

B&H forest inventory

National Forest Inventory – A Prerequisite for Sustainable Management of this Important Natural Resource in B&H

The Governments of both B&H Entities have requested that the Faculties of Forestry in Sarajevo and Banja Luka respectively develop a methodology for conducting a B&H forest inventory. The World Bank is supporting this project and USAID CCA is assisting with the first-stage pilot project which involves remote sensing and interpretation of the satellite images of the forest terrain.

The first National Forest Inventory in B&H was conducted between 1964 and 1968 with the then standard model for conducting an inventory – fieldwork and surveys. Since then, portions of the inventory have been updated from time to time. During the war, the forests suffered uncontrolled harvesting and huge damage, making the need for a new inventory inevitable.

The State Forest Inventory (SFI) is an important component of the Action Plan for Combating Illegal Activities in the forestry industry, which was adopted by the Governments of both B&H Entities. The inventory will be an important prerequisite in determining the annual allowable cut and a powerful tool in forest management and in increasing the transparency of the operations in the forestry sector. These improvements are critical for the economic development and sustainable management of such an important resource as B&H forests.

The inventory process includes the identification of forest and non-forest areas, forest



Modern technologies in forestry

boundaries, a statistical sampling of timber, analysis of forest composition, and of various ecological features.

The activities and objectives of the inventory project include:

- Identification of a reasonably priced computer based model for assessing the size and boundaries of forest areas;
- Categorization and assessment of forest composition based on high resolution satellite photographs;
- Ensuring the ability to track changes in forest size and structure; and
- Compatibility with European standards for inventory harmonization, as well as comparison with data provided by UNECE/FAO FRA.

The inventory project directly supports efforts to improve the forestry industry both institutionally and economically. The project will foster improvements in forest management and in sustainable utilization and protection of forests. The ultimate goal of these improvements is to establish autonomous, financially independent and profitable businesses.

Three forest management units receive international certification

Three forest management units in B&H, one within the Sarajevo šume FMC, one in the Šume RS (FMU - Han Pijesak) and one in Šumarstvo Kupres FMC have been successfully certified according to FSC (Forestry Stewardship Council) generic standards. The first two units received official certificates from the FSC Committee in September of this year. The FMU Kupres successfully underwent a general external audit conducted by the FSC accredited Certification Company ICILA of Padova. The official certification is expected in November.

To be certified, a forest management unit must comply with the 10 principles and 56 criteria of the FSC. A unit must observe all applicable laws, including respect for the rights of citizens and workers. The unit must operate according to environmental and social standards which preserve the forests' biodiversity and ecology, and ensure that forests are harvested only in accordance with long-term management plans with clearly defined objectives that support the ecological sustainability of the forests. All three of the certified units have been obliged to correct

some minor management shortfalls within clearly set deadlines, in order to maintain their certificates.

These initial, successful international certifications of BiH forest management units have set a new goal for other units in B&H, motivating them to also initiate procedures to comply with international standards and eventually win certificates.



FSC certificate needed for exports



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Export promotion conference and b2b meetings of B&H wood processors and export agents

The first Conference on export promotion for the B&H wood processing sector will be held on November 16 – 17, 2006 in Sarajevo. The two-day conference is part of a comprehensive project to create and connect agent and trade networks in the EU and other regions with local companies involved in wood processing and furniture production. The goal is to increase exports of domestic products to selected west European markets. An article on the establishment of the agent network was published in the previous edition of LIST. (See page 2 for an article on the Conference)

Export promotion conference

The first Conference on export promotion for the B&H wood processing sector

Representatives of 35 local wood processors and approximately 15 agents or traders from the EU target markets have confirmed their participation in the first B&H Conference on exporting for the wood processing sector. Other stakeholders in the B&H wood processing and forestry national cluster are also expected to attend. The Conference will benefit individual companies and the cluster as a whole by stimulating direct export growth, and will foster the long term strategic goal to develop new export markets.

The central focus of the conference will be individual meetings between agents/traders and local wood processors to define tangible business deals. Prior to these meetings, the European guests will hear about the potential of the B&H wood processing and furniture manufacturing sectors, and subsequently the agents/traders will give a presentation on potential models for successful exporting.

