

January 1999

IMF Staff Country Report No. 99/4

## **Mongolia: Selected Issues**

This Selected Issues report on Mongolia was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with this member country. As such, the views expressed in this document are those of the staff team and do not necessarily reflect the views of the Government of Mongolia or the Executive Board of the IMF.

Copies of this report are available to the public from  
International Monetary Fund • Publication Services  
700 19th Street, N.W. • Washington, D.C. 20431  
Telephone: (202) 623-7430 • Telefax: (202) 623-7201  
Telex (RCA): 248331 IMF UR  
E-mail: [publications@imf.org](mailto:publications@imf.org)  
Internet: <http://www.imf.org>  
Price: \$15.00 a copy

**International Monetary Fund**  
**Washington, D.C.**

INTERNATIONAL MONETARY FUND

MONGOLIA

Selected Issues

Prepared by Geoffrey Oestreicher, Sanjay Kalra, Torsten Sloek (all APD), Udaibir S. Das (MAE), Jun Ma (FAD) and David O. Robinson (PDR)

Approved by Asia and Pacific Department

November 9, 1998

	Contents	Page
I.	Developments in 1997–98: An Overview . . . . .	4
	A. Introduction . . . . .	4
	B. Real Sector Developments . . . . .	4
	C. Financial and Structural Policies in 1997 . . . . .	7
	D. Developments in 1998 . . . . .	8
II.	Fiscal Policy and Public Sector Reform . . . . .	10
	A. Overall Developments in 1997 and 1998 . . . . .	10
	B. Tax Reform and Tax Administration . . . . .	12
	C. Public Expenditure Management Reform . . . . .	13
	D. Public Expenditure on Education and Health . . . . .	14
	E. The Pension System . . . . .	16
III.	International Reserves, Foreign Exchange Markets, and External Debt . . . . .	20
	A. International Reserves . . . . .	20
	B. Foreign Exchange Markets . . . . .	23
	C. External Debt . . . . .	24
IV.	Financial Sector Developments . . . . .	26
	A. Background . . . . .	26
	B. Developments in 1998 . . . . .	28
	C. Factors Underlying the Banking System Deterioration . . . . .	29
	D. Bank Supervision and Regulation . . . . .	34
Text Boxes		
1.	Impact of the Regional Crises on Mongolia . . . . .	6

2.	Intergovernmental Fiscal Relations in Mongolia .....	19
3.	The Mongolian Financial System .....	27

Figures

1.	Economic Developments 1994-97 .....	5
2.	Nonperforming Loans 1997-98 .....	33

Text Table

II.1	Rates of Contribution to Social Insurance Funds .....	16
IV.1	Nonperforming Loans and Provisioning .....	29
IV.2	Financial Indicators of Insolvent Banks .....	31

Tables

1.	Selected Economic Indicators, 1995-97 .....	36
2.	Gross Domestic Product, 1993-97 .....	37
3.	Gross Domestic Product, 1993-97 .....	38
4.	Output of Major Agricultural Products, 1993-97 .....	39
5.	Output of Basic Industrial and Mining Products, 1993-97 .....	40
6.	Composition of Gross Industrial Output, 1993-97 .....	41
7.	Coal Mining Sector, 1993-97 .....	42
8.	Petroleum Balance, 1993-97 .....	43
9.	Electricity Sector, 1993-97 .....	44
10.	Employment by Sector, 1993-97 .....	45
11.	Ulaanbaatar Consumer Prices, 1993-97 .....	46
12.	Ulaanbaatar Consumer Price Inflation, 1996-98 .....	47
13.	Retail Prices, 1993-97 .....	48
14.	Government Average Wages, 1994-97 .....	49
15.	Summary Operations of the General Government, 1993-97 .....	50
16.	General Government Revenue, 1993-97 .....	51
17.	General Government Expenditure, 1993-97 .....	52
18.	General Government Expenditure by Function, 1993-97 .....	53
19.	General Government Social Expenditure, 1993-97 .....	54
20.	Subsidies and Transfers, 1993-97 .....	55
21.	Social Security and Social Assistance Funds, 1993-97 .....	56
22.	Number of Social Security Beneficiaries, 1993-97 .....	57
23.	Government Staff and Wage Bill, 1994-97 .....	58
24.	Expenditure of the Health Sector, 1994-97 .....	59
25.	Expenditure of Education Sector, 1994-97 .....	60
26.	Budgetary Support for Enterprises, 1995-97 .....	61
27.	Monetary Survey, 1995-98 .....	62
28.	Balance Sheet of the Bank of Mongolia, 1995-98 .....	63

29.	Consolidated Balance Sheet of Commercial Banks, 1995-98 .....	64
30.	Net Credit to Government, 1995-98 .....	65
31.	Central Bank Credit to Commercial Banks, 1994-97 .....	66
32.	Interest Rate, 1994-98 .....	67
33.	Structure of the Banking Sector .....	68
34.	Selected Financial Indicators of Commercial Banks, 1997-98 .....	69
35.	Balance of Payments, 1993-97 .....	70
36.	Principal Exports, 1993-97 .....	71
37.	Merchandise Imports, 1993-97 .....	72
38.	Direction of Trade, 1993-97 .....	73
39.	Services and Income Accounts, 1994-97 .....	74
40.	Official Grants, 1993-97 .....	75
41.	Medium- and Long-Term Loan Disbursements, 1993-97 .....	76
42.	Short-Term Capital Flows, 1994-97 .....	77
43.	Official International Reserves of the Monetary Authorities, 1994-97 .....	78
44.	Official International Reserves of the Monetary Authorities .....	79
45.	Selected Indicators of Commercial Bank Foreign Exchange Operations .....	80
46.	External Debt and Debt Service in Convertible Currencies, 1993-97 .....	81
47.	Long-Term External Debt in Nonconvertible Currencies, 1993-97 .....	82
48.	Monthly Exchange Rates, January 1996-August 1998 .....	83
49.	External Debt Stock by Creditor .....	84
50.	Privatization, 1996-97 .....	85

## I. DEVELOPMENT IN 1997–98: AN OVERVIEW

### A. Introduction

1. Economic performance in 1997 was impressive. Aided by strong political support for rapid reform and a generally favourable external environment, financial policies were tightened, and significant reductions in inflation were achieved (Figure 1). Broad based structural reforms were also undertaken, including steps to restore confidence in the banking system.
2. Conditions changed abruptly in 1998 as a deterioration in the external environment and domestic political problems combined to erode the momentum for reform (Box 1). The Asian crisis caused steep declines in the prices of Mongolia's major export commodities, resulting in a deterioration in the fiscal and external accounts. Declining profitability and financial distress among export producers reduced liquidity in the banking system, and weakened the failing financial position of several large banks. Domestic political problems severely limited government's ability to take corrective action. Monetary policy, however, remained relatively tight throughout the year, and inflation fell further.

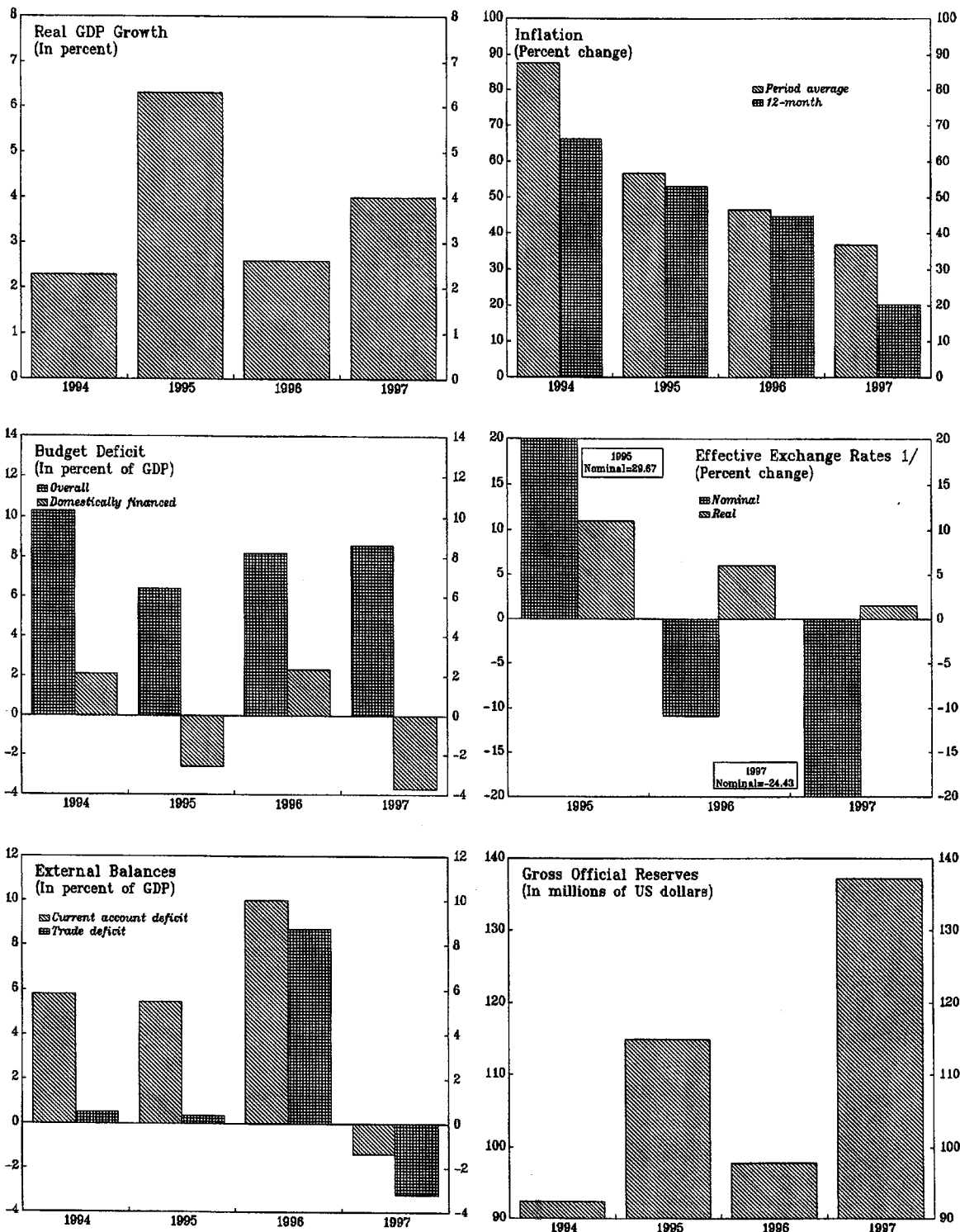
### B. Real Sector Developments

3. Economic growth picked up to 4 percent in 1997, led by sharply higher mining sector production. Gold production increased by 50 percent, as several small locally-owned mines came on-stream. Copper production increased by 20 percent, as the Erdenet mine modernized, and a joint-venture tertiary recovery plant expanded its production. Performance in the rural sector was mixed. Output of the three staple crops—cereals, potatoes, and vegetables—expanded rapidly, but production of meat declined as lack of marketing arrangements led producers to increase herd sizes. Growth in trade, construction and services was strong, reflecting the expansion of private sector activity. Output in the manufacturing sector, still dominated by state enterprises, fell by over 16 percent reflecting ongoing structural problems, including a deficiency of management expertise, obsolete equipment, lack of working capital, and lack of access to financial resources or expertise.<sup>1</sup>
4. In 1998, growth slowed only marginally to an estimated rate of 3½ percent. Momentum was maintained partly because of the Erdenet copper mine, which increased its output despite suffering financial losses in the face of lower world prices. In the agricultural sector, output of vegetables increased under the green development program, while production of grains and other products remained flat. The manufacturing sector lagged, while the service sector was buoyed by privatization and the development of tourism.

---

<sup>1</sup>The decline may be exaggerated by statistical underrecording of emerging private sector production.

Figure 1. Mongolia: Economic Developments, 1994-97



Sources: Mongolian authorities; and staff estimates.

1/ An increase indicates appreciation.

### Box 1: The Effects of the Regional Crises on Mongolia

Mongolia's economic performance in 1998 has been severely affected by the weak economic conditions in Asia:

- The steep decline in the prices of Mongolia's major export commodities—copper, cashmere, and gold—has generated a large terms of trade shock, estimated at about 11 percent in 1998.
- The real GDP growth projection for 1998 has been revised down modestly, though it is still positive reflecting growth in agriculture and services. However, export earnings have declined significantly. In particular, the large Erdenet copper mine has been running losses, and has incurred substantial tax and payments arrears.
- Revenue from the copper sector—amounting to almost 2 percent of GDP in 1997—has all but dried up; little is expected in income tax and dividend payments from Erdenet to the budget in 1998.
- Under the combined effect of the terms of trade shock, and the real exchange appreciation associated with the BOM's resistance to an exchange rate depreciation, the current account deficit has swung sharply from a small surplus in 1997 to a deficit of 12 percent of GDP in 1998.
- The capital account has also been affected adversely. Economic weakness in some of the major Asian sources of FDI has slowed investment inflows into ongoing projects; no foreign direct investment growth is projected in 1998, and prospects for growth over the medium term also appear to be rather dim.
- Official aid inflows from major Asian donors are likely to decline.
- The liquidity position of the banking system came under severe stress as large enterprises were forced to run down deposits. Weak export earnings have contributed to the growth of nonperforming loans, and the commercial banks anticipate rescheduling requests for substantial amounts of outstanding loans.
- Payment arrears by large enterprises, including Erdenet, appear to be having a ripple effect. Delays in payments to the Central Energy System (CES), prompted a government loan to the CES. Other utilities are faced with similar problems.

The more recent economic turmoil in Russia is likely to be transmitted to the Mongolian economy through a number of other channels:

- Although Russia remains Mongolia's largest bilateral trading partner, this trade has a significant nonmarket component, with exports to Russia including agreed commodities as debt repayments, and dollar denominated petroleum imports from Russia comprising a large fraction of total imports.
- A more aggressive entry by Russia into the gold market, through higher production or gold sales, is likely to affect Mongolia's export earnings and mining prospects by large foreign companies.
- With Russia supplying the bulk of the Mongolian economy's oil imports, disruption of supply lines could make petroleum imports from Russia difficult, and affect *inter alia* the inflation outlook and enterprise profitability.

### C. Financial and Structural Policies in 1997

5. Inflationary pressures, intensified at the start of 1997. Real interest rates were significantly negative, creating a strong incentive for currency substitution and commodity hoarding. These pressures were reinforced by speculation in the foreign exchange market, which led to a rapid depreciation of the exchange rate, especially in February and March.
6. The BOM responded by tightening monetary policy significantly in late March 1997. The interest rate on central bank bills was raised from 3 percent per month at end-1996 to 5 percent per month in March 1997, and the BOM announced that it would fully meet demand for central bank bills by banks which met the reserve requirements and other prudential guidelines. The central bank also raised the interest rate on loans to bank, and required that all such loans be fully collateralized, effectively eliminating the demand for central bank credit. In addition, the BOM intervened heavily in the foreign exchange market to fend off the speculative attack on the tugrik.
7. These policies were successful in restoring financial confidence. With significantly positive real interest rates, central bank bill sales absorbed excess liquidity, and monthly inflation turned negative at mid-year, cutting the 12-month inflation rate by half to 22½ percent, by end-1997. Following the exchange market intervention, the exchange rate appreciated sharply from over Tug 900 per US\$1 to around Tug 750 per US\$1 before stabilizing in the 810-820 range for the remainder of the year.
8. Fiscal policy also played a key role in the stabilization process.<sup>2</sup> Despite the cost of bank restructuring—interest on bank restructuring bands amounted to 1¾ percent of GDP—the overall deficit was held to 8½ percent of GDP in 1997, 2 percentage points below the budget target. The decline in the deficit reflected strong revenue performance, particularly from the copper sector, overflight fees, and privatization. With significant disbursements of foreign financing at end-year, net credit to government from the banking system *declined* by 3½ percent of GDP during 1997.
9. Significant structural reforms were also carried out to remove economic distortions and promote private sector development. These included the elimination of remaining price controls on electricity, heating, water, and rent; the elimination of almost all customs duties; the broadening the coverage of the sales tax to include construction, electricity, and telecommunications; a simplification of the structure of the personal and corporate income taxes, and a reduction in the corporate income tax rate, for all but the largest taxpayers; and increases in government fees and charges to improve cost recovery. Budgetary assistance to state-owned enterprises was also curtailed, hardening budget constraints. The accelerated privatization of state-owned assets contributed about 1½ percent of GDP to the budget.

---

<sup>2</sup>See Section II for details.



#### D. Developments in 1998

10. In late 1997 and early 1998, weakening demand throughout the Asian region contributed to steep declines in the prices of copper, cashmere and gold, Mongolia's main export commodities (Box 1). The most immediate impact was on fiscal revenues particularly in the copper sector where taxes and dividends are expected to decline by 2 percent of GDP in 1998, to near zero.

11. Secondary fiscal effects of the Asian crisis were also significant. Despite being unprofitable, Erdenet continued to produce, incurring operating costs which contributed to large financial losses. These were financed, in part, by an accumulation of arrears to domestic suppliers, mainly coal mines and the Central Energy System (CES) some of which, in turn, failed to meet the full amount of tax obligations. In addition, the government found it necessary to extend a credit to the CES to ensure smooth winter operations.

12. The condition of the banking system sector deteriorated sharply in 1998, reflecting poor bank management, weak internal controls, inadequate enforcement of prudential regulations, and the impact of low export prices on enterprise profitability.<sup>3</sup> The resulting draw down of deposits on increase in nonperforming loans contributed to a deterioration in the liquidity position and net work of some banks.

13. As the prospects for an early recovery in the terms of trade faded, the government began formulating a policy response to shore up the budgetary finances in the near term, and to reduce reliance on the copper sector over the medium term. The package included an introduction of the VAT at 13 percent rather than the 10 percent originally envisaged, the imposition of a US\$7 dollar per ton excise on petroleum, and a 13 percent export tax on gold. However, a series of domestic political developments delayed early implementation of the measures.

- On April, Prime Minister Enkhsaikhan and his cabinet—who were not members of Parliament—resigned to make way for a new Democratic Coalition government under Prime Minister Elbegdorj and other parliament members.<sup>4</sup>
- In June, the opposition walked out of parliament in protest over the government's decision to merge the state-owned Reconstruction Bank (RB) with privately-owned Golomt Bank.

---

<sup>3</sup>See Section III.

<sup>4</sup>The National Democratic Party and the Social Democratic Party comprise the governing Democratic Coalition. In mid-1996, a constitutional court ruling stipulated that members of parliament (MPs) could not hold cabinet positions. The government headed by Mr. Enkhsaikhan did not, therefore, contain any MPs. A parliamentary resolution in April allowing MPs to hold cabinet positions paved the way for the new government.

- The boycott effectively halted the conduct of regular business in parliament.
- In July, the two month old government of Prime Minister Elbegdorj lost a confidence motion in parliament after some members from the Democratic Coalition crossed the floor to vote with the opposition.
- Since July, several candidates have been proposed for Prime Minister, but they either failed to win strong support within the Democratic Coalition, or they were rejected by the President (who belongs to the opposition party). In the interim, Mr. Elbegdorj had continued to head a caretaker government.
- Parliament subsequently convened and passed the pending tax legislation. The VAT rate and petroleum excise became effective on September 1; the gold tax was vetoed by the President.

14. Despite the external shocks, monetary policy remained relatively tight, and inflation continued on a downward trend. The central bank bill rate, which had eased from 35 percent in January 1998 to 25 percent in April, was raised to 40 percent in July in response to downward pressure on the exchange rate and renewed inflation concerns. After picking up briefly in March–April, inflation turned negative in June–July and remained low in August.<sup>5</sup>

15. Exchange rate management was strongly influenced by the 1998 monetary policy guidelines approved by parliament which called for the BOM to maintain the exchange rate within 5 percent range of the end–1997 level.<sup>6</sup> In an effort to adhere to these guidelines, the BOM intervened heavily in the foreign exchange market, especially during the months of July and August, generating a substantial decline in the level of international reserves.

16. The external current account shifted from a small surplus in 1997 to a sizable estimated deficit (12 percent of GDP) in 1998. The reversal was associated with the large deterioration in the terms of trade, an appreciation of the real exchange rate, and the long-term lease of an aircraft. The value of nongold exports declined by 27 percent during the first eight months of 1997, despite a 6 percent increase in the volume of copper exports. The volume of gold exports declined moderately following the destocking in 1997. Import values increased by almost 13 percent higher. The current account deficit was financed to a large extent by a decline in the net foreign assets of commercial banks.

---

<sup>5</sup>The observed swings in inflation are due partly to seasonal factors, with food prices rising sharply in late winter and declining during the summer.

<sup>6</sup>The exchange rate regime remained an independent float.

## II. FISCAL POLICY AND PUBLIC SECTOR REFORM

17. Mongolia's overall fiscal performance was satisfactory in 1997, thanks to a generally favorable external environment and large disbursements of concessional foreign loans that supported the budget. In the first eight months of 1998, however, revenue performance experienced a rapid deterioration as the prices for Mongolia's major export commodities fell sharply in the wake of the regional economic crisis. With the prospective delay in the disbursement of a major program loan from the AsDB, the domestic financing of the 1998 budget deficit could rise to 3¾ percent of GDP, up from -3¾ percent in 1997.

18. Structural reforms have progressed, or are being planned for, in several areas of the public sector. Extensive tax reform was successfully carried out in April 1997, and the VAT was introduced in July 1998, resulting in broadened tax bases, simplified tax structures, and improved incentives for private sector investment. The ongoing reforms in the education and health sectors are expected to enhance operational efficiency and bring in budgetary savings. The pension system is currently not self-financing and continues to experience problems in the collection of contributions, but an ambitious reform plan—to introduce notionally defined individual accounts in the short run and move towards a funded system in the long run—has been drawn up. However, progress on public expenditure management reform has been limited due to continued political uncertainties, and no concrete plans for reforming the intergovernmental fiscal relations have been adopted.

### A. Overall Developments in 1997 and 1998

19. In 1997, revenue performance strengthened significantly, despite the elimination of most custom duties and other tax reform measures that reduced revenues. However, due to significant increases in bank restructuring costs and foreign financed capital expenditure, the overall budget deficit widened by a half percentage point to 8½ percent of GDP, and the current budget surplus fell from 4½ percent of GDP in 1996 to 1¾ percent in 1997. With large disbursements of foreign financing in the latter part of the year (equivalent to 12 percent of GDP), the stock on net banking system credit to government declined by 3¾ percent of GDP.

