A national workshop on the mainstreaming of the Vienna Programme of Action for the LLDCs (VPoA) took place in Ulaanbaatar, Mongolia on 27-28 April 2016. The workshop was organized by UN-OHRLLS, the Ministry of Foreign Affairs of Mongolia and the International Think Tank for the LLDCs (ITT).

In total, over 40 participants attended the workshop. National participants were from the Ministry of Foreign Affairs, Ministry of Industry, Ministry of Food and Agriculture, Ministry of Finance, Ministry of Energy, Ministry of Mining, Maritime Administration of Mongolia, Ministry of Justice, the International Think Tank for LLDCs, Chamber of Commerce and Industry, Mongolia Logistics Association, Mongolia Express Company, Strategic Policy Institute, National Road Transport Association, other research institutions and universities. From the international community, participants included representatives of UN-OHRLLS, UNCTAD, UN ECE, ESCAP and IRU.

The workshop consisted of a number of sessions organized as panel discussions moderated by representatives from the Ministry of Foreign Affairs or the International Think Tank for LLDCs. Participants discussed the VPoA; Mongolia’s national development strategy; the mainstreaming process of the VPoA at the national level; implementation of programme and policies against the VPoA in the areas of transit issues, infrastructure development and maintenance, trade and trade facilitation, regional integration, structural transformation and commodity value chains; and monitoring and reporting on the VPoA implementation, including coherence with the global development processes.

Opening session

Ms. G.Battungalag, Director of the Department of Multilateral Cooperation of the Ministry of Foreign Affairs, welcomed the participants, acknowledging the co-organizers and the presence of representatives of international organizations. She highlighted the VPoA as the successor programme to the Almaty programme of Action, noting its goal to support LLDCs to achieve sustainable economic growth and reducing poverty. She noted the mainstreaming of the VPoA into national strategies as critical and acknowledged the aim of the workshop to strengthen this process. She stressed the importance of coordination and cooperation between all stakeholders at the national level. In order to improve transit and trade and strengthen links with neighbours, cooperation with countries in the region is necessary and she highlighted Mongolia’s first Free Trade Agreement, with Japan, and meetings between Russia, China and Mongolia to discuss initiatives such as the Silk Road and building of
economic corridor. She noted that the ITT was established to support LLDCs in developing solutions to the challenges of landlockedness, by supporting research and study programmes helpful for the implementation of VPoA, in the sectors relevant for LLDCs.

Mr. Sandagdorj Erdenebileg, Chief of UN-OHRLLS, welcomed the participants, noting that Mongolia is the second landlocked country to conduct a national workshop to strategize on how to effectively implement and mainstream the VPoA into national planning. He highlighted the challenges of LLDCs in integrating more fully into the global trading and economic system. He noted that LLDCs also continue to rely on limited number of export goods, face difficulties in creating value addition and in connecting to value chains, in addition to having limited productive capacities and high vulnerability to external shocks. He highlighted that the benefits of VPoA will only come with its effective implementation. He mentioned the 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda (AAAA) and the importance of their recognition of the VPoA. He stressed that it is important to explore the overlaps and synergies between all the processes in order to forge strong coherence. He noted some of the progress made by Mongolia in terms of the areas of the Vienna Programme of Action, including in the areas of infrastructure development, ratifying several key international trade and transport facilitation conventions, improving regional cooperation and trade facilitation measures. Notwithstanding the progress, the implementation of the VPoA will require continued and strengthened efforts. He said that Mongolia is currently on the verge of major transformation driven by the exploitation of its vast mineral resources, in particular copper and coal, but growth has slowed down in recent years. He commended the efforts of the Government to sensitize stakeholders on the mainstreaming of the VPoA, highlighting national leadership as indispensable.

Mr. Kilaparti Ramakrishna, Head of ESCAP East and North-East Asia Office directs the sub-regional office located in Korea, covering 6 countries, including Mongolia. He noted that amongst the 62 members of the ESCAP, there is 12 LLDCs, amongst which there are large variations, whether in terms of population or income. But structural constraints and remoteness are common challenges. Commodity-related risks in particular are great stumbling blocks, limiting the potential of LLDCs. He noted that RECs support the implementation of the VPoA and are also tasked with monitoring and review, which needs to be supported by analysis of what has and has not worked through analytical studies. He noted that ESCAP supports LLDCs in four areas: 1. Transport networks and facilitation, 2. ICT connectivity, 3. Energy connectivity and 4. International trade and trade facilitation. He highlighted that ESCAP has provided on the ground technical assistance to Mongolia to enhance trade and transport connectivity, trade facilitation, facilitated agreement on cross-border trade and helped negotiate road transport agreement between China, Mongolia and Russia.

