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Mongolia—Background Paper

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MONGOLIA

Background Paper

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Approved by the Southeast Asia and Pacific Department

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Mongolia: Basic Data

Area: 1.6 million sq. km.
Population (end-1991): 2.2 million
Population growth rate: 2.5 percent
GDP per capita (1993): US\$270

	1989	1990	1991	1992	1993
(In percent, unless otherwise indicated)					
Output and prices					
Real GDP growth	4.2	-2.0	-9.9	-7.6	-1.3
GDP deflator	...	-0.5	100.6	146.6	330.9
Consumer prices (period average)	...	...	120.2	202.5	268.9
Consumer prices (end period)	...	...	208.6	321.0	183.0
Government finance					
Total revenue/GDP	48.6	50.6	47.4	30.0	30.2
Total expenditure/GDP	65.3	64.1	57.1	42.7	44.8
Current expenditure/GDP	50.2	51.9	51.7	31.1	28.3
Capital expenditure/GDP ^{1/}	15.2	12.2	5.4	11.6	16.5
Current balance/GDP	-1.6	-1.3	-4.3	-1.1	1.9
Overall balance/GDP	-16.8	-13.5	-9.7	-12.7	-14.6
Money and credit					
Broad money	6.5	27.1	53.5	31.7	251.1
Net domestic assets	1.8	35.9	52.3	36.5	87.9
Domestic credit	2.0	11.3	68.0	46.9	51.2
Credit to Government (net) ^{2/}	7.2	29.1	-14.6	-59.9	-168.9
Credit to nonbanks	-0.5	0.9	58.3	48.6	67.8
External sector					
Exports growth, f.o.b. ^{3/}	-2.5	-44.1	-22.1	2.7	2.8
Imports growth, c.i.f. ^{3/}	7.5	-46.5	-52.5	-14.0	-10.5
Terms of trade	2.7	-0.3	-6.2	-4.1	-7.2
Exports, f.o.b. (US\$ mn.)	795.8	444.8	346.5	355.8	365.8
Imports, c.i.f. (US\$ mn.)	-1,911.8	-1,023.6	-486.5	-418.4	-374.5
Current account (US\$ mn.) ^{4/}	-1,240.4	-651.4	-145.8	-90.7	-39.9
Current account (GDP) ^{4/}	-34.6	-29.1	-17.0	-6.7	-6.8
Overall balance (US\$ mn.)	5.9	-53.3	-92.1	-12.6	26.7
Gross official reserves (US\$ mn.)	278.9	177.4	126.3	41.1	65.4
(in weeks of imports)	7.6	9.0	13.1	5.3	9.1
Net official reserves (US\$ mn.)	102.5	49.3	20.5	4.6	27.2
(in weeks of imports)	2.8	2.5	2.1	0.6	3.8
External debt (US\$ mn.) ^{5/}	176.5	128.1	236.3	297.7	366.0
Medium-term	-	-	156.0	267.0	322.9
IMF	-	-	16.1	18.9	31.9
Short-term	176.4	128.1	64.2	11.8	11.2
External debt/GDP ^{5/}	7.7	5.7	25.0	27.6	62.4
Debt service (US\$ mn.) ^{6/}	...	...	15.8	66.9	41.8
To the IMF	-	-	-	1.2	1.2
Debt-service ratio ^{6/} , ^{7/}	...	...	4.2	16.4	10.6
To the IMF	-	-	-	0.3	0.3
Outstanding arrears (US\$ mn.)	-	-	63.3	51.8	40.8

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

^{1/} Includes net lending.

^{2/} Excludes bank financing for off-budget projects.

^{3/} In terms of U.S. dollars.

^{4/} Excludes official transfers.

^{5/} Excludes debt of TR 10 billion owed to Russia and other former CMEA members.

^{6/} Excludes servicing of obligations in transferable rubles to the former CMEA members.

^{7/} In relation to gross current account receipts.

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I. Social Expenditures in the Reform Context

1. Introduction

The social security system in pre-reform Mongolia was characterized by features typical for a centrally planned economy including generalized price subsidies; extensive benefits and family allowances, often duplicative in coverage; universal free health care and education; lack of transparency and accountability for social security finances, with payroll-based contributions lumped with the rest of general budgetary revenue; hidden unemployment through overmanning, early retirement provisions, and easy access to disability benefits; and the key role of state-owned enterprises in channeling social protection and assistance—from free vouchers to health resorts—housing, and child care facilities. By the end of the 1980s, this system was consuming about three quarters of budgetary resources and spending was badly directed and ineffective. In the context of the structural reform program that is now being implemented, radical changes are needed to achieve sustainability in circumstances of greatly reduced budgetary resources while ensuring that an adequate social safety net is put in place.

Although there is a large degree of uncertainty in measuring changes in living standards and in targeting benefits on the basis of recorded household income, the number of persons below the poverty line has increased sharply since the transformation to a market economy was intensified. The latest official estimates of poverty in Mongolia published in March 1994 show 550,000 people (25 percent of the population) as living below the poverty line. The plight of the state-owned enterprises in the period of transition puts additional obligations on the Government.

Mongolia has not traditionally experienced open unemployment, public sector jobs being practically one of the forms of social protection, but in recent years, this has also been changing. Employment in the public sector has dropped from 460,000 in 1991 to 320,000 in 1994. The decline in real earnings among civil servants and employees in state budget organizations, even after the recent nominal wage increase, amounts to 35 percent between 1991 and 1994. Registered unemployment stood at 8.5 percent of the labor force at the beginning of 1994. The number of unregistered unemployed is estimated to be about 50,000, which would put unemployment at more than 13 percent.

The share of social protection expenditure in total expenditure of the general government has been dropping since 1990, mainly as a result of reduced subsidies after price liberalization on consumer goods. The share of pensions, education, and health expenditures remained approximately the same through 1993, but in real terms decreased considerably. Consumer subsidies, which accounted for as much as 17 percent of GDP in 1990, have been decreasing since to 2 percent of GDP in 1993; from numerous food and nonfood subsidies, only those for energy, urban transport, and medicines remain.

There are four separate social funds in the Mongolian budget at present: the Social Security Fund, the Social Safety Net Fund, the Employment Promotion Fund, and the Health Fund. The Social Security Department of the Ministry of Population Policies and Labor (MPPL) is in charge of the former three, while the State Insurance Company is in charge of the latter. Phasing-in of appropriate cost-recovery principles for these funds is one vital direction for change, but sufficient budgetary resources will have to be provided to maintain a social safety net during the transition, especially in support of the poor, primary health care, and education.

Decentralization of spending decisions in the social sector, which has been one of the most significant aspects of the fiscal scenery in Mongolia in the 1990s, is perceived by the national government as one of the major means to better target social expenditure. It has been increasingly the responsibility of local governments to identify the needy and deliver relief, which is a very rational approach in view of difficult communications between the center and the regions and the variety in local conditions. However, it should also be noted in this respect that Mongolian realities put certain constraints on the speed and scope for implementing the social security reforms. The huge and thinly populated territory with poor communications imposes a tight limit on the capacity to administer the collection of contributions and the disbursement of benefits. Furthermore, Mongolia is still a nomadic society to a large extent, and there is little experience in providing social protection for a large segment of the population.

2. Social security

The existing Social Security Fund covers a variety of pensions, allowances, and benefits. Employer contributions from outside the government, which have been set at 13.5 percent of payroll since 1991, financed 18 percent of the Pension Fund expenditure in 1993. Budget transfers from general tax revenue accounted for nearly 70 percent of financing in 1993, plus the Government's own contributions as an employer. According to MPPL, there are 312,000 pensioners in Mongolia—or 14 percent of the population—receiving old-age, disability, survivors' and other pensions. At present, men in Mongolia can retire at age 55 if they have worked for 32 years, women at age 45 if they have worked for 20 years and have 4 children, and miners at 40-45 years. These retirement provisions are clearly liberal in international comparison, and persons affected by them account for 65.2 percent of the total number of old-age pensioners.

At the end of 1993, the basic old-age pension amounted to Tug 625 per month. In addition to it, every pensioner was getting a compensation for inflation which had dramatically increased from February 1, 1992, when it was first introduced, and reached Tug 2,125 per month at the end of 1993. As a result, the monthly average nominal income of a pensioner increased more than sixfold as compared with 1991, although this increase has not kept pace with inflation. Special allowances are paid to a targeted group of people: pensioners over 60 years of age (women) or 65 years of age (men) without any additional sources of income, disabled, widows, mothers with many children, and war veterans.

There is no general unemployment benefit in Mongolia so far. When workers lose their jobs due to the dismantling of their organization, staffing cutback, ill health, or inadequate performance, they go to their former labor organization through which they receive a severance pay for three months in the same amount as their previous wage and a benefit set at the minimum income level for the following two months. During this time, they are expected to find work. Local governments have since 1991 been authorized to use budgetary resources for job creation.

The Government's plans for reforming the existing social security system are reflected in seven draft laws—the so-called social security package—which have passed the first reading in Parliament and are expected to be adopted soon. As outlined in the General Social Insurance Law, the system will include five main areas of social insurance: pensions, benefits, health care, job-related accident, and unemployment. Insurance will be compulsory for contractual employees, but

voluntary for the self-employed (including herdsmen) and artisans. A central social insurance fund and separate funds for each of the main areas of social insurance are to be established, as well as a new State Social Insurance Agency under the National Council, consisting of representatives of the government, employers, and employees.

Financial operations between the insured, the employers, and the social insurance agency, arising in relation to pensions and other social security benefits, will be governed by the Social Insurance Fund Law. Contributions will be payable to a local social insurance office to be credited to the account of the central social insurance fund, which then splits the resources between separate funds for each of the main areas of social insurance based on the relevant contribution rate. The Law, when finally adopted, is expected to raise the existing contribution rate of the employers to 18 percent or 18.5 percent and to introduce employee contributions at 9 percent of monthly wages. It is expected that social insurance contributions will be deductible for the purposes of corporate and personal income taxation.

Criteria of eligibility for retirement, disability, and survivors' pensions will be revised with the adoption of the Pension Law. The draft envisages the introduction of a minimum 20-year contributory period and an increase of the pensionable age to 60 years for men and 55 years for women. As before, mothers with many children will be able to retire 5 years earlier than the normal retirement age, after working for 20 years. Men will still be able to retire at 50 years after 10 years of work as miners and no less than 20 years of total employment. The Supplementary Law on Enforcement of the Social Insurance Laws stipulates that, as a transition arrangement, the existing liberal eligibility for pensions will be gradually phased out during the next 2-3 years. The calculation of pensions will be based on a person's average wage since 1991. As a result, pensions are expected to increase by 53 percent on average. Eligibility for disability pensions for partial and full disabilities will be based on three contributory years out of the five years preceding the disability. Disability and survivors' pensions for partial and full disabilities will be set at 50-100 percent of the retirement pension, which means that they will be significantly increased in line with the increase in the latter. Resources will continue to be allocated from the state budget to cover the gap in financing the basic pensions and compensations.

Employers will have to pay sick leave for the first 14 days of sickness of their employees, according to the Benefits Law. Eligibility for sickness benefits will need no less than 12 months of contributions. The existing practices concerning maternity benefits will not be changed. Funeral benefits are expected to be introduced, accessible to all insured persons and pensioners, at an amount equal to four monthly minimum wages.

A separate fund will be established to finance compensations of health loss due to injury at work and occupational diseases, as specified by the Accident (Injury) Insurance Law. Employer contributions of 2 percent in power and mining industries, as well as for selected construction and light industry enterprises are to be introduced. Temporary benefits will be payable at 100 percent of an average wage. Compensation of lasting effects will depend on the degree of permanent disability or loss of earning capacity. Dependents of employees who die of an injury at work or occupational diseases will be eligible for survivors' pensions equal to 50-100 percent of the average wage of the deceased. Every year, more than 1,000 persons are victims of work-related injuries and 3,800 persons are treated or hospitalized due to occupational illnesses; 2,700 persons are

getting disability pensions as a result of work-related injuries; and 2,500 persons are receiving survivors' pensions. It is estimated that approximately 10,000 persons will be covered by the Accident Insurance Law, with average annual expenditure of Tug 121.5 million.

Another fund, regulated by the Unemployment Insurance Law, is to be formed to finance unemployment benefit payments for the duration of 13 weeks. Some part of the resources will be made available to labor exchanges to finance training and retraining activities for the unemployed. The annual payments are estimated at Tug 148.5 million. In addition, the fees collected from distributing privatization vouchers are to be used for retraining or job creation. In addition to the increase in registered unemployment that has already occurred, the Government is seriously concerned about the future, when more radical closures of loss-making enterprises will have to be made. One potential cause for concern is that not all unemployed can be unequivocally marked as vulnerable groups. An adequate testing mechanism is required to distinguish between those who are genuinely unemployed and those who claim to be unemployed. Since self-employment is a new category of employment, there are few established mechanisms to identify such individuals.

Overall, the number of prospective payers of social security contributions is estimated as 35,000 legal entities, 700,000 employees, and 240,000 herdsmen. The Government has estimated that the total contributions (excluding health insurance) may amount to Tug 6.8 billion annually, with 45 percent (or Tug 3.1 billion) collected from employers, 33 percent (or Tug 2.3 billion) from budgetary organizations, and 21 percent (or Tug 1.5 billion) from employees. The incremental revenue from the increase in rates is estimated at Tug 0.5 billion in the second half of 1994.

3. Health

The share of total government expenditure allocated to the health sector has not fallen since the beginning of the 1990s, but the real levels of expenditure have declined. Health facilities have begun to loose personnel, hospital patients are often expected to bring their own meals and drugs, and emergency vehicles are increasingly nonoperational for lack of repairs and gas. Of the previously existing maternity hostels, 50 percent have now closed. The finances of the health sector have been also hit by the withdrawal of assistance from the former Soviet Union. Prices of medicines and medical equipment have been practically liberalized, although the Government continues subsidizing the purchase of drugs by basic health care institutions.

From January 1, 1993 the health insurance scheme was formally made operational, even before a relevant law was approved by Parliament. The contribution rate to the Health Insurance Fund is now determined annually by the Government, but may not exceed 6 percent of salaries and wages, the level at which it is set at present. Employers must pay at least 50 percent; the rest is payable by employees. The amounts paid by the employees are deductible for income tax purposes. The payments to providers are theoretically to be made from the Health Insurance Fund on the basis of invoices submitted by medical institutions twice a month. Fixed tariffs are to be established by the governmental bodies handling health matters. Prescription drugs listed in the National Essential Drug List are to be covered by the insurance at 50 percent.

To a large extent, this system is not fully working yet. In particular, while at first sight health insurance is compulsory for the majority of the population, in practice the contributions are

actually payable only by formal sector companies and organizations and their employees. The state has assumed the responsibility for paying health insurance contributions for broad groups of the population such as children under 16 years of age, students of vocational training institutions, pensioners drawing the whole of their income from their pensions, women with children under 2 years (twins under 3 years), disabled, persons in regular military service, and herdsmen. The insurance premiums for these groups are transferred to an insurance organization authorized by the Government from the central and local budgets within the first 14 days of each quarter.

In spite of the introduction of health insurance, the following medical services have remained free for beneficiaries in many instances: routine health exams in polyclinics, dispensaries and provided by family doctors; treatment for emergencies; epidemiological services, obligatory immunizations; disinfection in areas of contagious diseases; examination and treatment during pregnancy, childbirth and after delivery; treatment of chronic infectious diseases (tuberculosis, brucellosis, AIDS, etc.); genetic and metabolic diseases, including diabetes; some cancer and mental disorders; treatment of people affected by natural disasters or epidemic outbreaks; and treatment of injuries suffered in an unavoidable self-defense, while saving other people's lives or significant damage to property. All these cases, as before, have to be treated free of charge by state hospitals and financed from the central and local budgets. Furthermore, the upper limit of coverage from the Health Insurance Fund is Tug 100,000 annually per person, any costs exceeding this amount to be covered directly by the state. Fully payable by beneficiaries (not covered by the insurance) are practically only cosmetic services and treatment, glasses, hearing devices, and nonessential drugs.

The administrative costs of the health insurance scheme, should it be fully introduced on the basis of the present concept, are likely to be high and involve numerous civil servants to handle the system. In addition to the Health Insurance Fund itself, an ad hoc National Insurance Council including representatives of the insurer, employers, employees, health institutions, and governmental bodies is to be created with the task to work out the insurance policy and supervise the utilization of resources from the Health Insurance Fund. There will be affiliated ad hoc councils in aimaks.

4. Education

The Government intends to protect universal access to basic education. However, considerable budget savings are expected to be achieved through revising the priorities within the education budget toward its basic forms. At present, 84 percent of students are concentrated on the basic and general secondary education level, while this level accounts for only 55 percent of government educational outlays.

Since the beginning of 1993, the Government's program has included: transformation of over 90 ten-year secondary schools into eight-year schools and combining over 280 teachers' positions (estimated savings in the order of Tug 1.7 billion); cutting at least 4,000 jobs with Tug 137 million annual salary by reducing the administrative and service personnel of schools at all levels to no more than one for every two teachers; expanding private schools; limiting the school period in some somons to the warm season, thereby saving on electricity and heating expenses; starting the practice of cost-sharing by parents for dormitories and kindergartens; and preparations

toward establishing a system of financing vocational training by private savings, loans, and grants from business entities and organizations.

At this stage, it is not yet possible to evaluate the actual results of these measures. It is known that from February 1, 1993 parents are paying 50 percent of food costs of kindergartens (Tug 160 million of savings for the budget annually). This has reportedly led to kindergartens becoming inaccessible for some groups of the population. Transition has also led to a high dropout rate from boarding schools, which is regrettable in the conditions of a nomadic society.

5. Vulnerable groups

The vulnerable groups that have been identified as eligible for poverty relief include orphans, disabled persons, female-headed households, low-income households with many children, and certain categories of the unemployed. A range of social security payments provides basic support for such people, although the system of financing is not transparent.

Some part of payments is made directly from the Social Security Fund on a regular basis as disability, maternity, child care, and other benefits. Another part is covered by the Social Safety Net Fund, which also supports 11 relief centers which provide free lunches for the poor and 12 centers for homeless people, covers 50 percent of coal, heating and water supply for the poor who live in gers. For 1994, this Fund is budgeted at Tug 560 million, of which cash benefits amount to Tug 370 million, expenditures for relief centers to Tug 56 million, and equipment for the poor to Tug 51 million.

From time to time, the Parliament makes special appropriations for social purposes to be financed from general budget revenue and channeled through the both above-mentioned funds and local governments. The latest appropriation of this kind was made in July 1993 and executed through the first quarter of 1994. Finally, some small social support payments are made from the government reserve fund when action is needed urgently, such as covering part of the school textbook cost in 1992 at a cost of Tug 5.3 million.

The Government has started to pursue employment promotion as one of the main means to reduce poverty. Through the central and local labor exchanges, 18,700 and 4,300 people were provided with jobs in 1993 and the first quarter of 1994, respectively; 3,200 people were covered under the short-term training and acquired employment. Revolving concessional loans of Tug 20.9 million from the Employment Promotion Fund—designed to promote employment through small scale production activities—were provided to low-income people of 6 aimaks and 8 districts. With commodity assistance from the United States, a fund has been established to support small and medium enterprises and household economy. The Asian Development Bank is providing a loan of \$3 million for employment promotion for low-income people of Ulaanbaatar and it will result in creation of 10,000 new jobs.

In the near future, the Government's efforts in the area of protection of vulnerable groups will be consolidated under the recently launched National Poverty Alleviation Program. The main aim of the program is to reverse current trends of increasing poverty and human capital erosion and to make the fight against poverty an integral part of the process of economic reform. The program

was formulated by the Government following the discussions and decisions made at the Mongolia Assistance Group Meeting in Tokyo in September 1993 and presented at a meeting on Poverty Alleviation held in Ulaanbaatar in June 1994 and attended by delegates from 17 countries and 14 international organizations. The program aims, within a six-year period, at reducing poverty levels from 26.5 percent of the population to 10 percent or less.

The Government aims at making protection of the poor consistent with the market economy under the program directed toward employment-generating activities and targeted income transfers to the disadvantaged other than price controls and subsidies, and the maintenance of high levels of human capital formation by promoting recovery in health, education, and social services. The specific measures to pursue these three general lines of action will include: establishment of local enterprise promotion centers; local public works, in particular those aimed at improving social and economic infrastructure; reintegration of the disabled into economically productive activities; strengthening and modification of the structure and organization of primary health assistance to the rural population; support to a normal functioning of rural boarding schools and the development of new delivery mechanisms for basic education in rural areas; creation of income-generating and employment opportunities for women; strengthening women's training, information and service delivery centers; development of small- and medium-sized enterprises for agricultural product processing in rural areas and improvements in the marketing of animal products; restocking of poor families which do not have an adequate number of livestock; and policy reform regarding land tenure and support for herders' organizations.

The Government has already moved to put in place the management structure of the program. A permanent National Committee headed by the Deputy Prime Minister has been established to oversee the program implementation. Local poverty alleviation councils will be set up—involving representatives of the local administration, nongovernmental organizations, employers, and employees—to administer various program funds, identify spending priorities, allocate resources, monitor implementation, cooperate with foreign donors and national organizations in implementing projects at the local level, and distribute donations and aid in kind.

Four funds are envisaged under the program, two of which—the Social Safety Net Fund and the Employment Promotion Fund—already exist, while two others—the Local Development Fund and the Women's Development Fund—are to be created, at first on a pilot basis in selected aimaks. All these funds will be financed by transfers from general fiscal revenue facilitated by a redirection of budgetary resources, as well as by donations and a targeted use of counterpart funds generated by foreign assistance, including the small business programs of the United States and Germany. Additional support is being sought from international organizations and bilateral donors, including the World Bank. The total cost of the program is estimated at Tug 33 billion over the six years at current prices and exchange rates, to be split in approximately equal proportions between domestic and external resources. The basic objectives of the first two funds will be little changed. The Local Development Fund will finance small local capital projects aimed at alleviating infrastructural bottlenecks, including power generators, roads, communications, improvements in water and sanitation systems, etc. (especially community-based initiatives). The Women's Development Fund will finance special credit and business support schemes for women.

