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Mongolia: Letter of Intent, Memorandum of Economic Policies, and
Technical Memorandum of Understanding

February 24, 2010

The following item is a Letter of Intent of the government of Mongolia, which describes the policies that Mongolia intends to implement in the context of its request for financial support from the IMF. The document, which is the property of Mongolia, is being made available on the IMF website by agreement with the member as a service to users of the [IMF](#) website.

MONGOLIA: LETTER OF INTENT

February 24, 2010

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Mr. Strauss-Kahn:

Our macroeconomic policies, supported by the Stand-By Arrangement with the International Monetary Fund, have successfully stabilized market conditions, boosted international reserves, and lowered inflation. The outlook for this year is favorable and growth, boosted by the investment in the Oyu Tolgoi mine, is expected to rebound.

Our objective remains to achieve strong, sustainable, and equitable growth with low inflation and healthy public finances. In the coming months, we intend to press ahead with key reforms aimed at strengthening the banking system, improving public finances, maintaining a flexible exchange rate, and alleviating poverty. The attached Memorandum of Economic Policies (MEP) describes our macroeconomic policies for the remainder of 2010.

Given the success to date of the program, and our observance of all end-December 2009 performance criteria, we request the completion of the fourth review. Quantitative targets and structural policies of our program are outlined in Tables 1 and 2. The fifth review is scheduled to take place on or after June 15, 2010 and the sixth review is scheduled to take place on or after September 15, 2010.

During the period of the arrangement, the Mongolian government will maintain the usual close policy dialogue with the Fund and consult with the IMF before modifying measures contained in this letter or adopting new measures. We will continue to provide the IMF with the necessary information for program monitoring and authorize the IMF to publish this letter and the attached MEP.

Sincerely yours,

/s/
S. Bayartsogt
Minister of Finance

/s/
L. Purevdorj
Governor of Bank of Mongolia

Attachments
Memorandum of Economic Policies
Revised Technical Memorandum of Understanding

MONGOLIA: MEMORANDUM OF ECONOMIC POLICIES

1. **Growth and inflation.** We expect the economy to rebound this year and to grow around 7 percent, spurred by investments that will accompany the development of the Oyu Tolgoi mine. Inflation was 4½ percent in January and is projected to pick up this year, due in part to rising meat prices, and stabilize at around 6 percent for 2011.

Fiscal Policy

2. **Fiscal stance.** We remain committed to restoring health to public finances and made significant progress toward this goal last year. For this year, we are committed to limiting the 2010 budget deficit to less than 5 percent of GDP and will fully offset any revenue shortfall with a reduction in spending to ensure that the program deficit targets are achieved. On the other hand, if revenues exceed budget forecasts, we intend to save the additional revenues to help meet future financing needs and limit pro-cyclicality of spending.

3. **Maintaining fiscal responsibility.** We will pass by June 15 a Fiscal Responsibility Law. The law will promote fiscal discipline by enhancing transparency, strengthening accountability, and establishing numerical rules that would limit the fiscal balance, government debt, and spending growth. The law will limit the structural budget deficit to 4 percent of GDP in 2011, falling to 2 percent of GDP by 2013. We will achieve this adjustment by adopting high-quality measures that will help ensure a durable improvement in public finances while also enhancing economic efficiency. Specifically, we intend to strengthen tax administration by significantly expanding the large taxpayer office and doubling the audit staff devoted to large taxpayers (by end-July). In addition, we are planning to modernize the mineral taxation regime so as to boost revenue and facilitate development of the mining sector. Finally, an organic budget law, complementary to the Fiscal Responsibility Law, is under preparation and expected to be passed later this year.

4. **Protecting the poor.** A social transfer reform law has been submitted to parliament and will be passed by June 15. The law aims to better assist Mongolia's most vulnerable citizens by increasing the benefits to low income households. We will phase-in implementation as we improve our capacity to carry-out effective means-testing to target the poverty benefit. We appreciate the support of donors in preparing this reform, and will continue to work with the World Bank and Asian Development Bank on its implementation.

Monetary and Exchange Rate Policies

5. **Exchange rate policy.** We remain fully committed to a flexible exchange rate to provide a shock absorber against terms of trade volatility and to safeguard international reserves. Our intervention strategy is guided by the goals of rebuilding international reserves and allowing the exchange rate to move in line with market conditions while smoothing excess volatility due to temporary imbalances. We will consult with Fund staff on the appropriate policy response if, during any 28 day period, our net sales in the foreign exchange auctions exceed US\$30 million.

