

**GOVERNMENT OF MONGOLIA
RESOLUTION**

2008/5/14

N 183

Ulaanbaatar city

Approval of program, plan

The Government of Mongolia hereby adopts the following resolution on organization of works related to facilitation of foreign trade, international and transit transport, identification and implementation of policies and guidelines supporting the development of trade, transport and logistics sector in Mongolia:

1. "Transit Mongolia" National program in Annex 1 and Program implementation Action Plan in Annex 2 shall be approved respectively.

2. Chairman of National Committee for Facilitation of Trade and Transportation who is the Minister for Road, Transportation and Tourism (Mr. R. Raash) shall be entrusted to provide overall supervision on program implementation and enable its execution.

3. Related Government members, General Directors of related Government agencies and Governors of aimag and/or the capital city shall be responsible for on time implementation of activities reflected in the program action plan.

4. Finance Minister (Mr. Ch. Ulaan), Minister for Road, Transportation and Tourism (Mr. R. Raash) and Minister for Industry and Trade (Kh. Narankhuu) shall be entrusted to include expenses required for national program implementation into annual state and local budgets and organize activities on informing international organizations and donor countries on needs and benefits of national program implementation, thus including the program in their loan and aid.

5. Chairman of National Committee for Facilitation of Trade and Transportation who is the Minister for Road, Transportation and Tourism (Mr. R. Raash) shall be entrusted to provide the Government of Mongolia with results and progress of program implementation within the first quarter of each year.

SIGNATURE

"TRANSIT MONGOLIA" NATIONAL PROGRAM

One. General provision

1. Background

In current times of globalization, using its geographic preivilages Mongolia can benefit from becoming a transit country through being part of international trade, transport and logistics general network, and thus by implementing certain activities to increase its competative ability in international trade, transport and logistics market can accelerate its economic growth and be able to resolve many outstanding economic and social issues.

2. Concept of trade and transportation facilitation

As specified in recommendation issued by United Nations Economic and Social Commission for Asia and the Pacific, "Trade facilitation" means activity directed at creating an environment for goods export, import and transit flow pass as efficiently, freely and at low cost as possible.

Product flow is directly effected by Government regulations, service quality of border, customs and inspection authoritieis, business skills, transportation and transport infrastructure, communication capacity, financing and many other factors.

Concept "Transportation facilitation" is important part of trade facilitation activities and it is determined by complex activities directed at improvement of legal environment for transporting passangers and freight, elimination of transportation obstacles and establishment of infrastructure.

Foreign terminology such as "transit", "multimodal" are included in this program, of that, "transit" shall be understood as "passing by" and "multimodal" as "mixed/combined".

3. Program justification and needs

Development of transit transportation and logistics will require unified cooperation between trade, transportation, border, customs, state inspection and many other sectors as well as active participation from private sector, government and non government organizations and international organizations.

As of Mongolia, the country does not have full capacity in terms of unified policy, coordination and technical infrastructure nor it has complete legal environment for trade and transportation facilitation.

Currently, railway plays an important role in Mongolia's transit transportation. During last few years national economy has had an intensive growth, national and foreign trades has increased as well, therefore in order to enable such development transportation infrastructure, rolling stocks and technical capacity are in need for immediate improvement and renovation.

The facts that border and customs inspection and control administration, organization, its human resource capacity and technology do not fully meet international standards and requirements, and the lack of working cooperation and coordination with neighbouring country border and customs organizations cause non tariff constraints.

Transportation logistics centers are not used in Mongolian agricultural, mining and other sectors, therefore, industrial and economic entities have a lot of extra expenses for finding equipment and raw materials for own use, marketing and exporting their products and services.

Mongolian national standard conditions and requirements are not clear, outdated, some of the required standards are absent at all, lack of technical and technological capacity to carry out proper state inspection, all serve as factors for having limited possibilities for controlling imported goods.

Moreover, problems related to supply of Mongolian export goods to the international markets are current due to lack of national laboratory for certifying standards and origins of locally produced goods and services at the internationally accepted level. As regional trade increases competition in international transportation and logistics sector intensifies, whereas in Mongolia development of transportation and logistics sector still lagging behind the international trade and transportation market development, and therefore, transit transport is kept stagnant.

