A case study from

Reducing Poverty, Sustaining Growth—What Works, What Doesn’t, and Why
A Global Exchange for Scaling Up Success

Shanghai, May 25–27, 2004

Trade and Transport Facilitation—Improving the Investment Climate in Southeastern Europe

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**Executive Summary**

The high transaction costs and uncertainties of trade in Southeast Europe have been major constraints on economic recovery and development in the region. Barriers including long waiting times at borders and demands for informal payments at border crossing points, have seriously limited the investment climate and access to new opportunities for employment. These constraints have discouraged foreign investment, reduced profits for local firms, reduced employment opportunities, and increased costs for imported goods. The Trade and Transport Facilitation in Southeast Europe (TTFSE) program tried a new approach to reducing transaction costs, opening up opportunities, and improving the investment climate. The approach is working.

A program that sought to reduce non-tariff trade costs and corruption at border crossing points had to be regional in structure. Simultaneously undertaking systemic reform of the multiple Customs administrations and other border control agencies in the region was highly risky. In designing the TTFSE, therefore, the World Bank team preparing the eight projects (for Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Moldova, Romania, and Serbia and Montenegro) strategically focused on the introduction of reform at selected pilot sites in each of the countries. The program approached its objectives by supporting Customs reform; strengthening the mechanisms of interaction, cooperation, and communication among border control agencies and between these agencies and the trading community; disseminating information and providing training to the private sector; financing infrastructure and equipment at selected border crossings; and implementing an integrated set of new Customs procedures, information technology, and human resource management.

Common performance indicators providing comparative and transparent quantitative information were established and monitored at these pilot sites by local project teams. Progress documented and lessons learned at one site could be used to replicate the approach at other sites and subsequently scale up the program. This approach both complemented and was coordinated with work by other donors in the region.

The strong interest of private sector users in sector reform was a major impetus for supporting this regional program by the World Bank. Building on this interest, users have been asked to participate in the monitoring process. User perspectives and performance indicators have not only been shared at the meetings of the Regional Steering Committee, to which all participating countries belong, but also have been made available on a regional TTFSE Web site. The TTFSE program has offered improved access to information and certified training to the private sector. It has helped to promote a public/private partnership in which the border control agencies have become facilitators rather than obstacles for trade. Under the Southeast European Cooperation Initiative, public/private liaison organizations called Pro-Committees have been formed to advance dialogue on trade issues between the private sector and the government. Support for the TTFSE program by national Pro-Committees and trade associations in the region will ensure the sustainability of the approach in the future.

Already the results of the TTFSE are impressive:
• Significant reduction of waiting times at the borders and inland clearance pilot sites averaging 50 percent.
• Preliminary savings of $8 million annually, with multiple factors of this level possible.
• Improved dialogue among Customs administrations and border control agencies.
• Transparent and public Customs performance monitoring system in place.
• Revenue collection by Customs doubling through the introduction of risk management and selectivity procedures.
• Collaborative culture of partnership between the public and private sectors.
• Improved awareness of the appropriate facilitation role of border agencies versus revenue collection and classic control roles.
• Certified learning opportunities in freight forwarding and road transport operations.
• A regional Web site with border and country information for use by business communities and foreign investors.

These encouraging results provide a model for scaling up reform that is being followed already in Romania and Bulgaria. The model is being replicated regionally in the Caucasus—including a regional grouping of projects in Armenia, Azerbaijan, and Georgia. It is also being considered for replication in Central Asia. In the Caucasus, scaling up includes expanding the initial consultation process with users in the private sector, expanding policy dialogue, and including a more fully multimodal approach.

Key elements of the TTFSE Program include, first, the focus on procedural reforms, monitored by cleared-defined and standardized performance indicators, at selected pilot sites in each of the countries. The monitoring of these performance indicators has provided transparent documentation of progress. Significantly paired with this transparency, moreover, was the empowerment of pilot site staff to introduce new operational procedures, the results, again, being reflected in the impact on the performance indicators.

