

2012 Annual Programme

Support to the free movement of goods: 07 – 2012 / 03

1 IDENTIFICATION

Project Title	Support to the free movement of goods
CRIS Decision number	2012/022-940
Project no.	07
MIPD Sector Code	3. Private Sector Development
ELARG Statistical code	02.01
DAC Sector code	33120
Total cost (VAT excluded) ¹	€3.0 million
EU contribution	€2.5 million
Management mode	Centralised
EU Delegation in charge	European Union Office in Kosovo
Implementation management	European Union Office in Kosovo
Implementing modality	Service contract
Project implementation type	C01
Zone benefiting from the action(s)	Kosovo*

2 RATIONALE

2.1 PROJECT CONTEXT: ISSUES TO BE TACKLED AND NEEDS ADDRESSED

The challenges for Kosovo with regards to the free movement of goods mainly relate to quality infrastructure, consumer protection and market inspection. In the field of Framework

¹ The total project cost should be net of VAT and/or of other taxes. Should this not be the case, clearly indicate the amount of VAT and the reasons why it is considered eligible.

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence.

for Technical Regulations and the EU New Approach Directives, Kosovo has adopted to date some 9 product services. However, according to a 2011 fact finding mission by the European Commission, the implementation is not complete.

The Ministry of Trade and Industry (MTI) has to initiate a process for the adoption of Harmonized Standards according to directives. Also, the Market Surveillance Inspectorate has been reformed to be able to carry out its activities, but it lacks training in the knowledge of the EU system. Furthermore, there are no Conformity Assessment Bodies operating in the fields, as foreseen by many directives: it should be considered that this may reflect the lack of market needs, due to the lack of production capacity in Kosovo.

Having in mind the needs for alignment, it can be anticipated that co-ordinated Technical Assistance will be necessary across all areas of Technical Regulation and Quality Infrastructure Services.

In relation to the identified needs, this project aims to support the removing of technical barriers to trade; in addition, it considers the EU requirements to be met in terms of legal and institutional development. In order to achieve those objectives, the activities of the project will be divided into two components; the first one dealing with the improvement of the quality infrastructure, the second one aiming to support the enhancement of market surveillance and consumer protection.

2.2 LINK WITH MIPD AND SECTOR STRATEGIES

In the MIPD 2011-2013 it is clearly noted (point no. 3.2.1) that Kosovo needs to identify measures which it should undertake in order to ensure its readiness to negotiate and implement a Trade Agreement with the EU. Furthermore, under the priority of Private Sector Development, one of the 3 identified priorities is "Market and Access to the Market", and one of the objectives in particular specifies the need for support in reducing administrative barriers and harmonization of cross-border systems and procedures.

In its economic development strategy, Kosovo has several strategies affecting trade, business environment and competitiveness. Among them, the following are relevant for this project:

- Kosovo's Program of Consumer Protection,
- Kosovo's Strategy on Export Promotion,
- Kosovo's Strategy of Metrology.

Also, the second objective of the Economic Vision 2011-2014 is to improve the investment and the business enabling environment.

The need to support this field is better emphasized in the fact-finding mission of the European Commission in regard to the Situation of the Free Movement of Goods in Kosovo. The mission organized in April 2011 recommended support in removing trade barriers.

In this regard, the European Partnership Action Plan highlights the importance of the following issues: transposition of directives for conformities assessment; implementation of consumer protection program, and the capacity building for the majority of actors involved in the Free Movement of Goods (EPAP 2011, p. 55.13; p.55.18, p. 126; p.127.1, p.127.2; p.55.12).

Metrology is an important part of the Quality Infrastructure. This is also stated in the Strategic Development Plan of the MTI 2012-2014: enhancement of the Quality Infrastructure is the second objective of this plan.

2.3 LINK WITH ACCESSION PARTNERSHIP (AP) / EUROPEAN PARTNERSHIP (EP) / STABILISATION AND ASSOCIATION AGREEMENT (SAA) / ANNUAL PROGRESS REPORT

European Union Member States are the most important trading partners of Kosovo. Until 31 December 2010, Kosovo benefited from autonomous trade measures, which permitted duty free exports of manufactured products to the EU. In February 2010, the Commission proposed their extension until 2015.

