

A Sustainable Banking Network (SBN)
Flagship Report
Addendum to SBN Global Progress Report

October 2019

Country Progress Report

Mongolia



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1. Country progress summary –Mongolia



SBN Member:

- [Mongolian Central Bank](#) (founding member since 2012)
- [Mongolian Bankers' Association \(MBA\)](#) (member since 2013)

SBN Working Group: Measurement Working Group, IDA taskforce, and Green Bond Working Group

Key policy documents:

- Mongolian Sustainable Finance Principles (Mongolian Bankers Association, 2014)
- 4 Sector Guidelines – including agriculture, construction and infrastructure, manufacturing, and mining (Mongolian Bankers Association, 2014)

Key milestones since 2018 SBN Report:

- Creation of Mongolian Sustainable Finance Association (MSFA) (January 2018)
- Launch of National Sustainable Finance Roadmap of Mongolia (MSFA, 2018)
- Launch of Central Bank of Mongolia Monetary Policy (2019)
- Draft Green Finance Taxonomy (MSFA, 2019)

SBN and IFC role: IFC has provided advisory services to both MBA and Mongolian Central Bank in relation to policy development, implementation, and capacity building, in partnership with the government of Japan. Through SBN, MBA has shared its experience with other SBN members and benefited from the collective SBN knowledge base.