II. Key Features of the Taxation System

1. Corporate income tax

Rate structure: Four rates (15, 25, 36, and 45 percent) levied on net annual income ranges starting from "under Tug 900,000" to "over Tug 4,500,001."

Base: In 1993, 38 enterprises paid income tax directly to the central budget; all others paid income tax to local authorities, which retained the revenue.

Collecting agency: Tax Administration, Ministry of Finance

Exemptions: According to the Foreign Investment Law, foreign investors in power and thermal plants and their transmission networks, highways, railways, air cargo, engineering construction projects, and telecommunication networks are fully exempt for 10 years and have 50 percent tax relief in the following 5 years. To be classified as an enterprise with foreign investment requires that a foreign investor contribute at least 20 percent of capital. Foreign investors involved in the mining and processing of mineral resources (except precious metals), oil and coal, metallurgy, chemical production, machinery, and electronics are exempt for 5 years and receive a 50 percent tax relief during the following 5 years. Any other enterprise with foreign investment can claim tax exemption for 3 years and a 50 percent relief for the following 3 years, provided that more than 50 percent of its output is exported. Meat, milk, and grain producing entities have a 50 percent relief. Enterprises producing baby food or employing disabled persons are 100 percent exempt.

Issues under consideration: Further clarification of the division of taxation responsibilities between the local and central levels of government needs. Improvement in the monitoring of tax compliance by small companies. Introduction of loss carry-forward. Elaboration of an appropriate depreciation system, following the passage of a government decree on the treatment of depreciation on July 1, 1994.

2. Individual income tax

Rate structure: Six rates (2, 5, 15, 27, 40, and 45 percent) levied on annual income ranges starting from "under Tug 96,001" to "over Tug 3,072,001" (before January 1, 1994, the tax-exempt threshold of income was Tug 24,000).

Base: Personal income including rents.

Collecting agency: Tax Administration, Ministry of Finance

Exemptions: Individual proprietorship's investment for productive purposes.

Issues under consideration: Improvement in the self-assessment system for individuals, which was introduced in 1993 as stipulated in the Personal Income Tax Law. Individual taxpayers have not yet fully adapted to this system. Introduction of separate taxpayer identification numbers

(TINs). At present, passport registration numbers are used as TINs. Inclusion of fringe benefits in the base for the personal income tax as of 1995, as recommended by FAD. Improvement in the information flow from customs offices by installing better equipment.

3. Domestic sales tax

Rate: 10 percent

Base: Factory-gate domestic output, with a floor threshold of Tug 5 million per paying enterprise. In 1993, there were 300 taxpayers (defined in a government decree); for 1994, 50 additional entities have been registered. Annual selection of tax paying enterprises has been delegated to the Government by the law. In August of 1994, the sales tax was extended to hotels and restaurants. Exports are zero rated.

Collecting agency: Tax Administration, Ministry of Finance

Exemptions: All entities that are not explicitly listed in the annual government decree.

Issues under consideration: Broadening of the base for the domestic sales tax.

4. Domestic excise tax

Rate: 80 percent on domestically produced alcohol since February 1993.

Base: The excise tax on jewelry was lifted in August 1993, so only domestically produced alcohol is taxed.

Collecting agency: Tax Administration, Ministry of Finance

Exemptions: None

Issues under consideration: Lowering the excise tax rate to strengthen the position of local producers against imported alcohol, though this would adversely affect budgetary revenue.

5. Customs duties

Rate: Basic rate of 15 percent, with some commodities taxed at lower rates.

Base: The border price (c.i.f.), which is the sum of the contract price, transportation costs, and insurance costs.

Collecting agency: Customs Administration

Exemptions: According to the Foreign Investment Law, equipment imported by a foreign investor. Raw materials, components, spare parts, and materials required for production by enterprises with foreign investment, except those in trade and catering (limited exemption for

5 years). Goods covered by Article 15 (1) of the Customs Law: (i) goods for consignment warehouses, (ii) special goods for disabled persons or raw materials used in the production of such goods, (iii) humanitarian aid supplies, as defined by international conventions, and (iv) goods financed by unrequitable grants. Article 15 (2) of the Customs Law delegates to the government decisions on granting partial relief from customs duties. In January 1994, government resolution No. 16 defined 33 such commodity positions, but in June 1994 the number of positions was shortened by 7 as one of the fiscal policy measures under the ESAF-supported program.

Issues under consideration (many of which are also applicable to other foreign trade taxes): Reduction in the number of exemptions, which would increase the effective duty rate, now estimated to be 10 percent. Improvement in the recording system because, at present, payment documents prepared by importers show a total amount for all relevant foreign trade taxes, without showing a tax-by-tax breakdown and, as a result, the allocation of these taxes to the Customs Administration and the Ministry of Finance is only approximate. Improvement in the coordination between the Budget Department of the Ministry of Finance and the Customs Administration because, at present, the numbers provided by these two institutions sometimes differ by more than 50 percent. Improvement in the communications system, so that the compilation of data occurs in a more timely manner. Consolidation of responsibility for the formulation and appraisal of foreign trade tax policy in a single agency because, at present, several government agencies grant exemptions, which creates opportunities for tax evasion and undermines the efficiency of the customs service. Reduction of loopholes because, at present, documents that establish import duty relief for projects sometimes do not contain clear lists of commodity positions with classification codes, which leaves loopholes in legislation and undermines computerization efforts.

6. Excise tax on imported alcohol and tobacco

Rate: 100 percent on cigarettes, 50 percent on wine, 100 percent on hard liquor, and 150 percent on pure alcohol.

Base: The border price (c.i.f.) plus the customs duty.

Collecting agency: Customs Administration

Exemptions: None

Issues under consideration: Increase in the excise tax on imported alcohol, though the abundant supply of smuggled alcohol adversely affects revenue collection.

7. Petroleum excise tax

Rate: 15 percent on gasoline and 20 percent on diesel.

Base: The border price (c.i.f.) plus the customs duty.

Collecting agency: Customs Administration

Exemptions: None

Note: In effect, this tax is a surcharge on the customs duty. Tax revenue depends on the volume of imported petroleum products and on the foreign trade price. If either of these two variables declines, then tax revenue falls. This tax cannot capture an importer's windfall gains if the difference between domestic prices and world market prices increases.

8. Import sales tax

Rate: 10 percent

Base: The sum of the border price (c.i.f.), the customs duty, and the excise tax.

Collecting agency: Customs Administration

Exemptions: According to Article 19 of the Foreign Investment Law, imports included into statutory funds of joint ventures. According to government resolution No. 77 of 1992, equipment, spare parts, and other materials for construction projects under Chinese loans. According to the government resolution on the implementation of the Sales Tax Law, goods for personal consumption, goods for diplomatic representative offices, and those financed by unrequitable grants. According to the government resolution on the implementation of the Sales Tax Law, technological equipment for new types of investment. Equipment for the Bakhanga meat factory. Equipment and materials for new construction in the fuel and energy sectors. All medicines. Raw materials under jobbing contracts.

Issues under consideration: Issues similar to those for customs duties. Narrowing the definitions of the exemptions for technological equipment for new types of investment, equipment for the Bakhanga meat factory, and equipment and materials for new construction in the fuel and energy sectors.

9. Social security contributions

Rate: 13.5 percent for employers. As of January 1, 1995, this rate will increase to 18-18.5 percent. ^{1/} At the same time, a 9 percent rate for employees will be introduced. Social insurance contributions will be deductible for corporate and personal income tax purposes.

Base: Enterprise payroll funds.

Collecting agency: Ministry of Population Policies and Labor

Exemptions: While contractual employees are covered by law, participation by the self-employed (including herdsmen and artisans) is voluntary.

^{1/} The spread is due to different employer contributions to the Accident Insurance Fund. A contribution rate of 2 percent is foreseen in the power and mining industries and for selected construction and light industry enterprises. A rate of 1.5 percent is foreseen for all other sectors.

10. Health insurance

Rate: Since January 1, 1994, when the Health Care Fund became operational, contributions of 6 percent are payable by all enterprises, including "budgetary organizations," and by employees in generally equal proportions. Employee contributions are deductible for the income tax purposes.

Base: Enterprise payroll funds.

Collecting agency: State-controlled insurance agency

Exemptions: In practice, only employers and employees in the formal sector contribute. The state has assumed responsibility for paying health insurance contributions for broad groups of the population, including children under 16, students of vocational training institutions, pensioners drawing the whole of their income from their pensions, women with children under 2 (twins under 3), disabled persons, persons in regular military service, and herdsmen.

Issues currently under consideration: Broadening contributions to the Health Care Fund, for example, from at least some herdsmen. At present, about 1.6 million people (out of a total population of 2.2 million) are exempt.

III. Money and Credit, 1993-94

This section updates developments in financial sector reform, monetary, and interest rate policies and key monetary aggregates in 1993 and the first half of 1994.

1. Financial sector reform

a. Background

The banking sector underwent important changes during 1991-92 under the financial sector reform that was pursued in the context of economic transformation from the centrally planned system to a market-based one. Initial reform actions centered on abolishing the monobank system administered by the State Bank and introducing a two-tier banking system governed by market principles. New banking laws were passed in May 1991 to establish a central bank (the Bank of Mongolia) and permit the operation of commercial banks with private sector participation. At its establishment, the Bank of Mongolia assumed all functions related to monetary control, although foreign reserve management functions continued to be exercised by the State Bank International as a transitional arrangement. By the end of 1992, 11 commercial banks were in operation, with only one bank fully owned by the Government.

Steps were initiated to develop indirect monetary management, including the introduction of reserve requirements and the liberalization of interest rates in August 1991. Under the latter action, commercial banks were permitted to determine their lending and deposit rates freely, thus laying a basis for the active use of interest rate policy by the central bank; indeed, commercial bank interest rates exhibited substantial increases in late 1992 in response to upward adjustments of central bank rates. An interbank payments clearing and settlement system was introduced and actions were taken

to improve the reporting and compilation of data to meet both monetary policy and prudential supervision purposes.

b. Reform action in 1993

Further progress was made in 1993 to strengthen the formulation and implementation of monetary policy. Foreign reserve management functions were formally transferred to the Bank of Mongolia, effective April 1. A flash reporting system for key macroeconomic and financial data was developed. Effective August, the minimum reserve requirements, which had been imposed separately on headquarters and aimak branches of each commercial bank, were made applicable only to the consolidated balance sheet; at the same time, a varying ratio scheme was replaced by a uniform ratio of 14 percent of banks' deposit liabilities. ^{1/} Central bank bills were issued for the first time in November as a way to control bank liquidity.

Steps were taken to develop the efficient financial intermediation of the banking system, with IMF technical assistance. A National Payments Council was established in mid-1993 to further improve the payments clearing and settlement system. The Central Bank Statute was enacted in August, which enhanced the Bank of Mongolia's legal supervisory authority by permitting the conduct of on-site supervision. Guidelines for prudential regulations were developed and a manual on bank supervision was drawn up. A central bank decree was issued to raise the minimum capital base of commercial banks from Tug 50 million to Tug 400 million by January 1995 to compensate for an erosion in capital as a result of inflation. The number of commercial banks increased to 15 by end-1993.

c. Reform action in first half of 1994

Despite reform measures to promote the development of market-based financial intermediation, the allocation of bank credits and their terms continued to be influenced by state interference, which often takes the form of directions by Parliament or the Government (directed credits). This means credit allocation was a primary avenue to meet credit requirements for agricultural-related activities and key projects at preferential interest rates. The practice of directed credits had adverse consequences for monetary management for a number of reasons. First, the practice deprived the Bank of Mongolia of its fundamental task to regulate overall liquidity consistent with the objective of financial stability, because decisions on credit expansion were often made without close consultation with the central bank. Second, it distorted the structure of interest rates and the allocation of financial resources, as interest rates on these credits are at artificially low levels. Third, it hindered the development of financial intermediation, since commercial banks' lending operations were decided not on the basis of their own credit assessment and market principles. Finally, it tended to crowd out private sector activities, to the extent that priority for credit extension is given to public enterprises. Recognizing these adverse consequences, the

^{1/} Prior to the unification, the minimum required ratio was differentiated according to the types of deposit liabilities: 20 percent for current account deposits held by business units, 15 percent for nonterm deposits held by individuals, and 5 percent for time deposits held by business units and individuals.

Government decided in early 1994 to terminate the use of this direct instrument after the 1994 spring season, with all outstanding directed credits to be repaid by end-1994.

Initial steps were taken to strengthen control of reserve money in consistent with a targeted growth of broad money. To this end, a monthly reserve money program was developed and monitored informally. The Bank of Mongolia intends to make the reserve money program a key element in monetary management, as it gains more experience with forecasting of main monetary aggregates affecting reserve money and as money multipliers exhibit more stability in response to restoration of financial stability.

2. The present framework for monetary control

Monetary policy is currently executed by the Bank of Mongolia to achieve domestic and external financial objectives. For each year, principal objectives of monetary policy are set out in policy guidelines which are prepared by the Bank of Mongolia and approved by Parliament. These guidelines encompass broad targets for the main monetary aggregates and reform actions to be implemented during the year. The 1994 monetary guidelines required commercial banks to reduce the spread between their lending and deposit rates to 5 percent per month. However, the parliamentary resolution was intended as a guideline for the central bank aimed at encouraging competition among banks and improving the efficiency of financial intermediation, not as an administrative measure to restrict banks' lending operations or conduct of monetary policy by the Bank of Mongolia.

Central bank liquidity to banks is provided primarily through two windows: one to cover banks' resource deficiency and the other to assist payments clearing and settlement (the clearing window). The former has been used as the main avenue to channel central bank liquidity into preferential sectors. While the latter was originally designed to meet only temporary credit needs for payments clearing and settlement, it has been used by banks de facto as the means to accommodate their liquidity requirements because there is no limit on the access to central bank credits, although a penalty rate is levied when the amount of borrowing exceeds a capital-based threshold. No regular rediscount facility, through which the central bank can control lending to banks at its discretion, is currently available.

The role of indirect instruments in regulating credit expansion has been increasing steadily. The interest rate charged on central bank credit for payments clearing and settlement (clearing rate) has been actively adjusted, from 30 percent per annum in September 1992 to 18-25 percent per month in March 1993; the clearing rate was reduced by 3 percentage points in January 1994, but remained highly positive in real terms. The Bank of Mongolia has been also influencing commercial banks' interest rates through the minimum deposit rate which was introduced in late 1992 primarily with a view to promoting private savings; the minimum deposit rate was initially set at 4 percent per month and subsequently raised in several steps to 7 percent per month by May 1993. Central bank bills have been used frequently since their introduction to regulate excess bank liquidity, with total outstanding balances reaching Tug 4 billion at end-June 1994. The minimum reserve ratio has been changed in support of these instruments, whenever warranted, including the increase by 3 percentage points to 17 percent effective June 1, 1994.

To supplement these indirect instruments, the Bank of Mongolia has continued to rely on direct instruments as a transitional arrangement. Ceilings on bank lending to nonbanks were reintroduced in the fourth quarter of 1992 after it was abolished following the establishment of the two-tier banking system. They were originally set on a quarterly basis, but have been announced on a monthly basis since September 1993. The authorities intend to phase out the use of this instrument, as indirect instruments are further developed.

3. Commercial bank loan portfolios

As in other economies in transition, portfolios of most commercial banks in Mongolia suffer from a number of structural weaknesses. These include an excess of loans over deposit liabilities, a high sectoral concentration of loans, a low level of liquid assets relative to total assets, and a dominance of large state enterprises in the loan and deposit portfolios. In addition, most commercial banks face a large amount of nonperforming loans, a substantial portion of which is associated with lending operations to state-owned enterprises under the monobank system. Consequently, their capital base has been generally inadequate to cover potential losses associated with these nonperforming loans, notwithstanding the recent decision to increase the minimum amount of capital.

With IMF technical assistance, the Bank of Mongolia began in 1993 to reclassify bank portfolios and identify nonperforming loans as a step to clean up banks' nonperforming assets and improve their financial position over the medium term. To this end, portfolios of 11 commercial banks (head office and branches located in Ulaanbaatar) at end-June 1993 were examined by the Bank Supervision Department (BSD). At the same time, the BSD requested these banks to submit the profit and loss statements for the six-month period ending June 1993 to assess their financial position on the basis of generally accepted accounting standards.

Preliminary findings of loan classification show that outstanding nonperforming loans amounted to more than Tug 7 billion at end-June 1993. ^{1/} These nonperforming loans accounted for about one fourth of total bank loans at end-June 1993 and were about Tug 5 billion larger than reported in the consolidated balance sheet of commercial banks for the month. Of this total, Tug 2.4 billion represented bad loans inherited from the monobank system and the remainder those incurred as a result of commercial banks' own lending operations. To build on the preliminary findings, an action plan was drawn up in December 1993 to establish procedures to deal with the nonperforming loans in the first half of 1994.

A detailed examination of the profits and loss statements reported by 11 banks revealed that they tended to (i) overreport interest receivable, (ii) exclude depreciation allowances and accrued interest payments on deposits as expenses, and (iii) fail to make sufficient provisions against bad loans. If the profit and loss statements had been corrected for these anomalies, it is estimated that only 3 banks would have been profitable during the first half of 1993 and that half of the 8 banks that incurred losses would have been unable to sustain their losses against their capital accounts.

^{1/} The amount of nonperforming loans continued to increase after June 1993 and their outstanding balances as of March 1994 are estimated at Tug 9.1 billion.

4. Monetary developments in 1993

a. Net domestic assets

Net domestic assets grew by Tug 12.5 billion (92 percent) to Tug 26.1 billion in 1993, primarily reflecting a sharp expansion in credit to public enterprises. A sharp increase in January-October of Tug 19.1 billion was followed by a large contraction in November-December of Tug 6.6 billion, as corrective measures were taken by the Bank of Mongolia to counter the credit expansion. These measures included: (i) more stringent control of bank lending to nonbanks through the replacement of quarterly ceilings by monthly ceilings and the introduction of stiffer penalties on those banks which fail to observe the ceilings; (ii) the maintenance of nominal interest rates despite a fall in the rate of inflation; (iii) the strict enforcement of loan repayments by public enterprises; and (iv) the issuance of central bank bills totaling Tug 1 billion to absorb excess bank liquidity.

Credit to public enterprises grew by Tug 8.8 billion (74 percent) in 1993, despite a large contraction in November-December of Tug 6.7 billion. The expansion in the year as a whole stemmed primarily from lending to support agricultural-related activities, finance investment projects, and assist the elimination of intrapublic sector arrears.

Agricultural-related loans increased by Tug 7 billion in 1993. These loans, which were extended entirely during April-September, consisted of Tug 4.6 billion for meat procurement and crop planting in the spring season, Tug 1.9 billion for wheat harvesting and procurement in the autumn season, and Tug 0.5 billion for wool procurement and processing. Of this total, Tug 2 billion was extended from the central bank for onlending by commercial banks. Agricultural-related loans were extended mostly through government direction at preferential rates. 1/ While the maturity of these credits was mostly 6-8 months, only Tug 3.3 billion was repaid by end-December because of weak demand for meat and flour. Bank lending for public sector investment projects increased by Tug 2.3 billion, of which Tug 1.9 billion was accounted for by loans to the Chingis Khan hotel and the mini-steel mill. 2/

Lending operations undertaken to clear overdue payments and tax liabilities involved the petroleum company, the Erdenet copper concern, the energy sector (mainly power and coal), and budgetary units. One commercial bank, the Bank for Investment and Technological Innovation (BITI), was designated for these operations and loans totaling Tug 12.7 billion were extended on three occasions (July, October, and November); of this total, Tug 11 billion was repaid by end-December.

1/ For loans for crop planting and meat procurement, the rate of interest on central bank loans was mostly 6 percent per month and the rate on commercial bank loans was 8 percent per month. For autumn crop harvesting, the rate on central bank credit was raised to 10 percent per month, while the rate on commercial bank loans was kept unchanged at 8 percent per month; however, an interest rate subsidy of 4 percent per month was provided to banks through the budget. These interest rates were considerably low compared with those on other bank loans, as discussed below.

2/ Interest rates on these project-related loans are relatively low, averaging 6-10 percent per month, while their maturity is much longer than agricultural-related directed loans.

Credit to the private sector increased by Tug 5.7 billion in January-October, before declining by Tug 2.7 billion in November-December. The increase in 1993 as a whole was considerably smaller than expected, primarily reflecting weak credit demand owing to high interest rates and stagnant domestic production. A major portion of the loans was associated with lending to private traders engaging in triangular trade among China, Russia, and Mongolia. Much of these loans were denominated in foreign currency (especially U.S. dollars), with a short-term maturity (2-3 weeks) typically at an interest rate of 18-20 percent per month.

Net credit to government fell by Tug 4 billion to Tug -6.7 billion in 1993. This primarily reflected an increase in deposits stemming from receipt of counterpart funds for sales of commodity grants and other official loans. Other items (net) exhibited a substantial expansionary effect (Tug 4.8 billion) partly owing to a decline in accumulated profits of commercial banks. One item which affected the gross composition of other items (net) significantly was interest payments arrears; these arrears increased by about Tug 3 billion to Tug 3.8 billion in 1993.

b. International transactions

Net international reserves of the banking system increased from Tug 1.1 billion at end-1992 to Tug 24.2 billion at end-1993. About half of the increase was accounted for by valuation gains due to the depreciation of the official exchange rate from Tug 40 per U.S. dollar at end-1992 to about Tug 400 per U.S. dollar at end-1993. In terms of U.S. dollars, net international reserves of the banking system rose by \$34 million to \$61 million. Of this increase, about \$13 million was accounted for by buildup of net international reserves by the central bank through monetization of gold, receipts of balance of payments loans, and foreign exchange purchases from the market. Other foreign assets (net) declined by Tug 6 billion to Tug -7.6 billion in 1993, primarily as a result of exchange rate-related valuation changes.

c. Broad money

Broad money grew by Tug 27.9 billion to Tug 40.9 billion in January-October, as a result of the expansion in net domestic assets and foreign currency deposits. The growth rate slowed considerably in the fourth quarter in response to the tightening of monetary policy. Nonetheless, for 1993 as a whole, broad money grew by Tug 29.7 billion (228 percent) to Tug 42.8 billion, significantly higher than projected.

