

IPA National Programme 2008 Part II – Bosnia and Herzegovina

Fiche 9: Trade policy and Metrology

1. Basic information

1.1 CRIS Number: 2008/20-339

1.2 Title: Support to trade policy and capacity building and development of Infrastructure of Metrology system in BiH

1.3 ELARG Statistical Code: 03.1 European standards/Free movement of goods

1.4 Location: Bosnia and Herzegovina

Implementing arrangements:

1.5 Contracting Authority: European Commission

1.6 Implementing Agency: European Commission

1.7 Beneficiary:

BiH Ministry of Foreign Trade and Economic Relations (MoFTER)

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Other Beneficiaries: Trade related institutions and authorities - different levels

Financing

1.8 Overall cost (VAT excluded): EUR 4,335,000

1.9 EU contribution: EUR 4,000,000

1.10 Final date for contracting: Two years following the date of the conclusion of the Financing Agreement

1.11 Final date for execution of contracts: Two years following the end date of contracting

1.12 Final date for disbursements: One year following the end date for the execution of contracts

2. Overall Objective and Project Purpose

2.1 Overall Objective

The overall objective is to promote Bosnia and Herzegovina's integration into the global economy in general and the EU economy in particular, through the expansion of trade, and notably an increase in exports and to further develop quality infrastructure in BiH, in line with the provisions of the SAA, and to create an enabling environment for BiH industries and manufacturers to improve their trade and industrial relations with the EU and international markets as well as quality of life for BiH citizens.

2.2 Project purpose

1. To support MoFTER, in developing its institutional capacity related to the implementation of WTO, CEFTA and SAA, EU accession and further multilateral negotiations through a coherent Trade policy.
2. To support the development of the distributed metrology system according to an existing model in some EU member states and in accordance with internationally recognized quality of metrology services within framework of national metrology infrastructure through the procurement of measurement standards, with assured international traceability, and equipment for laboratories, holders of national measurement standards.

2.3 Link with AP/NPAA / EP/ SAA

The European Partnership calls for BiH in the short term to contribute to strengthening regional cooperation, including promoting the transition from the Stability Pact to a more regionally owned cooperation framework; effective implementation of the Central European Trade Agreement; to continue the reforms necessary to comply with WTO rules and obligations and continue the work towards achieving WTO accession. In addition, the European Partnership calls for BiH in the short term to improve and implement the legal framework for standardisation, metrology, accreditation and certification of products to bring into line with EU standards and best practice; further approximate technical regulations with those of the *acquis*; enhance the capacity of the quality infrastructure and institutions and create the legal basis for conformity assessment procedures. (Section Regional issues and international obligations and Section European standards/WTO issues/Free Movement of Goods). Please refer to Annex III of the Project Fiche.

Similarly, to this end it is necessary to implement as speedily as possible, by means of an Interim Agreement, provisions of the Stabilisation and Association Agreement on trade and trade-related matters (Interim Agreement on trade and trade related matters between the European Community, of the one part, and Bosnia and Herzegovina, of the other part). In addition, the SAA calls for BiH to take the necessary measures to achieve conformity with Community technical regulations and European standardisation, metrology, accreditation and conformity assessment procedures and promote BiH's participation in the work of international related organisations (i.e. EA, WELMEC, EURAMET). (Title VI Approximation of Laws, Law Enforcement and Competition Rules, Article 76 Standardisation, Metrology, Accreditation and Conformity Assessment). Please refer to Annex III of the Project Fiche.

2.4 Link with MIPD

In the area of trade, the overall objective is to boost trade and investment in SEE through facilitating implementation of regional trade policy. MIPD expected results include the establishment of CEFTA Secretariat, strengthening trade-related organizations and enhancing networks among both government and business communities. (Section Axe 2: Socio-Economic Criteria).

Similarly, in the area of European Standards, the Multi-Annual Indicative Programme (MIPD 2008-2010), foresees programmes being implemented to improve quality infrastructure. In the area of free movement of goods, the overall objective is to strengthen cooperation between quality infrastructure institutions to enable them to implement the regional free trade agreement for SEE and to harmonise quality infrastructure standards in line with EU standards. MIPD expects improved capabilities of quality infrastructure bodies to provide high-level services to industry in their own and neighbouring countries; to strengthen mutual confidence and cooperation between the countries in the region as well as with the EU in the area of quality infrastructure; and to improve institutional development as a condition for international agreements and mutual recognition. (Section Assume the obligations of membership/Free Movement of Goods). Please refer to Annex III of the Project Fiche.

2.5 Link with National Development Plan

The Bosnia and Herzegovina Medium Term Development Strategy has recognised that further liberalisation of the foreign trade regime in the region should remain a priority for BiH, together with the creation of conditions for integration into the EU market. (Section III.6. Foreign Trade policy, Membership in world Trade Organisation and support to export.).

In addition, the Bosnia and Herzegovina Medium Term Development Strategy has recognised that "Free Movement and Safety of Industrial Products" is a key precondition for creation of common economic space and economic growth in BiH. Basic goal is establishing common economic space in BiH that functions according to the rules of EU Internal Market and World Trade Organisation. (Section Common Economics Space) Please refer to Annex III of the Project Fiche.

2.6 Link with national/ sectoral investment plans

An Action Plan for BiH's accession to the WTO has been developed and is used to monitor the implementation of scheduled activities and the planning of further activities related to the harmonisation of legislation. The Action Plan is updated continuously in accordance with the progress made in the process of accession and in line with future membership requirements.

An Action plan for implementation of CEFTA had been developed and is used to monitor the implementation of scheduled activities.

Strategy for development of metrology system in BiH and Strategy for development of the Institute of Metrology of BiH are prepared.

3. Description of project

3.1 Background and justification:

This intervention is divided into two components. Component I relates to support to trade policy and capacity building, while the Component II relates to the development of infrastructure of metrology system in BiH.

Component I - Support to trade policy and capacity building in BiH

BiH trade policy rests on three pillars:

First, implementation of the CEFTA, as a successful model of regional economic and trade integration;

Second, implementation of the SAA, as a contractual arrangement between the EU and BiH, and the key aspect in BiH integration into the European Union, and

Third, the accession to the WTO, as integration into the world trading system.

