

Knowledge Paper

TA-6883 REG Accelerating Gender Equality in East Asia for an Inclusive and Green Recovery

Advancing Circular Economy in Mongolia's Tourism Sector



Executive Summary

This knowledge paper presents findings and strategic recommendations from the project "Capacity Building on Circular Economy and Green Business for Women-Owned Micro, Small, and Medium-Sized Enterprises (MSMEs)", implemented across Mongolia from 2022 to 2025 under TA-6883 REG: Accelerating Gender Equality in East Asia for an Inclusive and Green Recovery. The initiative was funded by the Asian Development Bank (ADB), supported by the Ministry of Environment and Climate Change (MECC), and jointly implemented by the Mongolian Sustainable Finance Association (MSFA), the Independent Research Institute of Mongolia (IRIM), and Development Solutions NGO.

The project engaged over 400 MSMEs across Ulaanbaatar, Arkhangai, and Khuvsigul provinces, with a particular emphasis on enterprises operating in food, packaging, and waste-related value chains. It included research on circular economy opportunities and barriers, delivery of training programs to strengthen MSMEs' understanding and skills, selection and support of 16 innovative green initiatives with equipment grants, and contributions to cross-sector policy dialogue and international cooperation. Gender-responsive design ensured a focus on women-led MSMEs, which often show stronger commitment to sustainability.

The initiative revealed significant opportunities for sustainable tourism development through circular economy adoption, while also identifying critical gaps in enterprise awareness, access to finance, and policy alignment. With tourism contributing 6.7% to Mongolia's GDP and employing 7.2% of the national workforce¹, the sector presents a strategic entry point for accelerating Mongolia's transition to a circular economy model aligned with its Vision 2050 objectives.



Picture 1. Policy Dialogue on Tourism Sector Circular Economy and Gender-Inclusive Development, held on May 31, 2024

Project Context and Scope

Mongolia's tourism sector generates approximately \$670 million annually², serving as a crucial economic driver, particularly in rural areas. However, the sector faces substantial sustainability challenges, including inefficient resource utilisation, inadequate waste management infrastructure, and high environmental impact in remote tourism destinations. The technical assistance project was designed to address these challenges through a gender-responsive approach, recognising that women-led enterprises often demonstrate greater readiness for adopting sustainable practices.

¹ Before the COVID-19 pandemic, tourism contributed 7.2% to Mongolia's GDP and 7.6% to its employment (World Travel & Tourism Council, 2019)

² Tourism generated approximately US \$670 million in annual revenue prior to COVID-19 (WTTC, 2019).

The technical assistance project was designed to address these challenges through a gender-responsive approach, recognising that women-led enterprises often demonstrate greater readiness for adopting sustainable practices. The initiative operated across multiple levels, from individual enterprise capacity building to national policy dialogue, engaging key stakeholders including MECC, financial institutions, and civil society organisations.

Stakeholder Engagement and Participation

International knowledge exchange was facilitated through study tours to Shenzhen and Hong Kong, which involved six female participants. Regional dialogue was maintained through the Central Asia Regional Economic Cooperation (CAREC) virtual forum, attracting 163 participants. Core institutional partners included ADB, MECC, MSFA, IRIM, and Development Solutions NGO.

The project achieved broad participation across the tourism ecosystem, with 400 participating MSMEs comprising 222 producers and 178 service providers. A 22-member multi-stakeholder working group facilitated coordination among government agencies, banks, non-bank financial institutions, business chambers, and non-governmental organisations.

Key Research Findings

1. Circular Economy Awareness and Understanding

An assessment³ of participating enterprises, based on a methodology and scope framework developed and provided by MSFA prior to implementation, revealed a significant gap between basic awareness and a functional understanding of circular economy principles. While 66.8% of MSMEs had encountered circular economy concepts, only 6.5% demonstrated a comprehensive understanding beyond elementary waste handling practices³. Most enterprises associated the circular economy exclusively with plastic recycling, missing broader opportunities, including product lifecycle optimisation, regenerative business models, and service-based alternatives to traditional product sales.

This limited understanding constrains enterprises' ability to identify and implement circular economy solutions that could enhance both environmental performance and business competitiveness. The finding underscores the need for comprehensive capacity-building initiatives that address the full spectrum of circular economy principles and their practical applications within tourism operations.

2. Market Demand and Supply Misalignment

Research identified a substantial disconnect between tourist expectations and current industry practices regarding environmental responsibility. Visitor surveys indicate that 98% of travellers consider waste-free tourism important to their destination selection, while 86% would prefer accommodations offering comprehensive recycling systems.

However, enterprise assessments reveal that only 50% of participating MSMEs maintain basic waste management procedures, and merely 14% conduct any form of environmental performance tracking or product impact assessment. This gap represents both a significant market opportunity and a competitive disadvantage for Mongolia's tourism sector in attracting environmentally conscious international visitors.