More than 55 percent of broad money expansion (Tug 16.7 billion) during the year was accounted for by tugrik-denominated liabilities of the banking system (currency in circulation, demand deposits, and time/saving deposits). Among these liabilities, currency in circulation increased by Tug 6.9 billion, with its share in broad money rising from 14 percent at end-1992 to 20 percent at end-1993. This sharp increase was attributable to the elimination in mid-1993 of a bank-specific direct allocation of currency in response to severe currency shortages. Banks' demand for currency was subsequently met so long as they had sufficient funds in their current account with the Bank of Mongolia. Demand and time/saving deposits also increased by Tug 9.7 billion in 1993 partly in response to rising deposit rates, although their share in broad money declined from 78 percent to 47 percent.

Foreign currency deposits (mostly U.S. dollar balances) increased by Tug 13.1 billion to Tug 14.1 billion in 1993, with their share in broad money rising 8 percent at end-1992 to 33 percent at end-1993. This expansion reflected (i) valuation gains associated with the devaluations of the official exchange rate (Tug 8.7 billion), and (ii) a large increase in foreign currency deposits in U.S. dollar terms (\$11 million). The latter was associated with attractive deposit rates, a more realistic exchange rate, and the repatriation requirements introduced in conjunction with the exchange reform. About 70 percent of foreign currency deposits at end-1993 was held with two commercial banks and large public enterprises were major holders of these deposits. ^{1/}

d. Reserve money

Reserve money increased by Tug 9 billion (184 percent) to Tug 14.3 billion in 1993. The share of currency in circulation in reserve money increased from 37 percent at end-1992 to 61 percent at end-1993, with a corresponding decline in the share of the bank reserves. The money multiplier in terms of broad money inclusive of foreign currency deposits increased by 2.6 at end-1992 to 3.0 at end-1993. Exclusive of foreign currency deposits, however, the money multiplier declined from 2.4 to 2.0.

The bulk of the expansion in reserve money was accounted for by the increase in net international reserves (Tug 10 billion) and net other assets (Tug 6 billion); the latter partly reflected a decline in central bank profits associated with the settlement of external arrears. The expansionary effect of these two items was partly offset by a large fall in net other foreign assets (Tug 5.5 billion). Net credit to government changed little and central bank credit to commercial banks increased only by Tug 0.5 billion during the year.

e. Interest rates

The clearing rate was raised further to 18-25 percent per month in March 1993 to help curb an upturn in credit demand, although other central bank lending rates, especially those for agricultural-related directed loans, were set at 6-10 percent per month. The minimum deposit rate was also raised from 5 percent per month to 7 percent per month effective May 1993. The increases in the clearing and minimum deposit rates led to a corresponding rise in commercial bank interest rates. During 1993, the annual lending rate increased from 100 percent to 182 percent for public enterprises, from 127 percent to 215 percent for private business units, and from 147 percent to 223 percent for individuals. The annual interest rate on saving deposits rose from 10-52 percent to 24-100 percent, while the long-term deposit rate, represented by the 1-3 year rate, increased from 50-70 percent to 70-153 percent.

^{1/} These public enterprises include the Erdenet copper concern, the Mongolian Railways, the Gobi cashmere company, the national airline, tourism companies, and hotels.

5. Monetary developments in first half of 1994

a. Net domestic assets

In the first four months of 1994, net domestic assets increased by Tug 13.0 billion (an annualized rate of 150 percent) to Tug 39.1 billion. This rapid expansion was attributable to a sharp increase in credit to nonbank and a smaller-than-expected decline in net deposit accumulation by the Government with the banking system.

Net credit to nonbank grew by Tug 14.1 billion (an annualized rate of 138 percent) to Tug 44.7 billion, reflecting a sharp expansion in lending by the BITI to public enterprises, seasonal credit requirements for agricultural-related activities, and a central bank loan to gold mining companies. BITI's lending increased by Tug 9.6 billion, primarily reflecting loans to the petroleum company and the power sector to assist these enterprises in clearing their overdue payments. Lending for agricultural-related activities (spring crop planting and meat procurement) totalled Tug 3 billion, of which Tug 2.2 billion was extended by the Bank of Mongolia through the direction of the government at preferential rates; however, the authorities intend to provide no more credit through this means. The central bank extended Tug 1.6 billion to gold mining companies in foreign currency at a preferential interest rate of 2 percent per month.

Net credit to government increased by Tug 0.7 billion. In gross terms, however, claims on government grew by Tug 11 billion, primarily reflecting a borrowing from the central bank (Tug 7.4 billion) to assist flour mills in clearing their overdue payments. The flour mills faced increasing difficulties to make payments for large wheat stocks that they procured from domestic producers last year, because of the weak demand for domestically produced flour as a result of increasing competition from Chinese flour and large wheat imports, including those under external assistance programs. The sharp increase in claims on government, however, was largely offset by an increase in government deposits associated with inflows of cash grants (Tug 7.1 billion).

The Bank of Mongolia introduced tightening measures beginning from May 1994 to curb the strong expansion in credit. The minimum reserve requirements for commercial banks were raised by 3 percentage points to 17 percent of deposit liabilities effective June 1, which is estimated to absorb bank liquidity by Tug 0.9 billion. Central banks' bills totaling Tug 1.6 billion were issued between end-April and end-June to further absorb bank liquidity. The BITI was asked to take steps to ensure repayment of their loans totaling Tug 6 billion by end-June. The Bank of Mongolia refrained from providing additional credit to support agricultural-related activities for the spring season. The commercial banks were advised to meet the credit ceiling for end-June and informed that stiff penalties would be imposed on those which fail to meet the ceilings.

The rigorous implementation of these measures contributed to reduce credit to nonbank by about Tug 9 billion during May-June. However, there were concomitant increases in credit, mostly to public enterprises, which more than offset the reduction. These included an extension of central bank credit to the Erdenet corporation (Tug 2 billion) and the power sector (Tug 1 billion) through forward foreign exchange purchase; the purchase by the Bank of Mongolia of gold from domestic gold mining companies (Tug 2.6 billion); lending by a commercial bank to support agriculture production, including spring crop planting and meat procurement (a total of Tug 3 billion); and a

smaller-than-expected net deposit accumulation by the government owing to budgetary assistance provided to repay flour mill loans to the central bank (Tug 2 billion), to meet debt-service obligations related to the mini-metal project (Tug 2.4 billion), and to settle external arrears owed by some public enterprises (Tug 0.5 billion).

Reflecting these developments, net domestic assets rose by 57 percent (Tug 15 billion) to Tug 41 billion for the first half of 1994 as a whole. Net credit to government declined by Tug 0.7 billion, a reduction considerably smaller than expected. Credit to nonbank grew by 47 percent, with credit to public enterprises accounting for the bulk of the expansion.

b. International transactions

Net international reserves of the banking system continued to exert a strong expansionary effect during the first half of 1994, increasing by 29 percent (Tug 7 billion) to Tug 31 billion. The sharp increase was attributable entirely to a large buildup of net international reserves held by the Bank of Mongolia, from \$27 million at end-December 1993 to \$49.5 million at end-June 1994, primarily reflecting the inflow of cash grant (\$19 million). International reserves held by commercial banks declined by \$8 million in net terms, in part reflecting a fall in foreign currency deposits. Other foreign assets (net) of the banking system declined by Tug 1 billion, mainly as a result of exchange rate depreciations.

c. Broad money

Broad money expanded by 50 percent (Tug 21 billion) to Tug 63.6 billion during the first half of 1994. Tugrik-denominated monetary liabilities accounted for the entire expansion, while foreign currency deposits declined modestly. Consequently, the share of these monetary liabilities to broad money increased from 67 percent at end-December 1993 to 79 percent at end-June 1994. In particular, currency in circulation continued to show a strong expansion, by 77 percent to Tug 15.5 billion, with its share to broad money rising to 24 percent by end-June. This continued increase reflected an increase in the demand for monetary asset, especially in response to rising private sector transactions in the agriculture sector. Indeed, despite the sharp increase in broad money, inflation continued to fall substantially, from 183 percent in the year to December 1993 to 69 percent in the year to June 1994. As a result, income velocity turned out to be considerably more stable than earlier expected.

d. Reserve money

Parallel with the rapid expansion in broad money, reserve money almost doubled to Tug 27 billion during the first half of 1994, with both currency in circulation and bank reserves growing roughly proportionally. About three fourths of the reserve money expansion was accounted for by an increase in net official international reserves. Central bank credit to government decreased by Tug 0.5 billion in net terms, as a sharp increase in the Bank of Mongolia's claims to finance loans to flour mills was more than offset by an increase in the Government's deposits reflecting cash grant inflows. Central bank credit to commercial banks rose by more than 40 percent to Tug 9.5 billion in support of their lending operations for spring planting and meat procurement. Lending to nonbank exhibited an unusually strong expansion, as the central

bank extended a total of Tug 5 billion to gold mining companies, the Erdenet corporation, and the power sector.

IV. Dollarization

In Mongolia, since the beginning of the transition to a market economy, the U.S. dollar has played an important role as a store of value and a medium of exchange, even though the domestic tugrik currency has gained increased acceptance over the past year. This section describes the pattern and causes of the use of the U.S. dollar as a substitute for domestic currency (dollarization) and compares Mongolia's experience with that in other transition economies.

The ratio of foreign currency deposits (FCD) in the domestic banking system to broad money including FCD is defined here as the dollarization ratio. While this measure provides one indicator of the degree of currency substitution, it fails to capture foreign currency-denominated assets held by domestic residents outside the domestic banking system. In particular, the ratio excludes foreign currency notes and coins held within the country. However, reliable estimates of these are not available.

1. Developments in dollarization

In Mongolia, the ratio of FCD valued at the official exchange rate to broad money, which amounted to just 2 percent at end-1989, grew rapidly to almost 40 percent by mid-1993 (Chart 1 and Table 1). The main causes of this dollarization were the acceleration in the rate of inflation and expectations of depreciation of the official exchange rate. As the rate of price increase slowed and the exchange rate stabilized, the dollarization ratio started to decline in the second half of 1993 and stood at just over 20 percent at end-June 1994. The amount of FCD in U.S. dollars showed a steadier, though still rapid, increase from \$15 million at end-1991 to \$35 million at end-1993 and then also declined in the first half of 1994.

2. Supply of dollars in Mongolia

The key development that increased the supply of dollars was the liberalization of the exchange and trade system. Under the former centrally planned system, a foreign exchange budget was part of the annual economic plan. On the basis of this plan, the Ministry of Finance prepared sectoral foreign exchange allocations, the State Bank ensured that the allocations were implemented, and surrendered requirements applied to enterprises and cooperatives. Virtually all international trade took place with the inconvertible currency area and payments were effected in transferable rubles. This trade was conducted exclusively by state enterprises through state foreign trading organizations and only a few state-owned import and export companies held assets denominated in foreign currency. The very limited amount of export and import trade with the convertible currency area was handled by the monopoly foreign trade organization.

With the liberalization of the foreign exchange and trade system that began in 1990, private companies and individuals were allowed to engage in international trade, retain their foreign exchange earnings, and hold FCD. In 1990, the official commercial exchange rate, which applied to surrendered foreign exchange export earnings and public sector imports, was pegged at a rate of

Table 1. Mongolia: Dollarization, 1991-94

	Foreign Currency Deposits 1/	Foreign Currency Deposits 2/	Broad Money (Including FCD) 2/	Dollarization Ratio 3/	Quarterly Change in CPI 3/	Official Exchange Rate 4/
1991						
Q4	15.1	604	9,915	6.1	14.4	40.0
1992						
Q1	17.2	689	10,216	6.7	49.6	40.0
Q2	17.4	695	12,178	5.7	47.4	40.0
Q3	21.9	876	13,334	6.6	20.5	40.0
Q4	24.5	982	13,053	7.5	58.6	40.0
1993						
Q1	28.9	4,342	18,138	23.9	50.7	150.0
Q2	30.2	12,002	30,678	39.1	38.9	398.0
Q3	32.8	12,743	37,033	34.4	18.4	389.0
Q4	35.6	14,113	42,763	33.0	14.2	396.5
1994						
Q1	35.7	14,631	51,766	28.3	21.0	409.3
Q2	32.7	13,444	63,555	21.2	3.0	411.6
Q3	55.8	23,181	78,350	29.6	17.9	415.8

Source: Data provided by the Mongolian authorities.

1/ In millions of U.S. dollars.

2/ In millions of tugriks.

3/ In percent.

4/ Tugriks per U.S. dollar.

CHART 1

MONGOLIA

Dollarization and Inflation

1991-94

Tug 4.44 per U.S. dollar. This rate was devalued progressively to Tug 7.10 per U.S. dollar in April 1991 and to Tug 40 per U.S. dollar in June 1991. The noncommercial exchange rate for other transactions, initially set at Tug 20 per U.S. dollar in January 1988, was devalued to Tug 40 per U.S. dollar in February 1991. The commercial and noncommercial exchange rates were unified in June 1991. The exchange rate was devalued to Tug 150 per U.S. dollar in January 1993 and to Tug 400 per U.S. dollar in May 1993.

Private sector foreign exchange earnings and retained public sector earnings could be sold in an officially sanctioned parallel foreign exchange market or deposited in foreign exchange accounts with the domestic banking system. The parallel market was given impetus in mid-1991 when the establishment of bank and nonbank foreign exchange dealing points were authorized. In this parallel market, the exchange rate, which had fluctuated between Tug 100-130 per U.S. dollar in 1991, depreciated to Tug 330 per U.S. dollar by the end of 1992. The differential between the official and parallel markets was virtually eliminated with effect from May 1993.

3. Demand for dollars in Mongolia

a. As a store of value

The key determinant of the demand for dollars as a store of value is the expected yield on dollar assets relative to tugrik assets, which has three components: the interest rate on dollar assets, the interest rate on tugrik assets, and the expected depreciation of the exchange rate. Other things equal, an increase in the expected depreciation of the exchange rate, an increase in the interest rate on dollar assets, and a decrease in the interest rate on tugrik assets would all increase the relative yield on dollar assets and tend to increase the demand for dollars.

The single most important factor behind the increase in the demand for dollars in Mongolia between 1990 and 1993 was domestic inflation and the expected depreciation of the tugrik. The quarterly change in the consumer price index increased from zero percent at end-1990 to 50 percent during 1992 and the first half of 1993. Corresponding to the high inflation were expectations that the parallel market exchange rate would depreciate and the official exchange rate would be devalued periodically. The high domestic inflation and expected depreciation of the exchange rate increased the relative expected yield of holding dollar assets and the dollar became a useful liquid investment for domestic residents. Following the adoption of the ESAF-supported program in mid-1993, the decline in inflation and the stabilization of the exchange rate decreased the relative expected yield of holding dollar assets, which contributed to the decline in the degree of dollarization.

Developments in deposit rates also help to explain the fall in the demand for dollars. As the financial system in Mongolia is relatively less developed, domestic residents have limited opportunities to invest their financial wealth. The only financial instruments available are savings accounts for individuals and time deposit accounts for firms. Until the end of 1992, nominal interest rates on bank deposits were low, and real interest rates were highly negative. Because interest rates did not compensate for the expected depreciation of the tugrik, the demand for dollar assets was increased. Interest rates on tugrik time deposits were raised in stages in late 1992 and early 1993. In the second half of 1993, the authorities established a minimum deposit rate of 7 percent monthly on tugrik saving and time deposits, which was substantially positive in real

terms, with a view to encouraging domestic savings. This minimum rate was left unchanged in the first half of 1994, as the underlying rate of inflation declined. Although the expected depreciation of the tugrik is difficult to measure, there is no question that these higher domestic interest rates in real terms decreased the relative expected yield on dollar assets.

b. As a medium of exchange

In Mongolia, dollarization has facilitated the rapid expansion of private sector activities, especially tourist services and trade with China and Russia. The number of shops, restaurants, and hotels that quoted prices and accepted payment in U.S. dollars grew markedly between 1990-93. The officially tolerated parallel market, where tourists and traders could readily buy and sell dollars, contributed to the growth of the demand for dollars as a medium of exchange. Casual observation did not suggest that 40 percent of transactions in the economy were conducted in U.S. dollars at end-1993, implying that store-of-value currency substitution went further than medium-of-exchange currency substitution in Mongolia. However, the dollar's role as a medium of exchange continues to increase in relative importance and helps to promote private sector growth.

4. Dollarization experience in other countries

The pattern of dollarization in Mongolia parallels that of other transition economies that have liberalized their exchange and trade systems, allowed the establishment of foreign currency deposits in the domestic banking systems, and made progress toward the restoration of macrostability. In cases where inflation has been reduced, including Poland, Estonia, and Lithuania, dollarization ratios have fallen significantly over the past year as in Mongolia. In those countries where progress toward inflation stabilization has been less rapid, including Bulgaria, Rumania, Ukraine, and Russia, dollarization ratios have not shown any tendency to decline. The experience has been somewhat different in Latin America where, following the establishment of foreign currency deposits in the mid-1970s, dollarization ratios increased rapidly in a number of countries. The subsequent prolonged periods of high inflation stimulated capital flight and long-term investment abroad so that dollarization ratios remained high even after inflation declined. In Mongolia, the process of de-dollarization is likely to continue, given the authorities' strong commitment to the reform effort and continued success in stabilizing inflation.

5. Costs and benefits of dollarization

a. Inflationary implications

As domestic residents switch from domestic to foreign money, thus increasing the velocity of domestic money, in the absence of offsetting monetary policy action, the growth of domestic money may be accommodated to an increasing extent by price increases. The quantity equation for domestic money, which states that the product of money and velocity is equal to nominal GDP, allows the derivation of an illustrative estimate of the magnitude of the impact of such dollarization in Mongolia. Between 1991 and 1993, real GDP fell by almost 10 percent and the GDP deflator increased by 963 percent; broad money grew by 241 percent and broad money excluding FCD ("tugrik broad money") rose by 161 percent (Table 2). Dollarization accounts for the difference between the growth rates of velocity (184 percent) and "tugrik velocity" (272 percent): the demand

Table 2. Mongolia: Output, Money, and Velocity, 1991-93

	1991	1992	1993	Cumulative Growth 1991-93 1/
Nominal GDP (in billions of tugriks)	18.9	43.1	183.3	870
Real GDP (in billions of 1993 tugriks)	201.0	185.7	183.3	-8.8
GDP deflator (index: 1993 = 100)	9.4	23.2	100.0	963
Broad money (in billions of tugriks) 2/	8.2	11.5	27.9	241
Broad money excluding FCD (in billions of tugriks) 2/	7.8	10.7	20.4	161
Velocity 3/	2.3	3.7	6.6	184
Tugrik velocity 4/	2.4	4.0	9.0	272

Source: Executive Board documents.

1/ In percent.

2/ Average of end-year data.

3/ Nominal GDP divided by broad money.

4/ Nominal GDP divided by broad money excluding foreign currency deposits.

for domestic money fell more sharply than the demand for broad money including FCD, because domestic residents increased their FCD holdings.

If the accumulation of foreign currency assets had been prohibited, the demand for tugrik money may not have fallen as sharply. One possibility is that tugrik velocity would have increased by the midpoint between the actual growth of tugrik velocity and the actual growth of overall velocity. In this hypothetical case, inflation might have been limited to 839 percent over two years rather than 963 percent, which corresponds to an annual rate of 206 percent rather than 226 percent. Even in the absence of offsetting policy action, which in fact took place as a result of the ESAF-supported program, these estimates do not suggest that the magnitude of the dollarization effect was large.

b. Monetary management and foreign exchange reserves

By increasing financial openness, dollarization may reduce the effectiveness of monetary policy and increase the economy's vulnerability to capital flows. Although domestic liquidity in foreign currency can in principle be affected by monetary policy, domestic interest rates on foreign currency-denominated assets can differ from international interest rates only to a limited extent, depending on country risk and transaction costs. As in a fixed exchange rate regime, it is not possible to control the supply of foreign currency-denominated liquidity by controlling central bank credit. While aware of these potential difficulties for monetary management, the authorities have recognized that the establishment of foreign currency deposits in the domestic banking system may also help to reverse capital flight and build up international reserves. In Mongolia, to encourage the growth of foreign currency deposits in the domestic banking system, the Government has not imposed reserve requirements on these deposits. As a result, foreign currency deposits presently represent one third of the total foreign assets of the banking system.

V. Foreign Exchange Market

This section discusses the background, organization, and operation of Mongolia's foreign exchange market. Since the beginning of the transition to a market economy, the foreign exchange market has been liberalized substantially: participation has been broadened, multiple exchange rates have been progressively eliminated, and the level of the exchange rate has been brought into line with market forces. Though the market is still in its infant stage, foreign exchange is now available on demand for current international transactions, in both the official and the curb markets.

1. Background

As of January 1991, transactions with Russia and other former members of the Council for Mutual Economic Assistance (CMEA) came to be valued and settled in convertible currencies. During 1991, foreign exchange points were formally established, which de facto legalized emerging parallel market transactions among unofficial dealers; the official noncommercial exchange rate was unified with the official commercial exchange rate; and the commercial rate—which was pegged against the U.S. dollar—was devalued sharply. The barter exchange rate, which had been established in April 1991 to value barter transactions with the former Soviet Union, was eliminated in March 1992. The official rate was devalued substantially again in January 1993.

With the adoption of a floating exchange rate regime in May 1993, the official rate became market determined (Chart 2). The parallel market rate was effectively unified with the official rates, and the liberal provisions concerning participation in the foreign exchange market were codified. Since mid-1993, the authorities have taken additional actions to foster the development of the foreign exchange market, including the issuance of Bank of Mongolia guidelines regulating foreign exchange dealers' conduct in the market. In May 1994, Parliament adopted a Foreign Exchange Law regulating all foreign exchange activity in Mongolia.