The 2011 Progress Report concludes for the field of free movement of goods: "Overall, some progress has taken place in the legal framework. Approximation with the EU *acquis* in the area of free movement of goods is limited. Better coordination of, and a strategy for the alignment process for the whole of the European *acquis* for free movement of goods is needed. Further progress in the approximation of product specific legislation is necessary. The administrative capacity for the legislative approximation, implementation and enforcement are inadequate. Adequate human resources need to be dedicated to completing the legal framework and to implementing the existing provisions. Considerable efforts are still needed in this area." This was already highlighted in the Progress Report in 2010.

Promotion of the removing of trade barriers is also recommended by the Commission's 2010 fact finding mission, which was followed by a letter from DG Trade to the Kosovo government in May 2011. The letter mentioned the possibility to start the discussion on a trade agreement between Kosovo and the EU. The recommendations from the mission were specifically addressing the need to enhance the administrative capacity and also to work on removing the technical barriers to trade. Following that mission, another fact finding mission is expected to be undertaken in the second quarter of 2012. It is expected that this mission will carry out an assessment of the fulfilment of the earlier recommendations.

2.4 PROBLEM ANALYSIS

Quality infrastructure

In Kosovo there are technical and non-technical barriers to the free movement of goods; particularly, there is a lack of policy coordination in regard to the quality infrastructure. The laboratories of metrology are not functional at a satisfactory level. They lack both equipment and human capacity. Moreover the legislative framework in metrology is not in line with the EU *acquis*. The Accreditation Directorate is working on getting the membership in the European Accreditation Body. The Standardization Agency needs a database to systemize/categorize standards as recommended by the International Standardization Bodies. The business community lacks information on the importance of standards and their implementation.

Market surveillance and consumer protection

The legislative framework for market surveillance is only partially harmonized with EU legislation. Although some areas are legally harmonized, administrative capacity to ensure their implementation is lacking.

Currently, the Market Surveillance Inspectorate is working on centralizing its activity and hiring the relevant municipal inspectors. In regard to the quality infrastructure, there are around 4,000 standards already being adopted. This activity is mostly financed by the consolidated budget of the government.

Moreover, consumers are not well aware of non-conformity products circulating in the market. There is no electronic database containing information on non conformed and hazardous products present in the domestic market. In regard to hazardous products, a specific database which would serve for the purpose of exchanging information with the region, similar to RAPEX, is still missing.

2.5 LINKED ACTIVITIES AND DONOR COORDINATION

The project among others supports the implementation of recommendations geared at a possible trade agreement with the EU. It will complement the current EU funded project providing Technical Assistance to the department of trade.

There is also a Business Enabling Environment project financed by USAID, focused on the support to the trade policy. Its goals and activities include:

- a. Promote inspections reform at the central level through a framework Law on Inspections. This will impact the MTI and BEEP will support compliance and improved procedures
- b. Support Development of Internal and External Trade Policy
- c. Amending laws on Trade; Support Reform on Technical Regulations and Conformity Assessments;
- d. Provide trainings and technical support to increase internal trade capacities.

MTI has received TAIEX support to increase the functionality of laboratories.

Last but not least, it should be highlighted that the Kosovo Consolidated Budget is financing campaigns in relation to consumer awareness.

2.6 LESSONS LEARNED

There are at least two challenges which MTI has encountered in previous projects:

Firstly, transfer of know-how from project staff to civil servants has not been satisfactory. After the end of the project MTI civil servants were not able to use the expertise provided during the Technical Assistance to continue the activities of the projects in an autonomous way. This caused serious drawbacks from the achievements of projects.

In order to avoid this regrettable situation in the future, it is recommended to provide direct training to civil servants but also to key selected staff that will act in the future as trainers (training-of-trainers). Moreover, MTI will make sure that in the final phase of the project, a proper handover is provided, to ensure that the civil servants can continue the work based on the expertise and materials produced by the project.

Secondly, MTI should ensure better coordination between the projects it benefits from. In previous projects, the lack of proper communication between different projects in the MTI has resulted in the overlapping of activities and ineffective spending of resources. In regard to this, the Department for European Integration within the MTI has been staffed and given the mandate to ensure the required coordination.

