best solutions and ensure quality green economy projects are successfully financed. In addition, advisory services are available to help participating financial institutions and their clients enhance their market practices. This helps GEFs demonstrate the benefits of green economy investments and how to turn green projects into sound investments.

Gender mainstreaming is an important aspect of the implementation of the Facility. GEFF Mongolia aims to promote awareness about the green technologies and financing solutions among both men and women potential sub-borrowers to ensure equitable access to climate finance opportunities for men and women.

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