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**USAID-SIDA FOSTERING
INTERVENTIONS FOR RAPID MARKET
ADVANCEMENT (USAID-SIDA FIRMA)
PROJECT
FINAL REPORT**

July 25, 2015

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FINAL REPORT

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Acronyms

| | |
|-----------|---|
| A2F | Access to Finance |
| AH&LEI | American Hotel and Leisure Education Institute |
| APOSO | Agency for Pre-Primary, Primary and Secondary Education |
| ATA | Adventure Tourism Association |
| ATGRS | Association of Tourist Guides of Republika Srpska |
| ATTA | Adventure Travel Trade Association |
| AZPROMO | Azerbaijan Investment and Export Promotion Agency |
| B&H | Bosnia and Herzegovina |
| B2B | Business to Business |
| BAM | Bosnian Konvertible Mark |
| BAS | B&H Standards Organization |
| BICs | Business Innovation Centers |
| CEO | Chief Executive Officer |
| CNC | Computerized Numerical Control |
| CRS | Catholic Relief Services |
| DB | Designated Beneficiaries |
| DCA | Development Credit Authority |
| DM | Destination Management |
| EBN | European Business & Innovation Center Network |
| EBRD | European Bank for Reconstruction and Development |
| BAS | Business Advisory Services |
| EU | European Union |
| FARMA | Fostering Agriculture Markets Activity |
| FEM | Finite Element Methods |
| FIRMA | Fostering Interventions for Rapid Market Advancement |
| VTK (FTC) | Foreign Trade Chamber |
| GDF | Green Design Festival |
| GDP | Gross Domestic Product |
| ICBL | Innovation Centre Banja Luka |
| IIW | International Institute of Welding |
| INDEX | International Design Exhibition 2014 |
| ITA | Indirect Taxation Administration |
| IWE | International Welding Engineers |
| IWT | International Welding Technologists |
| JAFC | Joint Annual Forestry Conference |
| JICA | Japanese International Cooperation Agency |
| KM | Konvertibilna Marka |
| LabMFT | Laboratory for Metal Forming Technology |

| | |
|--------|--|
| MOFTER | Ministry of Foreign Trade and Economic Relations |
| MoU | Memorandum of Understanding |
| NDT | Non-Destructive Testing |
| ORSM | Outdoor Retailers Summer Market |
| PLOD | Center for Promotion of Local Development RAUSK |
| PMIs | Performance Measurement Indicators |
| PMP | Performance Management Plan |
| QBFC | Qualified Business Finance Consultant |
| QTC | Qualified Technical Consultants |
| QTF | Quality Trade Funds |
| R&D | Research and Development |
| RAUSK | Development Agency of Una-Sana Canton |
| RCI | Tourism Strategy Group |
| REZ | Central Bosnia Regional Development Agency |
| ROI | Return on Investment |
| RP | Rapid Prototyping |
| SEE | South Eastern Europe |
| SHM | Sarajevo Holiday Market |
| Sida | Swedish International Development Cooperation Agency |
| SME | Small and Medium Enterprises |
| STTA | Short-Term Technical Assistant |
| TC | Trout Conservancy |
| TURSAB | Turkish Association of Travel Agencies |
| TWG | Tourism Working Group |
| UK | United Kingdom |
| UNDP | United Nations Development Program |
| UNESCO | United Nations Educational, Scientific and Cultural Organization |
| UNICEF | United Nations International Children's Emergency Fund |
| UNWTO | United Nations World Trade Organization |
| UPC | University Entrepreneurial Center |
| USAID | United States Agency for International Development |
| REG | Regional Economic Growth |
| VCF | Value Chain Facilitators |
| VET | Vocational Educational & Training |
| VTK | Foreign Trade Chamber of Commerce (VTK) |
| WB | Western Balkans |
| WBGSC | Western Balkans Geotourism Regional Stewardship Council |
| WMF | Weekend Media Festival |
| WTTC | World Travel & Tourism Council |

Preface

This final report is submitted pursuant to contractual requirements under USAID-Sida's *Fostering Interventions for Rapid Market Advancement* Project ("USAID-Sida FIRMA" or "the Project") for Bosnia and Herzegovina (B&H), implemented by Cardno Emerging Markets USA, Ltd. It covers all six years of implementation from August 26, 2009 to August 25, 2014 and the 10 month extension period from August 26, 2014 to June 26, 2015.

USAID-Sida FIRMA was implemented by Cardno Emerging Markets USA, Ltd. (Arlington, VA), with consortium subcontractors SIPU International (Stockholm, Sweden), JE Austin Associates (Arlington, VA), Making Cents International (Washington, DC), Orgut Consulting (Stockholm, Sweden), and Pi Consulting (Sarajevo, B&H).

Executive Summary

Economic development is a process rather than individual event. USAID-Sida FIRMA Project made impressive strides to create an ecosystem of support for the three targeted sectors and improve business results and sustainability. The goals of USAID and the Government of Sweden for FIRMA Project were ambitious and transformational and have therefore required wide impact – in product design and quality, in ways of connecting B&H firms to the markets, expertise in workforce development, and attracting investment. Achieving such ambitious results required an equally ambitious but also efficient and strategic approach.

As USAID-Sida FIRMA represented the third generation of USAID’s enterprise development projects, it was imperative that the approach be sustainable – solidifying the building blocks and networks whereby sector actors would and could continue their growth trajectory after project completion. Building on approach developed under the USAID Cluster Competitiveness Activity (CCA), the project team continued building local capacity and implementing local solutions from the onset of the USAID-Sida FIRMA Project. In addition to localization, another hallmark of the approach includes the leveraging of funds. The USAID-Sida FIRMA team worked with other donors to decrease overlaps and multiply impact. In addition, the team has successfully persuaded local government bodies and agencies to collaborate with each other and with the Project in providing support to companies in a more efficient and transparent manner.

The activities outlined in this report illustrate the rich history of cooperation and support of the USAID and the Government of Sweden for a more competitive private sector in B&H.

1. Background and Strategic Approach

1.1. Introduction

In the past 25 years Bosnia and Herzegovina (B&H) experienced a tremendous amount of change, recovering from a brutal war which resulted in 90% unemployment and significant destruction of factories and businesses. Since the end of the war, B&H has slowly transitioned to a market economy and is on the path to EU accession which is the primary motivation driving economic, political and social reforms. However, the complex government structure and political stalemates means that reforms are occurring at a slow pace. The delay in reforms is one of the reasons why B&H has one of the lowest GDPs per capita in the region. Moreover, the largely failed privatization process did not create a thriving private sector capable of generating jobs and livelihoods. Despite the annual growth rate of 4-5% since 2000, the global recessions of 2009 and 2012 dealt a serious blow to the local economy. Currently, the private sector share of the GDP is only around 60% and the country's share of public administration remains relatively large. The task of creating jobs in B&H depends on competitive small and medium enterprises (SMEs), the driving force behind economic growth in B&H today.

With relatively limited territory and small population, B&H needs to rely on exports in part to improve its economic development. The most competitive areas within the economy are the woodprocessing, agriculture, energy, light manufacturing and tourism sectors. Wood and metal processing are traditional sectors since the Yugoslav times, employing large numbers of workers. Rich and abundant forests form the foundation for a strong wood-processing sector which represents over 25% of the country's total light manufacturing and over 10% of total manufactured goods sales. Woodprocessing contributes to over 16% of B&H goods exports and is one of the few sectors where there is a foreign trade surplus. It also accounts for around 2.3% of total employment.

The B&H metalprocessing sector grew out of the country's natural endowment of a variety of mineral resources, including iron ore, bauxite ore, and coal. The metal processing industry is the largest industrial sector in B&H when evaluated from the perspective of total production, sales, export revenue, number of employed and share of GDP. The metal processing sector accounts for about one-fourth of B&H manufacturing and over one-third of total B&H goods exports. These totals include both base metal products and fabricated metal products.

The B&H tourism industry recorded positive trends in all major growth indicators over the past ten years. According to the World Tourism Organization, B&H is defined as one of only three tourism destinations in the world with overall tourism market growth potential in excess of 10% annually through 2020. According to the World Travel & Tourism Council (WTTC) 2012 Annual Report, tourism revenue figures are much stronger compared to official figures. The total indirect contribution of Travel & Tourism was 7.4% of GDP in 2014. WTTC also estimates that Travel & Tourism generated 21,000 jobs in 2011, which amounts to 6.7% contribution to overall employment in that year alone.

In order to accelerate GDP growth and create new jobs, systemic and structured support to the wood processing, light manufacturing and tourism sectors is needed. However, many companies within the three sectors are still at a nascent stage of development, having only spent a short

period of time under a market driven economy. In order to catch up to their peers in Europe and most regional countries they need help to become more competitive.

The donor community played a key role to kick start the economy after the devastating war. United States Agency for International Development (USAID) responded by designing projects that lent hundreds of millions of dollars of capital investments to companies. This injection of funds assisted with the employment of a large portion of the workforce. At this initial phase of donor assistance, the focus was on all sectors of the economy. The second generation of projects saw donor interventions mature and focus on sectors where B&H had a comparative advantage and the potential to be competitive. During the second generation of donor programs, USAID supported the wood processing and tourism sectors. The third generation of assistance was the FIRMA project, which built on the foundations of the previous two generations of programs, with an additional focus on the light manufacturing sector.

1.2. Purpose and Scope of the USAID-Sida FIRMA Project

USAID-Sida FIRMA was a six-year, \$22.3 plus million project funded by USAID and the Government of Sweden. The purpose of the project was to support B&H enterprise competitiveness in selected value chains in the tourism, wood, and light manufacturing sectors. At the same time, the project aimed to advance B&H's ability to meet the Copenhagen Economic Criteria for accession to the European Union.

