Mainstreaming of the Vienna Programme of Action at the National Level

Background and Guidance Document

I. INTRODUCTION

In the recent past, the international community has adopted three important documents of immense importance to LLDCs. These documents are: the Transforming our world: the 2030 Agenda for Sustainable Development; the Addis Ababa Action Agenda; and the Vienna Programme of Action for Landlocked developing countries for the decade 2014-2024. The adoption of these documents caps three separate but interrelated global deliberations.


Although the VPoA is a ten-year, LLDC-specific Programme of Action, the social and economic development of LLDCs would also be guided, by the 2030 Agenda for Sustainable Development. Besides the overlap in focus and years of implementation, the two blueprints are mutually reinforcing and complementary. Furthermore, a difference lies in that the VPoA is principally designed to tackle landlockedness, ensure establishment of efficient transit transport systems, foster economic structural transformation along with increasing the participation of LLDCs in international trade.

The 2030 Agenda for sustainable development, on the other hand, is more holistic and comprehensive, covering all the pillars of sustainable development. The Addis Ababa Action Agenda is a foundation for implementing the 2030 Agenda for sustainable development, with direct positive implication on the VPoA.

This background note relates to the implementation of Vienna Programme of Action for LLDCs and is meant to be used in workshops designed to promote the mainstreaming of the VPoA in national development processes across the 32 LLDCs. This background document was specifically prepared for the national workshop on mainstreaming of the VPoA in Mongolia on 27-28 April 2016.
A. The Vienna Programme of Action for LLDCs for the decade 2014-2024

The Vienna Programme of Action for Landlocked Developing Countries for the Decade 2014-2024 (VPoA) was adopted at the Second United Nations Conference on Landlocked Developing Countries (LLDCs) and endorsed by the General Assembly in December 2014 in resolution 69/137. It underscores the commitment of the international community to support LLDCs in dealing with challenges related to landlockedness, remoteness and geographical disadvantages. It is a comprehensive but ambitious development agenda that aims to put the world’s 32 LLDCs on a steady path of sustainable, inclusive and rapid economic growth and development with the stated goal of ending extreme poverty through implementation of six priority areas that include (1) Fundamental transit Policy Issues, (2) Infrastructure Development and Maintenance, (3) International Trade and Trade Facilitation, (4) Regional Integration and Cooperation, (5) Structural Economic Transformation, and (6) Means of Implementation. The last priority area, means of implementation, recognises the need for individual and concerted efforts by various partners towards the implementation of the VPoA. This Programme of Action also includes 23 actions to be undertaken by LLDCs, 9 actions by transit countries, 25 joint actions by LLDCs and transit countries and 30 actions by development partners.

Priority 1. Fundamental transit Policy Issues

On fundamental transit policy issues, the VPoA stresses the important role played by freedom of transit and transit facilities in providing the LLDCs with access to the sea, and in helping them to fully integrate into the global trading system. The VPoA underscores that harmonization, simplification and standardization of rules and documentation should be promoted, with the full and effective implementation of international conventions on transport and transit and bilateral, subregional and regional agreements. It stresses that the cooperation on fundamental transit policies, laws and regulations between LLDCs and their transit neighbours is crucial for the effective and integrated solution to cross-border trade and transit transport problems. The VPoA also underlines that it is important to promote free movement of people between LLDCs and their transit neighbours through development and implementation of simplified and harmonized visa systems for drivers involved in international transport.

The VPoA sets the specific objectives of reducing travel time along corridors; significantly reducing the time spent at land borders; and improving intermodal connectivity so as to ensure efficient transfers from rail to road and vice versa and from port to rail and/or road and vice versa.

Priority 2. Infrastructure Development and Maintenance

On infrastructure development, the VPoA reiterates the importance of physical infrastructure in reducing the cost of development for LLDCs and stresses that in addition to the development and maintenance of transport infrastructure, ICT and energy infrastructure is also crucial for LLDCs and should be given priority attention. It also emphasizes the need to raise adequate finance to expand and upgrade the transport, energy and ICT infrastructure. With regard to transport infrastructure, the VPoA underscores the need to improve all forms of transport infrastructure including rail, road and inland waterways, within the LLDCs and across the borders.

The VPoA sets specific objectives of significantly increasing the quality of roads, including increasing the share of paved roads; expanding and upgrading the railway infrastructure in LLDCs, where applicable; and completing missing links in the regional road and railway transit transport networks.

On energy and ICT infrastructure the VPoA underscores their importance in improving connectivity of the LLDCs, reducing delays and enhancing their productive capacities to achieve sustained economic growth and sustainable development. The specific objectives require the LLDCs to expand and upgrade,
as appropriate, infrastructure for supply, transmission and distribution of modern and renewable energy services in rural and urban areas; make broadband policy universal; promote open and affordable access to Internet for all; and address the digital divide.

**Priority 3. International Trade and Trade Facilitation**

On international trade, the Programme stresses the need to diversify the export structures of LLDCs, increase value-added and manufactured component of their exports, strengthen intra-regional linkages and trade and enhance their productivity and competitiveness, in order to take full advantage of the multilateral trading system and achieve greater integration into world markets. Furthermore, services are recognized as important enablers of trade and effective participation in trade and value chains as well as reduction in the cost of doing business and enhancing productivity. The Programme recognizes the importance of enhanced and predictable market access for exports from all developing countries, including LLDCs, and that full attention should be given to the needs and interests of these countries in the Doha Development Round of trade negotiations, in accordance with existing commitments. The VPoA also takes note of the importance of the WTO Agreement on Trade Facilitation and its timely implementation.

There are four specific objectives related to international trade. First, to significantly increase participation of LLDCs in global trade, with focus on substantially increasing exports; second, to significantly increase the value added and manufactured component of LLDC exports; third, to strengthen economic and financial ties between LLDCs and other countries in the same region so as to increase the share of LLDCs in intraregional trade; and fourth, invite Member States to consider the specific challenges and needs of LLDCs in international trade negotiations.

On trade facilitation, the specific objectives of the Programme are to further simplify, harmonize and streamline border crossing and transit procedures and improve transit facilities and their efficiency with the aims of reducing port and border delays and transaction costs for LLDCs, respectively. The third objective on trade facilitation is to ensure that all transit regulations, formalities and procedures for traffic in transit are published and updated in accordance with the WTO Trade Facilitation Agreement.

**Priority 4. Regional Integration and Cooperation**

One of the notable improvements in the new programme of action for LLDCs relates to regional integration and cooperation, which for the first time, is a standalone priority. The VPoA observes that close cooperation between LLDCs and their transit countries is, sine qua non, for improved connectivity in transport, energy, and ICTs. In addition, infrastructure, trade and regulatory policies, together with political stability of neighbouring countries, have significant repercussions for the external trade of LLDCs. In view of this, it concludes that regional integration, and coherent and harmonized regional policies provide an opportunity to improve transit transport connectivity and ensure greater intraregional trade.

The VPoA emphasizes the promotion of deeper and meaningful regional integration to encompass cooperation among countries in a broader range of areas than just trade and trade facilitation, to include investment, research and development, and policies aimed at accelerating regional industrial development and regional connectivity. Regional integration is thus aimed at fostering structural change and economic growth in LLDCs as a goal, and also as a means of collectively linking regions to global markets. This would enhance competitiveness and help to maximize benefits from globalization.

**Priority 5. Structural Economic Transformation**
The priority area underscores efforts to address landlocked development issues in a more holistic and comprehensive manner. It places greater emphasis on the building up of the institutional and human capacities of LLDCs, in order to promote value addition, structural economic transformation and diversification. They are prerequisite to achieving rapid, inclusive and sustainable economic growth and development in LLDCs. Clear entry points for structural economic transformation are identified as follows: (i) industrial sector, in particular revival and strengthening of the manufacturing sector, and LLDCs’ contribution to regional and global value chains; (ii) productivity growth and value-addition in the agricultural sector; (iii) the services sector, in particular tourism, finance, and ICT. The VPoA also underscores the significant role that a strengthened private sector, science, technology and innovation can play.

There are four specific objectives for this priority. First, to increase value addition in the manufacturing and agricultural sectors with the goal of achieving inclusive growth and sustained development; second, to increase economic and export diversification; third, to promote service-based growth, including from tourism, with a view to increasing its contribution to the national economy; and fourth, to encourage the inflow of foreign direct investment in high-value added sectors.

