Getting Everybody to the Table:
The Negotiation Process for the Regional Trade Facilitation
Project in the Western Balkans

“The problem of our time is not how to keep nations peacefully apart, but how to bring them actively together,” wrote David Mitran in 1943.1 With that in mind, think about developing the concept for a regional trade facilitation project to introduce leaner and greener transit routes and simplified import and export procedures within Europe’s southeastern gateways to Asia. Now, imagine representatives from the postconflict Western Balkan region—Albania, Bosnia and Herzegovina, Croatia, Kosovo, the former Yugoslav Republic of Macedonia, Montenegro, and Serbia—all sitting around a table and agreeing on common goals for a regional trade facilitation project. Well, that is what we achieved during the negotiation process for such a project in the postconflict region of the Western Balkans—a region that is moving ever closer to European Union (EU) integration but remains far away from full internal regional integration. This SmartLesson describes the challenges we faced and the lessons we learned during the process of developing IFC’s regional trade facilitation project.

Background

The countries of the Western Balkan region are seeking to increase levels of private investment to help stimulate and sustain their economic growth. Within the context of EU accession and the new Central European Free Trade Area (CEFTA), leaner supply chains that minimize waiting times and trade transaction costs will help improve the competitiveness of the region for investment, as well as facilitate the flow of goods and services.2

Many Western Balkan countries are diligently working to achieve EU accession, and their proximity to the EU has helped foster growing ties between the countries. However, antiquated border procedures requiring duplicated efforts impede the Western Balkan countries from fully integrating with the global economy in general, and the EU in particular. The conflicts following the breakup of Yugoslavia fueled bitter rivalries and hostilities that prohibited economic cooperation, but with the advent of the EU accession process, trade facilitation has become an important factor for improving the competitiveness of the region relative to investment and promoting the flow of goods and services.

The governments of the Western Balkans understand the importance of trade, as reflected by their trade facilitation efforts, including a number of regional initiatives that are currently in progress or have concluded. Most Western Balkan countries are members of the World Trade Organization, the World Customs Organization, and the Transports Internationaux Routiers, and continuing government activity demonstrates their commitment to regulatory reform. Western Balkan governments recognize that they must make trade easier and cheaper if they are ever to fully integrate with the EU and reap the full economic benefits of trade. To date, these government efforts have been commendable,
but the region has a long way to go to realize its trade potential.

Enhanced regional cooperation is one of the major objectives for the Western Balkans—outlined in the Thessaloniki agenda and endorsed at the EU–Western Balkans Summit in June 2003—to strengthen the stabilization and association process. The Western Balkan countries committed themselves to continuing to develop regional cooperation and to promote a series of specific objectives regarding regional free trade; creating regional markets for electricity and gas; developing transport, energy, and telecommunication infrastructures; the environment; technology research and development; and cross-border and parliamentary cooperation and collaboration in a number of other areas.

Regional cooperation is arguably the most important trade issue the region faces, due to its implications for intra- and inter-regional trade, the accession of Western Balkan countries to the EU, and ultimately the progressive development of the region. Individual country-level reforms appear promising when examined in isolation, but trade relies on multiple stakeholders, which can contradict the hard work of individual countries. The individual achievements of these countries certainly deserve recognition, but the countries understand that they must work together to truly develop. None of the Western Balkan countries could ever hope to accomplish alone what is possible through regional cooperation. The countries are small and so must pool their resources to effectively marshal their market power among the larger world economies.

The IFC project's objective is to increase the competitiveness of the countries of the region by reducing regulatory and administrative constraints related to trade logistics, as well as by harmonizing cross-border clearance systems and services. To support an efficient trade regime in the region, the project will provide advisory assistance aimed at creating leaner supply chains that minimize trade transaction costs and increase the competitiveness of the countries' trade with global markets.

Project implementation is planned for the second half of 2010 and will include a team comprising headquarters and country office trade facilitation experts from the Investment Climate Advisory Services of the World Bank Group. At country level, the project will respond to local priorities that will also lead to closer economic integration with the EU. The project will actively partner with relevant organizations—such as the European Commission, CEFTA Secretariat, Regional Cooperation Council, and other prominent groups—and coordinate with their ongoing programs aimed at increasing impact and minimizing duplication. Sustainability will be provided through the transfer of expertise to local counterparts in specific areas, as well as through interaction with the Regional Cooperation Council or sector-specific organizations. (See Box on next page.)

Lessons Learned

1) Build regional consensus through a participatory process with stakeholders.

Building consensus among the beneficiary countries around the project’s objectives was a priority during the development stage, ensuring that all stakeholders identify common project goals. In particular, we targeted stakeholders on the country level—technical, operational, and political—and we built important partnerships on the regional level with institutions such as the CEFTA Secretariat. From the very beginning, we understood the importance of involving all beneficiary countries and building on regional knowledge and experiences in the elaboration of shared project objectives and the development of a strong sense of ownership at the regional and country levels, which will include the WBG’s expertise, available regional knowledge, and development of a strong sense of regional control.