2. Organization

Transactions in the official foreign exchange market are channelled through authorized dealers and payments are made in cash, travellers checks, and personal checks. There are 15 authorized dealers (all commercial banks) although only six dealers are active in the market (Bank of Investment and Technological Innovation, Peoples' Bank, Business Bank, Trade and Development Bank, Post Bank, and Agricultural Bank). Each authorized dealer operates at least one foreign exchange point, which is authorized only to purchase foreign bank notes; the Bank of Mongolia also operates one foreign exchange point. The main office of each commercial bank has sole authority to buy and sell foreign exchange, either in cash or noncash. There are no eligibility restrictions applied to nonbank participants, although large public enterprises are the main players (the Erdenet copper corporation, the Gobi cashmere corporation, the petroleum import company, and the meat procurement companies). There is also a thriving curb market where transactions are made in cash only. This market operates openly and freely in numerous sites of Ulaanbaatar and other cities. The most traded currencies are the U.S. dollar, ruble, and Chinese yuan, which are quoted daily both ways. There is strong competition between authorized dealers and curb market operators in the cash market.

3. Operations

a. Cash transactions

Every business day, authorized dealers use the morning buying rate on the curb market as a reference rate to set their buying rate. To determine the selling rate, they add to the buying rate a commission of up to 8 percent, which is the maximum allowed by the Bank of Mongolia. Rates quoted by the Bank of Mongolia are also heavily influenced by the curb market. The spread between the central bank's cash buying and selling rates is normally less than 2 percent. For buying rates, there is a differential of up to 1.3 percent for different customers.

Cash foreign exchange is available on demand for current transactions either on the official market or the curb market. For instance, the Trade and Development Bank posts two-way quotations at its head office on a daily basis. However, only a limited number of authorized dealers engage in cash operations due to the generally small size of such transactions. The Bank of Investment and Technological Innovation only buys foreign exchange, because its business strategy caters primarily to large exporters.

b. Noncash transactions

The volume of interbank transactions has been relatively small since the inception of the market. Although banks are free to trade directly among themselves, most of their transactions have been with the Bank of Mongolia, which has acted as the main broker in the market. Intervention by the central bank aimed at alleviating excessive short-term fluctuations in the exchange rate has contributed to this situation during certain periods, as illustrated by developments in the first quarter of 1994. In addition, transactions between banks and nonbanks are sometimes hampered by delays involved in clearing checks; if a customer makes tugriks payments for a purchase of foreign exchange, settlement takes at least 2-3 days.

CHART 2

MONGOLIA

Effective Exchange Rate Indices, 1993-94 1/
(January 1993 = 100)

Source: Staff estimates.

1/ Based on trade weights reflecting trade patterns in 1992 and relative consumer prices (not seasonally adjusted) with five countries: Russia, China, Germany, Japan, and United States.

**Table 3. Mongolia: Changes in Net Material Product and
Gross Domestic Product, 1989-93**

(At 1986 constant prices)

	1989	1990	1991	1992	1993
	(Annual percentage change)				
Net material product	9.7	-3.8	-13.9	-13.6	-3.2
Industry	11.4	-0.3	-12.7	-7.9	-6.8
Agriculture	13.8	-2.0	-5.1	-4.0	-7.0
Construction	9.6	-25.1	-16.5	-47.0	-12.0
Transport	-1.5	-9.1	-43.3	-18.8	-1.5
Communications	8.3	6.3	-23.5	-22.1	1.2
Trade/material/technical supplies	9.3	-2.0	-12.5	-22.0	4.0
Other	9.1	-8.7	7.8	15.4	14.9
Adjustment item	-0.3	4.1	2.9	8.5	3.0
Of which: Nonmaterial services	3.5	-6.1	7.7	3.0	4.0
Gross domestic product	4.2	-2.0	-9.9	-7.6	-1.3

Sources: Data provided by the State Statistical Office; the National Development Board; and staff estimates.

Table 4. Mongolia: Real Net Material Product and
Real Gross Domestic Product, 1989-93

(At 1986 constant prices)

	1989	1990	1991	1992	1993
(In millions of tugriks)					
Net material product	<u>8,462</u>	<u>8,144</u>	<u>7,011</u>	<u>6,060</u>	<u>5,865</u>
Industry	2,902	2,893	2,525	2,326	2,168
Agriculture	1,556	1,526	1,448	1,390	1,293
Construction	617	462	386	205	180
Transport	774	704	399	324	319
Communications	130	138	105	82	83
Distribution and warehousing	2,327	2,281	1,995	1,557	1,619
Other	155	141	152	176	202
Adjustment items:					
Nonmaterial services <u>1/</u>	1,285	1,207	1,300	1,339	1,393
Depreciation of fixed capital	2,151	2,289	2,132	2,200	2,204
Other <u>2/</u>	-1,005	-965	-828	-714	-688
Gross domestic product	<u>10,893</u>	<u>10,675</u>	<u>9,616</u>	<u>8,885</u>	<u>8,774</u>
(Annual percentage change)					
Net material product	9.7	-3.8	-13.9	-13.6	-3.2
Gross domestic product	4.2	-2.0	-9.9	-7.6	-1.3

Sources: Data provided by the State Statistical Office; the National Development Board; and staff estimates.

1/ Gross output of nonmaterial services.

2/ Including subsidies from the state budget for intermediate consumption and intermediate consumption of nonmaterial services.

Table 5. Mongolia: Net Material Product and Gross Domestic Product, 1989-93

(At current prices: in millions of tugriks)

	1989	1990	1991	1992	1993
Net material product	<u>8,646</u>	<u>8,328</u>	<u>15,140</u>	<u>38,581</u>	<u>166,643</u>
Industry	2,920	2,915	4,925	15,160	84,775
Agriculture	1,723	1,687	2,974	13,777	35,876
Construction	617	462	709	921	5,024
Transport	774	704	758	1,476	9,457
Communications	130	138	199	397	2,403
Distribution and warehousing	2,327	2,281	5,349	5,758	25,151
Other	155	141	226	1,092	3,956
Adjustment items:					
Nonmaterial services 1/	1,285	1,207	3,072	3,883	10,096
Depreciation of fixed capital	2,151	2,289	2,132	4,620	16,202
Other 2/	-1,351	-1,358	-1,434	-3,997	-9,613
Gross domestic product	<u>10,731</u>	<u>10,465</u>	<u>18,910</u>	<u>43,087</u>	<u>183,328</u>

Sources: Data provided by the State Statistical Office; the National Development Board; and staff estimates.

1/ Gross output of nonmaterial services.

2/ Including subsidies from state budget for intermediate consumption and intermediate consumption of nonmaterial services.

Table 6. Mongolia: Gross Output, Material Input, and Net Material Product, 1989-93

(At current prices: in millions of tugriks)

	1989	1990	1991	1992	1993
Industry					
Gross output	9,244	8,887	13,731	33,157	245,742
Material input	6,324	5,972	8,806	17,996	160,967
Net material product	2,920	2,915	4,925	15,160	84,775
Agriculture					
Gross output	2,967	2,858	4,879	22,396	60,511
Material input	1,244	1,172	1,905	8,619	24,635
Net material product	1,723	1,687	2,974	13,777	35,876
Construction					
Gross output	2,223	1,793	2,029	2,561	7,162
Material input	1,605	1,331	1,321	1,640	2,138
Net material product	617	462	709	921	5,024
Transport and communications					
Gross output	2,068	1,934	2,627	5,735	64,220
Material input	1,164	1,093	1,670	3,863	52,360
Net material product	904	841	957	1,873	11,860
Distribution and warehousing					
Gross output	2,572	2,516	5,742	7,240	28,603
Material input	244	235	393	1,482	3,452
Net material product	2,327	2,281	5,349	5,758	25,151
Other sectors					
Gross output	188	205	268	1,194	4,913
Material input	33	63	42	102	957
Net material product	155	141	226	1,092	3,956
All material sectors					
Gross output	19,262	18,194	29,275	72,283	411,151
Material input	10,616	9,866	14,136	33,702	244,508
Net material product	8,646	8,328	15,140	38,581	166,643

Sources: Data provided by the State Statistical Office; the National Development Board, and staff estimates.

Table 7. Mongolia: Income and Expenditure of Population, 1989-93

	1989	1990	1991	1992	1993
(In millions of tugriks, unless otherwise specified)					
Income of population	5,327	5,771	12,722	21,705	85,827
Wages and salary	3,288	3,560	8,356	13,457	61,850
Income from agricultural cooperatives	668	682	--	--	--
Self-employment income ^{1/}	180	188	446	3,613	8,138
Subsidies and allowances	672	723	2,095	2,688	8,146
Scholarships	126	128	191	219	264
Other	393	490	1,634	1,728	7,429
Expenditure of population	5,295	5,612	11,769	19,866	78,077
Products	4,291	4,647	8,256	13,496	56,020
Services	1,004	965	1,684	3,838	12,775
Other	--	--	1,829	2,532	9,281
Savings ratio (in percent) ^{2/}	0.6	2.8	7.5	8.5	9.0
(Annual percentage change)					
Income of population	5.9	8.3	120.4	70.6	295.4
Wages and salary	6.0	8.3	134.7	61.0	359.6
Income from agricultural cooperatives	14.9	2.0	--	--	--
Self-employment income ^{1/}	6.0	4.4	137.2	710.0	125.3
Subsidies and allowances	5.8	7.6	189.8	28.3	203.1
Scholarships	-2.0	1.2	49.2	14.7	20.6
Other	-4.4	24.7	233.5	5.8	329.9
Expenditure of population	6.1	6.0	109.7	68.8	293.0
Products	6.3	8.3	77.7	63.5	315.1
Services	5.2	3.9	74.5	127.9	232.9
Other	...	...	...	38.4	266.6

Sources: Data provided by the State Statistical Office; the National Development Board; and staff estimates.

^{1/} Beginning in 1991, includes privatized agricultural cooperatives and businesses.

^{2/} Calculated as a proportion of total income.

Table 8. Mongolia: Output of Major Agricultural Products, 1989-93 1/

	1989	1990	1991	1992	1993
<u>(In millions of tugriks at 1986 prices)</u>					
Value of gross output	2,651	2,552	2,363	2,222	1,995
Animal husbandry	1,849	1,852	1,843	1,800	1,516
Crop production	802	700	520	422	480
<u>(In thousands of metric tons, unless otherwise specified)</u>					
Main products: output volume					
Meat	492	512	578	516	410
Milk (mn. liters)	319	316	311	308	283
Butter (metric tons)	4,845	4,400	3,090	1,317	600
Eggs (millions)	36	38	25	18	16
Wool	26	28	29	28	27
Cereals	839	718	595	494	479
Potatoes	155	131	96	78	80
Other vegetables	59	42	23	16	22
<u>(In millions of head)</u>					
Livestock	24.7	25.9	25.5	25.7	25.2
Sheep	14.3	15.1	14.7	14.6	13.8
Goats	5.0	5.1	5.2	5.6	6.1
Cattle	2.7	2.8	2.8	2.8	2.7
Horses	2.2	2.3	2.3	2.2	2.2
Camels	0.6	0.5	0.5	0.4	0.4
<u>(Annual percentage change)</u>					
Value of gross output	4.5	-3.7	-7.4	-5.0	-10.2
Animal husbandry	4.1	0.2	-0.5	-2.1	-15.8
Crop production	5.4	-12.7	-25.8	-20.9	13.7
Main products: output volume					
Meat	6.3	4.1	12.8	-6.4	-20.6
Milk (mn. liters)	9.5	-1.1	-1.4	0.3	-8.0
Butter (metric tons)	4.8	15.7	-29.8	-57.4	-54.4
Eggs (millions)	15.1	6.1	-32.9	-27.5	-14.6
Wool	2.7	6.0	1.8	-1.7	-1.8
Cereals	3.0	-14.4	-17.2	-17.0	-2.9
Potatoes	50.7	-15.7	-26.4	-18.7	1.9
Other vegetables	5.7	-29.9	-45.6	-27.7	36.6
<u>Memorandum item:</u>					
Share of livestock held by the private sector	27.8	31.9	54.9	70.2	75.0

Source: Data provided by the State Statistical Office.

1/ Components may not add up to totals owing to rounding.

Table 9. Mongolia: Output of Basic Industrial and Mining Products, 1989-93

	1989	1990	1991	1992	1993
(In thousands of metric tons, unless otherwise specified)					
Electricity (mn. kwh.)	3,568	3,348	3,229	2,903	2,132
Coal	8,045	7,157	7,037	6,247	5,608
Fluor spar	578	456	755	622	537
Copper concentrate (35%)	353	354	257	300	334
Bricks (millions)	173	151	108	54	33
Cement	513	441	227	133	82
Lime	95	103	76	68	51
Sawn timber (thousand of cubic meters)	553	509	270	125	85
Scoured wool	10	10	7	7	4
Felt (thousand meters)	850	745	583	495	241
Woolen fabrics (thousand meters)	1,978	1,111	786	706	290
Coats (thousands)	90	109	52	9	1
Suits (thousands)	183	202	30	12	3
Hides (thousand tons)	1	1	1	1	—
Leather footwear (thousand pairs)	4,140	4,223	3,994	2,245	1,031
Leather coats (thousands)	42	36	30	40	9
Sheepskin coats (thousands)	180	138	112	99	87
Meat	62	58	50	25	17
Sausages (tons)	5,824	5,522	5,825	3,360	1,245
Flour	200	190	174	182	139
Bakery goods	67	63	61	61	46
Confectionery	46	42	33	17	12
Milk and dairy products (liters)	62	60	51	28	13
Butter	5	...	...	...	...
Toilet soap	10	10	5	...	...
Household soap	3	3	1	—	—
Carpets (thousands of square meters)	2,128	1,971	1,400	1,037	1,000
(Annual percentage change)					
Electricity (mn. kwh.)	0.7	-6.2	-6.5	-10.1	-26.5
Coal	-6.5	-11.0	-1.7	-14.5	-6.7
Fluor spar	10.6	-21.2	65.7	17.6	-13.7
Copper concentrate (35%)	1.5	0.3	-27.3	16.6	11.4
Bricks (millions)	-4.3	-12.6	-28.7	-50.1	-38.2
Cement	2.1	-14.0	-48.5	-41.6	-37.9
Lime	-22.3	8.4	-26.0	-11.1	-24.5
Sawn timber (thousand of cubic meters)	2.3	-8.0	-46.9	-54.0	-32.1
Scoured wool	5.2	-4.0	-25.8	-1.4	-50.7
Felt (thousand meters)	34.6	-12.3	-21.7	-15.2	-51.2
Woolen fabrics (thousand meters)	24.0	-43.8	-29.2	-10.2	-58.9
Coats (thousands)	-11.8	-21.2	-52.6	-83.3	-93.0
Suits (thousands)	20.1	-22.7	-85.0	-61.9	-76.5
Hides (thousand tons)	11.1	—	-2.0	-37.5	-60.0
Leather footwear (thousand pairs)	5.6	2.0	-5.4	-43.8	-54.0
Leather coats (thousands)	32.5	-14.2	-16.8	34.1	-76.6
Sheepskin coats (thousands)	-0.8	-23.4	-19.3	-10.9	-12.9
Meat	-0.5	-4.4	-14.2	-49.4	-31.1
Sausages (tons)	10.2	-2.4	5.5	-42.3	-62.9
Flour	1.7	-5.0	-8.1	4.3	-23.7
Bakery goods	-4.6	-5.1	-3.9	0.2	-24.5
Confectionery	9.6	-9.0	-19.4	-49.1	-29.4
Milk and dairy products (liters)	5.1	-3.9	-15.4	-45.3	-53.1
Butter	—	...	...	...	...
Toilet soap	51.5	-1.9	-48.0	...	...
Household soap	32.0	-21.2	-73.1	-42.9	-50.0
Carpets (thousands of square meters)	17.3	-7.4	-29.0	-25.9	-3.6

Sources: Data provided by the State Statistical Office; the National Development Board; and staff estimates.

Table 10. Mongolia: Composition of Gross Industrial Output, 1989-93 1/

(In percent)

	1989	1990	1991	1992	1993
Total value of gross output	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Food	24.6	24.1	27.3	24.4	13.4
Leather and shoes	10.6	10.9	13.9	13.1	4.2
Textiles	10.4	10.8	9.8	10.8	5.5
Clothing	4.4	4.5	4.6	2.0	0.9
Energy 2/	13.5	13.2	13.0	13.4	15.7
Fuels	3.6	3.2	3.5	3.9	5.8
Nonferrous metals	9.1	9.9	10.8	17.8	41.5
Building materials	8.8	9.0	4.9	2.7	1.2
Wood processing	5.5	5.0	4.1	3.2	1.2
Chemicals	--	--	--	--	--
Metalworking	3.0	2.9	1.7	1.2	0.3
Printing	0.9	0.9	0.8	0.5	0.2
Glass and china	0.4	0.3	0.3	0.2	--
Other 3/	5.4	5.3	5.4	6.8	9.9

Sources: Data provided by the State Statistical Office; and staff estimates.

1/ Components may not add up to totals owing to rounding.

2/ Including electric and thermal energy.

3/ Including newly established private enterprises.

Table 11. Mongolia: Coal Statistics, 1989-93

	1989	1990	1991	1992	1993
<u>(In thousands of metric tons)</u>					
Resources, total	<u>8,211</u>	<u>7,413</u>	<u>7,311</u>	<u>6,445</u>	<u>5,746</u>
Stock at beginning of year	89	183	274	198	138
Production	8,045	7,157	7,037	6,247	5,608
Imports	77	73	—	—	—
Total distribution	<u>8,028</u>	<u>7,139</u>	<u>7,113</u>	<u>6,307</u>	<u>5,656</u>
Consumed by thermal power stations	4,311	4,222	4,469	4,438	4,031
Final consumption	2,941	2,427	2,523	1,781	1,625
Industry and construction	1,066	995	1,099	877	711
Agriculture	202	159	101	69	58
Commercial housing and public services	1,359	1,172	1,201	638	623
Other	314	101	122	197	233
Exports	776	490	121	88	—
Stock at end of year	<u>183</u>	<u>274</u>	<u>198</u>	<u>138</u>	<u>90</u>
<u>(Annual percentage change)</u>					
Production	<u>-6.5</u>	<u>-11.0</u>	<u>-1.7</u>	<u>-11.2</u>	<u>-10.2</u>
Total distribution	<u>-11.6</u>	<u>-11.1</u>	<u>-0.4</u>	<u>-11.3</u>	<u>-10.3</u>
Consumed by thermal power stations	-5.1	-2.1	5.9	-0.7	-9.2
Final consumption	-16.0	-17.5	4.0	-29.4	-8.8
Exports	-25.4	-36.9	-75.3	-27.3	-100.0

Sources: Data provided by the State Statistical Office; the National Development Board; and staff estimates.

Table 12. Mongolia: Petroleum Balance, 1989-93

	1989	1990	1991	1992	1993
<u>(In thousands of metric tons)</u>					
Opening Stocks	<u>160.9</u>	<u>171.8</u>	<u>165.4</u>	<u>75.0</u>	<u>100.5</u>
Gasoline - octane 76	...	...	...	15.0	54.8
Gasoline - octane 93	...	...	...	2.0	0.8
Airplane fuel	...	...	...	5.0	1.9
Diesel	...	...	...	49.0	24.2
Other 1/	...	...	...	4.0	18.8
Imports	<u>1,222.6</u>	<u>1,108.4</u>	<u>600.9</u>	<u>426.2</u>	<u>481.4</u>
Gasoline - octane 76	509.4	447.2	212.5	199.9	143.5
Gasoline - octane 93	9.0	9.2	5.9	1.9	5.2
Airplane fuel	12.6	8.3	41.7	15.0	20.0
Diesel	460.5	431.0	264.3	153.7	236.4
Other 1/	231.1	212.7	76.5	55.7	76.3
Total supply	<u>1,383.5</u>	<u>1,280.2</u>	<u>766.3</u>	<u>501.2</u>	<u>581.9</u>
Implicit uses	<u>1,211.7</u>	<u>1,114.8</u>	<u>691.3</u>	<u>400.7</u>	<u>396.6</u>
Closing stocks	<u>171.8</u>	<u>165.4</u>	<u>75.0</u>	<u>100.5</u>	<u>185.3</u>
Gasoline - octane 76	...	...	15.0	54.8	51.1
Gasoline - octane 93	...	...	2.0	0.8	2.3
Airplane fuel	...	...	5.0	1.9	10.0
Diesel	...	...	49.0	24.2	95.4
Other 1/	...	...	4.0	18.8	26.5
<u>(In percent of total gasoline and diesel use) 2/</u>					
Electricity generation	12.5	13.5	17.0	20.4	22.0
Agriculture	18.4	18.4	18.3	21.4	22.0
Transportation	19.6	17.0	18.6	20.3	22.0
Industry and other	49.5	51.1	46.1	37.9	34.0

Sources: Data provided by the State Statistical Office; the National Development Board; and staff estimates.

1/ Fuel for electricity generation and lubricants.

2/ Based on data from the National Development Board which differs from the State Statistical Office data.

Table 13. Mongolia: Electricity Balance, 1989-93

	1989	1990	1991	1992	1993
(In millions of tugriks)					
Electricity supply, total	3,726	3,576	3,313	3,031	2,789
Domestic	3,568	3,348	3,229	2,929	2,592
Imports	158	228	84	102	197
Distribution, total	3,726	3,576	3,313	3,031	2,789
Industry and construction	1,911	1,803	1,498	1,413	1,177
Transport and communications	185	175	110	101	88
Agriculture	123	116	75	45	24
Commercial housing and public services	370	349	362	308	310
Other sectors	293	276	355	308	417
Loss in transmission and distribution	278	323	340	285	291
Power stations' own use	566	534	573	571	482
(Tugriks per kilowatt hour) ^{1/}					
Tariff					
Industry	0.35	0.35	0.1	1.5	12.5
Agriculture	0.35	0.35	0.5	1.0	10.0
Households	0.35	0.35	0.5	1.2	10.0
(Annual percentage change)					
Electricity supply, total	3.0	-4.0	-7.4	-8.5	-8.0
Domestic	0.7	-6.2	-3.6	-9.3	-11.5
Imports	111.2	44.1	-63.1	21.2	93.0
Distribution, total	3.0	-4.0	-7.4	-8.5	-8.0
Of which:					
Industry and construction	2.2	-6.7	-16.9	-5.7	-16.7
Transport and communications	1.8	-5.5	-37.3	-8.1	-12.9
Agriculture	19.6	-6.0	-35.5	-39.8	-46.7
Other sectors	9.0	-5.8	28.6	-13.3	35.4
Loss in transmission and power stations' own use in total supply (in percent)	22.7	24.0	27.6	28.2	27.7

Sources: Data provided by the State Statistical Office; and the National Development Board.