6. **Monetary policy.** Our primary objective for monetary policy continues to be oriented toward achieving and maintaining low inflation and macroeconomic stability. Inflation, which had decelerated sharply and turned negative last year, has started to pick-up in line with our expectations. Monetary policy, therefore, has switched to a neutral stance and the central bank will continue to closely monitor the inflation outlook and the strength of the economic recovery to assess whether to adjust interest rates.

Banking System Reforms

7. **Banks.** We are taking decisive action to bolster confidence in the banking system and ensure financial stability. We have started external audits at several banks and will complete ten of these audits by end-March of this year. With the audit results as input, we will develop plans to ensure that all banks have strong capital bases and viable business plans, and will submit a comprehensive bank restructuring strategy to Parliament in early April. As part of this strategy, public funds may well be needed. We will tie the injection of public funds to governance and structural reforms at the recipient bank. Such reforms would include changes in management; ensuring transparent, fit, and proper owner/managers of the bank; improving risk management systems; and strengthening lending practices. We are committed to responding proactively and vigorously to handle problems in individual banks, as they arise, and to maintain the stability of and confidence in the Mongolian banking system.

8. **Supervision.** A robust banking system is a top priority of the government, and enhancing supervision is an integral part of our strategy. Toward this end, Parliament recently passed a revised Banking Law that reinforces prudential requirements, more clearly defines connected parties, and strengthens the resolution framework. We also will (i) improve the loan classification system for restructured loans, including by clarifying the definition, tightening the rules for upgrading, and requiring monthly reporting; (ii) establish a separate unit within the central bank to handle on-site examination; (iii) strengthen the monitoring and supervision of banks offering deposit rates above the market rate; and (iv) more strictly enforce prudential rules on single-borrower limits, connected party loans, and provisioning requirements.

Other policies

9. **External financing.** We are committed to prudently managing any further nonconcessional borrowing within program ceilings and we will maintain the current prohibition on government guarantees.

Table 1. Mongolia: Quantitative Performance Criteria (PC) and Indicative Targets (IT)

	12/31/2008	12/31/2009			3/31/2010			6/30/2010		
	Actual	Prog.	Adjusted	Outcome	3rd review		Rev. Prog.	3rd review		Rev. Prog.
					Prog.	Adjusted		Prog.	Adjusted	
Performance criteria 1/										
Net international reserves (NIR) of the Bank of Mongolia (BOM) (floor, eop stock, in million US\$) 2/	495	798	766	923	853	761	809	788	746	776
Net domestic asset (NDA) of the BOM (ceiling, eop stock, in billion togrog) 3/	-171	-542	-492	-728	-618	-485	-645	-491	-431	-477
Net credit to government (NCG) (ceiling, cumulative from the beginning of the fiscal year, in billion togrog) 3/	130	58	108	-17	100	114	220	242	228	270
New nonconcessional external debt maturing in one year or more, contracted or guaranteed by the government or the BOM (ceiling, eop stock since April 2009, in million US\$).	0	200	200	100	200	200	200	200	200	200
New nonconcessional external debt maturing in less than one year, contracted or guaranteed by the government or the BOM (ceiling, eop stock, in million US\$).	0	0	0	0	0	0	0	0	0	0
Accumulation of new external payment arrears (ceiling, eop, in million US\$).	...	0	0	0	0	0	0	0	0	0
Accumulation of domestic payment arrears (ceiling, eop, in billion togrog).	0	0	0	0	0	0	0	0	0	0
Indicative targets										
General government fiscal deficit (ceiling, cumulative since the beginning of fiscal year, in billion togrog).	296	416	416	329	136	136	220	216	216	270
Memorandum items:										
Support from bilateral and multilateral donors excluding IMF (cumulative since April 2009, in million US\$), program level.	0	174	142	142	194	152	152	234	192	192
Disbursed new nonconcessional external debt (eop stock, in million US\$), program level.	...	75	75	75	75	75	75	0	0	0
Disbursed Oyu Tolgoi tax prepayment loans (eop stock, in million US\$), program level.	...	100	100	100	150	100	100	150	150	150

1/ Evaluated at the program exchange rate.

