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GRAY/20/2247

June 2, 2020

**Statement by Mr. Mouminah, Mr. Alkhareif, and Ms. Alzamel on Mongolia  
(Preliminary)  
Executive Board Meeting 20/66  
June 3, 2020**

We thank staff for the well-written report and Mr. Ray, Ms. Johnson, and Mr. Khurelbaatar for their helpful Buff statement. Since we are in broad agreement with the staff appraisal, we would like to limit our remarks to the following issues.

**1. We support the authorities' request for a purchase under the Rapid Financing Instrument (RFI) to meet urgent balance of payment needs.** As a highly open economy, Mongolia is expected to face severe economic pressures stemming from the impact of the COVID-19 pandemic. Fund support is necessary to help avoid a prolonged economic disruption. Against this background, IMF funding should also help catalyze financial assistance from development partners. *In this regard, we would appreciate if staff could provide information about any potential plans to participate in the G20 Debt Service Suspension Initiative.* We note staff's assessment that Mongolia's public debt is deemed sustainable, but risks of overall debt distress remain high, and its capacity to repay the Fund is adequate. We welcome the authorities' commitment to guarantee the transparency and accountability of the emergency spending during the pandemic. We also appreciate the BOM's commitment to undergo an update safeguards assessment.

**2. We welcome the authorities' swift response to the pandemic, but a number of issues warrant close attention.** Particularly, we support the temporary relaxation of fiscal stance and re-prioritization capital expenditures to accommodate the containment measures. Nonetheless, we share Staff's concerns about the adequacy of virus-related health spending. Here, the authorities' commitment to a contingency plan to scale-up social spending and disaster relief, if necessary, is a step to the right direction. We share staff's concerns with the

quasi fiscal activities of the BOM which impacts transparency, operational independence, credibility and reduces monetary policy effectiveness.

**3. Once the pandemic passes, we encourage the authorities to keep momentum of the considerable progress made under the expired EFF program.** We welcome the authorities' commitment to advance their medium-term economic reforms, including by implementing fiscal consolidation, strengthening fiscal governance and enhancing financial supervision. We strongly encourage the authorities to address deficiencies in AML/CFT frameworks as identified by FATF and to work methodically towards removal from the FATF gray list. *Can staff comment on the remaining actions that need to be undertaken to facilitate compliance with FATF recommendations?.*

With these remarks, we wish the authorities every success in their policy endeavors.