Figure 1: SBN Progression Matrix with Assessment Results¹

Assessment based on progress up to and as of June 2019²

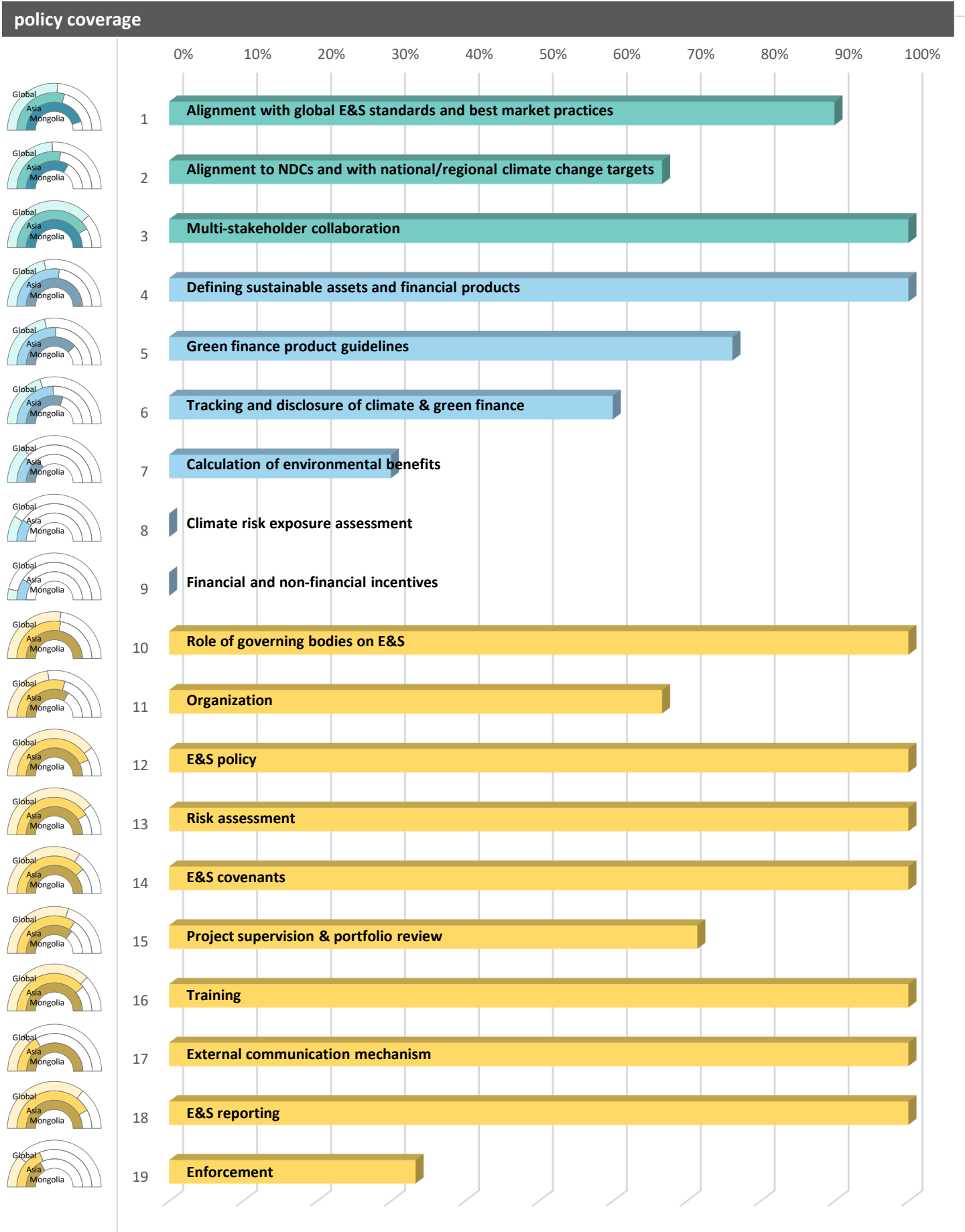


Note:

1. Please refer to the SBN Global Progress Report for an explanation of the Progression Matrix.

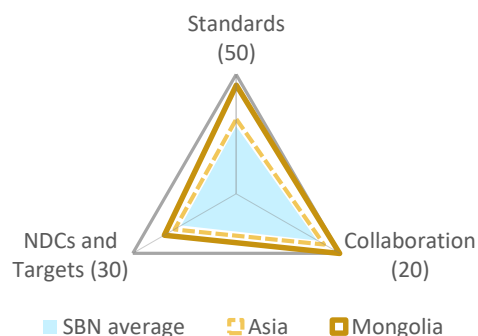
2. Ghana and Thailand launched their policies and principles in August 2019, after the cut-off date of June 2019 for this report.

2. Overview of policy coverage by indicators



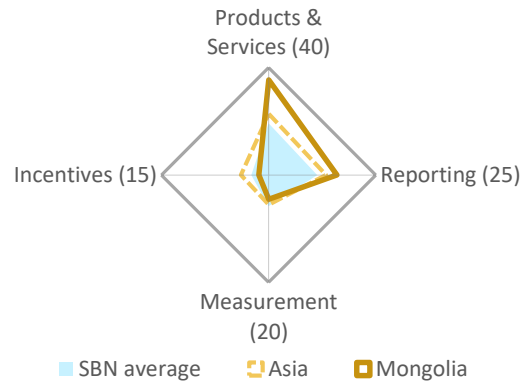
3. Policy coverage developed

Pillar I: Strategic Alignment



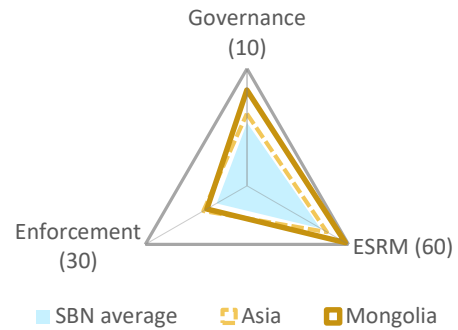
Indicator	Policy requirement	Reference
Alignment with global E&S standards and best market practices		
Indicator 1	<p>The Sustainable Finance Principles encourage banks to adhere to international risk management and green reporting standards when designing their E&S policies.</p> <p>The Principles also advise that E&S policies and performance should be externally verified.</p> <p>Although the Mongolian sustainable finance policy documents don't have direct reference to the SDGs and Paris Climate agreement targets, the Principles have direct relevance to all SDG targets.</p>	<p>Mongolian Sustainable Finance Principle Guidelines, (Mongolian Bankers Association (MBA), 2014) - Principle 1 – Relevant International standards- p.7</p> <p>Mongolian Sustainable Finance Principle Guidelines, (Mongolian Bankers Association (MBA), 2014) - Principle 7 - Relevant International standards - p.7 and p.23</p> <p>Mongolian Sustainable Finance Principle Guidelines, (Mongolian Bankers Association (MBA), 2014) - Principle 6 - Demonstrating process - p.23</p> <p>Mongolian Sustainable Finance Principle 1 – SDG target 6,7,11,13,14,15; the Principle 2 - SDG 1,2,3,8,10,11,13; the Principle 3 - SDG 4,11; the Principle 4 - SDG 7,8,9,10,11,12,13; the Principle 5 - SDG 5,8,10; the Principle 6 - SDG 9, 12; the Principle 7 - SDG 10; the Principle 8 - SDG 16, 17</p>
Alignment to NDCs and with national/regional climate change targets		
Indicator 2	<p>The framework is fully aligned with national laws on environmental protection.</p> <p>The main Principles are supplemented by sector-specific guidelines that identify climate-related risks for the four key sectors of Agriculture, Manufacturing, Construction, and Mining.</p>	<p>Mongolian Sustainable Finance Principle Guidelines, (Mongolian Bankers Association (MBA), 2014) - Principle 1 - Definition - p.6</p>
Multi-stakeholder collaboration		
Indicator 3	<p>The framework encourages banks to ‘actively support’ knowledge sharing and industry collaboration on E&S performance.</p> <p>The key stakeholders actively work together through the Mongolian Sustainable Finance Initiative, including the relevant ministries, government agencies, and NGOs. Participants include the Ministry of Environment and Tourism, Ministry of Finance, Energy Regulatory Commission, Green building council of Mongolia, Non-Banking Financial Institution Association, Mongolian Wool and Cashmere Association, and international NGOs, including AVSF (Agronomies and Veterinaries Sans Frontiers) and SFA (Sustainable Fiber Alliance).</p> <p>For example, the representatives of the Ministry of Environment and Tourism and Bank of Mongolia are the active members of the Sustainable Finance Working Group.</p>	<p>Mongolian Sustainable Finance Principle Guidelines, (Mongolian Bankers Association (MBA), 2014) - Principle 7 - Definition - p.23</p> <p>All Sustainable Finance Working Group meetings have been documented.</p>

