

**IMMEDIATE  
ATTENTION**

EBS/11/156  
Supplement 3

November 8, 2011

To: Members of the Executive Board

From: The Secretary

Subject: **Mongolia—Second Post-Program Monitoring—Supplementary  
Information**

The attached paper provides supplementary information relating to the paper on the second post-program monitoring discussions with Mongolia (EBS/11/156, 10/3/11), which is being considered on a lapse of time basis. At the time of circulation of this paper to the Board, the authorities of Mongolia have indicated that they need more time to consider whether they will consent to the Fund's publication of this paper. Publication will only proceed upon the receipt by the Fund of the member's explicit consent.

Questions may be referred to Mr. Barnett, OAP (ext. 34439) and Mr. Ojima, APD (ext. 35944).

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the WTO Secretariat forthwith; and to the Asian Development Bank, the European Investment Bank, and the Organisation for Economic Cooperation and Development, following its consideration by the Executive Board.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (1)

Other Distribution:  
Department Heads



INTERNATIONAL MONETARY FUND

MONGOLIA

**Second Post-Program Monitoring—Supplementary Information**

Prepared by the Staff Representatives for the Second Post-Program Monitoring

Approved by Nigel Chalk and Claire Waysand

November 8, 2011

1. This supplement is to update the Board on the events that have taken place since the issuance of EBS/11/156. It does not change the thrust of the staff's assessment.
2. **2011 budget amendment.** The Mongolian Parliament approved the 2011 budget amendment on October 28. The amendment was as described in EBS/11/156 and included the substantial increase in budget spending of some 8 percent of annual GDP.
3. **Monetary policy tightening.** In a welcome development, the central bank raised the policy rate (7-day central bank bill) by 50 basis points to 12.25 percent, effective October 26. The hike is consistent with the policy advice in EBS/11/156 and staff maintains the view that more will need to be done to contain inflation, slow credit growth, and prevent a further overheating of the economy, especially given the direction of fiscal policy. The rate hike, therefore, should be complemented by the implementation of macro-prudential measures and, depending on incoming data, further rate hikes will also likely be needed.