All these trade policy pillars provide an anchor for economic reform and development of credible domestic trade-related policies. These policy pillars create an incentive for an improved regulatory and institutional environment to attract private investment and thereby contribute to job creation and economic growth. They embody more trade and economic opportunities, a more stable and predictable investment environment, and thus more foreign investment and jobs. They are an anchor for structural reforms that will boost economic performance and lead to a higher living standard for all.

Over the last seven years, BiH has made substantial progress in integrating itself into the world economy through international trade. As a small, transitional economy, it is highly dependent on trade with total trade amounting to, on average, 93% of total GDP, over the last eight years. Exports over this period have more than doubled while imports increased by over 50%. Despite the fact that exports have grown so much more than imports over this period, BiH still imports in value terms, a lot more than it exports resulting in a large and increasing trade deficit. Increasing the export base is therefore vital in order to improve the balance of payments of BiH

Over the last three years, BiH's main export products have been in base metals, machinery, mineral, wood products and chemical products. In 2006, these exports amounted to 75% of BiH's total exports. The narrow structure and range of exports is characteristic of BiH's transitional state with the slow reconstruction of industrial capacity in the post-war period and ongoing process of privatisation. Of the 15 largest BiH exporters in 2006, 10 companies benefit from FDI, 3 companies are state owned and 2 companies had been privatised and are owned by local management and its workers.

BiH imports on the other hand are comprised of more value added goods and are more diversified. In 2006, the most important groups of imports were machinery, electrical and transport equipment contributing to 22% of BiH's total imports and petroleum oils and electrical energy, which contributed to 15% of BiH total imports.

Trade policy making process and institutions

MoFTER is the lead Ministry responsible for negotiation, development and implementation of trade policy. The Ministry's responsibilities include macroeconomic issues, trade, competition, economic development and entrepreneurship, energy policy, agricultural policy and trade in armaments.

BiH has today a very liberal foreign trade policy, which is in general in line with WTO principles. In 1998, BiH adopted a Law on Foreign Trade Policy, which established a trade policy based on the principles of modern market economies. The law covers all aspects of trade policy and sets the administrative competencies for implementation.

Trade policy in BiH relies on a limited arsenal of instruments i) relatively low import tariffs, ii) low level and incoherent support for various economic sectors and iii) a reduced number of non tariff barriers that limit imports from neighbouring countries.

More effective tools of trade policy (for instance, standards, export service programmes, market development programmes, etc) are either absent or not used. BiH signed a number of bilateral agreements with neighbouring countries that were asymmetric in favour of BiH. However, this did not result in a significant increase in exports, due to the inefficient trade policy mechanisms, which are currently in place in BiH.

WTO accession

In July 1999, BiH filed its application for WTO membership and a WTO Working Party was established. The process is now well on course. The third meeting of the Working Party took place in March 2007 and continued the examination of BiH's foreign trade regime. Bilateral market access negotiations are underway on the basis of revised offers in goods and services submitted in February 2007. An Action Plan for BiH's accession to the WTO has already been developed and is used to monitor the implementation of scheduled activities and the planning of further activities related to the harmonisation of legislation. The Action Plan is updated continuously in accordance with the progress made in the process of accession and in line with future membership requirements.

Stabilisation and Association Agreement

BiH is a potential candidate for accession to the EU. In 2000, the EU adopted a Regulation granting autonomous trade measures to BiH, making it possible for nearly all BiH's exports to enter the EU free of duties and of any quantitative restrictions with exceptions in wine, certain fisheries products, sugar and baby beef. BiH, like the other countries of the region, did not benefit extensively from those concessions due to the fact that the products originating from BiH did not comply with the quality and safety requirements for the importation of products in the Single market of the EU. It is now expected that the Interim Agreement on trade and trade-related matters between the EC and BiH will be signed and enter into force in the near future.

CEFTA

On the 19th December 2006, BiH signed CEFTA. Aside from establishing a free trade area amongst its members, the CEFTA agreement serves as preparation for full European Union membership. The CEFTA replaces the bilateral agreements, which were in place between BiH and individual CEFTA members. BiH ratified this agreement in September 2007 and it entered into force in November 2007.

The main goal of this project is to ensure that MoFTER will be able to implement relevant policy reforms in the area of Foreign Trade in order to enable BiH economy to maximize the benefits from these three above mentioned economic integration processes. In order to achieve the above objectives the project will make available a wide range of technical assistance inputs, which will be primarily aimed at strengthening the capacity of local institutions responsible for developing and implementing trade policy. The main institution to be supported is MoFTER.

The legal assistance provided to BiH in earlier projects has been instrumental to improving the BiH legal environment, but certain legal areas may still require reforms, as stipulated in the schedules and commitments of the Protocol of Accession. The legal support activities will therefore assist BiH authorities in their efforts to improve the legal and regulatory framework in compliance with WTO agreements, the Protocol of Accession and commitments and schedules contained therein, as well as SAA chapters and CEFTA requirements. No specific areas are defined *a priori*, as the legal support will need to be flexible in order to meet evolving needs and remain relevant to BiH's trade policy context, and can potentially cover any area deriving from the WTO, SAA and CEFTA commitments, including, *inter alia*: technical regulations; agriculture-related issues; trade remedies; customs; tariff regulations; export stimulation; sanitary and phyto-sanitary regimes; etc..

A combination of strong on the job training as well as formal training is envisaged to support MoFTER staff in their daily work and ensure skills and knowledge become embedded, such as analysing impacts of policy changes, preparing negotiating positions, supporting post accession preparations and developing the institutional framework for trade policy.

Additionally, the project will assist BiH to implement the schedules and commitments contained in the protocols of accession to each of the trade agreements by providing expert legal advice, institutional capacity building and training, as well as awareness raising. This is likely to entail technical support for negotiation positions. In addition, this may entail supporting MoFTER and other trade related institutions, in drafting required legislation.

Component II- Development of Infrastructure of Metrology system in BiH

The Institute of Metrology of Bosnia and Herzegovina is the national measurement institution directly established under the Council of Ministers. It is responsible for the establishment of comprehensive measuring system in Bosnia and Herzegovina with traceability to the International System of Units, SI. The scope of jurisdiction of Institute for Metrology of BiH is clearly stated in the Law (Official Gazette of BiH, No. 43/2004).