^{1/} Annual average.

Table 14. Mongolia: Transportation Activity, 1989-93

Indicator	Measurement	1989	1990	1991	1992	1993
Total cargo	Thousand tons	61,969	53,983	36,508	15,908	11,365
Automobile	Thousand tons	45,100	39,400	26,200	7,000	3,479
Railroad	Thousand tons	16,800	14,500	10,300	8,900	7,883
Air	Thousand tons	13	11	4	4	3
Water	Thousand tons	56	72	4	4	—
Loaded cargo freight	Million tons/km.	8,069	6,972	4,381	3,321	2,805
Automobile	Million tons/km.	2,098	1,871	1,362	559	268
Railroad	Million tons/km.	5,956	5,088	3,013	2,756	2,531
Air	Million tons/km.	9.8	8.0	4.1	5.4	5.8
Water	Million tons/km.	5.0	4.9	1.7	—	—
Passenger transport	Million persons	242	232	234	252	192
Automobile	Million persons	239	229	231	249	189
Railroad	Million persons	2.7	2.6	2.6	2.6	2.3
Air	Million persons	0.8	0.8	0.6	0.3	0.2
Passenger freight	Million persons/km.	2,103	2,056	1,958	1,978	1,572
Automobile	Million persons/km.	957	914	913	963	701
Railroad	Million persons/km.	578	570	596	630	582
Air	Million persons/km.	567	571	448	385	290

Sources: Data provided by the National Development Board; and staff estimates.

Table 15. Mongolia: Retail Prices, 1991-94

(Tugriks per kilogram)

Item	1991		1992		1993				1994		
	Jan. 1	Jan. 15	Feb. 26	Sept. 28	March	June	Sept.	Dec.	March	June	Sept.
Mutton: First Quality	7.5	15.0	34.0	59.0	130-150	126	248	235	248	248	272
Beef: First Quality	6.0	12.0	30.0	59.0	120-130	126	248	235	248	248	272
Flour: First Quality	2.1	4.2	23.0	35.0	50	64	105	110	115	112	112
Bread: In Ulaanbaatar	1.4	2.8	14.4	23.0	39	3	59	59	77	77	77
Sugar	4.0	8.0	20.0	1/	135-145	170	195	195	260	290	300
Rice	2.2	4.4	18.0	1/	115-145	90	35	80	80	85	100
Vegetable oil (liter)	9.0	18.0	66.0	1/	450-800	800	850	1,300	1,100	650	800
Tea bricks	5.0	10.0	39.0	1/	450-600	860	900	1,200	1,500	1,500	1,400
Tobacco	19.5	20.0	110.0	1/	500-650	750	700	750	650	700	700
Electricity (kwh)	0.3	0.5	0.5	2.0	2	10	10	10	10	10	10

Sources: Data provided by the Ministry of Trade and Industry, Price Department; and the State Statistical Office.

1/ Sold only at market prices. Government supply stopped owing to foreign exchange shortages.

Table 16. Mongolia: Retail Prices of Gasoline, 1991-93

(Tugriks/liter)

	1991			1992			1993
	Jan. 1	Jan. 18	July 15	March 23	Apr. 29	Dec. 17	May 31
Gasoline A-93	1.25	2.50	10.50	13.70	14.50	52.00	131.00
Gasoline A-76	1.10	2.20	8.80	11.60	14.50	42.00	100.00
Diesel	1.13	2.26	2.26	9.80	9.80	50.00	130.00

Source: Data provided by the Ministry of Trade and Industry, Price Department.

Table 17. Mongolia: Ulaanbaatar Consumer Prices, 1991-94

(January 1991 = 100)

Year	Month	Index (Weight)	Monthly Change (In percent)	Year- on-Year (In percent)	Food and Beverages (0.486)	Clothing (0.219)	Rent and Utilities (0.105)	Household Goods (0.041)	Medical Care (0.007)	Transport and Communications (0.068)	Education and Recreation (0.039)	Other Goods and Services (0.035)
1991	March	104.6	2.2	...	...	...	...	...	...	...	...	...
	June	111.9	2.3	...	...	...	...	...	...	...	...	...
	September	134.9	14.3	...	124.0	146.0	114.0	189.0	100.0	120.0	277.3	147.0
	December	154.4	5.5	...	134.4	192.4	115.5	209.6	100.0	137.3	277.3	152.3
1992	March	230.7	32.8	120.5	235.0	255.0	115.5	353.0	100.0	178.0	323.0	246.0
	June	340.1	24.0	203.9	342.5	383.5	148.0	586.1	196.7	218.5	561.5	341.7
	September	409.7	8.6	203.8	445.4	438.1	169.2	673.0	196.7	218.5	556.8	399.1
	December	649.8	11.0	321.0	755.4	679.1	245.8	795.8	196.7	535.3	581.0	430.2
1993	January	823.3	26.7	420.4	1,059.1	692.0	252.6	1,038.1	226.4	582.8	806.9	433.0
	February	888.6	7.9	411.5	1,147.7	714.4	253.7	1,058.4	226.4	738.3	890.5	502.8
	March	979.0	10.2	324.4	1,308.4	724.5	284.9	1,071.7	226.4	738.3	989.0	577.3
	April	1,039.2	6.1	295.9	1,359.1	790.2	284.9	1,095.2	487.6	738.3	1,253.5	808.3
	May	1,058.2	1.8	285.9	1,382.6	813.2	286.0	1,152.4	487.6	738.3	1,271.4	791.1
	June	1,359.5	27.6	299.7	1,674.8	876.3	901.7	1,240.2	487.6	1,673.3	1,407.1	1,030.7
	July	1,430.0	5.2	285.3	1,765.8	876.3	909.9	1,424.8	676.2	1,673.3	1,713.8	1,030.9
	August	1,553.5	8.6	311.9	1,976.4	928.2	911.7	1,508.6	676.2	1,673.3	1,998.8	1,017.9
	September	1,610.0	3.6	293.0	2,024.3	970.4	1,066.7	1,615.5	765.5	1,673.3	2,049.7	1,038.0
	October	1,704.0	5.8	220.6	2,127.2	1,119.3	1,066.7	1,668.3	765.5	1,673.3	2,061.2	1,289.3
	November	1,793.5	5.3	206.5	2,252.0	1,197.5	1,066.7	1,846.4	822.6	1,673.3	2,074.0	1,391.6
	December	1,838.7	2.5	183.0	2,247.0	1,304.3	1,068.3	2,087.2	1,933.0	1,673.3	2,154.8	1,483.8
1994	January	2,013.3	9.5	144.6	2,455.6	1,439.2	1,063.1	2,437.1	1,933.9	1,683.1	2,741.5	1,662.7
	February	2,153.2	6.9	142.4	2,741.2	1,436.2	1,063.1	2,477.8	1,933.9	1,683.1	2,743.8	1,662.8
	March	2,225.2	3.3	127.3	2,793.0	1,451.8	1,195.4	2,777.1	1,905.4	1,683.1	2,834.2	2,063.1
	April	2,280.5	2.5	119.5	2,831.9	1,643.1	1,168.9	2,714.2	1,933.9	1,683.1	2,790.4	2,100.7
	May	2,291.5	0.5	116.5	2,853.3	1,621.0	1,182.8	2,741.5	1,933.9	1,683.1	2,827.3	2,141.2
	June	2,292.6	0.0	68.6	2,779.9	1,767.7	1,206.9	2,678.5	1,933.9	1,683.1	2,867.9	2,230.9
Annual data (monthly average)												
1991		120.2		20.2	117.9	152.0	111.8	174.0	100.0	122.4	230.7	135.4
1992		363.7		202.6	386.6	394.0	162.0	549.5	164.5	262.3	433.2	326.4
1993		1,341.5		268.9	1,693.7	918.9	679.5	1,400.6	648.5	1,270.8	1,555.9	949.5

Source: Data provided by the Mongolian authorities.

Table 18. Mongolia: Employment by Sector, 1989-93

(End-of-year number of employees, in thousands)

	1989	1990	1991	1992	1993
Total employment	764.1	783.6	795.7	806.0	772.8
Material sector	547.6	568.7	560.6	573.5	555.8
Agriculture	244.3	256.1	270.9	290.7	299.5
Industry	123.1	131.6	132.2	133.9	124.1
Transport	50.1	47.9	42.2	40.5	37.5
Construction	65.2	66.0	49.4	41.4	33.0
Other ^{1/}	64.9	67.1	65.9	67.0	61.7
Nonmaterial sector	216.5	214.9	235.1	232.5	217.0
Education	88.1	76.5	73.4	68.4	68.5
Health	54.5	50.8	49.2	44.9	44.5
Science, research, and development	16.5	11.5	10.1	9.8	9.7
Other	57.4	76.1	102.4	109.4	94.3
Memorandum items:					
Labor force	774.4	808.4	851.1	860.0	844.7
Unemployed (end of year)	10.3	24.8	55.4	54.0	71.9
Unemployment rate (in percent)	1.3	3.1	6.5	6.3	8.5
Women in work force ^{2/}	51.2	51.5	49.2	49.1	48.3
Hours worked per week ^{3/}	46.0	46.0	46.0	46.0	46.0

Source: Data provided by the State Statistical Office.

^{1/} Including communications and trade.

^{2/} In percent of the female population.

^{3/} Formal requirement in a full working week.

Table 19. Mongolia: Employment in Selected Industries, 1989-92 1/

	1989	1990	1991	1992
(Average annual number of employees, in thousands)				
Total	107.3	105.9	104.2	103.6
Electrical power and thermal energy	8.4	15.6	20.8	20.6
Fuel	4.1	4.3	4.5	4.4
Engineering and metalworking	6.6	3.8	2.8	2.8
Chemical	4.9	4.8	4.8	4.8
Construction material	12.2	9.2	8.3	8.2
Timber and woodworking	10.1	17.1	11.6	11.4
Glass, china, and pottery	0.6	0.7	0.6	0.5
Textile	8.3	9.3	8.2	8.2
Clothing	10.1	12.6	13.7	13.5
Leather, fur, and shoes	9.3	7.2	8.6	8.5
Printing	1.3	1.7	1.3	1.4
Food	14.2	14.4	14.1	13.9
Other 2/	17.2	5.2	4.9	5.4
(Annual percentage change)				
Total	5.5	-1.3	-1.6	-0.6
Electrical power and thermal energy	-14.3	85.7	33.3	-1.0
Fuel	-4.7	4.9	4.7	-2.2
Engineering and metalworking	3.1	-42.4	-26.3	-
Chemical	4.3	-2.0	-	-
Construction material	-	-24.6	-9.8	-1.2
Timber and woodworking	-1.0	72.3	-32.2	-1.7
Glass, china, and pottery	20.0	16.7	-14.3	-16.7
Textile	3.8	8.4	-11.8	-
Clothing	-19.8	24.8	8.7	-1.5
Leather, fur, and shoes	-4.1	-22.6	19.4	-1.2
Printing	-35.0	30.8	-23.5	7.7
Food	1.4	1.4	-2.1	-1.4
Other 2/	135.6	-69.8	-5.8	10.2

Source: Data provided by the State Statistical Office.

1/ Based on a sample of the largest enterprises. Series discontinued after 1992.

2/ Enterprises in the sample not included in the above industries.

Table 20. Mongolia: Average Monthly Wages, 1989-93 ^{1/}

(In tugriks)

	1989	1990	1991	1992	1993
All sectors	539	557	1,025	1,449	...
Material sector	568	587	974	1,449	...
Industry	618	622	1,424	2,169	...
Agriculture	449	466	563	841	...
Construction	596	602	1,110	1,755	...
Transport	653	666	1,255	2,071	...
Communications	490	477	1,146	1,568	...
Trade and procurement	485	533	1,143	1,692	...
Other ^{2/}	506	528	962	...	...
Nonmaterial sector	491	507	1,127	1,635	...
Housing and personal services	475	471	1,141	1,656	...
Public health, sports, and social insurance	425	434	1,023	...	...
Education and culture	478	498	1,087	...	...
Science, research, and development	591	667	1,411	1,701	...
Finance, loans, and insurance	478	464	689	...	...
Administration	649	601	1,287	...	...
Other	629	659	955	...	...
Memorandum items:					
Minimum wage (end of year)	...	...	700	1,649	5,019
Public enterprise employees	...	...	1,148	1,917	6,234
Private enterprise employees	...	...	1,220	1,916	5,122
Civil servants	...	...	980	1,496	4,403
Total	...	...	1,025	1,449	5,253

Source: Data provided by the State Statistical Office.

^{1/} Sectoral series discontinued after 1992.

^{2/} Including forestry.

Table 21. Mongolia: Summary Operations of the General Government, 1990-94 1/

	1990	1991	1992	1993	Budget Estimates 1994
(In millions of tugriks)					
Total revenue	5,295	8,965	12,924	55,304	73,430
Current revenue	5,288	8,965	12,912	55,304	73,430
Taxes, fees, and charges	4,494	8,078	11,273	52,481	67,852
Income taxes	2,088	2,586	5,475	25,036	22,888
Social security 2/	209	842	948	3,060	4,692
Goods, services and other	2,197	2,560	4,756	24,385	40,272
Domestic	376	822	2,023	7,910	13,637
External trade	1,821	1,738	2,733	16,475	26,635
Special revenue	—	2,090	94	—	—
Nontax revenue	794	886	1,639	2,823	5,578
Capital revenue	6	—	12	—	—
Total expenditure	6,711	10,797	18,398	82,099	128,635
Current expenditure	5,435	9,778	13,401	51,910	65,830
Wages and salaries	904	1,848	2,935	8,587	14,618
Goods and services	1,848	2,099	5,532	23,646	27,159
Subsidies and transfers	2,612	4,177	4,320	17,289	20,310
Of which: social security	865	2,325	2,672	13,416	16,806
Interest payments	71	345	186	2,031	3,570
Other	—	1,309	428	357	173
Capital expenditure and net lending	1,276	1,019	4,997	30,189	62,805
Budgetary investment	1,276	1,019	998	4,033	43,961
Off-budget capital expenditure	...	...	2,234	17,148	41,049
Net lending and other	...	...	1,765	9,008	20,300
Current balance	-140	-814	-489	3,394	7,600
Overall balance	-1,416	-1,832	-5,474	-26,795	-55,205
Financing	1,416	1,832	5,474	26,795	55,205
Foreign, net	1,098	1,826	4,808	28,563	58,705
Disbursements, gross	1,166	1,840	4,968	41,169	83,070
Of which: grants	...	...	1,560	24,629	27,270
Amortizations	-68	-14	-371	-7,921	-17,865
Short-term capital	...	...	-146	-3,085	-2,500
Change in arrears 3/	...	...	357	-1,600	-4,000
Domestic	318	6	666	-1,768	-3,500
Borrowing from the banking system	318	-195	442	-1,768	-3,500
Bank credit to government, net	597	-195	-898	-4,069	-3,500
For off-budget projects	-279	18	1,340	2,301	...
Bonds	—	201	26	...	...
Change in arrears 3/	...	...	198	...	...
(In percent of GDP)					
Total revenue	50.6	47.4	30.0	30.2	27.9
Current revenue	50.5	47.4	30.0	30.2	27.9
Capital revenue	0.1	—	—	—	—
Total expenditure	64.1	57.1	42.7	44.8	48.8
Current expenditure	51.9	51.7	31.1	28.3	25.0
Capital expenditure and net lending	12.2	5.4	11.6	16.5	23.8
Current balance	-1.4	-4.3	-1.1	1.9	2.9
Overall balance	-13.5	-9.7	-12.7	-14.6	-21.0
Financing	13.5	9.7	12.7	14.6	21.0
Foreign, net	10.5	9.7	11.2	15.5	22.3
Domestic	3.0	—	1.5	-0.9	-1.3

Sources: Data provided by the Ministry of Finance; and staff estimates.

1/ Figures may not add up to total owing to rounding.

2/ Net of payroll taxes and transfers to the social security system included in budget outlays.

3/ Not included in the official budget presentation.

Table 22. Mongolia: General Government Revenue, 1990-94 1/

	1990	1991	1992	1993	Budget Estimates 1994
(In millions of tugriks)					
Total revenue	5,295	8,965	12,924	55,304	73,430
Current revenue	5,288	8,965	12,912	55,304	73,430
Tax revenue	4,262	5,053	10,045	48,779	61,068
Corporate tax	2,043	2,486	5,235	23,814	22,055
Individual income tax	45	100	240	1,222	833
Taxes on goods, services, and other	2,174	2,467	4,570	23,743	38,180
Excise tax	372	814	2,014	3,866	5,878
Alcohol	354	790	1,740	3,822	5,878
Jewelry	18	24	274	44	—
Domestic sales tax	—	—	—	3,045	6,758
Motor vehicle tax	4	8	9	418	478
Petroleum tax	383	779	1,005	2,275	5,938
Other taxes on external trade	1,416	572	—	4,160	8,003
Customs duties and import surcharge	—	295	1,542	6,398	10,602
Copper tax	—	—	—	3,000	—
Other taxes	—	—	—	581	523
Social security 2/	209	842	948	3,060	4,692
Fees, charges, and other	23	93	186	642	2,092
Natural resources fee	2	60	88	259	1,326
Forestry fee	16	6	35	40	41
Land fee	—	4	20	230	365
Water use	—	2	8	21	54
Stamp fees	3	22	26	82	300
Market fees	1	1	—	—	—
Other	—	—	9	10	6
Special operations and timing adjustments 3/	—	2,090	94	—	—
Nontax revenue	794	886	1,639	2,823	5,578
Capital revenue	6	—	12	—	—
(In percent of total revenue)					
Total revenue	100.0	100.0	100.0	100.0	100.0
Current revenue	99.9	100.0	99.9	100.0	100.0
Tax revenue	80.5	56.4	77.7	88.2	83.2
Corporate tax	38.6	27.7	40.5	43.1	30.0
Individual income tax	0.9	1.1	1.9	2.2	1.1
Taxes on goods, services, and other	41.1	27.6	35.4	42.9	52.0
Social security 2/	4.0	9.4	7.3	5.5	6.4
Fees, charges, and other	0.4	1.0	1.4	1.2	2.8
Special operations and timing adjustments 3/	—	23.3	0.7	—	—
Nontax revenue	15.0	9.9	12.7	5.1	7.6
Capital revenue	0.1	—	0.1	—	—
(In percent of GDP)					
Total revenue	50.6	47.4	30.0	30.2	27.9
Current revenue	50.5	47.4	30.0	30.2	27.9
Tax revenue	40.7	26.7	23.3	26.6	23.2
Corporate tax	19.5	13.1	12.1	13.0	8.4
Individual income tax	0.4	0.5	0.6	0.7	0.3
Taxes on goods, services, and other	20.8	13.0	10.6	13.0	14.5
Social security 2/	2.0	4.5	2.2	1.7	1.8
Fees, charges, and other	0.2	0.5	0.4	0.4	0.8
Special operations and timing adjustments 3/	—	11.1	0.2	—	—
Nontax revenue	7.6	4.7	3.8	1.5	2.1
Capital revenue	0.1	—	—	—	—

Sources: Data provided by the Ministry of Finance; and staff estimates.

1/ Figures may not add up to total owing to rounding.

2/ Net of payroll taxes and transfers to the social security system included in budget outlays.

3/ Mainly represents taxation on unrealized windfall gains owing to price liberalization.

Table 23. Mongolia: General Government Expenditure, 1990-94 1/

	1990	1991	1992	1993	Budget Estimates 1994
(In millions of tugriks)					
Total expenditure	6,711	10,797	18,398	82,099	128,635
Current expenditure	5,435	9,778	13,401	51,910	65,830
Wages	904	1,848	2,935	8,587	14,618
Goods and services	1,848	2,099	5,532	23,646	27,159
Subsidies and transfers 2/	2,612	5,486	4,748	17,646	20,483
Subsidies	1,746	1,851	1,648	3,873	3,504
Transfers	865	3,635	3,100	13,773	16,979
Social security	865	2,325	2,672	13,416	16,806
Other	—	1,309	428	357	173
Interest payments	71	345	186	2,031	3,570
Capital expenditure and net lending	1,276	1,019	4,997	30,189	62,805
Budgetary investment	1,204	402	273	3,293	8,600
Reserve fund and other	72	617	725	740	960
Off-budget capital expenditure	—	—	2,234	17,148	32,945
On-lending and other	—	—	1,765	9,008	20,300
(In percent of total expenditure)					
Total expenditure	100.0	100.0	100.0	100.0	100.0
Current expenditure	81.0	90.6	72.8	63.2	51.2
Wages	13.5	17.1	16.0	10.5	11.4
Goods and services	27.5	19.4	30.1	28.8	21.1
Subsidies and transfers 2/	38.9	50.8	25.8	21.5	15.9
Subsidies	26.0	17.1	9.0	4.7	2.7
Transfers	12.9	33.7	16.8	16.8	13.2
Social security	12.9	21.5	14.5	16.3	13.1
Other	—	12.1	2.3	0.4	0.1
Interest payments	1.1	3.2	1.0	2.5	2.8
Capital expenditure and net lending	19.0	9.4	27.2	36.8	48.8
(In percent of GDP)					
Total expenditure	64.1	57.1	42.7	44.8	48.8
Current expenditure	51.9	51.7	31.1	28.3	25.0
Wages	8.6	9.8	6.8	4.7	5.5
Goods and services	17.7	11.1	12.8	12.9	10.3
Subsidies and transfers 2/	24.9	29.0	11.0	9.6	7.8
Subsidies	16.7	9.8	3.8	2.1	1.3
Transfers	8.3	19.2	7.2	7.5	6.4
Social security	8.3	12.3	6.2	7.3	6.4
Other	—	6.9	1.0	0.2	0.1
Interest payments	0.7	1.8	0.4	1.1	1.4
Capital expenditure and net lending	12.2	5.4	11.6	16.5	23.8

Sources: Data provided by the Ministry of Finance; and staff estimates.