Pillar II: Climate and Green Finance



Indicator	Policy requirement	Reference
Products and services		
Indicator 4,5	<p>The 4th Principle encourages green finance flows and products that will promote green growth. It recommends that banks develop definitions of green products and services that are consistent with their business objectives.</p> <p>The framework also encourages FIs to support their clients in improving their own sustainability.</p> <p>The Mongolian Sustainable Finance Association (MSFA) has proposed a taxonomy to clarify the definitions of green sectors, assets, and financial products available to FIs in Mongolia, subject to review and clearance by the Financial Stability Council (which consists of Central Bank of Mongolia, Financial Regulatory Commission, and Ministry of Mongolia).</p>	<p>Mongolian Sustainable Finance Principle Guidelines, (Mongolian Bankers Association (MBA), 2014) - Principle 4 - Implementation - p.15</p> <p>A proposal of Green Taxonomy Development for Mongolia (MSFA, 2019)</p> <p>Central Bank of Mongolia Monetary Policy (2019)</p> <p>Mongolian Sustainable Finance Principles - Agriculture Sector Guideline (MBA, 2014)</p> <p>Mongolian Sustainable Finance Principles - Construction and Infrastructure Sector Guideline (MBA, 2014)</p> <p>Mongolian Sustainable Finance Principles - Manufacturing Sector Guideline (MBA, 2014)</p> <p>Mongolian Sustainable Finance Principles - Mining Sector Guideline (MBA, 2014) - Annex 1]</p>
Climate and green investment reporting		
Indicator 6	-	-
Measurement		
Indicator 7,8	-	-
Incentives		
Indicator 9	<p>Incentives from the Central Bank of Mongolia encourage banks to adhere to the framework, and to develop green incentives for clients.</p> <p>The MSFA organizes dedicated sustainable finance events, and in 2015 launched an award to honor banks that have implemented the Principles well in terms of reporting, training, and advocacy to clients or borrowers.</p>	<p>Mongolian Sustainable Finance Principle Guidelines, (Mongolian Bankers Association (MBA), 2014) - Principle 4 - Demonstrating progress - p.17</p>