Two. Program objective, outputs, activities and scope

4. Project objective and goal

Main objective of the program is directed at support and development of transit transportation and logistics sector in Mongolia that is based on real market demands involving active participation from private sector and foreign investors and making use of its geographical advantages. The objective shall be achieved within the scope of the following outputs. Such as:

4.1. Refining legal environment for foreign trade, international transportation and logistics services;

4.2. Facilitating and supporting the development of trade, transportation and logistics services;

4.3. Expanding national road and transport network, connecting it to international transport system;

4.4. Supporting international transit transportation;

4.5. Facilitating and improving the efficiency of border, customs and state inspection activities;

4.6. Introducing innovations of information and communication technology in facilitating trade, transportation and logistics services;

4.7 Reforming trade, transport and logistics sector structure and organization and strengthening human resource management

5. Activities within program outputs

The following activities shall be implemented within the specified outputs. Such as:

5.1. Within the scope of output on refining legal environment for foreign trade, international transportation and logistics services:

5.1.1. Accede to international conventions, contracts and agreements related to trade and transportation facilitation, freight forwardin and transportation logistics; refine and make amendments to national laws and legislations in compliance to acceded international conventions, contracts and agreements;

5.1.2. Refine and amend laws on auto transportation, civil aviation, railway, marine transportation reflecting transit transportation and logistics issues;

5.1.3. Provide legal regulation on making transit transportation and logistics related activities in line with border and customs control measures;

5.1.4. Participate actively in activities of international and regional organizations; make full use of technical assistance and aid;

5.1.5 Provide favorable conditions for trade and transportation facilitation through creation unified legal environment with neighbor countries;

5.1.6. Attract active participation of private sector in formulation and execution of trade, transportation and logistics sector policies, decisions and activities.

5.2. Within the scope of output on facilitating and supporting the development of trade, transportation and logistics services:

5.2.1. Adjust foreign trade related documents used in Mongolia to international standards, transfer to one unified standard;

5.2.2. Support application of bar code system in foreign and national trade;

5.2.3. Introduce a mechanism for monitoring and regulation of “from warehouse to warehouse” goods traffic into customs service;

5.2.4. Establish model freight specialized terminal entities and logistics centers near Ulaanbaatar city and set up a network for providing the population with good quality food and consumer products that meet health and sanitary requirements;

5.2.5. Establish upscale logistics centers and terminal entities in Zamyn Uud and Ulaanbaatar city; establish A-N class logistics centers and terminal entities in regional centers and other places; establish a national network;

5.2.6. Coordinate Altanbulag and Tsagaannuur trade free zone activities and Zamyn Uud economic free zone activities in line with logistics center and terminal entity activities;

5.2.7. Establish railway, auto road and air transport international network HUB based on a new international airport to be built in Ulaanbaatar city;

5.2.8. Establish special point that meets international standards for loading and unloading explosives and chemicals and temporary warehouse for confiscated explosives and chemicals in Ulaanbaatar, Khonkhor, Zamyn Uud and Sukhbaatar stations;

5.2.9. Renovate and increase number of parks for all types of transportation rolling stocks; especially renovate railway transportation rolling stock park with special wagons that meet norms for storage and transportation of easily damaged and fragile goods;

5.3 Within the scope of output on expanding national road and transport network, connecting it to international transport system:

5.3.1. Set the route for vertical Á-3 autoroad going around Ulaanbaatar city, formulate technical and economic specifications, implement road construction work;

5.3.2 Commissioning of auto road from Choir to Zamyn Uud;

5.3.3. Finish the construction of horizontal Á-32 auto road;

5.3.4. Connect regional pillar centers and aimag centers with paved road;

5.3.5. Construction and commissioning of western regional vertical Á-4 autoroad, connect aimag centers along this road with infrastructure, logistics network and terminal entities of neighboring countries;

5.3.6. Construct second tracks to general railway network and increase transit transportation;

5.3.7. Study possibility on using electric trains in railway;

5.3.8. Enable the expansion of trade relations with neighbouring countries and South Eastern Asia, provision of oil and other strategic raw materials through establishment of main railway network in eastern and Gobi regions.