1/ Figures may not add up to total owing to rounding.

2/ The figures for subsidies and transfers are not comparable with data in Table 24 because some subsidies and transfers represent off-budget items.

Table 24. Mongolia: General Government Expenditure by Function, 1990-94

	1990	1991	1992	1993	Budget Estimates 1994
<u>(In millions of tugriks)</u>					
Total expenditures	6,711	10,797	18,398	82,099	128,635
General public services	329	364	830	1,747	4,465
Defense	473	711	941	4,795	6,869
Public order and safety	103	476	774	1,464	3,410
Education	1,183	1,914	2,984	8,521	14,833
Health	569	1,040	1,744	7,333	9,835
Social security	802	2,167	2,469	8,556	13,266
Housing and community	446	235	53	420	469
Recreation, culture, and religion	210	378	623	1,844	3,163
Economic affairs	2,285	1,651	1,167	10,718	8,018
Other 1/	311	1,861	6,813	36,701	64,307
<u>(In percent of total expenditure)</u>					
Total expenditures	100.0	100.0	100.0	100.0	100.0
General public services	4.9	3.4	4.5	2.1	3.5
Defense	7.0	6.6	5.1	5.8	5.3
Public order and safety	1.5	4.4	4.2	1.8	2.7
Education	17.6	17.7	16.2	10.4	11.5
Health	8.5	9.6	9.5	8.9	7.6
Social security	12.0	20.1	13.4	10.4	10.3
Housing and community	6.6	2.2	0.3	0.5	0.4
Recreation, culture, and religion	3.1	3.5	3.4	2.2	2.5
Economic affairs	34.0	15.3	6.3	13.1	6.2
Other 1/	4.6	17.2	37.0	44.7	50.0
<u>(In percent of GDP)</u>					
Total expenditures	64.1	57.1	42.7	44.8	48.8
General public services	3.1	1.9	1.9	1.0	1.7
Defense	4.5	3.8	2.2	2.6	2.6
Public order and safety	1.0	2.5	1.8	0.8	1.3
Education	11.3	10.1	6.9	4.6	5.6
Health	5.4	5.5	4.0	4.0	3.7
Social security	7.7	11.5	5.7	4.7	5.0
Housing and community	4.3	1.2	0.1	0.2	0.2
Recreation, culture, and religion	2.0	2.0	1.4	1.0	1.2
Economic affairs	21.8	8.7	2.7	5.8	3.0
Other 1/	3.0	9.8	15.8	20.0	24.4

Sources: Data provided by the Ministry of Finance; and staff estimates

1/ Includes timing adjustment, part of off-budget capital expenditure and net lending, and unidentified.

Table 25. Mongolia: General Government Social Expenditure, 1990-94

	1990	1991	1992	1993	Budget Estimates 1994
(In millions of tugriks)					
Total expenditure	6,711	10,797	18,398	82,099	128,635
Current expenditure	5,435	9,778	13,401	51,910	63,830
Social protection expenditure	4,746	7,207	8,905	31,775	42,467
Pensions and allowances	802	2,167	2,469	11,478	13,266
Education	1,183	1,914	2,984	8,521	14,833
Health	569	1,040	1,744	7,333	9,835
Housing and community	446	235	53	420	469
Subsidies	1,746	1,851	1,648	3,873	3,504
Social safety net	...	...	7	150	560
(In percent of total expenditure)					
Social protection expenditure	70.7	66.8	48.4	38.7	33.0
Pensions and allowances	12.0	20.1	13.4	14.0	10.3
Education	17.6	17.7	16.2	10.4	11.5
Health	8.5	9.6	9.5	8.9	7.6
Housing and community	6.6	2.2	0.3	0.5	0.4
Subsidies	26.0	17.1	9.0	4.5	2.7
Social safety net	...	...	—	0.2	0.4

Sources: Data provided by the Ministry of Finance; and staff estimates.

Table 26. Mongolia: Subsidies and Transfers, 1990-94

	1990	1991	1992	1993	Budget Estimates 1994
<u>(In millions of tugriks)</u>					
Total subsidies and transfers	2,612	5,486	4,748	17,646	20,483
Total subsidies	1,746	1,851	1,648	3,873	3,504
Energy	166	417	69	2,380	1,737
Children's clothes	108	109	—	—	—
Milk	37	44	2	—	—
Mapping office	17	19	15	—	—
Agricultural incentives	113	33	—	—	—
Urban transport	32	14	125	1,193	975
Bread	8	—	—	—	—
Meat	50	10	58	—	—
Wood	18	—	—	—	—
Coal	41	4	—	—	—
Glass	4	—	—	—	—
Felt	14	—	—	—	—
Fodder transport	179	158	196	—	—
Exports	339	—	—	—	—
Housing interest	6	18	68	—	—
Newspapers	4	15	1	—	—
Price difference for clean water	21	36	40	—	25
Film purchases	17	12	11	9	—
Housing rents	85	36	—	—	—
Forestation expenditure	—	—	18	—	—
Veterinary services	80	124	202	—	—
Meal subsidies, etc.	50	262	132	—	—
Medicines	73	117	226	291	767
Other	286	426	484	—	—
Total transfers	865	3,635	3,100	13,773	16,979
Social security benefits	793	2,167	2,393	13,266	15,861
Social safety net fund	—	50	117	150	560
Student allowances	72	159	186	—	385
Small enterprises and employment	—	147	—	—	—
Children's Clothing Fund	—	—	126	—	—
Doubling of deposits	—	720	—	—	—
Gasoline rebate	—	393	193	—	—
Other	...	...	84	357	173
<u>(In percent of total expenditure)</u>					
<u>Memorandum items:</u>					
Total subsidies and transfers	38.9	50.8	25.8	21.5	15.9
<u>(In percent of GDP)</u>					
Total subsidies and transfers	24.9	29.0	11.0	9.6	7.8
Total subsidies	16.7	9.8	3.8	2.1	1.3
Total transfers	8.3	19.2	7.2	7.5	6.4

Sources: Data provided by the Ministry of Finance; and staff estimates.

Table 27. Mongolia: Social Security Fund Transactions, 1990-94 ^{1/}

	1990	1991	1992	1993	Budget Estimates 1994
(In millions of tugriks)					
Total revenue	801	2,222	2,672	11,916	15,070
Budget transfers	557	1,144	1,377	5,503	8,747
Payroll tax	235	732	1,295	2,839	6,323
Civil servants	34	236	338	789	2,175
Business entities	201	496	909	2,046	2,899
Employees	—	—	—	—	1,249
Other ^{2/}	8	346	18	739	—
Total expenditure	793	2,167	2,607	11,478	15,070
Pensions	476	1,622	2,125	6,978	12,930
Old age	351	1,277	1,742	5,447	9,698
Handicapped persons	41	106	139	517	1,034
Survivors' benefits	61	173	208	743	1,720
Benefits in kind	4	47	—	—	—
Other pensions	20	18	37	271	478
Allowances and benefits	200	420	442	838	1,828
Disability	41	64	66	169	97
Pregnancy	64	114	115	205	170
Mothers with large families	67	133	132	115	133
Child care	4	78	97	298	1,390
Twins	—	1	1	—	—
Infant nursing	14	12	5	19	5
War veterans	—	—	8	7	8
Mothers with many children	—	3	3	3	3
Other	10	16	15	24	23
Other expenditures	116	125	39	3,661	312
Subsidies to rent homes	77	76	14	55	9
Nursing home expenses	—	—	—	—	—
Administration	5	11	2	—	250
Other ^{3/}	—	10	20	3,575	49
Capital investment	35	28	4	31	4
Overall balance	8	55	65	438	—
(In percent of total expenditure)					
Memorandum items:					
Social security expenditure	12	20	14	14	12
Budget transfers to the Social Security Fund	8	11	8	7	7
(In percent of total social security expenditure)					
Budget transfers to the Social Security Fund	70	53	53	70	58
(In percent of GDP)					
Total social security expenditure/GDP	8	12	6	6	6
Budget transfers to social security/GDP	5	6	3	3	3

Sources: Data provided by the Ministry of Finance; and staff estimates.

^{1/} Data in this table are not fully compatible with those in Tables 21 and 23, due to adjustments made to the latter.

^{2/} For 1991, includes transfers to the Social Security Fund from trade unions resulting from a reorganization of the social security system.

^{3/} For 1993, includes unidentified items.

Table 28. Mongolia: Number of Social Security Beneficiaries, 1991-93

(In thousands)

	1991	1992	1993
Pensions	288.6	306.3	311.8
Old age	216.9	232.0	235.4
Disability	24.0	24.4	24.9
Survivors' benefits	33.7	34.1	34.8
Other pensions	14.0	15.8	16.7
Allowances and benefits	791.0	774.7	564.3
Disability	165.2	171.7	97.5
Pregnancy	52.8	75.9	36.3
Mothers with large families	444.5	413.1	348.7
Child care	42.0	58.8	46.3
Twins	0.3	0.2	0.1
Infant nursing	8.7	11.1	9.3
War veterans	12.1	11.1	10.2
Other	65.4	32.8	15.9

Sources: Data provided by the Ministry of Finance; and staff estimates.

Table 29. Mongolia: Finances of the Health Sector, 1993-94

(In millions of tugriks)

	1993	Budget Estimates 1994
Total expenditure	7,159.1	10,185.8
Wages and salaries	1,864.6	3,204.2
Social security	228.1	528.9
Social security payments	172.2	432.9
Health insurance	55.9	96.0
Other goods and services	4,910.5	6,254.9
Electricity	470.3	638.6
Fuel and heating	1,391.0	1,763.3
Transport (fuel)	408.9	734.4
Food	630.8	821.0
Medicines	739.1	967.4
Other	1,270.4	1,330.2
Investment	56.5	60.0
Capital repair expenditures	99.4	137.8
Sources of financing		
Health Insurance Fund	...	5,474.3
Employers	...	572.7
Employees	...	1,542.0
From budget	...	3,359.6
Employees	...	468.5
Transfers	...	2,891.1
Government transfers	...	4,711.5

Sources: Data provided by the Ministry of Finance; and staff estimates.

Table 30. Mongolia: Expenditure of the Education Sector, 1993-94

(In millions of tugriks)

	1993	Budget Estimates 1994
Total expenditure	9,536.9	15,278.5
Wages and salaries	3,318.0	5,688.2
Social security	423.8	940.7
Social security payments	324.3	770.1
Health insurance	99.5	170.6
Other goods and services	5,654.3	8,475.1
Electricity	644.3	847.0
Fuel and heating	2,461.4	3,868.4
Transport (fuel)	163.8	278.1
Food	1,084.5	1,474.9
Medicines	—	0.6
Other	1,300.3	2,006.1
Investment	57.0	50.0
Capital repair expenditures	83.8	124.5

Sources: Data provided by the Ministry of Finance; and staff estimates.

Table 31. Mongolia: Budgetary Appropriations for Vulnerable Groups 1/

Item of Expenditure	Number of Beneficiaries (In thousands)	Expenditure (In millions of tugriks)
Supplementary pension allowances and transport allowances for medical treatment		
For pensioners (Tug 800 per person from September 1, 1993)	80.8	452.4
For the disabled (Tug 800 per person from September 1, 1993)	20.0	112.0
For survivors (Tug 800 per person from September 1, 1993)	34.0	190.4
For nursing mothers in families below the poverty line (Tug 800 from September 1, 1993)	45.9	257.0
One-way tickets to Ulaanbaatar for medical treatment	2.0	0.3
Benefits for war veterans		
A 50% reduction in rents, heating, drinking water, and sewerage for families living in apartments	2.6	9.0
Free supply of 2 tons of coal and 2 cubic meters of wood per family for those living in gers	0.6	8.0
Rebates for medical payments		0.1
Other benefits		
One-time financial assistance to lowest income citizens to purchase fuel for the winter	1.7	25.5
Subsidy to war veterans and disabled persons without supporting relatives 2/	24.8	19.4
Expenditure related to the storage of flour received as grants		20.0
Subtotal		1,094.2
Grants, in kind		
Flour 3/		418.3
Butter 4/		84.8
Total, including grants in kind		1,597.3

Sources: Data provided by the Ministry of Finance; and staff estimates.

1/ Budgetary appropriations totaling Tug 1.6 billion were approved by Parliament in 1993; of the total, Tug 1 billion was disbursed in 1993 and the remaining balance in 1994.

2/ Consist of 2.7 kilograms of meat, 4 kilograms of flour, and 10 loaves of bread equivalent to 30 percent of expenditure (fourth quarter of 1993).

3/ Of the total volume of 3,994 tons of flour received as grants, 3,873.3 tons were distributed free. Total expenditure was calculated on the basis of the price assumption of Tug 108 per kilogram.

4/ Two hundred two tons of butter distributed free of charge, valued at Tug 420 per kilogram.

Table 32. Mongolia: Sectoral Composition of Public Investment Program, 1993-94 1/

	1993		1994	
	In billions of tugriks	In percent of total	In billions of tugriks	In percent of total
Energy	16.6	53.8	19.2	30.3
Machinery	1.9	6.2	1.5	2.3
Transmission lines	4.2	13.7	7.6	12.0
Plant and mine rehabilitation	10.4	33.9	10.1	16.0
Telecommunications	1.5	4.7	5.4	8.5
Intersatellite	1.5	4.7	3.1	5.0
Other	—	—	2.2	3.5
Transportation	2.5	8.2	25.9	41.0
Roads	0.9	3.1	2.4	3.7
Railways	0.4	1.3	20.4	32.3
Airways	0.4	1.3	2.5	3.9
Urban transportation	0.8	2.6	0.7	1.1
Gold projects	0.4	1.1	0.2	0.3
Mini-metal	0.6	1.9	—	—
Food production	1.0	3.3	0.5	0.8
Syringe factory	—	0.1	2.5	3.9
Edible oil plant	0.3	1.1	0.3	0.4
Ulaanbaatar sports stadium	0.1	0.4	0.1	0.1
Health	0.8	2.6	1.2	2.0
Education and culture	0.6	2.1	0.6	0.9
Defense and border construction	0.2	0.5	0.1	0.2
Sewerage system	0.2	0.6	0.1	0.1
Public administration	1.0	3.4	0.3	0.5
Private sector promotion	3.0	9.8	5.4	8.5
Chingis Khan Hotel	0.5	1.6	0.5	0.8
Geological surveys	1.0	3.3	—	—
Other	0.7	2.4	1.3	2.1
Total investment	30.8	100.0	63.2	100.0

Source: Data provided by the Mongolian authorities.

1/ Figures may not add up to total owing to rounding.

Table 33. Mongolia: Value of Assets Privatized by December 1993

(In millions of tugriks)

	Small Privatization	Large Privatization	All Entities
Industry	180	5,160	5,340
Construction	139	706	845
Transportation	233	514	747
Telecommunications	—	12	12
Trade	885	641	1,526
Housing	20	—	20
Services	399	28	427
Agriculture	1,447	4,623	6,071
State farms	15	1,481	1,495
Other	589	534	1,123
Total	3,907	13,700	17,607

Source: Data provided by the Mongolian authorities.

Table 34. Mongolia: Number of Companies Privatized by December 1993

	Small Privatization				Large Privatization				Total	All entities
	Limited liability company	Partnership	Proprietorship	Total	Majority state owned	Partly state owned	Shareholding company	Limited liability company		
Industry	16	84	30	130	40	13	112	27	192	322
Construction	48	103	19	170	18	6	49	54	127	297
Transportation	39	38	56	133	20	8	29	22	79	212
Telecommunications	—	1	—	1	—	1	—	1	2	3
Trade	114	620	215	949	23	7	13	—	43	992
Services	69	495	294	858	1	1	1	4	7	865
Agriculture	1	17	31	49	—	—	—	99	99	148
State farms	3	20	49	72	23	31	83	89	226	298
Other	—	9	69	78	1	—	13	8	22	100
Total	290	1,387	763	2,440	126	67	300	304	797	3,237

Source: Data provided by the Mongolian authorities.

Table 35. Mongolia: Monetary Survey, 1991-94 1/

	1991	1992	1993				1994	
			March	June	Sept.	Dec.	March	June
(In millions of tenge; end of period)								
Net international reserves	862	1,085	5,278	12,791	11,567	24,239	26,397	31,232
Other foreign assets (net)	-929	-1,658	-3,438	-7,490	-5,930	-7,622	-8,732	-8,680
Net domestic assets	9,981	13,625	16,298	25,377	31,395	26,147	34,101	41,003
Domestic credit	11,039	16,221	19,066	26,747	29,516	23,907	32,762	38,667
Credit to Government (net)	-1,667	-2,665	-2,838	-2,838	-4,848	-6,734	-4,620	-7,472
Credit to nonbanks	12,706	18,866	21,904	29,585	34,364	30,641	37,381	46,139
Public enterprises 2/	9,631	11,960	12,516	18,837	22,725	20,763	14,408	18,442
Private sector 2/	3,075	6,926	9,388	10,748	11,639	9,878	22,973	27,696
Other items (net)	-1,058	-2,596	-2,768	-1,370	1,879	2,239	1,340	2,336
Broad money	9,914	13,053	18,138	30,678	37,033	42,763	51,766	63,555
Narrow money	7,313	7,641	9,100	12,941	16,553	18,547	23,376	30,789
Currency in circulation	1,694	1,839	2,513	3,515	6,401	8,751	10,675	15,483
Demand deposits	5,619	5,801	6,587	9,426	10,151	9,797	12,702	15,305
Quasi-money	2,601	5,412	9,038	17,737	20,480	24,216	28,390	32,767
Time/savings deposits	1,997	4,430	4,696	5,735	7,737	10,103	13,759	19,323
Foreign currency deposits	604	982	4,342	12,002	12,743	14,113	14,631	13,444
(Annual percentage change)								
Net domestic assets	52.3	36.5	42.6	83.2	109.8	91.9	109.2	61.6
Domestic credit	68.0	47.8	50.3	67.8	55.1	47.4	71.8	44.6
Net credit to Government (net)	-14.6	-53.9	-67.0	-49.9	-122.5	-152.7	-62.7	-163.3
Credit to nonbanks	58.3	48.6	52.2	65.9	62.0	62.2	70.7	56.0
Public enterprises 2/	27.6	24.2	13.4	43.7	69.2	73.6	15.1	-2.1
Private sector 2/	543.3	125.2	180.1	127.6	49.5	42.6	144.7	157.7
Broad money	53.5	31.7	77.5	151.9	177.7	227.6	185.4	107.2
Narrow money	54.0	4.5	21.7	42.8	68.6	142.7	156.9	137.9
Currency in circulation	129.9	8.5	43.2	56.3	167.3	375.8	324.8	340.5
Demand deposits	40.0	3.2	15.1	38.3	36.7	68.9	92.8	62.4
Quasi-money	52.3	108.1	229.9	469.2	482.9	347.4	214.1	84.7
Time/savings deposits	28.3	121.8	129.1	136.9	193.3	128.0	193.0	236.9
Foreign currency deposits	300.1	62.5	529.8	1,627.7	1,354.7	1,337.4	237.0	12.0

Source: Data provided by the Mongolian authorities.

1/ Based on official exchange rates.

2/ Data series prior to January 1994 are not compatible with those for the subsequent months owing to a change in the classification of public enterprises and the private sector.

Table 36. Mongolia: Consolidated Balance Sheet of the Bank of Mongolia, 1991-94 1/

(In millions of tugriks: end of period)

	1991	1992	1993				1994	
			March	June	Sept.	Dec.	March	June
Net international reserves 2/	820	577	3,585	3,238	808	10,754	15,484	20,392
Gross reserves	5,048	2,157	9,450	18,923	15,710	25,943	28,471	39,613
Gross liabilities	-4,228	-1,580	-5,865	-15,684	-14,902	-15,189	-12,987	-19,221
Other foreign assets (net) 2/	-911	-1,651	-3,581	-7,164	-5,057	-7,137	-7,367	-7,409
Assets	80	91	185	-	1,945	-	-	-
Liabilities	-991	-1,742	-3,766	-7,164	-7,002	-7,137	-7,367	-7,409
Credit to Government	-702	-1,027	-1,356	-166	-719	-1,168	-5	-1,798
Credit	82	175	786	1,556	1,707	1,453	9,658	6,913
Deposits	784	1,202	2,142	1,772	2,426	2,621	9,663	8,712
Credit to commercial banks	1,529	6,153	5,916	6,810	7,211	6,637	5,883	9,465
Credit to nonbanks	3	1	21	5	10	9	1,865	4,872
Public enterprises 3/	-	-	20	-	-	-	1,855	4,855
Private sector 3/	3	1	1	5	10	9	10	17
Other assets (net)	1,330	961	1,720	4,138	9,069	6,672	7,484	5,618
Reserve money	2,067	5,015	6,306	6,861	11,322	14,266	21,344	27,040
Currency in circulation	1,694	1,839	2,513	3,515	6,401	8,751	10,675	15,483
Bank reserves	345	3,164	3,102	3,284	4,857	5,475	10,645	11,483
Cash held by banks	(308)	(756)	(745)	(532)	(1,179)	(2,025)	(2,676)	(3,224)
Demand deposits with the Bank of Mongolia	(38)	(2,409)	(2,357)	(2,752)	(3,679)	(3,450)	(7,969)	(8,259)
Deposits of business units	27	12	691	63	64	41	25	74
Public enterprises	(27)	(12)	(691)	(63)	(64)	(41)	(25)	(74)
Private sector	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Central bank bills	-	-	-	-	-	1,500	2,000	4,100

Source: Data provided by the Bank of Mongolia.

1/ Based on official exchange rates.

2/ Data after March 1993 exclude foreign assets and liabilities held by the Trade and Development Bank.