Understanding the Vienna Programme of Action

Ms. Dagmar Hertova, Economic Affairs Officer, UN-OHRLLS gave an overview of the Vienna Programme of Action, which is the holistic and action-oriented programme for the LLDCs for 2014-2024, adopted by the Second UN Conference on LLDCs in November 2014 in Vienna, Austria. The overarching goal of the VPoA is to address the challenges of LLDC arising from landlockedness in a more coherent manner and thus contribute to sustainable and inclusive growth and poverty reduction in LLDCs. The VPoA has 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 specific goals of the VPoA are to be achieved through actions to be undertaken by LLDCs, transit countries and development
partners. She then provided information on the specific objectives and actions under each of the priority areas. This information on the Vienna Programme of Action can be found in the background document prepared for the meeting, available at http://goo.gl/E5zUYM.

On implementation, Ms. Hertova highlighted that the VPOA calls for its mainstreaming at the national, regional as well as global levels. She noted the role of OHRLLS in ensuring coordinated follow-up, monitoring and reporting of the VPOA; coordinating national, regional and global review processes; undertaking advocacy measures and developing indicators for measuring progress in the implementation of the VPOA. In conclusion, she also highlighted that the 2030 Agenda calls for implementation of the VPOA and 3 SDGs specifically mention LLDCs. In addition, the Addis Ababa Action Agenda reaffirms special challenges and needs of LLDCs in structurally transforming their economies, harnessing benefits from international trade and developing efficient transport and transit systems. Given that the VPOA is seen as integral to the 2030 Agenda and the AAAA, effective implementation of the VPOA will contribute to the effective implementation of the SDGs and there is a need to ensure coherence between the processes and their implementation.

Mr. Odbayar, the Interim Director of the International Think Tank for LLDCs informed the meeting that the ITT translated the VPOA into Mongolian and will be posted on the ITT website soon. He noted that the translated VPOA can be useful for further reference, including for Mauritania to be active on cooperation with other LLDCs and the international partners. He said translation is also useful when incorporating the VPOA concepts and issues into national planning documents and to improve the knowledge of different stakeholders. He expressed his hope that the workshop will help Ministries responsible for different areas of the VPOA be more active in its implementation. In terms of implementation, he noted that on trade, Mongolia will soon ratify the TFA, that the ITT has been talking to different stakeholders on how to implement trade commitments and that it is time to start talking about the practical measures that will need to be undertaken once the TFA come into force. On regional integration, he said that the Government is still not very active on this issue and there is scope for improvement. On priority 5, he highlighted that there are lessons to be learned from landlocked countries who overcame the challenges of landlockedness, like Switzerland, by focusing on low-bulk exports. He noted the need to attract FDI into those areas where the economy can diversify. On industry, he noted the move of Mongolia to upper-middle income country category, due to 17% economy increase connected to mining boom. He urged support of the UN in spurring other countries to ratify the Multilateral Agreement on the ITT.

**Understanding Mongolia’s National Development Strategy**

Ms. D. Gerelmaa, Deputy Director of Department of Multilateral Cooperation of the Ministry of Foreign Affairs of Mongolia, presented the efforts of the government in developing a long-term development strategy. She explained that the Government established a working group to develop the long-term strategy, which was then submitted to the Parliament before the end of 2015, following which the strategy was officially approved in February 2016. She also noted that the first law on development policy and planning was adopted, which gives Mongolia more solid ground for long-term national development planning. She highlighted that the strategy has four priority areas: 1. Economy, 2. Social development, 3. Green development, 4. Governance and business environment. The strategy has 13 goals and 39 objectives, to be implemented in three phases: until 2020, 2020-2025 and 2015-2030, which coincides with the SDG timeframe. On the economy priority, some of the targets include average growth to be no less than 6.6% and budget expenditure to be reduced to 30% by 2030. The priority
sectors are Agriculture, Industry and Tourism, where some highlighted objectives include achieving balance in the structure of herds and quality of herds, addressing veterinary health issues and improving capacity and skills of herders; increasing number of visitors initially to 1.5 million per year and 2 million by 2030; utilizing advances in science and technology for development of economy. The priority on social development focuses on reducing inequality in society for example, as well as enhancing health and basic education rights. She also noted that there is a project with UNDP to help Mongolia implement the long-term strategy.

Mainstreaming of the VPoA into national development planning

Mr. Erdenebileg, UN-OHRLLS briefly introduced the UN-OHRLLS and its role in coordinating the UN system involvement on LDC, LLDC and SIDS issues and mobilizing international support for these groups of vulnerable countries. He introduced the concept of mainstreaming, at the national, regional and sub-regional and global levels. At global level, he informed on the efforts of international organizations, including ESCAP and World Bank in recognizing the needs of LLDCs and giving them special attention. At the regional level, he noted there is room for more collaboration. At the national level, he stressed that LLDCs need to establish a national committee to oversee mainstreaming and implementation. He said the committee should assess and monitor national plans on the extent to which aspects of the VPoA are incorporated, stimulate commitment to implement the VPoA, report to the UN, and ensure synergy with implementation of other established legal instruments/mechanisms, particularly the WTO TFA.