The goals of USAID and Sida for FIRMA Project were ambitious and transformational. The objective was to achieve broad impact in product design and quality, connection to markets, expertise of workforce, and investment attractiveness. The project strategy was directed toward these systemic objectives, in order to achieve the direct quantitative contractual objectives over the five years (3+2 year base period) of the project. The direct quantitative contractual objectives were growth in sales by 50%, employment by 35%, and access to finance by 40% for project beneficiaries, who must in turn comprise 40% of the total sales of each of USAID-Sida FIRMA's focus sectors.

During the first five years, the project employed 28 staff located in two offices (Sarajevo and Banja Luka) Bosnian and expatriate, medium and short term advisors, and a \$3.3 million grant fund to provide technical assistance to private sector companies and other counterparts. As the five year base period came to the end, the Banja Luka office closed on July 31, 2014. Sarajevo office was downsized both in terms of staff and office space at the end of the original contract period of performance. Four Sarajevo based full-time staff completed their assignments on the project on August 15, 2014. The remaining team members moved into a new office on August 28, 2014 to work on the ten-month extension period.

USAID-Sida FIRMA Project was extended in late August 2014 for ten months to help restore livelihoods and private sector employment in flood affected areas in B&H. Cardno was recognized by USAID and Government of Sweden, as the best positioned project to support companies that were affected by the 2014 floods. During the extension period, the project provided \$1.72 million in grants to companies in production and construction sectors from eight municipalities: Maglaj, Dobož, Dobož Jug, Dobož Istok, Šamac, Domaljevac-Šamac, Gračanica and Bijeljina. It was of vital importance to help these companies set up and normalize their production process. Without timely support, manufacturers ran the risk of losing sales contracts, putting their market position at serious risk and possibly letting off workers. Consequently,

delays would have exacerbated living conditions in these municipalities and pushed a number of households below the poverty line.

1.3. Strategic Approach

USAID-Sida FIRMA worked primarily through a group of key local partners – “Value Chain Facilitators” (VCFs), which covered all regions of the country. Project’s decision to work with local development organizations was based on the belief that the project needed to ensure that solutions be driven by local organizations. This in turn would ensure the sustainability of interventions and achieve wider impact. VCFs organized stakeholders to first identify and prioritize competitiveness obstacles through value chain analysis and then they originated and managed discrete activities to address these obstacles. USAID-Sida FIRMA Project supervised and supported these activities, providing strategic and operational guidance, expert technical assistance, and grants from its \$3.3 million Small Grants Fund, which was subsequently increased by \$1.72 million during the extension period. In order to maximize scale and impact, the project team worked closely with private sector, local government agencies and other donor partners that provided development assistance programs consistent with FIRMA's objectives.

The project’s approach consisted of addressing obstacles in the value chain and implementing solutions through and with local development organizations. USAID-Sida FIRMA, along with its partners, evaluated the value chain starting from end markets, working back to identify obstacles. USAID-Sida FIRMA did this by assessing the quality and quantity of products by determining whether products were designed to meet market needs, whether companies could meet the quality expectations of buyers and if they could manufacture the quantities needed. Specifically, the project identified the following activities:

- > Analyzed the productivity of companies and determined if they could improve their production processes and reduce operational costs;
- > Identified what workforce skills were needed to help the company fulfill orders;
- > Worked with companies to determine what their financing needs were;
- > Reviewed sector specific business environment problems and whether procedures or sub-regulations were missing that hindered industry wide growth.

Once these issue areas were analyzed, USAID-Sida FIRMA developed solutions that were implemented through our local development partners. The solutions were comprehensive and not tailored responses to requests from individual companies. Once solutions were designed, they were presented to donor and public and private sector partners order to leverage additional funds. The leveraged funding enabled USAID-Sida FIRMA to support more companies and surpass its contractual goals.

1.4. Development Partnerships and Sustainability Strategy

USAID-Sida FIRMA's strategy for sustainability rested on:

- (i) Partnerships with local governmental agencies to prepare and improve development strategies, and to facilitate collaboration among them, and
- (ii) Creation of a USAID-Sida FIRMA Consortium as a permanent network of local development agencies fully capable of advocating for private sector development

priorities and implementing development assistance projects, while adhering to USAID Forward objectives.

Government as Collaborating partner: USAID-Sida FIRMA made significant headway working with government over the course of the project.

The crucial role played by the USAID-Sida FIRMA project was to facilitate and organize the activity, and provide technical assistance. For example, UNDP contributed 238,322BAM to a workforce training program in Srebrenica, which was 7 times greater than project's share.

- > The USAID-Sida FIRMA relationship with the Federal Employment Bureau resulted in eight workforce development activities implemented throughout the country. USAID-Sida FIRMA's total investment in these activities was just over €142,012 and collaborating implementers provided €669,128n funding. Of that amount, €168,036 came from the Employment Bureau and €37,887 from local municipalities and Cantonal governments. Over 1050 people were employed as a result of the joint activities, of which over 40% were women.
- > USAID-Sida FIRMA helped established the Vocational Education Councils, an informal group of educational providers and private sector participants that assess market needs and inform vocational curriculums and trainings. USAID-Sida FIRMA's involvement with the Councils at the initial stages consisted of explaining to stakeholders how the Council functions. All eight VET Councils have since become sustainable, meeting regularly to assess skills needs, with limited USAID-Sida FIRMA involvement.
- > USAID-Sida FIRMA collaborated with regional governments on developing policy measures, including funding to implement standards and support to attend trade fair shows. Cantonal and municipal governments were keen on establishing Quality Trade Funds (QTF), which led to USAID-Sida FIRMA signing our third Partnership Agreement to establish a QTF. USAID-Sida FIRMA created the Republic of Srpska fund and the Una-Sana fund, which eventually commenced after being delayed due to fiscal problems in the canton. In addition, the Central Bosnia QTF was implemented through the Central Bosnia Regional Development Agency (REZ). The project engaged a consultant to support REZ to apply to the Norwegian Government for additional funding. The application was successful and an additional €10,226 was added to the fund.
- > In January 2011, USAID-Sida FIRMA signed a general Partnership Agreement with the City of Sarajevo, which committed both organizations to work jointly on the development of Sarajevo tourism as an important contributor to the region's overall economic growth. Then in July 2012, USAID-Sida FIRMA signed a general Partnership Agreement with the Eastern City of Sarajevo (Republika Srpska). Since both agreements were signed in January 2011, eight activities were funded with total budgets of €613,550. USAID-Sida FIRMA covered 13% of the costs, the City 16%, and the balance came from other public and private partners. These activities included the Viječnica City Hall Exhibition to support renovation of this historical landmark, the publication of the first *B&H Filming Locations Guide* and the new *Don't Miss Sarajevo* tourism magazine, participation in the NEXPO International Municipal Fair and others. In the area of tourism, USAID-Sida FIRMA engaged an expert to develop a Destination Management (DM) model for the Sarajevo region. The idea of developing DM in Sarajevo was well received by both Sarajevo and Eastern Sarajevo authorities, who incorporated the DM concept into their strategies. This formed the basis for a cohesive

approach to developing all of the aspects of tourism in Sarajevo from infrastructure development to specific-site management.

- > In collaboration with the PLOD Center (a VCF from Bihac), USAID-Sida FIRMA helped prepare an economic development strategy in advance of a major conference on the subject hosted by Una-Sana Canton's Prime Minister. The team provided advice for policy measures to promote the competitiveness of companies in the USAID-Sida FIRMA-targeted sectors in the Una-Sana Canton, which were incorporated in the 2012 cantonal budget.

Table 1: Government as Collaborating Partners

| Government Institutions | Activity |
|---|---|
| RS Ministry of Industry, Energy and Mining | The Ministry agreed to top-up the RS Quality Trade Certification fund that was jointly established with USAID-Sida FIRMA. They added €5,113 to the fund. |
| B&H Ministry of Foreign Trade and Economic and the Federal Ministry for Forestry | USAID-Sida FIRMA worked with the Ministry to develop an action plan for the implementation of the EUTR Directive which affects the wood-processing sector. The action plan identified the actions that have to be undertaken by the government. |
| Una-Sana Cantonal government | Support was provided to the government to develop new criteria for the allocation of saw logs to be implemented by the Una-Sana Cantonal Forestry Company |
| Una-Sana Cantonal Ministry of Industry | Youth Entrepreneurship Program: USAID-Sida FIRMA provided support to implement the training program for the Cantonal entrepreneurial program. The Una-San government committed €76,694 to finance the business plans that were developed through the training program |
| Una-Sana Canton Ministry of Industry | USAID-Sida FIRMA assisted the Una-Sana government to develop procedures and tender documentation for the establishment of a credit-guarantee fund in the Canton. The Cantonal government provided €127,823 KM as a guarantee to establish the fund, which was used to offset collateral requirements for SMEs |
| Central Bosnia Canton Government | USAID-Sida FIRMA approached the Central Bosnia Cantonal government to establish a Quality Trade Certification Fund in this Canton as well. The Cantonal government committed €15,339 to the fund. |
| Foreign Trade Chamber of Commerce (VTK) | VTK provided financing for several joint activities including international trade fairs in wood and metal sector. This includes metal sector fairs in ELMIA 2012 in Jönköping, Sweden, BAU 2013 in Munich, Germany, Hannover 2013 Hannover, Germany, as well as wood sector fairs GAST 2013 in Split, Croatia, IMM 2013 in Cologne, Germany and AMBIENTA 2012 in Zagreb, Croatia. In total VTK provided €67,021 in funding. |
| Ministry of Development, Entrepreneurship and Crafts FB&H | The Ministry provided €11,248 to co-finance the Gazelle Business Awards 2013. |
| Tešanj Municipality, Federal Employment Agency, | Provided €13,754 for CNC operators training and employment in FAD, Jelah. |
| Ministry of Economy – Herzegovina-Neretva Canton, Federal Employment Agency | Provided €22,497 of financing for training welders in Mostar. |
| Municipality, Federal Employment Agency, Ministry of Education Tuzla Canton | Provided €18,458 to train CNC, blacksmith and mechatronics for Unis Tok Kalesija. |
| Municipality, Federal Ministry of Education, Federal Employment Agency, Ministry of Education of Central Bosnia Canton, Ministry of Economy Central Bosnia Canton, Cantonal Employment Bureau | Provided €82,829 for training and employment of sewers Prevent Travnik. |
| Municipality, Federal Employment agency, Government of ZE-DO Canton, Cantonal Employment Bureau | Provided €40,851 to train and employ CNC, metal grinders for Mann Hummel, Pobjeda and Enker companies Tesanj. |

- > The project worked closely with GIZ, with whom the team implemented a number of workforce development activities. In year four the project leveraged over €20,452 from GIZ. The Swiss SIPPO agency was closely involved in access to markets activities, particularly working to implement the joint stands and exhibitions for companies in the metal and wood processing sectors participating in fairs in both Hannover and Cologne. Their total contribution was around €28,632.
- > USAID-Sida FIRMA set-up a Coordination Body mechanism to allow the project to collaborate with government ministries. This coordination body was composed of representatives from both entities and the state levels, including ministries of finance, industry, entrepreneurship and tourism. Meetings were usually held bi-annually. The goal of the meetings was to present the project annual work plan and activities to the Coordination Body and to identify areas of possible collaboration.