Secondly, The TTFSE sought to strengthen the important partnership in trade and transport facilitation between the public and private sector. The objective was to move border control agencies from being obstacles to trade and transport to being facilitators of such activities. Nationally-based Pro Committees, recently established to promote communication among transport/trade operators and users and the government were incorporated into the design of the TTFSE. The Pro-Committees have played an evolving role as an institutional check and balance as well as a monitor of government regulation and service provision. They are expected to be guarantors of continuity and sustainability of the TTFSE approach.

Thirdly, paired with the above was the establishment of a regional web-site and other mechanisms intended to open access to the private sector to information on trade and transport, ranging from government legislation and regulations to such practical issues as the hours of operation for particular border crossing points. Complementary to this was the provision of
professional training programs that could lead to certification of traders and operators. Finally, the TTFSE supplemented rather than replaced existing institutional mechanisms for improved communications among border control agencies, not only at the border crossing points but at the level of their headquarters and across borders. This included a Regional Steering Committee, meeting periodically throughout the region, to which all countries participating in the program belong.
Program Description

What was the economic setting for creating the TTFSE? The high cost and uncertainties of trade in Southeast Europe, including frequent delays and demands for informal payments at border crossing points, have been major constraints on economic recovery and development in the region. While it is important to strengthen the region’s competitiveness in the global market environment, border crossing impediments have been a disincentive for foreign investment, reduced opportunities for local firms, limited employment opportunities, and increased transaction costs for imports and exports. The lack of economic growth also has a serious impact on the poor, in terms of limited job opportunities, high prices of imported goods, and high costs for potential exports.

The need to foster trade and cross-border cooperation led to the establishment of the Trade and Transport Facilitation in Southeast Europe (TTFSE) Program, a regional initiative that includes eight TTFSE projects, an initial six in Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, and Romania, and more recently, two in Moldova and Serbia and Montenegro. The two primary development objectives of the TTFSE Program are: (i) reducing non-tariff costs to trade and transport, and (ii) reducing smuggling and corruption at border crossings while increasing revenue.

The program has approached these objectives by (i) supporting Customs reform; (ii) strengthening the mechanisms of interaction, cooperation, and communication among border control agencies and between these agencies and the trading community; (iii) disseminating information and providing training to the private sector; (iv) financing infrastructure and equipment at selected border crossings; and (v) implementing an integrated set of new Customs procedures, information technology, and human resource management. The key is shifting the roles of border crossing agencies from being constraints on trade to being facilitators of trade.

The total value of the Program is US$123.4 million, of which US$80.6 million or 65 percent is financed by loans or credits from the World Bank. The program has also been supported by local counterpart funds and grants from the United States, Austria, the Netherlands, France, and Norway. The national projects range in size from US$9.1 million in Moldova to US$27.2 Million in Romania. Project implementation spans an average of three to four years; implementation began in late 2000.

The key elements of the approach include the following:

Regional Character. Solving the constraints to trade required that the TTFSE projects be regionally linked. The participating countries needed to cooperate in the mutual resolution of common problems and concerns and the sharing of information and lessons learned. To assist

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1 Since transport costs represent a major component of the variable costs in the pricing of goods, savings in transport costs can significantly reduce prices for basic consumer goods. Delays of trucks at border crossing points conservatively costs US$15 per hour, but a day’s delay for a truck of perishable goods can cost up to US$600. These costs along with the cost of informal payments are passed on to consumers.
such collaboration, a Regional Steering Committee (RSC) was created. All participating countries are represented on the RSC and have signed a Memorandum of Understanding that details the role and activities of the RSC.

Reform Versus the Provision of Infrastructure. The TTFSE projects focus on Customs reforms and integrated solutions that increase the productivity of border agencies, enabling shorter processing time at border crossings and inland terminals and promoting transparency. The specifics of the reform vary by country. Since reform is an iterative process, the TTFSE provides a non-static definition of needs by requiring periodic reviews of the progress made and changes in needs. At some border crossing points improved infrastructure (in terms of scale or improved design) is needed to support reform, but in no case is expanded infrastructure sufficient without reform. Thus, when needed, the projects have financed physical improvements, once the critical elements of the reform process have proceeded sufficiently.