3 DESCRIPTION

3.1 OVERALL OBJECTIVE OF THE PROJECT

The overall objective of the project is to reduce barriers to trade, improve Kosovo's business environment and its competitiveness in international markets

3.2 SPECIFIC OBJECTIVE(S) OF THE PROJECT

The specific objective of this project is to improve the Quality Infrastructure System in Kosovo in line with EU requirements, including market surveillance and consumer protection.

3.3 RESULTS

- 1) Conformity assessment procedures adopted in accordance with the requirements of the EU directives.
- 2) EU Standards adopted in market areas which lack standardisation.
- 3) Conformity assessment bodies operating in the domestic markets.
- 4) Modern and functional Laboratories of Metrology in place.
- 5) Increased awareness of the importance of standards and accreditations among Kosovo producers.
- 6) Support to Market Surveillance and Consumer Protection.
- 7) Professionally trained inspectors with the methods, and procedures of market surveillance in accordance with the best practices of EU.
- 8) A functioning database for products being circulated on the domestic market.
- 9) Increased awareness of consumers on products consumed.

3.4 MAIN ACTIVITIES

COMPONENT 1 – Support the Enhancement of Quality Infrastructure

1. Technical assistance in alignment to EU *acquis* referring to conformity assessment.
2. Organizing trainings aiming to build the capacity for the Department of Industry.
3. Organizing trainings for the staff of the department of metrology.
4. Trainings for the staff of Standardization Agency in using the editing devices and teaching on getting access to the international databases.
5. Editing device for the publication of Kosovo Standards.
6. Organizing trainings for the staff of the Accreditation Directorate.
7. Awareness campaign on the importance of standards and accreditation.

COMPONENT 2 – Market surveillance and consumer protection

1. Software/database for registering the hazardous products present on the market.
2. Organization of trainings for market inspectors in applying of prescribed measures during the inspection of products that circulates in the domestic market.
3. Development of instruction guidelines for market inspectors (which will be used during inspections on the field).
4. Training for the staff working as advisors on consumer protection.
5. Consumer awareness campaigns.

3.5 ASSESSMENT OF PROJECT IMPACT, CATALYTIC EFFECT AND CROSS BORDER IMPACT (WHERE APPLICABLE)

The project is meant to work towards reducing the barriers to trade, and subsequently enable a better trade access to the EU and International Market. Specifically, it will improve the quality of information and the process of exchanging information about the goods circulating in the market, in this matter the whole region will benefit from the consumers protection perspective; the quality infrastructure will be enhanced. By fostering the free movement of goods, the project will, among others, enhance competitiveness of Kosovo products.

3.6 SUSTAINABILITY

The Ministry of Trade and Industry commits itself to transfer the knowledge gained during the implementation of the project to the private sector. In particular, it will focus on educating the private sector in adopting the standards on quality of the products: it will ensure the creation of an information point where consumers can get relevant information about the products they consume. The metrological measurement system will be in place and compatible with the EU best practices; it should have the capacity to constantly exchange information with the laboratories of the region. There will be a better coordination between the quality infrastructure bodies; better cooperation between consumer protection and market surveillance; market surveillance and metrology.

3.7 ASSUMPTIONS AND PRE-CONDITIONS²

- Coordination of activities needs to be ensured between the stakeholders participating in the project.
- Since expertise will be requested for very specific fields it may be difficult to find suitable partners.
- Retaining the trained staff of the beneficiary institution will be crucial.
- Adequate administrative absorption capacities need to be in place.
- The required legislative framework has to be in place.

4. IMPLEMENTATION ISSUES

The project will be implemented through one Service Contract (€2.5 million).

Parallel co-financing of € 500,000 from the Kosovo government is envisaged.

4.1 INDICATIVE BUDGET

Indicative Project budget (amounts in €)

PROJECT TITLE			SOURCES OF FUNDING									
			TOTAL EXPENDITURE	IPA CONTRIBUTION		BENEFICIARY CONTRIBUTION					PRIVATE CONTRIBUTION	
	IB (1)	INV (1)	€ (a)=(b)+(c)+(d)	€ (b)	% (2)	Total € (c)=(x)+(y)+(z)	% (2)	Central € (x)	Regional/Local € (y)	IFIs € (z)	€ (d)	% (2)
Support to Free movement of Goods	x		3.0	2.5	83	0.5	17	0.5				
contract 1.1 (services)	x	–	2.5	2.5								–
Parallel co-financing	x					0.5		0.5				
TOTAL IB			3.0	2.5		0.5		0.5				
TOTAL INV												
TOTAL PROJECT			3.0	2.5	83	0.5	17	0.5				