Pillar III: ESG Integration



Indicator	Policy requirement	Reference
Governance of E&S		
Indicator 10, 11	<p>The E&S Policy Framework Template states that the FI’s E&S officer is responsible for proposing necessary amendments to the FI’s E&S policy and a relevant committee shall approve the E&S policy and the amendments to it.</p> <p>The E&S Policy Framework Template stresses the need for regular monitoring to ensure that FI’s operations comply with the FI’s E&S policy.</p> <p>The E&S Policy Framework Template clearly defines the roles and responsibilities in relation to the implementation of the E&S risk management framework.</p> <p>The E&S Policy Framework Template clearly defines the role of the E&S risk officer.</p>	<p>E&S policy framework template/Policy implementation - p.11 and p.12 and Changes to the Policy - p.16</p> <p>Mongolian Sustainable Finance Principle Guidelines, (Mongolian Bankers Association (MBA), 2014) Principle 7 - Demonstrating progress - p.24</p> <p>E&S Policy Framework Template/Monitoring and Reporting - p.12</p> <p>E&S Policy Framework Template/Governance structure - p.13</p> <p>E&S Policy Framework Template/Governance structure - p.14</p>
E&S risk management		
Indicator 12 - 18	<p>The Central Bank expects banks to publish a bi-annual ‘sustainability report’ covering progress against the eight Principles, based on a template issued by the MBA.</p> <p>The Principles stress the need for banks to provide the resources, tools, and training to build staff capabilities in E&S risk management. The E&S Policy Framework Template supports this by detailing the roles and responsibilities banks need in order to establish robust E&S risk management. The MBA also provides participant-tailored training to help banks implement the framework.</p> <p>Specific Guidelines require banks to categorize projects according to E&S risks for Mongolia’s four key sectors, to monitor and report on those risks, and to add E&S covenants to legal documents if required.</p> <p>Banks are not only required to conduct sector-based portfolio reviews, but to monitor and report on clients’ progress against E&S Action Plans – for example via site visits or project staff interviews.</p> <p>The MSFA encourages banks to develop and implement a sustainable finance policy, and to conduct transaction and project level due diligence.</p>	<p>Mongolian Sustainable Finance Principle Guidelines, (Mongolian Bankers Association (MBA), 2014) - Principle 7 - Implementation - p.23</p> <p>Mongolian Sustainable Finance Principle Guidelines, (Mongolian Bankers Association (MBA), 2014) - Principle 1 - Demonstrating progress - p.8</p> <p>Mongolian Sustainable Finance Principle Guidelines, (Mongolian Bankers Association (MBA), 2014) - Principle 6 - Implementation of Principle 6 - p.18</p> <p>Mongolian Sustainable Finance Principle Guidelines, (Mongolian Bankers Association (MBA), 2014) - Principle 1 - Implementation - p.7</p> <p>Mongolian Sustainable Finance Principle Guidelines, (Mongolian Bankers Association (MBA), 2014) - Principle 1 - Demonstration progress - p.8</p> <p>E&S Policy Framework Template/Policy Implementation/B. Resources and Training - p.12</p> <p>Manufacturing Sector guideline - p.9 ; Agriculture sector guideline - p.10 ; Mining sector guideline - p.9 ; Construction and Infrastructure sector guideline - p.9</p>
Enforcement		
Indicator 19	<p>The implementation of the MSF Principles are verified regularly through monthly Working Group meetings. In addition, MBA/MSFA collects the sustainable finance implementation reports from all banks every 6 months.</p>	<p>The sustainable finance implementation reports collected from all the bank every 6 months</p>

4. Policy coverage to be developed

Pillar	Sub Pillar	Gaps	Areas for improvement
Pillar I: Strategic Alignment	Alignment with global E&S standards and best market practices	10%	➤ Reference to international climate finance reporting standards
	Alignment to NDCs and with national/regional climate change targets	33%	➤ Defined main climate risks for local financial sector
	Multi-stakeholder collaboration	0%	-
Pillar II: Climate and Green Finance	Products & services	13%	<ul style="list-style-type: none"> ➤ Reference to existing standards ➤ Recommendation of external party verification
	Climate & green investment reporting	40%	➤ Requirement of report on portfolio climate risk exposure
	Measurement	85%	<ul style="list-style-type: none"> ➤ Requirement to calculate investments' environmental benefits ➤ Methodologies, tools, templates to measure/report impacts ➤ Requirement to monitor climate risk exposure at portfolio level ➤ Reference to specific climate exposure methodologies ➤ Encouragement of mitigation steps
	Incentives	100%	<ul style="list-style-type: none"> ➤ Incentives for green financial products/services ➤ Financial incentives on green products/services
Pillar III: ESG Integration	Governance of E&S	20%	➤ Requirement to define role competencies
	E&S risk management	3%	➤ Encouragement of periodic review of E&S risk at aggregate portfolio level
	Enforcement	67%	<ul style="list-style-type: none"> ➤ Financial and/or non-financial incentives for setting up ESRM ➤ Sanctions/penalties/warnings for non-compliance

Access the SBN Global Progress Report and Country Reports at:
www.ifc.org/SBN2019Report