Non-duplicative structure, building on existing institutions and previous/on-going initiatives. Certain reforms were already underway when the TTFSE was initiated. Each project took into account such reforms, avoiding duplication and seeking to reinforce the efforts of such groups as the European Union, international organizations, and other donors. The TTFSE has sought to build upon and reinforce the capacity of existing national institutions rather than create new ones. This included incorporating such groups as the Chambers of Commerce and the local Pro-Committees\(^2\) into project activities.

Participatory Approach. The design and implementation of the TTFSE has been based on participatory methodology with the firm conviction that the projects belong to the participating countries and need to be endorsed and owned by the various stakeholders, including government agencies, freight forwarders, Customs brokers, transport operators, and traders as well as the end users and other beneficiaries. Ownership is best promoted by participation. In addition to consultations during the design phase, mechanisms have been built into each project to obtain recurrent user input in the monitoring and evaluation process.

Pilot Sites. Each TTFSE Project identified pilot sites, including border crossing points and inland clearance terminals, for the application of reform. Reform goals have been monitored through performance indicators specifically agreed to for each pilot site. The experience at these sites provides a model for further replication; In Bulgaria for example replication of reform beyond the pilot sites will cover 50 percent of all traffic coming into the country by the end of 2004.

Replication of the TTFSE in the Caucasus varies somewhat from the TTFSE model, starting with policy dialogue and using an application of the Trade Facilitation Toolkit launched under the Global Facilitation Partnership for Transportation and Trade (WWW.gfptt.org). Then, since the development of such trade facilitation groups as the Pro-Committees was embryonic, time was spent to support the establishment of such groups. There was already a coordinating

\(^2\) Public/private liaison organizations formed under SECI to advance dialogue on trade issues between the private sector and the government. (see section 6.4)
committee for the Transport Corridor Europe, Caucasus, and Central Europe (TRACECA), and this committee is being used instead of creating a separate RSC. Additionally a multi-agency, multi-modal approach is being taken. Similar variations are expected in the evolving replication of the TTFSE for Central Asia.

**Implementation Process**

The *rationale and objectives*, as outlined at the beginning of program preparation were tightly defined and keyed to achievable results. They were sound and have held so throughout the life of the program. The focus on pilot sites enables achievable and demonstrable results. Replications of the TTFSE should follow the same approach but scaling up may allow a more comprehensive set of objectives.

In the *political context*, commitment at the highest level of government is necessary for reform. The rate and extent of reform in each TTFSE country has depended upon the perceived and actual extent of such commitment. The attention paid by the client agency to the reform process has in some cases been diverted because of political issues over which the agency really did not have control. Such considerations need to be taken into account in the analysis of project risk at the outset. When risks are high mitigation efforts need to be defined. Risks may be substantially increased when scaling up is attempted.

The *consistency of the objectives* of the TTFSE with ongoing country poverty reduction strategies was ensured by linking each TTFSE Project to the respective Country Assistance Strategy (CAS) for each country. Clarifying that the TTFSE program sought reform with an impact on the business investment climate, and thus impacting the poor, rather than on infrastructure development was key to presenting this linkage within the Bank and to national stakeholders.

There were three *changes in scale* in the design of the TTFSE program. First of all, the range of objectives was scaled back. Secondly, the reforms advocated were focused on pilot sites with possible later scaling up throughout each country. Thirdly, the number of countries included in the program increased from six to eight. The first two changes occurred during the design phase, but the last happened while the implementation of the first six was underway.

The primary beneficiary agency of the TTFSE in each country was the Customs administration. *Institutionally other border control agencies* were less committed to collaborate. Since access to the actual loans or credits was restricted to Customs, the other border crossing agencies were slow to appreciate the benefits of collaboration and were more resistant to change. Inter-agency competition remains a constraint on the pace of implementation.

Gaining the ownership of the full range of *stakeholders* was complicated. The private sector was highly negative in its perception of the integrity of Customs administrations, but transport operators pressed early on for such a program as the TTFSE. They were relatively pessimistic about the extent and rate of change for Customs reform. The public documentation of
performance and results has been projected as a base for newly designed public relations programs for the respective Customs administrations and public/private partnership.