3/ Data series prior to January 1994 are not comparable with those for the subsequent months owing to a change in the classification of public enterprises and the private sector.

Table 37. Mongolia: Consolidated Balance Sheet of Commercial Banks, 1991-94 1/

(In millions of tugriks: end of period)

	1991	1992	1993				1994	
			March	June	Sept.	Dec.	March	June
Reserves	345	3,164	3,102	3,284	4,857	5,475	10,645	11,483
Cash	308	756	745	532	1,179	2,025	2,676	3,224
Demand deposits with the Bank of Mongolia	38	2,409	2,357	2,752	3,679	3,450	7,969	8,259
Central bank bills	-	-	-	-	-	1,500	2,000	4,100
Net foreign assets 2/	42	508	1,693	9,553	10,759	13,485	10,913	10,840
Assets	42	508	1,714	12,704	13,150	14,905	12,663	13,591
Liabilities	-	-	-21	-3,151	-2,391	-1,420	-1,750	-2,750
Other foreign assets (net) 2/	-18	-8	143	-326	-873	-485	-1,365	1,271
Assets	-	-	190	784	438	1,420	686	657
Liabilities	-18	-8	-47	-1,111	-1,311	-1,905	-2,051	-1,928
Domestic credit	11,739	17,247	20,400	26,908	30,225	25,066	30,901	35,593
Net credit to Government	-965	-1,638	-1,483	-2,672	-4,129	-5,566	-4,615	-5,674
Credit	222	312	1,287	1,589	1,713	1,932	1,723	1,235
Deposits	1,186	1,950	2,770	4,260	5,842	7,498	6,338	6,909
Loans to nonbanks	12,703	18,885	21,883	29,579	34,354	30,632	35,516	41,267
Public enterprises 3/	9,631	11,960	12,496	18,837	22,725	20,763	12,553	13,587
Private sector 3/	3,072	6,925	9,387	10,743	11,629	9,869	22,963	27,680
In domestic currency	12,425	18,470	20,548	24,855	29,293	25,826	28,590	34,416
In convertible foreign currency	278	415	1,335	4,724	5,061	4,806	6,926	6,852
Other assets (net)	-2,387	-3,557	-4,48	-5,508	-7,190	-4,432	-6,144	-3,282
Deposits	8,193	11,202	14,934	27,100	30,567	33,972	41,067	47,998
Demand deposits	5,592	5,790	6,426	9,363	10,088	9,756	12,677	15,232
Public enterprises	4,710	4,192	4,734	7,232	7,946	7,769	7,797	10,579
Private sector	882	1,598	1,693	2,131	2,142	1,987	4,880	4,652
Time/savings deposits	1,997	4,430	4,696	5,735	7,737	10,103	13,759	19,323
Foreign currency deposits	604	982	3,812	12,002	12,743	14,113	14,631	13,444
Borrowing from the Bank of Mongolia	1,529	6,153	5,916	6,810	7,211	6,637	5,883	9,465

Source: Data provided by the Bank of Mongolia.

1/ Based on official exchange rates.

2/ Data prior March 1993 exclude foreign assets and liabilities held by the Trade and Development Bank.

3/ Data series prior to January 1994 are not comparable with those for the subsequent months owing to a change in the classification of public enterprises and the private sector.

Table 38. Mongolia: Central Bank Credit to Commercial Banks, 1991-94

(In millions of tugriks: end of period)

	1991	1992	1993				1994	
			March	June	Sept.	Dec.	March	June
Credit to banks	1,529	6,153	5,916	6,810	7,211	6,637	5,883	9,465
Credit for loan resource deficiency	1,302	1,605	1,373	2,615	2,836	1,335	785	2,612
Special commodity fund	205	189	173	173	23	—	—	—
Pre-clearing loans (net)	—	2,734	2,075	1,054	148	—	—	—
Clearing loans	—	1,186	662	1,317	1,622	2,815	2,815	4,189
At a regular interest rate	...	832	395	633	950	804	1,590	2,289
At a penalty interest rate	...	355	268	684	672	656	1,224	1,900
Cash deficiency	22	17	—	53	18	—	—	—
Interbank settlement	—	—	—	—	—	—	—	—
Principal in arrears	—	421	1,292	379	889	2,683	1,598	2,164
Interest on arrears	—	—	341	1,219	1,674	1,158	685	500

Source: Data provided by the Bank of Mongolia.

Table 39. Mongolia: Net Credit to Government, 1992-94

(In millions of tugriks: end of period)

	1992	1993				1994	
		March	June	Sept.	Dec.	March	June
Banking system	-2,665	-2,839	-2,838	-4,848	-6,734	-4,620	-7,472
Claims on government	487	2,073	3,145	3,421	3,385	11,381	8,148
Government deposits	3,152	4,912	5,983	8,268	10,119	16,001	15,621
Bank of Mongolia (net)	-1,027	-1,356	-166	-719	-1,168	-5	-1,798
Claims on government	175	786	1,556	1,707	1,453	9,658	6,913
Advance financing to budget	-	-	-	-	-	7,744	4,647
Financing of coin production	-	-	-	-	-	-	-
Securities	-	-	-	-	-	-	-
Bad debts	-	-	-	-	-	-	-
Nontrade settlement	-	-	-	-	-	-	-
Other 1/	175	786	1,556	1,707	1,453	1,915	2,266
Government deposits	1,202	2,142	1,722	2,426	2,621	9,663	8,712
Central government	1,112	2,015	1,583	2,130	2,284	9,473	8,526
Budget revenue (current account) 2/	497	350	58	14	240	-	-
Budget deposits 3/	606	1,661	1,501	1,973	2,045	9,193	8,005
Budget reserves	-	-	-	-	-	273	505
U.S. grant	1	-	-	-	-	-	-
Meat price adjustment	7	-	-	-	-	-	-
Current account of budgetary units	-	-	-	126	-	-	-
Budget investment funds	-	4	24	17	-	8	16
Local government	90	127	140	296	337	190	186
Budget revenue (current account)	90	127	140	296	337	190	186
Current account of budgetary units	-	-	-	-	-	-	-
Budget investment funds	-	-	-	-	-	-	-
Commercial banks (net)	-1,638	-1,483	-2,672	-4,129	-5,566	-4,615	-5,674
Claims on government	312	1,287	1,589	1,713	1,932	1,723	1,235
Advance financing of MOF	-	-	-	-	-	-	-
Overdrafts on CA of budget agencies	-	-	-	-	-	-	-
Advance investment to budget	-	43	96	179	-	-	-
Government securities	-	-	-	-	19	3	3
Projects	244	241	346	496	473	389	389
Nontrade settlement	68	68	68	68	68	68	68
Other 1/	-	935	1,079	971	1,372	1,262	775
Government deposits	1,950	2,770	4,260	5,842	7,498	6,338	6,909
Central government	869	1,392	3,022	4,110	5,856	4,852	4,772
Budget revenue (current account) 2/	121	55	253	692	1,971	-	-
Budget deposits 3/	36	265	791	892	2,167	1,344	967
Budget reserves	-	-	-	-	-	1,031	1,591
Special revenue	24	60	32	42	50	-	-
Budget funds with MTI	263	264	296	263	267	263	263
Current account of budgetary units	227	337	473	883	507	952	654
Social security and pension funds	154	349	953	1,028	656	503	628
Privatization funds	-	-	-	-	-	103	87
Budget investment funds	44	63	224	310	239	657	582
Local government	1,067	1,364	1,212	1,693	1,586	1,177	1,750
Budget revenue (current account)	809	986	752	1,129	1,075	606	1,151
Budget reserves	-	-	-	-	-	177	171
Current account of budgetary units	253	376	449	556	503	334	380
Budget investment funds	5	2	11	9	8	60	48
Time deposits of government agencies	14	14	26	39	56	309	387

Source: Data provided by the Mongolian authorities.

1/ Includes foreign exchange financing without tugrik funds.

2/ Replaced by new accounts, including budget reserves, after January 1994.

3/ Includes counterpart funds of foreign loans and grants.

Table 40. Mongolia: Interest Rates, 1991-94

(In percent per annum, unless otherwise specified)

	1991	1992				1993				1994	
	Dec.	March	June	Sept.	Dec.	March	June	Sept.	Dec.	March	June
Deposit rates											
Current accounts											
State enterprises	—	0.5-1	0.5-1	1	1	1	1	2	2	2	2
Private sector	—	0.5-1	0.5-1	1	1	1	1	2	2	2	2
Savings deposit accounts	4	4	4	15	10-52	10-64	24-125	24-125	24-100	24-100	24-100
Time deposit accounts ^{1/}											
Domestic currency											
Less than 3 months	5	5	5	16	10-52	...	...	...	...	...	...
3-6 months	5	5	5	16	10-61	...	...	...	...	...	...
6-9 months	5	5	5	16	10-60	...	...	...	...	...	...
9-12 months	5	5	5	16	10-60	...	...	...	...	...	...
Between 1 and 3 years	6	6	6	28	50-70	54-84	60-152	90-152	70-153	70-153	50-151
Between 3 and 5 years	8	8	8	32	50-70	60-84	60-152	125-152	125-152	125-152	131-152
More than 5 years	8	8	8	40	50-70	60-90	60-152	...	...	...	...
Foreign currency											
Less than 3 months	3	3	3	4	30	...	...	...	...	...	...
3-6 months	3	3	3	4	30	...	...	...	...	...	...
6-9 months	3	5	5	4	30	...	...	...	...	...	...
9-12 months	8	8	8	10	40	48-60	48-70	15-70	...	...	...
Between 1 and 3 years	8	10	10	12	50	48-60	48-70	15-70	10-72	10-72	10-84
Between 3 and 5 years	8	10	10	15	50	48-60	48-70	15-70	...	...	...
More than 5 years											
Loan rates											
Mongolbank rate ^{2/}											
In percent per annum	15	30 ^{3/}	30								
In percent per month				8-10 ^{4/}	15-20 ^{5/}	18-25 ^{6/}	18-25	18-25	18-25	15-18 ^{7/}	15-18
Commercial loans ^{8/}											
Short-term (less than 1 year)											
State enterprises	12	15	15	60	100	133	159	197	182	163	154
Private business units	18	25	25	72	127	169	217	228	215	184	174
Consumer	25	40	40	100	147	207	225	214	223	205	164
Medium- and long-term ^{9/}											
1-3 years	...	...	...	...	...	...	...	...	...	...	...
3-5 years	...	...	...	...	...	...	...	...	...	...	...
More than 5 years	7	7	7	...	...	...	...	...	...	...	...

Source: Data provided by the Bank of Mongolia

^{1/} Commercial banks have stopped reporting short-term interest rates since early 1993.^{2/} Lending rate for the clearing and settlement account.^{3/} Effective March 23.^{4/} Effective October 1.^{5/} Effective December 1.^{6/} Effective March 1.^{7/} Effective January 1.^{8/} Average rates.^{9/} No interest rates have been quoted for medium- and long-term loans since mid-1992.

Table 41. Mongolia: Commercial Bank Loans to Major Projects, 1991-94

(In millions of tugriks; end of period)

	1991	1992	1993				1994	
			March	June	Sept.	Dec.	March	June
Amical	14	47	47	48	35	48	48	48
Alcatel	7	7	107	200	196	332	270	73
Mini-metal	233	639	648	735	990	1,357	1,376	1,412
BITI	24	225	260	241	347	712	712	739
Trade and Development Bank	209	354	354	354	354	354	354	354
Insurance Bank	—	60	34	139	289	291	309	319
Chingis Khan Hotel	267	324	595	874	1,384	1,509	1,943	2,229
BITI	247	—	—	—	—	—	—	—
People's Bank	20	324	595	874	1,384	1,509	1,943	2,229
Cement Hovd	—	3	4	4	20	4	4	4
Tractor factory	11	11	5	—	20	—	—	—
Meat factory	—	20	20	20	20	20	20	20
Crystal resonator	—	185	182	182	183	182	98	98
Single syringe factory	—	10	10	10	13	13	13	15
Horse meat factory	—	114	118	160	220	224	381	365
Cimco paint factory	10	61	42	105	118	118	118	86
Total	542	1,421	1,778	2,338	3,198	3,807	4,271	4,349
Share to credit to nonbanks (%)	4.2	7.4	7.8	7.7	9.0	12.0	11.7	10.3
Memorandum item:								
Credit to nonbanks 1/	12,854	19,130	22,653	30,439	35,368	31,604	36,405	42,145

Source: Data provided by the Bank of Mongolia.

1/ On the basis of the official definition.

Table 42. Mongolia: Principal and Interest Payments in Arrears by Bank, 1993-94

(In millions of tugrik; end of period)

	1993				1994	
	March	June	Sept.	Dec.	March	June
Principal in arrears						
Agricultural Bank	360	436	674	1,127	1,217	1,058
Share to credit to nonbanks (%)	7.4	7.8	9.6	17.6	23.3	17.4
BITI 1/	446	660	715	593	659	645
Share to credit to nonbanks (%)	9.4	12.1	9.2	9.0	5.6	6.2
Cooperative Bank	14	13	12	11	11	51
Share to credit to nonbanks (%)	1.8	1.3	1.2	1.4	1.2	5.0
Insurance Bank	249	363	487	456	466	444
Share to credit to nonbanks (%)	8.0	8.1	10.5	12.0	11.2	8.8
Trade and Development Bank	152	251	416	532	554	587
Share to credit to nonbanks (%)	9.2	5.8	11.2	16.0	16.5	13.9
People's Bank	433	634	928	1,144	1,428	1,680
Share to credit to nonbanks (%)	7.4	8.5	10.7	13.8	16.6	13.3
Other	52	101	133	219	245	239
Share to credit to nonbanks (%)	3.0	4.8	5.3	9.2	9.7	8.4
Total	1,706	2,458	3,365	4,083	4,579	4,705
Share of credit to nonbanks	7.5	8.1	9.5	12.9	12.6	11.2
Interest in arrears						
Agricultural Bank	118	267	551	1,370	1,585	1,558
Share to credit to nonbanks (%)	2.4	4.8	7.8	21.4	30.4	25.6
BITI 1/	444	416	766	190	212	165
Share to credit to nonbanks (%)	9.3	7.6	9.9	2.9	1.8	1.6
Cooperative Bank	75	246	493	116	120	136
Share to credit to nonbanks (%)	9.7	24.1	48.1	14.2	13.7	13.4
Insurance Bank	229	405	790	741	723	777
Share to credit to nonbanks (%)	7.4	9.0	17.0	19.4	17.4	15.4
Trade and Development Bank	2	2	2	2	2	2
Share to credit to nonbanks (%)	0.1	—	0.1	0.1	0.1	0.1
People's Bank	10	305	752	1,236	1,572	1,755
Share to credit to nonbanks (%)	0.2	4.1	8.6	14.9	18.2	13.9
Other	1	39	88	103	100	100
Share to credit to nonbanks (%)	0.1	1.9	3.5	4.3	4.0	3.5
Total	879	1,680	3,442	3,758	4,314	4,493
Share of credit to nonbanks	3.9	5.5	9.7	11.9	11.9	10.7

Source: Data provided by the Bank of Mongolia.

1/ Bank of Investment and Technological Innovation.

Table 43. Mongolia: Foreign Currency-Denominated Deposits By Major Banks, 1992-94

	1992	1993				1994	
		March	June	Sept.	Dec.	March	June
(In millions of tugriks)							
Total deposits	982	4,342	12,002	12,743	14,113	14,631	13,444
Commercial banks	982	3,812	12,002	12,743	14,113	14,631	13,444
Demand deposits	869	3,526	10,392	10,446	11,735	12,154	10,457
Time/saving deposits	112	286	1,610	2,296	2,378	2,477	2,987
Trade and Development Bank	616	2,153	3,857	3,979	4,741	5,189	5,399
Demand deposits	602	2,112	3,712	3,844	4,561	4,989	5,211
Time/saving deposits	14	41	145	135	181	200	188
BITI 1/	117	921	5,399	4,818	5,054	4,172	2,972
Demand deposits	102	838	5,128	4,167	4,370	3,608	2,341
Time/saving deposits	15	83	272	651	684	564	631
Other	249	738	2,746	3,946	4,318	5,270	5,074
Demand deposits	166	576	1,552	2,436	2,805	3,557	2,905
Time/saving deposits	83	162	1,193	1,510	1,513	1,712	2,169
Bank of Mongolia	--	530	--	--	--	--	--
(In millions of U.S. dollars)							
Total deposits	24.5	28.9	30.2	32.8	35.6	35.7	32.7
Commercial banks	24.5	25.4	30.2	32.8	35.6	35.7	32.7
Demand deposits	21.7	23.5	26.1	26.9	29.6	29.7	25.4
Time/saving deposits	2.8	1.9	4.0	5.9	6.0	6.1	7.3
Trade and Development Bank	15.4	14.4	9.7	10.2	12.0	12.7	13.1
Demand deposits	15.0	14.1	9.3	9.9	11.5	12.2	12.7
Time saving deposits	0.4	0.3	0.4	0.3	0.5	0.5	0.5
BITI 1/	2.9	6.1	13.6	12.4	12.7	10.2	7.2
Demand deposits	2.5	5.6	12.9	10.7	11.0	8.8	5.7
Time/saving deposits	0.4	0.6	0.7	1.7	1.7	1.4	1.5
Other	6.2	4.9	6.9	10.1	10.9	12.9	12.3
Demand deposits	4.1	3.8	3.9	6.3	7.1	8.7	7.1
Time/saving deposits	2.1	1.1	3.0	3.9	3.8	4.2	5.3
Bank of Mongolia	--	3.5	--	--	--	--	--
Memorandum item:							
Exchange rate (Tug/US\$)	40.0	150.0	398.0	389.0	396.5	409.3	411.6

Source: Data provided by the Bank of Mongolia.

1/ Bank of Investment and Technological Innovation.

Table 44. Mongolia: Agriculture-Related Directed Credits, 1993

(In millions of tugrik)

	1993			
	April	June	Sept.	Dec.
Lending for the 1993 spring season 1/	4,619	4,619	4,619	1,786
Meat procurement 1/	2,958	2,958	2,958	1,325
Agricultural Bank	850	850	850	440
People's Bank	636	636	636	510
BITI 2/	420	420	420	209
Insurance Bank	552	552	552	166
Trade and Development Bank	500	500	500	—
Crop planting	1,661	1,661	1,661	461
Agricultural Bank	641	641	641	461
People's Bank	725	725	725	—
BITI 2/	295	295	295	—
Lending for the 1993 autumn season 3/	—	—	1,899	1,685
Wheat crop harvesting 3/	—	—	1,899	1,685
Agricultural Bank	—	—	568	378
People's Bank	—	—	807	807
BITI 2/	—	—	201	180
Trade and Development Bank	—	—	323	320
Lending for wool procurement/processing 4/	—	—	480	230
Insurance Bank	—	—	480	230
Total	4,619	4,619	6,998	3,701

Source: Data provided by the Bank of Mongolia.

1/ Extended in April 1993.

2/ Bank of Investment and Technological Innovation.

3/ Extended in August-September 1993.

4/ Extended in July 1993.