**Priority 6. Means of implementation**

Under this priority area, the VPoA recognizes that LLDCs have the primary responsibility for their own development and as such they need to effectively mobilize adequate domestic and external resources for effective implementation of the Programme. It is stressed that the support of development partners is needed to complement LLDCs’ own efforts to establish and maintain effective transit transport systems, integrate into the world economy, structurally transform their economies and enhance their productive capacities. Development partners are encouraged to provide targeted technical and financial support, as appropriate, towards the implementation of the specific actions listed in the VPoA, including through official development assistance and aid for trade. South-South and triangular cooperation, as a complement to North-South cooperation, and the private sector, including through foreign direct investment, also have particular roles to play in contributing to the development of LLDCs. The Programme also calls on organizations and bodies of the United Nation system and relevant international organizations to provide technical assistance and capacity-building support to LLDCs in the implementation of the Programme of Action.

For effective implementation, and in order to achieve the identified objectives and goals, the VPoA calls upon LLDCs and transit countries to establish national coordination mechanisms. It is therefore imperative that the programme of action is well understood and mainstreamed within the national plans to ensure its’ effectiveness and coherence with the national agenda and national development planning cycles. The success of the VPoA is also dependent on its implementation at the regional and global levels. The purpose of this note is to guide consultations at the national level on how to mainstream the VPoA into national and local level policies, activities and agendas.

**B. Global Development Frameworks and LLDCs**

Year 2015 saw the adoption of a number of global development frameworks. In September 2015, world leaders adopted the 2030 Agenda for Sustainable Development, with 17 sustainable development goals (SDGs). The 2030 Agenda is bold, ambitious, and transformational overarching framework for achieving sustainable development for all, ensuring that none is left behind. The 17 SDGs are relevant for the LLDCs in their pursuit to achieve sustainable development. The 2030 Agenda makes specific reference to the LLDCs in 15 paragraphs including in 3 SDGs, namely Goal 7
(Ensure access to affordable, reliable, sustainable and modern energy for all), Goal 9 (Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation) and Goal 10 (Reduce inequality within and among countries).

Specifically, target 7.b calls for expanding by 2030 infrastructure and upgrading technology for supplying modern and sustainable energy services for all in developing countries, including in particular LLDCs. Target 9.a calls for facilitating sustainable and resilient infrastructure development in developing countries through enhanced financial, technological and technical support including in particular to LLDCs. Finally, target 10.b call for encouraging official development assistance and financial flows, including foreign direct investment, to States where the need is greatest, including LLDCs.

In July 2015, the Addis Ababa Action Agenda (AAAA) was adopted at the Third UN Conference on Financing for Development as the framework for the means of implementation of the SDGs. It includes several specific references to the LLDCs. The AAAA reaffirms the need to address the special challenges and needs of LLDCs in structurally transforming their economies, harnessing benefits from international trade, and developing efficient transport and transit systems. It stresses that technical assistance and improvement of trade-and transit-related logistics are crucial in enabling LLDCs to fully participate in and benefit from multilateral trade negotiations, effectively implement policies and regulations aimed at facilitating transport and trade, and diversify their export base. It also suggests a new forum to bridge the infrastructure gap. The international community indicated in the AAAA that it will strengthen efforts to address financing gaps and low levels of direct investment faced by the LLDCs and to support the LLDCs to build their national capacity to respond to various kinds of shocks including financial crisis and natural disasters. The AAAA also encourages multilateral development banks, including regional banks, in collaboration with other stakeholders, to address gaps in trade, transport and transit-related regional infrastructure, connecting LLDCs.

Both the 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda recognize the special challenges and needs of LLDCs and support the implementation of the VPoA. The effective implementation of the VPoA is seen as integral to the implementation of the SDGs.

Furthermore, a new global Agreement on climate change was adopted in Paris in December 2015. The Paris Agreement resolves to enhance the provision of urgent and adequate finance, technology and capacity-building support to the developing countries to adapt and mitigate to climate change. The Agreement strongly urges developed country Parties to scale up their level of financial support, with a concrete roadmap to achieve the goal of jointly providing USD 100 billion annually by 2020 for mitigation and adaptation while significantly increasing adaptation finance from current levels and to further provide appropriate technology and capacity-building support. The Agreement has provisions for mitigation – to reduce emissions fast enough to achieve the temperature goal. The agreement also has a transparency system and global stock-take that will start in 2023 – to account for climate action and assess the collective progress towards the goals of the agreement. The effective implementation of the agreement will help the LLDCs to build their resilience to climate change impacts such as desertification, land degradation, recurrent droughts, and flooding.

II. Mongolia National Workshop

Over the period 2014-2024, Mongolia, together with the other LLDCs will be implementing the VPoA as the primary agenda for addressing the challenges of landlockedness and as a means for fostering
economic growth and promoting international trade participation and achieving structural economic transformation. As a programme in which LLDCs were closely involved in its formulation, it is imperative that LLDCs follow through with its full implementation. The VPoA, as the outcome of the Second United Conference on LLDCs is recognized in the 2030 Agenda, together with several other outcomes of major UN Summits and Conferences as providing “a solid foundation for sustainable development, and helped shape the new 2030 Agenda for Sustainable Development”.

UN-OHRLLS was designated by the UN General Assembly to ensure coordinated follow-up to and effective monitoring and reporting on the VPoA, including supporting all stakeholders to mainstream and effectively implement the VPoA and supporting United Nations system and relevant international organizations to conduct regular and regional sectoral and thematic studies and reviews; undertake advocacy efforts at the national, regional and global levels and in collaboration with others, develop relevant indicators for measuring progress on implementing the VPoA.

A good understanding of the VPoA is crucial if Governments and other stakeholders are to meaningfully integrate VPoA into their work, projects and vision. In fact, some of the VPoA’s aspirations, targets and indicators could be important goals and indicators in the national and even sectoral development blueprints. A well mainstreamed process can help eliminate redundancies while simultaneously harnessing synergies. Successful and appropriate mainstreaming strategies mean better targeting of resources to address impediments that stem from landlockedness while fostering shared growth and development.

In line with its mandate, and in supporting efforts related to VPoA implementation and ensuring coordinated follow-up, effective monitoring and reporting, UN-OHRLLS would provide technical support to regional and country-level workshops on sensitization and mainstreaming of the VPoA. The National Workshop on Mainstreaming of the VPoA in Mongolia is the second of its kind. The first such national workshop was held in Gaborone, Botswana on 27-29 October 2015.

The overall goal of the Workshop is to enhance the capacity of key stakeholders, including Government officials, civil society and private sector, to effectively implement the Vienna Programme of Action and mainstream it at the national level into national and sectoral development plans. The workshop will aim to achieve the following specific objectives:

- Sensitize national stakeholder on the VPoA
- Identify achievements, obstacles, challenges and opportunities by Mongolia in implementing and mainstreaming the VPoA
- Improve knowledge amongst key national stakeholders about how to effectively implement and mainstream the VPoA into national planning, in coherence with the implementation of the 2030 Agenda for Sustainable Development
- Enhance understanding amongst national stakeholders of the technical assistance required and explore what tools and capacity-building assistance international organizations can offer
- Formulate policy recommendations and priority actions to facilitate the implementation and mainstreaming of the VPoA at the national level, in line with the implementation of the 2030 Agenda for Sustainable Development

---

1 The 2030 Agenda for Sustainable Development, Paragraph 11
III. Background on Mongolia

Mongolia is a landlocked country with vast territory of 1.5 million square kilometers and 3 million people, of which almost half live in the capital city Ulaanbaatar. Much of the country’s area is covered by grassy steppe, with mountains in the north and west and the Gobi desert to the south. Mongolia borders with only two countries, the People’s Republic of China in the south with 4676 km border and the Russian Federation in the north with 3543 km border line.

Mongolia’s GDP growth stood at $12 billion in 2014 (in current market prices)\(^2\). GNI per capita of $11,120 (PPP, current international prices) makes Mongolia an upper middle income country. The economy grew at more than 10% per annum between 2011 and 2013, largely on the back of commodity exports. Growth slowed down to 7.8% in 2014 and 3% in the first half of 2015 mid declining exports from a continued weakening of the commodity market and slower growth in the key export market of China\(^3\). Growth is now projected to lower to 2.3% in 2015, bottoming out at 0.7% in 2016 before an uptake to 2.7% in 2017\(^4\).

