Mongolian Companies Improve their Corporate Governance

Companies with good governance typically make better decisions, perform better, and find it easier to attract investment. In Mongolia, a sparsely populated nation with 3.2 million people, private businesses are increasingly adopting better corporate governance standards to boost their institutional capacity and cope with the fast-growing economy.

Capital Bank, the first commercial bank in Mongolia with 61 branches, approached IFC with a request to improve its corporate governance. “Good governance will increase Capital Bank’s operational efficacy and transparency,” said Ariunbold Agvaanjamba, the bank’s executive director. “We are committed to bringing our corporate governance practices to the next level to support Bishrelt’s and our future growth.”

Another client, Max Group recently improved its governance by hiring the Big Four accounting firm Ernst & Young to be its external auditor and launched reforms to switch to a holding company structure. The family-run business has 13 affiliated companies in various industries including agribusiness, construction, retail, and mining. “A proper corporate structure will further increase Max Group’s efficiency and pave the way for our long-term growth,” said Ganbaatar Dagvadorj, president of Max Group. “Our new collaboration with IFC will send a positive signal to potential investors in the market.”

IFC is assessing the existing corporate governance practices of these companies and help align them with international best practices. IFC will also advise and train directors, managers, and major shareholders in the key areas of board functions, internal control and disclosure. Capital Bank and Max Group LLC have joined IFC’s Mongolia Corporate Governance Project, following XacBank and Khan Bank. Up do date, the Project’s clients reported US$ 27 million as investment facilitated due to the improved corporate governance practices.

Mongolian Banks Improve their Competitiveness

On May 24, IFC and Mongolia’s Corporate Governance Development Center held the sixth annual National Corporate Governance Forum in Ulaanbaatar to discuss ways to enhance the performance and competitiveness of Mongolian banks.

More than 190 bank directors, managers, and government officials gathered at the forum to discuss good governance practices and international trends in the banking sector as well as specific challenges faced by Mongolian banks in managing their rapid growth and related risks.

“Banks play a very important role in Mongolia’s economic development,” said Bold Javkhlan, First Deputy Governor, Bank of Mongolia. “Better corporate governance practices could help Mongolian banks increase efficiency, protect shareholder rights and improve their access to international capital markets.”

With IFC’s help, the Mongolian parliament adopted a new company law in 2011 to strengthen the country’s corporate governance regulations and improve transparency. IFC has been making substantial investments in Mongolia’s banking sector since 2002 when it first provided a loan to XacBank. Earlier this year, IFC provided $20 million to Khan Bank LLC to boost its small and medium enterprise lending.

“IFC is committed to the sustainable development of Mongolia’s banking sector. We offer much-needed capital and advice at different stages of the industry’s development,” said Hyun-Chan Cho, IFC’s country manager for China, Mongolia and Korea. “By partnering with the banks, we hope to introduce transparent and accountable business models for more Mongolian businesses to follow.”

In partnership with Japan and the Netherlands, IFC’s Mongolia Corporate Governance Program has organized training and consultations for more than 300 joint-stock companies and banks since 2009. IFC has been advising three Mongolian banks – Khan Bank, XacBank, and Capital Bank – on their corporate governance practices.
CG Awareness Expands beyond Ulaanbaatar to Mongolia’s outer regions

IFC Mongolia Corporate Governance Project together with the Mongolian Federation of Employers held a full day seminar on Corporate Governance and its Importance on May 2 in Darkhan, the third largest city of Mongolia. The seminar was attended by 31 shareholders, members of boards of directors and senior management from 30 companies.

During the seminar, participants were informed about benefits and costs of implementing good corporate governance principles, protection of shareholders’ rights, transparency and disclosure practices and roles and responsibilities of board of directors.

The Corporate Governance Project’s goal in holding this kind of seminars in cities outside of Ulaanbaatar is to spread good corporate governance practices across Mongolia and give equal opportunities to all Mongolian companies to attract investment and improve their performance.

The Project considers the needs of companies in each region while preparing the seminars’ agendas and materials. Taking this into account, each delivered seminar will be unique in its scope and scale. This seminar is the first one in the series of regional seminars planned in the framework of the Mongolian Corporate Governance Project.

Media Workshop to Improve CG Reporting

In April 2013, the IFC Mongolia Corporate Governance Project, jointly with Mongolian Press Institute, organized a two-day interactive media training for local journalists. Twenty-two journalists from leading Mongolian TV, print and web-based media outlets gathered to learn about good corporate governance practices and the role of media in covering those issues. The design of the program anticipates building capacities among journalists in reporting on issues related to corporate governance.

The journalists from leading Mongolian media outlets met to learn about the best corporate governance practices and answer the question as to why it is important to cover corporate governance related stories, and shared their experience with each other as well as invited international experts. The overall objective of the training was to draw on journalists’ unique ability to disseminate information on corporate governance to the business community and to the broader public, and to make readers aware of company activities that can have significant impact on the society in general.

Along with the training, Mongolian printed copies of IFC Media Guide focusing on corporate governance reporting were translated and provided to journalists. This seminar is also part of the global media training program that IFC has been doing. Similar seminars were recently organized in Vietnam, Bangladesh and Pakistan.