Table 45. Mongolia: Balance of Payments, 1989-93

(In millions of U.S. dollars)

	1989	1990	1991	1992	1993
Trade balance	-1,116.0	-578.8	-140.0	-62.6	-6.7
Exports, f.o.b.	795.8	444.8	346.5	355.8	365.8
Copper	—	—	—	160.2	155.1
Noncopper	—	—	—	195.6	210.7
Imports, c.i.f.	-1,911.8	-1,023.6	-486.5	-418.4	-374.5
Services balance	-124.4	-72.6	-5.8	-25.4	-31.1
Receipts	...	53.1	26.5	35.2	26.8
Payments	...	-125.7	-32.3	-60.6	-57.9
Interest	...	-48.7	-4.9	-14.6	-9.2
Other	—	—	—	-46.0	-48.7
Private unrequited transfers	—	—	—	-2.7	-0.1
Current account deficit (-), excluding official transfers	-1,240.4	-651.4	-145.8	-90.7	-39.9
Public unrequited transfers, net	—	7.4	41.6	38.5	71.0
Official grants	—	7.4	41.6	38.7	66.7
Other official transfers (net)	—	—	—	-0.8	4.3
Capital account	481.8	583.5	106.9	30.7	-9.6
Direct investment	—	—	—	2.0	7.7
Medium- and long-term (excluding direct investment)	515.1	516.7	130.3	86.3	32.5
Disbursements	1,250.7	537.4	139.3	112.1	54.0
Of which: Turnkey/other projects	374.0	264.3	74.7	—	—
Other	163.4	273.1	64.6	—	—
Amortizations	-22.3	-20.7	-9.0	-25.8	-21.5
Short-term	-33.3	66.8	-23.4	-57.6	-49.8
Errors and omissions	51.2	7.3	-94.6	8.9	5.2
Overall balance	5.9	-53.3	-92.1	-12.6	26.7
Financing	-5.9	53.3	92.1	12.6	-26.7
Change in net official reserves (increase -)	-5.9	53.3	28.8	6.1	-22.6
Arrears accumulated (+) or payments (-)	—	—	63.3	-11.5	-11.0
Exceptional financing (rescheduling)	—	—	—	18.0	6.9
Memorandum items:					
Current account deficit (-), excluding official transfers (in percent of GDP)	...	-29.1	-17.0	-6.7	-6.8
Net official reserves (end of period)	102.5	49.3	20.5	4.6	27.2
(in weeks of total imports)	2.8	2.5	2.1	0.6	3.8
Gross official reserves (end of period)	278.9	177.4	126.3	41.1	65.4
(in weeks of total imports)	7.6	9.0	13.1	5.3	9.1
Outstanding arrears (end period)	—	—	63.3	51.8	40.8

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

Table 46. Mongolia: Principal Exports, 1989-93

(In millions of U.S. dollars)

	1989	1990	1991	1992	1993
Copper concentrate (value)	281.3	260.4	213.1	160.1	155.1
Volume (copper concentrate) ('000 tons)	350.6	347.5	320.0	346.0	394.5
Refined copper equivalent (@ 29%)	101.7	100.8	92.8	100.3	114.4
Unit value—refined, per ton	2,766.4	2,583.7	2,296.2	1,595.1	1,355.8
Molybdenum concentrate (47%)	...	5.5	6.3	6.9	5.5
Volume (tons) 1/	3,312.0	2,594.3	2,965.1	2,975.1	2,908.0
Unit value (per ton)	...	2,131.6	2,134.5	2,329.3	1,891.3
Fluorite ore	46.2	38.3	8.3	15.0	8.3
Volume ('000 tons)	551.2	493.4	111.0	166.4	79.5
Unit value (per ton)	83.8	77.7	74.6	90.1	104.4
Fluorite concentrate	84.9	12.1	12.6	10.2	8.9
Volume ('000 tons)	709.5	110.2	120.0	97.2	77.2
Unit value (per kg.)	119.7	109.9	105.0	104.9	115.3
Sawn wood	3.0	7.8	...	11.1	9.0
Volume (thousand cubic meters)	437.9	490.2	...	71.9	72.2
Unit value (cubic meter)	6.9	15.9	...	154.4	124.7
Cashmere tops	65.7	6.7	2.5	2.2	1.9
Volume (tons)	65.7	39.7	16.9	20.5	38.2
Unit value	104.2	168.6	149.6	107.3	49.7
Cashmere, dehaired	30.4	6.8	3.9	10.4	9.2
Volume (tons)	188.0	53.4	32.5	203.5	250.7
Unit value	161.6	126.7	120.7	51.1	36.7
Cashmere, camel wool knitwear	16.8	19.1	7.2	10.9	5.1
Volume ('000 pieces)	292.8	337.6	150.6	177.9	120.9
Unit value (per piece)	57.4	56.7	47.8	61.2	42.2
Cashmere, greasy/raw 1992-93	19.2	21.7	7.2	29.0	17.3
Volume (tons)	291.3	376.3	220.0	1,355.6	1,217.0
Unit value (per ton)	65.8	57.8	32.7	21.4	14.2
Washed wool	9.6	6.8	2.2	8.0	3.8
Volume (tons)	3,515.3	2,836.7	1,371.6	7,099.5	2,790.0
Unit value (per ton)	2.7	2.4	1.6	1.1	1.4
Camel wool, raw	8.2	7.7	2.4	2.9	4.8
Volume (tons)	2,166.9	1,907.3	1,518.1	1,673.3	3,003.0
Unit value (per ton)	3.8	4.0	1.6	1.7	1.6
Leather goods	24.6	15.9	14.1	10.8	5.2
Volume ('000 pieces)	237.5	155.0	159.6	122.1	104.2
Unit value (per piece)	103.6	102.4	88.4	88.4	49.9
Sheepskin coats	...	19.4	15.6	5.9	1.3
Volume ('000 pieces)	...	58.3	52.5	35.3	12.5
Unit value (per piece)	...	332.1	298.0	167.1	104.0
Carpets	65.2	...	36.2	7.3	6.2
Volume ('000 meters)	1,886.9	...	794.9	313.0	512.9
Unit value (per meter)	34.5	...	45.6	23.3	12.1
Live animals	5.0	...	5.7	—	1.9
Volume (tons live weight)	21.6	...	20.0	—	2.5
Unit value (per ton)	230.0	...	287.4	—	—
Meat	—	...	—	7.7	7.9
Volume ('000 tons)	—	...	—	8.3	7.1
Unit value (per ton)	—	...	—	921.7	1,112.7
Other	194.6	16.6	9.0	57.6	114.4
Total	795.8	444.8	346.5	355.8	365.8

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

Table 47. Mongolia: Merchandise Imports, c.i.f., 1991-93

(In millions of U.S. dollars)

	1991	1992	1993
Food	37.2	21.3	58.2
Energy	138.0	88.3	108.7
Equipment goods	105.9	137.0	87.8
Raw materials and spare parts	86.4	123.5	72.8
Consumer goods	59.0	48.3	47.0
Other imports	60.0	--	--
Total	486.5	418.4	374.5
<u>Memorandum items:</u>			
Nonfood imports	449.3	397.1	316.3
Non-oil imports	348.5	330.1	265.8

Source: Data provided by the Ministry of Trade and Industry.

Table 48. Mongolia: Direction of Trade, 1989-93

(In percent of exports and imports)

	1989	1990	1991	1992	1993
Exports	100.0	100.0	100.0	100.0	100.0
Former CMEA countries	91.3	94.3	73.3	60.7	52.8
Former U.S.S.R.	74.4	79.7	68.9	56.6	52.5
Bulgaria	3.1	2.6	0.4	1.8	—
Former Czechoslovakia	4.2	4.6	1.3	1.1	0.1
Former German Democratic Republic	3.1	2.0	—	—	—
Hungary	2.5	2.1	2.7	0.8	—
Poland	2.0	1.7	0.1	0.1	—
Romania	2.1	1.6	—	—	—
Korea, Democratic People's Republic of	—	—	—	0.3	0.2
EU countries	1.9	2.0	5.4	8.1	5.2
Belgium	—	—	—	1.2	0.8
Denmark	—	—	—	—	—
France	—	—	0.3	0.2	0.2
Germany 1/	0.1	0.4	3.0	3.1	0.8
Italy	0.3	0.8	1.4	2.1	2.8
Netherlands	0.8	0.2	0.1	0.4	0.2
United Kingdom	0.6	0.5	0.6	1.0	0.3
Other	6.8	3.7	21.3	31.2	41.8
China	0.6	1.7	15.5	17.8	31.6
Austria	—	—	—	0.1	1.4
Finland	—	—	0.1	0.3	0.5
Hong Kong	—	—	1.1	1.0	0.3
Japan	3.5	—	3.4	4.8	4.5
Korea	—	1.2	0.1	0.4	0.3
Singapore	—	—	—	0.2	0.1
Switzerland	1.1	0.2	0.3	4.2	2.7
United States	0.2	0.1	0.1	1.1	1.1
Federal Republic of Yugoslavia (Serbia/Montenegro)	1.4	0.4	0.6	0.5	—
Afghanistan, Islamic State of	—	—	—	1.2	—
Other	—	—	—	0.5	0.3
Imports	100.0	100.0	100.0	100.0	100.0
Former CMEA countries	93.9	91.1	78.6	55.6	57.8
Former U.S.S.R.	84.1	78.6	73.9	51.2	57.3
Bulgaria	1.5	1.9	0.4	0.1	0.1
Former Czechoslovakia	2.2	3.7	3.0	1.3	0.1
Former German Democratic Republic	2.1	2.6	—	—	—
Hungary	1.3	2.3	1.0	1.2	—
Poland	1.7	1.4	0.1	0.3	0.1
Romania	1.2	0.7	0.2	—	—
Korea, Democratic People's Republic of	—	—	—	—	0.2
EU countries	1.2	2.1	4.3	8.4	5.5
Denmark	0.1	—	0.2	0.7	1.2
France	—	0.3	—	1.8	1.2
Germany 1/	0.6	1.6	3.9	5.2	1.6
United Kingdom	0.4	0.3	0.2	0.4	0.7
Other	—	—	—	0.2	0.8
Other	4.9	6.8	17.1	37.4	36.7
China	2.1	2.4	5.1	13.8	17.1
Austria	1.0	1.1	5.4	4.6	0.5
Finland	0.2	0.1	0.2	0.5	0.2
Hong Kong	—	0.3	0.2	2.3	2.7
India	—	—	—	0.4	0.4
Japan	0.7	1.1	0.9	9.5	7.4
Korea	—	0.1	2.3	2.0	0.8
Singapore	0.1	0.1	0.3	1.5	0.9
Switzerland	0.4	0.6	2.0	1.2	0.6
United States	—	—	0.4	0.4	4.6
Federal Republic of Yugoslavia (Serbia/Montenegro)	0.4	1.0	0.2	0.6	0.9
Other	—	—	—	0.6	0.6

Source: Data provided by the Mongolian authorities.

1/. Data prior to 1991 refer to the former Federal Republic of Germany.

Table 49. Mongolia: Services Account, 1992-93

(In millions of U.S. dollars)

	1992		1993	
	Receipts	Payments	Receipts	Payments
Shipment	5.1	1.3	5.5	--
Passenger fares	8.1	7.5	7.3	11.0
Railway	0.7	4.5	1.1	3.2
Airline	7.4	3.0	6.2	7.8
Port services	3.1	7.7	--	5.3
Transit fees	2.0	--	1.8	8.0
Travel	3.2	3.5	3.5	2.5
Investment income	0.2	27.1	0.8	21.0
Direct investment income	--	12.5	--	11.8
Interest on bank deposits	0.2	--	0.8	--
Interest on debt	--	14.6	--	9.2
Medium- and long-term	--	--	--	--
Short-term	--	14.6	--	--
Embassy expenses abroad	--	3.4	--	1.5
Embassies/International organizations	6.3	4.0	1.4	--
Commissions	0.4	0.1	1.6	0.3
Communications	2.3	0.8	2.2	0.9
Other	4.3	7.9	2.7	7.4
Total	35.0	63.3	26.8	57.9

Sources: Data provided by the Ministry of Finance; the Ministry of Trade and Industry; and staff estimates.

Table 50. Mongolia: Official Grants, 1991-93

(In millions of U.S. dollars)

	1991	1992	1993
Japan	18.9	24.4	14.9
In kind	4.4	1.2	5.0
Cash (balance of payments support)	14.5	15.0	—
Projects	—	8.2	9.9
United States	18.3	2.0	33.9
In kind	8.2	—	16.5
Cash (balance of payments support)	10.0	2.0	17.4
Denmark	—	3.5	5.4
Germany	1.4	1.7	—
Korea	0.9	1.2	0.2
China	0.7	1.2	0.9
Italy	—	1.5	2.4
Netherlands	1.4	1.2	1.2
United Nations	—	—	1.6
France	—	0.2	3.5
United Kingdom	—	1.2	1.0
Other countries	—	—	0.4
Total	41.6	38.7	66.7
Balance of payments assistance			
Project assistance	10.0	11.7	30.8
Technical assistance	2.0	—	3.4

Sources: Data provided by the Ministry of Finance; and the Ministry of Trade and Industry.

Table 51. Mongolia: Medium- and Long-Term Loan Disbursements, 1991-93

(In millions of U.S. dollars)

	1991	1992	1993
Soft loans	33.8	71.4	55.1
Japan	23.8	11.2	20.0
Balance of payments support	...	11.2	20.0
Project	...	—	—
Germany	—	8.7	5.7
China	—	—	2.2
Balance of payments support	...	—	1.8
Project	...	—	0.4
Korea	—	—	—
World Bank	—	24.0	3.9
Balance of payments support	...	24.0	3.0
Project	...	—	—
Technical assistance	...	...	0.9
Asian Development Bank	10.0	18.0	5.2
Balance of payments support	...	18.0	5.0
Project	...	—	—
Technical assistance	...	...	0.2
Russia	—	9.5	15.9
India	—	—	1.1
Commercial loans	30.8	40.7	—
Copper mine	—	20.0	—
Mini-metal project	30.8	13.8	—
Chingis Khan Hotel	—	—	—
Airplanes	—	6.9	—
Total	64.6	112.1	54.0

Sources: Data provided by the Ministry of Finance; and the Ministry of Trade and Industry.

Table 52. Mongolia: Short-Term Capital Flows, 1992-93

(In millions of U.S. dollars)

	1992	1993
Total	-57.6	-49.8
Import trade credits		
Austria	5.9	-11.2
Japan	-2.2	—
France	—	-4.9
United States	—	5.0
Amortization of import trade credits from former CMEA countries		
IBEC balances	-0.7	-9.0
Bilateral clearing balances	—	—
Export trade credits		
Erdenet	-52.4	27.4
Counterpart of barter trade balance	—	-37.9
Increase in foreign short-term deposits of commercial banks	-6.0	-21.3
Other	-2.2	2.1

Source: Data provided by the Ministry of Trade and Industry.

Table 53. Mongolia: Official International Reserves, 1990-94

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

	1990	1991	1992 1/	1992 2/	1993	1994 June
Gross foreign assets	<u>177.4</u>	<u>126.2</u>	<u>53.9</u>	<u>41.1</u>	<u>64.9</u>	<u>96.2</u>
Cash	...	0.3	1.8	1.6	0.7	0.6
SDR holdings	—	—	—	—	0.3	—
Monetary gold	54.7	51.8	24.8	24.8	5.3	7.2
Current account	...	39.7	13.9	5.8	4.0	7.1
Deposit account	...	27.6	13.0	8.5	54.6	62.4
Foreign grants	...	6.8	0.4	0.4	—	18.9
Short-term foreign liabilities	<u>128.1</u>	<u>105.7</u>	<u>39.5</u>	<u>36.5</u>	<u>38.2</u>	<u>46.7</u>
Borrowing from banks	...	85.3	17.6	17.6	6.4	—
Morgan Stanley	...	...	—	—	—	—
IBEC	...	...	7.1	7.1	4.8	—
IIB	...	...	10.5	10.5	1.6	—
Nonresidents' deposits	...	5.0	2.9	—	—	—
Use of Fund credit	—	15.4	19.0	18.9	31.8	46.7
Other	—	—	—	—	—	—
Net international reserves	<u>49.3</u>	<u>20.5</u>	<u>14.4</u>	<u>4.6</u>	<u>26.7</u>	<u>49.5</u>

Source: Data provided by the Bank of Mongolia.

1/ Data through December 1992 include reserve assets and liabilities held by the State Bank International.

2/ Assets and liabilities held by the Bank of Mongolia only.

Table 54. Mongolia: Long-Term External Debt and Debt Service
in Convertible Currencies, 1990-93

	1990	1991	1992	1993
(In millions of U.S. dollars)				
External debt ^{1/}	128.1	236.3	297.7	366.0
Medium- and long-term	—	156.0	267.0	322.9
IMF	—	16.1	18.9	31.9
Short-term	128.1	64.2	11.8	11.2
Debt-service ratio ^{1/}	...	15.8	66.9	41.9
Amortization	...	10.9	56.3	32.7
Interest	...	4.9	10.6	9.2
Medium- and long-term	...	12.0	64.2	28.8
Amortization	...	9.0	55.7	21.5
Interest	...	3.0	8.5	7.3
IMF	—	—	1.2	1.2
Repurchase/Repayments	—	—	—	—
Charges	—	—	1.2	1.2
Short-term	...	3.8	1.5	12.4
(In percent)				
External debt/GDP ^{1/}	5.7	25.0	27.6	62.4
Medium- and long-term	—	16.5	24.8	55.1
IMF	—	1.7	1.7	5.4
Short-term	5.7	6.8	1.1	1.9
External debt/current receipts ^{1/}	25.7	63.3	76.1	93.2
Medium- and long-term	—	41.8	68.3	82.2
IMF	—	4.3	4.8	8.1
Short-term	25.7	17.2	3.0	2.9
Debt-service ratio ^{1/}	...	4.2	16.4	10.6
Amortization	...	2.9	13.8	8.3
Interest	...	1.3	2.6	2.3
Medium- and long-term	...	3.2	16.0	7.3
Amortization	...	2.4	13.6	5.5
Interest	...	0.8	2.4	1.8
IMF	—	—	0.3	0.3
Repurchase	—	—	—	—
Charges	—	—	0.3	0.3
Short-term	...	1.0	0.4	3.2

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

^{1/} Excludes debt obligations to the former CMEA members and arrears.

Table 55. Mongolia: Long-Term External Debt in Nonconvertible Currencies, 1989-92

(In millions of transferable rubles)

	1989	1990	1991	1992
Total 1/	<u>9,855.0</u>	<u>10,471.6</u>	<u>10,615.5</u>	<u>10,615.5</u>
CMEA countries				
Former U.S.S.R.	9,685.4	10,288.1	10,456.7	10,456.7
Former Czechoslovakia	39.9	40.2	41.9	41.9
Germany 2/	19.4	19.4	20.7	20.7
Bulgaria	11.6	9.6	9.8	9.8
Romania	2.3	2.9	3.1	3.1
Hungary	35.5	34.4	34.4	34.4
Poland	17.9	19.7	20.1	20.1
China 3/, 4/	34.8	31.2	28.7	28.7
International Investment Bank (Moscow)	8.2	--	--	--

Sources: Data provided by the Ministry of Finance; and Mongolbank.

1/ These balances remained largely unchanged for a period after 1991. At end-1992, balances under trade clearing accounts were estimated at \$33 million (International Bank for Economic Cooperation) and \$12 million (bilateral clearing balances). At end-1993, IBEC balances were \$24 million while bilateral clearing balances remained unchanged.

2/ Former German Democratic Republic.

3/ Debt to China contracted during the 1960s.

4/ In August 1991, Mongolia reached agreement with China to reschedule all medium- and long-term debt service payments until 2001.

Table 56. Mongolia: Stock of External Arrears, 1992-94

(In thousands of U.S. dollars; end of period)

	1992	1993	1994	
			March	June
Public- and publicly-guaranteed				
Loans from Russia	—	1,432	1,925	—
Computer equipment (United States)	718	718	718	—
Petroleum products (Russia)	7,100	2,000	1,292	1,292
Chingis Khan Hotel project (Federal Republic of Yugoslavia (Serbia/Montenegro))	6,175	2,400	2,400	2,400
Oil exploration (Western Geophysical)	2,000	—	—	—
Construction of Mongolbank and SB/stock exchange buildings	10,715	—	—	—
Auditing arbitration transactions	72	72	—	—
Mini-metal (Japan)	5,580	15,300	—	—
Leather factory (Republic of Yugoslavia (Serbia/Montenegro))	1,200	1,498	1,264	864
Shoe factory (IIB)	900	1,759	1,759	2,734
Noosimpex (Austria/Russia)	—	12,000	—	—
Milk factory (Finland)	400	674	241	578
CATIC - Airplanes (China)	—	—	—	1,972
Other services	1,064	—	—	—
Subtotal	35,924	37,953	9,599	9,840
Nonpublicly-guaranteed				
Communication equipment (Alcatel/France)	7,039	—	—	—
Medicine (Russia)	942	942	868	868
Medicine (United Kingdom)	91	—	—	—
Veterinary medicines (Russia)	181	173	173	—
Candies (Hungary)	195	195	195	—
Vaccines forrabies (Russia)	102	95	94	94
Equipments for production paints (India)	165	36	36	36
Coal (Russia)	1,346	—	—	—
Canvas (Bulgaria)	104	93	—	—
Brick tea (Georgia)	720	360	310	310
Agriculture equipment and spare parts (Russia)	581	481	481	—
Spare parts for electric generators (Russia)	374	—	—	—
Lubricants	1,292	—	—	—
Horse meat processing plant	1,400	—	—	—
Pipe tobacco (Russia)	180	90	—	—
Other commodities	810	58	58	58
Cost of securities (Austria)	282	282	282	—
Subtotal	15,804	2,805	2,496	1,366
Total	51,728	40,758	12,095	11,206

Sources: Data provided by the Ministry of Trade and Industry; and staff estimates.

Table 57. Mongolia: Exchange Rates, 1989-93

	1989	1990	1991	1992	1993
<u>(Period average)</u>					
Tugriks per U.S. dollar					
Commercial rate ^{1/} , ^{2/}	2.99	4.67	25.00	40.00	296.3
Noncommercial rate ^{2/}	20.00	20.00	...	...	...
<u>(End of period)</u>					
Commercial rate	3.00	5.33	40.00	40.00	396.5
Noncommercial rate ^{2/}	20.00	20.00	...	...	...
Rate for barter transactions ^{3/}	...	...	15.00	40.00	150.00
Tugriks per transferable ruble					
Commercial rate ^{4/}	4.44	4.44	...	...	...
Noncommercial rate ^{5/}	6.69	6.69	...	...	...
<u>Memorandum items:</u>					
Parallel market rates ^{6/}					
Period average	...	...	...	250.60	356.30 ^{7/}
End of period	...	...	170.00	325.00	400.00

Source: Data provided by the Mongolian authorities.

^{1/} On July 1, 1990, the commercial exchange rate was fixed at Tug 5.63 = US\$1; on August 2, 1990, the rate was adjusted to Tug 5.56 = US\$1. On December 1, 1990, the rate was set at Tug 5.48 = US\$1; on April 16, 1991, the rate was set at Tug 7.10 = US\$1.

^{2/} On June 10, 1991, the commercial and noncommercial rates were unified at Tug 40 = US\$1.

^{3/} The rate used to value barter transactions with the (former) U.S.S.R. was devalued from Tug 7.1 = US\$1 (established April 16, 1991) to Tug 15 = US\$1 on November 1, 1991 and to Tug 40 = US\$1 on March 23, 1992.

^{4/} From January 1, 1991, transactions with former CMEA members are valued and settled in terms of convertible currencies; the commercial rate was used only for historical purposes and for settlement of a small amount of transactions outstanding from 1990.

^{5/} Obtained by multiplying the official noncommercial rate of Tug 4.18 per former U.S.S.R. ruble by a retail/wholesale price markup coefficient.

^{6/} Monitoring of these rates by the Bank of Mongolia began in October 1991.

^{7/} The average rate for January-April 1993.

Table 58. Mongolia: Exchange Rates, 1993-94

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

	Official rate 1/	Interbank rate 2/
1993		
Monthly data	150.0	...
January	150.0	...
February	150.0	...
March	150.0	...
April	150.0	...
May	198.8	...
June	398.6	399.0
July	397.3	397.0
August	393.3	395.0
September	389.4	391.0
October	389.7	391.0
November	392.7	393.0
December	395.4	396.0
Quarterly data		
First quarter	150.0	...
Second quarter	249.1	399.0
Third quarter	393.3	394.3
Fourth quarter	392.6	393.3
Yearly data	296.3	296.7
1994		
Monthly data		
January	398.9	401.3
February	401.2	405.1
March	408.0	412.6
April	409.0	413.4
May	410.5	416.6
June	411.1	415.7
Quarterly data		
First quarter	404.3	406.4
Second quarter	410.2	415.2

Source: Data provided by Mongolbank.

1/ Midpoint rate announced by the Bank of Mongolia.

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