Mongolia is on the verge of major transformation driven by the exploitation of its vast mineral resources, in particular copper and coal. The share of mining in GDP today stands at 20 percent, twice the ratio of a decade ago\(^5\). Furthermore, mineral commodities account to about 80 percent of the country’s exports and mining provides around 40 percent of total government revenues. The rising commodity prices in recent years have also contributed to this growth. However, the dependence of Mongolia’s economy on mining exposes the country to commodity price volatility. This was evident in particular after the 2008 global crisis when copper prices fell, leading to negative growth rate of -1.3% in 2009. Mongolia’s extractive industries have also attracted large direct foreign investment (FDI) flows.

The economy remains vulnerable to risks stemming from downward pressure on commodity prices, fluctuating production expected from Oyu Tolgoi mine and other mines, severe weather that affects crops and livestock, and uncertainty regarding the authorities’ success in maintaining tight macroeconomic policies\(^6\).

Substantial progress has been made in Mongolia in regards to several Millennium Development Goals (MDGs) at the national level, including successfully meeting the MDGs to reduce child mortality, improve maternal health, combat HIV and AIDS and to develop new information and communications technologies and build an information society\(^7\). There has been significant progress made in promoting gender equality and increasing women’s participation in politics and decision-making. At the same time, significant regional disparities continue to prevail. Over the past decade, poverty has been on a downward trend in Mongolia. Its poverty rate declined from 27.4 percent in 2012 to 21.6 percent in 2014\(^8\). However, many remain near the poverty line and vulnerable. Mongolia’s Human Development Index (HDI) in 2014 was 0.727, classifying Mongolia as high human development country, ranking 90\(^{th}\) in the world.

Poverty reduction efforts are often times hampered by the country’s proneness to natural disasters in the form of droughts, forest and steppe fires, dust storms, flash floods, desertification, earthquakes and

\(^2\) World Bank World Development Indicators.
\(^3\) World Bank Mongolia Country Overview
\(^4\) World Bank East Asia And Pacific Economic Update April 2016
\(^5\) World Bank Mongolia Country Overview
\(^6\) ADB Asia Development Outlook 2015 Update
\(^7\) Annex to the letter dated 9 April 2015 from the Permanent Representative of Mongolia to the United Nations addressed to the President of the Economic and Social Council, E/2015/61
\(^8\) World Bank Mongolia Country overview
‘dzuds’ (harsh winter conditions leading to widespread death of livestock), which are further exacerbated by the effects of climate change.


The objective of the Strategy is to “protect and strengthen Mongolia’s sovereignty, and develop it into a middle income country through achieving its Millennium Development Goals attaching high priority to promoting private sector-led dynamic economic growth, human development in Mongolia including education, healthcare, as well as sustainable development of science, technology and environment, strengthening intellectual development and human capacity; creating a knowledge-based economy sustained by high technology, which respects environmentally friendly production and services; fostering a democratic system of governance, which serves its citizens, protects human rights and freedoms, and is free from corruption and red tape”. The National Development Strategy has two phases. First phase, 2007-2015, aims to achieve the MDGs and intensive development of its economy. Second phase, 2016-2021, aims to make a transition to knowledge-based economy.

The strategy has six priority areas:

1) Achieve the Millennium Development Goals and provide for an all-round development of Mongolian people
2) Intensively develop export-oriented, private sector-led, high technology-driven manufacturing and services, with particular focus on information, communication development, promoting bio and nanotechnology, transit transportation, logistics, financial mediation services, deeper processing of agricultural products, and create a sustainable, knowledge-based economy
3) Exploit mineral deposits of strategic importance, generate and accumulate savings, ensure intensive and high economic growth, and develop modern processing industry
4) Ensure intensive development of the country’s regions, their infrastructure, and reduce urban-rural development disparities
5) Create a sustainable environment for development by promoting capacities and measures on adaptation to climate change, halting imbalances in the country’s ecosystems and protecting them
6) Consolidate further political democracy, foster a transparent, accountable, just system free from corruption and red tape.

Under each of the priority areas, the National Development Strategy includes specific strategic objectives and policy actions in relevant sub-areas. Mongolia’s focus under priorities 2, 3 and 4 is in large part aligned with the focus of the VPoA.

In the medium term, currently Mongolia has the Government Action Program 2012-2016. The Government therefore has an opportunity to integrate the priorities and actions of the VPoA in the next Action Program. Similarly, there is an opportunity to incorporate synergies with the implementation of the SDGs in the next phase of government medium term planning.

As an effort to transition from the MDGs to the SDGs, in 2014 the Government also adopted the Green Development Policy. The Policy is in line with several of the SDGs mainly SDG 1 on reducing poverty, SDG 6 on clean water and sanitation, SDG 13 on climate change action and SDG 8 on promoting inclusive and sustainable economic growth. The Green Development Policy is expected to have the following
outcomes: i) Benefit from environmental, social and economic sectors mutually and effectively, ii) Each sector can create green jobs, iii) Reduce poverty and unemployment by increasing the efficiency resource utilization and bring economic growth, iv) Better access to eco-system services for all.\(^9\) In order to achieve the goals of the VPoA, as well as the 2030 Agenda, it is important that both of these agendas are mainstreamed into the national and sectoral development plans.

The key challenge for Mongolia in terms of national development planning is the lack of an adequate legal environment. It is crucial to determine achievable development goals based on modern development planning methodologies and development trends without being caught in an election cycle; to increase the number and capacity of officers in charge of monitoring and evaluating strategic planning; to develop and apply proper procedures, guidelines and manuals for the formulation of long-term objectives, sector policies and the development of a medium-term strategy; and to align the ideology and principles of political forces and parties with a development policy framework\(^{10}\).

IV. UNDERSTANDING THE MAINSTREAMING PROCESS

A. Definition and Overview of the Mainstreaming Process of the VPoA

“To mainstream implies to pursue policies, activities and initiatives that would make VPoA an integral element in the design, implementation, monitoring and evaluation of relevant development policies and programmes at the national as well as at the sectoral levels”.

For LLDCs, the mainstreaming of the VPoA refers to the process of assessing the programme’s implications on the country’s short-term, medium term and long term development agenda, legislation, policies and activities. It is an ongoing process that requires commitment, action and engagement by LLDCs and their development partners, including United Nations system, multilateral organizations, the private sector and other stakeholders.

Broadly, the VPoA calls for mainstreaming to be conducted at national, regional and sub-regional and global levels. Each of the 32 LLDCs must carefully customize and align its many aspects with their specific needs and situation. Paragraph 74 of the VPoA states the following:

“At the national level, Governments are invited to mainstream the present Programme of Action into their national and sectoral development strategies for its effective implementation. Landlocked developing countries and transit developing countries are encouraged to establish national coordination mechanisms, where appropriate. Monitoring and review should involve all relevant stakeholders, as appropriate”.

The rationale for mainstreaming at the national level is to ensure that the implementation of the VPoA is done in a more coherent and effective manner. Effective mainstreaming would bring greater coherence between the VPoA and other development plans and agendas such as the 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda, reduce duplication and appropriately align development partners and target resources in the most cost-effective manner. Given the holistic nature


\(^{10}\) See E/2015/61.
of the VPoA, mainstreaming requires strong commitment and coordinated efforts across various levels and it can create a platform for cooperation between all the stakeholders.

It is important that the VPoA is mainstreamed into both long term plans as well as medium term strategies, sectoral plans and subsequently into national budgets. Long-term plans are time-bound plans prepared with a long-term perspective outlining the country’s priorities or aspirations. Such documents also provide broad strategies and principles to guide the implementation of the more concrete medium and short-term plans. Mainstreaming the VPoA at this level would require integrating the broad VPoA goals and objectives into the national plans. In the case of Mongolia, the long-term MDG-based Comprehensive National Development Strategy of Mongolia, with its second phase aimed at making a transition to knowledge-based economy, runs until 2021.