Advisory Board – Value Chain Facilitators

The majority of USAID-Sida FIRMA’s activities were implemented jointly with VCFs either as implementing partners, collaborating implementers or grant recipients. Through the joint implementation of activities, USAID-Sida FIRMA built both the capacity of VCFs and fostered a closer relationship with companies. Table 9 summarizes total funding channeled through VCFs for USAID-Sida FIRMA grants. VCFs participated in a total of 420 activities since the project began in March 2010. The total number and value of activities demonstrate USAID-Sida FIRMA’s conscientious effort to implement development with and through local organizations, to engender sustainability and support the USAID Forward agenda.

Table 2: Total VCF Funding

| VCFs | No of activities | Value of Actual Spent in EURO |
|--------------------------------|------------------|-------------------------------|
| NERDA | 45 | 73,498 |
| Plod Centar | 28 | 38,910 |
| REDAH | 37 | 58,036 |
| REZ | 50 | 149,521 |
| Komora RS | 54 | 110,338 |
| Komora USK | 16 | 35,616 |
| Sarajevo Navigator/Linden | 30 | 112,484 |
| SERDA | 42 | 121,579 |
| Green Tour/Zelene staze | 5 | 17,100 |
| ZUP Bascarsija | 16 | 93,463 |
| NBR | 1 | 660 |
| UPIP | 11 | 49,369 |
| ZEDA | 18 | 40,643 |
| LiNK | 24 | 24,590 |
| VTK | 21 | 87,882 |
| Wood Cluster/Drvni Klaster B&H | 23 | 76,103 |
| Total | 419 | 1,089,792 |

- On June 25, 2014 USAID-Sida FIRMA organized a two-day Knowledge Transfer Workshop for VCF representatives and relevant entity and cantonal ministries (e.g. industry, education, science & technology, tourism) as well as employment, education and other support institutions. The purpose of the event was to share experiences and approaches applied throughout implementation of the USAID-Sida FIRMA project. This workshop was designed to help participants understand and develop concepts and to apply it in the work of their own institutions / organizations. Presentations included: Monitoring and Evaluation, Grant Scheme, Consulting Voucher Schemes, Trade Fairs, Quality Standards and Workforce development.



- Training in Financial Restructuring Methods:** USAID-Sida FIRMA provided technical assistance to two USAID-Sida FIRMA value-chain implementers to transfer skills about financial restructuring for companies that are facing financial problems. A training event was organized for PREDA Prijedor and the newly established Una-Sana Cantonal Regional Development Agency in B&H. A total of 20 people were trained in restructuring methods and techniques. With these skills the VCFs can now offer this new service to companies in their regions.

Table 3: USAID-Sida FIRMA Trainings for VCFs

| VCFs | Type of training |
|---|--|
| ZEDA, REZ | Workforce Development, Energy Efficiency, Capacity Building |
| PLOD Centar | Workforce Development, Project Management |
| Link, SERDA, Plod, ZEDA, UPIP, REZ, REDAH and NBR | B&H Innovation Capacity Improvement workshops |
| PREDA | Workforce Development, Project Cycle Management, Financial Management |
| ZUP Bascarsija, Sarajevo Navigator | Tourism Development Strategies, Project Management, Project Proposal writing |
| RAUSK | Workforce Development, Access to Finance |

2. Team Structure and Management

USAID-Sida FIRMA staffing was organized around the three target value chains and the following cross cutting objectives: gender, EU alignment, access to finance, and workforce development. Each of these areas was managed by an Activity Manager who was responsible for overall planning. Each activity was supported by cross-cutting staff. Activity managers also worked closely with short-term technical advisors and engaged stakeholder teams. The project was supported by the field office and home office management and operation teams. This structure ensured close collaboration among the project management team consisting of USAID-Sida FIRMA staff, STTA, and stakeholders. It also provided an environment for effective collaboration on project objectives and indicators. At the end of Year 2 Project's Deputy Chief of Party transitioned into to the role of Chief of Party, after which the entire project was staffed entirely by B&H nationals.

USAID-Sida FIRMA Local Partner Network

At the onset of the project, USAID-Sida FIRMA issued a call for proposals to select local development partners who would implement USAID-Sida FIRMA activities. The call asked for an organization that had similar goals to USAID-Sida FIRMA and were focused on supporting the private sector. Fifty-one applications were received from which 16 partner organizations were selected. The partners were given responsibility for a geographic region and one or two of the USAID-Sida FIRMA sectors. Their first role was to help USAID-Sida FIRMA conduct a baseline survey interviewing companies within each of their regions to obtain information about their products, markets, workforce needs, problems with financing their growth. These organizations came to be known as USAID-Sida FIRMA's Value Chain Facilitators (VCFs).

Every year the VCFs provided input to the USAID-Sida FIRMA workplan. They proposed, implemented and also monitored activities implemented by third parties in their region. The benefits of working with the VCFs was that USAID-Sida FIRMA was able to work with more companies and achieve greater impact. For the VCFs, they obtained new tools and techniques which they could use to support SMEs and they also received opportunities to develop their skills through capacity development activities.

2.1. Grants and subcontracts

USAID-Sida FIRMA Project released individual and general RFAs, which were posted on the project's website and published in local papers. The general RFA called for concept notes that would respond to addressing constraints in the target value chains. The RFA was structured to seek applicants that would provide solutions to problems in product and productivity, access to finance, workforce development, business development and access to markets. In order to avoid market distortions, the goal was to issue grants that would benefit a larger number of companies instead of individual companies.

| Total USAID-Sida FIRMA grants | Value of grants EUR | Total Base Period | Extension - |
|-------------------------------|---------------------|-------------------|--------------------------|
| Wood | 649,634 | 2,409,802 | # of companies supported |
| Metal | 530,060 | | 63 |
| Tourism | 800,145 | | Value of grants EUR |
| Cross-cutting | 429,963 | | 1,481,808 |

USAID-Sida FIRMA was highly successful in leveraging donor funds. The project typically designed activities and then actively sought other donors to buy-into the activity. In total, USAID-Sida FIRMA leveraged €3.5 million from other donors. Specifically GIZ, UNDP and the Swiss SIPPO organization were active funders of the project's grants pool.

Table 4: USAID-Sida FIRMA Actual Funds Leveraging in EURO

| Sector | USAID-Sida FIRMA | Partners | Companies | Total Others | Total All | USAID-Sida FIRMA Share | Leverage |
|---------------|------------------|------------------|------------------|------------------|------------------|------------------------|------------|
| Wood | 744,450 | 529,089 | 703,394 | 1,232,483 | 1,976,934 | 38% | 1.7 |
| Tourism | 999,167 | 1,692,468 | 285,324 | 1,977,792 | 2,976,959 | 34% | 2.0 |
| Metal | 710,520 | 581,587 | 355,470 | 937,057 | 1,647,578 | 43% | 1.3 |
| Cross-Cutting | 513,415 | 706,465 | 267,659 | 974,124 | 1,487,538 | 35% | 1.9 |
| Total | 2,967,552 | 3,509,609 | 1,611,847 | 5,121,456 | 8,089,009 | 37% | 1.7 |

3. Summary of overall results by program indicators

USAID-Sida FIRMA had ambitious contractual goals. The team had to work with 40% of SMEs in each of the sectors, and increase revenues for supported companies by 50%, employment by 35%, exports 60% and access to finance by 40%. To verify whether we were achieving these results we conducted annual baseline surveys on our beneficiary SMEs. Overall, USAID-Sida FIRMA surpassed its contractual goals for each of the project's major indicators, as shown in the table below.

Table 5: Annual, Cumulative, and Target Growth

| | Total Year 1 | Total Year 2 | Total Year 3 | Total Year 4 | Total Year 5 | Cumulative 2009-2014 | Targets Year 5 |
|---------|--------------|--------------|--------------|--------------|--------------|----------------------|----------------|
| Sales | 10.8% | 11% | 6% | 7.1% | 7.1% | 50% | 50% |
| Exports | 10.2% | 17% | 6% | 14.4% | 11.9% | 76% | 60% |
| Jobs | 5% | 9% | 11% | 8.7% | 11.5% | 54% | 35% |
| Finance | 6% | 11% | 13% | 13.2% | 2.8% | 56% | 40% |

The cumulative growth for all business results reached or exceeded the targeted goals for year 5. Cumulative sales reached its target at the level of 50%. Exports, jobs, and finance at 75%, 54%, and 56% respectively exceeded initial targets significantly. Background information on the calculation of results, return on investment (ROI) and the baseline methodology is elaborated below in Section 7: Project Progress versus Workplan and PMP.