Development of a measurement system in Bosnia and Herzegovina is essential for full implementation of the Law on Metrology of Bosnia and Herzegovina (Official Gazette of BiH, No. 19/2001), Law on Measurement Units of Bosnia and Herzegovina (Official Gazette of BiH, No. 19/2001), Law on the Establishment of the Institute for Metrology (Official Gazette of BiH, No. 43/2004) and for future integration within EU.

The metrology sector is already associated with several transitional processes, such as establishing and developing an adequate institutional structure and metrology infrastructure, harmonizing the metrology system with EU practices and requirements with regard to legal, organizational and technical requirements.

The goal of metrology at international level is to establish a harmonized global measurement system which would result in harmonized system of units which would in turn result in mutual acceptance of measurement results and removal of technical barriers to trade. This is why it is essential for a country to integrate its metrology system into international metrology system, as this is an important prerequisite for international recognition of its conformity assessment procedures. The most important aspect towards achieving this goal is attaining national measurement standards traceable to internationally recognized measurement standards. Currently BiH does not have any internationally recognized national standards. The survey of the potential laboratories – holders of national measurement standards have been done. Also, the Strategy for the development of metrology system in BiH and the Strategy of development of the Institute of Metrology of BiH are prepared and should be reviewed.

Trends in legal metrology lead towards a global measurement of system which relies on a uniform system of units on one side and removal of technical barriers to trade on the other, as promoted by WTO members. This indirectly entails the requirement of national technical regulations in the field of metrology. Mutual cooperation, confidence and recognition are the three essential steps towards achieving international harmonization in legal metrology. Confidence in testing and metrological competence is an absolute prerequisite for the metrological system to function. Each product should be tested before its placement in the market. Therefore, the adequate network of the laboratories within distributed measurement system should be established. Also, it is only possible for the Institute for Accreditation of BiH to sign the EA MLA (European Accreditation Mutual Lateral Agreement), if BiH is to have laboratories accredited according to the EN/ISO/IEC 17025 with its internationally harmonized measurement, traceable to the internationally recognized measurement standards (that is under the scope of the work of the Institute for Metrology of BiH). The same applies for the CIPM MRA (Mutual Recognition Arrangement of the International Committee for Weights and Measures), which should be signed by the Institute of the Metrology of BiH.

The Institute of Metrology of BiH is in charge for conformity assessment of measuring instruments. Also it has a crucial role in establishing testing laboratories for conformity assessment of industrial products, which will support the work of the Market Surveillance Agency of Bosnia and Herzegovina. This system is in the very beginning stage in Bosnia and Herzegovina, but it is an important segment of European integration. Therefore, the prerequisite for development in this field is development of infrastructure of the metrology system.

The first national assistance for Bosnia and Herzegovina in the field of metrology is expected to be realized through IPA 2007. This project is a Technical Assistance and Supply project, which will result in improved legislative framework in order to meet the requirements for harmonization of legislation with EU, improved national metrology infrastructure in order to meet requirements with best practice EU laboratories and it will enhance the Institute of Metrology of BiH for future integration in related European and international metrology organizations (Meter Convention, EURAMET, EUROCHEM, OIML and WELMEC). The continuation of this project will be realized through IPA 2008. This second phase will supply measurement standards and laboratory equipment according to the technical specification for specific laboratories (prepared through IPA 2007). All equipped laboratories will be holders of specific national measurement standards located within the Institute of Metrology of BiH (mass, electrical quantities, reference materials, volume, time and frequency), and some will be a part of the distributed system. However, the owner of all equipment will be the Institute of Metrology of BiH.

Therefore, intervention in this area will contribute to the development of the distributed metrology system according to the existing model in some EU member states, and respond to the demands for internationally recognized quality of metrology services within a national metrology infrastructure, and at the same time start the process of preparing the Institute for Metrology of Bosnia and Herzegovina to secure future full membership in EURAMET, EUROCHEM, WELMEC, OIML and Meter Convention. With the procurement of equipment for laboratories holders of national measurement standards through this project, together with the specific human resources which exist in the state, would allow Institute of Metrology of Bosnia and Herzegovina to participate in the EURAMET projects.

3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact

Component I - Support to trade policy and capacity building in BiH

The main goal of this Project is to ensure that MoFTER will be able to implement relevant policy reforms in the area of Foreign Trade in order to enable BiH economy to maximize the benefits from economic integration processes.

Additionally, the project will support the pre-accession and post-accession efforts of BiH with regard to all main trade agreements (i.e. SAA, WTO and CEFTA). It will be implemented in parallel with the negotiation processes and cover legal and regulatory reforms preparing for accession. In the post-accession phase, the project will assist BiH to implement the schedules and commitments contained in the protocols of accession to each of the trade agreements by providing expert legal advice, institutional capacity building and training, as well as awareness raising among stakeholders.

Component II- Development of Infrastructure of Metrology system in BiH

This project will have as well significant impact on the creation of conditions for industrial and economic development of the state. Metrology is an interdisciplinary and interdepartmental activity and one of the key prerequisites for progress and normal operations of the state. It is relevant for the following areas: services, industry, trade, environmental protection, protection of health, food, agriculture, traffic, telecommunications, science, sport, taxation activities, jurisdiction, police etc. Therefore, development of appropriate metrology system at the highest level with the national measurement standards in calibration laboratories for individual physical quantities, in compliance with the relevant international measurement standards, would ensure traceability of the measurement results in the state. This will improve the possibilities of calibration in the BIH and therefore improve economic and industrial development. Also, this development of infrastructure of metrology system would support development of testing laboratories for conformity assessment according to the New and Global Approach Directives.

3.3 Results and measurable indicators:

Component I - Support to trade policy and capacity building in BiH

I. Results related to the Project purpose No.1

1.1 BiH is meeting obligations associated with implementation of CEFTA, SAA and WTO (i.e. legal framework, institutional infrastructure);

1.2 BiH as EU candidate country is able to carry out Accession negotiations and actively participate within the current and any subsequent round of multilateral trade negotiations in the WTO or CEFTA framework;

1.3 BiH has a clearly articulated trade policy which sets out a comprehensive approach to trade development, elaborated in cooperation with business community.