5.4. Within the scope of output on supporting international transit transportation:

5.4.1. Enable the development of international auto road transit transportation and international auto road transportation of containers on a route Zamyn Uud-Ulaanbaatar-Altanbulag;

5.4.2. Establish service infrastructure (including hotels, car parking, lots, auto service, gas station, cafeteria, traffic control points, technical ambulance, public toilet facility) in every 150-200kms of international auto road;

5.4.3. Provide technical and technological support in developing international level transportation through use of TIR convention;

5.4.4. Expand cooperation with freight forwarding agencies from China, Russia, Asian and European countries; organize regular business meetings, introduce and promote “Transit Mongolia” national program in the field of trade, transportation and logistics;

5.4.5. Encourage and expand freight forwarding service initiatives and projects such as Asia-Europe connecting “Friendship”; “Mongol Vector” container line;

5.4.6. Enable activities on having Mongolian auto road transporters get access to sea ports and organize two way transportation through territory of China;

5.4.7. Based on current capacity of railway network increase transit transportation on the territory of Mongolia, encourage participation of private sector and support cooperation and partnership between the government and private sector.

5.5. Within the scope of output on facilitating and improving the efficiency of border, customs and state inspection activities:

5.5.1. Enable the coordination between border, customs and state inspection authorities, implementation of administrative and organizational measures on information exchange and simplified and collaborative control;

5.5.2. Refine the system of border inspection structure, organization and monitoring, upgrade the level of laboratory, equipment and human resource capacity up to international standards;

5.5.3. Improve and expand the scope of risk management system in customs clearance and control;

5.5.4. Install and use X-ray device for checking wagons in Zamyun Uud and Sukhbaatar ports and for checking containers in Sukhbaatar port;

5.5.5. Introduce up to date equipment and technology for simple and efficient control activities that will prevent from having prohibited or bad quality products or hazardous waste cross the borders of Mongolia;

5.5.6. Procure and use special wagons for transporting explosives and chemicals via railway.

5.6. Within the scope of output on Introducing innovations of information and communication technology in facilitating trade, transportation and logistics services:

5.6.1. Simplify information in trade and transport related documentations through defining and coordinating roles and activities of related government organization for establishment of a system for transfer and exchange of information and documents related with international trade;

5.6.2. Simplify information in trade and transport related documentations, introduce a unified standard, shift to electronic version;

5.6.3. Introduce one stop e-service into foreign trade sector;

5.6.4. Disseminate information through website of National Committee for Facilitation of Trade and Transportation in Mongolian, English and other international languages; create favorable environment for developing cooperation between the government and private sector.

5.7 Within the scope of output on reforming trade, transport and logistics sector structure and organization and strengthening human resource management:

5.7.1. Strengthen human resources and management capacity of ministries, government agencies, aimag and Ulaanbaatar city Governor's Offices in charge of developing and implementing trade, transport and logistics sector policies;

5.7.2. Enable cooperation among government, non government organizations and private sector, establish an integrated information system, provide with information on sector current news and technical innovations, create a mechanism for receiving public comments and feedback;

5.7.3. Organize vocational trainings, seminars, conferences and international study trips involving people specialized in trade, transport and logistics working in government and private sector;

5.7.4. Invite internationally experienced consultants and experts for short and long term mission, organize exchange of specialists;

5.7.5. Establish permanent international research center that will support sector research and study works, reflect results of research works into planning and implementation of policies and activities;

5.7.6. Provide the public with information regarding state policies and activities in trade, transport and logistics sector.

6. Program scope

6.1. Trade and transportation facilitating "Transit Mongolia" national program shall involve the following government, non government organizations and economic entities.

6.1.1. Government organization:

Government administrative central organizations in charge of road, transportation, industry and trade, foreign affairs, finance, justice and home affairs, Government agencies, organization and their local offices, affiliate organizations and laboratories in charge of auto transportation, auto road, railway, civil aviation, water road, border, customs, state inspection, information and communication technology.

6.1.2. Non government organization:

National Chamber of Trade and Industry, United association of Mongolian auto transporters, Association of Mongolian Freight Forwarding Agencies and other related non government organizations.

6.1.3. Economic entity::

Economic entities engaged in export, import, transit trades, transportation, freight forwarding, laboratory analysis and logistics services and other related fields.

Three. Program implementation phases, principles

7. Program implementation phases

“Transit Mongolia” national program shall be implemented in 2 following phases:

First phase: Preparation work for trade and transportation facilitation and establishment of transportation and logistics network /2008-2011/. Within this phase the following activities shall be implemented:

- Study and apply international standards required for making Mongolia a transit country, create favorable environment for legal, infrastructure and business relations.
- Introduce one stop e-service and “from warehouse to warehouse” inspection model to border and customs inspection.
- Facilitate foreign trade and transportation, increase the inputs of transit transportation and logistics sector in economy of Mongolia through elimination of various tariff and non tariff constraints.
- Initiate the development of “multimodal” transportation that involves dominantly railway but also other types of transportation types.
- Establish upscale logistics centers in larger border ports.
- Start the establishment of control and analysis laboratories.
- Start linking activities of trade free zones with activities of logistics centers and terminal entities.