Medium term strategies are foundations for achieving long-term plans and usually run for a period of five to ten years. Mongolia currently has the Government Action Program for period 2012-2016. Hence, the time is ripe to use this opportunity for Mongolia to ensure integration of the VPoA and its priorities in the next medium-term Government Action Plan. Mainstreaming at this level would require defining more concretely how to meet the priorities and objectives outlined in the long-term plan. Governments should ensure that the VPoA specific objectives are incorporated in these plans or strategies, and that measurable indicators are also defined. Mainstreaming requires targeted interventions in sectors where landlockedness has the greatest implications. LLDCs should begin by assessing how VPoA is relevant to the specific sector, ministry or department, and identify opportunities where VPoA could play an even greater role by complementing existing strategies and approaches. Examples of indicators that could be included are: reducing travel time along corridors; reducing trade transaction and transport costs; and enhancing value-added and manufactured component of LLDCs’ exports, etc. Countries may also set their own annual targets for achieving these indicators.

Next level of mainstreaming involves the national budgets. The Annual national budgets usually stipulate annual revenue and expenditure for a country. The annual budget is therefore the government’s plan to use its resources to meet national needs. In most countries, the minister in charge of finance presents the proposed budget for a fiscal year to parliament for approval. The budgetary presentation/address may also include macro-economic review for the previous fiscal year, economic outlook for the subsequent year and proposed policy changes to achieve national development objectives.

Mainstreaming at this level should be very precise as this is the stage where priorities and strategies are put into action. Furthermore, there is need to ensure that there are adequate technical and financial (both domestic and international) resources allocated towards the implementation of VPoA-related activities and programs. As the implementation of the VPoA requires cross-sectoral involvement, the sectors responsible for specific priorities of the VPoA should ensure that implementable activities and projects are integrated in the sector budget.

During the entire mainstreaming process, Governments need to make efforts to avoid duplication and explore synergies between the VPoA, the 2030 Agenda for Sustainable Development, the Addis Ababa Action Agenda and other relevant global development frameworks, with the aim to reach greater coherence between the different processes. Given that the implementation of the VPoA has been recognized as integral to the implementation of the 2030 Agenda, its mainstreaming into the national development processes needs to be carried out consistently with the mainstreaming of the 2030 Agenda.
B. Guiding principles for mainstreaming the VPoA

1. The development and progress of any country is the primary responsibility of that country itself. This means that each LLDC will decide how the goals and objectives of the VPoA should be incorporated into national and local processes, policies and strategies.

2. The mainstreaming process needs to be consultative and participatory as much as possible involving all the development stakeholders, including Government, non-governmental and development actors, as well private sector. It needs to be driven by an informed leadership at all levels.

3. VPoA and its implementation is based on renewed and strengthened partnerships between LLDCs and transit countries as well as their development partners. Strengthened partnerships within the context of South-South and triangular cooperation are also essential, with the support and contribution from international and regional organizations, as well as private sector players. The implementation of the VPoA requires effective support from the organizations and bodies of the United Nations system, relevant international organizations, such as the World Bank, the regional development banks, the World Trade Organization, regional economic integration organizations, and other relevant regional and sub-regional organizations.

4. Development partners were called upon to provide technical and financial support towards the implementation of the VPoA and encourage private sector investment flow to LLDCs, among others. Among the many responsibilities of transit countries spelled out in the VPoA is that they, along with LLDCs, mobilize adequate domestic and external resources for the implementation of the Vienna Programme. Multilateral institutions, including the United Nations system organizations, are to provide coordinated and coherent technical assistance and capacity-building support to LLDCs in support of implementation of the VPoA.

5. Mainstreaming of the VPoA should be part of the normal implementation and monitoring process requiring commitment, action and engagement and follow-up responses. Follow-up and review, both of which are continuous processes, should aim at reinforcing partnerships and mutual accountability at all levels, and by all actors. Monitoring should involve all relevant stakeholders, including private sector and civil societies. Mainstreaming should be undertaken as an end-to-end process, with lessons learnt from the monitoring process used to refine future policies and strategies.

6. Transparency, good governance and efficient institutional arrangements in LLDCs and transit countries are crucial. Collaboration between LLDCs and transit countries in this regard should be on the basis of mutual interests. Transparent, effective and accountable public-private partnerships are an important delivery vehicle for the realization of the VPoA.

7. Effective mainstreaming requires that VPoA be considered along with other relevant existing activities, programmes and frameworks, including among other the global level the 2030 Agenda for Sustainable Development and Addis Ababa Action Agenda, and that synergies are explored.

---

11 VPoA, Paragraph 66
12 VPoA, Paragraph 66
8. Effective implementation at the national level would require establishing a formal body to oversee mainstreaming of the VPoA. Such a body can ensure that follow-up actions are implemented, activities at the country level are coordinated and synergies between VPoA-related priorities are leveraged. A national coordination mechanism, as outlined in Paragraph 74 can assist in monitoring and reviewing of activities of all stakeholders, which can in turn be instrumental in minimizing or avoiding activity and/or policy overlap, redundancies and duplication. Furthermore, this body can be an important link between countries and UN-OHRLLS.

C. Suggested steps in the mainstreaming of the VPoA process

1. Develop a good understanding of the VPoA and the mainstreaming process: Becoming familiar with the VPoA, its overarching goals and objectives, priority areas, and the actions agreed-upon by different stakeholders is the first step. A country that is keen to mainstream VPoA would ensure that all ministries and departments understand and promote the VPoA.

2. Conduct a mapping exercise to establish baseline: Identify and assess current activities and related implementing government entities that have a bearing on landlockedness and/or other aspects of the VPoA, as well as identify new activities/areas that need to be included in order to address the priority areas of the VPoA. This would include assessing the MDG-based Comprehensive National Development Strategy, the Government Action Plan and sectoral plans on the extent to which aspects of the VPoA are incorporated.

3. Establish a national focal point and/or national coordination mechanism for the VPoA: The national coordination focal point can provide a platform for sensitisation, capacity building, advocacy and dialogue on VPoA and its implementation; stimulate commitment to implement the programme of action; monitor and report on implementation of activities of all stakeholders; and inform UN-OHRLLS of activities and their outcomes, as deemed necessary by the coordination mechanism.

4. Formulate and implement high-quality, well-communicated and well-enforced policies/initiatives on integrating the VPoA aspects into national and sectoral planning and operations: It is essential to translate the various ingredients of the VPoA mainstreaming strategy into a plan of action that is context-specific. In this regard, it is making sure that all, if not most, aspects of the VPoA, including its six priority areas, are an integral part of a country’s development plans and sectoral strategies. Mainstreaming of the VPoA at the national level is likely to be successful if it is developed and aligned with the country’s development aspirations and priorities, planning and budgeting cycles of a country’s plans and also those of partner institutions. If new plans and/or sectoral policies are to be formulated, it should be ensured that VPoA priorities and objectives are integrated. This process also needs to take into account the policies and initiatives being undertaken to implement the 2030 Agenda and needs to explore the synergies between these processes.

5. Develop indicators to monitor and gauge progress and identify problem areas at national level: Relevant indicators for monitoring national progress in implementing the VPoA should be identified, in coherence with the development of indicators for monitoring the SDGs and the AAAA, in order to take advantage of any overlaps, synergies and to avoid duplication.

6. Report on the implementation of the VPoA: Produce annual report to the UN Secretary-General’s report, presenting a comprehensive evaluation of the progress made on the achievement of the objectives and actions contained in the priority areas of the VPoA. It should identify gaps, constraints and obstacles in the implementation of the Programme, as well as the specific country
needs. LLDCs will also need to prepare and submit a mid-term review report after five years of implementation of the VPoA and comprehensive 10-year review report.

7. **Undertake advocacy efforts to raise awareness and increase knowledge on the VPoA to support national level implementation of the VPoA:** Activities can include (a) awareness-raising activities e.g. engaging with the media; (b) training courses for stakeholders e.g. government officials, boards, staff or volunteers, or external bodies; and (c) producing handbooks, leaflets and other publications.

