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Statement by the Hon. **BAYARTSOGT SANGAJAV**,
Governor of the Bank for **MONGOLIA**

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Statement by Mr. Bayartsogt Sangajav,

Minister of Finance,

Mongolia

The world economy is emerging from one of the most severe global crisis in decades. After a staggering fall in 2008 and 2009, the global economy is expected to slowly rebound in 2010. The World Bank and the IMF have been on the front lines responding to the global financial and economic crisis and have made significant efforts in assisting member countries and mobilizing resources, raising funds to support the global recovery. Swift responses and actions taken and are being taken by these two institutions are commendable.

Mongolia was hit hard by the global crisis; it was one of the hardest hit countries in the East Asia and Pacific region. After a few years of rapid growth, Mongolia's economic growth dropped to a negative 1.9 percent in 2009. However, timely actions taken by the Government of Mongolia, with the assistance of our external partners, including the IMF and the World Bank have ensured that the impact of the crisis on the economy was contained, and we are expecting a growth exceeding 7 percent in 2010, generated mostly by the increase in copper price and investment inflows.

As a response to the crisis, the Government of Mongolia has successfully implemented a Stand-by Program with the IMF, Development Policy Credit with the World Bank and Social Sector Support Program with ADB and Government of Japan. Together with our partners Mongolia has made major strides forward reforming our fiscal system, to instill fiscal sustainability and responsibility, as well as taking policy measures to avoid future pro-cyclical policies. We have taken decisive measures to strengthen our financial sector, and we are now in the process of reforming our social transfers system, which would better protect the poor during the economic transition and thereafter. These reforms and measures would not have been possible without the political commitment of Mongolia, as well as the generous support we received from our external partners.

However, we acknowledge that going forward we continue to face enormous development challenges. The global economic recovery is still fragile and uneven, and the aftermath of the crisis is still felt by many around the world, especially by poor and low income countries. The crisis exposed our vulnerabilities and taught us some lessons that we must be prepared in the future. Available lending instruments of the IMF were

expensive, and the IDA financing for low income countries was tight, as half of Mongolia's IDA15 allocation was frontloaded and gone to immediate crisis response, leaving no room for long term development undertakings. Hence we believe that both the Fund and the World Bank Group need further strengthening of their capacities to enable them to fully exercise their roles with respect to member countries, helping them to meet the challenges of the post-crisis period by making available additional financing and expertise, especially since the Fund and IBRD will now have greater resources at their disposal owing to both the general and selective capital increases.

We salute the commitment of the international community to achieving the Millennium Development Goals (MDGs) for 2015. In this regard, further efforts must be made to speed the pace of moving toward these goals, in particular those relating to halving poverty worldwide. Achieving this aim would mean redoubling efforts and providing financial resources, as well as strengthening cooperation among all development partners. The growing needs of the low income countries and the need to do catch-up work to achieve the MDGs call for additional efforts on the part of donor countries in order to give even greater strength to the IDA16 replenishment.

We feel that the cost of borrowing for IDA16 should not be increased when most IDA countries continue to face severe difficulties, owing to the recent food and financial crises and natural disasters. We welcome the establishment of a pilot Crisis Response Window in IDA, which has proven to be an essential lifeline for low income countries affected by the crisis. We look forward to the Crisis Response Window becoming a permanent instrument of the IDA. We would also like to stress the importance of IFC to expand its investments and operations to IDA countries.