4. Project Achievements

The following section provides a comprehensive overview of the main project outputs and activities implemented by USAID-Sida FIRMA and its partners. This section is organized by USAID-Sida FIRMA sectors as well as cross-cutting areas. The wood, metal and tourism sections are further divided into access to markets, product and productivity, and business environment.

4.1. Wood Sector

4.1.1. Market Connections

USAID-Sida FIRMA's approach to accessing new markets in the wood and metal sectors was based on three main areas: (a) attending trade fairs, (b) development of promotional materials and (c) engaging sales agents in market-targeted countries. For the wood sector, USAID-Sida FIRMA targeted markets where B&H companies had the greatest potential for success.

German Market: USAID-Sida FIRMA initiated activities to expand the B&H furniture market share through the engagement of a German product sales agent. USAID-Sida FIRMA engaged NEA Trade Company, a sales agent already established in Germany, which had connections with buyers. USAID-Sida FIRMA worked with NEA Trade to set up a 500 sq. meters wholesale showroom in the furniture trading area close to Cologne, where B&H furniture manufacturers can now permanently showcase their products. During the first six months, the German sales agent sold €8.5 million of products. Following this success, the German sales agent renewed their lease contract for the B&H show room space without any financial support from USAID-Sida FIRMA. USAID-Sida FIRMA's initial support in 2013 consisted of rental costs for the showroom in Germany and the development of promotional materials. The German sales agent signed letters of interest with 13 B&H furniture producers.

Germany has two internationally renowned furniture trade fairs, M.O.W. and IMM Cologne. USAID-Sida FIRMA supported two companies to attend the German M.O.W. Fair in Salzuflen in September 2012. The M.O.W. fair targets the medium-priced mass furniture market. USAID-Sida FIRMA selected companies based on their ability to manufacture larger quantities of products. With support from the German sales agent, meetings were organized with potential buyers, including two large German companies, MCA Gmbh and Ilert Gmbh, which resulted in the execution of a new contract with a total value of around €250,000.

In collaboration with SIPPO of Switzerland and the Foreign Trade Chamber (VTK) and its department the Bosnia and Herzegovina Export Promotion Agency (BHEPA), USAID-Sida FIRMA supported a joint exhibition of B&H furniture producers at the IMM Cologne fair each year from 2011 to 2015. For any company that wants to seriously expand or start selling in the EU market they must attend this fair. Moreover, to be considered a serious player, B&H companies need to attend the fair every year. After USAID-Sida FIRMA's support, the BHEPA incorporated the IMM Cologne Fair into their annual list of fairs that they support.

USAID-Sida FIRMA's assistance to the fairs included supporting the joint fair stand, working with designers to prepare their products for the stand, organizing business-to-business meetings with potential buyers and agents, and supporting local designers to participate in the fair's design contests. Each year around seven to ten companies exhibited on the stand. A total of 31

companies exhibited during the five years and were able to secure sales of €12.3 mil. (USAID-Sida FIRMA only recorded initial sales). During the fairs B&H companies held over 1000 business meetings with potential buyers from 50 countries. The B&H stand was used as a hub by B&H companies to hold their B2Bs meetings. In 2015, USAID-Sida FIRMA supported flood affected companies to attend the fair, by providing support for the development of promotional materials. One of the flood-affected companies found new buyers and as a result increased the number of employees by 50.

B&H Designers win prestigious awards:

The IMM Cologne Fair organizes competitions for the most innovative designed furniture products. B&H designers and companies received "Design Innovation Winner 2011" awards, with their pieces displayed at a special exhibit. B&H was the only non-West European country at the show to receive such an award for furniture. USAID-Sida FIRMA helped support the B&H stand in a special hall at IMM for the **Student Designers Talent Competition**, and as a result one young B&H designer's prototype was picked up for manufacture by a German furniture company.



IMM Cologne 2014: Joint exhibition of the BiH furniture producers

UK Market: USAID-Sida FIRMA supported the opening of a showroom and helped B&H companies exhibit at Birmingham Furniture Fair. The Project worked with companies to develop new products, undertook promotion of the B&H wood furniture sector in UK industry magazines and engaged a UK sales agent.

- > **Promotion:** B&H companies were featured in the Interiors Monthly Magazine - a leading UK furniture magazine. The articles helped improve the overall perception of the B&H wood-processing industry, demonstrating that B&H companies are able to produce goods to meet the demanding needs of the UK market. The typical subscribers to Interiors Monthly Magazine are industry agents and buyers, and as a result a new buyer visited the following BH furniture manufacturers in late spring: Urban, Vrbas, Nova Forma, FIS, Economic, Arting Gradnja, Izazov, and Rukotvorine.
- > **Sales Agent & showroom:** USAID-Sida FIRMA engaged a UK agent in September 2011, who successfully placed a number of orders for companies and connected companies with buyers. USAID-Sida FIRMA also supported the agent to open a showroom in London where nine B&H furniture products can be permanently displayed. The UK furniture agent in collaboration with Nova Forma developed new product ranges for the UK market. The first quantities of furniture were exported to the UK in the value of €7,158 on top of the existing Nova Forma and Urban exports to UK in the value of approximately €613,550 (516,752.91 GBP). The UK PSA decided to collaborate in opening a showroom in London for B&H furniture products. With support from USAID-Sida FIRMA, a UK buyer visited wood-processing companies in B&H. The buyer who was sourced through USAID-Sida FIRMA established UK sales agent and had attended business-to-business meetings at Interio '12 and '13 fairs. The buyer placed orders with Izazov, Kalesija and Smrca, Bosanska Krupa to

export their solid wood furniture. These B&H companies shipped solid wood furniture to UK in the value of over USD 85,000 (slightly over €63,400).

- > **Birmingham 2012:** Nine leading B&H companies successfully exhibited their furniture at Interiors Fair, Birmingham in January 2012. Agents and potential buyers were impressed with the products on display from all nine companies and two companies received initial orders worth a total of over €150,000.

US Market: USAID-Sida FIRMA supported two trips to the High Point Fair in the US. The first was in 2010 and seven larger B&H furniture companies attended in the fall week. In collaboration with the USA sales agents, USAID-Sida FIRMA supported the joint exhibition of six leading B&H furniture manufacturers at the High Point Fair 2012. The exhibition was organized on a 100 sqm joint stand as a continuation of efforts to increase furniture exports to the US. In addition, B&H furniture manufacturers were presented in a leading industry magazine, Furniture Today, in two volumes (pre-fair and fair edition). Three companies (Krivaja, Scontoprom and Nova Forma) managed to export their products to the USA for a total value of USD 200,000.



USAID-Sida FIRMA led delegation at the High Point Fair, 2012

Woon Beurs Krant, Amsterdam, The Netherlands: In cooperation with REZ, USAID-Sida FIRMA supported five companies to visit this fair in The Netherlands and participate in B2B meetings. This activity was co-financed by EVD and the Dutch Government.

Salone Internazionale del Mobile Milano, Italy: USAID-Sida FIRMA, jointly with B&H FTC/BHEPA, supported five furniture manufacturers to visit the Salone Internazionale del Mobile fair in Milan - the leading trend setting fair in Europe in 2014. The visit included a guided tour of the exhibition, attendance at a training seminar with topics about furniture distribution in Europe, information about the European Timber regulation application in Italy, and the organization of B2B meetings with 13 Italian companies.

Fair visit - INDEX 2014, Dubai: USAID-Sida FIRMA supported four B&H furniture companies to visit the INDEX International Design Exhibition 2014 trade fair in Dubai from May 18-22, 2014 to help companies develop and connect to new channels of distribution in the Middle East. The four B&H companies joined by FTC representatives included: Arteco, Artisan, Izazov and Promo.

Regional markets – Croatia and Serbia

SASO Fair, Split, Croatia: In 2010, USAID-Sida FIRMA and VCF REZ supported twenty wood and metal companies to exhibit in Split. Business-to-business meetings were organized with potential partners from Croatia, Italy, and Serbia. In 2011, USAID-Sida FIRMA supported eight companies (five wood and three metal processing) to exhibit at SASO 2011 in Split. Over 400 new business contacts were made at the fairs. Several companies, like DI Janj and Jafa Jase, signed 12 contracts at the fair with a number of small hotels from the Adriatic coast.

GAST, Split Croatia: USAID-Sida FIRMA supported a joint exhibition of the B&H wood furniture sector for four years consecutively in collaboration with, the Foreign Trade Chamber of Bosnia and Herzegovina/BHEPA, the Canton Tuzla Chamber of Commerce and other value

chain facilitators. In 2014, USAID-Sida FIRMA supported metal and wood sector companies to exhibit at the joint stand, however, since the GAST fair's typical customer base is catering companies and hotels on the Dalmatian coast, the Federation Tourism association also joined the USAID-Sida FIRMA stand. Total initial sales reported by B&H companies were €3.74 mil.

USAID-Sida FIRMA supported companies at the GAST Fair: USAID-Sida FIRMA supported five companies exhibit their products at the AMBIENTA Zagreb Furniture fair in October 2012 for the first time. Ambienta is an important meeting place for the entire industry - manufacturers and traders of furniture, business people, experts and specialized media. Unlike the GAST fair, which is more oriented towards the regional market, Ambienta is focused on buyers from Italy, Hungary, Austria, Poland and Germany. Data obtained from companies nine months after the fair shows that they had new sales worth €365,000 and they expect further sales of over €0.56 million. Rattan Sedia, an exhibitor on the joint B&H National stand, received the Mobile Optimum Golden plaque award for design and quality of products for their new collection.



Rattan Sedia from Brcko swept prestigious awards at the Zagreb furniture fair Ambienta 2012 & 2013

Belgrade Furniture Fair, Belgrade, Serbia: USAID-Sida FIRMA supported companies to attend the Belgrade furniture fair for three consecutive years. In 2011, USAID-Sida FIRMA supported five companies and two associations to attend the Belgrade Furniture Fair. In 2012, six furniture companies exhibited their products on a joint 200sqm stand. All of the exhibits were organized in collaboration with the RS Chamber of Commerce, who presented over 70 additional companies in a USAID-Sida FIRMA-supported industry catalogue. The participating companies achieved export sales of €1.790 million.

