



# Project Information Document/ Integrated Safeguards Data Sheet (PID/ISDS)

Concept Stage | Date Prepared/Updated: 24-Oct-2017 | Report No: PIDISDSC20426

**BASIC INFORMATION****A. Basic Project Data**

Country Western Balkans	Project ID P162043	Parent Project ID (if any)	Project Name Western Balkans Trade and Transport Facilitation (P162043)
Region EUROPE AND CENTRAL ASIA	Estimated Appraisal Date Dec 04, 2017	Estimated Board Date Jan 18, 2018	Practice Area (Lead) Trade & Competitiveness
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance, Ministry of Finance of Serbia	Implementing Agency Ministry of Trade, Tourism and Telecommunications, Ministry of Economic Development, Tourism, Trade and Enterprise	

**Proposed Development Objective(s)**

The project aims to support Western Balkan governments to promote deeper economic integration within the region and the EU by assisting with the implementation of measures aiming at (1) facilitating cross-border movement of goods, (2) enhancing transport efficiency and predictability, and (3) enhancing market access for trade in services and investments.

**Financing (in USD Million)**

Financing Source	Amount
International Bank for Reconstruction and Development	50.00
<b>Total Project Cost</b>	<b>50.00</b>

Environmental Assessment Category B-Partial Assessment	Concept Review Decision Track II-The review did authorize the preparation to continue
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Other Decision (as needed)

## **B. Introduction and Context**

A Multiphase Programmatic Approach (MPA) of investment lending operations with a results-based financing element, involving multiple borrowers is being proposed to accompany efforts by Western Balkan countries – Albania, Bosnia and Herzegovina, Kosovo, Macedonia FYR, Montenegro, and Serbia – to advance their goal of economic integration within the region and with the European Union, as laid out in the Berlin process. The proposed SOP will support a combination of investments and regulatory and institutional reforms anchored in the regional cooperation and integration processes to which all six countries have subscribed.

### **Country Context**

The six Western Balkan countries face the common challenge to raise income growth rates and ensure sustained improvement in livelihoods for all their citizens. Deepening trade integration will be critical to support new growth strategy based on productivity gains. Integration has been linked with productivity gains via increased competition, greater exposure to frontier technologies, and, for small economies, the possibilities of achieving economies of scale. Imports introduce competition, causing inefficient firms to exit and increasing aggregate productivity. Exports create a larger market for firms, allowing them to achieve economies of scale and increase their productivity levels. Western Balkans pathway to prosperity hinges on furthering regional and international economic integration, following the steps of countries that have reached high income status have done so through connecting to global markets through trade, transport and investment. The integration between the WB6 countries with international markets is low and much lower among themselves. Geographical and cultural proximity, as well as economic complementarities, suggests that the WB6 trade among themselves and with the EU could be larger. Furthering regional integration will also contribute to political and institutional stability.

### **Sectoral and Institutional Context**

Trade in goods is not hampered by tariffs in the region. The WB6 countries are part of the Central European Free Trade Agreement (CEFTA) where they have removed tariffs on industrial goods and tariff rates have reduced substantially on agricultural goods. Exports from the Western Balkans countries can enter the EU tariff free, with the exception of quota restrictions on certain agricultural products. Thus, the crucial actions for trade in goods is not market access but to reduce the non-tariff measures and costs to trade – trade facilitation. A majority of the cost of exporting and importing is related to border compliance and time spent at the borders, which include customs clearance and inspections and inspections by border agencies (such as food and veterinary agencies). Firms in the Western Balkans that are exporting to the region reportedly face many non-tariff measures, including additional testing requirement and differential treatment. In contrast, the trade in services are not liberalized under the regional agreements and are still restricted by domestic regulations. The lack of adequate and modern transport connectivity also hinders the ability to import goods and move people efficiently in the Western Balkans.

There is a history of institutional efforts among the WB6 countries to foster regional integration, with an acknowledgement that trade and transport facilitation are key elements to deepening economic integration in the region and the EU. The WB6 countries are committed to this agenda with a clear EU accession perspective and integration into the multilateral trading system. The Western Balkan countries, the EU, and the main regional



organizations have all recognized the importance of the regional cooperation and have committed to supporting the integration agenda.

#### Relationship to CPF

The proposed Multiphase Programmatic Approach (MPA) is fully congruent with the World Bank Group's partnerships with each country, and with the strategies set out by ECA regional VPU, the Trade and Competitiveness (T&C) and the Transport and ICT Global Practices. The project will also builds on previous and ongoing strong engagement that has taken place in the region, including trade and transport facilitation lending operations, and analytical and advisory work.