**D. Suggested Questions for Brainstorming**

- Are the VPoA’s six priority areas equally important in my Government’s (national and local) focal areas?
- Which specific objectives, actions and priority areas of the VPoA have direct implication to my department or Ministry?
- Which specific actions/objectives already exist as national priorities? Which ones require re-alignment or re-orientation? [It would be important to consider national and regional initiatives, including those related to ADB, the World Bank, UNCTAD, etc].
- Which VPoA actions can be reasonably piggy-bagged or incorporated into existing activities and projects?
- Which VPoA objectives/actions require the formulation of new policies, enactment of new laws, and the strengthening of bilateral, regional and multilateral treaties?
- What new mechanisms does VPoA require, and how can this be done cost-effectively and within a reasonably short period?
- What are cross-cutting actions and what mechanisms exist that could coordinate actions and responses from individual ministries and departments?
- What are the financing gaps, budgetary implications and deficits that are specifically related to the implementation of VPoA? How can the Government close this gap?
- Can we match and cross-match VPoA actions with existing and potential development partners, including domestic players?
- Can we match and cross-match VPoA actions with planned actions for the implementation of the SDGs?
- Who would be the institutional champion of the VPoA in Mongolia? What are the responsibility and function of such a champion? Which other organisations have a strong (existing or potential) to play a supporting role?
- Which capacities could be strengthened in these institutions? What are some successful examples of inter-institutional collaboration?
- How can the coordination and collaboration be improved, including input from other UN agencies (UN-OHRLLS, UNCTAD, UNDP) and relevant regional and international organizations?

**V. Examples of Assessment of the Priority Areas of the VPoA for Mongolia**

**Priority 1 - Fundamental Transit Policies**

The VPoA acknowledges that freedom of transit and transit facilities is important in the development of LLDCs. Indeed, disproportionately higher transit costs and delays are the key impediment to the LLDCs participation in international trade. Cooperation on fundamental transit policies, laws and regulations
between LLDCs and their transit neighbours is crucial for the effective and integrated solution to cross-border trade and transit transport problems. The VPoA objectives under this priority are to reduce travel time on corridors, reduce time spent at borders and improve intermodal connectivity.

The logistics performance index provides important information with regards to monitoring the time spent at borders. The index is based on six dimensions of trade, including customs performance, infrastructure quality, international shipments, logistics quality, tracking and timeliness of shipments. It ranges from 1 to 7. Landlocked developing countries have a lower index, both overall and for all components, compared with transit developing countries. Mongolia has LPI, as well as all of its components except international shipments, below the LLDC average. Developing effective logistics systems is one of the actions to be undertaken by LLDCs promoted by the VPoA to reduce travel time and time spent at borders.

<table>
<thead>
<tr>
<th>Logistics Performance Index Components</th>
<th>Overall LPI score</th>
<th>Customs</th>
<th>Infrastructure</th>
<th>International shipments</th>
<th>Logistics quality and competence</th>
<th>Tracking and tracing</th>
<th>Timeliness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mongolia</td>
<td>2.36</td>
<td>2.20</td>
<td>2.29</td>
<td>2.62</td>
<td>2.33</td>
<td>2.13</td>
<td>2.51</td>
</tr>
<tr>
<td>LLDCs</td>
<td>2.49</td>
<td>2.35</td>
<td>2.31</td>
<td>2.51</td>
<td>2.45</td>
<td>2.47</td>
<td>2.83</td>
</tr>
<tr>
<td>Transit developing countries</td>
<td>2.69</td>
<td>2.45</td>
<td>2.51</td>
<td>2.70</td>
<td>2.63</td>
<td>2.74</td>
<td>3.10</td>
</tr>
</tbody>
</table>

Source: World Bank Logistics Performance Index

Acceding to and ratifying international conventions and regional and sub-regional agreements on trade and transit transport is key towards ensuring harmonization, simplification and standardization of rules and procedures for cross-border trade. Their effective implementation can significantly reduce transport times and costs. Mongolia has in particular in the early 2000s ratified several of the key international trade and transport facilitation conventions, including the Harmonization Convention, the TIR Convention and the Revised Kyoto Convention.

<table>
<thead>
<tr>
<th>Convention</th>
<th>Mongolia status</th>
<th>LLDCs</th>
<th>Transit countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customs Convention on the Temporary Importation of Commercial Road Vehicles (1956)</td>
<td>NP*</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Convention on Road Traffic (1968)</td>
<td>1997</td>
<td>13</td>
<td>12</td>
</tr>
<tr>
<td>Convention on Road Signs and Signals (1968)</td>
<td>1997</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Customs Convention on Containers (1972)</td>
<td>NP*</td>
<td>6</td>
<td>3</td>
</tr>
</tbody>
</table>
Goods under Cover of TIR Carnets (1975)

<table>
<thead>
<tr>
<th>Convention</th>
<th>Year</th>
<th>Ratified Countries</th>
<th>Signatures</th>
</tr>
</thead>
</table>

Note: The numbers indicate the number of countries that ratified the conventions, including signatures. Mongolia status indicates what year Mongolia ratified the conventions.

* NP stands for non-participant.

The WTO Trade Facilitation Agreement (TFA) that was agreed in December 2013 at the Bali WTO Ministerial Conference will enter into force when two-thirds of WTO members ratify it and deposit their instruments of acceptance with the WTO Secretariat. Mongolia is yet to domestically ratify the TFA. The TFA has significant potential benefits for LLDC as it aims to further expedite the movement, release and clearance of goods, including goods in transit and thereby significantly cut the costs of trade. The full implementation of the Trade Facilitation Agreement could reduce the costs of trade for LLDCs, on average, by 15.4%. The measures that appear to have the greatest impact on trade costs, generating cost savings of 2.8% to 4.2% depending on the level of development, are in the area of formalities (simplification of trade documents; streamlining of border procedures; and automation of the border process). Specifically for upper middle income countries, which Mongolia is, the measures with the greatest expected impact on trade costs are streamlining border procedures (3.6%), automating trade and customs processes (2.8%), ensuring the availability of trade-related information (2.4%) and providing advance rulings on customs matters (2.4%).

In terms of regional agreements, Mongolia is party to the Intergovernmental Agreement on the Trans-Asian Railway Network which came into existence in June 2009 as well as the Intergovernmental Agreement on the Asian highway Network since July 2005. Mongolia signed in November 2013 the Intergovernmental Agreement on Dry ports, but is yet to ratify it.

**Implications: Examples of what Mongolia could focus on under Priority 1**

- Undertake national reforms, as appropriate, to improve the institutional and legal frameworks related to transit transport
- Ratifying and implementing the remaining key international conventions and agreements related to facilitating transit transport and trade, in particular the Trade Facilitation Agreement
- Enhance coordination and cooperation of national agencies responsible for border and customs control
- Employ strategies for harmonizing, simplifying and standardizing rules and documentation between Mongolia and its neighbours Russia and China
- Undertake reforms to allow greater participation of the private sector in order to develop effective logistics systems
- Implement strategies aimed at reducing time spent at land borders

---

13 WTO World Trade Report 2015
14 OECD (2015)
Trade Facilitation Indicators: The Potential Impact of Trade Facilitation on Developing Countries’ Trade (OECD Trade Policy Paper No. 144, 2013)
Promote the use of information and communications technology at the borders

Priority 2 - Infrastructure Development and Maintenance

A. Transport infrastructure

A good infrastructure plays a crucial role in developing the competitiveness and export potential of domestic enterprise across all sectors of the economy. It is important to identify national actions that could lead to the achievement of the specific objectives of the VPoA under this priority area. The objectives include significantly increasing the quality of roads, including increasing the share of paved roads; expanding and upgrading the railway infrastructure in LLDCs, where applicable; and completing missing links in the regional road and railway transit transport networks.

Mongolia’s roads and railroad systems are poorly developed. The whole roads network length is approximately 49,250 km of which the state-owned roads length is around 13,000 km, while only 24 percent of the system (2990 km) is considered paved. Nationally, road infrastructure also includes 365 bridges, of which 178 are wooden construction. The World Economic Forum’s Global Competitive Report ranks Mongolia 112th out of 140 countries in terms of the quality of its overall infrastructure for 2015-16. Table below shows the status of various types of infrastructure in Mongolia and its rank.