Component II- Development of Infrastructure of Metrology system in BiH

II. Results related to the Project purpose No.2

2.1 Established national measurement standards database, e.c. developed appropriate metrology system at the highest level with the national measurement standards in calibration laboratories for individual physical quantities.

2.2 Ensured international traceability of national measurement standards and improved calibration possibilities in BIH, which will support economic, and industry development and development of conformity assessment testing in BiH;

2.3 Equipped testing laboratory for conformity assessment according to LVD directive.

3.4 Activities:

Component I - Support to trade policy and capacity building in BiH

Activity 1- Technical Assistance project

Activities related to the Result 1.1

SAA Implementation

1.1.1 Capacity building to the Working Groups that would be established under the Interim Agreement and that will be dealing with trade related issues¹;

1.1.2 Support for the harmonisation of the BiH legislation with the *acquis* (to be defined in the Inception period).

CEFTA

1.1.3 Support MoFTER and other relevant institutions in charge of implementing CEFTA, as well as their activities within the CEFTA bodies;

1.1.4 Support to MoFTER and ITA in designing and implementing the Integrated Custom Tarrif, which are obligations under SAA and CEFTA.

WTO - Capacity building and support of the MoFTER staff in implementation of the post-accession WTO obligations including:

1.1.5 Implementation of the specific WTO Uruguay Round Agreements;

1.1.6 Observation and participation in the current or any subsequent round of the multilateral trade negotiations on liberalisation of the world trading system;

1.1.7 Participation in the WTO member's Trade Policy Review procedures;

1.1.8 Settlement of potential trade disputes with WTO members;

1.1.9 Preparation and submission of the notification in accordance with obligations under the specific WTO Agreements.

Activities related to the Result 1.2

1.1.10 Capacity building of the staff in order to increase the pool of well-skilled negotiators;

1.1.11 Specific training to enhance the negotiation skills for the BiH negotiators and the general training for the implementation of the Uruguay Round Agreements;

1.1.12 Support to the BiH negotiations within the framework of the Accession negotiations in the trade related Chapters.

¹ These working groups should prepare the positions of BiH under the relevant sub-committees. The Sub-Committees shall discuss issues according to a multidisciplinary structure including topics such as Trade, Industry, Customs, Agriculture and Fisheries, Economic and Financial Issues and Statistics.

- 1.1.13 TA in strengthening the capacities of MoFTER to investigate and manage trade disputes, to use trade defence instruments and to prepare and defend negotiating positions in relation to SAA, WTO and CEFTA;

Activities related to the Result 3

- 1.1.14 TA to support MoFTER in becoming fully operational to realise its mandate in this regard (i.e. includes, inter alia, training of staff in trade remedies, rules of origin, AMS calculations, customs valuation, SPS, TBT, GATS, TRIPS, organisational strengthening);
- 1.1.15 Capacity building of institutions and private sector to benefit from the implementation of SAA, WTO, CEFTA;
- 1.1.16 Strengthen the capacity of MoFTER to raise awareness and disseminate information about trade negotiations and implications for different stakeholders.

Component II- *Development of Infrastructure of Metrology system in BiH*

Activity 2- Supply project

Activities related to the Result 4

- 1.1.17 Procurement of the measurement standards for specific quantities;
- 1.1.18 Procurement of laboratory equipment to complete national laboratories, holders of measurement standards for specific quantities;
- 1.1.19 Installation of measurement standards and laboratory equipments, including basic training to put all items into operation.

Activities related to the Result 5

- 1.5.1 To assure traceability of measurement standards with internationally recognized measurement standards of higher level (by EU NMI or EU accredited laboratories).

Activities related to the Result 6

- 1.1.20 Procurement of laboratory equipment to complete LVD testing laboratory;
- 1.1.21 Installation of laboratory equipment for LVD testing laboratory, including basic training to put equipment into operation.

The above mentioned activities will be realised by the Technical Assistance and Supply Contracts. The indicative input for the technical assistance project is the following: 28 months/man of 3 long-term experts, and min. 700 days/man of short-term experts.

3.5 Conditionality and sequencing:

In relation to sequencing, the Technical Assistance through CARDS 2006 will be finalised in February 2009, therefore tendering procedure for service contract for this project IPA 2008 should start immediately following the signature of the Financing Agreement.

The lead Ministry responsible for foreign trade policy is the Ministry of Foreign Trade and Economic Relations (MoFTER). This Ministry works in co-operation with the competent bodies of the Entities to negotiate, develop and ensure the effective implementation of obligations under all international multilateral, regional and bilateral treaties, agreements and

conventions committed to by the Government of BiH. All institutions in place and staffed therefore all conditions are in place for this activity to take place.

In relation to sequencing of supply contract, the Technical Assistance through IPA 2007 is tasked with the preparation of Technical specifications for equipment to be procured (this project is supposed to be started in second part of 2008 year), therefore tendering procedure for supply contract for this project IPA 2008 can start immediately after the approval of the technical specification. Co-financing of IPA 2008 should be solved at the state level (the percentage of co-financing should be concluded and it will be between 15%-25%). All relevant laboratories and institution in place and staffed therefore all conditions are in place for this activity to take place.

3.6 Linked activities

The project «*EU Capacity Building Initiative for Trade Development and FDI Attraction to BiH*» (*hereinafter EU TDI*)", started in August 2004 and ended in December 2006.

The specific objectives were aimed at supporting: (1) the BiH institutional capacity, in particular MoFTER, in formulating and implementing policies and strengthening regulatory framework for trade (particularly with regard to increasing trade exports relative to imports) focusing on the provision of support to priority negotiation issues (e.g. tariffs , services) that emerged in bilateral and multilateral negotiations with WTO members; and (2) the BiH institutional capacity (in particular FIPA) in formulating and implementing policy which attracted FDI to BiH and was capable of providing sustainable and targeted services to potential investors.

The project "*Developing Trade Policy and Related Capacity in BiH*" started in June 11th, 2007 and it will end in February 2009.

EU TPP continued EU TDI's work and build upon its achievements. Thus, EU TPP continued to assist MoFTER in preparing for and carrying out bilateral and multilateral negotiations, as part of WTO, CEFTA and SAA accession and addressing priority negotiation issues that may arise.