He noted there are a lot of experiences and best practices when it comes to establishing of national committee, collected by RECs, UNCTAD, ECE, etc, that Mongolia should utilize. He highlighted the case of Botswana where national committee was established under the office of the Prime Minister. He highlighted that many issues of transit and trade facilitation including those of the TFA are connected to the VPoA and therefore recommended to have one committee overseeing all those issues. He noted the difference between the non-mandatory nature of the VPoA and the legally binding commitment to establish a committee once the TFA comes into force. He stressed the importance of conducting a mapping exercise as a first step to identify who is responsible for what. Once the committee is established, national indicators to monitor progress in implementing the VPoA should be developed and annual report should be prepared. In terms of national monitoring, he also noted some of the common concepts in the Long-term National Strategy and the VPoA.

Mr. Odbayar, ITT highlighted that Mongolia’s national strategies are related to the VPoA, whether the previous MDG-based long-term development strategy, the Green Development Strategy or the draft law on international treaties. He stressed that lack of coordination among Ministries has led to lack of coherence and therefore there needs to be discussion on how the various programmes can be implemented successfully and how ministries can coordinate effectively.

In the subsequent discussion, it was noted that Ministry of Finance is working on developing procedures for follow-up process after adoption of national legislation, in order to enlighten the public. The participants discussed the nature of the national coordination committee. It was noted that here is already a committee for transit transport. Participants called for better coordination across Ministries, but noted that effectiveness of national committees can be hampered if there are too many of them. The UN ECE representative shared some key successful elements of a committee from their experience, such as the committee should have a clear and approved mandate; it should have power through cooperating with Ministries rather than working under particular Ministry; on transport and transit
issues it should include customs authorities; and the MFA should be well represented to transmit the knowledge of the country to the committee.

Participants agreed that the Committee needs to be full time, in order to be active; it should include and coordinate all relevant Ministries and should also include the private sector (banking and financial institutions, customs, immigrations); it should communicate with international organizations; and the MFA should take the lead in establishing the committee. Proposals were made for the Committee to be under the auspices of the Prime Minister in order to make it independent.

Some participants expressed concern about integrating the issue of implementing VPoA, transit issues, TFA implementation etc. under one committee. Some discussion was held on whether such committee should be ad hoc or of regular nature. Some proposals were made for international organizations to support the establishment of the national coordination committee. It was noted that the ITT can provide research support to the Committee.

**Transit issues and bilateral, regional and international legal frameworks**

Ms. A. Ariunaa, Deputy Director of the Economic Cooperation Department of the Ministry of Foreign Affairs stressed that transit transportation policy is important for economic development. She highlighted ongoing efforts of Mongolia on how to improve arrangements and cooperation in the area of trade with neighbours, including talks on creation of an economic corridor between China, Russia and Mongolia. This issue was discussed at the level of Heads of States, an MoU has been signed and a working group was established between the three countries and five meetings were already held on the future proposal of the economic corridor. She informed that the working group meetings focus on five important areas: policy coordination on transit issues, trade facilitation, infrastructure connectivity, financing of infrastructure projects, people to people cooperation. She highlighted other efforts, including initiatives to simplify processes in line with some initiatives like the One Belt, One Road and Silk Road. Other initiatives include tripartite program to be signed within the SCO, a Road Agreement between the three countries to be signed.

She stressed that Mongolia needs to implement several practical infrastructure projects, with 30 joint projects on the table and urged that Mongolia can bring projects where feasibilities studies are done to the attention of the Asian Infrastructure Bank. She informed the participants that Mongolia would like to work closely with UN ESCAP on LLDC initiatives where Mongolia can be a pilot project country and share its experiences with other LLDCs. She informed that on 18 May during ESCAP meeting, Mongolia is organizing a side event on how LLDCs can coordinate better to address challenges of LLDCs. She stressed that the VPoA is an important guiding document when implementing the various initiatives. She noted that the MFA is working on new law on international treaties and agreements, to improve implementation of the international treaties, to incorporate them better into Mongolian law, and to make Mongolia better able to allocate funding to actions spelled out in international treaties.

Mr. Tarcisio Hardmann Reis, Customs Expert, TIR Secretariat/Sustainable Transport Division, UN-ECE briefly introduced the work of the sustainable development division of UNECE and how each of the areas of work is linked to the SDGs. He noted that a recent study by ECE found that border crossing facilitation is related to SDG 9, SDG 12 and SDG 17. He informed the meeting that there are 16 conventions which develop the concept of border crossing facilitation since 1952, of which the two most relevant are the TIR convention and the Harmonization Convention, ratified by Mongolia in 2002 and 2007, respectively. They are both global conventions, open to worldwide ratification. The TIR facilitates
transit through five pillars: secured vehicles or containers, international guarantee, TIR carnets, mutual recognition of customs controls, controlled access. The Harmonization convention features include: recognition of customs controls, medico-sanitary inspections, phyto-sanitary inspections, veterinary inspections, quality controls, procedures for road transport, procedures for rail freight. He stressed that the benefits of multilateral regulation include more competition in freight transport markets, better international logistics and supply chain service quality, improved trade and international production schemes thanks to better delivery scheduling and enhanced freight competitiveness.