SAN 2010 Furniture Fair, Banja Luka: During the fair, USAID-Sida FIRMA supported a conference where 70 people participated. USAID-Sida FIRMA supported a chair design competition with 33 designers, as well as the Association for Mentally Challenged Persons in B&H to promote their wooden toys and didactic materials.

INTERIO 2010, 2011, 2012, 2013 and 2014, Sarajevo: USAID-Sida FIRMA traditionally supported the INTERIO Trade Fair in Sarajevo, as it is the most important trade fair of the year for the wood industry in B&H.

USAID-Sida FIRMA supported the following activities for wood sector development:

- > **Joint “Tradition for Future” stand:** 34 companies presented their products on a 352 sqm stand. Exhibitors made 55 business contacts/meetings with potential buyers/partners from Turkey, Canada, US, Latvia, GB, Croatia, Kosovo and B&H. Companies reported EUR 1.76 mil in new sales.
- > **Business-to-Business Meetings:** Sixty one-on-one business meetings were held with six foreign buyers/agents from UK, Germany, Netherland and Croatia and 16 B&H companies.
- > **Design Contest Quercus ‘13:** An annual design contest was held and 60 applications were received from the entire region with 20 applicants shortlisted in 2013.

- > **Workforce Skills and the Wood Sector Workshop:** Workshops were held to bring together the private sector and associations to identify how to overcome the problem in poor workforce skills in the wood-processing sector.
- > **Exhibition B&H Women in Design:** In 2014 as a part of USAID's month long event to celebrate women and girls, USAID-Sida FIRMA organized and supported an exhibition of young B&H designers to recognize young up and coming female designers.
- > **Joint Annual Forestry Conference (JAFC):** Every year as part of the fair, USAID-Sida FIRMA organized the Joint Annual Forestry Conferences, which brought together the private and public sectors to discuss obstacles for growth in the sector. The Conferences were attended by representatives from government, forest management units, chambers of commerce, academia, development agencies and private wood processing companies. A number of issues and achievements were addressed including illegal logging, and the new EU regulations that would impact the industry. In 2014 USAID-Sida FIRMA presented two new assessments completed with the Forestry faculties regarding the utilization of low grade forestry assortments and the transition from JUS to EU standards for forest and wood industry products.
- > **EKOBIS 2010:** USAID-Sida FIRMA supported seven Una-Sana Canton companies to promote their products and services at the EKOBIS trade Fair. The annual wood sector conference included all Una-Sana wood-sector companies to discuss issues including design and implementation of FSC Chain of Custody certificate.
- > **Una-Sana Canton WS Companies Promotion:** In collaboration with the Una-Sana Cantonal Chamber of Commerce, a catalogue was developed to promote the wood-processing and furniture companies from this Canton. The catalogue features 35 Una-Sana Canton wood-processing and furniture producing companies.
- > **Wood Cluster Prijedor Promotional Program:** USAID-Sida FIRMA supported a DRVO Klaster Prijedor program to develop and implement a joint promotional program for 24 of its member companies to improve their sale techniques. The activity included a redesign of the cluster's web page, creation of joint catalogues, and a visit to the Klagenfurt trade fair.
- > **Branding Strategy:** In an effort to improve their overall marketing, two companies have engaged USAID-Sida FIRMA's support to develop a recognizable brand. Branding strategies were completed for Standard Prnjavor and Drvoprodex. The branding strategy covers all the aspects of branding, visual identity, positioning, strategy and target groups. It includes a roof brand and a sub-brand with new names for product lines and redesigned company logos.
 - **Promotional materials:** USAID-Sida FIRMA supported the production of promotional materials such as, company catalogs and support to attain membership in a specialized online Architonic portal for Rukotvorine. Architonic is the most prominent online portal in Europe where architects, interior designers, and others interested in purchasing high end designer furniture go to purchase products. To be featured on this portal, in addition to paying annual membership fee, companies must meet strict design and quality criteria. Beneficiaries such as Bor, Eden Garden and Mega Drvo were supported in preparation and production of their improved product catalogues. Bosnia Beech Line applied for support in design of their newly established micro-cluster internet sales portal. Over 100 companies were assisted in B&H to develop promotional materials.
 - **Joint Industry Catalogues:** USAID-Sida FIRMA supported the design, development and production of a catalogue featuring all of the wood-processing companies in the Una-

Sana Canton. Forty companies are featured in the catalogue, which was organized by the Cantonal Chamber of Commerce. The catalogue will be used by the companies and the local authorities to promote the sector. Apart from the printed catalogue, a promotional CD was completed. USAID-Sida FIRMA worked with the FTC to design and produce an industry-wide catalog which features 184 B&H companies.

- **Promotional Program for DRVO Cluster member companies:** USAID-Sida FIRMA supported DRVO Cluster with: i) redesign of cluster web page; ii) promotional brochure about the Cluster association and 25 member companies
 - **Workshop on export market strategies:** USAID-Sida FIRMA supported a two day training to help companies prepare export marketing plans to the European markets. The training organized by the REZ development agency and held in Zenica, provided companies with practical knowledge and skills to prepare market penetration strategies. The training was attended by 10 companies.
- > **International Sales Manager:** In cooperation with the Foreign Trade Chamber (VTK), USAID-Sida FIRMA organized annual trainings to prepare sales managers from companies that were exhibiting at the IMM Cologne fair. Curricula and presentations were prepared in cooperation with Bern University and the VTK.

B&H furniture companies generate great interest and secure new sales contracts at Cologne fair

Furniture made in B&H was especially well-received at the 2014 IMM Cologne, an international furnishing show. This was the fourth consecutive year that USAID-Sida FIRMA project, together with its partners, provided support for companies to jointly exhibit at this fair.

Seven participating companies secured initial sales contracts, totaling one million Euros. As a result of last year's support from the USAID-Sida FIRMA project, participants exported more than six million Euros worth of furniture to the EU market. In addition to securing new sales, the companies made over 200 contacts. B&H furniture manufacturers have built a reputation for innovative designs and have received several prestigious awards at IMM. This year's USAID-Sida FIRMA team delegation included Selma Basagic and Lejla Medjedovic, FTC Representatives, Salih Teskeredzic and Abdula H. Avdic, USAID-Sida FIRMA Advisors and Sasa Kotlica, USAID-Sida FIRMA Activity Manager. And companies: GMP Laktasi, Malagic Zivinice, Praktik Vogosca, Izazov Kalesija, Ingrat Gracancica, Wood Team Ilijas, Morea Kalesija.



4.1.2. Product & Productivity

USAID-Sida FIRMA's approach to product and productivity in the wood and metal sector involved developing a package of support for companies to address their major obstacle areas. We first completed a performance improvement assessment of a company. This involved analyzing a company to determine where further support to increase its sales. For example, companies can have problems in low productivity, workers can have low skills, or they may not have EU trade certificates. To address this need USAID-Sida FIRMA developed a number of programs such as the Qualified Technical Assistance program (QTC). The QTC program was

implemented jointly with VCF REDAH to qualify technical experts in a number of areas, from marketing to, upholstery experts to production engineers.

The following companies received support through the performance improvement assessment process:

- > **Nova D.I., Vrbas:** USAID-Sida FIRMA facilitated the engagement of a consultant to support the company to develop a more efficient and functional production and organizational structure. USAID-Sida FIRMA leveraged funding with GIZ for this activity.
- > **FIS, Vitez:** USAID-Sida FIRMA helped the company implement ISO 9001. It received in house training related to FSC Chain of Custody (CoC) standard and technical assistance to prepare the documents to apply for the FSC CoC certificate. USAID-Sida FIRMA helped identify a list of products where CE marking is required and also a list of standards and directives for those products. USAID-Sida FIRMA also helped complete CE marking by EN 13451-2 for interior doors.
- > **Izazov, Kalesija:** USAID-Sida FIRMA supported this company to attend several trade fairs, and product design improvement. USAID-Sida FIRMA also connected Izazov to the Dutch market, which resulted in new sales contracts with Van Dongen – Geli group.
- > **Smrca, Bosanski Krupa:** The firm had quality issues with the first delivery to the UK, which resulted in additional costs for the company. A QTC expert was engaged to provide technical advice to help them improve their production facility and product finalization.
- > **Masterwood, Kozarac:** Masterwood was assisted to place an optimum technological and machinery layout in their factory and to introduce the use of technical documentation in the production process.
- > **DRVO Banja Luka Cluster:** Four members of the cluster (Neso, Bor, Partner and Productcoop) were assisted to improve the design of their products in accordance with export market demands and to develop technical documentation for their products.
- > **Izazov Kalesija, Namještaj Gradačac, MS&WOOD Fojnica, Standard Sarajevo, Drvo Produkt Ilijaš, Malagić Živinice, Malagić&Divani Brčko, NIRBO Vinac from Jajce and INGRAT Gračanica** were supported to prepare documents to obtain the Forestry Stewardship Chain of Custody certificate, which is commonly requested by EU buyers.
- > **Drvoprodex, Banja Luka:** USAID-Sida FIRMA helped Drvoprodex develop a branding strategy and promotional materials.
- > **Al Dihani, Cazin:** USAID-Sida FIRMA engaged a technical consultant to assist the company to set up a new factory for the production of solid wood boards through the development of a feasibility study. USAID-Sida FIRMA also connected Al Dihani to a major glue board exporter in the EU.
- > **Lignum, Lopare:** USAID-Sida FIRMA engaged a technical consultant to assist the company in the preproduction phase. The company produced chairs for the Danish buyer BIVA.