CARDS 2002- Regional Quality Infrastructure Project

The first (CARDS 2002) Regional Quality Infrastructure Project carried out by the European Committee for Standardization (CEN) assisted the countries of the Western Balkans to develop the quality infrastructure in the region and to broaden the basis for mutual confidence between the five countries/region and the EU. By working together the countries could pool their expertise, share knowledge, resources and facilities in a variety of fields: technical regulations, standardisation, accreditation, testing-certification-inspection, metrology and market surveillance. This programme ended in December 2006.

CARDS 2006 – Regional Quality Infrastructure Project

The project started in May 2007 and period of execution of the contract will be 16 months. The purpose of the project is to further strengthen the cooperation between quality infrastructure institutions in the Western Balkans to enable them to implement the regional free trade agreement for SEE and harmonise quality infrastructure with that of the EU (in line with the accession and Stabilisation and Association process).

South-Eastern Europe Regional Cooperation in NMI (national measurement institutes) started at the end of 2006. NMI had opportunity to participate at the workshops and trainings

within this cooperation. This cooperation has been initiated by PTB, German national measurement institute.

No other donors involved in this area.

3.7 Lessons learned

The progress achieved by BiH in the area of trade policy is to date, limited and fragile. The institutional structure of the country and especially of the MoFTER is not sufficiently developed to meet the challenges it is currently facing (accession to WTO, implementation of the CEFTA, SAA negotiations and implementation).

BiH will require support in further developing the necessary capacity. This will need to be completed in a participatory way to maximise transfer of know how and involve different stakeholders.

Therefore, improvement in BiH trade performance depends on the ability to formulate and implement an appropriate trade policy mix. This requires the strengthening of the regulatory framework for trade in line with international practices and with the country's economic interests. This process should be built on a broad constituency, involving the Government, private sector, and civil society.

The Institute for Metrology of Bosnia and Herzegovina participated only in Regional Quality Infrastructure Projects. These projects included all institutions for quality infrastructure and improved the cooperation between the relevant national metrology institutions in the region and allowed the Institute to compare BiH's metrology system including the infrastructure with others in the region. However, the Institute for Metrology of BiH did not get any direct assistance neither for strengthening the metrology system, nor for the procurement of the metrology standards and equipment for the establishment of the laboratories, although other countries in the region received such assistance. Unfortunately, the Institute of Metrology of BiH did not have any project within CARDS national programme. Therefore, this kind of national assistance would be delivered for the first time through IPA projects. However precautions are taking place and planning has been completed in regards to the assessment to be done under IPA 2007.

4. Indicative Budget (amounts in EUR)

			TOTAL EXP.RE	SOURCES OF FUNDING								
				IPA COMMUNITY CONTRIBUTION		NATIONAL CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	%(2)	Total EUR (c)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/ Local EUR (y)	IFIs EUR (z)	EUR (d)	% (2)
Activity 1	X		2,000,000	2,000,000	100							
Contract 1.1	–	–	2,000,000	2,000,000	100							–
Activity 2		X	2,335,000	2,000,000	85.65	335,000	14.35	335,000				
Contract 2.1	–	–	2,335,000	2,000,000	85.65	335,000	14.35	335,000				–
TOTAL IB			2,000,000	2,000,000	100							
TOTAL INV			2,335,000	2,000,000	85.65	335,000	14.35	335,000				
TOTAL PROJECT			4,335,000	4,000,000	92.27	335,000	7.73	335,000				

Amounts net of VAT

- (1) In the Activity row use "X" to identify whether IB or INV
- (2) Expressed in % of the **Total** Expenditure (column (a))

5. Indicative Implementation Schedule (periods broken down per quarter)

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 1.1 Technical Assistance	Q1 2009	Q3 2009	Q1 2012
Contract 1.2 Supply	Q1 2010	Q3 2010	Q1 2011

All projects should in principle be ready for tendering in the 1ST Quarter following the signature of the FA

6. Cross cutting issues

6.1 Equal Opportunity

Equal opportunity principles and practices in ensuring equitable gender participation in the Project will be guaranteed.

6.2 Environment

The project will not have any negative environmental effects.

6.3 Minorities

Participation in the project activities will be guaranteed on the basis of equal access regardless of racial or ethnic origin, religion or belief, disability, sex or sexual orientation.

ANNEXES:

- ANNEX I Logical framework matrix in standard format
- ANNEX II Amounts (in EUR) Contracted and disbursed by quarter for the project
- ANNEX III Description of Institutional Framework
- ANNEX IV Reference to laws, regulations and strategic documents
- ANNEX V Details per EU funded contract

ANNEX I Logical framework matrix in standard format

LOGFRAME PLANNING MATRIX for Project Fiche "Support to trade policy and capacity building and development of Infrastructure of Metrology system in BiH"	Programme name and number:		
	Contracting period expires: N+2		Disbursement period expires: N+5
		Total budget : 4,335,000 EUR	IPA budget: 4,000,000 EUR
Overall objective	Objectively verifiable indicators	Sources of Verification	
The overall objective is to promote Bosnia and Herzegovina's integration into the global economy in general and the EU economy in particular through the expansion of trade, and notably an increase in exports and to further develop quality infrastructure in BiH, in line with the provisions of the SAA, and to create an enabling environment for BiH industries and manufacturers to improve their trade and industrial relations with the EU and international markets as well as quality of life for BiH citizens.	Substantial progress in the process of integration to the EU; Advancement in the Stabilization and Association process (Sap); BiH meets the requirements of the SAA.	Annual Sap Report; Reports of the BiH participation in the WTO committees; Annual import and export statistics provided by the Agency of Statistics.	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
To support BiH, in particular MoFTER, in developing its institutional capacity related to the implementation of WTO, CEFTA and SAA, EU accession and further multilateral negotiations through a coherent Trade policy. To support the development of the distributed metrology system according to an existing model in some EU member states and in accordance with internationally recognized quality of metrology services within framework of national metrology infrastructure through the procurement of measurement standards, with assured international traceability, and equipment for laboratories, holders of national measurement standards.	MoFTER capacity to implement CEFTA, WTO and SAA strengthened; MoFTER recruited additional staff by the end of 2010; Certain number of completely equipped laboratories (procurement done for measurement standards and equipment);	BiH negotiations positions for WTO negotiations adopted by CoM; Annual SAP Reports; Additional staff recruited and in place; Official Gazette of BiH; Recognition of national	Political willingness to conduct reforms that affect the progress of BiH in EU Integrations; The relevant Units are set up and staffed in compliance with the WTO.