In terms of SDG 9, one example of border crossing facilitation is the concept of eTIR, in pilot stage of development, which aims to provide secure exchange of data related to TIR transport between national customs systems. The ECE representative noted that while Mongolia has ratified the TIR convention, the effectiveness of border crossing facilitation relies on all/most countries implementing the conventions. He highlighted that 65% of LLDCs have not yet ratified the TIR/Harmonization Conventions; 27% ratified both, 4% TIR only and 4% harmonization only and in particular slow progress has been registered since 2000. In terms of SDG 12, he noted that there has been more international attention on the issue of food and secured supply chain. On SDG 17, he highlighted that there is a connection between border crossing facilitation and global trade and economic growth data: with more trade across countries, the more border crossing facilitation, which can increase future trade and growth.

He noted that the conventions have received ratification all over the world, with focus in European countries, but there is growing interest in Asia. In conclusion, Mr. Hardmann noted that given the relationship between border crossing facilitation, the SDGs and the VPoA, at the national level all relevant ministries should be part of the process. He encouraged Mongolia to participate closely in future meetings of the ECE on customs and transport-related issues (there is seminar on 20-21 June on promotion of electronic exchange of customs information) and to invite other countries in the region to ratify the Conventions, to obtain maximum benefits from their effectiveness.

Mr. Qu Pengcheng, Senior advisor of China and South East Asia, IRU briefly introduced the IRU, which is now present in over 100 countries, including in Mongolia. IRU is responsible for managing the TIR system. He mentioned that IRU found, based on its NELTI project to support the development of trade along the Silk Road, that the infrastructure is adequate but there is little traffic on the roads, until the border crossing posts. He stressed that 57% of transport time takes place at border crossings and 38% of the transport costs are taken by unofficial levies. Given that road transport is major means for LLDCs, these present major impediments to LLDCs.

With regards to the TIR Convention, he noted the inter-modality of the TIR convention; as long as one part of transport is on road, the TIR system can be used. There are 69 contracting parties, 58 of which are using the TIR system, mostly operating in Europe and Asia. He noted that many countries are in the process of acceding, with Pakistan acceding in June 2015, China starting accession process in January 2015 and now close to ratification, and others are interested, such as Argentine, Brazil, Iraq, Saudi Arabia and Kenya. China’s accession to the TIR system would reduce waiting time and transport cost, increase trade, improve competitiveness and extend reach of road transport operators. Using the TIR carnets, Mongolian operators can pick up goods in China and transport them to Europe, providing competitive options for this market.

Mr. Qu informed that 500 TIR carnets have been used by Mongolian transport operators so far, but currently only 24 Mongolian operators are authorized to use the carnets. But during the same period, close to 2,000 TIR carnets were used by foreign transport operators for transport to Mongolia. He noted that one reason for limited use of TIR by Mongolian operators is due to the fact that TIR has been used
only for heavy and bulky goods which do not have to be transported in a container. The first vehicle fit for TIR transport was approved by Mongolian Customs only the week before the meeting. He stressed that TIR usage is likely to increase in future, as national strategy points to more trade with Russia, China, and other countries. He noted IRU study on benefits of TIR system in LAC which found that $9 billion would be saved in time only. He concluded by saying that IRU is ready to assist all countries in implementing key trade facilitation instruments, as well as on passenger transport and group tourism cross-border trade.

In the subsequent discussion, a representative of the Chamber of Commerce and Industry highlighted some of their activities in the area of transit. She noted that the Chamber has been working on logistics and trade facilitation issues with the UN and ADB since 2009. The Chamber organized various trainings and seminars in those areas to raise awareness and improve the understanding and capacity of private sector, on issues such as logistics, single windows, TFA implementation. She stressed that more activities are needed as the private sector still lacks information on regional and international documents. In terms of implementation, financing is a challenge.

Participants noted that in general in LLDCs there is lack of understanding of the benefits of being party to international conventions and stressed that Ministries, private sector and other stakeholders should be involved in the discussions on how to accede to treaties and its benefits. Participants highlighted the best practices of Turkey which has acceded to most trade facilitation agreements. Based on the TIR system, Turkey has developed other, stronger collaborations and agreements with the EU. However, it has to be noted that TIR only focuses on customs and TIR transport cannot take place through countries that the partners have no bilateral trade agreements with. Building of the economic corridor between China, Russia and Mongolia will create potential favourable political environment for trade agreements and for more trade routes to be open. The Trade Facilitation Agreement, once entered into force, would help solve this issue, through its provisions on freedom of transit. The presenters stressed that the TIR and Harmonization conventions should be used by Mongolia as the framework for bilateral transit and further cooperation amongst countries. They can also be a stepping stone for full implementation of the TFA. The more countries use the TIR system, the more benefits and more trade can be potentially achieved. IRU is working to raise awareness of the benefits of the TIR system, including for regions such as Latin America.