20. The increase in the revenue-to-GDP ratio in 1997—by 1¾ percentage points to 29½ percent of GDP—reflected the implementation of the comprehensive tax package and a sharp increase in privatization receipts. The broadening of the base of the sales tax, and the reforms of enterprise and individual income taxes yielded an additional 2 percent of GDP in revenue. A number of other tax measures, particularly the increase in excises on petroleum products, spirits and wine, and a new export tax on raw cashmere and camel wool, contributed further to revenue by about 1 percentage point of GDP, while the elimination of all import duties (except on alcoholic spirits) reduced revenues by about 1½ percent of GDP. Privatization receipts rose by 1 percentage point to about 1½ percent of GDP, as about 236 state-owned enterprises were sold.

21. Parallel to the significant increase in revenue, total expenditure and net lending also rose sharply, by about 2 percentage points to 38 percent of GDP in 1997. Interest payments on bank restructuring bonds—Tug 45 billion were issued in 1996 and 1997—amounted to 1¾ percent of GDP. The total wage bill in relation to GDP declined slightly despite a 20–25 percent nominal increase in May. Expenditure on other goods and services rose by nearly 1 percent of GDP to 11 percent, mainly reflecting the large increase in energy prices in late 1996. Social security payments rose by ¾ percent of GDP due to increases in pension rates. Foreign financed capital expenditure rose by 1½ percent of GDP, as several World Bank, AsDB, and Japan funded projects made large disbursements in 1997. Net lending was scaled back by about 1½ percent points of GDP, reflecting large repayments by the Oil Import Concern (Table 27).

22. Revenue performance deteriorated sharply in the early 1998, as the prices for Mongolia's major export commodities declined steeply in the wake of the regional financial crisis.<sup>7</sup> The Erdenet copper mine, which used to be the largest taxpayer in Mongolia, reported a loss of Tug 8 billion in the first eight months of the year. As a result, the budget is expected to lose about Tug 20 billion in revenues from Erdenet's income tax and dividend payments for the year as a whole. In addition, Erdenet accumulated large arrears to the Central Energy System which, in turn, owed the budget Tug 4 billion in taxes. Revenue from the excise tax on petroleum products was also weak due to a sharp decline in oil imports from Russia and the exemption for a large amount of grant imports. The excise collected on vodka and tobacco was lower than expected, as imports fell dramatically after the excise rate increase in 1997.

23. In an attempt to contain the revenue shortfall, in late August, Parliament approved an increase in the VAT rate from 10 percent to 13 percent and an increase in the excise on petroleum products, both effective September 1, 1998. Despite these measures, total revenue and grants are expected to decline by 4 percentage points to 25½ percent of GDP in 1998.

24. On the expenditure side, the government responded to the deteriorating fiscal situation in 1998 by scaling back capital expenditures. However, expenditures on goods and services in the first eight months of the year were significantly higher than that in the same period of 1997. This reflected the granting of a larger-than-programmed wage increase, delayed payments of utility bills for the winter of 1997, and the MOF's lack of effective control over local government spending.

25. As a result, the overall budget deficit is expected to increase from 8.6 percent of GDP in 1997 to about 10 percent in 1998. As the disbursement of the second tranche of the AsDB's Financial Sector Program Loan (US\$16 million) is unlikely to take place in 1998 as originally scheduled, net domestic bank financing of the budget in 1998 could reach 3¾ percent of GDP.

---

<sup>7</sup>Annual average export prices for 1998 are now projected to decline by: 23 percent for copper; 20 percent for cashmere; and 5 percent for gold.

## B. Tax Reform and Tax Administration

26. Before April 1997, Mongolia's tax system consisted mainly of the enterprise income tax, individual income tax, sales tax, various excise taxes, and customs duties. While possessing the basic elements of a tax system typically found in a market-based economy, the Mongolian system suffered from several problems, including complex rate structures, narrow tax bases, and overly generous exemptions. A comprehensive reform covering the individual income tax, the enterprise income tax, customs duties, the sales tax, and various excises was implemented in May 1997, with an objective to simplify the tax system and to improve the environment for private sector development and foreign investment. The main elements of this tax package included the following:

- the number of corporate income tax rates was reduced from four (15, 25, 35, and 40 percent) to two (15 percent and 40 percent), and the depreciation system was simplified to single rate, and the straight line method;
- the number of individual income tax rates was reduced from five (2, 5, 15, 27, and 40 percent) to three (10, 20, and 40 percent), and the exemption threshold was replaced with a tax credit;
- the base of the sales tax was broadened to include selected enterprises in the food, construction, and communication sectors, and the annual turnover threshold was eliminated;
- all custom duties were eliminated, except a 15 percent duty on alcoholic spirits;
- the excises on petroleum products, spirits and wine were doubled; and
- the royalty rate on minerals was reduced at 2½ percent, from the previous system of negotiated rates in the range of 1½ to 12½ percent.

27. As revenue performance weakened significantly in early 1998, and the prospects of an early recovery in the terms of trade diminished, the authorities recognized the need for new tax measures to prevent a further deterioration in the fiscal position. In May 1998, the government proposed a new tax package—estimated to yield about 2 percent of GDP on an annualized basis—to Parliament, consisting of the introduction of the VAT at a higher rate than previously approved (13 percent rather than 10 percent), an increase in petroleum excise by US\$7 per ton, and a gold export tax at a rate equivalent to 13 percent. However, due to the parliamentary impasse in summer 1998, legislative approval of this package was delayed and the VAT was introduced at 10 percent on July 1, 1998. Parliament eventually approved the tax package in late August, although the gold tax was subsequently vetoed by the President. The VAT rate and the petroleum excise increase became effective on September 1, 1998. In addition, a 15 percent customs duty on flour and vegetables was reintroduced on a temporary basis, effective from September 1, 1997 to April 1, 1999.

28. Currently, Mongolia's tax system consists of the VAT, enterprise and individual income taxes, various excise taxes, import duties, and export taxes, and a number of minor taxes. In the first nine months of 1998, tax revenue accounted for 68 percent of total general government revenue. The enterprise income tax and the sales tax (VAT after July 1, 1998) were the two largest revenue sources, accounting for 30 percent and 24 percent of total tax revenue, respectively. As a result of the tax reform in 1997, excise taxes have gained in importance in total tax revenue, reaching 10 percent in the first nine months of 1998, while import duties and export taxes declined to just one percent of total tax revenue.

29. Tax administration is the responsibility of the General Department of National Taxation (GDNT) which was established as a separate government agency in 1992. The GDNT is under the supervision of the Minister of Finance, and controls 4 city and 18 aimag (provincial) offices. There are 8 district tax offices under the supervision of the capital city office and 360 soum (district) offices under the supervision of the aimag offices and other cities.<sup>8</sup> The tax administration is responsible for collecting both state and local taxes, and supervises activities of tax education and tax collection methodology.

30. Since 1997, a major task of the tax administration has been the design and implementation of the VAT. With the technical assistance from the IMF, the GDNT prepared the action plan and drafted VAT administrative regulations. The taxpayer registration proceeded as planned; by mid-September 1998, about 1800 taxpayers had registered with the GDNT. However, as of end-September 1998, the VAT refund system had not become fully operational as the establishment of the special refund account was delayed. The administration of the VAT has also been complicated by several ministries' ad hoc decisions to offer exemptions for the petroleum, construction, and tourism sectors.

### **C. Public Expenditure Management Reform**

31. The current budget process is based on the Budget Law amended in 1996. Budget formulation is largely—but not entirely—driven from the bottom up. In July or August, budgetary agencies, provinces, and districts submit budget request to the MOF. The MOF then calculates budgetary allocations for each ministry and transfers to each aimag, based largely on the previous year's expenditure and known price increases, subject to the government's overall revenue and financing constraint. The Cabinet submits the draft central budget (including transfers to aimag level governments) to Parliament for approval in October for passage no later than December 1.<sup>9</sup>

---

<sup>8</sup>There are 54 staff members at the GDNT headquarters in Ulaanbaatar. The offices in aimags have 10–20 staff each, and the district offices in Ulaanbaatar have a total of 280 staff. Offices in each of the 360 soums have 1–5 tax inspectors.

<sup>9</sup>In Mongolia, the fiscal year is the same as the calendar year.

32. With technical assistance from the AsDB and New Zealand, the government has drafted a far-reaching Public Sector Management and Finance Act. The Act, which was submitted to Parliament, is intended to provide a powerful instrument to rationalize government functions, and enhance efficiency in the delivery of public services through output-based budgeting and delegation of input decisions to managers of line ministries and government agencies, civil service reform, and establishment of strict accountability mechanisms for all budgetary units. The draft Act has been revised extensively to accommodate the concerns of some MPs, and the government now expects that it should be possible to win passage in early 1999. Since April 1998, pilot implementation work has been conducted with four government agencies, including the Ministry of Finance, the State Audit Board, the State Service Council, and the General Department of National Taxation. Output specifications and their corresponding measures are being developed in these agencies.

33. The government has recognizes the need to reform the treasury system to enable the MOF to closely monitor budgetary bodies' expenditures and to improve cash and debt management. Mongolia's current treasury management, which was developed under the former centrally planned economy, disburses money from the central treasury to budgetary agencies' accounts without effective monitoring of actual expenditures. Cash management is hampered by the MOF's inability to obtain timely and accurate information on the budgetary agencies' bank account positions and by the absence of electronic links between the MOF, the BOM, and commercial banks. The lack of marketable treasury bills also poses a constraint to effective debt management. In early 1998, the AsDB funded Public Administration Reform Project (PARP) developed a treasury reform proposal for Mongolia. So far, however, only limited progress has been made in implementing reforms in this area. Although a few ministries' bank accounts were moved to the BOM, most budgetary entities continue to maintain their accounts at commercial banks and some budgetary entities have opened multiple accounts for fear of the worsening liquidity problem with some banks.<sup>10</sup> The government and the BOM are discussing a possible banking services contract to reduce the uncertainty and enhance the attractiveness for budgetary entities to hold their balances with the central bank.

#### **D. Public Expenditure on Education and Health**

34. Mongolia's health and education indicators are relatively high compared to other countries at similar income levels. At end-1997, there were 645 primary and secondary schools with 435,000 students, and 125 higher and vocational institutions with 63,000 students. The enrollment rate for primary and secondary schools declined significantly in early 1990s due to rising school fees and privatization of livestock, but has risen gradually since 1993 to about 84 percent in 1997.

---

<sup>10</sup>The full extent of such accounts is not precisely know because some banks have not properly coded the accounts of budgetary entities.

35. Current expenditure on education accounted for about 22 percent of total current government expenditure in 1997, which is high by international standards. Funding for education is the joint responsibility of the central and local governments, with central government transfers depending on local fiscal resources. For the five richest provinces/cities, the central government provided no transfers to local budgets, while for poorest aimags, almost the entire education budget is provided by the center. Beginning January 1999, localities will be provided funding based on several quantifiable variables (including the number of students) to encourage schools to increase enrollment rates, reduce redundant workers, and increase wages to attract and retain qualified teachers.

36. Comprehensive reforms are being implemented under the AsDB-funded "Education Sector Development Program". A US\$6½ million component of the policy program is designed to enhance the effectiveness, efficiency, and rationalization of the education structure, including through downsizing of the education staff.<sup>11</sup> Over the past two years, 4,000 teaching and non-teaching positions were eliminated under this program, and those who were made redundant were offered a severance package financed by the AsDB loan.<sup>12</sup> An investment component of the program is providing US\$9 million for renovating school buildings, building laboratories, and training teachers.

37. Mongolia's health indicators stagnated in early 1990s but have improved significantly since 1993. From 1993 to 1997, infant mortality per thousand live births fell from 62 to 40, and the total number of maternal deaths fell from 124 to 72. Over the same period, budgetary allocation for current health expenditure as a share of total government current expenditure remained at about 14 percent, higher than in many countries with similar per capita GDP.

38. The government recognizes the need for reform to ease the budgetary burden of health care by improving efficiency of public health services and introducing a new health insurance system. The health insurance system was reformed in 1995, as part of the social insurance reform. Under the current system, health insurance requires 6 percent of wage in premiums, with 50 percent contributed by employers and the other 50 percent by employees. However, due to poor premium collection and the lack of effective expenditure control, premia paid to the Health Insurance Fund cover only about 60 percent of its expenditure. In April 1997, the government introduced a 10 percent co-payment for some medical services to improve the

---

<sup>11</sup> In 1997, the national average teacher-student ratio was 1:24; in some rural areas this ratio was only 1:10-15. Program objectives include an increase in the teacher-student ratio in rural areas and the national average ratio to 1:30.

<sup>12</sup>The severance package offers up to 3 years of minimum wage, depending on the employee's number of years of service, and is intended to provide start-up capital to separated workers.



efficiency of their utilization, while waiving these for pensioners, children, students, soldiers, the disabled, mothers of infants, herders, and other low income persons.<sup>13</sup>

39. In early 1998, the government approved a comprehensive restructuring program—the Health Sector Development Program—with support from a three year AsDB project loan amounting to US\$11.9 million.<sup>14</sup> The main objectives of the program are to strengthen primary health care, encourage private sector participation in health service delivery, rationalize health care personnel, and upgrade staff qualifications. Under the program, doctors and other medical staff from a large number of local health centers will become family doctors and their operations will be mainly financed by the health insurance system. This program has already been implemented in three aimags, one district, and Ulaanbaatar City.

### E. The Pension System

40. Mongolia's social insurance system consists of the Pension Insurance Fund, Benefits Insurance Fund, Work Injury Fund, Unemployment Insurance Fund, and Health Insurance Fund. Under the 1995 Social Insurance Law, employers and employees under formal labor contracts are required to make contributions to these funds, with a total contribution rate of 29–31 percent of employee wages. The Pension Fund, the largest component of the social insurance system, operates on a pay-as-you-go basis, with contribution rates of 13½ percent for employers and 5½ percent for employees. Participation in the pension system for the self-employed is voluntary, at the rate of 9½ percent. The operation of the social insurance system—the collection of contributions and the making of payments—is administered by the State Social Insurance General Office (SSIGO).

Table 1. Mongolia: Rates of Contribution to Social Insurance Funds

	Employers under a labor contract			Self-employed
	Employer	Employee	Total	
Pension insurance <sup>1</sup>	13.5	5.5	19.0	9.5
Social benefits insurance	1.0	1.0	2.0	1.0
Work injury insurance	1.0 to 3.0	...	1.0 to 3.0	1.0
Unemployment insurance	0.5	0.5	1.0	...
Health insurance	3.0	3.0	6.0	Tug800
Total	19 or 21	10.0	29 or 31	11.5+Tug 800

<sup>1</sup>The 13.5 and 5.5 percent rates are for nongovernment employees. Government employees contributions to the Pension Fund are 1.1 percent of wage and the government contributes 17.9 percent on their behalf.

<sup>13</sup>An amendment to the current law is being drafted to eliminate many copayment exemptions.

<sup>14</sup>The MOH has also received assistance (mostly grants) from UNICEF, UNDF, Population Fund, and the WHO.

41. The normal retirement ages for men and women in the social insurance system are 60 and 55, respectively. A contributor with 20 years of service can receive a pension of 45 percent of his/her highest consecutive five-year average wage. For each additional year of service, 1½ percent of the five year average wage is added to the pension. Pension benefits for those who have had less than 20 years of service are proportionally smaller. Currently, the minimum pension is Tug 12,000 per month (equivalent to the minimum wage).<sup>15</sup> In 1997, the average replacement rate was about 39 percent, much higher than the 20 percent recorded in 1994, as a result of the 1995 pension reform and several ad hoc increases in pension benefits, but still significantly lower than the level in 1991 (nearly 50 percent). With high and erratic inflation rates over the past years, and the absence of automatic adjustments of pension benefits for changes in prices or average wage rates, the link between contributions and benefits has been tenuous, limiting the incentive to contribute.

42. There are several salient problems with the pension system:

- The pension system is not self-financing. In 1997, the Pension Fund ran a deficit of ¾ percent of GDP—pension benefits were 3¾ percent of GDP and pension contributions were 3 percent of GDP. Transfers from the budget are necessary to cover the pension fund deficit and, without reform, this system is unlikely to be sustainable in the long run unless inflation is allowed to erode benefits.
- Contribution arrears to the Pension Fund remain large. At the beginning of September 1998, total contribution arrears—accumulated by budgetary bodies, state-owned enterprises, and private enterprises—reached Tug 5¼ billion.<sup>16</sup>
- The base for pension contributions is narrow relative to the coverage of pension recipients.<sup>17</sup> In July 1998, pension fund contributors from state-owned enterprises, budgetary bodies, and other enterprises with formal labor agreements numbered around 387,000 (about one-half of total employment); private sector voluntary contributors numbered only 7,587.

---

<sup>15</sup> Nonparticipants in the pension system who live under the minimum living standard fall under the Social Assistance Law, and receive 50 percent of the minimum living standard as social pension. Minimum living standards differs among provinces. At end-September, the minimum living standard in Ulaanbaatar City was Tug 10,400 per month.

<sup>16</sup> Of the Tug 5¼ billion, about Tug 1¼ billion were overdue for more than eight months.

<sup>17</sup> A legacy of the former system, which provided universal coverage, is that the number of old age pensioners is relatively high; in 1997, the total number was 174,300.

43. With the assistance of USAID, the government has developed a plan to reform the current pension system by introducing notionally defined individual accounts in the near future. This plan is embedded in the draft "Law on Individual Pension Accounts," currently being reviewed by Parliament. The main objectives of this reform are: (1) to establish a closer link between paid contributions and benefit accruals, thereby improving the incentive for compliance by existing contributors and increasing voluntary participation of the self-employed; (2) to offer a better benefit structure for controlling future pension costs than does the current pension system; and (3) to create a basis for the future transition towards a partially funded system.<sup>18</sup> Under this plan, individuals who were born after January 1, 1960, and are covered by pension insurance under the provisions of the Social Insurance Law, will have individual accounts.<sup>19</sup> A mechanism of indexing pension benefits to average wages will also be introduced together with this reform. As part of a long-term reform package, the government has drafted the "Principle Guidelines for Pension Reform in Mongolia," which envisages the equalization of the retirement age for men and women at 60, the elimination of early retirement provisions for persons working in hazardous conditions, and the elimination of early retirement provisions for mothers of four or more children.

---

<sup>18</sup>It is recognized by the government that a transition to a fully-funded system is not feasible in the short-run, given the inability of the budget to finance the large transition costs and the underdevelopment of the financial market.

<sup>19</sup>According to the draft law, the initial balance of an individual account will be determined by the contributor's total months of service, his/her five-year monthly average wage (the five year highest wages in a consecutive 10 year period prior to the establishment of an individual account), and the average index of the national average wage in the last five years. The annual return to individual accounts will be determined by the SSIGO.

## Box 2. Intergovernmental Fiscal Relations in Mongolia

Mongolia is constitutionally a unitary country, with three levels of government that each have independent budgets. Under the central government, there are 22 aimags and cities (provincial level governments) and, below the aimags/aimag-level cities, there are about 390 soums and districts. The central government budget is approved by the Great Hural (Parliament), and the budgets of aimags/cities and soums/districts are approved by hurals (assemblies) at the corresponding levels. Mongolia's fiscal structure is highly centralized. In 1997, the share of central government revenue in total government revenue was 77 percent, and the share of expenditure by the central government (excluding transfers to local governments) in total government expenditure was 71 percent. Central government transfers to local governments were about 50 percent of local governments' own revenues in 1997.

Under the current budget law, expenditure responsibilities of the central government include national defense; government administration; activities of educational, health, and cultural and art organizations affiliated with the central government; capital investments; scientific and technological development; environmental protection; restoration of natural resources; geological survey; foreign relations; principal and interest payments of foreign loans and domestic government debt; specific purpose grants; and other expenditures determined by legislation. The major expenditure responsibilities of local governments include local government administration; activities of educational, science and technology, cultural and art, and health organizations affiliated with local governments; local capital investments; environmental protection; restoration of natural resources; and geological survey. In reality, the two largest local government expenditure items are education and health, and most local governments' budgets are so strained that they are unable to undertake any capital projects after paying the bills for current operations and wages to their civil servants.

Tax assignment in Mongolia is partially according to tax type, and partially according to taxpayer. Currently, the main taxes that are exclusively assigned to the central budget include custom duties, excise taxes on imports, and the VAT on imports. The VAT and excise taxes on domestically produced goods and services, the corporate income tax, dividends from state-owned enterprises, and other non-tax revenues are assigned to the central or local budgets depending on taxpayers. A general principle is that large state-owned enterprises and all commercial banks (regardless of ownership) pay these taxes or remit their non-tax revenues to the central budget, while other enterprises pay to the local budgets. Most of the revenue sources assigned exclusively (or mainly) to local budgets are minor taxes and non-tax revenues, including the personal income tax, royalty rates for use of natural resources, land use fee, water use fee, timber use fee, and other local taxes and fees. All taxes--central and local-- are collected by the General Department of the National Taxation (GDNT), which has branch offices in all aimags/cities and inspectors in soums/districts. Heads of local branch offices are appointed by the general director of GDNT, but such appointments are typically made with the consent of the local governments.

The current system of tax assignment by payer is inherited from the old central planning system. It generates a very uneven regional distribution of local revenues, as most large industrial enterprises, which are major taxpayers, are concentrated only in a few cities and aimags. In 1997, the richest aimag, Selenge, had a per capita revenue of Tug 45,000, nine times higher than that of the poorest aimag, Arhangai. In addition, such a system is also potentially a source of instability in central-local fiscal relations as the central government can "centralize" taxpayers at its discretion.

Mongolia's intergovernmental fiscal transfer system operates largely on a gap-filling basis. During the annual budget planning process, aimags and cities submit their revenue and expenditure estimates to the central government, and the Ministry of Finance calculates the subsidy to each locality based on these estimates and the resources available to the central budget. The obvious problem with this approach is that localities tend to under-estimate their revenue capacities and over-estimate their expenditure needs, and the allocation of subsidies to local governments becomes a process of intense intergovernmental bargaining. Such a system lacks transparency, and does not ensure effective equalization of revenue capacities or minimum standards for basic public services. Moreover, this system may have encouraged over-spending by local governments as running large expenditure arrears is often viewed as evidence of high needs for transfers.

The Government of Mongolia is considering plans for a comprehensive reform of intergovernmental fiscal relations. Two models have been proposed to the government: an Australian-style model that involves a new assignment of taxes to different levels of the government and a formula-based equalization transfer system; and a highly centralized model with the central government receiving revenues from all major taxes and taking all major expenditure responsibilities (including, among others, education and health), and local governments functioning largely as agents that implement the centrally delegated functions. The second model is based on the argument that a centralized approach can better ensure regional equity of service delivery and improve the accountability for the use of fiscal resources by local governments.

### III. INTERNATIONAL RESERVES, FOREIGN EXCHANGE MARKET, AND EXTERNAL DEBT

#### A. International Reserves

##### Monetary authorities

44. Mongolia's official international reserves comprise BOM and (a limited number of) government assets and liabilities.<sup>20</sup> Under the central bank law, the BOM is responsible for management of the official reserves. The BOM does not engage in forward transactions, apart from operations related to its role in the domestic gold market. The BOM is also responsible for the regulation and monitoring of commercial banks, including foreign exchange operations; prudential regulations of commercial banks' foreign currency transactions is in place, although there have been problems in ensuring compliance.