	<p>Certain number of laboratories partially equipped;</p> <p>Calibration and measurements traceable to the international measurement standards for specific units. * <i>see note</i></p>	<p>measurement standards laboratory document;</p> <p>Progress report to Council of Ministers, DEI and EC.</p>	
Results	Objectively verifiable indicators	Sources of Verification	Assumptions
<p>1.1 BiH is meeting obligations associated with implementation of CEFTA, SAA and WTO (i.e. legal framework, institutional infrastructure);</p> <p>1.2 BiH as EU candidate country is able to carry out Accession negotiations and actively participate within the current and any subsequent round of multilateral trade negotiations in the WTO or CEFTA framework;</p> <p>1.3 BiH has a clearly articulated trade policy which sets out a comprehensive approach to trade development, elaborated in cooperation with business community.</p> <p>2.1 Established national measurement standards database, e.c. developed appropriate metrology system at the highest level with the national measurement standards in calibration laboratories for individual physical quantities.</p> <p>2.2 Ensured international traceability of national measurement standards and improved calibration possibilities in BIH, which will support economic, and industry development and development of conformity assessment testing in BiH;</p> <p>2.3 Equipped testing laboratory for conformity assessment according to LVD directive.</p>	<p>MoFTER is implementing its obligations from the agreements</p> <p>The Units of MoFTER dealing with WTO, SAA and CEFTA trained, and prepared to negotiate the accession to EU and to negotiate further Agreements;</p> <p>The capacity of MoFTER to disseminate information about trade policy strengthened by the end of the Project;</p> <p>Consultation mechanism between MoFTER and economic operators established;</p> <p>Measurement standards procured and its international traceability provided;</p> <p>Laboratory equipment procured;</p>	<p>Official Gazette of BIH containing the relevant legislation;</p> <p>Annual SAA Reports;</p> <p>SAA Subcommittees reports;</p> <p>MoFTER regularly organises meetings with business community sharing the information on new developments;</p> <p>Brochures and leaflets distributed by MoFTER;</p> <p>MoU between MoFTER and FTC agreed and signed;</p> <p>Calibration certificates for specific measurement standards;</p>	<p>Political willingness to conduct reforms that affect the progress of BiH in EU Integrations;</p> <p>Lack of cooperation from the business community.</p>

	All procurement items delivered, installed and functional.	Guarantee lists and dispatch lists (hand over certificates) for all procurement items.	
Activities	Means	Costs	Assumptions
<p>Component I- Support to trade policy and capacity building in BiH</p> <p>Activities related to the Result 1</p> <p>SAA Implementation</p> <p>1.1.1 Capacity building to the Working Groups that would be established under the Interim Agreement and that will be dealing with trade related issues²;</p> <p>1.1.2 Support for the harmonisation of the BiH legislation with the <i>acquis</i>.</p> <p>CEFTA</p> <p>1.1.3 Support MoFTER and other relevant institutions in charge of implementing CEFTA, as well as their activities within the CEFTA bodies;</p> <p>1.1.4 Support to MoFTER and ITA in designing and implementing the Integrated Custom Tariff, which is obligations under SAA and CEFTA, as well.</p> <p>WTO – Capacity building and support of the MoFTER staff in implementation of the post-accession WTO obligations including:</p> <p>1.1.5 Implementation of the specific WTO Uruguay Round Agreements;</p> <p>1.1.6 Observation and participation in the current or any subsequent round of the multilateral trade negotiations on liberalisation of the</p>	<p>Technical Assistance project</p> <p>Supply project (Procurement of measurement standards and for laboratory's equipment for national measurement laboratories and procurement of laboratory's equipment for LVD testing laboratory)</p>	<p>TA 2,000,000 EUR</p> <p>Supply 2,335,000 EUR</p>	<p>Political willingness to conduct other reforms that affect the postponement of the initialling of SAA;</p> <p>The relevant Units are set up and staffed in compliance with the WTO;</p> <p>Prepared technical specification for supply throughout IPA 2007 Technical Assistance project.</p> <p>Co-financing of IPA 2008 solved at the state level.</p>

²Theses working groups should prepare the positions of BiH under the relevant sub-committees. The Sub-Committees shall discuss issues according to a multidisciplinary structure including topics such as Trade, Industry, Customs, Agriculture and Fisheries, Economic and Financial Issues and Statistics.

world trading system;

1.1.7 Participation in the WTO member's Trade Policy Review procedures;

1.1.8 Settlement of potential trade disputes with WTO members;

1.1.9 Preparation and submission of the notification in accordance with obligations under the specific WTO Agreements.

Activities related to the Result 2

1.2.1 Capacity building of the staff in order to increase the pool of well-skilled negotiators;

1.2.2 Specific trainings to enhance the negotiation skills for the BiH negotiators and the general training for the implementation of the Uruguay Round Agreements;

1.2.3 Support to the BiH negotiations within the framework of the Accession negotiations in the trade related Chapters;

1.2.4 TA in strengthening the capacities of MoFTER to investigate and manage trade disputes, to use trade defence instruments and to prepare and defend negotiating positions in relation to SAA, WTO and CEFTA.

Activities related to the Result 3

1.3.1 TA to support MoFTER in becoming fully operational to realise its mandate in this regard (i.e. includes, inter alia, training of staff in trade remedies, rules of origin, AMS calculations, customs valuation, SPS,TBT, GATS, TRIPS, organisational strengthening);

1.3.2 Capacity building of institutions and private sector to benefit from the implementation of SAA, WTO, CEFTA;

1.3.3 Strengthen the capacity of MoFTER to raise awareness and disseminate information about trade negotiations and implications for different stakeholders.