B&H wood processing and forestry Cluster has been engaged in extensive preparations for the Conference well in advance on identification of appropriate agents and traders. The Cluster's Marketing Working Group held several preparatory meetings. The Cluster Secretariat (USAID CCA) assisted by Strik Consulting in charge of organization, developed questionnaires for local companies, and based on the results of the questionnaires, B&H producers with the largest export potential were invited to participate. Profiles of successful agents and traders in certain areas were developed for the B&H producers to review so they can obtain the best possible matches for their meetings.

Benchmarking project – improving forest management through the benchmarking process

The entire wood processing and forestry cluster in BiH has a strong interest in well-managed forests, as they want to secure and enhance the growth stock in a sustainable manner, and ensure that raw material is available in adequate quantity and at fair prices. Well managed forests are essential for increasing the competitiveness of the wood processing sector.

The ultimate goal is to improve operations of the Cantonal Forest Management Companies (FMC's) in line with an internationally recognized scheme, in this case - FSC (Forest Stewardship Council).

Certification of the Forest Management Companies (FCM) is a good framework for improving forestry industry through the process of benchmarking which is in essence – improving by comparing. In simple words, Benchmarking involves the comparison of FMC's specific management practices with similar organizations and in learning lessons from this comparison. The goal of the project is for FMCs to identify areas of their own performance with the greatest need for improvement, and to prioritize actions to achieve these improvements.

The USAID CCA project, which supports the wood processing and forestry cluster, is initiating a project to benchmark B&H Cantonal FMC's (CFMC's) against the standards similar to those for international forest certification. This project will allow BiH CFMC's to compare their sustainable forestry performance against best practices in other CFMC's, and ultimately assist in efforts to obtain international certification.

This project will be facilitated by a team of local experts supported by an international consultant.

The project will be launched at a seminar in December for representatives from FMCs, forestry regulators, selected wood processing companies and other interested parties.

Technical guide for wood product exports

CCA has supported the publication of a Technical Guide for Wood Products Exporters in an effort to support wood processors in meeting the required quality standards. The objective of this Guide is to assist B&H wood processors in understanding international product quality and safety requirements. This document explains the requirements and necessary preparation to acquire Quality Management System (QMS) certification in accordance with international standards. A QMS certificate, e.g. in accordance with ISO 9001:2000 standard strengthens the exporting position of a company. The Guide lists the quality standards that are applicable in the EU (ISO and EN), and that are related to the wood processing sector, categorized in two sub-sectors according to NACE classification. The Guide was published in print (350 copies) and on 250 CDs, and it is being distributed to Cluster members at working group meetings.



Continuously improve forest management

New law amending the RS law on forests adopted

The RS National Assembly, at its session on August 30, 2006 adopted a Law amending the Law on Forests. Passage of this legislation will allow institutional restructuring of the forestry industry in the RS in accordance with a concept proposed by CCA. This reform separates the roles of titleholder and forest manager. The RS Ministry of Agriculture, Water Management and Forestry, acting in the capacity of title holder of RS forests will now establish a contract with the Forest Management Company JP Šume RS. Implementation of the contract will be supervised by the RS Government, and in accordance with the Law on Enterprises and the Law on Public Enterprises, management of the contract will be the responsibility of the Ministry of Economy, Energy and Development of RS.

Promotional catalogues of B&H wood processors

WP& Forestry Cluster, supported by USAID CCA and organized by Federal CoC has provided tangible marketing tool to wood processors with the publication of the second edition of a catalog of 25 B&H wood processing and furniture manufacturing companies. The companies can now use the catalog to promote their business. along with first, already published catalogue for 13 companies. Additional catalogues will be published in groups of five companies, each. The goal of this activity, which is included in the Marketing Working Group action plan, is to improve promotion and increase sales, particularly exports of the B&H wood processing sector to the EU markets.

USAID CCA has also supported the EC-funded project, "Comets", implemented by the REZ Agency that involves the development of websites for 13 companies and promotional catalogues for 12 companies from Central Bosnia. This project will also support the visit of an Austrian trade delegation to improve business cooperation between B&H and Austrian companies.

