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Establishing a National Trade Facilitation Committee: Lessons Learned from Montenegro

In May 2015, Montenegro established a National Trade Facilitation Committee, moving it one step closer to compliance with the World Trade Organization Trade Facilitation Agreement which was signed in late 2013, and becoming the first country in the Europe & Central Asia region to do so. The road to full alignment is a long and complex one which has involved technical assistance from IFC. In this SmartLesson, the authors describe how a small country in the former Yugoslavia has been moving to establish, with donor support, an effective NTFC, and in so doing provides an example for its neighbors in the region and countries further afield.

BACKGROUND

The World Bank's Trade and Competitiveness Global Practice launched the Trade Facilitation Support Program (TFSP) to provide technical assistance (TA) to developing countries. The program aims to help countries reform their trade facilitation practices to comply with the Trade Facilitation Agreement (TFA), reached at the 9th WTO Ministerial Conference in Bali, Indonesia, in December 2013.

Under the Bank's TFSP in Montenegro, one specific aim was to provide support for the design and implementation of policy, regulatory, legal, and institutional aspects of the National Trade Facilitation Com-

mittee (NTFC), taking into account the country's schedule of TFA commitments, identified gaps, and implementation capacity.

Montenegro quickly fulfilled most of its obligations under the WTO Agreement. At a July 2014 meeting, the government officially adopted a statute paving the way for creation of the NTFC. The Committee was officially established by Ministerial Decision in May 2015.



The objectives of Montenegro's NTFC are to:

- Coordinate and monitor implementation of the TFA together with making recommendations on strategic trade facilitation goals and operational solutions, in accordance with the TFA;
- Strengthen policy coherence between national and regional development priorities and international obligations, and between trade facilitation reform initiatives and technical assistance projects;
- Provide technical support to the national and Geneva-based officials in the context of the WTO TFA implementation;
- Provide a forum for national and regional stakeholder consultations on trade facilitation-related policies and implementation in collaboration with the private sector; and to increase public awareness of trade facilitation measures, practices, and standards.

However, in the beginning, the NTFC did not involve private sector representatives and several other stakeholders that play an important role in cross-border trade. This oversight determined the project's main focus going forward: to provide a forum for all stakeholders and to establish an appropriate institutional framework for them to integrate their efforts to achieve common objectives, in particular improving the effective movement of goods in and out of the country and streamlining the processing of paperwork to enhance the country's trade competitiveness. A new ministerial decision, adopted in September 2015, provided for two co-chairs: one from the Ministry of Finance and one from the Ministry of Economy. This was in addition to the 14 other members drawn from line ministries, as well as implementing agencies and the Chamber of Economy of Montenegro, which represents private sector service providers such as traders, freight forwarders, and terminal operators.

In addition to improving the composition of the NTFC, a second critical step was the establishment of a sustainable structure with a clear mandate, rules, and manner of operation. IFC assisted in drafting a work plan and rules of procedures, which the NTFC adopted in September 2015 and which established principles, rules, and guidelines in conducting its business and making all major decisions and actions. These documents established the Committee's obligation to report annually to the government, thus creating a multi-ministerial platform for discussion and action on TFA issues that require supra-ministerial

power through the entire process of its harmonization and implementation.

At the same time, the World Bank team has worked closely and proactively with other donors and international bodies, especially USAID, to harness other types of expertise that are needed.

LESSONS LEARNED

The coordination and implementation of the TFA are a long-term process, and Montenegro's NTFC remains in its initial stages. This means that examples of best practices and lessons learned will not emerge for a few years. However, the creation of the first such body in the region and its results to date enable critical insights that should prove valuable to other countries committed to trade facilitation.

LESSON 1: The government and the private sector need to work together.

The goal of the project is to ensure that various private sector stakeholders involved in trade transactions have a say in all issues relating to cross-border trade.

The Montenegrin Chamber of Commerce strongly supports the reforms advocated by the TFA, especially having in mind that the private sector is one of the key beneficiaries of facilitation of reforms. The NTFC will ensure regular consultations with private sector representatives and more constructive working relations in seeking durable solutions and achieving a common goal.

The participation of our representative in the NTFC is an opportunity to collect and represent the private sector views in identifying gaps and bottlenecks that need to be addressed in implementing trade facilitation reforms, which is our overriding objective.

In this way, the private sector plays an active role in the reform of cross-border trade, which gives the opportunity to timely adjust and take full advantage of international trade.

The WBG's team has made a significant level of commitment to support the establishment of this body and we plan to reciprocate with equivalent commitment to make it work properly.

**Ljiljana Filipovic,
Vice president of Chamber of Commerce
of Montenegro (PKCG)**

In the team's view, it was critical for government agencies to appreciate the value of cooperation with the private sector to enhance the trade supply chain and the movement of goods.

Establishing an environment of mutual trust improved the flow of information among public agencies. Regular consultations between the Customs authorities and business helped minimize concerns on both sides, and enabled traders and border officials to discuss ideas, share feedback, work through challenges, and identify shortcomings and gaps. This constructive partnership between the private and public sectors and the shared ambition to fulfill obligations under the TFA galvanized the stakeholders and resulted in a focused, constructive, and collaborative effort to establish and operationalize the National Trade Facilitation Committee.