NOTE: DO NOT MIX IB AND INV IN THE SAME ACTIVITY ROW. USE SEPARATE ROW

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))

4.2 INDICATIVE IMPLEMENTATION SCHEDULE (PERIODS BROKEN DOWN BY QUARTER)

Contracts	Start of Tendering/ Call for proposals	Signature of contract	Project Completion
Contract 1.1	Q2 2013	Q3 2013	Q3 2015

All activities should in principle be ready for tendering in the 2nd Quarter following the signature of the FA.

The Contracting Authority together with the beneficiary will prepare the required procurement dossier.

4.3 CROSS CUTTING ISSUES

4.3.1 Equal Opportunities and non discrimination

Equal opportunity will be taken into account in the preparation of all tender documents and in the recruitment of personnel through the placement of appropriate wording.

4.3.2 Environment and climate change

The environment will be highly considered within this project, in addition to specific actions dedicated to environment, in particular as concerns environment impact assessments. In particular we will consider this objective in the adoption of standards and the market surveillance. Disaster resilience and risk prevention and management should be integrated in the planning, preparation and implementation of projects.

4.3.3 Minorities and vulnerable groups

Minorities are to be treated equally, as guaranteed by Amendment No. 59 to the Constitution of Kosovo.

4.3.4 Civil society/stakeholders involvement

Civil society/stakeholder involvement will be taken into consideration in all aspects of EU-funded activities in order to support civil society organisations to strengthen their capacities and professionalism, allowing them to engage in an effective dialogue with public and private actors and to monitor developments in different areas including free movement of goods.

ANNEXES

- 1. Log frame**
- 2. Description of Institutional Framework**
- 3. Reference list of relevant laws and regulations only where relevant**
- 4. Details per EU funded contract (*) where applicable**
- 5. Project visibility activities**

ANNEX 1: Logical framework matrix in standard format

LOGFRAME PLANNING MATRIX FOR Project Fiche		Project title and number		Support the enhancement of free movement of goods
Fostering the Free Movement of Goods		Contracting period expires 3 years after signing the financing agreement.		Execution period expires 2 years following the final date for contracting.
		Total budget:	€3.0million.	
		IPA budget:	€2.5 million.	
Overall objective	Objectively verifiable indicators (OVI)	Sources of Verification		
To reduce barriers to trade, improve Kosovo's business environment and its competitiveness in international markets.	<p>Ranking of Doing Business Report from World Bank improved.</p> <p>More Kosovo products accessing the international markets.</p> <p>Improved trade deficit.</p>	<p>Doing Business Report - World Bank.</p> <p>Customs data on export products.</p> <p>Reports from Statistics Office of Kosovo.</p>		
Specific objective	Objectively verifiable indicators (OVI)	Sources of Verification		Assumptions
The specific objective of this project is to improve the Quality Infrastructure System in Kosovo in line with EU requirements, including market surveillance and consumer protection.	<ul style="list-style-type: none"> - Substantial progress in the alignment process of Kosovo's legislation with the EU acquis. - Efficient market surveillance department. - Efficient consumer protection 	<ul style="list-style-type: none"> - Primary and secondary legislation passed. - Number of market inspections produced. - Number of consumer complaints 		<p>Activities in line with Kosovo Strategic & Development priorities.</p> <p>Co-financing from Kosovo is forthcoming.</p> <p>The domestic politics does</p>