### **C. Proposed Development Objective(s)**

The project aims to support Western Balkan governments to promote deeper economic integration within the region and the EU by assisting with the implementation of measures aiming at (1) facilitating cross-border movement of goods, (2) enhancing transport efficiency and predictability, and (3) enhancing market access for trade in services and investments.

#### Key Results (From PCN)

The achievement of the Development Project Objectives will be measured through the following PDO level results indicators:

- Reduction in time and cost for export and import of goods at certain border crossings (to be agreed later);
- Lowering of inventories for businesses using the improved border crossings
- Increase in trade flows (export and import of good and services) with regional trade partners;
- Improvement in coordination among customs and border agencies;
- Development of an Intelligent transport system strategy and its implementation plan and development of common standards;
- Identifications of key transport infrastructure weaknesses to climate change risk on core transport Network and implementation of climate resilience improvements plans.

### **D. Concept Description**

The proposed operation will be a Multiphase Programmatic Approach (MPA) involving multiple borrowers under the Investment Project Financing modality with a results-based financing element.

All six Western Balkans countries have committed to this regional agenda and expressed interest in being part of the proposed SOP. Albeit, the initial two countries most likely to commit to the project are Albania and Serbia. For each of the first two projects envisaged, Albania and Serbia, the indicative amount would be around USD 25 million equivalent.

Each project under the SOP will share a common framework anchored in regional objectives and programs agreed upon by the WB6 countries, and will be structured around four components focusing on: (i) facilitating cross-border movement of goods; (ii) enhancing transport efficiency and predictability; (iii) enhancing market access for trade in



services and investments; and (iv) supporting project management and policy coordination.

The program of measures supported will include a combination of investments, technical assistance and regulatory and institutional reforms.

**Component 1: Facilitating cross-border movement of goods (about US\$8-12 million equivalent)**

The measures under this component are based on the commitments in the JAP, as well as, the commitments by the WB6 countries in the CEFTA AP5 and as part of the work performed via SEETO. The component will focus on (a) the adoption of the National Single Window (NSW) and (b) the improvements in border crossings in selected trade corridors. The project will finance direct investments in border crossing facilities and the Information and Communication Technologies (ICT) systems for the NSW, as well as funding for relevant technical assistance activities which cannot be funded fully through external/parallel grants. A large proportion of the funding (at least 50 percent) is expected to be disbursed on a results base.

**Component 2: Enhancing transport efficiency and predictability (about US\$8-12 million equivalent)**

The measures under this component are chosen based on the commitments agreed upon by WB6 countries in the context of SEETO. The component will focus on (a) the adoption of an Intelligent Transport System (ITS) and (b) enhancing the resilience of the regional transport network. The project will finance direct investments for the ITS. Support for the other activities will be on a results-base.

**Component 3: Enhancing Market Access for Trade in Services and Investments (about US\$5-10 million equivalent)**

This component will support the implementation of countries' commitments to improve market access in services and foster regional investments. Specific measures will be anchored in the commitments made by countries at the regional level, including the CEFTA Additional Protocol 6 on Trade in Services. In addition countries are also committed to foster regional investments and are developing a regional investment reform agenda. Activities under this component will support this process by providing technical assistance and support for the implementation of regulatory and institutional reforms needed in line with the country specific commitments.

**Component 4: Supporting project management and policy coordination (about USD 1-2 million equivalent)**

This component will support project implementation units and provide additional technical support, including for policy coordination, and monitoring and evaluation of the project. The financing under this component will be based on standard Bank IPF disbursement.

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## **SAFEGUARDS**

### **A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)**

The Multiphase Programmatic Approach (MPA) will be implemented in Western Balkans countries, potentially covering Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro, Serbia. The MPA is expected to start with Albania and Serbia.



## B. Borrower's Institutional Capacity for Safeguard Policies

For each operation under the MPA, a project implementation unit will be established in to carry out procurement, financial management, and monitoring activities. Each operation will include independent safeguards review, assessment, implementation and supervision. The cross-cutting nature of trade and transport facilitation implies that the jurisdictional responsibility does not fall neatly into a specific government ministry or entity and that implementation requires the involvement of different ministries/entities. Government agencies involved in the project implementation will include: ministries of finance, trade, transport, and agriculture; customs and revenue authorities; and sanitary and phytosanitary authorities. Strong institutional leadership and stewardship at the highest level will therefore be required. Given the multiplicity of agencies and the fact that the bulk of the funds will be disbursed applying the results-based financing instrument, MoF appears the natural anchor for the PIU. Albeit, depending on the relative size and complexity of investments and activities to be funded under standard IPF, line ministries might be better placed. The institutional capacity for Safeguard Policies of the responsible agency will be analyzed during project preparation and institutional capacity building on safeguards will be provided as deemed necessary.