Participants highlighted the potential of exporting Mongolia’s agricultural products, in line with its new long-term strategy. While there may be demand for Mongolia’s agricultural products like meat, many challenges remain, in particular veterinary inspections and requirements. In addition, lack of exports going from Mongolia to Europe and language skills of Mongolian drivers were also cited as challenges to receiving TIR carnets. It was noted that majority of the TIR carnets have been used to transport vehicles/cars from countries like Poland and Russia to Mongolia. While Mongolian goods in transit under the TIR scheme do not need to be checked at every border post, there are still certain requirements to be fulfilled under the TIR system. For example, transport operators need to be licenced for international transport, have sound financial standing and the vehicle also needs to fulfil certain standards. Under the TIR system, there is opportunity to improve transport and the exports from Mongolia, as well as their variety.

**Trade and trade facilitation**

Mr. Mussie Delelegn, Chief, Landlocked Developing Countries, Section of Africa, Least Developed Countries and Special Projects of UNCTAD highlighted UNCTAD’s efforts in the area of trade and trade facilitation, including research, policy analysis work, as well as technical cooperation and capacity
building in assisting countries in trade facilitation reform and linking them to trade and supporting the establishing of national trade facilitation committee. He highlighted some of the data and important trends for Mongolia: There is heavy export concentration where 3 export items account for about 70% export earnings and 1 export item, copper, contributes to nearly 50% of export earnings. Mongolia’s main partner for exports is China by far, while for Mongolia’s imports, China and Russia dominate. Imports from Russia are much higher than exports to Russia which implies a huge trade imbalance. Trade openness of Mongolia is on average 120% of GDP, much higher than LLDCs average of about 80%. Mongolia’s trade balance is negative, in particular in services. He noted that this calls for a policy shift towards services.

Mr. Delelegn stressed that diversification and value addition remain persuasive and critical for Mongolia’s competitiveness. By diversifying and adding more value, and transforming economies, LLDCs can overcome the challenges of landlockedness. He noted an UNCTAD study comparing economic fitness (economic specialization) and logistics performance index which found that countries with low measure of economic fitness have lower logistics performance index, with LLDCs in the lowest category. He highlighted trade facilitation as critical for enhancing export competitiveness, formalizing informal trade; reducing or regulating unofficial trade; avoiding trade distortions; enhancing regional trade and economic integration; and modernizing trade. He provided an overview of the TFA, in particular section 2 on special and differential treatment. He noted that the key is to undertake needs assessment to identify what is their trade facilitation needs and see the areas where country requires assistance. He highlighted that available assessments indicate that the implementation of the TFA is critical for LLDCs, including Mongolia for reducing the high costs of trade, the time it takes and the number of documents required to trade.

He recommended that short-term efforts should focus on harmonization and simplification of administrative procedures, rules and regulations of TF; coordination of institutions for harmonized implementation of TF reform; undertaking complete and systematic trade facilitation needs for Mongolia; and clearly identifying what can be done by Mongolia and areas for international support mechanisms for TF. In the medium term, focus should be on building technical, institutional and human capacities for trade facilitation and ratification of WTO TFA. In the more long term, Mongolia should focus on mainstreaming trade and trade facilitation into national policies and strategies; continuing negotiations on trade facilitation corridors, promoting regional trade integration and enhancing regional infrastructure; and fostering productive capacities and structural economic transformation.

Representative of the Maritime Association of Mongolia briefly introduced the association, which falls under the Road and Transportation Ministry, comprising of ten staff developing policies related to sea trade. He introduced the Mongolia law on use of sea of 1999. He highlighted the common grounds between OHRLLS and the work of Maritime Association. He noted that the Association is responsible for registry of fleet, informing that there are 500 ships with the Mongolian flag in the sea. He informed about the agreements with China, Russia and Kore on the use of sea ports.

In the subsequent discussion, the representative from the Ministry of Industry highlighted that the Government is taking actions on supporting trade as well as on trade facilitation. He noted improvements in Mongolia on trade facilitation such as use of single windows and automation of customs. He informed the meeting that Mongolia is close to ratifying the WTO Trade Facilitation Agreement, with the issue to be discussed soon in Parliament.

The participants were informed that Mongolia has carried out WTO needs assessment in 2014, with the Ministry of Economic Development taking the lead at that time, in cooperation with UNCTAD and ITC.
Participants heard that Mongolia has submitted its category A commitments to the WTO and by July 2014 notified the WTO of 11 provisions classified as category C. Further analysis and proposals for further improvements have also been made.