Table 3: Infrastructure pillar of Global Competitiveness Index 2015-2016

<table>
<thead>
<tr>
<th></th>
<th>Year</th>
<th>Value</th>
<th>Rank (out of 140)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall infrastructure</td>
<td>2015-2016 edition</td>
<td>2.9</td>
<td>112</td>
</tr>
<tr>
<td>Quality of overall infrastructure</td>
<td>2014-2015</td>
<td>3.3</td>
<td>107</td>
</tr>
<tr>
<td>Quality of roads</td>
<td>2014-2015</td>
<td>2.8</td>
<td>118</td>
</tr>
<tr>
<td>Quality of railroad infrastructure</td>
<td>2014-2015</td>
<td>2.5</td>
<td>73</td>
</tr>
<tr>
<td>Quality of port infrastructure</td>
<td>2014-2015</td>
<td>1.4</td>
<td>139</td>
</tr>
<tr>
<td>Quality of air transport infrastructure</td>
<td>2014-2015</td>
<td>3.2</td>
<td>120</td>
</tr>
<tr>
<td>Available airline seat km/week, millions*</td>
<td>2015</td>
<td>24.1</td>
<td>116</td>
</tr>
<tr>
<td>Quality of electricity supply</td>
<td>2014-2015</td>
<td>3.7</td>
<td>99</td>
</tr>
<tr>
<td>Mobile telephone subscriptions/100 pop.*</td>
<td>2014</td>
<td>105.1</td>
<td>87</td>
</tr>
<tr>
<td>Fixed-telephone lines/100 pop.*</td>
<td>2014</td>
<td>7.9</td>
<td>92</td>
</tr>
</tbody>
</table>

* Indicators that are not derived from the Survey are identified by an asterisk (*). The unit in which they are measured is indicated next to the indicator. Indicators derived from the Survey are always expressed as scores on a 1–7 scale, with 7 being the most desirable outcome.

A 'vision' for multi-modal transport within a Mongolian is to provide safe, dependable, effective, efficient, and fully integrated transport operations and infrastructure in order to best meet the needs of freight and passenger customers. The Parliament of Mongolia approved the “New Development”

15 Mongolia national report on the implementation of the Almaty Programme of Action
medium-term target program in June 2010 sanctioning a raft of reforms to revamp Mongolia's infrastructural system including vast projects in roads and highway construction throughout Mongolia.

In connection with the growing demand for mining transport infrastructure and the Government of Mongolia has initiated a number of new infrastructure development projects that are designed to support sustained growth for Mongolia's economy. Successful implementation of the government’s comprehensive infrastructural policy agenda will enable the country to benefit from its vast natural resources and to enjoy equitable and sustained growth.

In this sense, Mongolia has undertaken a number of projects to improve domestic as well as cross-border connectivity with neighboring countries. The maintenance of the State roads is seen as a priority because these roads are essential economic growth corridors both for domestic and international trade (including serving as part of the Trans-Asia network and providing direct access to international gateways).

5,572km of the Trans-Mongolian Highway is being upgraded and extended, with a view to connect provincial centres with Ulaanbaatar. The Asian highway routes in Mongolia include 2325km of Asian Highway-32, 1009 km of Asian Highway-3 and 758 km of Asian Highway-4. The construction of roads along Asian Highway-4 and the Millennium road which aligns with Asian Highway-32 has started. In addition, road transport infrastructure connecting Ulaanbaatar with Russia and China is nearly completed.

Mongolia's railroad network, which connects the Trans-Siberian railroad of the Russian Federation in the north and the railroad of China in the south, is approximately 1,908 km in total length\(^{16}\). The railroad plays a vital role in export and import transportation of coal, minerals, timber, oil and animal husbandry related products, accounting for 80 percent of all freight transport.

In 2010, the Government of Mongolia began the expansion of its rail network with the construction of approximately 2,500 km to the ports in China and the Russian Federation.\(^ {17}\) One of the main objectives of the Government’s railway expansion is to connect the mineral resource deposits and mines to railroads in neighbouring countries. It represents an unprecedented five-fold increase in Mongolia’s railway system. The expansion is set to dramatically change the country’s economic and industrial landscape and boost the structural capacity of the economy multifold. In particular, the linkage with the TavanTolgoi and OyuTolgoi mines will generate sustained long-term economic benefits.

Estimates from the ADB indicate the national transport infrastructure investment needs for the period from 2010 to 2020.\(^ {18}\) Mongolia’s transport investment requirement is estimated at $9 billion, the third highest amongst the LLDCs in region, after Afghanistan and Kazakhstan. This translates to 12% of GDP during that period and 2.83% of GDP annually.

B. Energy and ICT infrastructure

The specific objectives of the VPoA on energy and ICT infrastructure require the LLDCs to expand and upgrade, as appropriate, infrastructure for supply, transmission and distribution of modern and

---

\(^ {16}\) Mongolia national report on the implementation of the Almaty Programme of Action
\(^ {17}\) UN-OHRLLS, Asia regional report on improving transit cooperation, trade and trade facilitation for the benefit of the LLDCs: Current Status and policy implications, forthcoming
renewable energy services in rural and urban areas; make broadband policy universal; promote open and affordable access to Internet for all; and address the digital divide.

Nationally, almost 90 per cent of the population has access to electricity in 2014\textsuperscript{19}. However, while access to electricity is almost universal in urban areas, only 70 per cent of the rural population has access. Mongolia derives majority of its electricity from oil, gas and coal sources. Almost 93 per cent of electricity is produced from coal sources. Electricity produced from renewable sources (excluding hydroelectric) accounts only for less than 2 per cent of the total.

Despite its access to abundant coal reserves, Dalrai (2014) argues that it is unlikely that Mongolia can generate enough electricity to have met demand in 2015. Some segments of the population resort to burning natural fuels, including dung and lignite, which can lead to poor air quality and health risks. In addition, Mongolia imports electric power from China at tariffs more than double the domestic energy price and uses expensive imported fuels. Pursuing opportunities to generate more of its power internally will increase ensure low-cost reliable energy which can increase economic opportunities.

In terms of ICT infrastructure, Mongolia is lagging behind in terms of access and use of internet. While the percentage of individuals using the internet has risen from 9 per cent in 2007 to 27 in 2014, this is still below the average for developing countries (32.4%) and well below the level of developed countries (79.5%). Fixed broadband subscriptions reached 6.85 per cent of population in 2014. In contrast, the average for developing countries as a whole was 7.1 per cent and over 28 per cent for developed countries.

Implications: Examples of what Mongolia could focus on under Priority 2

Mongolia could further include into its plans and/or strategies the following:

- Expand and upgrade main modes of transport, completion of missing links in regional infrastructure networks
- Upgrading of road transport
- Investing in particular in closing the missing links
- Promoting private sector involvement, including public-private partnerships, in infrastructure development and maintenance
- Upgrading existing transit corridors into development corridors
- Establish weight limits and vehicle standards
- Increase access to electricity in particular in rural areas, including increasing share of renewable energy in total energy consumption
- Strive to close the digital divide

Priority 3 - International Trade and Trade Facilitation

C. International Trade

International trade is seen as integral to sustainable development. Acknowledging the special situation of LLDCs, the specific objectives in the VPoA include to significantly increase participation of LLDCs in global trade alongside increasing value added and manufactured component of LLDCs’; increase intra-regional trade and to invite Member States to consider the needs and challenges of LLDCs in international trade negotiations.

\textsuperscript{19} Data from World Bank, World Development Indicators
Mongolia’s geographical location makes external transport links via China and Russia very significant in terms of Mongolia’s international trade. During the past decade, due to its landlocked position between Russia and China, Mongolia has become an important link between the two countries, benefiting from the rail transit traffic between the two countries moving through its territory. To maximize Mongolia’s benefits stemming from this geographic advantage, regional cooperation and integration on transit and transport is a primary national objective.

Trade to GDP ratio of Mongolia is 109 per cent in 2014 and has been consistently over 100 per cent since 2000, indicating high degree of dependence on international trade despite the inherent disadvantages of being landlocked.

Mongolia’s exports of goods and services have reached an estimated $6.1 billion in 2014, increasing by 23 per cent since the year before. Services exports amounted to $576 million. Merchandise exports have been growing rapidly since the early 2000s, falling in 2009 before rebounding strongly in 2011 and 2012. Export growth rates began to falter again after 2012, expect for 2014 which has seen comeback before falling again in 2015 due to weak prices for coal and copper and slowing demand from its main trading partner, China.

Table 4: Merchandise export growth rate of Mongolia (%)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>17.97</td>
<td>-2.76</td>
<td>0.58</td>
<td>17.54</td>
<td>41.21</td>
<td>22.46</td>
<td>44.86</td>
<td>22.44</td>
<td>34.43</td>
<td>-25.07</td>
<td>52.38</td>
<td>66.17</td>
<td>-8.98</td>
<td>-2.64</td>
<td>35.27</td>
<td>-19.14</td>
</tr>
</tbody>
</table>

Source: UNCTADStat

Mongolia has seen steep falls in its export earnings caused by the falling prices of some of its key commodities. This is in particular an issue for Mongolia, given its concentration on just a number of export goods. Mongolia’s export product concentration index stood at 0.48 in 2014, indicating a high degree of concentration of its exports. Furthermore, the concentration has increased since the early 2000s. Between 2000 and 2003, the index averaged at 0.34. This indicates that Mongolia’s trade has been homogeneously distributed among a number of products.