## C. Environmental and Social Safeguards Specialists on the Team

Nikola Ille, Social Safeguards Specialist  
 Natasa Vetma, Social Safeguards Specialist  
 Esma Kreso, Environmental Safeguards Specialist  
 Ifeta Smajic, Social Safeguards Specialist

## D. Policies that might apply

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The project will provide a combination of technical assistance, support for specific regulatory and institutional reforms (largely through a RBL component) and investments to fund IT systems, upgrade border crossing physical capacity. Overall no significant direct environmental impact is anticipated. The indirect impact through enhanced trade and transport facilitation is likely to be marginally negative (as volume of trade increases). This will be partly offset by improved efficiency of movement of goods and reduction of congestion. An Environmental and Social Management Framework will be prepared for each country. It will be prepared by December 2017.
Natural Habitats OP/BP 4.04	No	The project will not affect natural habitats because all financing will be done in the existing localities.
Forests OP/BP 4.36	No	The project will not affect forests because all financing will be done in the existing localities.
Pest Management OP 4.09	No	The project will not finance experiments or production of pesticides.



Physical Cultural Resources OP/BP 4.11	No	The project does not affect physical cultural resources because all financing will be done in the existing localities.
Indigenous Peoples OP/BP 4.10	No	There are no indigenous people in the affected project area.
Involuntary Resettlement OP/BP 4.12	No	The components and sub-components of the project will not support reforms and/or grant and research financing that might result in involuntary resettlement or require land acquisition. Any land requirements (temporary or permanent) for investments to be financed under the project will be met through state owned land. Therefore, any projects that may trigger the World Bank Policy OP 4.12 will be excluded. To screen out for these exclusions, the projects will rely on guidelines in the ESMF, which will include a rigorous sub-project resettlement screening.
Safety of Dams OP/BP 4.37	No	n/a
Projects on International Waterways OP/BP 7.50	No	While the project will be implemented in a region that include basins of rivers which can be qualified as international waterways, the project type does not “involve the use or potential pollution of international waterways” as per OP 7.50. No water use/absorption or pollution of waters will be generated by the project activities, which would trigger this policy.
Projects in Disputed Areas OP/BP 7.60	No	n/a

#### **E. Safeguard Preparation Plan**

Tentative target date for preparing the Appraisal Stage PID/ISDS

Nov 20, 2017

Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS

The project will provide a combination of technical assistance, support for specific regulatory and institutional reforms (largely through a RBL component) and investments to fund IT systems, upgrade border crossing physical capacity. Overall no significant direct social and environmental impact is anticipated. The indirect environmental impact through enhanced trade and transport facilitation is likely to be marginally negative (as volume of trade increases). This will be partly offset by improved efficiency of movement of goods and reduction of congestion. Similarly, regulatory reform under component 3 might disrupt vested interest of specific groups. An analysis of the social and distributional impact of policies to be supported under Component 3 will be conducted as needed during project preparation. An Environmental and Social



Management Framework will be prepared for each country. It will be prepared by December 2017.

## **CONTACT POINT**

### **World Bank**

Javier Suarez, Romain Pison  
Lead Economist

### **Borrower/Client/Recipient**

Ministry of Finance

Ministry of Finance of Serbia

### **Implementing Agencies**

Ministry of Trade, Tourism and Telecommunications  
bojana todorovic  
assistant Minister  
bojana.todorovic@mtt.gov.rs

Ministry of Economic Development, Tourism, Trade and Enterprise  
milva Ekonomi  
Minister  
zmp@ekonomia.gov.al

## **FOR MORE INFORMATION CONTACT**

The World Bank  
1818 H Street, NW  
Washington, D.C. 20433  
Telephone: (202) 473-1000  
Web: <http://www.worldbank.org/projects>





**APPROVAL**

Task Team Leader(s):	Javier Suarez, Romain Pison
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**Approved By**

Practice Manager/Manager:	John L. Nasir	30-Aug-2017
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Country Director:	Lada Strelkova	24-Oct-2017
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**Note to Task Teams:** End of system generated content, document is editable from here.