45. Data on the official reserves of the BOM are compiled and made available bi-monthly; the data are published in the BOM's Monthly Statistical Bulletin. The official definition of international reserves largely corresponds to a residency basis, though the published data on the official reserves of the monetary authorities include government foreign exchange deposits at domestic commercial banks in gross assets.<sup>21</sup> The BOM does not hold foreign exchange deposits at domestic banks. Reserves are unencumbered, though, in the past, a small amount of gold had been pledged as collateral for foreign loans.

46. At end-August, 1998, gross official reserves (excluding government deposits at domestic commercial banks) stood at about US\$111 million down from US\$137 million at end-1997 (equivalent to 13¼ weeks of import cover). Net official reserves stood at US\$61 million at end-August, 1998 compared to a little under US\$90 million at end-1997 (8¾ weeks of import cover).

47. Guidelines for the management of the BOM's reserves are established and reviewed by the Board of the BOM each quarter. These guidelines specify target ranges for the currency composition of external reserves, and limits on the range of permissible asset. Gross reserves at end-August 1998 included time deposits (83 percent, mostly at foreign central banks); monetary gold (13 percent); foreign government securities (4 percent, largely US Treasury Bills); a small SDR balance at the Fund; and cash. The principal currencies include in gross official reserves at mid-September were US dollar (48 percent), pound sterling

---

<sup>20</sup>The government liabilities include some obligations under Fund financial arrangements.

<sup>21</sup>The official definition of gross assets also includes the foreign exchange balances held at the BOM by the commercial banks to meet the reserve requirements against foreign currency deposits. Such deposits are also treated as a liability so that the foreign exchange thus derived does not contribute to NIR.

(17 percent), and deutsche mark (17 percent). The share of monetary gold has been progressively reduced in the last two years—from over 60 percent in early 1997 to 16 percent in mid-September 1998, though this includes gold that has been sold forward. Including forward sales the BOM targets a zero net position in gold, though a small short position emerged at end-1997. There are no holdings of nonconvertible currencies.

48. The BOM engages in forward gold transactions occasionally to limit its exposure to fluctuations in the international price of gold. The BOM purchases unrefined gold from domestic producers at a price related to the spot price of gold at the time of purchase which is, typically, one to three months before the gold is refined and converted into monetary gold. Monetary gold is valued on the balance sheet at the current spot price even though the underlying gold may have been sold forward at a different price. When the forward contract matures, any gain/loss on the forward contract are recorded in the profit and loss statement. There is no official forward foreign exchange market in Mongolia, although an unregulated, informal, cash market does exist.

49. External liabilities of the BOM at end-August 1998 comprised liabilities to the Fund and outstanding balances on loans contracted directly by the BOM. Credits were received from Sumitomo connected to gold processing and for on-lending to certain domestic gold producers, and from Moscow Narodny Bank (Singapore) in relation to arbitrage trading losses by the BOM. These credits are scheduled to be cleared at end-1998. The on-lending to the gold mining companies has been repaid on schedule by the recipient mines.

50. Liabilities stemming from guarantees extended by the BOM are kept off balance sheet. Provisions are being made for likely future losses from the guarantee related to the Buligaar leather factory.<sup>22</sup> Other guarantees relate to trade financing for the Oil Import Concern at end-1996, and a credit line to a private commercial bank in August 1997.

51. The government's foreign exchange deposits with the domestic banking system are included in data on the official reserves of the monetary authorities, and reflect foreign currency balances transferred from the Customs Administration and disbursements on program loans from international financial institutions. In addition, a number of foreign financed projects maintain small foreign currency working balances. At end-1997, government foreign exchange deposits at domestic commercial banks amounted to a little over US\$17 million, though by end-August 1998 these had been reduced to US\$0.2 million. The bulk of the deposits were held in an interest-bearing deposit account at one commercial bank.

---

<sup>22</sup>The 1993 guarantee (including capitalized interest) amounted to US\$24 million. This guarantee was called as the enterprise is not in a position to repay, and the BOM made US\$4½ million in payments in 1998. These payments are reflected on the balance sheet, and a provision for 67 percent of the value of the guarantee was included on the BOM's balance sheet during 1997. The other guarantees have been serviced on schedule by the recipients.

52. The government also maintains foreign currency denominated accounts related to foreign grant receipts over which it does not have complete control. There is a frozen deposit held at the bank of Tokyo which represents the undisbursed balance of a commodity grant provided by the Japanese government and can only be drawn down with the consent of the Japanese authorities. In addition, there is a foreign currency deposit at a commercial bank which contains counterpart receipts from a grant where the donor has sought to retain some influence over the expenditures that can be financed by such counterparts.

### **Commercial banks**

53. The monthly balance sheets of the commercial banks are published in the BOM's Statistical Bulletin, and classify the accounts on a residency basis. Commercial bank compilation and revaluation practices vary across banks (the larger banks produce a balance sheets which are revalued daily). Commercial banks also differ in control structures over the management of external reserves, and most banks have only very informal internal guidelines. The BOM supervision department receives detailed monthly reports on the commercial banks. Commercial banks do, from time to time, engage in forward transactions in off-shore markets in order to meet their clients' needs.

54. Gross foreign assets of commercial banks stood at about US\$82 million at end-1997, though these had declined to a little over US\$32 million at end-August 1998. These assets are held in correspondent accounts (US\$18 million), time deposit accounts (US\$10 million), and in cash (US\$4 million). BIS data on deposits of the Mongolian banks indicate similar magnitudes. The external liabilities of the commercial banks captured on the balance sheets principally comprise loans contracted from external creditors for on-lending.

55. Commercial banks also conduct a large number of domestic transactions in foreign currency. Loans and deposits are recorded in the balance sheets as being either domestic or foreign currency—there is no breakdown on the balance sheets between foreign currencies, though this information is available from the bank supervision reports. At end-August, foreign currency deposits amounted to about US\$51 million (39 percent of total deposits), while foreign currency loans (including nonperforming loans) amounted to US\$48 million (46½ percent of total loans). Both deposits and loans are predominantly extended in US dollars, though the larger commercial banks also conduct operations in the major European currencies. Exposure in Russian rubles is virtually zero.

56. Potential obligations stemming from loan guarantees provided by the commercial banks are kept off balance sheet until the guarantees are called. Commercial banks are required to report information on off-balance sheet obligations to the BOM, though there have been instances in which such reporting was incomplete. At end-1997 two commercial banks did explicitly bring guarantees onto the balance sheet though these guarantees had already been called.

57. The foreign currency position of commercial banks is regulated by the BOM through limits on foreign currency exposure plus reserve requirements on foreign currency deposits. Net open positions in foreign exchange are limited to 10 percent of capital for each individual currency, with an overall limit of 20 percent. Banks submit the necessary supervision reports on a monthly basis to the BOM. Reserve requirements on foreign currency deposits are set at the same rate (14 percent) as on domestic currency deposits. Commercial banks hold foreign exchange deposits at the BOM in order to comply with the reserve requirements, though, the BOM has permitted commercial banks to apply excess reserves against domestic currency reserve requirements towards their foreign currency required reserves. At end-August 1998, foreign currency reserve balances held by the commercial banks at the BOM amounted to US\$4½ million (equivalent to 9 percent of foreign currency deposits). Banks not in compliance with the reserve requirements or foreign exposure limits are fined and more severe penalties may be applied to banks that persistently fail to observe the norms.

### **B. Foreign Exchange Markets**

58. The tugrik is fully convertible for current account transactions. Due to the low and erratic volume of transactions on the interbank foreign exchange market, the BOM continues to publish an official exchange rate calculated as the average of the prior week's exchange rates on the interbank market.

59. The foreign exchange market in Mongolia consists of an interbank market plus an informal cash market.<sup>23</sup> Due to the low and erratic volume of transactions on the interbank market,<sup>24</sup> the BOM continues to publish an official exchange rate calculated as the average of the prior week's exchange rates on the interbank market. The official exchange rate is principally used for valuation purposes for government transactions but, at times the BOM has stood ready to purchase/sell foreign exchange to commercial banks at that rate. The BOM's principal method of foreign exchange intervention has been through its purchases from/sales to commercial banks.

60. A new Reuters based system is being introduced that would permit real-time on screen trading in the interbank market. The BOM has introduced regulation designed to monitor foreign exchange exposure and minimize settlement risk under the new system. In early October, nine commercial banks plus the BOM were issued licenses to trade on the

---

<sup>23</sup> The larger state enterprises also, from time to time, conduct foreign exchange transactions between themselves, bypassing the formal interbank market.

<sup>24</sup> There is a marked seasonal pattern in the interbank trading volume. In January-April 1998, US\$12-16 million were sold each month through this market. Sales volume declined by almost half for May through July before falling to just US\$3½ million in August.



system. Consistent with the interim regulations for the Reuters system, in cases of unsettled transactions, the party failing to credit payment will be subject to a daily penalty.

### **C. External Debt**

61. Official external debt is not high by international standards and the majority of the debt has been contracted on highly concessional terms. However, there remains a substantial unresolved transferable rouble claim held by Russia relating to Mongolia's transactions with the former Soviet Union. Limited data are available on foreign debt contracted by the private sector, including with commercial bank guarantees.

62. Data on official external debt are compiled and reported by the External Debt Division of the Treasury in the MOF on a monthly basis. Data on disbursements and debt service are published; data on the overall debt stock are not publicly available, though they are contained in the documentation submitted to Parliament along with the budget submission. The data on official external debt cover external obligations contracted directly by the government and the BOM including debt that is subsequently on-lent to recipient budgetary entities and state enterprises. External debt guarantees issued by the government or BOM have not always been captured in the debt data, at least until the guarantee has been called. In addition, external debt contracted or guaranteed by public enterprises or state owned commercial banks is not included in the official debt statistics. Reflecting the development of domestic financial markets, there are no nonresident holdings of government or central bank securities.

63. At end-1997, total official external debt amounted to US\$605 million (64 percent of GDP). Short-term debt on an original maturity basis is small, reflecting the debt management strategy pursued by the government. However, principal repayments of US\$29½ million were made during 1997. Almost half of this debt represents long-term obligations to international financial institutions, including the AsDB (US\$193 million disbursed, 32 percent of total debt). The principal bilateral official creditor is Japan (US\$112 million, 19 percent). Obligations to the Fund at end-1997 amounted to US\$47½ million (8 percent).

64. A number of project loans from the AsDB and the World Bank have been on-lent to budget entities which directly service the loans and, therefore, do not appear in the debt service reflected in the budget. The recipients of such loans include the Civil Aviation Authority, the CES, Mongolian Railways, and the Road Authority. To date, these recipient agencies have serviced the debts in a timely manner.

65. The government and the BOM have extended guarantees on a number of occasions. A number of government (and BOM) guarantees were extended in the early 1990s on commercial loans to finance new capital investment in the industrial sector. Such loans included the construction of metal processing, milk, meat, copper, gold mining, wool and leather plants as well as lines of credit for commercial banks. With the exception of the guarantees to the copper sector and the commercial banks, these guarantees have been called

as the enterprises, which have only just entered into operation, were not able to service the loans. In the case of the guarantees extended by the government, the recipient enterprises are 100 percent state owned.

66. Data on the external debt stock exclude a number of unresolved transferable rouble claims that stem from the period prior to the dissolution of the Soviet Union. Transferable rouble claims held by the former German Democratic Republic, Hungary, China, and Bulgaria have been cleared. The very large unresolved claim held by Russia adds considerable uncertainty to the interpretation of existing debt stock and debt service indicators.

67. External loans contracted directly by the commercial banks are included in the external liabilities recorded on the balance sheets of commercial banks that are published (in aggregate) domestically. The data do not, however, explicitly decompose the external liabilities of the banking system. Loans guaranteed by commercial banks include foreign credit lines that are on-lent to domestic enterprises; a credit line financed by KfW that has been on-lent to small and medium-sized enterprises and a loan from an Austrian bank was on-lent to a number of carpet factories.

68. State enterprises (both 100 percent state enterprises and majority owned) have also directly contracted external loans. Such loans do not appear to contain a formal government guarantee. Responsibility for the oversight of such operations lies with the State Property Committee. These directly contracted loans are not currently included in the official debt statistics, though data on such loans could be derived from the annual reports submitted to the government by the larger state enterprises. No data are currently compiled on the external debt of the private sector.

69. According to BIS data at end-March 1998, outstanding external obligations contracted by the nonbank sector amounted to US\$1 million, though this is likely to be an underestimate due to the limited number of creditors reporting to the BIS and potential misreporting of claims on joint ventures.<sup>25 26</sup> In comparison, the BIS data indicate deposits of the Mongolian nonbank sector of US\$7 million. In addition, MIAT, the fully state owned national airline, has recently entered into a long-term lease for an Airbus which requires annual debt repayments of about US\$5 million.

---

<sup>25</sup>Neither Russian nor Chinese banks report to the BIS.

<sup>26</sup>For example, the BIS data appear to exclude the deposits/liabilities of Erdenet, a joint venture with Russia, which is known to have outstanding loans from a western bank.

## IV. FINANCIAL SECTOR DEVELOPMENTS

### A. Background

70. The Mongolian financial system underwent a major restructuring in December 1996 to eliminate insolvencies in the banking system, restore confidence, and halt disintermediation that had resulted from nonperforming loans, inadequate management, and weak supervision (Box 3). Two large insolvent banks, which together accounted for nearly fifty percent of banking system assets, were closed; two new, government-owned banks—Reconstruction Bank and Savings Bank—were created; a debt recovery agency, the Mongolian Asset Recovery Agency (MARA) was also established.<sup>27</sup> The Reconstruction Bank was initially set up as a narrow bank, but was allowed to evolve into a full lending institution offering universal banking services. The Savings Bank was also a narrow bank, intended only to take deposits and hold government bonds. The bank, however, began to make limited loans secured by deposits held in the bank itself. The largest of the remaining problem banks, Agriculture Bank and ITI Bank, were placed under rehabilitation through Memorandums of Understanding (MOUs) between the banks and the BOM.

71. Aided by a favourable external environment, conditions in the banking sector initially improved in the aftermath of the bank restructuring. Bank deposits grew, and the ratio of nonperforming loans to total loans, though still high, began to decline. Steps were taken to strengthen the financial and regulatory framework through the creation of a credit information pool, amendments to the banking laws to facilitate collateralize lending, norms relating to loan loss classification were tightened, and manuals and a supervisory handbook drafted. Banks set up credit departments to assess loan applications and credit risk, and a credit information pool was established to monitor loan defaulters. The capital adequacy ratio of the consolidated banking system rose to 12½ percent, exceeding the prescribed 10 percent minimum. Liquidity conditions improved, and the prescribed liquidity ratios—in local and foreign currency—were met. Profitability improved, and banks increased loan loss provisions.

72. Despite these important gains, several weaknesses and institutional inadequacies persisted. Three banks were unable to meet the required capital adequacy ratio, and the average capital adequacy ratio for the five largest banks was under 9 percent. The proportion of substandard loans in nonperforming loans went up. The appropriateness of loan classification and adequacy of loan loss provisions came under serious questioning as banks were found to be improperly rescheduling their loans. Nine banks were short of making the required provisioning while four banks were unable to meet the required reserve ratio on a

---

<sup>27</sup>The restructuring was supported by a US\$35 million Financial Sector Program Loan (FSPL) from the AsDB; the IMF, the World Bank, and the AsDB provided technical assistance in bank supervision, restructuring, and legal reform. The program was intended to reform the legal, policy, and regulatory environment, and to strengthen the commercial orientation, efficiency, and prudence of banks.

### Box 3. The Mongolian Financial System

The domestic financial system, consists of two subsystems: the **banking system**, comprising only commercial banks; and the **nonbank financial system**, which includes insurance companies, securities firms and credit unions. Commercial banks dominate the system. The nonbank sector is relatively embryonic and lacks data on its size and operations. The task of **licensing, regulating and supervising** the commercial banks and nonbanks (other than securities firms and insurance companies) is assigned to the **BOM**. The **Securities Commission** oversees the securities firms and the stock exchange, while the insurance companies fall under the purview of the **Insurance Regulatory Agency**.

At end-August 1998, the **banking sector** comprised of 18 commercial banks, with a network of 100 branches, 394 sub-branches and 33 savings points. Bank concentration is high with 4 banks alone accounting for 76 percent of bank assets. The government has direct and indirect participation in eight banks, of which three banks comprising 62 percent of the total assets of the banking system, are fully state owned. The other five banks, with minority government participation, account for 28 percent of the total assets. The remaining ten banks are private domestic banks accounting for 10 percent of total assets. Foreign minority participation in the sector is limited to one mid-sized bank.

The range of **financial instruments** is narrow. Bank liabilities are limited mainly to demand, savings and time deposits, foreign currency deposits, while government bonds, and treasury and central bank bills dominate the asset side. Only one bank offers a checking account facility. The commercial banks are the main holders of government securities and central bank bills. The secondary market in these instruments is dormant mainly due to their non-negotiable and illiquid character. Central bank bills are tradable. The interbank money market is weak because of illiquidity and insolvency of three large banks, widespread interbank mistrust and absence of an appropriate operating framework. Nonbank financial services, such as factoring, leasing, and hire purchase, are not yet available.

The BOM licensed six **credit unions and savings cooperatives** in 1997 and five during 1998. The credit unions are deposit-taking institutions. No guidelines have been prescribed so far to regulate their operations, and there is no reporting system in place as yet. The BOM therefore has no data on their assets and liabilities and their operations do not form part of the monetary statistics. The BOM has, however, undertaken a first round of inspections of the credit unions and is in the process of prescribing norms for the nonbanks with external technical assistance. There have also been some enquiries relating to the setting up of leasing and hire-purchase companies.

The **foreign exchange 'points'** are another category of nonbanks which are licensed and regulated by BOM. These have increased from 86 in December 1997 to 108 in August 1998. Their operations of the exchange points have been problematic of late, with some of them undertaking deposit-taking activities, and the limited capacity of the BOM supervisory staff has prevented continuous monitoring of their operations. A recent development relates to the development of "**pawnshops**", which cater mainly to the short-term retail and personal credit needs of borrowers and generally accept any item of value as collateral. No information is available on the uses and sources of funds, but almost all their resources are raised through informal deposits and borrowings.

Among other nonbank intermediaries, there are 32 **securities brokerage companies**, and 11 **insurance companies**. The Mongolian Stock Exchange has about 430 listed companies. The market capitalization in 1997 was US\$53 million, with a daily turnover of US\$15 million. During the first six months of 1998, new listings of shares, turnover and trading volume had declined, reflecting the general conditions of the corporate sector and the economy. The stock market payment settlements have also been affected by the liquidity problems of banks and the closure of four banks during 1996-98 resulting in the exchange terminating its arrangements with all except two commercial banks.

regular basis. The increase in total deposits and loans was concentrated in a few banks, while some of the large banks lost market shares.

### **B. Developments in 1998**

73. Conditions in the banking system deteriorated significantly in 1998, reflecting the impact of the large external shock on the profitability and cash flow of major corporate clients and the emergence of serious managerial and governance problems at the Reconstruction Bank. The Savings Bank also exhibited considerable vulnerability due to the structure of its balance sheet and problems were encountered in rehabilitating the banks under MOUs. The financial positions of three small private banks weakened. The problems were exacerbated by supervisory shortcomings and parliamentary intervention in banking system oversight. Noncompliance with prudential requirements rose and by mid-1998 the system had turned fragile, characterized by weak capital positions, deep insolvencies, a high stock of nonperforming loans, and declining profitability.

74. Based on BOM data, the weaknesses in the banking sector are reflected in a number of indicators, including:

- Decline in the overall risk weighted capital ratio of commercial banks from 11½ percent in June 1997 to 6½ percent in August 1998;
- An increase in the number of banks not meeting the prescribed capital adequacy ratio from four to six. The total capital deficiency of these banks is an estimated Tug 12 billion (about 1¼ percent of GDP);
- A tightening of liquidity stemming from the growing stock of nonperforming assets, high overhead costs due to excessive branching and overstaffing at three large banks, a large stock of arrears and claims on the government, and the absence of any credible market mechanism for raising funds;
- Insufficient provisioning for nonperforming loans and other assets. Nine out of the 18 banks, including the three large insolvent banks, have failed to set up loan loss reserves at the required level. Compared to the required provisioning of Tug 17½ billion, banks had made provisions of only Tug 11 billion;
- A sharp decline in banking system profitability. In June 1997, gross banking system profitability was minus 0.1 percent of total assets, and fell to minus 3 percent in August 1998, mainly on account of a steep rise in the noninterest expenses;
- Low indicators of financial intermediation: total loans and broad money comprising only 10 percent and 20 percent of GDP, respectively. The loans-to-assets and loans-to-deposits ratios were also low;

- Fall in total deposits from Tug 13 billion in January 1998 to Tug 109 billion in August 1998; a decline in banking assets by 3 percent during the first eight months of 1998, compared to a growth of over 40 percent in 1997; and
- Wide, though declining, spreads between the deposit and lending rates (currently an average of 18 percent, down from 36 percent).

75. The high incidence of nonperforming loans lies at the core of the financial problems of the banking system. At end–August 1998 such loans equaled Tug 31½ billion, or 41½ percent of total loans outstanding (30 percent at end–December 1997). Over 50 percent of the nonperforming loans were of the substandard or less category. In addition, banks held a stock of non income earning and illiquid government bonds as assets, on which the government was either not paying interest or paying irregularly.

Table 1. Nonperforming Loans and Provisioning  
(in billions of tugriks)

	1996	1997	1998 1/
Nonperforming loans (NPLs)	32.9	14.5 *	25.6 **
Principal in arrears	8.1	4.5	8.4
Substandard	3.5	2.1	3.1
Doubtful	7.0	3.1	7.1
Lost	14.4	4.7	7.1
Provisioning (as percent of NPLs)	56.0	44.0	35.0
Provisioning deficit (million tugriks)	539.6	850.4	6, 478.7

Sources: Bank of Mongolia; and staff estimates

\* BOM has recently revised the figure to Tug 15 billion; \*\* BOM has recently revised the figure to Tug 31.4 billion.

76. External audits of bank accounts have only recently begun, and completed for only one of the five large banks. In the absence of a proper evaluation of assets and reserves, the existing capital ratios need to be viewed with caution. A determination of whether banks are making adequate provisions for tax liabilities and depreciation of financial assets is also required.