The willingness of 73% of surveyed tourists to pay premium prices for demonstrably sustainable services indicates untapped revenue potential that could incentivise wider adoption of circular economy practices across the sector.

3. Financial and Infrastructure Constraints

Participating enterprises consistently cited access to appropriate financing and adequate infrastructure as the primary barriers to implementing the circular economy. Existing green finance programs often include eligibility requirements, such as land ownership prerequisites, that exclude many tourism MSMEs, particularly those operating in rural areas or those led by women entrepreneurs.

The absence of circular economy-focused technical support services and feasibility assessment tools further limits the enterprise's capacity to develop and implement circular solutions. Additionally, limited waste management infrastructure in remote tourism destinations undermines the viability of comprehensive circular economy approaches, particularly in nature-based tourism locations that constitute Mongolia's primary competitive advantage.

Current certification and eco-labelling systems lack alignment with international standards and fail to provide the market recognition necessary to justify investment in circular economy practices.

4. Policy and Institutional Framework Gaps

Despite Mongolia's commitment to green development through Vision 2050, the research identified significant gaps in policy frameworks and institutional coordination mechanisms that support the adoption of a circular economy in

³ TA-6883 CE Assessment (IRIM, MSFA, DS, 2022; Annex 1).

tourism. No integrated circular economy strategy exists specifically for the tourism sector, while existing small and medium enterprise loan programs lack indicators or capabilities for tracking circular economy outcomes.

Coordination between relevant ministries, including Environment and Climate Change, Tourism, and Finance, as well as local government authorities, remains insufficient to support the implementation of a comprehensive circular economy. Current green labelling schemes, including the "Green Leaf" program⁴, lack alignment with internationally recognised ISO standards, limiting their effectiveness in attracting environmentally conscious international tourists.

Strategic Recommendations



Immediate Implementation Priorities		
Financial Mechanism Reform	Eco-Labelling System Enhancement	Infrastructure Development
As part of the Government of Mongolia's tourism recovery initiative, a total of MNT 55 billion ⁵ was allocated to support tourism enterprises, primarily through concessional loan schemes. These existing financial mechanisms present a key opportunity to integrate circular economy benchmarks, such as lifecycle assessment requirements, local sourcing incentives, and zero-waste operational targets, into loan eligibility criteria. Aligning public financing with circular economy principles would redirect state-backed investments toward more sustainable enterprises and stimulate market demand for circular solutions.	Mongolia's eco-labelling framework requires comprehensive reform to align with ISO 14024 and ISO 14025 standards, introducing third-party certification processes and digital performance tracking systems. Enhanced credibility and international recognition would increase the market value of environmental certifications for tourism enterprises.	Strategic investment in decentralised composting facilities, packaging return schemes, and low-emission transportation systems is essential to support circular economy operations in remote tourism destinations. These infrastructure investments should prioritise areas with the highest tourism activity and greatest environmental sensitivity.
Medium-Term Development Goals		
National Strategy Development	Technical Assistance Infrastructure	Educational Integration
A comprehensive national circular economy strategy for tourism should be developed by 2030, incorporating specific indicators within the sector implementation plans of Vision 2050. Key metrics should include circular economy job creation, material reuse rates, and quantified emission reductions attributable to circular practices.	Establishment of circular economy help desks or centres of excellence in target provinces would provide ongoing support for enterprise audits, innovation development, and access to circular economy tools and technologies. These facilities would serve as regional hubs for knowledge transfer and capacity building.	Circular economy modules should be embedded within vocational and tourism training programs through collaboration between relevant ministries and tourism associations. This approach would ensure that future workforce development incorporates circular economy competencies as standard professional requirements.
Policy Implementation Framework		
Regulatory Mechanisms	Performance Monitoring	Procurement and Investment Integration
The implementation of Extended Producer Responsibility frameworks	Enterprises receiving public green finance should be required to provide	Circular economy modules should be embedded within vocational and

⁴ The Green Leaf™ Eco Standard is Mongolia's key eco-labelling initiative for tourism; third-party certification standards are outlined in Ecolabel Index.

⁵ The Government of Mongolia allocated MNT 55 billion in concessional loans to tourism enterprises as part of its "10 trillion MNT economic recovery plan" (Government Decree No. 42, 2021)

within the packaging and tourism food sectors would establish clear accountability for product lifecycle impacts, while creating economic incentives for circular design and operation. This approach should be complemented by "Polluter Pays" principles, incorporating transparent eco-payment frameworks linked to measurable emissions and waste generation.

circular economy disclosure and performance reporting, creating accountability mechanisms and generating data necessary for policy refinement and impact assessment. This requirement would establish precedent for broader corporate environmental reporting expectations.

tourism training programs through collaboration between relevant ministries and tourism associations. This approach would ensure that future workforce development incorporates circular economy competencies as standard professional requirements.