Component II- *Development of Infrastrucutre of Metrology system in BiH*

<p>Activities related to the Result 4</p> <p>1.4.1 Procurement of the measurement standards for specific quantities;</p> <p>1.4.2 Procurement of laboratory equipment to complete national laboratories, holders of measurement standards for specific quantities;</p> <p>1.4.3 Installation of measurement standards and laboratory equipments, including basic training to put all items into operation.</p> <p>Activities related to the Result 5</p> <p>1.5.1 To assure traceability of measurement standards with internationally recognized measurement standards of higher level (by EU NMI or EU accredited laboratories)</p> <p>Activities related to the Result 6</p> <p>1.6.1 Procurement of laboratory equipment to complete LVD testing laboratory;</p> <p>1.6.2 Installation of laboratory equipment for LVD testing laboratory, including basic training to put equipment into operation.</p>			
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* Equipped laboratories will be holders of specific national measurement standards located within Institute of Metrology of BIH (mass, electrical quantities, reference materials, volume, time and frequency), and some will be part of the distributed system. The owner of all equipment will be the Institute of Metrology of BIH. All procurement will be done according to the technical specifications, which will be prepared through the Project IPA 2007 “Strengthening of the Metrology System”.

ANNEX II Amounts (in EUR) Contracted and disbursed by quarter for the project

Contracted	1stQ 2009	2ndQ 2009	3rdQ 2009	4thQ 2009	1stQ 2010	2ndQ 2010	3rdQ 2010	4thQ 2010	1stQ 2011	2ndQ 2011	3rdQ 2011	4thQ 2011	1stQ 2012
Contract 1			2,000,000										
Contract 2							2,000,000						
Cumulated			2,000,000				4,000,000						
Disbursed													
Contract 1			400,000			460,000		460,000		480,000			200,000
Contract 2							1,200,000	600,000	200,000				
Cumulated			400,000			860,000	2,060,000	3,120,000	3,320,000	3,800,000			4,000,000

ANNEX III Description of Institutional Framework

The Constitution – established under the Dayton Peace Agreement – set up Bosnia and Herzegovina (BiH) as a single state within its existing borders. BiH consists of two, largely autonomous Entities: the Federation of Bosnia and Herzegovina (FBiH) and Republika Srpska (RS), with the former being divided into ten Cantons. In addition, Brcko acquired a special status as a District of BiH and is not part of either Entity.

The Constitution gives the State (i.e. the central government) powers in the following areas: foreign policy, **foreign trade policy**, customs policy, monetary policy, financing of State institutions to meet international obligations of BiH, immigration, refugee, and asylum policy and regulation, international and inter-entity criminal law enforcement, including relations with Interpol, establishment and operation of common and international communication facilities, regulation of inter-entity transportation, and air traffic control. The transfers of competencies from the Entities to the State level were also undertaken in the areas of indirect taxation, defence. Decision-making in all other areas is devolved to the two Entities.

The lead Ministry responsible for foreign trade policy is the Ministry of Foreign Trade and Economic Relations (MoFTER). This Ministry works in co-operation with the competent bodies of the Entities to negotiate, develop and ensure the effective implementation of obligations under all international multilateral, regional and bilateral treaties, agreements and conventions committed to by the Government of BiH.

In the existing BiH Law on Ministries and other Bodies of Administration, MoFTER has an extremely wide mandate, being responsible for the following activities, not only focussed on foreign trade:

- foreign trade policy and customs tariff policy of BiH;
- preparation of contracts, agreements and other acts in the domain of economic relations and trade with other countries;
- preparation of bilateral and multilateral agreements and other acts related to reconstruction and recovery of BiH;
- relations with international organisations and institutions in the area of foreign trade and economic relations;
- preparation and drafting of macroeconomic or strategic documents in the field of economic relations;
- business environment, single economic space;
- development and promotion of entrepreneurship;
- control of goods and services of special regime in trade or in import and export;
- consumer protection;
- competition;
- co-ordination of international economic aid to BiH, except for the part relating to the EU aid; and
- veterinary issues.

In Bosnia and Herzegovina, the **metrology system** is regulated by the Law on Metrology (“The Official Gazette of BiH”, No 19/2001), and the Law on Measuring Units (“The Official Gazette of BiH”, No 19/2001), which are both in compliance with international requirements.

The Institute for Metrology of BiH is the national measurement institution of Bosnia and Herzegovina established under the Council of Ministers of Bosnia and Herzegovina. It is in charge of the establishment of a comprehensive measuring system in BiH with its traceability to the International System of Units (SI).

The scope of jurisdiction of Institute of Metrology of BiH is clearly stated in the Law on establishing the Institute of Metrology of Bosnia and Herzegovina (Official Gazette of BiH, No. 43/2004). It is stated, under the article 7 item i, of the same Law, that Institute is in charge for international cooperation agreements in measurement field, as well as for the participation in the work of the international organizations and the representation of the Bosnia and Herzegovina in them.

ANNEX IV Reference to laws, regulations and strategic documents

Reference list of relevant laws and regulations

- Law on Foreign Trade Policy (Official gazette of BiH, No.7/98)
- Law on Ministries and Other Administrative Authorities.
- Law on Metrology of Bosnia and Herzegovina (Official Gazette of BiH, No. 19/2001)
- Law on Measurement Units of Bosnia and Herzegovina (Official Gazette of BiH, No. 19/2001)
- Law on the Establishment of the Institute for Metrology of Bosnia and Herzegovina (Official Gazette of BiH, No. 43/2004)

Link with MIPD

In the area of Trade, overall objective is to boost trade and investment in SEE through facilitating implementation of regional trade policy. MIPD expects establishment of CEFTA Secretariat, strengthening trade-related organization and enhancing networks among both government and business communities. (Section Axe 2: Socio-Economic Criteria).

In the area of free movement of goods, overall objective is to strengthen cooperation between quality infrastructure institutions to enable them to implement the regional free trade agreement for SEE and to harmonise quality infrastructure standards in line with EU standards. MIPD expects improved capabilities of quality infrastructure bodies to provide high-level services to industry in their own and neighbouring countries; to strengthen mutual confidence and cooperation between the countries in the region as well as with the EU in the area of quality infrastructure; and to improve institutional development as a condition for international agreements and mutual recognition. (Section Assume the obligations of membership/Free Movement of Goods).

Link with the European Partnership

The European Partnership calls for BiH in the short term to contribute to strengthening regional cooperation, including by promoting the transition from the Stability Pact to a more regionally owned cooperation framework; effective implementation of the Central European Trade Agreement; to continue the reforms necessary to comply with WTO rules and obligations and continue the work towards achieving WTO accession. (Section Regional issues and international obligations/ Section European standards/WTO issues).