### C. Factors Underlying the Banking System Deterioration

77. The systemic factors that contributed to the deterioration in the banking system include:

- The adverse external situation and the resulting fiscal stress strained the financial system. Banking sector claims on the government rose to Tug 37 billion (19 percent of total assets) and the government was irregular in making interest payment on its securities. A decline in corporate health led to an increase in loan rescheduling requests.
- Deficient bank management and poor operational control. A general lack of trained personnel, in particular credit officers, within most commercial banks prevented the creation of appropriate risk management and internal control systems. Most banks lacked credit and loan review policies necessary to minimize credit risk. There was also a high incidence of insider lending. Weak internal control systems failed to prevent the loss of bank assets through fraud and theft, and in some cases directly contributed to the problem.
- Weak prudential requirements and delayed supervisory intervention. The BOM has not yet adopted the Basle Core Principles for Effective Banking Supervision. In the absence of a strong regulatory and supervisory framework, noncompliance with single borrowers limit, insider lending limit, and foreign currency exposure limit was frequent at some banks.<sup>28</sup> The provisions of the Banking Law were not always enforced to the full extent of the law, in particular BOM's powers to take corrective action including conservatorship and receivership. Prudential and loan classification requirements were not strictly enforced, as the BOM supervision department faced resource constraints. Bank supervision lacked a focus on risk assessment and management of asset and liability mismatches. Bank licencing policy was not geared to ensuring that only well managed banks operated.
- Inadequate legal, regulatory, and accounting framework. The legal system was unable to provide proper assistance to creditors for unpaid bank debts, or enforce collateral seizure. The law was not consistently enforced and there were lengthy delays in loan recovery. This resulted in a cumbersome collection process, with many avenues for delay available to delinquent debtors; and contributed to the creation of a financial culture not firmly rooted in the principle of honouring debt obligations. Against this background, the performance of MARA was less than satisfactory. The loan classification and loan loss provision guidelines did not conform to best practices: loans were classified as nonperforming only when principal payments were not made on schedule; when interest payments were missed, the loans continued to be classified

---

<sup>28</sup>The current regulation limits insider loans to individuals to 5 percent of capital, and a cumulative limit across all insiders to 20 percent of capital; the loan size limit to single borrower is 20 percent of equity capital.

as performing and the unpaid interest was accrued and treated as income.<sup>29</sup> Some banks were also rescheduling loans automatically, and classifying them as performing loans despite them being long overdue and never being cleared. The accounting and financial reporting standards for banks did not conform to international standards, and discouraged preparation and submission of reliable and timely banking data. A regulatory framework for nonbank financial intermediaries does not exist as yet.

- Bank insolvencies. As of end–August 1998, five banks—representing about 30 percent of banking system assets—were insolvent and illiquid.<sup>30</sup> Of these, three large banks account for 70 percent of the total nonperforming loans of the banking system (Figure 2; Table 2). The Reconstruction Bank (RB), which accounts for 10 percent of total assets, was declared insolvent in August 1998 after its failed merger attempt with Golomt Bank (a small private sector bank, comprising about 7 percent of the total banking assets), and insolvencies of the Agriculture Bank (AB) and the ITI Bank deteriorated further. According to preliminary BOM estimates, the total realizable assets of all the three banks stood at Tugs 34 billion against total liabilities of Tugs 56 billion, thus leaving a gap of around Tugs 21 billion. Nearly 60 percent of the liabilities consist of government and public enterprise accounts.
- Liquidity imbalances among insolvent banks has worsened. The BOM had to provide liquidity support to two insolvent banks. In the aftermath of the “demerger”, the RB faced deposit withdrawals. Other banks, including the ITI Bank, also witnessed deposit withdrawals, in part due to the financial distress of the bank's large corporate depositors.

Table 2. Mongolia: Financial Indicators of Insolvent Banks  
(As of August 1998)

	Reconstruction Bank	Agriculture Bank	ITI Bank
		(In percent)	
Nonperforming loans	84.5	65.2	55.3
Capital adequacy ratio 1/	-9.1	-164.1	-3.9
Capital (Tug million)	-929	-4,951	-867
Profit(+)/loss(-) (Tug billion)	-3.4	-5.9	-4.0
Liquid asset ratio 2/	49.0	11.7	11.1

Source: Bank of Mongolia

1/ Prescribed ratio is 10 percent.

2/ Prescribed ratio is 18 percent, and is calculated as the ratio of liquid assets to total deposits. RB had received a liquidity support of Tugs 2.6 billion from BOM in August 1998.

<sup>29</sup>In September, the BOM modified the regulation, so that loans are now required to be classified as nonperforming when either principal or interest is not paid on schedule.

<sup>30</sup>In September, the BOM withdrew the licenses of two small banks which were insolvent since 1997 (Mercury Bank and Business Bank).



78. The “demerger” of the Reconstruction Bank (RB) and Golomt Bank in August 1998—less than three months after the two institutions were merged—had an adverse effect on the confidence in the entire banking system. The RB is the fourth largest bank with a staff of over 850, over 80 branches and subbranches, and 2,000 enterprise clients. It is the largest provider of financial services to the government and public enterprises. From its inception, the operations of the RB were hampered by lax management and weak internal controls. Despite management changes and other initiatives to strengthen its operations, the performance of the RB continued to weaken; its nonperforming loan portfolio increased from around Tug 0.2 billion in February 1997 to Tug 8½ billion in August 1998 (about 85 percent of outstanding loans) and the bank began to face serious liquidity problems from the beginning of 1998. The government provided liquidity support to the bank, but by April the bank began to lose deposits, cash, and foreign assets. The growing problems prompted another management change and the MOF issued a directive to stop lending; the directive was largely ignored. In an attempt to contain the deterioration, bids were invited for the bank at end-May, and within a matter of days, the bank was “merged” with Golomt Bank, a small private sector bank. The merger sparked a political crisis and a prolonged boycott of parliament by the opposition. In mid-August, the bank was “demerger” following a parliamentary resolution. As of end-August 1998, the bank had a capital adequacy ratio of minus 9 percent, a negative net worth of Tug 900 million, and a total loss of Tug 3½ billion.

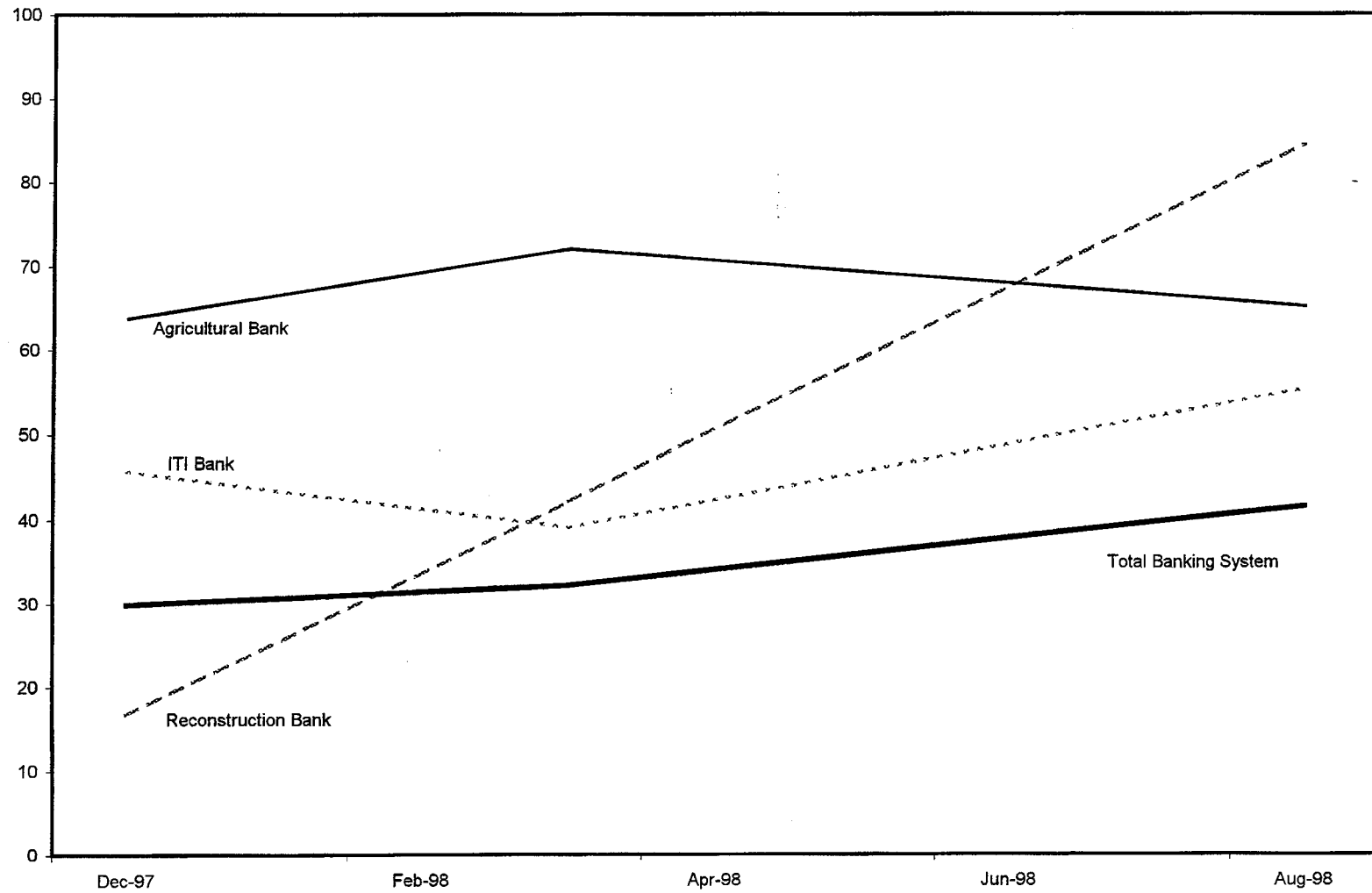
79. Efforts to strengthen the AB and ITI Bank have also had limited success.<sup>31</sup> The banks were placed under rehabilitation programs embodied in MOUs supported by financial and technical assistance by the AsDB. Despite efforts under the programs, both the banks failed to meet the criteria relating to capital, operating expenses, and liquidity, and have negative net worth.

- The AB, with a network of over 300 branches and subbranches, and 1300 employees, performs a number of nonbank payments functions on behalf of the government, such as pension and social welfare payments, in almost all administrative units. The bank was profitable in 1997, but has turned into a loss making bank in 1998. The share of nonperforming loans in the bank has increased. At end-August, the bank had a negative net worth of Tug 5 billion, and a loss of Tug 6 billion.
- The ITI Bank, with over 50 branches and subbranches and nearly 630 employees was profitable in 1997. However, between end-1997 and August 1998, the share of nonperforming loans in the bank increased from 46 percent to 55 percent. At end-August, the bank had a capital adequacy of minus 4 percent, a loss of Tug 4 billion, and a negative net worth of Tug 900 million; the bank also failed to meet

---

<sup>31</sup>The BOM and the government have prepared a policy paper with external technical assistance which envisages privatization of state-owned banks to improve banking sector governance. The paper has been submitted to Parliament for discussion, and acknowledges that the speed of privatization of state-owned banks would depend on initial conditions.

Figure 2. Mongolia: Nonperforming Loans, 1997-98  
(In percent of total outstanding loans)



Sources: Bank of Mongolia; and Fund staff estimates.

the required liquid asset requirement of 18 percent and was reportedly booking a monthly loss of Tug 254 million.

80. The Savings Bank, with a network of over 40 branches and subbranches and 360 employees, was profitable in 1997, and remains so in 1998. Nevertheless, the bank has a number of weaknesses, including failure to meet the capital adequacy ratio and mismatches in its asset (mostly nontraded bank restructuring bonds) and liability structure. The financial situation of two other banks—EXIM Bank and Innovation Bank—is also weak.

#### **D. Bank Supervision and Regulation**

81. Steps were taken in September to strengthen the regulatory framework and to improve the overall standards of prudential compliance. In this connection amendments were made to the Banking Law, including:

- **Increase in the minimum capital requirement** from Tug 400 million to Tug 1 billion, effective September 1999. Currently, seven banks do not meet the requirement. The higher capital requirement is likely to result in some consolidation or mergers in the banking system.
- **Fit and proper management:** The BOM has been empowered to ensure better governance within banks: individuals of doubtful character can be prohibited from holding managerial and executive board positions; resignation, suspension, and nomination would require prior consultation with the Governor; and the BOM can convene shareholders meetings, if necessary.
- **Financial disclosure:** The legal basis for bank audit standards was established; financial reporting by banks was made explicit; and issuance of misleading information prohibited. Auditors are now required to report directly to the BOM. The legal basis for secrecy of bank-related information was also established.

82. The BOM has also taken steps to strengthen the prudential regulation of banks and its supervisory tools through changes in:

- **Loan Classification:** Automatic loan rescheduling for defaulting borrowers has been prohibited. Definitions have been tightened to ensure proper classification of overdue loans and prevent banks from accepting nonmarketable and unsaleable fixed assets in lieu of nonpayment of loans.
- **Accounting and bookkeeping standards:** A new industry wide accounting standard, effective January 1999, has been developed with technical assistance from AsDB. The chart of accounts of banks has been modified and balance sheet disclosure standards improved. Bank reporting to the BOM has been made monthly instead of quarterly.

- **Risk Weights:** The weights for calculating the risk-weighted capital ratio for government securities and interbank borrowing and lending has been raised, reflecting the illiquidity of government bonds and delays in government interest payments.
- **Treatment of risks:** Banks are now required to emphasize proper risk management practices in addition to maintaining the prudential standards. Adherence to the latter will not be a substitute for proper risk management.
- **Liquidation criteria:** The criteria have been made more explicit, and now include negative net worth as a condition for closure and liquidation.
- The BOM has issued guidelines for licensing of audit firms allowed to undertake bank audits and a supervision manual is in the draft stage.

Table 1. Mongolia: Selected Economic Indicators, 1995-97

Nominal GDP (1997): \$943 million  
 Population (1997): 2.36 million  
 Quota: SDR 37.1 million

	1995	1996	1997
	(Percent change)		
Real GDP	6.3	2.6	3.0
Consumer prices (period average)	56.8	46.7	50.7
Consumer prices (end period)	53.1	44.8	31.0
	(In percent of GDP)		
General government revenue	33.7	27.8	27.2
General government expenditure	40.4	36.0	37.6
Current balance	7.9	4.5	1.3
Overall balance	-6.4	-8.2	-10.5
Bank financing	-4.8	2.1	-1.7
	(Percent change)		
Net foreign assets	45.2	65.2	103.2
Net domestic assets	56.9	59.9	-15.5
Domestic credit	-20.6	127.7	1.7
Credit to enterprises	18.0	23.2	40.5
Broad money	32.9	25.8	23.0
Reserve money	...	36.2	...
Broad money velocity (GDP/BM)	4.2	4.6	5.0
Annual interest rate on central bank bills (percent)	71.3	63.3	...
	(In millions of US dollars)		
Current account balance 1/ (In percent of GDP)	-52 -5.5	-101 -10.0	-102 -11.2
Trade balance (In percent of GDP)	-3 -0.3	-87 -8.7	-81 -8.9
Exports, fob (Percent change)	486 32.3	423 -12.8	463 9.3
Imports, cif (Percent change)	489 32.0	511 4.5	544 6.4
Capital account balance (In percent of GDP)	19 2.0	41 4.1	76.6 8.5
Gross official international reserves (In weeks of imports)	115 12.2	98 10.0	117 11.2
External debt 2/ (In percent of GDP)	504 52.8	542 54.0	638 70.6
Debt service 3/ (In percent of exports of goods & services)	64.2 12.1	56.6 11.8	52.0 9.8
Exchange rates and trade prices			
Tugriks per US dollar (end of period)	474	694	882
Tugriks per US dollar (period average)	450	584	850
NEER, end-period (Dec 95=100)	100.0	76.5	...
REER, end-period (Dec 95=100)	100.0	106.8	...
Export prices (US dollar, percent change)	23.7	-21.6	6.8
Copper price (US dollar, percent change)	40.2	-36.9	8.4
Import prices (US dollar, percent change)	9.1	2.6	-0.4
Terms of trade (percent change)	13.4	-23.6	7.2
Nominal GDP (billion tugriks)	429	587	768

Sources: Mongolian authorities; and Fund staff estimates and projections.

1/ Excludes official transfers.

2/ Excludes claims of 10 billion in transferable rubles held by Russian and other former CMEA countries.

3/ Excludes servicing of medium- and long-term claims in transferable rubles held by Russia and other former CMEA countries.

Table 2. Mongolia: Gross Domestic Product, 1993-97

(At current prices)

	1993	1994	1995	1996	1997
(In billions of tugriks)					
Gross domestic product	166.2	283.3	429.2	586.5	755.0
Industry	51.3	86.4	119.3	120.6	182.0
Agriculture	58.3	104.7	157.9	216.0	253.3
Construction	2.7	6.0	11.5	22.2	25.3
Transportation	5.4	12.9	14.6	27.6	39.6
Communications	2.3	3.5	5.0	6.2	10.5
Trade	26.5	33.3	72.7	107.5	139.3
Services and other	19.6	36.6	48.2	86.4	105.1
Net factor income from abroad	-11.6	-11.0	-5.8	-8.2	-12.0
Gross national product	154.6	272.2	423.4	578.4	743.0
(In percent of GDP)					
GDP	100.0	100.0	100.0	100.0	100.0
Industry	30.9	30.5	27.8	20.6	24.1
Agriculture	35.1	36.9	36.8	36.8	33.5
Construction	1.6	2.1	2.7	3.8	3.3
Transportation	3.2	4.6	3.4	4.7	5.2
Communications	1.4	1.2	1.2	1.1	1.4
Trade	16.0	11.7	16.9	18.3	18.4
Services and other	11.8	12.9	11.2	14.7	13.9

Sources: State Statistical Office, and the National Development Board; and Fund staff estimates.

Table 3. Mongolia: Gross Domestic Product, 1993-97

(At 1993 constant prices)

	1993	1994	1995	1996	1997
(In billions of tugriks)					
Gross domestic product	166.2	170.0	180.8	185.0	192.5
Industry	51.3	52.2	61.3	60.0	62.7
Agriculture	58.3	59.9	65.6	68.7	72.0
Construction	2.7	3.0	3.3	3.5	3.3
Transportation	5.4	5.4	5.3	5.7	5.9
Communication	2.3	2.1	2.2	2.4	2.5
Trade	26.5	26.5	26.6	27.2	28.3
Services and other	19.6	20.9	16.6	17.5	17.7
Net factor income from abroad	-11.6	-10.6	-11.0	-10.1	-11.0
Gross national product	154.6	159.4	169.8	175.0	180.1
(Percent change)					
GDP growth	-3.0	2.3	6.3	2.4	4.0
Industry	-6.4	1.7	17.4	-2.0	4.4
Agriculture	-2.7	2.7	9.5	4.7	4.8
Construction	-16.2	10.5	10.6	5.0	-4.9
Transport	-9.5	0.1	-2.1	7.3	4.2
Communication	8.6	-7.8	1.2	11.5	5.6
Trade	5.3	0.0	0.1	2.5	4.1
Services and other	-2.2	0.1	0.5	5.6	1.3
Net factor income from abroad	160.7	-8.4	3.5	-8.4	9.0
Gross national product	-7.4	3.1	6.5	3.1	2.9

Sources: State Statistical Office, and the Ministry of Finance; and Fund staff estimates.

Table 4. Mongolia: Output of Major Agricultural Products, 1993-97

	1993	1994	1995	1996	1997
(In thousands of metric tons, unless otherwise specified)					
Meat	445	421	437	537	496
Milk (million tons)	293	313	370	370	419
Butter (metric tons)	712	800	1,200	653	...
Eggs (millions)	10	3.6	3.5	4.9	6.1
Wool	28	26	27	28	26
Cereals	479	331	261	220	240
Potatoes	60	54	52	46	59
Other vegetables	23	23	27	24	31
(In millions of heads)					
Livestock	25.2	26.8	28.6	29.3	31.3
Sheep	13.8	13.8	13.7	13.5	14.2
Goats	6.1	7.2	8.5	9.1	10.3
Cattle	2.7	3.0	3.3	3.5	3.6
Horses	2.2	2.4	2.7	2.8	2.9
Camels	0.4	0.4	0.4	0.4	0.4
(Percent change)					
Meat	-13.8	-5.4	3.8	10.3	-7.6
Milk	-4.9	6.8	9.9	19.2	13.2
Butter	-45.9	12.4	50.0	-45.6	...
Eggs	-44.4	-64.0	-2.8	20.0	16.7
Wool	-0.1	-7.1	3.8	3.7	6.4
Cereals	-3.0	-30.9	-21.1	-15.7	9.0
Potatoes	-23.1	-10.0	-3.7	-11.5	19.6
Other vegetables	43.8	0.3	17.4	-11.1	41.7
<b>Memorandum item:</b>					
(In percent of total heads)					
Privately owned livestock	89.6	91.5	92.6	93.5	94.4

Sources: State Statistical Office, and the Ministry of Finance; and Fund staff estimates.



Table 5. Mongolia: Output of Basic Industrial and Mining Products, 1993-97

	1993	1994	1995	1996	1997
(In thousands of metric tons, unless otherwise specified)					
Electricity (million kilowatt hours)	2,582	2,715	2,628	2,047	2,078
Coal	5,617	5,158	5,019	5,111	4,924
Fluorspar	537	383	527	565	567
Copper concentrate	334	343	346	351	435
Gold concentrate (kilograms)	1,117	1,789	4,504	6,976	8,451
Bricks (millions)	33	34	22	25	16
Cement	82	86	109	106	112
Lime	51	66	51	55	58
Sawn timber (thousand of cubic meters)	85	50	61	70	37
Scoured wool	4	2	1	1	1
Felt (thousand meters)	241	108	77	96	75
Woolen fabrics (thousand meters)	290	77	71	45	8
Coats (thousands)	1	1	0	0	2
Suits (thousands)	3	3	1	1	1
Leather footwear (thousand pairs)	1,031	407	246	87	42
Leather coats (thousands)	9	35	13	5	0
Sheepskin coats (thousands)	87	57	17	15	3
Meat (excluding pork)	17	11	11	9	8
Sausages	1,245	1,065	639	674	793
Flour	176	127	159	92	68
Bakery goods	46	34	37	30	32
Confectionery	12	11	11	11	13
Milk and dairy products (liters)	13	5	2	2	2
Toilet soap	171	93	263	268	148
Household soap	180	473	290	267	312
Carpets (thousands of square meters)	1,000	682	596	666	644
Processed metal	0	10	16	19	14

Sources: State Statistical Office, and the Ministry of Finance; and Fund staff estimates.