“Our company has collaborated with many international projects in B&H over the years, with limited benefit. FIRMA is the best project ever in BiH for business development, since it is helping companies solve their real problems. Its support to establishing a producer sales agency to access the US market is just one of many examples of this.”

Edin Dacic, CEO, Standard Prnjavor, a medium-sized furniture exporter

- > **Scontoprom, Prijedor:** A QTC was engaged by USAID-Sida FIRMA to train 24 employees to assist with upholstery methods and techniques. This support was requested by Scontoprom as they had recently signed new contracts with Steinhoff Furniture Company from Germany – one of the largest German importers and furniture distributors. In addition to this training, USAID-Sida FIRMA also helped the company sign up new customers from Germany like Maizer. Additional training was provided to 100 workers.
- > **Other supported companies include** Standard Prnjavor, Nova Forma, Krivaja, and Vrbas Banja Luka. Technical improvements within these companies spilled-over to their suppliers.

To improve products the team provided direct technical assistance to individual companies and offered training in the following areas:

- > **Financial Control and Enterprise Resource Planning Workshop:** Workshops were held in Banja Luka, Tuzla, and Sarajevo with 43 stakeholders to train companies in financial control and improve productivity by accurately measuring time and materials costs.
- > **Training for Better Saw Log Utilization:** Trainings were organized in November 2014 in Bihać and Vitez. Around 30 staff from 15 companies attended the training. The purpose of the training was to improve the knowledge of wood-processing companies regarding d more efficient log utilization, and how to achieve cost-efficiency in this area.
- > **CAD/CAM Training:** USAID-Sida FIRMA supported REZ to implement training for 20 programmers from wood-processing companies in CAD-CAM techniques, which are indispensable in high productivity operations. The training was jointly delivered by ARTECO and the Tesanj Secondary Mixed School.
- > **Approved/authorized exporter seminars:** Together with the Directorate for Indirect Taxation, USAID-Sida FIRMA project organized training which allowed companies to be registered as favorable taxpayers with the government, which meant that they could complete their tax payments faster.
- > **Lead Auditor Training for Forest Stewardships Council consultants in Sarajevo and Banja Luka:** In collaboration with the B&H Chamber system and the EBRD BAS Consulting Assistance Program, USAID-Sida FIRMA supported training and certification of 44 lead auditors for Forest Stewardship Council Chain of Custody certification.
- > **CE mark training for WP companies in Žepče/Zavidovići:** A practical workshop was held for 14 wood-processing companies to provide them with one-on-one information on how to introduce CE Marking four are already in the process of preparing documentation to initiate the process.

4.1.3. Improving Product Quality and Design

- > **Training on Quality Management Systems (QMS):** Working together with ZEDA, project VCF USAID-Sida FIRMA team implemented a two-day training for wood-processing companies in the area of QMS, ISO 9001 and forestry principal council principles for consultants and quality managers. The workshops were held in Zenica and around 20 participants attended each event. This training helped establish the Quality Center in the ZEDA agency, which services B&H wood processing and furniture producing companies. The 23 experts were certified and entered in the ZEDA wood-quality control (WQC) services database. A quality management manual was also produced in 100 hard copies and 60 CDs and distributed to the new trainees.

“FIRMA’s support has enabled us to achieve our company’s key strategic and development goals, including developing an export and market positioning strategy, improving the technological processes of our firm, improving the design of our product, improving promotional and marketing tools, and promoting our company brand in key export markets. We have now achieved export success in a very short period of time.”

Adem Niksić, Director, Rukotvorine, a medium-sized furniture exporter



‘Umbra’ table produced by Rukotvorine from Konjic won a prestigious Interior Innovation Award at the prominent furniture fair – IMM Cologne 2012

- > **Establishing Wood Quality Center:** B&H wood-processing companies often export their goods at lower quality compared to what is expected in EU markets. USAID-Sida FIRMA supported the establishment of a wood quality center in Zenica. Buyer and agents requested such a center in order to reduce the hassles and additional costs of fixing the furniture once it is exported. Companies, foreign buyers and agents use the center, which offers final technical and quality checks of products before they are exported. ZEDA staff developed a Strategic Development Plan. They also established the WQC-Quality Fund using a USAID-Sida FIRMA grant and produced a rulebook.
- > **New designs for UK market:** As an overall effort to support companies to enter the UK market one of the first steps was to support companies to develop new products to meet the demands of UK buyers. Designers from the UK were engaged to develop new products for Scontoprom and Standard Prnjavor. For Standard Prnjavor this meant a completely new business model. Whereas they exclusively manufactured for IKEA, now they are manufacturing their own line of products.
- > **New designs for US market:** Similar to the UK market, USAID-Sida FIRMA engaged US designers to develop around 50 new furniture models for four B&H companies. Three renowned designers were engaged to prepare drawings for four different pieces of furniture for each company. These same companies produced prototypes to display at the High Point Market Week in North Carolina in the fall of 2012.
- > **IMM 2012 Design Award:** A USAID-Sida FIRMA beneficiary company, Rukotvorine, was awarded the prestigious IMM award for the second time for innovative design. This helped enhance the perception and prestige of the B&H furniture sector in foreign markets. In recent years, with the support of USAID-Sida FIRMA, Rukotvorine engaged designers to manufacture high-end furniture. This proved to be highly successful, with their award-winning furniture often featured in design magazines, and sold in 150 stores across the USA. The designs for 2011 and 2012 collections were made by B&H designers, who were also

featured in the design magazines. USAID-Sida FIRMA supported Rukotvorine to display their new product in the IMM Hall of Innovation.

- > **Design Center Cluster DRVO Banja Luka:** Thanks to the support from USAID-Sida FIRMA Project, a design center was established by Cluster DRVO Banja Luka for its 12 furniture producers. The purpose of the center is to support these companies in new designs. The project support included the development of a catalogue and website featuring the services of the center and the companies. The center became operational in the third year and employed two full-time designers to assist cluster members.
- > **Cluster DRVO Prijedor:** Through the USAID-Sida FIRMA QTC program, DRVO Cluster Prijedor was able to engage a designer to support four of the cluster members to improve the design of the products. Additionally, the companies were supported to improve the interior design of their retail spaces. Through this activity, four wood processing companies (Grossis, Masterwood, Namjestaj Gavranovic and DI Marko) received at least one new design, which they now manufacture and sell on domestic and foreign market.
- > **Design Day:** As a part of the Interio/Exterio 2014 fair, USAID-Sida FIRMA organized a two-day design learning event to raise awareness about the importance of design. Having long term development in mind, the project supported workshops focused on the next generation of designers in the wood industry. The activities also included children-friendly workshops on fashion design, doll-making, pottery and drawing. During the first day, the children made their own products which were presented the following day when fashion and puppet shows were held.
- > **Connecting young designers with wood sector and companies:** USAID-Sida FIRMA knows that USAID-Sida FIRMA B&H youth have a lot to offer the private sector. Having that in mind, the project initiated an activity to connect young designers with wood-processing companies for the development of new products. The activity allowed student designers to gain hands-on work experience with companies and to start developing their professional networks. Established designers led the group and mentored their younger colleagues. New products were designed and a new strategic direction was developed, moving B&H companies away from becoming just outsourcing companies for the EU companies. Five design teams led by renowned and up and-coming designers developed original products for five B&H companies: Izazov Kalesija, Hidra Stil Brčko, Rukotvorine Konjic, Economic Vitez and Petroprojekt Bratunac. After three months of intensive collaborative work, five products were designed and prototypes produced.

4.1.4. Business Environment

- > **Leveraging Efforts and Finances with World Bank:** USAID-Sida FIRMA closely worked with the World Bank mission to B&H on closing out its Forestry Development and Conservation Project (FDCP). Through the Forestry Faculty of Sarajevo, USAID-Sida FIRMA provided administrative and consulting support to the Bank's international mission for the Public Expenditure and Institutions Review, covering all publicly-owned forest management companies in B&H.
- > **Sustainable Forestry Management Certification (FMC) Pre-Audits:** USAID-Sida FIRMA worked closely with Forestry PIU and cantonal FMCs and facilitated substantial co-funding from the World Bank of €30,000 for official (pre)audits of three FMCs in USK,

Tuzla, and Canton 10. Two Cantonal FMCs were successfully FSC SFM certified: USK was fully certified and Tuzla Canton was certified for two management units.

- > **Private Forests and Certification:** As an alternative to Forest Stewardship Council (FSC) certification, many privately owned forestry management companies can choose to apply for a Program for Endorsement of Forestry Certification, whose criteria are suitable for private forests. To raise awareness about this certification, USAID-Sida FIRMA supported a conference, which was the first of its kind in the Western Balkan region. Although there is approximately 2.8 million hectares of private forests in the Western Balkans, no private forests were certified. This conference highlighted the urgent need for certification, due to increasing demand by the EU market for certified products.

Joint Annual Forestry Conference (JAFC): USAID-Sida FIRMA sponsored the JAFC each year, in collaboration with the B&H Foreign Trade Chamber (VTK). This annual event represents a platform for the government institutions, forestry management companies, educational institutions and other stakeholders from both B&H entities to discuss business environment obstacles to the growth of the wood industry. The Entity Ministries, institutions and USAID-Sida FIRMA jointly presented on various topics including illegal felling, state forest inventory results, FSC certification and research projects. The conclusions and recommendations from the conference were shared with the governmental authorities and stakeholders.



