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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE CORPORATION

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INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES

MULTILATERAL INVESTMENT GUARANTEE AGENCY

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Statement by the Hon. **PUNTSAG TSAGAAN**,
Governor of the Bank and the Fund for **MONGOLIA**,
at the Joint Annual Discussion

**STATEMENT BY P. TSAGAAN, GOVERNOR FOR MONGOLIA,
MINISTER OF FINANCE OF MONGOLIA**

*Dedicated to the World Bank
Group and IMF Annual
Meetings, September 23-25,
1997, Hong Kong*

Mr. Chairman,
Distinguished Governors,
Ladies and Gentlemen!

First of all, on behalf of the Mongolian delegation I would like to extend our warm and cordial greetings and wishes to the Chairman, the President and Managing Director, esteemed guests, and the other participants who are here at this forum. I would also like to thank the Hong Kong Monetary Authority for its excellent organisational arrangements and hospitality.

Given the time constraints, I would like to be very brief focusing on our one year's experience since the last year's IMF/WB Annual meetings in Washington DC and plans in the near future.

As you may know, the new Government established in July 1996 is strongly committed to accelerate the political and economic reforms which had started in the earlier 1990's in our country.

For the last one year in co-operation with and support by the IMF, WB, ADB and other donor countries we:

- removed price controls and liberalised wages;
- reduced import restrictions, abolished customs duties except for strong alcohol and tobacco products, and simplified visa regime for foreign visitors.
- launched a comprehensive privatisation program including both loss making and profit making enterprises;
- restructured insolvent commercial banks and tightened banking supervision;
- stopped subsidies to state owned enterprises;
- substantially changed tax legislation to create conducive environment for the private sector-led economy growth;
- IFC did made its first investment in Mongolia;
- In co-operation with the World Bank organised International Conference on FDI in Oil, Gas and Mining in Ulaanbaatar and approved one of the most liberal and transparent Minerals Law. And it was a great coincidence that after a few days Mongolia discovered rich deposits of high quality oil.
- and finally we have started education, health and social safety net reforms.

For us now the first and foremost priority is the macro-economic stabilisation. It is my pleasure to tell you that as a result of those policy oriented measures, despite the social pains and even resistance to some extent , there is a number of positive signs occurring in our economy. These are expressed in consecutive forth year's positive growth of GDP, further stabilisation of exchange rate, dramatic reduction of inflation for the first time in last seven years, and substantial increase in foreign reserves of the country. In addition, there has been the first consecutive real increase of deposits with banks after the implementation of comprehensive restructuring program launched in late 1996, indicating strong restoration of public confidence in banking sector.

In the near future, our Government plans to deepen structural adjustments and reforms such as further strengthening the banking system, reducing budget deficit, tightening the fiscal disciplines, restructuring the existing public administration and civil

service into output oriented and transparent competitive one, streamlining tax system that would shift from taxing income to taxing consumption, and improving legal and business environment for both domestic and foreign investment with objective of ensuring strong and sustainable growth of the economy and improving living standards of our citizens.

We consider that our first achievements are closely linked with strong support of the IMF and World Bank, and I am very confident that the Bretton Woods institutions will continue to support and assist still in fragile but challenging small economies such as Mongolia, in particular in area of timely implementation of our reform agenda. Taking this opportunity I would like to support President James Wolfensohn's strong commitment expressed yesterday towards restructuring the Bank. I have no doubt that your efforts will lead to further improvement of the efficiency of the Bank's operation, reduction of bureaucracy and making the World Bank Group more client oriented and country driven international institutions.

Also I would like to point out my sincere hope that the new three years ESAF Arrangements approved by the Board of Directors of the IMF late July this year will be very crucial and helpful for the most efficient and timely implementation of our Reform Agenda.

I would like to take this opportunity to thank the IMF Board Members, its Managing Director Michel Camdessus and his staff for their tremendous efforts, patience and co-operation in successful concluding the new arrangements.

In concluding my address, I wish that the Bretton Woods institutions will continue to play their increasing role to serve for the world community to prosper and flourish..

Thank you for your kind attention.