Second phase: Normalize the program activities and become part of international unified network /2012-2015/. Within this phase the following activities shall be implemented:

- At this phase, Mongolia shall have reached international level in terms of legal, infrastructure and business environment required for development transit transportation and logistics sector.
- One stop e-service and “from warehouse to warehouse” inspection model shall have introduced and normalized in border and customs inspection activities.
- Tariff and non tariff constraints shall have reduced, transportation and logistics sector shall have reached the level of compativeness in the international market. GDP percentage of transit transportation and logistics sector shall reach 11.5%.
- Railway, auto road and air transportation transit services shall be provided individually and in multimodal way not only in Mongolia but also on the territory of other countries.
- Logistic centers and terminal entities for value adding to goods and services through provision of packing, order taking, labeling and certain level of processing services shall have established and their activities have normalized.
- Establishment of control and analysis laboratories shall be continued.
- Linking of activities of trade free zones and economic free zones with activities of logistics centers and terminal entities shall have implemented and normanized.

- Basis for establishment of international research center in charge of studying development, trends, policies, activity needs and impacts of trade, transportation and logistics sector in landlocked countries shall be set.

8. Program implementation principles

8.1. Trade, transportation and logistics sector of Mongolia shall be part of international unified system.

8.2. Trade, transportation and logistics sector development policy shall be closely linked with the Comprehensive National Development Strategy of Mongolia.

8.3. Trade, transportation and logistics sector activities shall be implemented based on cooperative work among citizens, private sector, government and non government organizations.

8.4. Trade, transportation and logistics sector development activities shall be in compliance to policies and guidelines of international organizations and cooperation with these organizations shall be developed and maintained.

9. Program implementation financing

9.1. Program shall be financed from the following sources:

9.1.1. Investment allocated from state and local budget for road and infrastructure development and other national development purposes;

9.1.2. Loan and aid from international bank and financial institutions;

National and foreign investment;

Millenium challange fund;

Private sector investment and others.

Four. Program administration and organization

10. Program shall be administered and organized in the following way:

10.1 Unit in charge of organization, coordination and monitoring of "Transit Mongolia" national program implementation nationwide shall be headed by the chairman of National Committee for Facilitation of Trade and Transportation

10.2. Local implementation of the program shall be under responsability of aimag and Ulaanbaatar city Governors.

Five. Outcome

11. Program implementation shall enable following principal changes in economic structure and policy of Mongolia:

11.1. Increase of transit trade, transportation and logistics sector input in GDP shall minimize the probability of national economic and business instability dependant from price fluctuations of natural resources and minerals.

11.2. In the economic structure that is highly dependent from non renewable resources of mining sector, inputs from trade, transportation and logistics new sector that can be developed and expanded in line with development of technology, human resources and growth of international trades shall be increased.

11.3. Being part of international trade, transportation and logistics unified system shall increase the impacts and position of Mongolia in international trade and transportation market.

11.4. Possibilities of reaching Millenium Development Goals shall be increased.

11.5. Certain places (regional pillar centers, trade and economic free zones) shall have active economic turnover.

11.6. Number and incomes of service providers developed along with transit transportation and logistics sector shall be increased.

11.7. Percentage of tax income from transit transportation and logistics sector into state budget shall be increased.

Six. Criteria and impact

12. Criteria to measure outputs

12.1 Program implementation shall be measured by the following criteria.

	Criteria	Base indicators (2007)	First phase goals (2012)	Program objective (2015)
1	GDP percentage of transportation and logistics sector	9.6	11.2	11.5
2	Auto road length connected to international unified system /km/	1348	2877	4116
3	Transit freight amount via railway /mil. tons/	3.5	9.0	16.0
4	Transit freight amount via auto road /mil. tons/	0	0.5	2.5
5	Number of upscale logistics centers	0	1	2
6	Average time spent for freight wagons pass by Mongolian territory /hr/			
	-Sukhbaatar-Erlian route	56	32	16
	-Erlian-Sukhbaatar route	72	36	18