4th Joint Annual Forestry Conference, Sarajevo 2011

- > **Forests in Sarajevo Canton Conference:** The USAID-Sida FIRMA wood-processing team took an active role in the Sarajevo Canton Forestry Conference, which was organized by the Ministry of Economy in Sarajevo Canton and the Sarajevo Forestry Faculty. USAID-Sida FIRMA supported activities in both the forestry and wood-processing sectors, which were featured at the conference. The team also proposed certain activities to be undertaken by the Sarajevo Šume Forestry Management and the Cantonal Forest Governance Unit, specifically obtaining the Forest Stewardship Council and general management improvement certificates. These suggestions were included at the conclusions of the conference.
 - Support Forest Certification Conference, with the FB&H Chain of Custody standard, 65 participants, to develop action plans for advancing certification;
 - Support to two FB&H cantonal Forest Management Companies for FSC FM certification (Sume USK and Tuzla Canton).
- > **Federation Strategy for Wood-processing Sector:** At the request of Federal Ministry of Energy, Industry and Mining, the USAID-Sida FIRMA wood-sector Team Leader joined a working group in preparing a Strategy for the development of the wood and furniture sectors for 2013 – 2020.
- > **Una-Sana Canton Logs Distribution System:** USAID-Sida FIRMA wood-processing specialists attended a meeting organized by the Prime Minister of the USK to help analyze the issues regarding the distribution of logs in the Canton. USAID-Sida FIRMA supported the USK Chamber Wood-sector Association to analyze the current obstacles in the logs distribution system. As a result, the criteria was expanded to encourage linkages between lower-value wood processing companies such as sawmills and those that produce final

products. The logs distribution system was partially re-established in the USK. The government failed to abide by the system in 2013 that was set-up by USAID-Sida FIRMA's predecessor project – the USAID CCA. The saw log distribution system for 2014 was administered correctly according to the valid rulebook.

European Union Timber Regulation Conference: The EU Timber Regulation (EU Regulation No. 995/2010) was a new EU regulation that came in effect as of March 3, 2013. It establishes that timber and timber based products sold in the European markets must be sourced from legally harvested forests. USAID-Sida FIRMA with its partners organized a Conference on this topic in January with 65 people attending from 46 different institutions and companies. During the Conference participants broke-up into two working groups to develop action plans to implement the Directive: one for the forestry sector and another one for the wood-processing sector. An activity in the wood-processing action plan included the development of guidelines to help the private sector implement the regulation requirements. The guide was presented to companies during a series of workshops in 2013 held in Tuzla, Zenica, Bihac and Prijedor.



The EUTR lays down the obligation that timber and timber based products sold in the EU markets must be sourced from legally harvested forests

- > **Accreditation of the LIND Laboratory:** USAID-Sida FIRMA supported the accreditation of the first laboratory for wood-processing companies in B&H. The laboratory was accredited by the Bosnian Accreditation Agency in accordance with B&H and EU standards. B&H companies no longer have to send their products to third countries for certain tests, thus providing significant savings for companies. An event was held on the January 22, 2014 to open the center. The event was attended by the B&H Sida Director and representatives from the EU Delegation to B&H.
- > **EKO BIS Trade Fair and Industry Conference:** USAID-Sida FIRMA supported the USK Chamber of Commerce to hold the annual Forestry and Wood Processing Expert Conference during the EKO BIS Trade Fair in Bihać in September 2012. Topics such as the anti-corruption program for the forestry sector and soft wood diseases prevention program were presented. USAID-Sida FIRMA used this opportunity to promote the quality trade fund program for wood-processing companies that was established for this Canton.
- > **Una-Sana Canton (USK) WS Development Policy:** USAID-Sida FIRMA was requested by the USK Government to provide assistance in developing policy guidelines for the growth of the wood sector industry in this canton and to overcome difficulties that arose in 2012 as a result of not applying the logs distribution system. The proposed policy was delivered to USK Prime Minister.
- > **Log Distribution System in Zenica-Doboj Canton:** USAID-Sida FIRMA initiated discussions with the Zenica-Doboj Cantonal Chamber of Commerce to establish a log distribution system, which would be transparent and would favor manufacturers of value-added products.
- > **Assessment for the Conversion of Coppice Forests to High Value Forests and use of Low Value Assortments in B&H Wood Industry:** Through its subcontractor, Orgut AB Sweden, fUSAID-Sida FIRMA project finalized an assessment/study on how to utilize coppice forests as high value forests, and at the same time utilize low value assortments from

forests for wood production purposes. The demands for both first class and low value assortments have been surging. Transferring low value (coppice) forests to high-value forests would in the long term increase the supply of high valued saw logs. In the short term would provide low value forest assortments of pellets and briquettes, for the pulp industry and low requirements sawmill products.

- > **Assessment for the Transition from JUS to BAS EN Standards for Forest Timber Products in B&H:** Orgut AB Sweden completed an assessment and workplan on how the forestry sector can transition from ex-Yugoslav JUS standards to EU harmonized BAS EN standards in the forestry and wood-processing sectors. The relevant standards, 23 in total, were adopted by B&H standards organization (BAS). The experience of some EU countries, and particularly Croatia were considered, and based on these an action plan was developed. This study and the one mentioned above were presented to stakeholders during events held in three B&H industrial/forestry centers.

4.2. Metal Processing

Light manufacturing, part of USAID-Sida FIRMA's SOW, is a broad category and includes textiles, apparels, footwear, plastics and metal processing. In the inception phase of the project, the team conducted an assessment to determine which of these sub-sectors to focus based on where greater impact could be achieved both in sales and job creation. This was then followed with a detailed analysis of the sector, which included visiting companies around the B&H and assessing their obstacles to growth. Based on the information collected the decision was made that metal processing represented a subsector with the most potential for sustainable impact on the overall B&H economy.

4.2.1. Connection to Markets

- > **Aluminum Fair in Essen, Germany:** USAID-Sida FIRMA supported five B&H companies with 13 participants to visit the largest aluminum fair in Europe. The visit also included a B2B Event with German companies.
- > **Automechanika Fair in Frankfurt, Germany, 2010, 2011:** Eleven B&H automotive companies with 27 participants visited the largest fair for auto parts in the world. Over 55 meetings with potential German buyers were organized.
- > **Automechanika Fair and Autoinvest Conference in St. Petersburg, Russia:** Four B&H automotive supplier companies and automotive cluster representatives participated in the largest annual Russian auto show and automotive investment conference, organized by USAID-Sida FIRMA's implementing partner VTK B&H/BHEPA.
- > **B2B with Dutch Companies:** A B2B event was organized with 20 metal processing companies from B&H and five Dutch companies. The event took place in Zenica during the largest B&H metal industry fair - ZEPS Intermetal 2013. This was a joint effort between REZ, Embassy of Netherlands and USAID-Sida FIRMA, which focused on promoting export activities and potentials of B&H metal companies and facilitated direct contact with Dutch firms interested in supplying metal products and subcontracting with partners from B&H. The meetings were an opportunity to present Dutch visitors all of the business opportunities in B&H from trade, investment opportunities, outsourcing, joint investments, to entering the emerging South East European markets.

ZEPS Intermetal Fair in Zenica, 2010, 2011 and 2012: USAID-Sida FIRMA supported 22 companies with a joint exhibition. Companies were supported to exhibit their products and the team also organized B2B meetings. In 2011, USAID-Sida FIRMA organized six Swedish buyers to attend the fair and meet with the B&H companies. The project-supported joint exhibition stand received an award for the best designed stand. The companies exhibiting at the fair made initial sales of EUR 2.74 million.



*Joint BiH metal industry exhibition
at ZEPS Intermetal fair in Zenica in 2011*

- > **Exhibition at SASO Fair in Split, Croatia:** USAID-Sida FIRMA supported nine metal processing companies to exhibit at the fair and a total number of 746 business contacts were registered.
- > **Buyers Visits in Sweden:** Through subcontractor, SIPU International, USAID-Sida FIRMA representatives visited the biggest and most important metal-processing fair in Sweden, ELMIA in Jönköping, to meet with buyers. Independent of the conference, USAID-Sida FIRMA representatives made a special visit to Scania, the biggest commercial vehicle producer in Sweden.
- > **Nordbygg Fair visit in Stockholm, Sweden:** USAID-Sida FIRMA supported three B&H metal processing companies to visit the Nordbygg Trade Fair, Scandinavia's most significant construction industry fair which normally attracts more than 800 exhibitors and 50,000 participants. During the trade visit, 13 bilateral meetings were organized between B&H and Swedish companies.
- > **Trade visit to Elmia, Jönköping, Sweden:** Elmia is Northern Europe's leading subcontractor fair held annually in Jönköping, Sweden. It brings together 1,200 exhibitors from 30 countries and about 13,000 visitors. A B&H delegation of three companies visited the fair in November 2012 - Hydria Uniklima d.d. Sarajevo, Signum d.o.o. Bijeljina and Novi Jelšingrad Banja Luka. The companies reported that 27 new contracts were made with initial sales of nearly €306,775. As a result of the visit, Hydria Uniklima from Sarajevo was contacted by five potential buyers at Elmia Fair, which included a large Swedish company, FlaecktWoods. Representatives of the Swedish company visited Uniklima in Sarajevo in the first half of 2013 and Uniklima successfully passed their internal audit.
- > **Exhibition in Kragujevac, Serbia:** Seven companies exhibited at the only specialized automotive fair in the region, SEE AutoCompoNet 2011. Over 55 new contacts were made including with major OEMs such as Fiat Serbia, Bosch, Magna, Federal Mogul, Mecaplast and others.
- > **TIV Fair in Hardenberg, The Netherlands:** In partnership with REZ, USAID-Sida FIRMA Project supported five B&H metal processing companies to visit this specialized fair for industrial engineering and metal processing industry in 2011. This visit opened up the Dutch market for these companies. Direct contacts were established with consultancy companies Sermaya and Berenschot, who organized the B2Bs with Dutch companies.