**Structural economic transformation**

Ms. Dagmar Hertova, UN-OHRLLS, gave an overview of structural economic transformation in the LLDCs. She explained structural transformation as a process that involves the reallocation of economic activity from low value-added and low productivity activities and sectors to those of higher value-added and high productivity. She noted industrialization as important for LLDCs because it enables them to alleviate the impediments arising from landlockedness. She showcased how agriculture and manufacturing value added, as percentage of GDP, has fallen in the LLDCs since 2003 by 6% and 3% respectively. In addition, the exports of LLDCs are highly concentrated in fuels (56%) and primary commodities (26%) while overwhelming proportion of imports are manufactured products (70%). Copper and coal exports alone accounted for almost 60% of Mongolia’s exports in 2014. She also noted that the contribution of major sectors to Mongolia’s value added has shifted over the years, with agriculture and manufacturing declining, while services have increased. In terms of recommendations for Mongolia, she suggested 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 and seeking FDI inflows to high-value added sectors.

Mr. Delelegn, UNCTAD explained structural economic transformation as shifting resources and policy focus from - traditional sectors and activities with productivity and low-technology to new sectors and activities with higher productivity and higher technology content. He noted that Government is already putting in place strategy shift by establishing industrial cluster zones and focusing on non-mining sectors. He explained that structural transformation is essential for development, as a source of productivity growth, decent and skilled jobs, learning and knowledge accumulation and as a source of higher income and aggregate demand.

He highlighted that structural transformation is taking shape even though still in the lowest value chains, but that key comparators show weak productive capacities. For example, Mongolia exports coal to China, but imports energy from China, which limits national value addition. He showed a measure of economic fitness developed by UNCTAD, a measure of structural transformation and productive capacity index, showcasing that Mongolia has made a huge stride in terms of productive capacity index rank and value. He concluded that the more sophisticated products and services you produce, the stronger growth pattern you establish. Industrial development, in particular manufacturing, is a critical component of the structural transformation process, because of the concentration of progressively value-adding and productivity-driven activities in this sector.

Ms. Aruinaa, Ministry of Foreign Affairs has informed the meeting that the Government is taking actions to diversify the economy, with agriculture and tourism as drivers in the long-term national strategy, but that mining is still driving economic growth. She noted that Mongolia needs to develop industrialization, especially in manufacturing, based on the agricultural sector. She highlighted that the Government has an export promotion plan and has set up task force on export facilitation. She noted that Government is also promoting SMEs in non-mining sectors by undertaking agriculture value addition projects with World Bank and others. Mongolia is also working actively on participation in global value chains. She
mentioned that as Mongolia moves from policy to practical implementation, it needs international support in this regard.

Representative of Ministry of Food and Agriculture noted that agriculture is important for diversification and the sector needs to be further improved. He noted that in order to achieve export diversification, organic food should be of focus, but there needs to be better legal framework. He also noted that R&D is an important element of success for diversification and connecting to value chains and the Ministry is increasing its focus on R&D. Participants highlighted that in order for LLDCs to produce more value-added products, more focus needs to be placed on education and enhancing human capacity.

The subsequent discussions focused on some of the positive trends, including increasing regional trade with neighbours, including recent Free Trade Agreement with Japan, and the increasing quality of export products. At the same time, it was highlighted that China and Russia are still the primary markets, even for Mongolian sophisticated exports, which leaves Mongolia vulnerable, as has been highlighted by the EU sanctions on Russia impacting Mongolia. In addition, recent explosion of warehouse in China also affected Mongolia’s turnover in trade. Mongolia is also very vulnerable to commodity price cycles. It was suggested that Mongolia needs to provide incentive structure to bring in Russian and Chinese investors and also needs to improve compliance with international standards in order to increase exports abroad.

The participants highlighted the need to learn from experiences of developed landlocked countries like Switzerland (focusing on SMEs for job creation), as well as transit countries like Vietnam (establishing smart manufacturing plans) or Chile (integrating services into the mining sector), or even LLDCs like Botswana (taking opportunity to invested heavily in the beef sector when beef industry in Britain collapsed).

Commodity value chains

Mr. Davaasambuu Dalrai, a national consultant that prepared a national case study for UNCTAD publication on connecting to regional and global value chains, presented the results of the study focusing on Mongolia’s mining sector. He informed that mining accounts for 80% of exports, 20-25% of GDP, 25-30% of state budget revenue, with huge potential of 117 million tons of copper still in reserves. However, downward trend of international commodity prices since 2012 has put pressure on Mongolia’s economy. He noted the spread effects from the mining sector to housing and property assets and services sectors. The mining sector will continue to play a major role in the economy, in particular noting the two mega mining projects launched recently.

Mr. Dalrai stressed that enhancing value added of top commodities, copper and coal, is key. He explained that Mongolia can process fuel from coal where there is great potential and export it into international markets, while the copper sector in Mongolia could bring more value addition by processing and manufacturing finished copper products. He noted that Mongolia should also stop importing energy from China and Russia.

