

INTERNATIONAL MONETARY FUND

WORLD BANK GROUP

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE CORPORATION

INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES

MULTILATERAL INVESTMENT GUARANTEE AGENCY

J

Press Release No. 38

October 6 - 8, 1998

Statement by the Hon. **BAT-ERDENE BATBAYAR**,
Governor of the Bank for **MONGOLIA**,
at the Joint Annual Discussion

TOWARD A NEW MILLENNIUM

H.E. B. Batbayar,
Minister of Finance of Mongolia

Distinguished Chairman,
Honored guests,
Ladies and gentlemen!

It is a great pleasure and honor to address the Bretton Woods institutions Annual Meetings representing Mongolia- a country with 2.4 million population, a deep historical heritage and abundant natural resources. Let me bring to you warm greetings from the Government of Mongolia and the Mongolian people.

This year's Annual Meetings is of great importance to the world when almost 40 per cent of the global economy is experiencing economic recession and many countries are affected by severe financial crisis and turmoil. This international forum that pools the world elite provides all of us with an opportunity to share thoughts and views on problems and outstanding issues we face and jointly seek ways of their solution.

Today Mongolia is irreversibly undergoing an ambitious agenda to transform the whole political, economic and social institutions into a democratic, humane civil society based on a market economy and the rule of law. The country is relatively successfully weathering the adverse effect of contagion triggered by the financial turmoil in South East Asia and maintaining a momentum to prosper its economy and to improve the well being of the Mongolian people.

Mongolia has successfully been implementing the mid-term ESAF program agreed with the IMF in 1997. For the first eight months of this year annual inflation fell to 7.5 percent down from 55 per cent in the same period of 1997 and from 325 per cent that of in 1993. Real GDP rose to 3.9 per cent in 1997 from 2.6 per cent in 1996 and is projected at about 3.5 per cent in 1998. International reserves stood at US\$ 118 million

by end-June, 1998 equaling 12 weeks of imports against US\$ 102 for the same period last year. The exchange rate is relatively stable for the last 3 years. The unemployment rate has been decreasing compared to that of last year.

I would like to stress the fact that these achievements have been made possible thanks to support and assistance of international financial institutions such as the IMF, World Bank and the Asian Development Bank, as well as our bilateral donor countries. The prescription of policy measures designed by the IMF to overhaul the country's economy has proved its correctness while producing positive outcomes. Today we are negotiating with the IMF the second year program under ESAF.

Notwithstanding, Mongolia still stands at ranking of developing countries with US\$400 annual per capita income with an overgrowing challenge of poverty. The country's economy is very volatile and imbalanced relying mainly on a few manufacturing industries compounded by rapidly worsening external environment. The banking sector is still weak financially, operationally and in terms of skilled human resources. The Government budget is under high pressure triggered by continues decline in international market prices of major export items such as copper, gold and cashmere, troubled state owned banks, ineffective and fully subsidized social welfare and security institutions, and shortfall in projected privatization receipts. Infrastructure remains underdeveloped and is far to meet basic needs of the population and businesses. Technology is greatly outdated and environmentally unfriendly. The private sector is still weak and nascent. At present, the public sector yet constitutes the large segment of the economy. The country's lack of access to the international markets and shortfall in competitiveness in addition the landlocked and isolated unfavorable geographical location. Unemployment and poverty are challenging to grow unless an appropriate policy measures undertaken and necessary funding secured.

The current global trends and the existing situation in the economy dictate Mongolia to more focus on maintaining momentum and positive developments produced while strengthening economic fundamentals in order to be ready for and prevent from a possible danger associated with regional and global economic crisis and turmoil. Mongolia is not fully immune from their epidemic perverse impact.

The Government of Mongolia is eager to complete transition in a relatively short period of time with less economic and social costs. This will require well-grounded, carefully elaborated policy and implementation tools backed by substantial capital, human and intellectual resources. The constructive cooperation with the international financial institutions including the IMF, WB and ADB will no doubt help to attain this important mission.

We are a witness of growing partnership relations and cooperation with the World Bank Group based on the spirit of mutual understanding, trust and respect to each other since 1991 when Mongolia joined the Bretton Woods institutions.

The World Bank is providing a worthwhile assistance to Mongolia to rehabilitate and sustain its infrastructure, to stabilize its macro-economy, to enhance structural reforms and to alleviate poverty. The Bank has funded 10 development projects that worth about SDR 167 million since 1991. We also greatly commend and highly value the Bank's non-lending program provided to Mongolia. The Bank plays a vital role in coordinating activities in the Mongolia Assistance Group and up to date has contributed to six successful Consultative Group Meetings co-chaired with the Government of Japan. FDI promotion is another important area of the Bank's intervention. Two successful international investment conferences in area of mining, oil and gas, as well as agro-

industry and tourism have been convened in last 2 years in Mongolia and the existing legislature related to FDI has been largely improved under the umbrella of these two international forums.

The opening of the World Bank Resident Mission for the first time in Mongolia has opened a new chapter in the history of partnership relations and cooperation between Mongolia and the World Bank. It greatly contributes to growing efficiency of Bank funded projects and an improved policy dialogue and coordination between the Government and the Bank.

The Government of Mongolia is keen to broaden collaboration with IFC, MIGA and other agencies of the World Bank Group in area of private sector development, promotion FDI and enhancing the country's competitiveness. Recently, Mongolia has become a full member of MIGA , which enables Mongolia to extensively work on investment promotion applying tools that MIGA possesses.

Given the progress that has been attained in economic and social development and satisfactory status of the projects funded by the World Bank the Government of Mongolia seeks increase in annual capital allocation for Mongolia from its current level of US\$ 25-30 million within the context of the four major areas such as macroeconomic stabilization, infrastructure development, structural adjustment and poverty alleviation agreed under the Country Assistance Strategy with the Bank. On our part, we will exert every effort to improve efficiency and effectiveness of utilization of development funding.

We in general agree the idea of overhauling the Bretton Woods institutions for the sake of an increased efficiency, effectiveness and a client-oriented approach. We believe that the IMF and the World Banks can play a vital leading role in addressing the pressing problems and burning issues associated with disastrous economic and financial crisis that evolves with rapid path touching upon many regions and countries.

I hope that this Annual Meetings will be a turning point to halt the global financial crisis and rehabilitate those economies in trouble supplemented by restoration of investors confidence and fixing up the ailing banking system.

At the end of my speech, I would like to reassure our Government's commitment to economic reform and strong willingness to take an active part in the important mission of the international community in their efforts to foster a stable environment conducive to global growth and equity development of all nations world-wide toward the new millennium of humanity-the 21st century.

Thank you for your attenti