Recommended Next Steps



Program Expansion

Phase 2 implementation could pilot biodiversity-based eco-tourism financing models that link environmental protection with rural income diversification and sustainable development. Key components include the development of eco-tourism certification schemes aligned with Mongolia's revised green standards, integration of eco-tourism into the SDG Finance Taxonomy⁶, and design of ESG- or sustainability-linked loans⁷ suitable for herder cooperatives and rural entrepreneurs.

One of the defining features of TA-6883 was to catalyze innovation across diverse green sectors. While this approach enabled a broad range of entrepreneurial experimentation from eco-bag to sustainable tourism, it also presented limitations in achieving cross-learning and thematic synergies. Feedback from implementers highlighted the potential value of clustering grant recipients within a single or closely related sector to enhance peer-to-peer exchange, strengthen shared value chains, and promote coherent sectoral transformation.

The program would also support technical assistance to operationalise these tools, through expert groups, policy workshops, and awareness-raising events, while leveraging Mongolia's growing protected area network to demonstrate scalable biodiversity finance solutions. This approach advances national NDC and SDG targets while contributing to the creation of green jobs, reducing urban migration pressure, and promoting inclusive rural development.

In terms of sustainability, practitioners emphasized the importance of linking grants to longer-term institutional mechanisms. This includes embedding CE training modules within existing vocational and higher education platforms.



Policy Alignment

Integrating Mongolia's circular economy ambitions into national policy frameworks requires elevating policy coordination to the highest level. A dedicated Circular Economy Policy Forum, linked to the Vision 2050 implementation and SDG Finance Taxonomy revision, should operationalize clear mandates and timelines across ministries. By embedding circular economy targets into public procurement (to create demand for circular goods and services), SME lending guidelines, and NDC reporting, the forum can align financial incentives, eco-labelling reforms, and concessional financing schemes. Annual progress reviews and structured inter-agency roadmaps will ensure continuity beyond the lifetime of TA-6883 and institutionalize a systems-level approach to sustainable tourism.

⁶ United Nations Development Programme & Asian Development Bank. (2024, December). *Mongolia Sustainable Development Goal Finance Taxonomy Pilot* [PDF].

⁷ Asian Development Bank. (2023, November 20). *ADB, Gobi sign sustainability-linked loan to support climate-resilient cashmere value chain in Mongolia* [Press release].



Standards Development

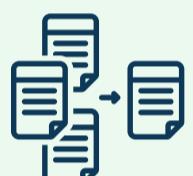
An ISO-aligned eco-labelling roadmap should be co-developed with the Mongolian Sustainable Finance Association, the Ministry of Environment and Climate Change, and international partners. This roadmap will define clear implementation milestones, institutional roles, and technical criteria for environmental certification systems in Mongolia, aligning with the ISO 14024 and ISO 14025 standards.

Importantly, these milestones should be directly linked to subsidy schemes and green loan eligibility under national sustainable finance programs. By embedding verified eco-labels into financing criteria, the roadmap can help ensure that public and private green funds are directed toward truly sustainable tourism operators, while enhancing transparency, investor confidence, and international recognition.



Regional Engagement

At the regional level, Mongolia can leverage the established platform of the CAREC Tourism Strategy 2030⁸, which emphasizes sustainable, inclusive growth through regional cooperation, and align with the EU's Global Gateway initiative⁹ supporting circular economy policy frameworks across Central Asia. Mongolia's experience in eco-tourism certification and biodiversity-linked finance can be showcased in CAREC tourism cluster meetings and CAREC forums. Coordinated follow-up under Global Gateway's multi-stakeholder consultations will open avenues for peer learning, interoperable eco-label standards, and cross-border green financial products. This dual strategy ensures Mongolia becomes a leader in regional circular tourism while accessing broader technical and financial cooperation.



Conclusion

This comprehensive assessment of 400 tourism enterprises across Mongolia reveals an extraordinary market opportunity: while 98% of international visitors prioritize waste-free tourism and 73% will pay premium prices for sustainable services, only 6.5% of tourism MSMEs currently possess the circular economy knowledge to capture this demand. With tourism generating \$670 million annually and employing 7.2% of Mongolia's workforce, the gap between market expectations and industry capabilities represents both an urgent competitive risk and a transformative economic opportunity.

The project's success in engaging 400 enterprises and establishing a 22-member multi-stakeholder working group demonstrates that Mongolia's tourism sector is ready for transformation when provided with appropriate support mechanisms. The willingness of enterprises to participate, combined with the MNT 55 billion tourism recovery allocation, creates a unique policy window for embedding circular economy principles into Mongolia's tourism recovery strategy.