The preliminary performance indicator results in some cases did not meet projected performance. This was in part a function of delays in the pace of implementation and partially a result of over-optimism on the part of the client agencies about initial conditions and how soon objectives could be achieved. Realism will be especially important in replications or scaling up.

Program design provided flexibility in order to facilitate minor adjustments to the original plan. Each country had different needs and different realism about what investments would have the maximal returns. Some plans for upgrading or adding new infrastructure needed to be scaled down to fit more realistic projections of traffic demand. Modifying the layout design of existing facilities also offered an option instead of expanding these facilities.

Impact Analysis

Can we show good results? Yes! The principal achievements are as follows:

Reduction of waiting time: By the end of 2003, waiting time for Customs clearance at the pilot sites in the first six countries had been reduced by an average of 60 percent, ranging from 23 percent at one border crossing point in Romania to 90 percent at one border crossing point in FYR Macedonia. In part these results reflect the use of selectivity, dropping the percentage of trucks inspected from 100 percent to lower levels.

Cost savings. By the end of the first year of program implementation the overall cost savings from reduced waiting time in the initial six countries was estimated at US$8.4 million or well over US$6 million a year. With the replication of the program in Moldova and Serbia and Montenegro, the savings should reach US$8 million annually. Scaling up to include all border crossing points and inland terminals would conservatively double the annual savings to over US$16 million but could reach US$25 million. To this one would need to add the profits and fees to be earned from increased/induced traffic; in Croatia, for example, revenue collected by Customs doubled between 1999 and 2003.

Improved dialogue among customs administrations: The meetings of the Regional Steering Committee (RSC) have demonstrably increased the understanding of integrated border management, the sharing of information, and the discussion of common issues. For example, a regional IT working group has been established. RSC meetings have led to the endorsement at the regional level of such international standards as the International Weight Certificate. Moldovan Customs shared with their colleagues at the RSC their pilot experiences with single window payments for possible replication throughout the region.

Monitoring of performance: A comparative and transparent public performance monitoring system built on a common performance manual has been established for the pilot sites in the program. This has assisted resolving procedural or logistical issues at specific sites, comparison across sites, and targeting new areas for policy reform. It has also assisted the
maintenance of momentum. For example, at an inland clearance terminal at Kumanovo, FYR Macedonia, early progress began to erode. Analysis of the data enabled the staff to make changes that took the clearance time to 50 percent of its initial level. The indicators have also been made available to the public on the internet. Private sector groups have participated in the roll-out of internet access and have expressed an interest in supporting the continued monitoring of the pilots after the close of the TTFSE.

**User Survey:** Consultations with 150 users of border crossing agency services and has been conducted by an independent specialized consultant in collaboration with the Chambers of Commerce, the PRO-Committees, and professional organizations in each of the participating countries. This collaboration has strengthened the organizational and methodological capacity of NGOs working with the trade and transport sectors in the region. These surveys form part of the monitoring process, enabling users to publicly voice their concerns and indicate their satisfaction with the pace, scope, and impact of change. Their scores assist the validation of the performance indicator results, and the data they provide also documents success in reducing the costs of trade. The results, again, are made public on the internet.

**Training of SMEs:** Training, especially useful for the access of SMES and owner-operators into sector operations, began with the preparation of training materials on business ethics, corruption, international delivery terms, commercial transaction documents, trade payment methods, transport operations, and Customs transit procedures. This was followed by the training of trainers who, in turn, by the end of the second year had conducted 169 seminars providing training to 3,142 participants at 85 locations. Certification programs are underway for road transport operators and freight forwarders. The distance learning approach used in the TTFSE is already being replicated for supply chain management training in Latin America.

But there is more yet to accomplish.

- Customs staff have been slow to give up 100 percent inspections of containers and shift to a more effective use of risk management and selectivity.
- Cooperation among border crossing agencies, nationally and locally, continues to need improvement.
- There has been an excessively high turnover of border crossing agency staff, primarily in the Customs administrations, complicating the ownership of the reform process.
- The progress in fighting smuggling and corruption is only beginning to take off and needs reinforcement.
- The effectiveness of TTFSE National Coordinators in liaison activities has varied considerably from country to country and needs to be strengthened by support from the highest levels of government.
Driving Factors

Commitment and Political Economy for Change

Perhaps the greatest obstacle to any reform is the interest of certain key stakeholders in keeping things the way they are. This is especially true when high value financial transaction are involved as is the case with Customs operations. Countering such resistance both within and outside government, requires building commitment through a participatory, consensual process while promoting transparency. In the TTFSE it has been hoped to show that the gains of reform are greater than the existing formal and informal arrangements.