In addition, the European Partnership calls for BiH in the short term to improve and implement the legal framework for standardisation, metrology, accreditation and certification of products to bring into line with EU standards and best practice; further approximate technical regulations with those of the *acquis*; enhance the capacity of the quality infrastructure and institutions and create the legal basis for conformity assessment procedures. (Section European Standards/Free Movement of Goods).

Link with the SAA

It is necessary to implement as speedily as possible, by means of an Interim Agreement, provisions of the Stabilisation and Association Agreement on trade and trade-related matters (Interim Agreement on trade and trade related matters between the European Community, of the one part, and Bosnia and Herzegovina, of the other part). Please refer to Annex III of the Project Fiche. (Interim Agreement on trade and trade related matters between the European Community, of the one part, and Bosnia and Herzegovina, of the other part).

In addition, SAA calls for BiH to take the necessary measures in order to gradually achieve conformity with Community technical regulations and European standardisation, metrology, accreditation and conformity assessment procedures by promoting the use of Community technical regulations, European standards and conformity assessment procedures; providing assistance to fostering the development of quality infrastructure: standardisation, metrology, accreditation and conformity assessment; promoting BiH's participation in the work of organisations related to conformity assessment, metrology (i.e. EA, WELMEC, EURAMET) and concluding an Agreement on Conformity Assessment and Acceptance of Industrial Products once the legislative framework and the procedure of BiH are sufficiently aligned on that of the Community and appropriate expertise is available.

(Title VI Approximation of Laws, Law Enforcement and Competition Rules, Article 76 Standardisation, Metrology, Accreditation and Conformity Assessment)

Link with National Development Plan

The Bosnia and Herzegovina Medium Term Development Strategy has recognised that further liberalisation of the foreign trade regime in the region should remain a priority for BiH, together with the creation of conditions for integration into the EU market. The following five objectives in the area of foreign trade are identified:

- reduction of the trade deficit;
- acceleration of the economic development on the basis of the open market;
- strengthening the quality and competitiveness of domestic production;
- attracting foreign direct investment;
- accelerating BiH integration into the EU.

(Section III.6. Foreign Trade policy, Membership in world Trade Organisation and support to export.).

In addition, the Bosnia and Herzegovina Medium Term Development Strategy has recognised that "Free Movement and Safety of Industrial Products" is one of key preconditions for creation of common economic space and economic growth in BiH. Basic goal is establishing common economic space in BiH that functions according to the rules of EU Internal Market and World Trade Organisation. It states that major goal in joining the EU internal market means: BiH companies, in most of the cases, can export their products and services without meeting any additional conditions in comparison to conditions in BiH market and that lives and health of people, domestic animals, environment and interests of consumers are protected from unsafe domestic and imported products.

(Section Common Economics Space)

Link with EU Integration Strategy of BiH

Signing the SAA, the BiH single economic space will integrate gradually into the EU internal market. Internal market is the basis of the present structure of the EU, as it is one of the most important elements for reaching aims such as sustainable development, high level of employment and social protection, better living standards and quality of life, economic and social cohesion. Freedom of movement of goods made up of a whole series of directives and regulations, are the basic principles of the internal market. Acceptance and observance of these principles instigates economic reforms and competitiveness of economy as a whole, stimulates trade and investment, and contributes to development and consolidation of macro-economic stability. On the other hand, harmonisation of legislation creates a legal framework suitable for

maximum economic effect, with special attention afforded to institution development. Strategy sets priorities to be implemented:

1. Implement the law and build a product liability system, and the Directive on product liability, and establish a market supervision infrastructure.
2. Adopt a state level harmonisation program, i.e. a program of transposition of legislation and regulations and development of infrastructure for harmonisation assessment.
3. Realise the remaining part of the programme in the next three years, i.e. implement the regulations adopted within the programme.
4. Establish an effective infrastructure for programme implementation, using working groups comprising representatives of all the parties concerning in BiH.
5. Implement priority segments of the programme (in particular, transpose directives of the *new approach* and the *global approach*, and directives related to food trade).
6. Establish a scheme for staff training and evaluation in the area of harmonisation assessment.
7. Secure an effective and uniform system in the area of standards, measurements, accreditation and technical regulations, and secure effectiveness and uniformity of such systems across BiH.
8. Establish certification bodies for the quality system and staff.
9. Establish bodies for harmonisation assessment (laboratories, certification and control/inspection bodies) for other groups of products.
10. Secure for BiH institutions and associations in the area of standards, measurements, accreditation and harmonisation assessment full membership in relevant international organisations and associations, particularly EA, OIML, IAF, ILAC, etc.
11. Enter the MLA agreement and sign PECA protocols with the EU for priority areas (group of products).
12. Sign PECA protocols with the EU for other groups of products important for BiH economy.
13. Sign special treaties (agreements) on recognition of documents in areas of harmonisation assessment, aimed at increasing export on the basis of free trade agreement already signed.

(Section 2.3.2 Internal market, Section 2.3.2.2. Free flow of goods)

Link with national/ sectoral investment plans

An Action Plan for BiH's accession to the WTO has been developed and is used to monitor the implementation of scheduled activities and the planning of further activities related to the harmonisation of legislation. The Action Plan is updated continuously in accordance with the progress made in the process of accession and in line with future membership requirements.

An Action plan for implementation of CEFTA had been developed and is used to monitor the implementation of scheduled activities.

Strategy for development of metrology system in BiH and Strategy for development of the Institute of Metrology of BiH are prepared.

Annex V Details per EU funded contract

Activity 1

Key Experts

3 Long Term Experts: 28 months each

Pool of Short Term Experts –minimum 700 days

The project will be implemented through Technical Assistance Contract.

The contractor shall support MoFTER, in developing its institutional capacity related to the implementation of WTO, CEFTA and SAA, EU accession and further multilateral negotiations through a coherent Trade policy.

Activity 2

The contractor shall provide the following:

Purchase of measurement standards and laboratory equipment according to the technical specification for specific laboratories (prepared through IPA 2007). All equipped laboratories will be holders of specific national measurement standards located within Institute of metrology of BIH (mass, electrical quantities, reference materials, volume, time and frequency), and some will be part of the distributed system. However, the owner of all equipment will be the Institute of Metrology of BIH.

For more details on specific tasks to be performed under each component, please refer to 3.4.