2/ NIR does not include commercial bank foreign currency deposits and foreign currency current accounts held at the Bank of Mongolia. The adjustors are specified in the Technical Memorandum of Understanding (TMU), and include: the floor on NIR will be adjusted upward (downward) by the amount of support from bilateral and multilateral donors (excluding IMF) in excess (short) of the program level cumulative since April 2009; the floor will be adjusted upward by the amount of nonconcessional borrowing disbursed in excess of the program level; the floor on NIR will be adjusted upward by the amount of the cumulative additional SDR allocations up to the test date.

3/ The adjustors are specified in the TMU, and include: the ceilings on NDA and NCG, respectively, will be adjusted downward (upward) by the amount of support from bilateral and multilateral donors (excluding IMF) in excess (short) of the program level; the ceilings will be adjusted downward by the amount of nonconcessional debt disbursed in excess of the program level.

Table 2. Mongolia: Structural Benchmarks

Actions	Date	Status
Revising relevant laws to require Erdenet to pay taxes in togrog.	6/30/2009	Completed on July 9.
Announcement of a resolution plan for Anod bank based on the diagnostic assessment of the external auditor.	6/30/2009	Completed. Anod bank was put into receivership on November 30, 2009.
A comprehensive review of transfer programs resulting in a revision of the relevant laws to streamline transfer programs and safeguard the social safety.	6/30/2009	Completed late June, reform plan approved by Cabinet-level Working Group.
Submission to the parliament of a revised banking law and other pertinent laws and legislations that include: (i) strengthened prompt corrective action clauses including an increase in penalties for noncompliance; (ii) requiring consolidated supervision; (iii) an improved bank resolution framework that more clearly defines the roles of the conservator and liquidator; (iv) legal protection for bank and nonbank supervisors; (v) a more clear definition of "group of connected parties;" and (vi) reinforced prudential supervision requirements.	6/30/2009	Completed on July 24.
Pass a 2010 budget consistent with the IMF supported Stand-By Arrangement.	12/1/2009	Completed November 27.
The submission to parliament of Fiscal Responsibility Law consistent with recommendations of Fund technical assistance.	12/31/2009	Completed, submitted to Parliament on January 12.
Pass a comprehensive social transfer reform that saves money and protects the poor through better targeting.	12/1/2009	Delayed. Reset below.
Passage of a comprehensive social transfer reform.	6/15/2010	
Parliamentary passage of Fiscal Responsibility Law consistent with recommendations of Fund technical assistance.	6/15/2010	

MONGOLIA: TECHNICAL MEMORANDUM OF UNDERSTANDING

I. QUANTITATIVE PERFORMANCE CRITERIA AND INDICATIVE TARGETS

1. Performance criteria for end-March 2010 and end June-2010 have been established with respect to:
 - floors on the level of net international reserves of the BOM;
 - ceilings on the level of net domestic assets of the BOM;
 - ceilings on the level of net bank credit to general government;
 - ceilings on the contracting and guaranteeing by the central government or the BOM of new medium- and long-term external debt;
 - ceilings on the contracting or guaranteeing by the central government or the BOM of new short-term external debt;
 - ceilings on accumulation of domestic payment arrears of the central government.
2. Performance criteria that are applicable on a continuous basis have been established with respect to:
 - ceilings on accumulation of new external payment arrears of the central government and the BOM.
3. Indicative targets for end-March 2010 and end-June 2010 have been established with respect to:
 - ceilings on the general government fiscal deficit.

II. INSTITUTIONAL DEFINITIONS

4. The general government includes all units of budgetary central government, social security funds, extrabudgetary funds, and local governments.
5. The domestic banking system is defined as the BOM, the existing and newly licensed commercial banks incorporated in Mongolia and their branches.

III. MONETARY AGGREGATES

6. **Valuation.** Foreign currency-denominated accounts will be valued in togrogs at the program exchange rate between the togrog and the U.S. dollar, Tog 1,443 per U.S. dollar. Foreign currency accounts denominated in currencies other than the U.S. dollar, excluding

SDRs, will first be valued in U.S. dollars at actual end-of-period exchange rates used by the BOM to calculate the official exchange rates. SDR-denominated accounts will be valued at the program exchange rate of SDR 1=US\$1.56. Monetary gold will be valued at US\$1,096 per ounce.

A. Reserve Money

7. Reserve money consists of currency issued by the BOM (excluding BOM holdings of currency) and commercial banks' deposits held with the BOM (excluding foreign currency denominated time deposits).

