

Development of Wood Processing and Forestry Strategy



Multiple Importance of Forest

Cluster stakeholders, also members of BiH Foreign Trade Chamber met on June 26 to follow the final presentation of Investment Study in BiH Wood sector. Apart from this topic other related issues were discussed. Lack of State and entity level Forestry Policies/Strategies was identified as a major shortcoming. This often leads to tension between wood processors and foresters as the latter try to balance demands for market-based timber contracting and distribution methods with social and national needs. Those quandaries and conflicts can only be resolved within a consistent development policy framework for the forestry and wood processing sector. Such

a policy framework would clearly define social and economic objectives based on the exploitation of forests as vital national resources.

The Chambers of Commerce (Foreign Trade Chamber and PGK FBiH) will urge the state and entity governments and parliaments to pass a forestry development strategy. Besides their importance for wood processing and furniture industry development, forests are important for environmental protection, water management, recreation and tourism development. Those various interests need to be harmonized within the same strategy

Forestry Management Benchmarking Project Commenced

The BiH Wood Processing and Forestry cluster formally started a long-awaited project on the benchmarking process in forestry management. The first workshop on July 6 gathered representatives of four forest management companies from two regional WP&F clusters: Una Sana Šume, ŠPD Ze-Do Canton, Šume Srednje Bosne and Sarajevo Šume, along with USAID CCA, at the Forestry

Faculty in Sarajevo. The workshop included a valuable contribution by an international expert experienced in Forestry Benchmarking. The project will set measurable performance standards for FMCs, organized in various work areas, and will encourage sharing of expertise among participants. The project is expected to improve general business administration performance, including sales



First Workshop on Benchmarking Project



LIST

Wood Processing and Forestry Cluster in B&H – Newsletter

Volume 6 - July 2007

and marketing, financial, and human resources management, as well as help lead to forest certification through improved performance in sustainable forest resources management.

This general, the first of three that are planned, focused on the overall Benchmarking Analysis Framework. Participants reached consensus on work organization, confidential sharing of data and project implementation steps. Much work will also take place within the individual FMCs. The project takes place over approximately five months.

Benchmarking is a method of performance improvement by comparing Key Performance Indicators of peer organizations and learning from the best performer in every category.

Presenting a Successful Company: BOR, Bihać

BOR from Bihać is a family-led company and run by Hasan Mujnovic and his two sons, Jasmin and Enes. They started their business in 1989 making wood articles manually, from which they have grown into a strong SME wood processor producing joinery, staircases, and interior elements. The company owns business and manufacturing premises of 1,400 m², equipped with contemporary machines. It uses new technology for coating and painting that is environmental friendly and biodegradable. Doors and windows are made of EURO profile, with high quality sawn wood dried by the vacuum method. BOR has developed a new product, a new type of window, expected to hit the market in September 2007. In 2006 the company received ISO 9001:2000 quality management certification. The company's slogan is: "From nature to home comfort".

BOR currently employs 12 workers. It sells domestically to longstanding customers, and has exported limited quantities to Austria and Croatia. This year it is preparing for much larger international business, primarily with Italy and Germany, based on a long-term contract on business and technical cooperation made with and an Italian partner. First deliveries are planned for October 2007.

BOR collaborates with wood business partners in training workers, to address the challenge of a lack of qualified labor in modern wood processing techniques. Future plans include increased exports, introduction of CNC-based technologies, increasing production capacities and employment.



Attractive door produced by BOR, Bihać

FBiH Chamber of Commerce Success at World Chambers Congress

The fifth Congress of Chambers of Commerce was held in Istanbul from June 4-8, with a record 1600 delegates from 118 countries. The congress featured a competition for chamber-sponsored projects. The FBiH CoC presented a project "With New Design toward World Markets" in the category "Best Unconventional Projects for SMEs". BiH won second place.

This project was a result of cluster-support work of USAID CCA and the FBiH CoC during 2005-6. The project consisted of on-the-job training and practical work for industrial design students from the Art Academy Sarajevo in the several BiH wood processing companies, all of whom are BiH WP&F cluster members: Nord Ent-Tešanj, Konjuh-Živinice, HMM-Gradačac, and FIS-Vitez. Students designed new products, constructed new models and gained practical experience in both production and marketing, and producers were introduced to creative work and design methods. Conference attendance was also supported by GTZ and the BiH Foreign Trade Chamber.

LIST Survey Results

Aiming to improve the bulletin's content, the fifth issue contained a questionnaire. The survey response rate was good and the survey results are the following: 73% of respondents answered they were receiving the bulletin on the regular basis. 70% said LIST was good, 27% evaluated it as very good. 97% of respondents said that information published in LIST were useful. Majority of them (80%) answered that quarterly publishing was sufficient and the remaining 20% thinks LIST should be published more often.

There were numerous suggestions and proposals for further development of the bulletin and they predominately relate to Cluster activities, the BiH wood processing and forestry sectors, legislation, world trends in production, marketing, wood processing technology, as well as proposals to increase the number of pages and format. The LIST Editorial Board will consider these results and make efforts to improve and expand topics and texts according to the results of survey.