The project's gender-responsive approach, recognizing women-led enterprises' greater readiness for sustainable practices, offers a proven pathway for accelerating circular economy adoption while advancing inclusive economic development. This finding provides Mongolia with a distinctive competitive advantage in implementing circular economy solutions that simultaneously address environmental sustainability and gender equality objectives.

However, realizing these opportunities requires immediate and coordinated action across policy, financing, infrastructure, and capacity-building domains. The research has identified specific, actionable interventions that can bridge the critical gaps between market demand and industry capacity. These include reforming financial mechanisms to integrate circular economy benchmarks, establishing ISO-aligned eco-labelling systems, and developing technical assistance infrastructure in high-tourism provinces.

Implementation must begin immediately with the integration of circular economy benchmarks into existing tourism financing mechanisms, the establishment of ISO-aligned eco-labelling systems, and the development of technical

⁸ Asian Development Bank. (2020). CAREC Tourism Strategy 2030 [\[PDF\]](#).

⁹ European External Action Service; SWITCH-Asia Policy Support Component. (2025, May 22–23). Multi-Stakeholder Consultation in Central Asia: Strengthening Policy Ambitions through Sustainable Consumption and Production and Circular Economy [\[PDF\]](#).

assistance infrastructure in high-tourism provinces. Delay risks Mongolia losing its competitive position in the rapidly evolving sustainable tourism market, where environmental credentials increasingly determine destination attractiveness and premium pricing capability.

MECC is uniquely positioned to lead this transformation through strategic policy development, inter-ministerial coordination, and facilitation of international partnerships. The comprehensive framework presented in this paper provides clear implementation pathways that align with Vision 2050 commitments while addressing the immediate market demands identified through this research.

Mongolia stands at a critical juncture where proactive circular economy leadership in tourism can establish the country as a regional pioneer in sustainable destination development, attract premium international visitors, and create a replicable model for other developing economies transitioning to circular business models. The evidence base, stakeholder engagement, and policy recommendations contained within this knowledge paper provide the foundation for Mongolia to seize this transformative opportunity and position its tourism sector as a driver of sustainable economic growth for the next decade.

The TA-6883 project piloted an unique and effective consortium model by engaging three national organizations, IRIM, Development Solutions, and ToC, each bringing complementary expertise in research, capacity building, and advocacy. This locally anchored partnership structure enabled efficient task division, enhanced contextual relevance, and ensured smooth delivery of a technically complex agenda. This model demonstrated the value of leveraging local consulting firms and NGOs in tandem. Its success suggests strong potential for replication and mainstreaming in future TA initiatives, particularly those aiming to integrate global concepts such as the circular economy into practical, community-based solutions.

Technical Annexes and Supporting Documentation



References

1. Asian Development Bank. (2021). TA-6883 REG: *Accelerating gender equality in East Asia for an inclusive and green recovery – Project design document*. ADB.
2. Independent Research Institute of Mongolia (IRIM), Mongolian Sustainable Finance Association (MSFA), Development Solutions (DS). (2022). *Comprehensive assessment report on circular economy in Mongolia's tourism sector*. IRIM, MSFA, DS for TA-6883 REG. (See Annex 1, Annex 2 below.)
3. Government of Mongolia. (2020). *Vision 2050: Mongolia's Long-term Development Policy*. Government of Mongolia.
4. Mongolian Sustainable Finance Association. (2024). *Policy recommendations on eco-labelling and green finance for tourism enterprises*. MSFA. (See Annex 11, Annex 12 below.)
5. International Organization for Standardization. (2018). *ISO 14024:2018 Environmental labels and declarations - Type I environmental labelling - Principles and procedures*. ISO.
6. International Organization for Standardization. (2006). *ISO 14025:2006 Environmental labels and declarations - Type III environmental declarations - Principles and procedures*. ISO.

Annexes

TA-6883 REG:

[Annex 1. Comprehensive Assessment Report on CE in Mongolia's Tourism Sector](#)

[Annex 2. Summary Report of the CE Assessment](#)

[Annex 3. Project Summary Brief, TA-6883 REG](#)

[Annex 4. Working Group Meeting Report](#)

[Annex 5. Working Group Policy Recommendations](#)

[Annex 6. Policy Dialogue Summary Report](#)

[Annex 7. Working Group Terms of Reference](#)

[Annex 8. Study Tour Report \(Shenzhen and Hong Kong\)](#)

[Annex 9. CAREC Virtual Forum Summary](#)

[Annex 10. Working Group Closing Meeting Summary](#)

[Annex 11. Capacity Building Program Implementation Report](#)

[Annex 12. Mentorship Program Report](#)

Switching On the Green Economy (SOGE) Project:

[Annex 13. Policy Recommendations on Eco-Label Development](#)

[Annex 14. SOGE Project Policy Note](#)

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