

MONGOLIA: ACCESSION COMMITMENTS

Communication from Mongolia

Privatization Program of Mongolia During 1997-2000

The Permanent Mission of Mongolia to the United Nations Office at Geneva and other International Organizations, pursuant to paragraph 35 of the Report of the Working Party on the Accession of Mongolia (WT/ACC/MNG/9), forwards herewith the report on the developments in Mongolia's programme of privatization.

Compared to the privatization program of 1991-1996, during 1997-2000, the privatization process was more rapid and enterprises and assets were privatized through cash sale. In previous privatization process, payments of privatized assets were mainly made by investment vouchers distributed to the public.

During this period, the SPC privatized 910 enterprises and commercial properties and generated Tug 41.8 million (US\$1=Tug 1,000) for the state budget. Please see Table for the list of enterprises and commercial properties privatized during 1997-2000.

Most enterprises were privatized under the auction method.

Depending on the enterprise and assets, we used the public, limited and sealed-bid auction method.

Small enterprises with up to 50 employees and commercial properties were privatized under public auctions. In total, 448 enterprises and real estate were sold under this method, generating Tug23.5 billion for the state budget.

Large enterprises with more than 50 employees were privatized under the sealed-bid auction method. This included 72 fully and partially state-owned enterprises, sale of which generated Tug15.3 billion for the state budget.

Due to the importance of nomadic animal husbandry to the Mongolian economy, and the traditional nomadic way of life-significant part of the population, numerous branches of the veterinary clinic were funded by the state. During 1991-1993, the Government privatized about 20 million heads of livestock to herders and the Government started privatizing branches of the veterinary clinic to the veterinarians under the limited auction method in 1998. In total, 332 branches of the veterinary clinic were sold, generating Tug331 million to the state budget.

As a result of the privatization process, by the year 2000, the state property dominated economy of 1990 was transformed to a private sector dominated economy. This is the main consequence of privatization process.

Currently, agriculture, animal husbandry, construction, food, transportation, mining, trade procurement and service sectors are fully privatized and transferred to private ownership.

While in 1990 the private sector share of GDP was only four per cent, by 2000 this number increased to 72.3 per cent (excluding informal sectors). Please see graph 1. As of the end of 1999, private sector composition of GDP by major industries was as follows: agriculture, 98 per cent; trade, 90 per cent; manufacturing, 49 per cent; transportation, 17 per cent; communications, five per cent; energy, zero per cent and state service sector, 12 per cent.

Currently, the air transportation, communications, energy and state service sectors remain state-owned. This is related to the fact that over 20 companies called Most Valued Companies (MVCs), that are strategically positioned in the country's economy, remain owned by the state.

The newly established Parliament and Government recently approved the Privatization Guidelines for 2001-2004. These Guidelines provide the acceleration of the privatization process, privatizing MVCs, restructuring energy, communications, air and railway sectors and begin privatization in 2001, and privatizing most MVCs by 2004.

In addition, the above-mentioned guidelines include establishing legal environment to restructure and commence privatization in health, education, culture and arts and science sectors.

The Government of Mongolia's privatization policy of 2001-2004 is to attract significant foreign investment. The Government decided to privatize most MVCs under the international open tender method and is already taking assistance from one of the largest consulting firms in the world in this process.

Graph 1. Private sector share in GDP