In terms of the main challenges and opportunities, Mr. Dalrai noted the building of adequate transportation networks and building of energy and electricity generation to supply new mining projects which can be addressed through building railways and electricity plants to increase value added from mining operations. He stressed the need for enhancing the quality of commodity exports by refining or processing the primary products, for which to achieve Mongolia needs favorable external conditions (preferential tariffs etc) and closer integration in mining cooperation. He also emphasized the human and financial capital shortage, for which solutions include education and training of technical and engineering staff, skilled workers, private investment encouragement, developing mining services
industry, R&D, financial and tax support. Lastly, on the challenge of commodity price fluctuations, the solution is to create foreign exchange buffer reserves and adequate unemployment insurance. He also noted the need to eradicate poverty through decent jobs, which can be created in agriculture and industry sectors.

Mr. Delelegn of UNCTAD noted that tariffs are important when talking about value chains and suggested that Mongolia requests for moratorium from China on imposing tariff escalation to avoid situation where value added products face escalated tariffs. He stressed that the more value added there is, the more resilient a country is. He emphasized that the share of commodities in total value added in Mongolia is higher than the LLDC average: around 45% in 2013-2015 for Mongolia, while it is around 32% for LLDCs, below 30% for transit countries and 18% for other developing countries.

In terms of the future of the mining sector, he suggested that there is a need to look at tapping potential of cooperation with Russia, since trade balance with Russia is negative. He noted that the mining remains a dominant sector and while there is a shift in policy thinking, in the short and medium level, the dependence on commodities will not change rapidly. He stressed that given the comparative advantage of Mongolia in the mining sector, the value addition should take place soon.

**Regional Integration**

Dr. Ramakarkrishna, ESCAP provided an overview of ESCAP and its work on regional and economic integration, through four pillars endorsed by ESCAP Member States: integrated market, seamless connectivity, enhancing financial integration and addressing shared vulnerabilities. He noted that ESCAP is already working across the pillars on issues such as trade and investment, energy transport and ICT connectivity, regional financial cooperation, disaster risk reduction.

He showcased the composite regional integration index, highlighting that Asia’s integration is higher than in Africa, but this varies within the region, with East Asia having highest index within the region. He noted that Asia is the most diverse region in the world, with many sub-regional dynamics. He provided overview of the various sub-regional integration initiatives, such as the China Pakistan Economic Corridor, Eurasia Initiative, Istanbul – Dhaka railway corridor, initiatives by Korea and Russia, as well as Iran and Myanmar. In particular, there are many integration initiatives involving China such as the Silk Road, China-Pakistan economic corridor, Maritime Silk Road. He urged on the need to shift to more advanced regional integration, to respond to the emerging challenges, including climate change, and that there is an opportunity to enhance regional integration to support the 2030 Agenda and the SDGs.

Dr. Ramakarkrishna highlighted some work under the four pillars. For example, he stressed the need for enhanced trade facilitation and paperless trade to reduce non-tariff costs, as ESCAP research points to $257 bn annual export gains from region-wide paperless trade. ESCAP has long-term involvement in driving connectivity e.g. facilitation of Asian Energy Highway network, Trans-Asian Railway, and Dry Ports and Intermodal Linkages, Asia Pacific Information Superhighway. In particular, energy connectivity is an emerging issue for the region and various initiatives are taking place. In addition, Asia is very vulnerable to disasters, and requires regional cooperation. In this area, ESCAP focuses on building resilience and regional disaster risk reduction: early warning systems, drought monitoring, sharing of space applications. In conclusion, he highlighted future opportunities for integrated Asia-Pacific region as: enhancing trade, promoting trade facilitation and cross-border paperless trade; enhancing energy, transport and ICT connectivity; ensuring financial cooperation and addressing shared risks and vulnerabilities.
Ms. Aruinaa, Ministry of Foreign Affairs, informed the participants that Mongolia signed its first free trade agreement, with Japan and established task force on this issue. She highlighted the need to increase the capacity of experts and acknowledged capacity-building assistance provided by ESCAP as well as various reviews and studies.

She noted that negotiations have started between bilateral ministries of Russia and Mongolia on a tariff agreement. In addition, she informed that Mongolia also conducted bilateral negotiations with Asia-Pacific economic cooperation organization, while also having dialogue with China. She also informed that the Government is in reviewing integration with other sub-regional integration networks. In addition, China also proposed a free trade area for the Asia-Pacific.

In the subsequent discussion, the representative of NARTAM, The National Road Transport Association of Mongolia, noted that Mongolia can become a transport hub, connecting Russia with China, and should take advantage of this opportunity, with the cooperation agreements already going in this direction. He informed the meeting that they will organize a test run of cross-border transport and will pilot the TIR system within the tri-partite test run.

The representative of Mongolia Logistics Association stressed that development of Mongolia Logistics hub is taking place in Tenjin, China, as a joint venture between Mongolia and China, with China owning 51%. He also highlighted that private sector engagement is critical. He noted that dialogue with China is very important as there are very good practices to share, which can also include technology and scientific breakthroughs.

