

MONGOLIA

**STATEMENT BY MR. BATTSEREG NAMDAG
VICE MINISTER FOR FINANCE OF MONGOLIA,
EBRD ANNUAL MEETING
KIEV 18-19, 2008**

Mr. Chairman,
Mr. President,
Distinguished guests,
Ladies and Gentlemen,

On behalf of the Government of Mongolia it is my great privilege to address this year's Annual meeting. We express our sincere gratitude to the EBRD and the Government of Ukraine for organization of this event.

It has not been long since Mongolia has become Bank's country of operations and already we began benefiting from our new status: the Bank has invested USD 75 mln to businesses in different sectors and the pipeline for upcoming years looks promising. Furthermore, Mongolia started benefiting from the Bank's Early transition countries initiative. The country is pleased to see such outcomes for its long sought efforts to become country of operations.

Allow me to briefly provide an update on Mongolia's economic situation. In 2007 Mongolia continued to hold strong economic performance with economic growth of about 9.9 percent. Major driving forces for such high economic growth were similar to year 2006, but with increased shares from banking and financial, construction, and agribusiness sectors. GDP per capita surpassed 1,478 USD, indicating increase of 21 percent compared to year 2006. For the third consecutive year the government's fiscal balance recorded a surplus.

As of the end of 2007, the foreign currency reserves of Mongolia reached a level of USD 972.2 mln, which covers 6 months of the imports. During the 2007 the exchange rate against USD has been stable, depreciating only by 0.4 percent.

As a result of focused measures undertaken to increase the efficiency of the banking and non-banking financial sectors and to improve the legal and economic environment for financial intermediation, we see fair and transparent financial competition between commercial banks.

The year 2007 had seen a considerable fall in the weighted average lending rate for recent years, reducing to 19.96 percent. This reduction was due to the monetization of the economy, competition among banks, stricter supervision of bank loans and introduction of the innovative credit products, such as mortgage loans.

Parliament has approved USD 1.2 bln bond issue on the international capital markets within 2008, and the Government is preparing for the first placement of the bond with a value of USD 300 mln. In this respect we welcome interested investors to conduct close discussions with the Government.

As the private sector still accounts for almost 80 percent of Mongolia's GDP production, the Government is developing a Private Sector Development Strategy for Mongolia. The strategy design and implementation will need to be well coordinated with the private sector and other development partners. The National Development Strategy, which sets an overarching vision for Mongolia to become a middle-income country by pursuing strengthening of the country's human capacity and to promote a private sector-led economic growth path, has been approved by the Parliament in February of this year.

Such contribution by the private sector calls for a dialogue between private- public and international partners, which would foster communication and trust between government and businesses. For these purposes the Government of Mongolia established a Consultative council on investment climate with support from EBRD. This council is chaired by the Prime minister of Mongolia and comprises from government, private sector as well as international financial institutions, thus establishing long-needed mechanism through which the private and public sectors could jointly identify, prioritize, implement and monitor progress of initiatives to advance private sector development and improve business environment.

The Bank acknowledged Mongolia's achievements in its last Transition report, where Mongolia has shown upgrade in its three transition indicators. This success is credit to our country and our partners in development, such as EBRD.

The approaching parliamentary elections is drawing attention of all stakeholders. Despite of the election results, the new Government and Parliament will continue with its efforts toward sustaining achievements.

As closing, I would like to extend sincere appreciation to President Lemierre for his strong leadership and guidance, well demonstrated during his tenure, and we wish him all the best in his future career.

Thank you for your kind attention.