CLUSTER DEVELOPMENT ACTIVITIES

Meeting Between Representatives of the USK Government and USAID CCA

Beginning of July this year, USAID CCA representatives met with newly elected ministers of Una Sana Canton. They introduced Rasima Bobić, Minister of Agriculture, Forestry and Water Resources Management and Mehmed Čenanović, Minister of Economy with the achievements, current issues, and future activities of the USK WP&F Regional Cluster. They emphasized the need for a more favorable business environment for value-added wood processors. Government representatives agreed to support the cantonal QMS Fund and its expansion to help companies obtain CE marking, since recent EU directives anticipate that after September 2007, certain wood products cannot be placed on the EU market without CE marking.

The ministers expressed readiness help address the issue of improving wood processors' access to capital by proposing to the Cantonal Assembly that value-added wood processors be granted access to cantonal industry development funds under existing terms for agricultural sector and food industry firms.

Training on Better Exploitation of Round Wood

Training on the exploitation of basic raw material was held on the 26th of April in Bosanska Krupa. This training logically followed an earlier workshop on classifying wood assortments (see LIST Volume 5), supported by USAID CCA in partnership with the USK Chamber of Commerce. Nedim Škaljić, MA in mechanical engineering and assistant lecturer at the Sarajevo Faculty of Mechanical Engineering presented to participants methods of improving roundwood utilization, and simulations of wood cutting. Nedim Kolašinac, Director of Lignopro from Sarajevo, informed on contemporary construction options and technologies for solid wood tailoring. The training was highly rated by USK wood processors, and may be presented again in CBH.



Seminar in Bosanska Krupa

BiH WOOD SECTOR SUMMARY STATISTICS

Levels						
		2004	2005	2006	YTD	
					Jun-06	Jun-07
WOOD PRODUCTS						
Exports	KM MM					
Primary Wood Products		377	373	459	195	238
Value-Added Wood Products (furniture)		150	160	203	94	126
Total Exports		527	533	661	289	364
Growth Rates						
WOOD PRODUCTS					Jun-06	Jun-07
Exports						
Primary Wood Products			-0.7%	22.8%		21.9%
Value-Added Wood Products (furniture)			6.5%	26.8%		34.0%
Total Exports			1.4%	24.0%		25.9%

Visit to the Ligna 07 Fair in Hanover

At the initiative of the CBH cluster technology working group, and with the support of USAID CCA and the University of Bern, Switzerland, a visit to the LIGNA 07 Wood Processing Equipment and Technology Fair in Hanover, Germany was organized over May 15-17, 2007. This biennial fair is the Europe's largest in this field.

The BiH delegation consisted of representatives of wood processing companies and forest management companies participating in regional cluster activities. The visit will help producers adopt modern and competitive technologies in the next investment cycle, to replace the outworn and inefficient equipment of past generations.

Major trends observed at the fair included complete utilization of wood mass, including all forest and industrial waste, electronic and laser techniques to optimize log cutting, CNC and robotic technologies in wood processing, and mobilization of forest and industrial resources in energy generation, including pellet production.

Entrepreneurs' Appeal: Lift Import Duty on Inputs to Production

The still-unsatisfactory competitiveness of BiH wood processors on foreign markets is a regular topic at regional clusters working group meetings. One of the problems is high duties and tax incidence, especially on the import of production inputs not available in BiH.

BiH WP&F Cluster and the Wood Industry Group within the BiH Foreign Trade Chamber launched an initiative to decrease these customs tariffs. A concrete proposal was made on May 5 to the BiH Ministry of Foreign Trade. The proposal also requests measures to discourage the export of logs and timber, to discourage imports of secondhand and low-quality furniture and joinery consistent with EU guidelines, and to encourage investment in BiH production of chipboard and MDF board.

The BiH Foreign Investors Council has also called in its 2007 White Paper for the elimination of tariffs on imported inputs to production, citing the wood processing industry.

BiH Representatives Present at Milan "Salone Satellite"

Recognizing the importance of industrial design, the BiH WP&F cluster supports design educational institutions and the exhibition of BiH wood products designs at international venues. One of the most important world exhibitions, Salone Satellite, which was held in Milan in April for the 10th time, is a place where young designers can show their creativity. With the support of USAID CCA and other sponsors, BiH was represented at this fair by the young designer Jasna Mujkić. She presented a prototype of an upholstered armchair which can be converted into a standard chair by means of eight joints. The prototype was produced by HMM, Gradačac, a wood cluster company, and MAS INOX. Ms. Mujkić was one of nine designers from Central and East Europe, from a total of 2000 participants. Her selection is mark of progress in BiH furniture design.

Calendar of Activities

06th - 09th September 2007 - The 5th International EKO BIS Fair, Bihac (tourism, ecology, organic food, wood processing and industry.)