	Office.	filed.	not undermine/interfere in the legislative process.
Results	Objectively verifiable indicators (OVI)	Sources of Verification	Assumptions
<p>1. Conformity assessment procedures adopted in accordance with the requirements of the EU directives.</p> <p>2. EU Standards adopted in market areas which lack standardisation.</p> <p>3. Conformity assessment bodies operating in the domestic markets.</p> <p>4. Modern and functional Laboratories of Metrology in place</p> <p>5. Increased awareness of the importance of standards and accreditations among Kosovo producers.</p> <p>6. Support to Market Surveillance and Consumer Protection.</p> <p>7. Professionally trained inspectors with the methods, and procedures of market surveillance in accordance with the best practices of EU.</p> <p>8. A functioning database for products being circulated on the domestic market.</p> <p>9. Increased awareness of consumers on products consumed.</p>	<p>EU Directives transposed.</p> <p>Most of the market is covered by EU Standard.</p> <p>Number of accredited bodies increased.</p> <p>Number of civil servants trained.</p> <p>Laboratories capable of performing its tasks.</p> <p>More domestic products compliant with standards and accredited.</p> <p>Enhanced capacity of inspectors.</p> <p>The database being in accordance to the other regional countries.</p> <p>Increased Number of consumer compliances.</p>	<p>Project Reports.</p> <p>Commission Progress Report.</p> <p>Kosovo Trade Balance.</p> <p>Reports on Statistics.</p>	<p>Stakeholders and beneficiaries involved during implementation of the project to be fully committed.</p> <p>GoK takes into account lessons learned from past experience in addressing the problems.</p> <p>Reliable statistical data available.</p> <p>Sufficient absorption capacity.</p>
Activities to achieve results	Means / contracts	Costs	Assumptions
<p>COMPONENT 1 – Support the Enhancement of Quality Infrastructure</p> <p>a. Technical assistance in alignment to EU <i>acquis</i> referring to conformity assessment.</p> <p>B. Organizing trainings aiming to build the capacity for the</p>	1 Service contract.	<p>€2.5 million (IPA).</p> <p>€ 0.5 million parallel co-financing of the government .</p>	<p>Commitment of the government, involved authorities and stakeholders;</p> <p>Kosovo continues its open</p>

<p>Department of Industry</p> <p>c. Organizing trainings for the staff of the department of metrology.</p> <p>d. Trainings for the staff of Standardization Agency in using the editing devices and teaching on getting access to the international databases.</p> <p>e. Editing device for the publication of Kosovo Standards.</p> <p>f. Organizing trainings for the staff of the Accreditation Directorate.</p> <p>g. Awareness Campaign on the importance of Standards and Accreditation.</p> <p>COMPONENT 2 – Market Surveillance and Consumer Protection</p> <p>a. Software/database for registering the hazardous products being active in the market, this will help the development of rapid alert system for dangerous products (which will precede the creation of RAPEX system being determined to be developed by the Law on Products Safety).</p> <p>b. Organizing of trainings for market inspectors in applying of prescribed measures during the inspection of products that circulate in the domestic market.</p> <p>c. Development of instruction guidelines for market inspectors (which will be used during inspections in this field).</p> <p>d. Training for the staff working as advisors on consumer protection.</p> <p>e. Consumer Awareness Campaigns.</p>			<p>policy and move to integration;</p> <p>The MTI participates actively as a partner to the project and interlocutor with other trade institutions;</p> <p>Low Staff turnover.</p>
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ANNEX 2: Description of Institutional Framework

Within the MTI, the institutions taking part in the project are as follows: those reporting to the General Secretary being the Department of Industry, the Office of Consumer Protection, the Office of Market Surveillance, and the others reporting to the Minister being The Directorate of Accreditation, the Agency of Standardization and the Directorate of Metrology. Important role among others will play the Executive Commission on European Integration with the concentration on Internal Market and Competition.

ANNEX 3: Reference list of relevant laws and regulations only where relevant

- a) Law on Accreditation no. 04/L-007,
- b) Law on Internal Market no. 04/L-005,
- c) Law on Product Safety no. 04-L-078,
- d) Law on Market Surveillance no. 03-L-181,
- e) Law on Metrology no. 03-L-203,
- f) Law on Technical Requests of Products and Conformity Assessment no. 04/L-039.

ANNEX 4: Details per EU funded contract (*) where applicable:

A Service contract for €2.5 million for a period of 24 months.

ANNEX 5: Project visibility activities

The European Union Office in Kosovo has developed clear visibility guidelines and ensures that all projects which are implemented in Kosovo are fully in line with these guidelines. Project visibility is also clearly stipulated in all contractual documents whereby the contractors/implementers are obliged to adhere to all EU visibility requirements.

Awareness campaigns are included within the project activities. Visibility materials will be produced (brochure, leaflets, newsletters).