Table 6. Mongolia: Composition of Gross Industrial Output, 1994-97

(In percent of total)

	1994	1995	1996	1997
Gross output	100	100	100	100
Food	13.2	14.3	18.9	13.0
Leather and shoes	1.4	0.9	0.7	0.3
Textiles	7.0	10.5	9.4	5.0
Clothing	3.0	2.3	1.7	0.7
Energy 1/	14.5	13.4	13.0	17.3
Coal	5.4	4.3	5.3	5.5
Mining of metal ores	38.1	44.4	38.8	47.0
Non-metallic products	2.9	2.4	2.4	1.8
Wood processing	1.2	0.8	0.7	0.5
Chemicals	0.5	0.5	0.7	0.5
Printing	0.3	0.4	0.9	0.4
Furniture	7.8	1.5	0.5	1.2
Other	4.7	4.3	4.7	6.8

Sources: State Statistical Office; and Fund staff estimates.

1/ Includes electric and thermal energy.

Table 7. Mongolia: Coal Mining Sector, 1993-97

	1993	1994	1995	1996	1997
	(In thousands of metric tons)				
Production	5,617	5,158	5,019	5,110	4,924
Consumption	5,664	5,167	4,994	5,107	4,935
Intermediate 1/	4,031	3,771	3,883	3,925	3,673
Final consumption	1,633	1,396	1,111	1,182	1,262
Industry and construction	711	592	441	523	756
Agriculture	58	38	28	15	7
Communal housing and public services	565	561	212	158	282
Other	299	205	430	486	217
<b>Memorandum item:</b>					
Stock, end of year	91	82	107	99	87

Source: State Statistical Office; and Fund staff estimates.

1/ Consumption by thermal power stations.

Table 8. Mongolia: Petroleum Balances, 1993-97

	1993	1994	1995	1996	1997
(In thousands of metric tons)					
Opening Stocks	100.5	185.3	141.1	96.9	65.6
Gasoline - octane 76	54.8	51.1	36.9	30.6	21.0
Gasoline - octane 93	0.8	2.3	0.5	0.9	1.1
Airplane fuel	1.9	10.0	6.0	3.1	4.3
Diesel	24.2	95.4	80.1	52.0	32.8
Other 1/	18.8	26.5	17.6	10.3	6.4
Imports	481.4	264.1	228.6	282.5	185.9
Gasoline - octane 76	153.1	111.0	125.5	168.3	110.5
Gasoline - octane 93	5.2	3.6	6.0	11.5	17.0
Airplane fuel	20.9	16.6	13.9	18.8	7.7
Diesel	236.4	95.2	65.4	78.4	43.0
Other 1/	65.8	37.7	17.8	5.4	7.7
Domestic production	...	214.0	254.6	24.1	116.3
Total supply	581.9	663.4	624.3	403.5	307.9
Consumption	396.6	332.3	320.1	313.3	250.5
Losses	...	190.0	207.3	35.1	1.1
Closing stocks	185.3	141.1	96.9	55.1	65.1
Gasoline - octane 76	51.1	36.9	30.6	...	17.4
Gasoline - octane 93	2.3	0.5	0.9	...	1.7
Airplane fuel	10.0	6.0	3.1	...	3.4
Diesel	95.4	80.1	52.0	...	36.3
Other 1/	26.5	17.6	10.3	...	6.3

Sources: Neft Import Concern; and Fund staff estimates.

1/ Fuel for electricity generation and lubricants.

Table 9. Mongolia: Electricity Sector, 1993-97

	1993	1994	1995	1996	1997
(In millions of kilowatt hours)					
Supply	2,779	2,930	3,009	2,997	3,096
Domestic	2,582	2,715	2,628	2,614	2,720
Imports	197	215	381	383	376
Utilization, total	2,779	2,930	3,009	2,997	3,096
Industry and construction	1,177	1,189	1,105	1,226	1,264
Transport and communications	88	59	69	62	78
Agriculture	24	49	59	60	33
Commercial housing and public services	310	430	518	380	414
Other sectors	407	134	158	208	150
Loss in transmission and distribution	291	472	502	482	507
Power stations' own use	482	597	598	579	608
(Tugriks per kilowatt hour, annual average)					
Tariff					
Industry	12.5	13.0	17.5	34.0	37.0
Agriculture	10.0	13.0	17.5	34.0	37.0
Households	10.0	10.0	16.6	26.0	32.0
(Percent change)					
Supply and utilization	-8.3	5.4	2.6	-0.4	3.3
Domestic	-11.8	5.2	-3.2	-0.5	4.1
Imports	93.1	9.1	77.2	0.5	-1.8
Industry and construction	-17.7	1.0	-7.1	10.9	3.1
Transport and communications	-12.9	-33.0	16.9	-10.1	25.8
Agriculture	-45.5	4.2	20.4	1.7	-45.0
Commercial housing and public services	...	38.7	20.5	-26.6	8.9
Other sectors	31.7	-67.1	17.9	31.6	-27.9
Loss in transmission and power stations' own use in total supply (in percent)	27.8	36.5	36.6	35.4	36.0

Sources: State Statistical Office; and Fund staff estimates.

Table 10. Mongolia: Employment by Sector, 1993-97

(Number of employees, in thousands at end of year)

	1993	1994	1995	1996	1997
<b>Total employment</b>	772.8	786.5	794.7	791.9	779.2
Agriculture and forestry	299.6	338.9	354.2	358.8	373.0
Industry	123.9	99.4	108.1	104.7	98.8
Transport and communications	46.0	31.4	31.6	31.6	30.0
Construction	33.0	27.2	29.5	29.7	27.1
Education	63.8	51.9	48.5	46.0	42.7
Health	42.0	45.9	39.1	37.1	34.5
Science, research, and development	5.4	7.4	8.3	3.6	3.5
Other	159.0	157.7	148.4	158.8	146.4
Foreign employees	...	26.7	27.0	22.2	23.2
<b>Memorandum items:</b>					
Labor force	1,084.0	1,094.9	1,111.3	1,137.2	1,162.3
Unemployed	71.9	74.9	45.1	55.4	63.7

Source: State Statistical Office.

Table 11. Mongolia: Ulaanbaatar Consumer Prices, 1993-97 1/

(January 1991 = 100)

	1993	1994	1995	1996	1997
	(Period average)				
Overall index	1,340	2,513	3,940	5,882	8,487
Food and beverages	1,694	3,032	4,655	7,078	9,678
Clothing	919	1,853	2,911	4,132	5,727
Rent and utilities	696	1,210	1,638	2,149	3,788
Household goods	1,401	2,840	4,589	6,819	9,357
Medical care	649	1,934	1,934	2,355	3,529
Transport and communications	1,271	2,399	3,834	6,121	9,669
Education and recreation	1,556	3,265	7,285	10,511	18,379
Other goods and services	950	2,282	3,462	5,272	7,164
	(End of period)				
Overall index	1,839	3,058	4,681	7,432	8,734
Food and beverages	2,247	3,565	5,561	8,460	9,455
Clothing	1,304	2,363	3,454	5,314	6,899
Rent and utilities	1,068	1,596	1,692	3,054	4,605
Household goods	2,087	3,247	5,932	8,415	9,731
Medical care	1,934	1,934	1,934	2,932	3,710
Transport and communications	1,673	3,221	4,629	9,049	9,726
Education and recreation	2,155	4,428	8,389	13,855	19,587
Other goods and services	1,484	2,905	4,182	6,470	7,585
<b>Memorandum items:</b>	(Percent change)				
Annual average	268.4	87.6	56.8	46.7	36.8
End of period	183.0	66.3	53.1	44.8	20.3

Source: State Statistical Office.

1/ 1996 indices reflect an increase in the number of commodities comprising the consumer basket (from 123 to 205) and the adoption of new weights, in January 1996.

Table 12. Mongolia: Ulaanbataar Consumer Price Inflation, 1996-98

(12 month percentage change)

	Weight	1996												1997							1998						
		12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7						
Overall index	1.00	44.6	42.0	35.9	40.2	43.3	46.5	55.2	53.9	40.7	24.2	23.7	22.8	20.5	21.0	17.1	19.1	15.5	10.3	2.1	2.5						
Foodstuffs	0.59	33.7	30.1	22.7	25.7	30.7	34.5	42.0	40.7	22.3	16.0	15.4	15.0	11.3	11.9	6.0	14.3	9.8	3.2	-5.8	-5.7						
Flour and flour goods	0.17	57.5	58.8	52.4	50.1	48.5	46.1	47.1	41.3	18.6	-5.4	1.4	4.5	4.2	-1.7	-4.4	-4.1	-3.8	-4.2	-6.9	-7.7						
Meat and meat products	0.18	10.1	3.3	-2.2	-1.2	6.3	11.7	25.0	23.4	7.0	29.7	21.8	10.5	8.9	18.7	0.7	39.0	28.4	9.1	-8.6	-10.0						
Milk and dairy products	0.05	40.0	34.2	34.3	37.7	51.0	62.9	58.1	51.6	60.3	52.1	45.5	43.4	35.9	34.8	27.8	17.8	5.5	0.9	1.0	0.4						
Sugar, candy, tea, and fruits	0.03	21.9	20.8	22.5	31.3	35.8	37.7	36.1	38.4	38.1	17.7	27.5	24.1	16.9	13.5	14.6	7.4	2.0	0.5	0.8	-1.7						
Potatoes and vegetables	0.05	25.5	20.5	-0.8	15.1	48.4	79.8	102.0	108.9	43.9	12.5	11.2	23.3	-0.2	3.6	11.3	5.7	-9.5	-9.1	-22.9	-7.1						
Other foodstuffs	0.05	43.4	40.5	37.4	38.3	46.4	52.9	54.4	60.5	36.0	26.6	25.9	23.0	17.1	18.7	19.9	15.3	12.2	10.7	10.4	0.5						
Alcohol and tobacco	0.05	41.0	38.6	42.0	46.0	42.8	40.1	41.0	41.0	46.0	37.3	11.7	25.2	23.4	25.7	19.2	12.2	13.8	16.1	15.0	14.2						
Clothes and shoes	0.10	46.0	42.7	37.6	40.9	43.1	47.5	51.2	47.8	48.6	32.5	36.0	27.3	32.5	33.7	33.1	28.7	26.2	22.4	18.7	20.5						
Men's clothing	0.02	47.6	48.9	26.4	31.8	33.5	41.8	45.4	44.9	45.1	44.3	41.5	28.8	28.1	25.9	29.2	23.1	22.4	17.6	15.1	14.1						
Women's clothing	0.03	32.0	31.7	28.0	32.7	35.4	38.2	41.8	45.4	47.9	32.9	42.2	38.6	42.5	42.8	41.7	36.5	32.3	28.7	24.8	22.2						
Children's clothing	0.01	53.6	53.0	49.1	50.6	53.8	57.4	63.3	61.0	60.2	42.0	35.5	32.5	27.3	24.3	29.5	21.2	18.7	13.8	7.2	8.1						
Footwear	0.04	53.5	46.4	47.4	49.8	50.7	55.4	59.7	50.0	49.6	27.6	32.2	18.9	29.8	34.3	30.3	28.0	26.8	22.9	19.8	26.4						
Cloth	0.00	64.1	47.2	34.7	33.8	43.1	43.0	37.2	28.5	32.8	19.2	13.8	16.0	16.2	14.9	22.8	18.0	9.9	11.3	5.3	4.1						
Housing, heating, and electricity	0.10	72.7	76.3	75.2	78.4	78.4	88.8	126.0	122.4	122.8	39.3	47.6	50.0	50.6	47.1	47.8	44.8	43.4	34.6	11.5	12.5						
Household goods	0.04	42.3	39.3	44.9	49.5	48.2	45.2	46.1	46.8	46.2	33.1	35.4	28.5	19.9	18.1	14.1	5.0	4.3	5.9	3.0	-1.6						
Medical care	0.02	47.7	47.7	30.8	62.6	62.6	59.3	56.6	56.6	56.6	50.9	34.0	34.0	24.7	26.7	24.5	0.1	0.1	2.2	2.7	2.7						
Transport and communication	0.08	79.5	79.1	80.4	87.4	95.6	95.6	97.1	96.7	64.5	21.2	11.7	11.8	10.7	16.7	21.4	15.7	10.6	10.7	9.8	10.1						
Education and recreation	0.04	56.6	53.3	60.9	68.3	68.1	65.7	63.4	63.4	72.8	50.7	44.2	45.9	43.1	41.9	32.2	25.9	26.9	27.0	29.8	29.8						
Other goods and services	0.03	51.8	53.3	43.0	46.1	45.1	46.6	52.3	50.1	43.6	31.7	23.3	22.8	20.3	19.7	16.2	12.6	12.8	12.6	11.6	12.8						

Source: State Statistical Office.



Table 13. Mongolia: Retail Prices, 1993-97

(End of period; in tugriks per kilogram, except where stated)

	1993	1994	1995	1996	1997
Mutton	235	320	550	550	595
Beef	235	360	550	650	650
Flour	110	118	196	325	365
Bread	59	90	140	240	230
Sugar	195	340	450	550	555
Rice	80	250	360	390	360
Vegetable oil (liter)	1,300	850	1,000	1,500	1,400
Tea bricks (2 kilograms)	1,200	2,600	1,900	1,800	2,465
Tobacco	750	600	550	1,200	1,400
Gasoline A-93 (liter)	131	164	164	235	235
Gasoline A-76 (liter)	100	126	126	200	206
Diesel (liter)	130	151	151	237	222

Sources: Ministry of Finance and State Statistical Office.

Table 14. Mongolia: Government Average Wages, 1994-97

---

	Employment	Nominal wage index	Real wage index
1994	13,315	100	100
1995	12,951	166	106
1996	13,690	224	96
1997	15,780	239	71

---

Source: Ministry of Finance; and Fund staff estimates.

Table 15. Mongolia: Summary Operations of the General Government, 1993-97

	1993	1994	1995	1996	1997
(In millions of tugriks)					
Total revenue	57,687	87,671	144,623	162,923	222,528
Current revenue	54,660	83,733	135,684	155,932	206,001
Tax revenue and social security contributions	52,654	68,992	105,510	120,948	163,971
Income taxes	28,440	32,041	48,537	45,608	62,620
Taxes on goods and services	14,140	19,529	28,107	37,231	63,307
Customs duties	6,579	7,541	9,572	13,917	8,791
Social security contributions	2,839	7,942	15,765	18,474	21,242
Other taxes	656	1,940	3,529	5,719	8,011
Nontax revenue	2,006	14,741	30,174	34,983	42,030
Capital revenue and privatization proceeds	0	672	3,855	2,582	10,488
Grants	3,027	3,265	5,085	4,409	6,039
Total expenditure and net lending	87,188	125,344	173,264	211,264	287,649
Current expenditure	44,802	74,676	101,521	129,781	192,613
Wages and salaries	8,613	16,109	26,758	36,715	44,758
Goods and services	21,095	35,599	47,790	60,689	83,141
Subsidies and transfers	13,032	21,262	25,175	28,445	43,544
Interest payments	2,063	1,705	1,798	3,933	18,312
Change in arrears	0	0	0	0	2,858
Capital expenditure and net lending	42,386	50,668	71,743	81,483	95,036
Capital expenditure	8,270	10,377	26,645	26,312	29,412
Net lending	7,404	11,051	3,986	6,284	-1,941
Foreign financed projects	26,712	29,241	41,111	48,887	67,566
Current balance	9,858	9,057	34,162	26,150	13,389
Overall balance	-29,502	-37,673	-28,641	-48,341	-65,120
<b>Financing</b>	29,502	37,673	28,641	48,341	65,120
Foreign, net	26,983	31,678	39,930	34,666	92,777
Project loans	26,712	29,241	41,111	48,887	67,566
Cash loans	4,705	7,600	16,015	0	43,863
Less: Amortization	-4,435	-5,223	-17,197	-14,221	-18,652
Domestic, net	2,519	5,995	11,289	13,675	-27,657
Banking system, net	-4,069	7,251	-20,400	12,300	-25,400
Nonbank	6,588	-1,256	31,689	1,375	-2,257
(In percent of GDP)					
Total revenue	34.7	31.0	33.7	27.8	29.5
Current revenue	32.9	29.6	31.6	26.6	27.3
Tax revenue and social security contributions	31.7	24.4	24.6	20.6	21.7
Nontax revenue	1.2	5.2	7.0	6.0	5.6
Capital revenue and privatization proceeds	0.0	0.2	0.9	0.4	1.4
Grants	1.8	1.2	1.2	0.8	0.8
Total expenditure and net lending	52.5	44.2	40.4	36.0	38.1
Current expenditure	27.0	26.4	23.7	22.1	25.5
Capital expenditure and net lending	25.5	17.9	16.7	13.9	12.6
Financing	17.7	13.3	6.7	8.2	8.6
Foreign, net	16.2	11.2	9.3	5.9	12.3
Domestic, net	1.5	2.1	-2.6	2.3	-3.7

Sources: Ministry of Finance; and Fund staff estimates.

Table 16. Mongolia: General Government Revenue, 1993-97

	1993	1994	1995	1996	1997
(In millions of tugriks)					
Total revenue and grants	57,687	87,671	144,923	162,923	222,528
Current revenue	54,660	83,733	135,684	155,932	206,001
Tax revenue and social security contributions	52,654	68,992	105,510	120,948	163,971
Income taxes	28,440	32,041	48,537	45,608	62,620
Enterprise income tax	27,167	29,875	43,236	39,227	54,879
Individual income tax	1,273	2,166	5,301	6,381	7,741
Taxes on goods and services	14,140	19,529	28,107	37,231	63,307
Sales tax	7,140	11,343	16,254	21,528	38,134
On domestic goods and services	3,714	5,811	7,839	10,687	19,829
On imports	3,426	5,532	8,415	10,841	18,305
Excise taxes	6,587	5,329	8,580	11,120	20,338
Alcohol, vodka, and tobacco	3,795	4,641	5,302	7,253	12,798
Jewelry	517	0	0	0	0
Vehicles	0	0	0	0	516
Petroleum products	2,275	688	3,278	3,867	7,023
Motor vehicle tax & petrol and diesel fuel tax	414	2,857	3,273	4,582	4,836
Customs duties and import surcharges	6,579	7,541	9,572	13,917	8,791
Social security contributions	2,839	7,942	15,765	18,474	21,242
Other taxes	656	1,940	3,529	5,719	8,011
Payment for use of natural resources	255	735	2,063	3,666	3,632
Payment for use of timber	40	76	161	179	277
Payment for use of land	230	374	380	558	835
Payment for use of water	21	21	45	140	170
Stamp tax	82	677	640	682	2,064
Other taxes and fees	28	57	240	494	1,034
Nontax revenue	2,006	14,741	30,174	34,983	42,030
Capital revenue and privatization proceeds	0	672	3,855	2,582	10,488
Grants	3,027	3,265	5,085	4,409	6,039
(In percent of total revenue)					
Current revenue	83.3	86.9	87.2	87.2	92.6
Tax revenue and social security contributions	73.8	58.8	53.0	50.8	73.3
Corporate tax	47.1	34.1	29.9	24.1	24.7
Individual income tax	2.2	2.5	3.7	3.9	3.5
Taxes on goods and services	24.5	22.3	19.4	22.9	28.4
Social security contributions	4.9	9.1	10.9	11.3	9.5
Other taxes	1.1	2.2	2.4	3.5	3.6
Nontax revenue	3.5	16.8	20.9	21.5	18.9
Capital revenue and privatization proceeds		0.8	2.7	1.6	4.7
Grants	5.2	3.7	3.5	2.7	2.7
(In percent of GDP)					
Total revenue	34.7	31.0	33.7	27.8	29.5
Current revenue	32.9	29.6	31.6	26.6	27.3
Tax revenue and social security contributions	31.7	24.4	24.6	20.6	21.7
Enterprise income tax	16.3	10.5	10.1	6.7	7.3
Individual income tax	0.8	0.8	1.2	1.1	1.0
Taxes on goods and services	8.5	6.9	6.5	6.3	8.4
Social security contributions	1.7	2.8	3.7	3.1	2.8
Other taxes	0.4	0.7	0.8	1.0	1.1
Nontax revenue	1.2	5.2	7.0	6.0	5.5
Capital revenue and privatization proceeds		0.2	0.9	0.4	1.4
Grants	1.8	1.2	1.2	0.8	0.8

Sources: Ministry of Finance; and Fund staff estimates.

1/ Grants relate to receipt of the budget of counterpart funds from recipient of the grants. This differs from the Balance of Payments definition which records grants when they are received from abroad.

Table 17. Mongolia: General Government Expenditure, 1993-97

	1993	1994	1995	1996	1997
(In millions of tugriks)					
Total expenditure and net lending	87,188	123,344	173,264	211,264	287,649
Total expenditure	79,784	114,293	169,278	204,980	289,590
Current expenditure	44,802	74,676	101,521	129,781	192,613
Goods and services	29,707	51,708	74,549	97,404	130,757
Wages and salaries	8,613	16,109	26,758	36,715	44,758
Other goods and services	21,095	35,599	47,790	60,689	85,999
Subsidies and current transfers	13,032	21,262	25,175	28,445	43,544
Subsidies	3,841	5,419	3,607	733	375
Transfers	9,191	15,844	21,567	27,712	43,169
Social Security Fund	6,978	11,168	18,476	24,148	30,681
Social Assistance Fund	838	1,391	2,096	3,214	10,027
Other transfers	1,374	3,285	995	350	2,460
Interest payment	2,063	1,705	1,798	3,933	18,312
Capital expenditure and net lending	42,386	50,668	71,743	81,483	95,036
Capital expenditure	8,270	10,377	26,645	26,312	29,412
Lending minus repayment	7,404	11,051	3,986	6,284	-1,941
Foreign finance projects	26,712	29,241	41,111	48,887	67,566
(In percent of total expenditure)					
Current expenditure	51.4	60.5	58.6	61.4	67.0
Wages and salaries	9.9	13.1	15.4	17.4	15.6
Other goods and services	24.2	28.9	27.6	28.7	29.9
Subsidies and transfers	14.9	17.2	14.5	13.5	15.1
Subsidies	4.4	4.4	2.1	0.3	0.1
Transfers and other	10.5	12.8	12.4	13.1	15.0
Social Security Fund	8.0	9.1	10.7	11.4	10.7
Other	2.5	3.8	1.8	1.7	4.3
Interest payments	2.4	1.4	1.0	1.9	6.4
Capital expenditure and net lending	48.6	41.1	41.4	38.6	33.0
Capital expenditure	9.5	8.4	15.4	12.5	10.2
Lending minus repayment	8.5	9.0	2.3	3.0	-0.7
Foreign financed projects	30.6	23.7	23.7	23.1	23.5
(In percent of GDP)					
Total expenditure and net lending	52.5	44.2	40.4	36.0	38.1
Current expenditure	27.0	26.4	23.7	22.1	25.5
Wages and salaries	5.2	5.7	6.2	6.3	5.9
Other goods and services	12.7	12.6	11.1	10.3	11.3
Subsidies and current transfers	7.8	7.5	5.9	4.8	5.8
Subsidies	2.3	1.9	0.8	0.1	0.0
Transfers	5.5	5.6	5.0	4.7	5.7
Social Security Fund	4.2	3.9	4.3	4.1	4.1
Social Assistance Fund	0.5	0.5	0.5	0.5	1.3
Other transfers	0.8	1.2	0.2	0.1	0.3
Interest payment	1.2	0.6	0.4	0.7	2.4
Capital expenditure and net lending	25.5	17.9	16.7	13.9	12.5
Capital expenditure	5.0	3.7	6.2	4.5	3.9
Lending minus repayment	4.5	3.9	0.9	1.1	-0.3
Foreign finance projects	16.1	10.3	9.6	8.3	8.9

Sources: Ministry of Finance; and Fund staff estimates.