“Extended regional cooperation in south-eastern Europe is essential, regardless of the different stages of integration of the various countries, and is an important criterion for the European course of the western Balkan countries. The stability, prosperity and security of the region are of significant interest to the EU. The EU will continue to foster all endeavours to promote regional cooperation.”

—Olli Rehn, European Commissioner for Enlargement

3 SITA Airport Management is a suite of core applications that streamlines operations, reduces congestion, improves the flow of passengers and baggage through the airport, and speeds up turnaround times for aircraft, helping airports improve their bottom line.
By continually participating at various regional trade facilitation roundtables and inviting relevant stakeholders to IFC’s investment climate regional events, we were able to build a regional consensus through a participation and consultation process in which stakeholders were directly involved in the project’s development. We actively participated in the European Commission’s Sectoral Working Group in the process of formulating the Multi-annual Indicative Planning Document 2011–13. We also participated as speakers at the roundtable of CEFTA WEEK organized in Podgorica, Montenegro.

The approach to building regional consensus among project stakeholders from the very beginning was more time-consuming than a regular project development procedure, lasting more than 12 months, but we believe that it was time well spent. Decisions based on regional consensus will produce better and more lasting trade facilitation reforms in the Western Balkans, since various objectives proposed by the project will require collective and multilateral action by some or all beneficiary countries to achieve goals that cannot be attained by individual countries acting in isolation.

2) Understand the clients’ interconnections.

The geography and politics of the Western Balkans largely dictate current cooperation in the region, especially since cooperation in the area of trade facilitation is largely regulated at a bilateral level among neighboring countries. We built on existing bilateral cooperation and identified mutual synergies and logical groupings for the purpose of introducing leaner transit routes and simplified import and export procedures.

For example, it makes sense to involve all three of the countries (Croatia, FYR Macedonia, and Serbia) along Pan-European Transport Corridor “X” in mutual trade facilitation reforms related to that corridor. Without the participation of all three countries, certain bottlenecks could not be tackled. Accordingly, the project plans to work with all three countries, addressing both mutual and country-specific issues, such as standardizing and simplifying procedures and reducing administrative burdens and the costs of compliance for economic operators along the corridor.

Another example is the port of Durres in Albania. A joint initiative by the primary port users (Albania, Kosovo, and FYR Macedonia) is proposed, with the aim of introducing a harmonized inspection control with a reciprocal recognition of reports. This activity can occur only at the regional level, and would be the ideal way to reduce bottlenecks at that level. Inspections will take place only once, and the reports will be recognized by other states. Deployment of this initiative will be through a working group made up of relevant regulatory bodies from the three states.

3) Build on existing momentum.

Regional cooperation in the Western Balkans is largely driven by the European Integration process. Therefore, it was important for us to use this existing momentum and involve
the EU as a partner in the project. We structured the project and its activities to use the existing path that the countries have to follow as part of their EU integration route.

We partnered with existing structures set up in the region to assist with EU integration. In partnership with the CEFTA Secretariat, for example, we set mutually beneficial project-related goals to provide adequate advisory assistance aimed at expanding regional trade in goods, liberalizing services, creating a favorable investment climate, and eliminating trade barriers between the CEFTA parties.

We also developed a partnership with the Regional Cooperation Council, which seeks to sustain focused regional cooperation in Southeast Europe through a regionally owned and led framework that also supports European and Euro-Atlantic integration. Support and outreach to the private sector were coordinated with the support of chambers of commerce in the beneficiary countries. The chambers have proved extremely beneficial in spreading the word among the private sector and providing feedback related to their view of priorities for a regional trade facilitation project.

4) Increase visibility through face-to-face communication with potential clients and donors.

One of the crucial factors for the development of the project was to address issues that solve real problems, which could be accomplished only in collaboration with potential clients and through active participation in events and meetings.

To increase visibility and understanding of the potential clients’ needs, we focused on face-to-face communication, since it offered us great visibility as well as personal interaction with potential clients. Our efforts were directed toward reaching the right people.

Face-to-face meetings gave us a chance to convey the message of what IFC is and what it stands for. These meetings also provided a way for us to gain a better understanding of the potential clients and their problems and needs in relation to trade facilitation. We were able to develop a friendly and more personal relationship with potential clients.

Conclusion

Meticulous planning, coordination, and continual consultation with beneficiary countries and donors increase the chances of positively concluding the project negotiation stage, even for large regional cooperation projects in a postconflict region. After a year of negotiations with the European Commission and beneficiary countries, the project has been included as a priority in the European Commission’s Multi-beneficiary Programming 2011–13 document, and the European Commission is considering co-financing IFC’s regional trade facilitation project in the Western Balkans with $2 million through its instruments for pre-accession assistance.