Significantly, throughout the region, the revenue collected by Customs is the major single source of revenue for the government. For the TTFSE countries the range is 25 percent to 70 percent of total government revenue. Increasing the flow and value of trade offered considerable return to the government budget. As a result, all government agencies stood to benefit, and there was wide-spread political interest in the proposed TTFSE reforms.

Commitment to support the TTFSE Program also drew upon wide-spread pressure in each of the countries to address corruption. Each country had variant national anti-corruption programs, but all critics commonly targeted Customs as a major offender. The negative scores awarded to the sector in the surveys undertaken by such groups as Transparency International and Amnesty International publicly emphasized the need for the reform of Customs. Clearly linking the need to change these external perceptions to the proposed reforms was a key element in the dialogue associated with the client readiness survey undertaken by the appraisal team preparing the projects under the TTFSE Program. The consultative approach of the team on recurrent visits sought to reinforce commitment and develop consensus and yet be sensitive to the internal dynamics of the local political systems.

Anti-corruption programs and reforms, within Customs and nationally, that had already been initiated by other donors and institutions reinforced the objectives of the TTFSE and promoted commitment by policy-makers to the reform process. This has included activities supported by the EU and programs operated by such regional institutions as the SECI Regional Anti-Crime Center in Romania.

Institutional Innovation

The surveys of users of border control services that were conducted in conjunction with the preparation of the TTFSE Projects indicated that institutional communication and collaboration were seriously deficient. The representatives of the various border control agencies did not communicate well with one another at the border crossing points nor did they communicate well with their respective headquarters. Similarly the headquarters of the border control agencies did not communicate either well with one another or with their counterpart agencies in neighboring countries. Since reform within the region required cooperation at all these levels, especially to reduce duplicative or conflicting actions, the design of the TTFSE introduced institutional mechanisms to promote communication and cooperation.
At the local level, Local Project Teams (LPTs) were created at the pilot border crossing points. The LPTs have included representatives of the various border control agencies. The LPTs were tasked with collecting the data required to monitor the performance indicators and to analyze the significance of the data collected as it related to the reform of operations and procedures. Special guidance has been given to the LPTs by a technical team of Customs specialists deployed in the field and funded by parallel grants from the USA.

A high-level member of government was designated as the TTFSE National Coordinator, empowered to speak on behalf of all border control agencies and charged with inter-agency liaison. The establishment of the Regional Steering Committee, another innovative institutional mechanism, was motivated by the need for a forum for cross-border consultation, dialogue, and information sharing.

Learning and Experimentation

Learning and experimentation in the TTFSE Program began with the preparation of the Program and has continued throughout implementation, especially in relation to capacity building and training. Learning was facilitated by the staggered development of the projects under the program, leading to several “generations” in the approach, as well as by the reliance on staff from the core TTFSE appraisal team to prepare and supervise all of the projects.

At the outset, the high costs and uncertainties of trade in the region was of sufficient scale to encourage fast tracking of the preparation of the TTFSE in order to maximize the on-set of returns. The audits of client readiness, however, indicated that fast-tracking was likely to erode consensus building. Additional time was needed, therefore, to ensure that political commitment had been adequately generated. The preparation team slowed its pace accordingly. The pace of implementation also was constrained by institutional lag among groups representing users. Awareness of the need for increased attention to consultation with users has resulted in the scaling up of such efforts in the replications of the TTFSE approach.

The initial focus for the proposed reform had been relatively comprehensive, following the theoretical advise of many reform specialists. Within the transitional political and economic context of the region, however, there was concern that such an approach would overstress the local systems and was not viable. The conduct of institutional audits indicated that the targets for reform needed to be narrowed; this was later reconfirmed at the launch workshop. Once primary targets were met the process could be scaled up. The major focus became the adoption of computer applications that made (i) processes transparent as well as efficient, and (ii) data readily available at the pilot sites. The quantitative monitoring of the pilot site data would facilitate the qualitative, recurrent rethinking of the reform process and the identification of new targets for action.