Ambienta – joint exhibition of B&H furniture producers

B&H companies had the largest exhibition (at 800 m²) at the International Furniture Fair AMBIENTA 2006 in Croatia.

With the support of USAID CCA, twenty two wood processors and furniture producers from B&H exhibited at the 33rd international furniture fair, "Ambienta 2006" held October 11 – 15, 2006 in Zagreb, Croatia.

In addition to the provision of direct support, CCA in cooperation with the regional Chamber of Commerce from Tuzla supported B&H companies in stand design and furniture selection in preparation for their joint exhibition. The following companies exhibited at the Fair: "Konjuh" dd, Živinice, DI "Janj" dd, Donji Vakuf, "Duka - Bosna" doo, Brčko Distrikt, "Wood Magnat" doo, Kalesija, "Salkanović" doo, Odžak, "Namještaj" dd, Gradačac, "Sinkrona" doo, Sarajevo, "Arting-gradnja" doo, Lukavac, "Sinkromo" doo, Mostar, "SKM Glass" doo, Živinice, "Jafa Jasa 4" doo, Srebrić and "Divan" doo, Vitez.

Support was also provided to the first international exhibition of the newly established "Beyler" micro-cluster, consisting of eight B&H wood processors and furniture producers that cooperate in the production of an integrated range of products. The "Beyler" micro-cluster was originally developed to provide comprehensive products offer and assist businesses in penetrating the middle and value added markets.

The "Ambienta" Fair is one of the most significant furniture events in Central and Eastern Europe. This is the second year that CCA has worked with B&H companies' to develop their exhibition. Both the exhibition and the entire B&H presentation were well received, and were acknowledged with a special award by the organizers.

In addition to exhibiting at the Fair, B&H participants attended several important round tables, including one entitled "Southeastern Europe Wood Industry Cooperation" and another on "European Union – Challenges and Perspectives for Wood Processing Industry". Representatives of the B&H WP&F Cluster also met with their counterparts in the Croatian wood cluster.

The central event for B&H wood processors, "Days of B&H" was held on the third day of the Fair. It was hosted by the B&H Embassy in the Republic of Croatia, with participation of the B&H Ambassador, the President of the B&H Foreign Trade Chamber, the Director of USAID CCA and the Deputy Minister of Agriculture, Forestry and Water Management of the Republic of Croatia. The event was well attended and provided an opportunity for both foreign and local guests to gain insight into the latest achievements of the B&H furniture and wood products industry.

Calendar Event

Wood Processing and Forestry

November, 16 -17, 2006 - Two-day conference and B2B gathering of B&H wood processing companies with sales agents and traders representing the European market

November 21-25, 2006 - MEBEL 2006 Furniture Fair, Moscow, Russia

November 23-26, 2006 - ZOW Sub-suppliers of Furniture Industry Fair, Moscow, Russia

November 13 -19, 2006 - Trade Fair of Furniture, Interior Decorations and Machines and Tools for Wood Processing, Belgrade, Serbia

December 22, 2006 - B&H (National) Cluster Conference



Joint booth of B-H woodprocessors



US Ambassador reviews new Konjuh products

Production innovation at the "KONJUH" factory

The "Konjuh d.d." furniture factory has invested significant funds (KM 500,000) in a new production line for solid wood boards. These boards will be used in the manufacture of tables, solid wood doors and similar products. The boards will consist of material that previously has been used only as fuel wood for firing the factory power plant. Length-wise sawn beech, usually regarded as residue will now be put to a more productive use. Equipment for the new line was purchased from several foreign suppliers (Weinig, Spanevello, Orma and others) and will create a unique manufacturing line with a capacity of 5 m³ per day per shift or 3.750 m³ boards annually. Manufacture of the boards should be profitable for the firm as EU market demand is high and expected to grow in the future.

EKOBIS 2006 – joint exhibition of Una-Sana canton forestry and wood processing cluster

The Una-Sana Canton Chamber of Commerce organized the 4th International Fair, "EcoBis – Festival of Healthy Life" –in Bihać from September 07-10, 2006. The fair marked an increase in the number of exhibitors and visitors from the country and abroad. 260 participants from B&H, Croatia, Serbia, Slovenia, Austria, Germany and Slovakia presented their products, activities and achievements. Representatives from the branch offices of producers from Italy, Finland and Israel also attended. With USAID CCA support, 12 members of the forestry and wood processing cluster presented their products at a joint exhibition area especially designed for this occasion. At the Fair, meetings were held on the importance of further development of the forestry and wood industry, one of the most important industries in the Una-Sana Canton. Also discussed were further development of the cluster structure and the experiences of cluster members in increasing competitiveness and in forest protection.