Table 18. Mongolia: General Government Expenditure by Function, 1993-97

	1993	1994	1995	1996	1997
(In millions of tugriks)					
Total expenditure	87,188	125,344	173,278	211,265	287,649
General public services	3,523	8,130	12,814	19,045	23,227
Defense	4,147	6,766	9,547	11,850	14,778
Public order and safety	2,109	3,991	7,080	9,741	11,508
Education	9,251	15,546	23,525	31,188	42,161
Health	6,152	11,116	15,959	21,044	26,314
Social security and welfare	7,907	13,971	23,343	28,571	42,727
Housing and community services	1,023	1,501	2,371	2,323	3,384
Recreation and culture	2,311	3,746	5,086	6,525	8,884
Economic affairs	12,298	26,618	27,152	27,615	23,088
Other 1/	38,467	33,960	46,402	53,364	91,580
(In percent of total expenditure)					
General public services	4.0	6.5	7.4	9.0	8.1
Defense	4.8	5.4	5.5	5.6	5.1
Public order and safety	2.4	3.2	4.1	4.6	4.0
Education	10.6	12.4	13.6	14.8	14.7
Health	7.1	8.9	9.2	10.0	9.1
Social security and welfare	9.1	11.1	13.5	13.5	14.9
Housing and community services	1.2	1.2	1.4	1.1	1.2
Recreation and culture	2.7	3.0	2.9	3.1	3.1
Economic affairs	14.1	21.2	15.7	13.1	8.0
Other 1/	44.1	27.1	26.8	25.3	31.8
(In percent of GDP)					
Total expenditure	52.5	44.3	40.4	36.0	38.1
General public services	2.1	2.9	3.0	3.6	3.1
Defense	2.5	2.4	2.2	2.0	2.0
Public order and safety	1.3	1.4	1.6	1.7	1.5
Education	5.6	5.5	5.5	5.3	5.6
Health	3.7	3.9	3.7	3.6	3.5
Social security and welfare	4.8	4.9	5.4	4.9	5.7
Housing and community services	0.6	0.5	0.6	0.4	0.4
Recreation and culture	1.4	1.3	1.2	1.1	1.2
Economic affairs	7.4	9.4	6.3	4.7	3.1
Other 1/	23.1	12.0	10.8	9.1	12.1

Sources: Ministry of Finance; and Fund staff estimates.

1/ Includes capital expenditure and net lending (foreign financed projects).

Table 19. Mongolia: General Government Social Expenditure, 1993-97

	1993	1994	1995	1996	1997
(In millions of tugriks)					
Total expenditure	87,188	125,344	173,278	211,264	287,649
Current expenditure	44,802	74,676	101,521	129,781	192,613
Social expenditure	28,084	46,788	68,628	82,910	112,942
Social security and social assistance	7,816	13,207	23,165	27,621	40,708
Education	9,251	15,546	23,525	31,188	42,161
Health	6,152	11,116	15,959	21,044	26,314
Housing and community	1,023	1,501	2,371	2,323	3,384
Subsidies	3,841	5,419	3,607	733	375
(In percent of total expenditure)					
Social expenditure	32.2	37.3	39.6	39.2	39.3
Social security and social assistance	9.0	10.5	13.4	13.1	14.2
Education	10.6	12.4	13.6	14.8	14.7
Health	7.1	8.9	9.2	10.0	9.1
Housing and community	1.2	1.2	1.4	1.1	1.2
Subsidies	4.4	4.3	2.1	0.3	0.1

Sources: Ministry of Finance; and Fund staff estimates.

Table 20. Mongolia: Subsidies and Transfers, 1993-97

	1993	1994	1995	1996	1997
(In millions of tugriks)					
<b>Total subsidies and transfers</b>	12,916	23,854	31,654	31,338	43,216
<b>Total subsidies</b>	5,944	9,768	9,755	709	444
Energy	2,258	4,090	3,142	385	91
Mapping office	41	58	59	62	70
Urban transport	1,224	1,329	466	262	283
Fodder transport	158	0	0	0	0
Veterinary services	835	1,311	2,166	0	0
Medicines	1,406	2,974	3,922	0	0
Other	22	6	0	0	0
<b>Total transfers</b>	6,972	13,816	21,899	30,629	42,773
Social Security Fund	5,503	11,165	18,493	25,362	30,681
Social Assistance Fund	197	1,517	1,746	3,162	10,027
Student allowances	262	187	172	69	97
Gasoline rebate	180	0	0	0	0
Other	830	947	1,488	2,036	1,967
(In percent of GDP)					
<b>Total subsidies and transfers</b>	7.8	8.3	7.4	5.3	5.7
<b>Total subsidies</b>	3.6	3.4	2.3	0.1	0.1
<b>Total transfers</b>	4.2	4.9	5.1	5.2	5.6

Sources: Ministry of Finance; and Fund staff estimates.



Table 21. Mongolia: Social Security and Social Assistance Funds 1993-97 1/

	1993	1994	1995	1996	1997
(In millions of tugriks)					
<b>Social Security Fund</b>					
Total revenue	8,346	13,818	23,085	27,864	33,824
Budget transfers	5,503	7,589	7,352	6,581	5,000
Payroll tax 2/	2,838	6,213	15,505	20,827	28,554
Civil servants	874	2,395	3,383	4,873	7,754
Business entities	1,964	3,818	7,497	9,870	12,794
Employees	...	...	4,625	6,084	8,007
Other 3/	5	16	227	456	270
Total expenditure	7,908	13,196	18,970	25,362	31,873
Old age pension	5,447	8,609	13,913	18,100	22,525
Handicapped persons	517	866	1,525	1,995	2,450
Survivors' benefits	743	1,248	2,147	2,581	3,584
Disability benefits	169	442	458	521	524
Death benefits	...	...	398	685	589
Allowance for accidents	...	...	18	177	807
Unemployment benefits	...	...	...	...	202
Other 3/	1,000	1,646	...	89	...
Administration	0	348	484	1,195	928
Capital investment	31	37	29	19	264
Overall balance	438	622	4,115	2,502	1,951
<b>Social Assistance Fund</b>					
Total expenditure	...	...	1,776	3,214	10,286
Pregnancy	...	...	431	662	1,755
Mothers with large families	...	...	103	79	495
Child care	...	...	243	656	1,924
Twins	...	...	...	2	4
Infant nursing	...	...	27	61	40
Social pension	...	...	509	1,031	1,532
War veterans	...	...	...	...	92
Rest homes	...	...	27	32	38
Other	...	...	437	692	4,405
(In percent of total government expenditure)					
Memorandum items:					
Social Security Fund expenditure	9.1	10.5	10.9	12.0	11.1
Budget transfers to the Social Security Fund	6.3	6.1	4.2	3.1	1.7
Social Assistance Fund expenditure	...	...	1.0	1.5	3.6
(In percent of GDP)					
Social Security Fund expenditure	4.8	4.7	4.4	4.3	4.2
Budget transfers to the Social Security Fund	3.3	2.7	1.7	1.1	0.7
Social Assistance Fund expenditure	...	...	0.4	0.5	1.4

Sources: Ministry of Finance; and Fund staff estimates.

1/ Classification of social security transactions changed in 1995 with the unification of the previous systems.

2/ Starting in 1995, corresponds to Social Security contributions.

3/ Until 1995, included in allowance and benefits.

Table 22. Mongolia: Number of Social Security Beneficiaries, 1993-97

(In thousands)

	1993	1994	1995	1996	1997
<b>Social security</b>	409.3	395.6	380.3	361.9	310.7
Old age	235.4	227.4	222.8	222.7	174.3
Handicapped persons	24.9	25.2	25.9	27.9	24.4
Survivors' benefits	34.8	35.1	35.5	36.7	34.5
Disability benefits	97.5	89.7	76.4	55.7	57.7
Other benefits	16.7	18.2	19.7	18.9	19.8
<b>Social assistance</b>	184.5	179.8	282.3	349.6	529.9
Pregnancy	36.3	29.4	15.2	27.0	70.8
Mothers with large families	66.4	63.5	170.7	238.3	294.4
Child care	46.3	53.8	1.6	3.2	93.5
Twins	0.1	0.1	0.1	0.2	0.4
Infant nursing	9.3	6.3	52.8	28.7	4.3
War veterans	10.2	9.0	9.0	18.2	40.7
Social pension	...	...	20.3	22.9	23.2
Nursing homes for elderly	...	...	1.3	...	...
Other	15.9	17.7	11.3	11.3	2.7

Sources: Ministry of Finance; and Fund staff estimates.

Table 23. Mongolia: Government Staff and Wage Bill, 1994-97

	1994	1995	1996	1997
	(Number of positions)			
<b>Government staff 1/</b>				
General public services	13,315	12,951	13,690	15,780
Public order and safety	15,651	15,287	13,806	12,891
Education	53,869	59,081	50,686	47,686
Health	34,700	35,100	30,074	27,266
Social security and welfare	50	1,194	1,111	1,591
Recreation and culture	6,955	6,291	6,747	6,303
Agriculture and forestry	5,324	3,936	3,720	3,239
Other services	22,851	17,653	22,062	22,057
<b>Total</b>	<b>152,715</b>	<b>151,493</b>	<b>141,896</b>	<b>136,813</b>
	(In millions of tugriks)			
<b>Wages and salaries</b>				
General public services	2,130	3,443	4,901	6,038
Public order and safety	1,679	2,719	3,992	4,627
Education	5,844	9,915	13,702	16,758
Health	3,254	5,217	6,718	8,941
Social security and welfare	17	268	455	576
Recreation and culture	632	1,015	1,409	2,240
Agriculture and forestry	454	711	856	1,188
Other services	2,100	3,470	4,683	3,926
<b>Total</b>	<b>16,109</b>	<b>26,758</b>	<b>36,715</b>	<b>44,294</b>

Sources: Ministry of Finance; and Fund staff estimates.

1/ Number of official positions. The decline in numbers mainly reflects more accurate recording and the elimination of some vacant positions.

Table 24. Mongolia: Expenditure of the Health Sector, 1994-97

(In millions of tugriks)

	1994	1995	1996	1997
<b>Total expenditure</b>	<b>11,610</b>	<b>16,931</b>	<b>22,390</b>	<b>28,342</b>
<b>Wages and salaries</b>	<b>3,254</b>	<b>5,217</b>	<b>6,718</b>	<b>7,767</b>
<b>Social security</b>	<b>494</b>	<b>989</b>	<b>1,346</b>	<b>2,028</b>
Social security payments	405	972	1,117	1,657
Health insurance	89	17	229	372
<b>Other goods and services</b>	<b>7,535</b>	<b>9,946</b>	<b>13,202</b>	<b>17,014</b>
Electricity	471	539	971	1,166
Fuel and heating	1,408	1,789	2,826	3,301
Transport (fuel)	686	884	933	1,228
Food	780	1,184	1,666	2,013
Medicines	2,330	2,834	3,580	4,799
Other	1,860	2,716	3,228	4,507
<b>Investment</b>	<b>180</b>	<b>550</b>	<b>855</b>	<b>1,012</b>
<b>Capital repair expenditures</b>	<b>147</b>	<b>229</b>	<b>269</b>	<b>521</b>

Sources: Ministry of Finance; and Fund staff estimates.

Table 25. Mongolia: Expenditure of the Education Sector, 1994-97

(In millions of tugriks)

	1994	1995	1996	1997
Total expenditure	16,439	23,526	33,669	46,126
Wages and salaries	5,844	9,915	13,702	16,415
Social security	894	1,802	2,481	3,965
Social security payments	740	1,494	2,043	3,245
Health insurance	154	308	438	721
Other goods and services	9,386	10,729	16,005	24,147
Electricity	617	801	1,268	1,748
Fuel and heating	3,960	4,828	6,445	9,164
Transport (fuel)	318	349	409	477
Food	1,183	1,924	2,385	3,310
Medicines	17	31	33	12
Other	3,291	2,796	5,464	9,436
Investment	207	528	854	729
Capital repair expenditures	108	552	628	870

Sources: Ministry of Finance; and Fund staff estimates.

Table 26. Mongolia: Budgetary Support for Enterprises, 1995-1997 1/

(In millions of tugriks)

	1995	1996	1997
<b>Current subsidies</b>	<b>3,608</b>	<b>647</b>	<b>374</b>
Energy Authority	3,142	436	91
Urban transport	466	211	283
<b>Capital transfers</b>	<b>1,383</b>	<b>4,022</b>	<b>15,853</b>
Energy Authority	...	2,550	7,813
Other	...	1,472	8,041
<b>Net lending</b>	<b>3,987</b>	<b>6,283</b>	<b>10,125</b>
<b>Lending, gross</b>	<b>4,869</b>	<b>7,657</b>	<b>26,179</b>
Energy Authority	...	1,000	4,493
Urban transport	1,623	0	1,431
Oil Import Concern	1,793	5,640	11,213
Flour mills	1,453	587	2,501
Other	...	430	6,542
<b>Repayments</b>	<b>882</b>	<b>1,373</b>	<b>16,055</b>
Energy Authority	...	500	3,743
Urban transport	...	0	0
Oil Import Concern	...	276	8,502
Flour mills	...	469	159
Other	...	128	3,652
<b>Borrowing from the Bank of Mongolia</b>			
(with government guarantee)	4,600	8,647	0
Darkhan Minimetel	2,900	2,927	0
Energy Authority	0	2,550	0
Oil Import Concern	1,700	3,170	0
<b>Total Support</b>	<b>12,195</b>	<b>15,577</b>	<b>10,498</b>
(as percent of GDP)	2.8	2.9	1.4

Sources: Ministry of Finance; and Fund staff estimates.

1/ Data for 1995 is incomplete.

Table 27. Mongolia: Monetary Survey, 1995-98

	1995	1996	1997				1998	
			Mar	June	Sept	Dec	Mar	June
(In billions of tugriks)								
Broad Money 1/	102.0	128.4	114.5	137.9	151.6	170.1	153.6	160.2
Currency	25.6	41.7	32.9	45.3	50.2	49.8	41.5	55.4
Deposits	76.5	86.7	81.6	92.5	101.3	120.3	112.1	104.8
Demand deposits	17.0	22.6	19.8	22.3	25.4	26.3	22.3	23.3
Tugrik time deposits	38.5	35.2	32.8	34.1	39.6	44.7	49.9	43.5
Forex time deposits	20.9	28.9	29.0	36.1	36.3	49.3	40.0	38.0
Net foreign assets	39.5	66.7	75.3	73.6	91.5	112.3	80.8	70.6
Net international reserves	46.3	74.4	82.9	79.3	99.8	131.0	95.7	86.3
Bank of Mongolia	25.6	37.6	40.9	45.0	64.7	73.1	60.1	59.0
Commercial banks	20.8	36.8	42.0	34.3	35.1	57.9	35.5	27.3
Other NFA 1/	-6.8	-7.7	-7.5	-5.7	-8.3	-18.8	-14.9	-15.7
Bank of Mongolia	-5.7	-5.5	-5.2	-3.4	-4.0	-1.7	3.2	1.6
Commercial banks	-1.2	-2.2	-2.3	-2.4	-4.4	-17.1	-18.1	-17.3
Net domestic assets	62.6	61.7	39.2	64.3	60.1	57.8	72.8	89.6
Domestic credit	41.4	96.7	95.2	94.6	88.4	91.7	114.3	128.4
Net credit to government	-20.4	20.5	38.4	39.2	33.1	21.3	29.1	33.4
Credit	6.8	51.5	64.3	65.7	66.9	65.9	61.4	64.8
Minus: Deposits	27.2	31.0	25.9	26.4	33.8	44.5	32.3	31.5
Claims on nonbanks	61.8	76.2	56.8	55.4	55.3	70.4	85.2	95.0
Claims on public enterprises	15.8	18.6	14.1	14.0	10.6	11.7	15.6	17.2
Claims on the private sector	46.0	30.8	31.8	31.8	34.9	44.2	51.6	55.0
Nonperforming loans	0.0	26.8	10.9	9.6	9.8	14.5	18.0	22.8
Other items, net	21.1	-35.0	-56.1	-30.3	-28.3	-33.9	-41.5	-38.7
<b>Memorandum items:</b>								
<u>12-month percentage change</u>			(In percent)					
Broad money	32.9	25.8	12.2	29.1	31.5	32.5	34.2	16.2
Net foreign assets	87.0	69.0	97.0	94.3	68.8	68.3	7.3	-4.1
Domestic credit	-21.6	133.4	64.4	41.8	38.9	-5.1	20.0	35.7
Claims on public enterprises	18.4	17.2	-31.8	-51.5	-70.3	-36.9	10.1	22.7
Claims on the private sector	18.0	-33.0	-33.9	-28.3	-13.1	43.3	62.4	73.0
<u>Key ratios</u>								
Currency/total deposits	33.5	48.1	40.3	49.0	49.6	41.4	37.0	52.8
Demand deposits/Total deposits	22.3	26.1	24.3	24.1	25.1	21.9	19.9	22.2
Tugrik time deposits/Total deposits	50.4	40.6	40.2	36.9	39.1	37.1	44.5	41.5
Forex time deposits/Total deposits	27.3	33.4	35.5	39.0	35.8	41.0	35.7	36.3
Currency/Broad money	25.1	32.5	28.7	32.9	33.2	29.3	27.0	34.6
Demand deposits/Broad money	16.7	17.6	17.3	16.2	16.8	15.5	14.5	14.5
Time deposits/Broad money	58.2	49.9	53.9	50.9	50.1	55.2	58.5	50.9

Sources: Bank of Mongolia; and Fund staff estimates.

1/ The end-1997 broad money stock is artificially inflated by a one-off increase due to a US\$20 million (16.3 billion tugriks) deposit, which was reversed in early 1998. The annual broad money growth rate reflects an adjustment for this increase.

Table 28. Mongolia: Balance Sheet of the Bank of Mongolia, 1995-98  
(in billions of tugrik, end period)

	1995	1996	1997				1998		
			Mar	June	Sept	Dec	Mar	June	
Reserve money	37.6	51.2	46.3	63.1	66.6	64.6	58.2	72.0	
Currency outside Banks	25.6	41.7	32.9	45.3	50.2	49.8	41.5	55.4	
DMB reserves	12.0	9.5	13.3	17.8	16.2	13.2	16.3	15.9	
Cash in vaults	4.2	4.3	8.1	7.4	7.8	7.0	5.9	5.9	
Demand deposits of DMBs	7.8	5.1	5.2	10.4	8.4	6.2	10.4	10.0	
Deposits of business units	0.0	0.0	0.0	0.0	0.1	1.6	0.4	0.7	
Net Foreign Assets	31.2	43.1	49.8	55.2	74.4	78.8	63.4	60.6	
Net international reserves	25.6	37.6	40.9	45.0	64.7	73.1	60.1	59.0	
Assets	47.7	67.8	80.8	81.4	107.0	111.8	102.3	100.5	
Minus: Liabilities	22.2	30.2	39.9	36.5	42.3	38.7	42.2	41.5	
Other assets, net	5.7	5.6	8.9	10.2	9.7	5.6	3.2	1.6	
Assets	0.0	0.0	1.9	3.4	2.9	2.0	3.2	1.6	
Minus: Liabilities	-5.7	-5.5	-7.1	-6.8	-6.8	-3.7	0.0	0.0	
Net Domestic Assets	6.3	8.0	-3.6	7.9	-7.8	-14.2	-5.1	11.4	
Net Credit to Government	-4.4	30.6	24.8	28.2	23.9	21.6	24.3	24.2	
Credit	5.1	39.0	31.0	33.3	33.0	34.4	29.9	29.9	
Government bonds	0.0	15.5	14.1	15.6	20.5	24.2	20.2	20.2	
Treasury IMF account					6.4	6.4	6.4	6.4	
Reconstruction bonds	0.0	15.5	14.1	15.6	14.1	13.8	13.8	13.8	
Treasury bills	0.0	0.0	0.0	0.0	0.0	4.0	0.0	0.0	
Other	5.1	23.5	16.9	17.8	12.5	10.2	9.7	9.7	
Minus: Deposits	9.5	8.4	6.2	5.1	9.1	12.8	5.7	5.8	
Domestic currency	1.6	4.6	3.1	2.1	5.0	6.0	4.7	5.2	
Foreign currency	7.9	3.8	3.1	3.0	4.1	6.8	1.0	0.5	
Claims on deposit money banks	7.7	1.7	3.5	4.9	2.8	3.1	3.2	3.2	
Claims on nonbanks	0.0	5.5	5.8	4.7	3.1	3.9	6.8	5.5	
Minus: Central bank bills (net)	0.8	0.0	2.2	5.9	16.8	21.0	22.6	9.4	
Other items, net	3.8	-29.8	-35.5	-24.1	-20.7	-21.8	-16.8	-12.1	
<b>Memorandum items:</b>									
				(In percent)					
RM growth (12 month percent change)	...	36.2	50.8	75.1	56.8	26.2	25.9	14.1	
Broad money/Reserve money (ratio)	2.72	2.51	2.48	2.18	2.28	2.63	2.64	2.23	

Sources: Bank of Mongolia; and Fund staff estimates.