Mongolia’s exports are largely dominated by copper and coal. Over 50 per cent of its exports in 2013 and 2014 were represented by the two commodities (See table).

Table 5: Top 5 commodity export groups

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Value (million US$)</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All commodities</td>
<td>4269.1</td>
<td>100</td>
</tr>
<tr>
<td>Copper ores and concentrates</td>
<td>949</td>
<td>22.2</td>
</tr>
<tr>
<td>Coal</td>
<td>1116.2</td>
<td>26.1</td>
</tr>
<tr>
<td>Petroleum oils and oils from bituminous minerals</td>
<td>515.5</td>
<td>12.1</td>
</tr>
<tr>
<td>Iron ores and concentrates</td>
<td>654.3</td>
<td>15.3</td>
</tr>
<tr>
<td>Gold</td>
<td>309.8</td>
<td>7.3</td>
</tr>
</tbody>
</table>


---

20 UNCTADStat data. Concentration index is a measure of the degree of product concentration. An index value closer to 1 indicates a country’s exports or imports are highly concentrated on a few products. On the contrary, values closer to 0 reflect exports.
In fact, exports of primary commodities, precious stones and non-monetary gold accounted for 97 per cent of total merchandise exports in 2014. In contrast, exports of manufactured goods represented just over 2 per cent of total merchandise exports. In addition, the share of primary commodities in exports has increased dramatically since the first half of the 2000s, when it average at 67 per cent.

Mongolia’s imports were estimated at $6.9 billion in 2014. Manufactured goods represented 62.5 per cent of the imports, while the remainder was imports of primary commodities, precious stones and non-monetary gold.

Mongolia’s trading partners are largely within the region. Mongolia’s merchandise exports are highly concentrated amongst partners, with China accounting for 88 per cent of total export value in 2014, followed by UK with 6.9 per cent and Russia with 1.1 per cent. Mongolia’s merchandise imports are moderately concentrated, with China (33 per cent), Russia (30 per cent) and Japan (7.2 per cent) the three main import markets for Mongolia.

D. Trade Facilitation

Under trade facilitation, the VPoA objectives aim to simplify and streamline border crossing procedures and improve transit facilities, in order to reduce border delays and transaction costs.

Like all LLDCs, Mongolia faces very high costs to export and import and delays at borders, based on World Bank’s Doing Business data. The cost and time to import/export data measures the time and cost (excluding tariffs) associated with three sets of procedures—documentary compliance, border compliance and domestic transport—within the overall process of exporting or importing a shipment of goods. While it is below the LLDC average, Mongolia’s costs are higher than those for the transit countries. While Mongolia has managed to reduce the time it takes to import and export during 2009 to 2011, since 2012 the time has gone back up to 45 days to import and 44 days to export. While the trend amongst LLDCs and transit countries has been to decrease the number of documents to import and export, for Mongolia the number of document has remained the same.

Table 6: Doing Business indicators

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2010</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost to import (US$ per container)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mongolia</td>
<td>2,274.00</td>
<td>2,274.00</td>
<td>2,950.00</td>
</tr>
<tr>
<td>Average, LLDCs</td>
<td>2,701.33</td>
<td>3,367.57</td>
<td>4,343.77</td>
</tr>
<tr>
<td>Average, Transit countries</td>
<td>1,297.66</td>
<td>1,503.50</td>
<td>1,599.19</td>
</tr>
<tr>
<td><strong>Cost to export (US$ per container)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mongolia</td>
<td>1,807.00</td>
<td>2,131.00</td>
<td>2,745.00</td>
</tr>
<tr>
<td>Average, LLDCs</td>
<td>2,211.47</td>
<td>2,745.67</td>
<td>3,443.90</td>
</tr>
<tr>
<td>Average, Transit countries</td>
<td>1,024.25</td>
<td>1,219.63</td>
<td>1,301.48</td>
</tr>
</tbody>
</table>

21 The data on trading across borders are gathered through a questionnaire administered to local freight forwarders, customs brokers and traders.

22 To make the data comparable across economies, a few assumptions are made about the traded goods and the transactions. It is assumed that a shipment travels from a warehouse in the largest business city of the exporting economy to a warehouse in the largest business city of the importing economy. The case studies assume different traded products. It is assumed that each economy imports a standardized shipment of 15 metric tons of containerized products from its natural import partner—the economy from which it imports the largest value (price times quantity) of that product. It is assumed that each economy exports the product of its comparative advantage (defined by the largest export value) to its natural export partner—the economy that is the largest purchaser of this product.
<table>
<thead>
<tr>
<th></th>
<th>Time to import (days)</th>
<th>Time to export (days)</th>
<th>Documents to import (number)</th>
<th>Documents to export (number)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Mongolia</td>
<td>Mongolia</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>44.0</td>
<td>12.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>42.0</td>
<td>12.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>45.0</td>
<td>12.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Average, LLDCs</td>
<td>Average, LLDCs</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>57.1</td>
<td>11.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>47.8</td>
<td>10.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>49.1</td>
<td>10.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Average, Transit countries</td>
<td>Average, Transit countries</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>38.3</td>
<td>9.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>27.9</td>
<td>8.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>26.5</td>
<td>8.4</td>
</tr>
</tbody>
</table>

Source: World Bank World Development Indicators, Doing Business data

Mongolia has notified the WTO of its category A provisions, that is those provisions that will be implemented upon entry into force of the Trade Facilitation Agreement. According to the OECD Trade Facilitation Indicators, Mongolia performs better than the averages of Asian and lower middle income countries in the areas of information availability, advance rulings, streamlining of procedures and external border agency co-operation. On the other hand, Mongolia’s weakest performance is in the areas of involvement of the trade community, appeal procedures, simplification and harmonisation of documents and automation.

In terms of concrete trade facilitation measures, Mongolia launched in 2014 the Mongolian Customs Automates Information System (CAIS) which allows for paperless clearance. The system replaces the previous customs’ automated data processing system called GAMAS which had a decentralized structure, was manually operated and labor intensive. The application of the CAIS enables information and data sharing with international community and enables from the IT side the implementation of customs control techniques such as risk management, self-assessment, supply chain management, AEO, coordinated border management and joint customs control. Mongolia has also drawn up and the Government has endorsed a master plan on a national single window system.

Mongolia is cooperating with its neighbours on customs procedures. For example, in 2009, the harmonized cargo manifest between the Zamiin-Uud Customhouse of Mongolia and Erlian Customs Department of PR China was launched and Mongolia and China are also now cooperating on exchanging the numeric indicators of the cargo manifests. Recently, two important documents have been signed: Memorandum of Cooperation between the Customs General Administration of Mongolia, Federal Customs Service of the Russian Federation and the Customs General Administration of the People’s Republic of China on creating favorable conditions for promoting trade development between Mongolia, Russia and China”; and “General Agreement between the Customs General Administration of Mongolia, The Federal Agency for the Development of the State Border Facilities of the Russian Federation and the Customs General Administration of the People’s Republic of China on cooperation of border development sector in Mongolia, Russia and China”. The agreements are to facilitate customs clearance
and border developments between the countries. Further bilateral agreements on customs issues have also been signed.

National Trade Facilitation Bodies/Committees are important platforms for institutional coordination on trade facilitation and stakeholders’ consultation with balanced private and public sector participation. They enable the planning and implementation of successful trade facilitation initiative and reforms. The Mongolian National Committee on Trade and Transport Facilitation was established in 2006 to accelerate the coordination of activities to facilitate international trade and transit transport of Mongolia and to make Mongolia a land–linking transit country by supporting trade, transport and the logistics sector.