B. Net International Reserves of the BOM

8. A floor applies to the level of net international reserves (NIR) of the BOM. The floor on NIR will be adjusted upward (downward) by the amount of support from bilateral and multilateral donors (excluding IMF) in excess (short) of the programmed level cumulative since April 2009. The floor on NIR will be adjusted upward by the amount of nonconcessional borrowing disbursed in excess of the program level, with the exception of any amounts drawn under a swap arrangement with China. The NIR will also be adjusted upward (downward) by the amount of Oyu Tolgoi tax prepayment loans disbursed in excess (short) of the programmed level.

9. NIR will be calculated as gross international reserves less international reserve liabilities. For program monitoring purposes, the stock of foreign assets and foreign liabilities of the BOM shall be valued at program exchange rates and gold price as described on paragraph 6 above.

10. **Gross international reserves** of the BOM are defined as the sum of

- monetary gold holdings of the BOM;
- holdings of SDRs;
- Mongolia's reserve position in the IMF;
- foreign currency assets in convertible currencies held abroad that are under the direct and effective control of the BOM and readily available for intervention in the foreign exchange market, or the direct financing of balance of payments imbalances and are of investment grade or held with an investment-grade institution;
- excluded from the definition of gross reserves are capital subscriptions in international institutions, assets in nonconvertible currencies, and gross reserves that are in any way encumbered or pledged, including, but not limited to, reserve assets used as collateral or guarantee for third-party external liabilities.

11. **International reserve liabilities** of the BOM are defined as the sum of
- all outstanding liabilities of Mongolia to the IMF;
 - any foreign convertible currency liabilities of the BOM to nonresidents with an original maturity of up to and including one year;
 - commercial bank foreign currency deposits held at the BOM, commercial bank foreign currency current accounts held at the BOM, any foreign currency claims on residents.

C. Net Domestic Assets of the BOM

12. A ceiling applies to the level of net domestic assets (NDA) of the BOM. The ceiling on NDA will be adjusted downward (upward) by the amount of support from bilateral and multilateral donors (excluding IMF) in excess (short) of the programmed level cumulative since April 2009. The ceiling on NDA will be adjusted downward by the amount of nonconcessional debt disbursed during the program period, with the exception of any amounts drawn under a swap arrangement with China. The ceiling on NDA will also be adjusted downward (upward) by the amount of Oyu Tolgoi tax prepayment loans disbursed in excess (short) of the programmed level.

13. NDA will be calculated as the difference between reserve money and the sum of NIR and other net foreign assets (ONFA) of the BOM.

14. ONFA is defined as the sum of (i) BOM's monetary gold pledged as collateral for external loans to domestic private companies and (ii) other net foreign assets of the BOM, including the difference between accrued interest receivables on gross international reserves of the BOM and accrued interest payables on international reserve liabilities of the BOM and deposits of international financial institutions.

D. Net Domestic Credit to the General Government

15. A ceiling applies to the net bank credit flows to the general government (NCG) measured cumulatively from the beginning of the year. The ceiling on NCG will be adjusted downward (upward) by the amount of support from bilateral and multilateral donors (excluding IMF) in excess (short) of the programmed level cumulative from the beginning of the fiscal year. The ceiling will also be adjusted downward by the amount of nonconcessional debt disbursed during the program period in excess of the programmed level.

16. **NCG** is defined as the sum of (i) net borrowing from the BOM (ways and means advances, loans, holdings of restructuring bonds, holdings of treasury bills and other government bonds, and the government liabilities to the IMF minus deposits); (ii) net borrowing from commercial banks (loans, advances, holdings of restructuring bonds, and

holdings of treasury bills and other government bonds minus deposits); and (iii) net change in domestic government debt held by parties other than the BOM and commercial banks. NCG excludes government deposits lost or government debt (or other liabilities) issued to pay for bank restructuring costs approved by Parliament.

IV. FISCAL AGGREGATES

A. Fiscal Deficit

17. An indicative ceiling target applies to the general government fiscal deficit measured cumulatively from the beginning of the year.

18. Fiscal deficit is defined as total general government revenue and grants minus total general government expenditure and net lending. The principal costs of bank restructuring approved by Parliament are excluded from expenditure and net lending, but the corresponding interest payments are included.