Forging a better partnership between the public and private sector required open access to not only performance data but general information on trade and border crossing requirements. A regional web-site was established to give access to such information and encourage dialogue on approaches to the reduction of trade constraints.
The TTFSE is focused largely on a single mode, road transport. During implementation, the increased benefits from a multi-modal approach seemed to outweigh the practical benefits of a single modal approach, and a multi-modal approach to pilot site selection is likely to be used in the replications.

In attempting to increase individual skills and institutional capacity in the region the TTFSE Program sought not only to provide inclusive access to data but also to learning opportunities. This was especially important for the SMEs often sited outside of urban areas. Since such SMEs would have limited access to traditional classroom training, an innovative, distance learning program was promoted in collaboration with the Global Facilitation Partnership Distance Learning Program at the World Bank. This included developing an internet accessible distance learning program parallel to traditional class-room instruction; either track could lead to professional certification. Access to the distance learning program, including complete study guidelines, reference materials, and links to mentoring services, is being facilitated in each country through the services of such local partners as national road transport associations. As the training programs move to full implementation, SMEs can participate at times convenient to them and learn at their own pace. Certification will be granted by such internationally and nationally recognized professional organizations as the International Road Transport Union. Program content is available for further rollout in additional countries. The information program also includes publications and media presentations.

External Catalysts

What were the various initiatives, factors, and agents that triggered support by key national decision makers and stakeholders in each country for the proposed TTFSE reforms and the supportive institutional mechanisms? High on the list was the importance accorded in the region to accession to the European Union (EU). The EU had developed a checklist of actions specific to Customs reform, and the TTFSE provided support for the realization of the reform prescribed in these guidelines (referred to as “blueprints”) as well as harmonization with EU standards. Embracing reform as specified in the guidelines, collaborating regionally, and achieving results has had a high rate of return and been an incentive for countries in the region.

The Southeast European Cooperative Initiative (SECI)\(^3\), established in December 1996 with the strong support of the USA, had been promoting economic and environmental cooperation among the countries in the region, with a focus on efficient transit and combating corruption and smuggling. The congruence of SECI and TTFSE objectives resulted in diplomatic support for the TTFSE Program and the provision of funds for technical assistance by the USA. SECI had been especially interested in assisting the evolution of such groups as the Pro-Committees as a means of advancing trade and transport facilitation issues through public/private sector dialogue. These groups became important partners in the TTFSE, and SECI initiatives reinforced the TTFSE reform program.

\(^3\) Consisting of Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Greece, Hungary, Moldova, Romania, Slovenia, FYR Macedonia and Turkey.
As a follow-on initiative the representatives of various international organizations, institutions and donors concerned with stability in Southeast Europe, adopted the Stability Pact⁴, outlining a comprehensive, coordinated and strategic approach to regional development, replacing crisis management with preventative diplomacy. The TTFSE, focusing on improving the investment climate, was the first Regional Program to fit within the framework of the Stability Pact.

An additional incentive for reform was the financial support of international donors for the TTFSE, in the form of parallel grant funding by the United States as a component of the TTFSE, or through Trust fund support made available to the TTFSE by such countries as Austria, France, the Netherlands, and Norway.

Finally, the emerging organization of the private sector has begun to coalesce into a forum that has at least potential, if not current, political power. Increasingly these groups are becoming a power with which government must deal. Recognition of this potential has been forcing a new openness on the part of policy makers to take the concerns and needs of users and beneficiaries into account in their planning.

**Incentive Structure for Caucasus/Central Asia**

Although the EU is providing support in the Caucasus, accession to the EU is not an external catalyst for collaboration as it is for the TTFSE Program. Key incentives, however, include: (i) the interest of the participants in accession to the WTO and to a lesser extent membership in NATO; (ii) the interest of the participants in the GUUAM initiative; and (iii) activities in support of TRACECA collaboration. Projected incentives for Central Asia focus on accession to the WTO and transit issues.