**Implications: Examples of what Mongolia could focus on under Priority 3**

Mongolia could implement policies that would:

- Increasing value-added in exports and increasing manufactured component of trade
- Diversifying trade to other markets within the region and outside of the region
- Increase participation in global value chains and subsequently increase the share of the country’s exports in global trade
- Promote trade in the services sector, including tourism.
- Build productive capacities
- Ratify the WTO TFA and strive to fully implement all the provisions of the WTO TFA
- Strengthen the national trade facilitation committee
- Continue efforts on simplification and harmonisation of documents and automation of cross-border processes
- Develop further regional cooperation as well as bilateral ties with neighbouring countries on customs control and other border-crossing procedures

**Priority 4 – Regional Integration and Cooperation**

The VPoA emphasizes close cooperation between LLDCs and transit countries for the purposes of improving connectivity in transport, energy, and information and communication technology. This priority requires plans and strategies that promote harmonization of regional policies and participation in bilateral and regional integration frameworks, as well as strengthening regional trade and transport networks.

Regional trade agreements have become increasingly prevalent since the early 1990s. However, according to the WTO, Mongolia is not party of any regional trade agreements. Mongolia also does not have any bilateral trade agreements with the other LLDCs in the region. In terms of international investment agreements, Mongolia has signed 43 bilateral investment agreements, with 37 in force. In addition, Mongolia signed four other investment agreements with three of them in force. Mongolia’s neighbours, China and Russia are members of the Shanghai Cooperation Organization, while Mongolia is only an observer.

At the same time, as mentioned above, Mongolia’s trade is largely taking place with countries in the region. The three countries are undertaking tripartite negotiations on regional transit development between Mongolia, China and Russia. The second meeting by heads of China, Russia and Mongolia on deepening comprehensive strategic cooperation among the three countries was held in July 2015. The three parties approved the mid-term development roadmap for tripartite cooperation between China, Russia and Mongolia. Several cooperative agreements were signed by
the three relevant ministries, including a memorandum on compiling and building a planning outline of a China-Russia-Mongolia economic corridor, a framework agreement on creating favourable conditions to boost China-Russia-Mongolia trade cooperation and a framework agreement on the development of China-Russia-Mongolia frontier port cooperation. This cooperation will enable the construction of Chinese Silk Road Economic Belt Initiative, Trans-Eurasian Belt Development proposed by Russia and the Prairie Road by Mongolia to be linked more closely. Such cooperation will boost regional economic cooperation and development of the entire Eurasian continent.

**Implications:** Examples of what Mongolia could focus on under Priority 4

- Enhance participation in regional integration, trade and investment agreements
- Develop regional infrastructure network, including road, railway, ports, pipelines and electric grids
- Undertake efforts to boost intra-regional trade
- Consider developing regional ports

**Priority 5 – Structural Economic Transformation**

This priority of the VPoA focuses on ensuring structural economic transformation capable of reducing the negative impacts of landlockedness. Objectives include increasing value addition in manufacturing and agricultural sectors for sustainable growth, increasing economic diversification, promoting services-based growth and encouraging FDI inflows in high-value added sector.

**Figure 1: Composition of Mongolia’s exports, 2014**

As mentioned above, Mongolia’s economy is highly concentrated in particular in primary commodities. Figure 1 shows the composition of Mongolia’s exports in 2014. The commodity price boom, supported by foreign direct investment (FDI) has resulted in directing economic activity into Mongolia’s extractive industries and has transformed Mongolia’s landlocked economy from its traditional dependence on
herding and agriculture. Rising commodity prices and investment in Mongolia in the mining sector has arguably led to the higher concentration of Mongolia’s exports.

As a result, over the years, the contribution of major sectors to Mongolia’s economy has shifted. As seen in table 7 and Figure 1, although rising rapidly in the early 1990s, the value added of agriculture to GDP has fallen from 27.8 per cent in 1990-2003 to 17.7 per cent in 2004-2014. While the value added of industry has increased dramatically from 30.5 to 36.4 per cent during the same period, the value added of manufacturing has been gradually declining since the 1990s. An increase can be seen in the last few years in the contribution of industry, in particular manufacturing and agriculture to GDP. Manufacturing in particular has been increasing since 2009. The high and rising share of services in GDP could indicate that the services sector has become dominant before the structural transformation has taken place.

High-technology content of exports is another indicator of value added. As a share of manufactured exports, high-technology exports represented only 19 per cent in 2014, however this has risen from less than 1 per cent in early 2000s.

Table 7: Contribution of main sectors to GDP (%)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, value added</td>
<td>27.8</td>
<td>17.7</td>
<td>15.4</td>
<td>15.8</td>
</tr>
<tr>
<td>Industry, value added</td>
<td>30.5</td>
<td>36.4</td>
<td>35.5</td>
<td>37.2</td>
</tr>
<tr>
<td>Manufacturing, value added*</td>
<td>12.7</td>
<td>7.6</td>
<td>10.1</td>
<td>9.9</td>
</tr>
<tr>
<td>Services, etc., value added</td>
<td>41.7</td>
<td>45.9</td>
<td>49.1</td>
<td>47.0</td>
</tr>
</tbody>
</table>

* Manufacturing is a sub-category of industry
Source: World Bank World Development Indicators.

Despite the boom in the mining sector, Mongolia could not fully take advantage of its natural resources wealth, owing largely to a lack of infrastructure, a shortage of electricity supply, relatively low participation of the private sector in the extractive industry and slow processing of investment licences in the mining and other manufacturing sectors. For example, Mongolia could not enter regional value chains, for example in copper, despite the location of its copper mining sites on the border with China, the largest consumer and exporter of finished copper products. More value addition should be explored in the copper sector, by manufacturing finished copper products. The new mining law and policy, which relaxes conditions for private ownership in mining, is expected to enhance the role of the private sector and public, which is critical for value addition.

Figure 2: Manufacturing and agriculture value added as percentage of GDP
Implications: Examples of what Mongolia could focus on under Priority 5

Strategies could focus on:

- Enhancing productivity-led growth
- Increasing economic and export diversification
- Increasing the value addition in the agricultural and in particular in the manufacturing sector
- Promoting growth in non-mining sectors
- Leveraging technology and innovation in structural transformation, value addition and productive capacity building
- Increasing participation of the private sector, in particular in the extractive industry
- Seeking FDI inflows to high-value added sectors
- Enhancing the potential of the services sector

Priority 6 – Means of Implementation

Priority 6 of the VPoA focuses on mobilization of adequate domestic and external resources for the effective implementation of the programme.

Domestic resources have a role to play in financing the implementation of the VPoA related activities for development. Tax revenue forms a key traditional resource for financing development in developing countries. The latest available data shows that Mongolia’s tax revenue was 15 per cent of GDP in 2012, which has been gradually falling from almost 29 per cent in 2006. This highlights the need for greater efforts to raise resources. While increasing in the early 2000s, gross domestic savings have fallen from 42 per cent of GDP in 2006 to 30 per cent in 2014. Notwithstanding the fall, this level of savings...
indicates significant potential for domestic resource mobilization to support Mongolia’s development. Overall, more efforts are needed to boost domestic resources.

As an upper middle income country, Mongolia receives very little ODA. In 2014, it represented just 0.2 per cent of the ODA to all developing countries. While practically non-existent in 1990, as a resource rich LLDC, Mongolia has seen robust intake of FDI since 2000. Mongolia’s FDI stock reached $16.7 billion in 2014. At the same time, this represents a mere 0.2 per cent of the FDI stock of developing countries. FDI inflows have however been unstable. After few years of increases, in 2014, FDI inflows plummeted by over 70 per cent, following 50 per cent fall in 2013. Majority of the FDI went to the primary sector, attracted by the mining boom. The May 2015 agreement with Rio Tinto to restart the Oyu Tolgoi underground mine and the subsequent $4.4 billion finance package signing in December 2015 may have served to increase investor confidence.

Private domestic investment, as percentage of GDP, has increased from 21.9 per cent in 1990-2003 to 29.8 per cent in 2004-2012. This is relatively high compared to other LLDCs. Amongst LLDCs, only Bhutan had higher private investment during the latter period. Domestic credit to private sector stood at 60.7 per cent of GDP. However, more efforts are needed to increase the participation of the private sector, in particular in the mining sector.

Figure 2: FDI inflows to Mongolia (millions of US$)

Source: UNCTADStat

Figure 3: Mongolia’s FDI stock (millions of US$)
Implications: What Mongolia could focus on under Priority 6

- Mobilising additional domestic resources to implement the VPoA
- Leverage financial and technical assistance from development partners, including donors, international organizations and development banks
- Supporting private investment, in particular FDI and implement initiatives aimed at encouraging investments in Mongolia

Source: UNCTADStat