V. DOMESTIC PAYMENT ARREARS

19. Domestic payment arrears for the purpose of the program are measured on the basis of the stock of government payables and liabilities that exceed its due-for-payment date by more than 60 days. If this stock is equal or smaller than Tog 3.5 billion, the program considers domestic arrear accumulation to be zero. If this stock exceeds Tog 3.5 billion, the difference is considered to constitute domestic arrear accumulation. The program aims for zero domestic arrear accumulation under this definition. Overdue claims that are arrears under the definition of the performance criteria subject to litigation shall be excluded from the application of the performance criteria.

VI. EXTERNAL DEBT

A. Medium- and Long-Term External Debt

20. A ceiling applies to the contracting and guaranteeing by the public sector with nonresidents with original maturities of one year or more. The ceiling applies to debt and commitments contracted or guaranteed for which value has not yet been received. This applies to private debt for which official guarantees have been extended and which, therefore, constitute a contingent liability of the public sector. The public sector comprises the central government and the Bank of Mongolia.

21. However, with respect to swap arrangements with People's Bank of China, only amounts actually drawn under such arrangement would count toward the ceiling and all such drawings, regardless of the duration, would be considered to have an original maturity of more than one year. Secondary market transactions of Oyu Tolgoi tax prepayment loans with nonresidents are not considered external financing for the purpose of the program.

22. The definition of debt, for the purposes of the program, is set out in Executive Board Decision No. 12274, Point 9, as revised on August 31, 2009 (Decision No. 14416-(09/91)) (see Annex I).

23. Excluded from the ceiling are (i) the use of Fund resources; (ii) lending from the World Bank Group, the Asian Development Bank, and the International Fund for Agricultural Development; (iii) debts incurred to restructure, refinance, or prepay existing debts, to the extent that such debt is incurred on more favorable terms than the existing debt; (iv) concessional debts; and (v) any togrog-denominated treasury bill and government bond holdings by nonresidents.

24. For program purposes, the guarantee of a debt arises from any explicit legal obligation of the public sector to service a loan in the event of nonpayment by the recipient (involving payments in cash or in kind), or indirectly through any other obligation of the public sector to finance partially or in full any shortfall incurred by the loan recipient.

25. For program purposes, a debt is concessional if it includes a grant element of at least 35 percent, calculated as follows: the grant element of a debt is the difference between the present value (PV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt. The discount rates used for this purpose are the currency specific commercial interest reference rates (CIRRs), published by the Organization for Economic Cooperation Development (OECD). For debt with a maturity of at least 15 years, the ten-year-average CIRR will be used to calculate the PV of debt and, hence, its grant element. For debt with a maturity of less than 15 years, the six-month average CIRR will be used. To both the ten-year and six-month averages, the same margins for differing repayment periods as those used by the OECD would continue to be added (0.75 percent for repayment periods of less than 15 years, 1 percent for 15 to 19 years, 1.15 percent for 20 to 29 years, and 1.25 percent for 30 years or more). Loans provided by a private entity will not be considered concessional unless accompanied by a grant or grant element provided by a foreign official entity, such as both components constitute an integrated financing package with a combined grant element equal to at least 35 percent.

B. Short-Term External Debt

26. A ceiling applies to the contracting and guaranteeing by the public sector of new nonconcessional borrowing debt with nonresidents with original maturities of less than one year. The ceiling applies to debt and commitments contracted or guaranteed for which value has not yet been received.

27. For program purposes, the definition of debt is set out in Executive Board Decision No. 12274, Point 9, as revised on August 31, 2009 (Decision No. 14416-(09/91)) (see Annex I).

28. Excluded from the ceiling are (i) debts classified as international reserve liabilities of the BOM; (ii) debts to restructure, refinance, or prepay existing debts; (iii) togrog-denominated treasury bills, government bonds, and BOM bills held by nonresidents; (iv) normal import financing; and (v) amounts drawn under any swap arrangements with People's Bank of China. A financing arrangement for imports is considered to be "normal" when the credit is self-liquidating.

VII. EXTERNAL PAYMENT ARREARS

29. A continuous performance criterion applies to the nonaccumulation of external payments arrears on external debt contracted or guaranteed by the general government or the BOM. External payments arrears consist of external debt-service obligations (principal and interest) that have not been paid at the time they are due, as specified in the contractual agreements. However, overdue debt and debt service obligations that are in dispute will not be considered as external payments arrears for the purposes of program monitoring.

VIII. DATA PROVISION

30. The authorities have committed to using the best available data, so that any subsequent data revisions will not lead to a breach of a performance criterion. All revisions to data will be promptly reported to the Fund's Resident Representative. The likelihood of significant data changes, including definitional changes, will be communicated to Fund staff as soon as the risk becomes apparent to the authorities.