**Monitoring and reporting on the VPoA**

Ms. Hertova, UN-OHRLLS gave an overview of the global and national monitoring of the VPoA. She noted that UN-OHRLLS prepares an annual Report of the Secretary-General to the General Assembly providing a global assessment of progress towards the implementation of the VPoA, while Member States need to prepare national reports which will feed into the global report. She informed the participants that, as requested by the VPoA, UN-OHRLLS has in collaboration with other international organizations developed a set of over 100 indicators to monitor the progress in the implementation of the VPoA. She stressed that national level indicators need to be selected for the monitoring, based on the VPoA priorities, data availability, frequency of data collection and accuracy/quality of the data.

Ms. Hertova gave an overview of the indicators and showcased some of the data for the case of Mongolia. The full list of proposed indicators developed by UN-OHRLLS can be found in the background document prepared for the workshop, available at [http://goo.gl/E5zUYM](http://goo.gl/E5zUYM). In terms of next steps for effective national reporting, the Government should identify national indicators for monitoring, collect baseline data, and work to prepare annual review reports, as well as mid-term review and comprehensive 10-year review reports on the implementation of the VPoA. She highlighted the need to ensure harmonization and coherence of indicators with other development process, which requires collaboration between relevant Ministries and agencies involved in data collection and compilation.
Main Recommendations

Mainstreaming the VPoA into national development planning, monitoring and reporting

- Set up a national coordination body/committee that will coordinate the mainstreaming and monitoring and reporting of the implementation of the VPoA. The committee should also cover issues related to other international instruments and treaties on transit, transport and trade facilitation and their implementation, including the Trade Facilitation Agreement. The committee should include all relevant Ministries as well as the private sector. The Ministry of Foreign Affairs should take the lead in establishing the committee. The committee could be set up under the auspices of the Prime Minister.
- Identify roles and responsibilities of different stakeholders in the monitoring and reporting processes and ensure coordination and coherence between different Ministries
- Utilize best practices collected by UNCTAD, UN ECE and others on establishing national committees
- Identify national indicators for monitoring the VPoA
- Prepare annual national reports on the progress in the implementation of the VPoA, as well as mid-term review report and comprehensive ten-year review report
- Take into account the synergies in the implementation, mainstreaming and monitoring of the VPoA and other processes, including national development strategy, the 2030 Agenda and the Addis Ababa Action Agenda and aim to create coherence

Transit issues

- Ensure that relevant ministries and other stakeholders, including private sector, are involved in the discussions on how to accede to treaties and their benefits as well as the process of implementation of international transit transport conventions in order to ensure coherence, in particular given the synergies between border crossing facilitation, the SDGs and the VPoA
- Invite other countries in the region to ratify the TIR Convention and the Harmonization Convention to ensure the maximum benefits for all
- Improve the capacity of the private sector in areas such as logistics, compliance with border crossing procedures and implementation of the Trade Facilitation Agreement
- Enhance the capacity of operators to fulfil the requirements of the TIR system, including licences, training, etc.
- Use the TIR and Harmonization Conventions as frameworks for bilateral transit and further cooperation with other countries

Trade and trade facilitation

- Undertake efforts to diversify exports and add more value to exports
- Strive to harmonize and simplify administrative procedures, rules and regulations on trade facilitation
- Ensure coordination of institutions and Ministries for harmonized implementation of trade facilitation measures
- Identify clearly the areas of the Trade Facilitation Agreement where Mongolia requires international assistance
• Continue negotiations on trade facilitation corridors, promoting regional trade integration and enhancing regional infrastructure
• Foster technical, institutional and human resources capacities for trade facilitation and implementation of the Trade Facilitation Agreement

Structural economic transformation and connecting to value chains

• Focus on the agriculture sector, in particular organic food and beef, for the purposes of export diversification
• Increase value addition in the agricultural and manufacturing sectors, by focusing on processed, refined, manufactured and more sophisticated goods
• Promote growth in non-mining sectors, such as agriculture and tourism
• Leverage R&D, technology and innovation for value addition and connecting to value chains
• Focus on education, training and enhancing of human capacity in order to spur value addition
• Provide incentives for FDI inflows, including from Russia and China, to high-value added sectors
• Learn from and utilize experiences of other countries, including LLDCs, transit countries and developed landlocked countries
• Build adequate transportation and energy networks, including railways and electricity plants to increase value added from mining operations
• Create foreign exchange buffer reserves and adequate unemployment insurance to protect against commodity price fluctuations

Regional integration

• Start dialogues with the neighbours on providing favourable treatment and concessions, as the first steps towards greater regional integration and greater integration into value chains
• Employ more advanced form of regional integration, that is responding to emerging challenges including climate change effects
• Continue negotiations with neighbouring countries and others on trade and cooperation agreements