U.S. Ambassador to B&H visits “KONJUH” factory

The U.S. Ambassador to B&H, H.E. Douglas McElhaney visited the “Konjuh d.d.” factory of Živinice, B&H’s largest private furniture producer. The firm employs 1,150 workers and exports over 60% of its production to demanding West European markets.

The Ambassador was received by the Director General of “Konjuh”, Mr. Eldin Brčanić who escorted the Ambassador through the factory to view workers producing tables and other solid wood products. They also visited the newly designed retail shop. After the tour, Ambassador McElhaney spent some time talking to the factory’s management about the firm’s designs and their concerns with business financing and entrance into export markets. The Ambassador reaffirmed U.S. support to the development of private industry in B&H as an important component in generating new jobs. Director Brčanić thanked the Ambassador for U.S. support which as far back as 1998 (through the USAID BDP program) had recognized the “Konjuh” factory by providing a large loan for production which the firm repaid on time. He also stressed the importance of the current CCA Project which tackles key problems through the cluster approach.

B&H wood industry leaders opinion survey

Earlier this year, CCA contracted with Prism Research to conduct a survey among wood processing businesses in Bosnia and Herzegovina. The purpose of the survey was to obtain an overview of the industry, to determine the business outlook of owners and managers, and to assess the level of interest in improving business and operations strategies. Stratified random sampling was used to select 200 companies from throughout B&H from a database of wood processing companies developed by GTZ in September 2005. An additional 42 firms identified for their export potential were added to the sample.

The key business goals most companies hoped to achieve were to increase domestic and export sales the existing products. The goals that were of the lowest priority were to develop new products for export markets and to acquire new equipment. Major challenges identified by those surveyed include access to new international markets and to increase sales in both domestic and foreign markets. Considered as less important challenges was development of business plans and training workers in required skills. A large majority of surveyed companies were highly interested in acquiring additional assistance with exports (85%) or with attracting investments (87%).

Among the key business goals, ranked at the top was the increase in sales of the existing products, while achieving profitability was seen by the surveyed companies as a less important goal. Out of the 42 companies surveyed which are more export oriented, 31 of those currently export. They ranked the increase in current exports and domestic products as the most important goals, and development of new domestic products as the least important goal. Profitability was ranked in the middle. Increasing export volume and entering new markets were ranked as the biggest strategic challenges.

Survey results suggested that larger companies would most benefit from USAID CCA support in promoting export growth, while smaller companies could benefit from support that includes education and assistance in:

- o Preparation for quality management certification,
- o Business planning and strategy development,
- o Development of new products, and
- o Competitive pricing.



Situation in forestry is better than its image

LIST OF REPORTS

- EU Furniture Market Study - August 2006
- Wood Products – Annual Consumer Opinion Survey – August 2006
- Forestry and Wood Sector Review (Steve Dennison) – September 2006
- Technical Guide for Wood Products Exporters

USAID Cluster Competitiveness Activity

Production of List, the B&H WP&F cluster newsletter is supported by the USAID Cluster Competitiveness Activity (CCA). Editorial board of this newsletter represents cluster stakeholders. CCA is a four-year program (2004-2008) to support economic growth in B&H by advancing the business success of two of country’s important sectors, wood processing and tourism. CCA functions as the “Institute for Collaboration” (IFC) for these clusters. In wood processing and forestry, it has taken the initiative to bring together stakeholders from the Central Bosnia & Herzegovina and the Una-Sana Canton regions, and to facilitate the formation of working groups to deal with key competitiveness challenges. CCA provides support to many joint action initiatives that improve B&H wood products and expand markets. All of CCA’s activities are on behalf of the Cluster. Eventually, CCA will pass its responsibilities on to a local institution that will become Cluster’s permanent IFC. The project’s headquarters is in Sarajevo.

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