**Lessons Learned**

Foremost among the lessons learned is the need for initial reform efforts to have a clear, tight focus. Although theoretically a comprehensive approach maximizes impact and ensures sustainability, at the outset it is better to concentrate the focus of efforts on targets where (i) there can be clear success, and (ii) where there is a direct, demonstrable impact on users. Limiting the initial focus of reform on the pilot sites has facilitated such focus.

Creating a new organizational culture supportive of reform is not easy. Resistance to change is universal, and fast paced change can be dysfunctional for such stressed systems as the transitional economies in Eastern Europe. The TTFSE has used the application of data systems and the simplification of procedures to convince the management and staff of Customs of the benefit of change. Their conviction will lead to the internalization of the values associated with

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⁴ The Stability Pact for South Eastern Europe, was adopted in Cologne on June 10, 1999 at a special meeting of Foreign Ministers, representatives of international organizations, institutions and regional initiatives concerned with South East Europe.
transparency and accountability more readily than overly broad anti-corruption programs. Management ownership will then lead to internalization and innovation.

Measuring project impact on users through performance indicators (PIs) is vital to successful monitoring and implementation. The PIs need to be carefully identified and defined, with efforts to establish a proper baseline followed by the rapid introduction of mechanisms to collect information. Quantitative data needs to be supplemented with feedback from users. The mutual validation of information provided by the user surveys and monitoring data at the pilots sites strengthens tracking results. Once in operation, performance indicators also provide the basis for issue analysis at the respective pilot sites and for cross national comparisons. These later comparisons can be especially useful as a platform for “peer group pressure” on the managers of the respective Customs administrations. In general the clients overestimated their initial performance and the ease of reform. The PIs have assisted greater realism and indicated areas for additional policy and procedural reform.

The ownership of the reform process by the client agency is essential to both short term progress and long term sustainability. The TTFSE appraisal team spent considerable time in consultation with management in order to obtain ownership. This was not a one-time process but took place on recurrent missions. The process has been complicated both by “drift” in commitment over time by client management and also by frequent personnel changes at the highest and mid-levels. Such personnel changes exceeded the initial expectation of the team and required recurrent rebuilding the momentum for reform.

Institutions really matter. Just as important as organizational capacity are the institutional mechanisms that provide linkage between national organizations. The TTFSE has had greater success in facilitating the communication between the pilot sites and headquarters than in getting the various border control agencies to communicate and collaborate better, either at local or at national level. Developing inter-agency coordination and streamlining the full border crossing cycle requires inter-ministerial collaboration which can only succeed with high level political commitment and cooperation.

Agents in the private sector can and need to be significant partners in the reform process, and their evolving role in the implementation of the TTFSE has been significant. They have been a necessary source of continuous pressure to reinforce government commitment to the reform process on both a national and regional basis. Seeing themselves as clear beneficiaries of the TTFSE, they have been willing to collaborate and to share some of the costs, including monitoring in the future.

The subtleties of the local political systems, including changes of government, were difficult to either anticipate or interpret. Political factors were often the cause of delays in project implementation. Local staff at the in-country offices of the World Bank helped facilitate an understanding of the issues but could not resolve these issues. Moving ahead despite such constraints required patience and sensitivity on the part of the World Bank TTFSE team and underlined the importance of effective supervision.
References

Want to know more? An overview of results under the TTFSE is found in Progress Report 2002, and Progress Report 2003. Copies of these reports, other project related documents, and further and continually updated information is provided on the TTFSE website:

http://www.scerecon.org/RegionalInitiatives/TTFSE/

A regional website including trade facilitation information provided by national partners in each TTFSE country is found at: http://www.TTFSE.org

A similar site for the Caucasus is found at: http://www.TTFSC.org

Information on the Global Facilitation Partnership and the Distance Learning Initiative are found at: http://www.gfp-dli.org, and http://www.gfptt.org

Additional information on trade facilitation and transport is found on the ECSIE Transport Library web site at: http://www.worldbank.org/ECA/Transport.nsf

See also the trade facilitation and logistic section on the world Bank Trade website at: http://www.worldbank.org/WBsite/external/topics/trade. See also: http://www.guuam.org