Table 29. Mongolia: Consolidated Balance Sheet of Commercial Banks, 1995 - 98

	1995	1996	1997				1998	
			Mar	June	Sept	Dec	Mar	June
(In billions of tugriks, end period)								
<b>ASSETS</b>	88.2	97.6	84.8	96.1	102.8	121.1	112.9	105.7
Net foreign assets	19.6	34.7	39.6	32.0	30.8	52.6	17.5	10.0
Net international reserves	20.8	36.8	42.0	34.3	35.1	57.9	35.5	27.3
Assets	25.4	43.3	49.7	43.0	43.6	64.9	35.5	27.3
Minus: Liabilities	4.6	6.4	7.8	8.7	8.5	7.0	0.0	0.0
Other foreign assets, net	(1.2)	(2.2)	(2.3)	(2.4)	(4.4)	(5.3)	(18.1)	(17.3)
Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minus: Liabilities	1.2	2.2	2.3	2.4	4.4	5.3	18.1	17.3
Net domestic assets	68.6	62.9	45.2	64.1	72.0	68.4	95.5	95.7
Reserves	12.0	9.5	13.3	17.8	16.2	13.2	16.3	15.9
Cash	4.2	4.3	8.1	7.4	7.8	7.0	5.9	5.9
Deposits with BOM	7.8	5.1	5.2	10.4	8.4	6.2	10.4	10.0
Central bank bills	0.8	0.0	2.2	5.9	16.8	19.1	22.6	9.4
Domestic credit	45.8	60.6	64.7	61.6	61.4	54.1	78.9	94.4
Net credit to government	(16.0)	(10.1)	13.6	11.0	9.2	3.7	4.9	9.2
Claims on Government	1.7	12.5	33.3	32.3	33.9	35.5	31.5	34.9
Less: Government deposits	17.7	22.6	19.7	21.3	24.7	31.7	26.6	25.7
Loans to nonbanks	61.8	70.7	51.1	50.6	52.2	50.4	74.0	85.2
Public enterprises	15.8	13.1	8.4	9.3	7.5	7.8	8.7	11.6
Private sector	46.0	30.8	31.8	31.8	34.9	28.1	47.3	50.7
Nonperforming loans	0.0	26.8	10.9	9.6	9.8	14.5	18.0	22.8
Other assets, net	10.0	(7.2)	(35.0)	(21.1)	(22.5)	(17.9)	(22.3)	(24.0)
<b>LIABILITIES</b>	88.2	97.6	84.8	96.1	102.8	121.1	112.9	105.7
Deposits	80.6	86.7	81.6	92.5	101.3	120.3	112.1	104.8
Demand deposits	13.8	22.6	19.8	22.3	25.4	26.3	22.3	23.3
Public enterprises	9.2	17.4	15.2	17.0	18.9	19.4	17.0	18.2
Private sector	4.6	5.2	4.6	5.3	6.6	6.9	5.3	5.1
Time and savings deposits	38.4	35.2	32.8	34.1	39.6	44.7	49.9	43.5
Foreign currency deposits	28.4	28.9	29.0	36.1	36.3	49.3	40.0	38.0
Borrowing from BOM	7.6	10.9	3.2	3.6	1.4	0.8	0.8	0.9
<b>Memorandum items:</b>								
Net foreign assets (million US dollars)	63.5	71.6	69.3	64.8	64.7	88.3	43.4	32.5
Foreign currency deposits (million US dollars)	59.9	41.7	34.9	45.3	45.1	60.6	48.9	45.4
Official exchange rate (Tug/US\$)	473.6	693.51	830.0	798.0	804.3	813.2	817.6	838.6

Sources: Bank of Mongolia; and Fund staff estimates.

Table 30. Mongolia: Net credit to government, 1995-1998  
(In billions of tugriks)

	1995	1996	1997				1998	
			Mar	June	Sept	Dec	Mar	June
Net credit to government from the banking system	-20.4	20.5	38.4	39.2	33.1	22.8	29.1	33.4
Claims	6.8	51.5	64.3	65.7	66.9	65.9	61.4	64.8
Minus: Deposits	27.2	31.0	25.9	26.4	33.8	43.1	32.3	31.5
Bank of Mongolia (net)	-4.4	30.6	24.8	28.2	23.9	17.6	24.3	24.2
Claims on Government	5.1	39.0	31.0	33.3	33.0	30.4	29.9	29.9
Advance financing to budget (Current account)	0.4	8.4	2.1	2.4	1.6	0.4	0.0	0.0
Loans to the MoF in CFC	0.0	6.9	5.0	4.1	0.0	0.0	0.0	0.0
FX financing without tugrik funds	4.7	7.6	4.8	5.1	5.1	4.0	3.9	3.9
Government bonds	0.0	15.5	14.1	15.6	14.1	13.8	13.8	13.8
Reconstruction bonds	0.0	15.5	14.1	15.6	14.1	9.8	13.8	13.8
Treasury bills	0.0	0.0	0.0	0.0	0.0	4.0	0.0	0.0
MARA account	0.0	0.6	5.0	6.1	5.8	5.8	5.8	5.8
Treasury IMF account					6.4	6.4	6.4	6.4
Less: Deposits	9.5	8.4	6.2	5.1	9.1	12.8	5.7	5.8
Central Government	9.1	7.9	5.8	4.8	8.1	12.3	4.4	5.2
Budget deposits	8.1	4.2	3.3	4.2	5.5	9.7	2.5	2.9
In domestic currency	0.3	0.4	0.2	1.2	1.5	2.9	1.6	2.3
In foreign currency	7.9	3.8	3.1	3.0	4.1	6.8	1.0	0.5
Budget reserves	1.0	3.7	2.5	0.5	2.6	2.6	1.8	2.3
Budget investment funds	0.0	0.0	0.0	0.1	0.0	0.0	0.1	0.0
Local Government	0.4	0.5	0.4	0.3	1.0	0.5	1.3	0.6
Budget revenue (Current account)	0.4	0.5	0.4	0.3	1.0	0.5	1.3	0.6
Comercial banks (net)	-16.0	-10.1	13.6	11.0	9.2	5.2	4.9	9.2
Claims on Government	1.7	12.5	33.3	32.3	33.9	35.5	31.5	34.9
Advance financing of MoF	0.4	0.6	0.5	0.8	0.9	0.4	0.4	0.7
Government securities	0.0	3.9	29.4	27.6	31.8	34.8	30.8	33.8
Inherited and directed credits	0.0	7.7	2.3	2.3	0.0	0.0	0.0	0.0
Accrued interest receivable	0.0	0.0	0.2	1.2	0.9	0.0	0.0	0.2
Projects	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nontrade settlement	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.8	0.4	0.8	0.4	0.3	0.3	0.3	0.3
FX financing without tugrik funds	0.3	0.4	0.8	0.4	0.3	0.3	0.3	0.3
Takeover of agricultural loans	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Less: Government deposits	17.7	22.6	19.7	21.3	24.7	30.2	26.6	25.7
Central Government	14.5	19.5	16.8	18.8	21.3	27.1	23.8	23.0
Budget deposits	3.2	7.9	3.2	4.0	4.1	10.2	4.0	6.8
Budget reserves	1.9	2.5	1.4	1.4	1.4	1.4	1.4	1.4
Budget funds with BITI	0.3	0.4	0.4	0.4	0.6	0.4	0.4	0.1
Current account of budget units	3.0	3.8	4.8	6.1	8.5	2.7	5.2	6.6
Social security and pension funds	4.7	4.4	5.9	5.5	5.8	7.9	8.0	7.6
Privatization funds	0.4	0.2	0.2	0.1	0.3	0.2	0.4	0.1
Budget investment funds (centralized)	1.1	0.3	0.0	0.3	0.4	0.0	0.2	0.3
Time deposits	0.0	0.0	0.3	0.3	0.2	4.3	4.4	0.2
Repayable assistance to Reconstruction Bank	0.0	0.0	0.7	0.7	0.0	0.0	0.0	0.0
Local Government	2.2	2.3	2.7	2.3	3.1	2.5	2.3	2.4
Budget revenue (Current account)	1.5	0.0	1.3	0.9	1.5	1.1	0.7	1.1
Reserves	0.1	0.0	0.1	0.1	0.0	0.0	0.0	0.0
Current account of budget units	0.6	0.0	1.1	1.1	1.4	1.3	1.3	1.1
Budget investment funds (local)	0.0	0.0	0.0	0.1	0.1	0.0	0.2	0.2
Time deposits	1.0	0.5	0.2	0.1	0.1	0.1	0.0	0.0
Accounts outside budget	0.0	0.2	0.2	0.2	0.4	0.6	0.5	0.2

Source: Mongolian authorities; and Fund staff estimates.

Table 31. Mongolia: Central Bank Credit to Commercial Banks, 1994-97

(In millions of tugriks, end of period)

	1994	1995	1996	1997					1998	
				Mar	Jun	Sep	Dec	Dec Adj <sup>1</sup>	Mar	Jun
Credit for loan resource deficiency	9,148	6,562	260	6,562	6,212	5,554	5,604	260	260	216
Clearing loans	31	0	0	250	0	0	0	0	0	0
Principal in arrears	647	0	81	400	1,098	1,937	3,644	81	133	131
Interest payments in arrears	322	194	0	184	176	0	0	0	0	0
On lending of the Asian Development Bank employment loan	226	34	22	128	311	286	155	22	40	744.5
Refinance facility	0	950	150	3,044	2,770	2,550	2,450	150	760	100
Other	0	0	0	0	5,162	4,960	3,343	1,200	2,350	2125.8
<b>Total</b>	<b>10,374</b>	<b>7,740</b>	<b>513</b>	<b>10,568</b>	<b>15,729</b>	<b>15,287</b>	<b>15,196</b>	<b>1,713</b>	<b>3,543</b>	<b>3317.3</b>

Source: Bank of Mongolia.

1/ Adjusted for bank restructuring.

Table 32. Mongolia: Interest Rates, 1994-98

(In percent per annum, unless otherwise specified)

	1994	1995	1996	1997				1998	
				Mar	Jun	Sep	Dec	Mar	Jun
<b>Deposit rates</b>									
<b>Current accounts</b>									
State enterprises	2	2	2	2	2	2	2	2	...
Private sector	2	2	2	2	2	2	2	2	...
Savings deposit accounts	10-64	12-43	12-40	12-43	12-43	12-43	12-35	12-27	4-20
<b>Time deposit accounts</b>									
<b>Domestic currency</b>									
3-12 months	50-101	41-101	13-72	13-80	13-80	13-68	13-60	12-51	12-43
1 year	50-101	12-101	13-70	13-80	13-80	13-60	13-60	13-51	24
<b>Foreign currency</b>									
1 year	6-72	6-43	6-43	6-43	6-43	6-60	4-43	4-43	1-27
<b>Loan rates</b>									
Bank of Mongolia clearing rate	72-264	72-150	72-108	72-108	72-108	72-108	72-108	48-66	37.5
<b>Commercial loans<sup>1</sup></b>									
<b>Short-term (less than 1 year)</b>									
State enterprises	122	92	75	88	54	85	71	70	47.8
Private business units	131	94	80	92	78	85	80	78	...
Consumer	137	110	105	102	88	127	125	100	...

Source: Data provided by the Bank of Mongolia.

1/ Average rates.

Table 33 . Mongolia: Structure of the Banking Sector

Name of Banks	Date of License	Number of Branches				Government/Public Enterprise Holdings (in percent)
		Branches	Sub-Branches	Savings Points	Number of Staff	
Trade and Dev. Bank	Oct., 19, 1990	5	3	2	196	100
Reconstruction Bank	Dec., 14, 1996	31	46	6	862	100
Savings Bank	Dec., 14, 1996	9	27	5	368	100
ITI Bank	Feb., 26, 1991	32	11	12	646	30
Agricultural Bank	Dec., 5, 1991	22	282	5	1282	7
Mercury Bank	June, 17, 1993	0	1	0	19	0
Industrial Bank	Dec., 5, 1991	0	1	3	42	...
Bayanbogd Bank	Dec., 31, 1992	0	0	0	8	0
Business* Bank	Mar., 16, 1993	0	2	0	40	0
Export Import Bank	Jan., 24, 1995	0	5	0	36	23
Golomt Bank	March 6, 1995	0	8	0	78	7
Post Bank	Feb., 12, 1993	0	7	0	34	0
Credit Bank	Feb., 19, 1997	0	0	0	7	0
Asian Investment B.	June 4, 1997	0	0	0	6	0
Erel Bank	Oct., 21, 1997	0	0	0	8	0
Teever Khogjil Bank	Jan., 22, 1997	1	1	0	21	0
MM Invest Bank	Jan., 22, 1996	0	0	0	6	0
Ulaanbaatar Bank	Apr., 16, 1998	0	0	0	23	100

Source: Bank of Mongolia

Table 34. Mongolia: Selected Financial Indicators of Commercial Banks, 1997-98

	Total Assets	Capital	Gross Nonperforming Loans		Risk-weighted Capital	
	(In billions of Tug)		(Percent of total loans)		Adequacy Ratio (In percent)	
	Aug. 1998		Dec. 1997	Aug. 1998	Dec. 1997	Aug. 1998
Trade and Development Bank	66.9	5.1	17.0	14.2	10.4	13.6
Golomt Bank	13.7	2.2	3.6	10.8	12.1	17.1
Agricultural Bank	10.3	-4.9	63.8	65.2	-46.5	-164.1
ITI Bank	27.9	-0.9	45.7	55.3	14.0	-3.9
Savings Bank	32.4	1.1	9.1	3.7	6.4	4.0
Post Bank	2.2	0.5	83.2	55.9	77.1	40.1
Reconstruction Bank	18.2	-0.9	16.7	84.5	16.9	-9.1
Exim Bank	4.4	1.0	35.4	57.4	25.5	42.5
Erel Bank	3.5	1.7	0.0	0.0	...	76.4
Bayabbogd Bank	0.7	0.4	3.1	2.4	90.7	74.6
Innovation Bank	19.5	0.6	53.5	82.9	37.0	38.2
Asian Development Bank	1.1	0.4	0.0	0.0	76.0	44.9
Transport Bank	2.4	0.9	3.1	5.6	87.2	46.9
Mercury Bank 1/	0.5	-0.2	97.6	100.0	-36.6	-145.5
Business Bank 1/	2.7	-0.3	37.0	74.0	17.7	-13.4
MM Invest Bank	1.1	0.8	0.6	0.0	76.8	72.2
Credit Bank	0.6	0.4	0.0	0.0	0.0	84.6
Ulaanbaatar Bank	0.7	0.5	0.0	0.0	0.0	0.0

Sources: Bank of Mongolia; and Fund staff estimates.

1/ The license of the bank was withdrawn by the BOM in September 1998.

Table 35. Mongolia: Balance of Payments, 1993-97

(In millions of U.S. dollars)

	1993	1994	1995	1996	1997
Trade balance	-8.7	-3.5	-3.3	-87.4	30.2
Exports, f.o.b.	365.8	367.0	485.6	423.4	568.5
Copper	155.1	188.7	257.6	174.5	199.1
Noncopper	210.7	178.3	228.0	248.8	369.4
Imports, c.i.f.	-374.5	-370.5	-488.9	-510.8	-538.3
Services balance	-10.9	-14.2	-23.4	-6.0	-7.3
Receipts	26.0	39.9	42.6	55.7	80.0
Payments	-36.9	-54.1	-66.0	-61.7	-87.3
Income, net	-22.2	-19.3	-22.7	-13.3	-14.3
Official interest payments	-9.2	-14.3	-9.4	-9.3	-7.6
Private unrequited transfers	-0.1	-3.0	-2.8	6.2	4.2
Current account deficit (-), excluding official transfers	-39.9	-40.3	-52.2	-100.5	12.8
Public unrequited transfers (net)	71.0	77.6	79.1	63.6	61.5
Official grants	66.7	69.5	70.9	56.2	54.8
Other official transfers (net)	4.3	8.1	8.2	7.4	6.7
Financial and Capital account	-9.6	-36.2	19.0	41.2	52.5
Direct investment	7.7	7.0	9.8	15.9	20.0
Medium- and long-term loans (net)	32.5	7.9	50.9	56.0	109.8
Disbursements	54.0	60.3	96.2	93.4	142.3
Amortizations	-21.5	-52.4	-45.3	-37.3	-32.5
Commercial Banks, (net)	-21.3	6.2	-8.1	-9.3	-18.1
Short-term	-28.5	-57.2	-33.6	-21.5	-59.2
Errors and omissions	7.2	-10.9	-54.5	-30.4	-69.6
Overall balance	26.7	-9.5	-8.7	-26.1	57.2
Financing	-26.7	9.5	8.7	26.1	-57.2
Change in net official reserves (increase -)	-22.6	-10.0	5.1	20.1	-64.3
Arrears accumulated (+) or payments (-)	-11.0	-37.0	-2.4	5.9	-1.6
Exceptional financing (rescheduling)	6.9	56.5	5.9	0.0	8.7
Memorandum items:					
Current account deficit (-), excluding official transfers (in percent of GDP)	-6.8	-5.8	-5.5	-10.0	1.3
Net official reserves (end of period)	27.2	37.2	67.9	54.0	89.6
(In weeks of total imports)	3.8	5.2	7.2	5.5	8.7
Gross official reserves (end of period)	64.9	92.4	114.9	97.8	137.2
(In weeks of total imports)	9.0	13.0	12.2	10.0	13.2
Outstanding arrears (end of period)	40.8	3.8	1.4	7.3	0.9

Sources: Mongolian authorities; and Fund staff estimates.

Table 36. Mongolia: Principal Exports, 1993-97

(In millions of U.S. dollars, unit value in U.S. dollars)

	1993	1994	1995	1996	1997
Copper concentrate (value)	155.1	188.7	257.6	174.5	199.1
Volume (concentrate in '000 tons)	394.5	405.4	415.6	429.2	479.7
Refined copper equivalent	114.4	119.2	116.0	124.6	119.1
Unit value--refined (per ton)	1,355.8	1,583.1	2,219.4	1,400.9	1,671.3
Molybdenum concentrate	5.5	17.0	15.9	10.8	15.7
Volume (tons)	2,908.0	5,247.1	3,800.0	4,787.0	4,109.3
Unit value (per ton)	1,891.3	3,239.9	4,184.2	2,256.1	3,820.6
Fluorite ore	8.3	1.6	0.6	...	...
Volume ('000 tons)	79.5	16.2	5.3	...	...
Unit value (per ton)	104.4	98.8	113.2	...	...
Fluorite concentrate	8.9	11.0	18.4	22.6	23.4
Volume ('000 tons)	77.2	88.0	120.4	155.2	178.0
Unit value (per kg)	115.3	125.0	152.8	145.6	132.0
Gold	...	11.4	51.9	52.4	117.0
Volume (kg)	...	1,104.1	4,215.6	4,257.7	11,695.9
Unit value (per kg)	...	10,325.1	12,310.3	12,310.3	10,000.9
Sawn wood	9.0	7.8	4.4	9.1	20.8
Volume ('000 cubic meters)	72.2	78.7	44.8	96.4	168.7
Unit value (per cubic meter)	124.7	99.1	98.2	94.4	123.3
Cashmere tops	1.9	6.8	3.8	2.2	0.9
Volume (tons)	38.2	71.6	34.0	28.3	12.5
Unit value (per kg)	49.7	94.9	112.7	77.7	71.9
Cashmere, dehaired	9.2	26.1	45.2	49.4	31.6
Volume (tons)	250.7	341.0	507.3	686.9	590.4
Unit value (per kg)	36.7	76.5	89.1	71.9	53.5
Cashmere garments	5.1	3.6	7.8	...	10.4
Volume ('000 pieces)	120.9	99.0	215.8	...	275.0
Unit value (per piece)	42.2	36.4	36.2	...	37.8
Cashmere, greasy/raw	17.3	3.5	0.4	8.5	16.2
Volume (tons)	1,217.0	240.8	78.8	393.4	824.6
Unit value (per kg)	14.2	14.5	5.1	21.6	19.6
Textiles	...	...	...	...	26.1
Volume ('000 pieces)	...	...	...	...	2,890.0
Unit price	...	...	...	...	9.0
Camel wool, raw	4.8	5.6	2.3	2.1	2.1
Volume (tons)	3,003.0	2,505.4	940.3	1,025.0	904.2
Unit value (per kg)	1.6	2.2	2.4	2.0	2.3
Skin and hides	30.9	18.1	21.8	19.1	21.1
Volume ('000 pieces)	5,972.0	2,891.9	2,763.6	2,300.0	2,600.0
Unit price	5.2	6.3	7.9	8.3	8.1
Leather goods	5.2	1.3	0.1	0.1	3.7
Volume ('000 pieces)	104.2	17.7	1.2	...	37.0
Unit value (per piece)	49.9	73.5	83.3	...	100.0
Sheepskin coats	1.3	0.9	0.2	0.03	0.03
Volume ('000 pieces)	12.5	11.8	3.7	0.5	0.4
Unit value (per piece)	104.0	76.3	54.1	60.0	56.5
Carpets	6.2	0.9	0.2	0.1	0.04
Volume ('000 meters)	512.9	68.6	11.5	2.2	3.1
Unit value (per meter)	12.1	13.1	17.4	45.5	14.5
Meat	7.9	6.3	2.8	4.7	9.0
Volume ('000 tons)	7.1	5.1	2.1	3.3	6.4
Unit value (per ton)	1,112.7	1,237.6	1,333.3	1,424.2	1,406.3
Scrap Metal	...	...	...	...	16.14
Volume ('000 tons)	...	...	...	...	90.1
Unit value (per ton)	...	...	...	...	179.13
Other	89.2	56.4	52.2	67.7	55.2
Total	365.8	367.0	485.6	423.4	568.5

Sources: Mongolian authorities; and Fund staff estimates.



Table 37. Mongolia: Merchandise Imports, 1993-97<sup>1</sup>

(In millions of U.S. dollars)

	1993	1994	1995	1996	1997
Food	58.2	20.4	34.3	62.2	76.5
Energy	108.7	75.4	67.7	87.8	91.2
Equipment goods	87.8	92.7	137.9	173.6	170.8
Raw materials and spare parts	72.8	31.7	71.1	67.2	65.4
Consumer goods	47.0	38.2	65.8	47.1	64.2
Other imports	0.0	112.1	112.1	72.9	70.2
Total	374.5	370.5	488.9	510.8	538.3
Memorandum items:					
Nonfood imports	316.3	350.1	454.6	448.6	461.8
Nonenergy imports	265.8	295.1	421.2	423.0	447.1

Sources: Mongolian authorities; and Fund staff estimates.

1/ On a c.i.f. basis.

