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## Supply and Use of Energy Resources in Mongolia

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Mongolia's development into a market economy is heavily dependent on a well-functioning infrastructure. A significant part of this infrastructure is the electric power system, which also is one of the largest contributors to GDP.

Owing to many years of delayed investments in renovating aging facilities and to major problems with receivables, supplies of power and heat have been seriously jeopardized, resulting in outages and insufficient service to the urban population. The power system needs rehabilitation urgently, and this problem has been recognized for some time by the Government of Mongolia. Nongovernmental institutions (such as the Asian Development Bank, the World Bank, and the Japanese OCEF) have, to the extent possible, provided either donor funds or, where the government could afford it, have provided loans for the rehabilitation of the power sector. The amounts, however, have not been commensurate with the scale of the problems on the technical side of the issues and have addressed neither intercompany debts nor nonpayment problems by customers.

As the Government of Mongolia's budgetary restrictions do not allow recapitalization of the industry, the government has looked for other means to ensure that the power sector will not fail and compromise the development of the nascent market economy. The solution put forth has been to privatize the power sector—at least the central energy system serving the capital, Ulaanbaatar, where most of the problems exist and which affects a large segment of the population and most of the manufacturing industries.