16th - 21st October 2007 - Ambients, the 34th International Furniture, Interior, and Accessories Fair Zagreb, Hrvatska

24th -28th October 2007 – Saso 2007, the 12th International specialized fair (construction, wood industry, tools, machines, equipment, machines, craftwork and small economy) Split, Croatia

USK Regional Cluster Representatives at "Trilateral" Meeting in Pula

Trilateral business meetings of entrepreneurs from Una-Sana Canton, from Croatia's Istria canton, and from Italy's Veneto region were held in Pula on May 25. This grew out of a Business Cooperation Agreement signed between the Chambers of Commerce of USK and the Pula Region, covering the metal and furniture industries. In cooperation with Centro Estero Veneto from Italy, the meetings encouraged concrete business networking. The BiH WP&F cluster hosted a booth and distributed Cluster and product information.

Six BiH wood processors attended bilateral and trilateral business-to-business meetings, with good results. Follow-on meetings of trilateral representatives are planned at the 2007 EKOBIS Fair in Bihać, and again next year in Pula.



Plenary Session of Trilateral Meeting

World Bank Forest Development & Conservation Project to Continue

The first FDCP is now in its final months. The project has covered three major areas: (i) implementation of new legal, institutional and economic frameworks for forestry governance; (ii) strengthening technical capacities for sustainable forest management through information systems development; and (iii) protection of biodiversity and forest preservation. Significant funding was devoted to the pilot first phase of the State Forest Inventory carried out in north-west BiH.

Based on a positive assessment of the results of the first FDCP, on June 10 the World Bank approved a follow-on project in the amount of US \$ 3.35 million. FDCP II will continue to assist in the implementation of reforms for sustainable forest management in BiH.

SME Grants Tender

FBiH Ministry of Development, Entrepreneurship and Craft published a tender to select potential beneficiaries of a new fund to promote SME development. Project categories for financing are: business environment, economic development, and eco-social market economy. The competition was open from June 13 – July 13. Based on the defined criteria for candidate selection, the Ministry will soon sign contracts to allocate the funds. After presentations in Zenica and Bihac, several BiH WP&F cluster members submitted applications.

“Rukotvorine” (Hand-made products) opens New Sale and Exhibition Space

On the occasion of celebration of the 80th anniversary of their founding, Rukotvorine from Konjic opened a new exhibition and sale premises as well as new production capacity on June 1. U.S. Ambassador Douglas McElhane and the Konjic Mayor Emir Bubalo opened the exhibition. Rukotvorine, following centuries-long Bosnian handicraft traditions, is expanding its products' selection. Traditional furniture based on hand-carved elements will be complemented by modern designs using special wood species. The new investment will enable employment of an additional 25 workers. Cluster representatives, USAID CCA, and other Beyler micro-cluster members attended the event.



Guests at New Sale and Exhibition Space Opening Ceremony

USAID Cluster Competitiveness Activity

“LIST” is the Newsletter of the B&H Wood Processing and Forestry Cluster. Its production is supported by USAID Cluster Competitiveness Activity (CCA).

CCA is a four-year program to support economic growth in B&H in the two strategic sectors: wood processing & forestry, and tourism. CCA functions as the cluster's secretariat and provides support to and co-finances joint activities that improve competitiveness of cluster members both in local and export markets. This is a quarterly newsletter produced by an Editorial Board which consists of five members from the two regional B&H clusters. Operational tasks on publishing this newsletter are carried out by the Wood Processing and Forestry Team of CCA. Contributions to “LIST” to be sent to: Hamdije Kreševljakovića 19/N, Sarajevo, fax: +387 (0)33 202 972 or Kralja Petra I Karađorđevića 109, Banja Luka, fax +387 (0)51 218 390. Contact telephone in Sarajevo: +387 (0)33 205 590 or Banja Luka: + 387 (0)51 218 814.

www.usaidcca.ba

Supported by:



Regional Cluster Activities

CBH

Forestry and Raw Material Distribution WG

Insufficient quantities of raw material for wood processors' needs stimulated CBH wood processors to establish a subgroup to work with the FMC in designing criteria for roundwood allocation. The subgroup held three meetings in June and July where they defined both general and special criteria for distribution. CBH firms and institutions interested in improving the existing system of raw material distribution are participating in the work of this subgroup.

Marketing WG

At a meeting held on July 17 in Zenica, the working group considered the following upcoming fairs for cluster attendance: EkoBis - Bihać, Ambienta - Zagreb and Saso - Split. Significant marketing projects were presented, including progress in developing an Internet portal for the BiH wood industry, and initiatives in linking to Italian partners. Jasna Mujkić and Kenan Zekić, young industrial designers, gave interesting presentations.

Support to Cluster Members to Export

The REZ Agency, with the support of USAID CCA, commenced implementation of a second project to encourage CBH wood products exports. The support involves helping firms design marketing profiles, bilingual web pages, and product directories. The program also includes helping link local producers with foreign partners.

USK

Improving Contract Terms for Raw Material Supply

The USK cluster Raw Material Supply WG appointed a committee whose task is to propose improvements in the standard sales contract between the USK FMC and wood processors. Members have studied contract terms being applied in the RS and Croatia.

BiH Wood Processing Web Portal

In order to help growth of BiH wood products exports, USAID CCA and GTZ supported, the development of BiH wood processing industry web portal. Following extensive preparations, it is expected that Portal will become operational by the end of 2007.