Table 38. Mongolia: Direction of Trade, 1993-97 1/

(In percent of exports or imports)

	1993	1994	1995	1996	1997
<b>Exports</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Countries of the former CMEA	52.8	41.0	32.3	25.1	10.6
Former U.S.S.R.	52.5	40.6	30.3	24.1	10.6
Russia	...	...	14.5	20.6	10.4
Kazakhstan	...	...	15.7	3.4	0.2
Other	...	...	0.1	0.1	0.1
Former Czechoslovakia 2/	0.1	0.3	2.0	1.0	0.0
Korea, Democratic People's Republic of	0.2	0.1	0.0	0.0	0.0
EU countries	5.2	6.2	12.6	9.8	10.4
Belgium	0.8	0.5	0.5	0.5	0.3
France	0.2	0.1	0.1	0.1	0.1
Germany	0.8	0.6	1.6	1.1	1.4
Italy	2.8	2.7	2.4	2.5	2.5
Netherlands	0.2	0.9	1.0	1.0	0.6
United Kingdom	0.3	1.4	3.9	4.4	5.3
Other	0.0	0.0	3.1	0.2	0.2
Other	41.8	50.0	55.1	65.1	79.1
China	31.6	19.4	16.4	17.7	21.8
Austria	1.4	0.0	0.0	0.0	0.0
Finland	0.5	0.6	0.4	0.0	0.0
Hong Kong, China	0.3	0.7	0.6	0.6	1.1
Japan	4.5	13.1	10.0	8.5	8.4
Korea	0.3	5.9	5.5	8.0	9.8
Singapore	0.1	0.0	0.4	0.0	0.0
Switzerland	2.7	6.4	16.2	25.4	31.0
United States	1.1	3.7	5.5	4.4	5.6
Federal Republic of Yugoslavia (Serbia/Montenegro)	0.0	0.2	0.0	0.1	0.0
Other	0.3	2.8	0.1	0.4	1.4
<b>Imports</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Countries of the former CMEA	57.8	60.1	53.7	41.1	37.3
Former U.S.S.R.	57.3	59.2	50.7	37.6	36.3
Russia	...	...	50.1	34.2	35.4
Kazakhstan	...	...	0.2	0.2	0.4
Other	...	...	0.4	3.2	0.5
Bulgaria	0.1	0.1	0.1	0.4	0.7
Former Czechoslovakia 2/	0.1	0.3	2.4	1.8	1.6
Hungary	0.0	0.1	0.1	0.5	0.4
Poland	0.1	0.4	0.3	0.8	1.1
Korea, Democratic People's Republic of	0.2	0.0	0.1	0.0	0.0
EU countries	5.5	5.3	7.8	13.5	19.9
Denmark	1.2	0.6	1.0	0.5	2.8
France	1.2	0.2	0.4	0.3	2.3
Germany	1.6	4.0	4.4	4.7	4.3
United Kingdom	0.7	0.5	0.7	0.7	1.1
Other	0.8	0.0	1.3	7.3	9.3
Other	36.7	33.6	38.5	45.4	42.8
China	17.1	9.6	10.7	14.6	12.9
Austria	0.5	0.0	1.3	0.1	0.0
Finland	0.2	0.1	0.3	0.2	0.4
Hong Kong, China	2.7	4.3	1.5	0.9	1.2
India	0.4	0.0	0.3	0.1	0.1
Japan	7.4	6.2	11.0	17.5	7.4
Korea	0.8	4.3	5.2	4.0	4.4
Singapore	0.9	1.4	1.8	2.9	3.8
Switzerland	0.6	1.5	1.5	1.0	0.4
United States	4.6	5.0	3.5	2.5	7.9
Federal Republic of Yugoslavia (Serbia/Montenegro)	0.9	0.0	0.0	0.0	0.0
Other	0.6	1.1	1.4	1.6	4.4

Sources: Mongolian authorities; and Fund staff estimates.

1/ Data for exports of copper refer to country of initial purchaser rather than country of destination of final product.

2/ Data after 1993 refer to Czech Republic and Slovak Republic.

Table 39. Mongolia: Services and Income Accounts, 1994-97<sup>1</sup>

(In millions of U.S. dollars)

	1994		1995		1996		1997	
	Receipts	Payments	Receipts	Payments	Receipts	Payments	Receipts	Payments
<b>SERVICES</b>								
Passenger fares	8.1	4.9	12.0	9.0	9.7	18.0	12.3	5.0
Railway	1.7	4.9	4.0	5.0	5.2	8.6	6.3	2.7
Airline	6.4 <sup>2</sup>	...	8.0	4.0	4.5	9.4	6.0	2.3
Port services	3.6	14.1	1.8	10.0	14.0	5.9	12.8	11.0
Transit fees	3.5	4.6	1.5	2.0	4.0	0.0	4.1	6.0
Travel 3/	6.6	3.4	8.6	19.5	10.0	19.4	39.8	45.3
Embassy expenses abroad	0.0	3.0	0.0	8.0	2.6	4.1	1.9	4.4
Embassies/international organizations	10.9	0.0	10.0	0.0	10.0	0.0	0.6	0.2
Commissions	3.1	0.0	0.0	0.0	0.0	0.3	0.0	0.7
Communications	3.8	4.1	4.0	6.0	4.8	3.0	6.8	4.7
Technical Assistance		...	0.0	8.9	0.0	9.0	0.0	9.0
Other	0.3	20.0	4.7	2.6	0.6	2.0	1.7	1.0
Total	39.9	54.1	42.6	66.0	55.7	61.7	80.0	87.3
<b>INCOME</b>								
Direct investment income	0.0	8.2	0.0	17.8	0.0	16.1	0.0	11.6
Interest on bank deposits	3.2	0.0	4.5	0.0	13.4	1.3	6.1	1.1
Interest on debt	0.0	14.3	0.0	9.4	0.0	9.3	0.0	7.6
Medium- and long-term	0.0	14.3	0.0	9.4	0.0	9.3	0.0	7.6
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	3.2	22.5	4.5	27.2	13.4	26.7	6.1	20.3

Sources: Data provided by the Mongolian authorities; and Fund staff estimates.

1/ A significant broadening in the coverage of the service sector was achieved in 1996.

2/ Net amount.

3/ From 1997, estimated from data on arrivals and departures at border points.

Table 40. Mongolia: Official Grants, 1993-97 <sup>1</sup>

(In millions of U.S. dollars)

	1993	1994	1995	1996	1997
Japan	14.9	44.8	47.0	45.2	34.0
In kind	5.0	0.0	3.0	2.5	0.0
Cash (balance of payments support)	0.0	28.3	10.0	0.0	0.0
Projects	9.9	16.5	34.0	42.7	34.0
United States	33.9	11.5	2.7	3.7	7.0
In kind	16.5	3.5	0.0	2.9	0.0
Cash (balance of payments support)	17.4	8.0	2.7	0.8	7.0
Denmark	5.4	8.2	0.7	0.3	0.8
Germany	0.0	1.4	13.5	0.8	0.6
Korea	0.2	0.5	0.1	0.0	0.0
China	0.9	0.0	0.0	0.0	0.0
Italy	2.4	1.3	0.0	0.0	0.0
Netherlands	1.2	0.0	3.8	0.9	0.7
France	3.5	0.0	0.0	0.0	0.0
United Kingdom	1.0	0.8	1.0	0.0	0.0
Other countries	1.7	0.1	1.5	0.3	2.4
United Nations	1.6	0.9	0.0	2.0	5.8
European Union	0.0	0.0	0.6	3.0	3.5
<b>Total</b>	<b>66.7</b>	<b>69.5</b>	<b>70.9</b>	<b>56.2</b>	<b>54.8</b>

Sources: Mongolian authorities; and Fund staff estimates.

1/ Excludes technical assistance.

Table 41. Mongolia: Medium- and Long-Term Loan Disbursements, 1993-97

(In millions of U.S. dollars)

	1993	1994	1995	1996	1997
<b>Official loans</b>	<b>54.0</b>	<b>60.3</b>	<b>90.7</b>	<b>84.4</b>	<b>134.3</b>
<b>Japan</b>	<b>20.0</b>	<b>2.4</b>	<b>22.2</b>	<b>29.6</b>	<b>12.9</b>
Balance of payments support	20.0	0.0	0.0	0.0	0.0
Project	0.0	2.4	22.2	29.6	12.9
<b>Germany</b>	<b>5.7</b>	<b>7.3</b>	<b>2.5</b>	<b>3.3</b>	<b>5.1</b>
<b>China</b>	<b>2.2</b>	<b>0.0</b>	<b>0.0</b>	<b>4.4</b>	<b>7.1</b>
Balance of payments support	1.8	0.0	0.0	0.0	0.0
Project	0.4	0.0	0.0	4.4	7.1
<b>Korea</b>	<b>0.0</b>	<b>0.8</b>	<b>4.4</b>	<b>0.0</b>	<b>0.0</b>
<b>Russia</b>	<b>15.9</b>	<b>9.1</b>	<b>1.5</b>	<b>0.0</b>	<b>0.0</b>
<b>India</b>	<b>1.1</b>	<b>1.7</b>	<b>1.5</b>	<b>0.0</b>	<b>0.0</b>
<b>Norway</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>2.0</b>	<b>7.0</b>
<b>Kuwait</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.7</b>
<b>World Bank</b>	<b>3.9</b>	<b>19.0</b>	<b>14.0</b>	<b>11.0</b>	<b>34.0</b>
Balance of payments support	3.0	17.5	9.7	1.8	9.3
Project	0.0	0.0	3.6	8.8	24.1
Technical assistance	0.9	1.5	0.7	0.4	0.6
<b>Asian Development Bank</b>	<b>5.2</b>	<b>20.0</b>	<b>44.6</b>	<b>34.1</b>	<b>67.4</b>
Balance of payments support	5.0	10.3	32.7	0.0	35.9
Project	0.0	9.7	11.9	34.1	31.5
Technical assistance	0.2	0.0	0.0	0.0	0.0
<b>IFAD</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.3</b>
<b>Commercial loans</b>	<b>0.0</b>	<b>0.0</b>	<b>5.5</b>	<b>9.0</b>	<b>8.0</b>
<b>Copper mine</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Mini-metal project</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Airplanes</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Leather factory</b>	<b>0.0</b>	<b>0.0</b>	<b>5.5</b>	<b>9.0</b>	<b>6.0</b>
<b>Commercial bank</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>2.0</b>
<b>Total</b>	<b>54.0</b>	<b>60.3</b>	<b>96.2</b>	<b>93.4</b>	<b>142.3</b>

Sources: Mongolian authorities; and Fund staff estimates.

Table 42. Mongolia: Short-Term Capital Flows, 1994-97

(In millions of U.S. dollars)

	1994	1995	1996	1997
<b>Import trade credits</b>	-2.8	0.0	6.1	-6.1
Austria	0.0	0.0	0.0	0.0
Japan	0.0	0.0	0.0	0.0
France	-2.8	0.0	0.0	0.0
United States	0.0	0.0	0.0	0.0
Other	0.0	0.0	6.1	-6.1
<b>Amortization of import trade credits (International Bank for Economic Cooperation balances)</b>	0.0	0.0	0.0	0.0
<b>Prepayment for imports</b>	-9.7	6.9	0.0	-10.0
Japanese grant	-7.5	4.7	0.0	-10.0
U.S. grant	-2.2	2.2	0.0	0.0
<b>Export trade credits</b>	-9.0	-8.9	3.8	-11.1
Copper receipts	-9.0	-8.9	3.8	-11.1
Counterpart of barter trade balance	0.0	0.0	0.0	0.0
<b>Position of non-bank sector vis a vis BIS commercial banks, net</b>	0.0	0.0	-1.0	-1.0
<b>Other</b>	-35.7	-31.6	-30.4	-31.0
<b>Total</b>	-57.2	-33.6	-21.5	-59.2

Sources: Mongolian authorities; and Fund staff estimates.

Table 43. Mongolia: Official International Reserves of the Monetary Authorities,  
1994-97 1/

(In millions of U.S. dollars, end of period)

	1994	1995	1996	1997
Gross foreign assets	92.4	114.9	97.8	139.9
Cash	0.4	0.2	4.9	1.5
SDR holdings	2.9	2.6	0.4	0.7
Monetary gold	11.0	34.5	53.6	24.6
Current account	3.5	4.5	5.5	0.6
Deposit account	71.6	70.9	33.4	78.7
Foreign government bills	0.0	0.0	0.0	33.8
Foreign grants	3.0	2.3	0.0	0.0
Short-term foreign liabilities	55.2	47.0	43.8	50.3
Borrowing from banks	0.0	0.0	0.0	0.0
International Bank for Economic Cooperation	0.0	0.0	0.0	0.0
International Investment Bank	0.0	0.0	0.0	0.0
Use of Fund credit	55.2	47.0	43.8	47.9
Foreign Currency Reserve Balances of domestic commercial banks	0.0	0.0	0.0	2.4
Net international reserves	37.2	67.9	54.0	89.6

Source: Bank of Mongolia.

1/ Assets and liabilities held by the Bank of Mongolia only. For end-December 1995, including the undrawn amount of \$17.5 million from the Asian Development Bank Agricultural Sector Loan.

Table 44. Mongolia: Official International Reserves of the Monetary Authorities, 1/

(In millions of US dollars, end of period)

	Dec 1993	Dec 1994	Dec 1995	Dec 1996	Dec 1997	Mar 1998	June 1998	Aug 1998
Gross foreign assets	64.9	92.4	114.9	97.8	139.9	129.1	119.8	115.2
Cash	0.7	0.4	0.2	4.9	1.5	3.4	3.5	2.6
SDR holdings	0.3	2.9	2.6	0.4	0.7	0.7	0.6	0.6
Monetary gold	5.3	11.0	34.5	53.6	24.6	16.9	4.4	14.8
Current account	4.0	3.5	4.5	5.5	0.6	0.5	0.4	0.7
Deposit account	54.6	71.6	70.9	33.4	78.7	93.9	98.9	91.8
Foreign government bills		0.0	0.0	0.0	33.8	13.6	12.1	4.7
Foreign grants	0.0	3.0	2.3	0.0	0.0	0.0	0.0	0.0
Short-term foreign liabilities	37.7	55.2	47.0	43.8	50.3	55.5	51.3	54.3
Borrowing from banks	5.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
International Bank for Economic Cooperation	4.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
International Investment Bank	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Use of Fund credit	31.9	55.2	47.0	43.8	47.9	47.1	46.9	47.3
Foreign Currency Reserve Balances								
of domestic commercial banks		0.0	0.0	0.0	2.4	3.9	1.9	4.5
Other	0.0	0.0	0.0	0.0	0.0	4.5	2.5	2.5
Net international reserves	27.2	37.2	67.9	54.0	89.6	73.6	68.5	60.9

Sources: Bank of Mongolia; and Fund staff estimates.

1/ Assets and liabilities held by the Bank of Mongolia only. For end-December 1995, including the undrawn amount US\$17.5 million from the AsDB Agricultural Sector loan.



Table 45: Mongolia: Selected Indicators of Commercial Bank Foreign Exchange Operations

	Dec 1995	Dec 1996	Dec 1997	Mar 1998	June 1998	Aug 1998
Transactions with Non-residents						
Foreign Assets (US\$ million)	53.4	62.4	81.7	43.4	32.5	32.3
Cash	7.9	22.6	5.6	4.4	5.6	3.8
Demand deposits	41.5	18.3	44.4	22.6	20.3	18.3
Time deposits	4.0	21.5	31.7	16.5	6.6	10.1
Foreign Liabilities (US\$ million)	4.4	12.4	15.1	22.1	20.7	21.7
Deposits of foreign banks and non-residents	2.0	9.3	8.6	0.0	0.0	0.0
Loans from foreign banks	1.4	3.0	6.4	22.0	20.6	21.6
Transactions with Residents						
Foreign currency denominated loans (US\$ million)	18.8	15.3	20.2	44.1	46.8	48.1
Summary Indicators (in percent)						
FC loans / total loans	13.6	14.2	31.9	47.7	45.5	46.5
Non-performing/total loans (Forex)	10.7	30.1	20.3	11.8	8.1	11.1
Non-performing/total loans (Tugrik)	19.5	50.6	31.7	34.8	41.7	44.8
Forex Current accounts/total current accounts	59.5	44.2	57.4	55.1	53.4	56.2
Foreign Currency Deposits (US\$ million)	59.9	41.7	60.6	48.9	45.4	50.8
Summary Indicators (in percent)						
FC Deposits/Total deposits	35.3	33.5	41.0	35.7	36.3	39.2
FC Demand deposits/total demand deposits	20.0	19.7	31.2	28.5	26.9	30.2
FC Time and Savings deposits/total time and savings deposit	16.7	25.8	21.0	17.7	18.3	17.6

Sources: Bank of Mongolia, and Fund staff estimates.

Table 46. Mongolia: External Debt and Debt Service  
in Convertible Currencies, 1993-97<sup>1</sup>

	1993	1994	1995	1996	1997
(In millions of U.S. dollars)					
External debt	366.0	473.7	503.8	542.2	604.8
Medium- and long-term	322.9	418.5	456.8	498.6	557.3
IMF	31.9	55.2	47.0	43.8	47.6
Short-term	11.2	0.0	0.0	0.0	0.0
Debt service	41.9	66.7	58.5	43.3	35.5
Amortization	32.7	52.4	49.1	36.1	29.5
Interest	9.2	14.3	9.4	7.2	6.0
Medium- and long-term	28.8	65.6	47.6	32.8	34.5
Amortization	21.5	52.4	39.4	26.1	28.7
Interest	7.3	13.2	8.2	6.7	5.8
IMF	1.2	1.1	10.8	10.5	1.1
Repurchase/Repayments	0.0	0.0	9.7	10.0	0.9
Charges	1.2	1.1	1.1	0.5	0.2
Short-term	12.4	0.0	0.0	0.0	0.0
(In percent)					
External debt/GDP	62.4	68.7	52.8	54.0	63.7
Medium- and long-term	55.0	60.7	47.9	49.6	58.7
IMF	5.4	8.0	4.9	4.4	5.0
Short-term	1.9	0.0	0.0	0.0	0.0
External debt/exports gds and services	93.4	116.4	95.4	113.2	93.3
Medium- and long-term	82.4	102.9	86.5	104.1	85.9
IMF	8.1	13.6	8.9	9.1	7.3
Short-term	2.9	0.0	0.0	0.0	0.0
Debt-service ratio	10.7	16.4	11.1	9.0	5.5
Amortization	8.3	12.9	9.3	7.5	4.5
Interest	2.3	3.5	1.8	1.5	0.9
Medium- and long-term	7.4	16.1	9.0	6.8	5.3
Amortization	5.5	12.9	7.5	5.4	4.4
Interest	1.9	3.2	1.6	1.4	0.9
IMF	0.3	0.3	2.0	2.2	0.2
Repurchase/repayments	0.0	0.0	1.8	2.1	0.1
Charges	0.3	0.3	0.2	0.1	0.0
Short-term	3.2	0.0	0.0	0.0	0.0

Sources: Mongolian authorities; and Fund staff estimates.

1/ Data refer to actual payments.

**Table 47. Mongolia: Long-Term External Debt  
in Nonconvertible Currencies, 1993-97**

(In millions of transferable rubles)

	1993	1994	1995	1996	1997
<b>Total</b>	<b>10,616</b>	<b>10,543</b>	<b>10,522</b>	<b>10,522</b>	<b>10,522</b>
<b>Russia</b>	<b>10,457</b>	<b>10,457</b>	<b>10,457</b>	<b>10,457</b>	<b>10,457</b>
<b>Former Czechoslovakia</b>	<b>41.9</b>	<b>41.9</b>	<b>41.9</b>	<b>41.9</b>	<b>41.9</b>
<b>Former German Democratic Republic</b>	<b>20.7</b>	<b>20.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Bulgaria</b>	<b>9.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Romania</b>	<b>3.1</b>	<b>3.1</b>	<b>3.1</b>	<b>3.1</b>	<b>3.1</b>
<b>Hungary</b>	<b>34.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Poland</b>	<b>20.1</b>	<b>20.1</b>	<b>20.1</b>	<b>20.1</b>	<b>20.1</b>
<b>China</b>	<b>28.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Source: Mongolian authorities.

Table 48. Mongolia: Monthly Exchange Rates, January 1996-August 1998

(In tugriks per U.S. dollar, period average)

	Official Rate <sup>1</sup>	Interbank Rate <sup>2</sup>	Street Rate
1996			
January	476.0	481.4	492.2
February	481.9	489.3	501.5
March	486.5	494.1	510.0
April	491.7	500.9	508.0
May	504.8	506.0	515.9
June	524.9	528.8	549.4
July	534.3	543.1	558.0
August	544.2	561.0	569.0
September	586.5	595.8	600.6
October	606.2	611.5	614.3
November	655.8	676.7	679.0
December	692.4	693.9	692.8
1997			
January	710.6	718.0	724.0
February	733.9	749.3	731.8
March	819.2	844.4	807.4
April	805.0	801.1	818.4
May	787.1	786.9	785.6
June	796.8	797.6	795.8
July	799.1	800.1	800.2
August	803.7	806.7	807.7
September	803.8	806.6	807.8
October	804.9	808.1	809.9
November	808.1	810.3	811.9
December	811.9	812.2	813.6
1998			
January	815.2	816.9	821.2
February	816.5	818.2	820.9
March	816.7	817.6	821.1
April	817.9	818.5	820.6
May	821.9	823.9	831.1
June	833.6	838.9	849.6
July	839.3	842.4	852.1
August	846.4	853.5	866.6

Source: Bank of Mongolia.

1/ Midpoint rate announced by the Bank of Mongolia.

2/ Midpoint rate established in the interbank foreign exchange market.

Table 49. Mongolia: External Debt Stock by Creditor 1/

	1995	1996	1997	1995	1996	1997
	(US\$ mn)			(percent)		
External Debt	503.8	542.2	604.8	100.0	100.0	100.0
Medium and long-term official	387.4	437.4	518.0	76.9	80.7	85.6
Multilateral (excl IMF)	165.7	205.0	288.0	32.9	37.8	47.6
Asian Development Bank	107.0	137.3	193.3	21.2	25.3	32.0
World Bank	58.7	67.7	94.4	11.7	12.5	15.6
Bilateral official	221.7	232.5	229.9	44.0	42.9	38.0
Paris Club	216.6	225.2	212.3	43.0	41.5	35.1
Japan	95.2	112.1	112.3	18.9	20.7	18.6
Russia	83.3	73.3	51.9	16.5	13.5	8.6
Germany	30.0	30.9	31.7	6.0	5.7	5.2
Finland	8.1	6.9	8.2	1.6	1.3	1.4
Norway	0.0	2.0	8.2	0.0	0.4	1.4
Non-Paris Club	11.0	13.2	17.6	2.2	2.4	2.9
China	1.5	5.9	13.0	0.3	1.1	2.2
Korea	5.2	4.8	2.4	1.0	0.9	0.4
India	1.8	1.6	1.5	0.3	0.3	0.2
Hungary	2.6	0.9	0.0	0.5	0.2	0.0
Kuwait	0.0	0.0	0.7	0.0	0.0	0.1
IMF	47.0	43.6	47.6	9.3	8.0	7.9
Commercial	63.5	55.2	39.3	12.6	10.2	6.5
Short-term	0.0	0.0	0.0	0.0	0.0	0.0

1/ Excludes unresolved transferable ruble claims.

Table 50. Mongolia: Privatization, 1996-97

	No. of Enterprises Privatized	Average No. of Employees	Privatization Revenue (millions of tug)
1996			
Total privatization receipts	13	...	1,500
Large enterprises	0	...	0
Construction sector	...	...	...
Mineral sector	...	...	...
Agriculture sector	...	...	...
Other	...	...	...
Small enterprises and assets	13	...	1,500
1997			
Total privatization receipts	236	3,540	16,649.9
Large enterprises	3	450	1,138
Construction sector	0	0	0
Mineral sector	0	0	0
Agriculture sector	1	120	78
Other	2	330	1,080
Small enterprises and assets	233	3,090	15,511.6

Source: State Property Commission