Of course, the Committee must be able to balance the interests of both sides and ensure that consultations are held in good faith, with the goal that both parties truly understand each other's concerns and constraints.

LESSON 2: Be proactive in tackling problems.

The World Bank defines Montenegro as an upper-middle-income country, which means it does not qualify for most forms of donor assistance. However, it was clear that complying with some components of TFA would be difficult without significant outside assistance. The broad range of technical requirements and the need to bring together other border agencies without experience in facilitation-oriented reforms presented a real challenge. As a result, stakeholders are beginning to rethink how to respond to future challenges and secure donor assistance. The World Bank was the first one that positively responded to the country's needs.

The country's mission to the World Trade Organization in Geneva has also played an important role in mobilizing early donor support through a request that the WTO assist with aligning Montenegro's legal framework with the TFA. In response, the WTO, well aware of the World Bank Trade and Competitiveness (T&C) team's previous relationship with Montenegro, passed on the request.

In addition to supporting the NTFC, the mission specifically requested the T&C team's support to implement stipulations relating to risk management, post-clearance audits, and customs clearance release times.

Establishing the NTFC in Montenegro and making it operational was one of the first steps toward trade facilitation reform in line with WTO TFA.

The World Bank Group played a very significant role in establishing the NTFC. World Bank Group assistance included conducting a self-assessment and drafting NTFC terms of reference, work plan, and rules of procedures. Thanks to this project, the framework governing the establishment and mode of operation of the NTFC has been fully introduced and put in place.

The IFC has also supported the national revision of the categories B and C of the TFA and assisted in identifying gaps and preparation of an action plan to close the gaps and reach alignment with the requirements of each of the TFA articles. At this point we can say that the key TFA instrument to facilitate both domestic coordination and implementation of TFA provisions is in place. Of course, work is still ahead of us for full implementation of the Agreement, but now, together with the private sector, other public stakeholders, and the WBG, we have fixed the next milestones.

I would like to specifically acknowledge the professionalism shown by the World Bank Group's project team, which ensured implementation of all activities in a very satisfactory and timely manner.

**Novo Radovic,
Co-Chair of the National Trade Facilitation
Committee/Deputy Minister of Finance**

LESSON 3: Relationships and networks can drive processes.

The NTFC generates value to stakeholders by developing strategic relationships with international donors and by forming strong ties with the WTO in order to gain the full benefits of available support. In Montenegro, this approach led to close involvement by donor organizations, which has been effective in driving the process forward.

In July 2014, Montenegro conducted a workshop with public and private sector stakeholders to assess its compliance with the TFA. The World Bank T&C team and USAID attended to assist in identifying gaps. It was determined that there were 14 provisions that would require a transition period, or a transition period combined with technical assistance to fulfill.

In mid-2015, the International Trade Center held a workshop to further elaborate composition of the

Committee and the private sector role in its operations.

In July 2015, a workshop with members of the NTFC, supported by the WTO and IFC, was held, resulting in the formulation of terms of reference, a work plan, and rules of procedure.

In December 2015, with the expert support of IFC, the NTFC organized a workshop to review the provisions that Montenegro had categorized as B and C¹. An action plan was prepared and deadlines established for full implementation of these provisions.

All these activities helped to build capacity and to provide transparency and accountability, leading to effective trade facilitation recommendations being suggested and implemented. They have also shown that an accurate capacity-building, diagnostic needs analysis must be undertaken, recognizing that each country's program must be tailor-made.

CONCLUSION

Montenegro's first-mover advantage, not just in the Western Balkans but in the wider region, is due in large part to effective engagement and cooperation between national stakeholders and the T&C team, strong public-private partnerships, and a shared ambition among stakeholders to improve national trade facilitation performance.

The NTFC has outlined a number of action items which will enable it to accomplish its goals over the next few years. These include: to draft a detailed five-year action plan to monitor implementation of TFA obligations; to continue to strengthen collaboration between private and public sector stakeholders; to raise awareness about the relevance of the WTO TFA and the activities of the

¹ Category B are articles that the country will not be compliant with upon entry into force of the Agreement, and Category C denotes articles for which, in order to achieve compliance, the country needs technical assistance.

Committee; and to encourage other donors to fund projects in Montenegro related to trade facilitation.

In the upcoming period, in order to energize its facilitation efforts and create a more sustainable and impactful reform platform, the T&C team will support the establishment of a performance mechanism, a so-called Time Release Study², which measures the performance of customs and other government agencies operational procedures at the border in the processing of imports and exports and in transit movements.

The World Bank Group, through its trade facilitation advisory team, supports such initiatives worldwide through the multi-donor trust fund on trade facilitation (Trade Facilitation Support Program). NTFCs have been established in all regions. They are a vital component to effective dialogue between the public and the private sector in the trade facilitation arena.

² The Time Release Study (TRS) is a unique tool and method developed by the World Customs Organization, for measuring the actual performance of Customs activities as they directly relate to trade facilitation at the border. The TRS measures relevant aspects of the effectiveness of operational procedures that are carried out by Customs and other regulatory actors in the standard processing of imports, exports and in transit movements. It seeks to accurately measure these elements of trade flows so that related decisions to improve such performance can be well conceived and thereby carried out.



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