31. Data required to monitor performance under the program, including those related to performance criteria and indicative targets will be provided electronically or in hard copy to the Fund's Resident Representative by the 20th day of each month, unless otherwise indicated. The data to be reported are listed below, and the reporting responsibilities are indicated in parentheses.

A. Monetary Data (BOM)

- The monetary survey, the balance sheet of the BOM, and the consolidated balance sheet of the commercial banks. Data will be provided on a monthly basis, with the exception of the balance sheet of the BOM, which will be provided on a weekly basis within five working days of the end of the respective week.
- Net international reserves and interventions of the BOM in the foreign exchange market on daily basis.
- Interest rates and volume on standing facilities and market operations on a weekly basis within five working days of the end of the respective week.

- A detailed breakdown of net credit to government from the BOM and the commercial banks.
- Stock of monetary gold in both thousands of fine troy ounces and U.S. dollars. If the BOM engages in monetary gold transactions or employs any other accounting rate, directly or implicitly, for valuing gold assets, this information will be reported to the Fund. Any increase in monetary gold through purchases from domestic sources and refining of nonmonetary gold held or purchased by the BOM will also be reported (both prices and volumes). Any liabilities that are guaranteed or otherwise backed by gold will be reported to the Fund.
- A detailed breakdown of “other items net” for both the BOM and the commercial banks, including, inter alia, all valuation changes in net international reserves and net other foreign assets arising from exchange rate changes and/or revaluation of gold.
- Outstanding balances of all deposit accounts of the general government in commercial banks, including those of the extrabudgetary funds.
- Outstanding balances of any new deposit accounts of the general government opened in addition to the existing ones for grants and loans received from multilateral or bilateral donors, including associated counterpart funds.
- A bank-by-bank list of required reserves and actual reserves.
- Results of each central bank bills auction within five working days of each auction, including amount of bills offered, amount demanded, amount sold to each bank, announced rates, and cut-off rates.

B. Fiscal Data (Ministry of Finance (MOF))

- Consolidated accounts of the central, local, and general government, including detailed data on tax, nontax, and capital revenues, current and capital expenditures, net lending, and financing. Financing components should be separated into foreign sources (cash, project, and program loans) and domestic sources (bank and nonbank).
- Classified transactions of all social insurance funds.
- Domestic payment arrears of the general government.
- Noninterest outstanding payables by each subsector of the general government, including the social security funds, with a detailed breakdown by major categories and remaining maturity.

- Results of each treasury bills auction within five working days of each auction, including amount of bills offered, amount demanded, amount sold to each bank and nonbanks, and the average yield in percent per month.

C. External Sector Data (BOM and MOF)

- Complete list of new contracts for the execution of public investment projects, which have been signed or are under negotiation with foreign or domestic entities, including details on the amounts, terms, and conditions of current or future debt or nondebt obligations arising from these contracts.
- Outstanding stock, disbursements, amortization, and interest payments of short-term external debt contracted or guaranteed by the government or the BOM by creditor in original currency and U.S. dollars.
- Outstanding, disbursements, amortization, and interest payments of medium- and long-term external debt contracted or guaranteed by the government or the BOM by creditor in original currency and U.S. dollars.
- Daily midpoint exchange rates of the togrog against the U.S. dollar, including the official, interbank, and parallel market exchange rates (BOM).
- Arrears on the external debt contracted or guaranteed by the government or the BOM by creditor in original currency and U.S. dollars.

D. Other Data (National Statistical Office (NSO))

- The monthly consumer price index and a detailed breakdown by major categories of goods and services included in the consumer basket.
- The NSO's monthly statistical bulletin, including monthly export and import data.

ANNEX 1. GUIDELINES ON PERFORMANCE CRITERIA WITH RESPECT TO FOREIGN DEBT

Excerpt from Executive Board Decision No. 12274, as revised on August 31, 2009 (Decision No. 14416-(09/91)).

9. (a) For the purpose of this guideline, the term “debt” will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:

(i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers’ credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

(ii) suppliers’ credits, i.e., contracts where the supplier permits the obligor to defer payments until some time after the date on which the goods are delivered or services are provided; and

(iii) leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of the guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair or maintenance of the property.

(b) Under the definition of debt set out in point 9 (a) above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.