Exhibition at Hannover Fair, Germany: USAID-Sida FIRMA helped seven companies exhibit their products at the world's largest industrial fair in 2011. The B&H stand was organized by VTK B&H/BHEPA, SIPPO and USAID-Sida FIRMA. The following year, the project supported six metal-processing companies exhibit. Over 70 new contacts were made with potential buyers, and initial sales were €1.96 million. Negotiated contracts were expected to be over €10.23 million. In 2013, USAID-Sida FIRMA supported a joint exhibition of five B&H metal processing companies on 66sqm in the Industrial Supply Hall. Three of the five companies exhibited for the first time. USAID-Sida FIRMA also supported a joint exhibition of three B&H metal processing companies over 21sqm in the Energy Hall, of which two of the companies exhibited for the first time. According to statements from the companies, they generated €664,679 in sales and additional sales of over €3.07 million were expected. As result of these new sales the companies employed twelve new staff.



*BiH Metal Processing Industry Representatives
at Hannover Messe 2011*

Thanks to the project support, five companies jointly exhibited in the Industrial Supply Hall in 2013 as well as another three companies on two separate stands in the Energy Hall. Three companies exhibited for the first time. Cable producers reported contracts signed in the amount of €3.6 million which includes both, new and previous Hannover-related clients. Companies, which were new to the fair, signed new contracts as well.

- > **MIDEST 2012 Fair in Paris, France:** In cooperation with the VTK B&H three companies exhibited at MIDEST 2012 Fair at an 18sqm joint stand. MIDEST is one of the biggest subcontracting fairs in the world. SERDA also supported eight companies from the Sarajevo region to attend the fair. The exhibition at the fair was very successful as numerous contacts were made and initial sales of €1.33 million were secured.
- > **BAU Fair 2013 Munich, Germany:** A joint exhibition of B&H companies was organized at BAU 2013, a leading International Trade Fair for Architecture, Materials and Systems. B&H companies met with around 300 potential buyers and signed new contracts in the value of €700,470. As a result, Inox Ajanovic, which had the most contacts at BAU Fair, employed fourteen new young workers.

Business Forum and B2B Meeting Baku, Azerbaijan: A delegation including B&H government officials and business leaders attended a Business Forum and B2B Event in Baku, Azerbaijan in October 2012. VTK organized the visit as a part of an official visit by the chairperson of the B&H Presidency, Bakir Izetbegovic. Representatives from eight B&H companies attended from the metal, construction, electrical and energy industries as well as the tourism sector and met with their counterparts from 43 local companies. The B&H delegation also participated in a Business Forum combined with a B2B event organized by the Azerbaijan Investment and Export Promotion Agency (AZPROMO). The main goal of the trip was to establish the first contact and set up new relationships with Azerbaijani institutions and companies in order to initiate potential business linkages in the future. The B&H VTK and AZPROMO signed an MOU about further cooperation.



B&H business delegation in Baku, Azerbaijan in October 2012

- > **B&H–Russia Business Forum:** In cooperations with VTK, the Ministry of Foreign Affairs and the entity Chambers of Commerce, USAID-Sida FIRMA participated in a Russian – B&H Business Forum. Held in Moscow in May 2013, the forum covered the topics from improving trade, avoiding double taxation agreements to protecting investors. The B&H delegation also emphasized how important it was to look at the possibility of giving preferential treatment to specific goods from B&H. At the end of the forum’s plenary session, meetings were held between business leaders from B&H and Russia, with 22 B&H companies participating and over 100 Russian companies.
- > **Visit to Automehanika Istanbul 2014, Turkey:** Three B&H received USAID-Sida FIRMA support to attend this fair. The purpose was to help companies establish and strengthen business contacts, and increase their market connections. Automehanika Istanbul is Eurasia’s number one OEM and vehicle aftermarket event. It brings together companies from the automotive manufacturing, distribution and repair sectors in the region and provides opportunities for SMEs to expand their business in the market. Three companies attended, Famos, UNIS Tok and Pobjeda Tesanj. Famos was the most successful with contracts signed in the amount of €650,000.
- > **B2B Mission at ESEF Fair, Utrecht, The Netherlands:** The ESEF Fair is the largest and most prominent exhibition in the Benelux area in the field of supply, subcontracting and engineering. USAID-Sida FIRMA supported 15 B&H companies to meet with potential buyers. The B&H companies were matched with 12 Dutch companies prior to the matchmaking event on the basis of the Dutch companies’ preferences, resulting in 70 business-to-business meetings. As a result, three companies reported that they signed contracts in the amount of nearly \$200,000 (approximately €153,388).
- > **B2B Mission, Bratislava, Slovakia:** The purpose of the business mission was to enable B&H companies to establish and strengthen business contacts and to increase their market connections in the Slovakian market. Companies reported more than 100 contacts were established with 31 Slovakian counterparts as a result of the visit.
- > **B2B and Fair Visit in Turkey:** The B&H VTK in cooperation with Kocaeli Trade Chamber organized a visit by B&H companies. The B&H companies attended B2B meetings and Match4Industry Fair, held in the province of Kocaeli, Turkey, known for its large automotive cluster. This was a good opportunity for the B&H business delegation to initiate contacts not only with Turkish companies, but also with a number of companies from other countries. According to a company survey data, 16 business contacts were established during the B2Bs. While one of the participating companies did not provide any data on the success of the fair, the other company doubled their sales in 2013 compared to 2012 and also significantly increased its exports and employment.
- > **German PSA established:** As a result of the visit to Automehanika Fair, a German PSA was identified to provide permanent representation of B&H companies in the German auto parts market. With support from USAID-Sida FIRMA, the PSA signed contracts with four companies.
- > **Visit of German Buyers:** Two German companies contacted through the German PSA visited six B&H MP manufacturers and potential suppliers.
- > **New edition of Metal Sector Catalog published:** In cooperation with the VTK B&H and companies from the metal and electrical sector, a new edition of the Metal Sector catalog was published. Over 190 companies from all over B&H are presented in the catalog, making it the

most comprehensive catalogue of B&H metal companies. Three thousand copies of the catalogues and 1,500 CDs were distributed by the VTK during trade fairs and B2B events. The catalogue was distributed to potential buyers during the Hannover 2012 Fair where USAID-Sida FIRMA supported the exhibition of the metal industry with a joint stand.

- > **Web Portal for MP Industry:** To provide business, product, and contact information to potential buyers, a web portal for the MP sector was designed and developed. The site was populated with information and data.
- > **Promotional Material Development:** USAID-Sida FIRMA supported GMC from Usora, a young manufacturing company that makes prefabricated halls and pallet racks. USAID-Sida FIRMA helped GMC develop a company logo, catalogue and website.

Assessment of potential for B&H manufacturers to enter US

High-end design market: USAID-Sida FIRMA engaged a consultant to conduct an assessment of B&H companies that had the potential to supply products to high-end designer stores in the US. Although there were very few companies that were designing their own products, there were many companies that could manufacture products according to orders from US designers, and that could meet the high level of quality demanded by these designers. Ten companies from both the wood and metal sectors were assessed by the consultant to obtain information of their capabilities. Several US retailers, distributors and designers were interviewed to gain an understanding of their willingness to purchase from B&H. As a result Jonathan Browning – a well-known US designer- ordered a prototype of a brass chandelier to be produced in B&H. After the prototype was completed, Jonathan Browning Studios ordered 26 chandeliers to be delivered to the US. Another New York designer, Michelle Varian, had ordered 60 lamps.



With USAID-Sida FIRMA Support, B&H products are now being sold in high-end design stores on Manhattan Avenue in New York.

4.2.2. Product & Productivity

- > **Seminar for exporters continued:** Due to increased demand and interest, USAID-Sida FIRMA supported two rounds of exporter seminars in B&H in collaboration with experts from the Indirect Taxation Administration (ITA). These seminars provided information to companies on how to become approved and authorized exporters. Companies that have this status can drastically reduce the customs processing time and save money. According to data obtained from ITA in 37 metal-processing companies are now certified.
- > **Solid Works CAD-CAM Training:** In cooperation with the USAID Excellence in Innovation Project and its supported MTTC Center from Gračanica, a series of trainings on Solid Works CAD-CAM Applications were held with six groups of five engineers. Trainings were held in Gračanica and Banja Luka.
- > **Certification of production plants in welding:** In collaboration with USAID-Sida FIRMA, the B&H Welding Institute from Tuzla initiated activities to certify production plants according to EN ISO 3834 norms. By August 2013, certification was completed in 11 companies, who obtained certification. Of the companies involved in this activity, SIK Mostar employed 15 new employees and started exporting to Scandinavia. Krivaja Metali Zavidovici signed three new contracts in the amount of €1.18 million, increased sales by 9.6% and employed 11 new people. MIP Prijedor increased sales by 27% and negotiations with 3 new buyers are ongoing, while Alfe Mi Živinice reported an increase in sales by 5%.

Welder Operators and Engineers Training: Training of welder operators was completed in Mostar and Tuzla. Thirteen operators were trained and obtained EU certificates, and 12 welder engineers and technicians. Over a three month period, seven candidates from seven companies successfully completed classes and practical training for International Welding Engineers (IWE) and International Welding Technologists (IWT) according to International Institute of Welding (IIW) program at the B&H Welding Institute in Tuzla. USAID-Sida FIRMA in total supported nine Engineers and 10 Technologists from 16 companies to receive this critical training. Trained and accredited engineers and technologists are mandatory for companies to obtain new contracts, particularly with foreign buyers requiring EU-conforming standards of production.

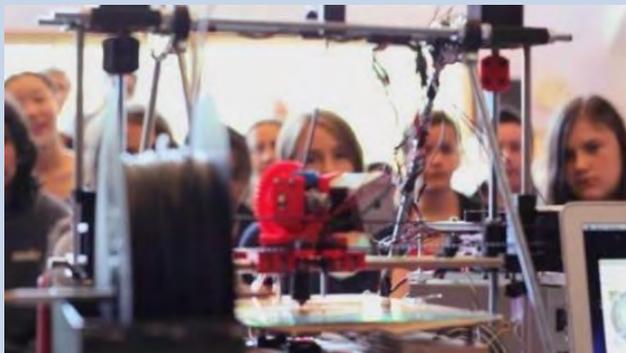


FIRMA has in total supported 9 Engineers and 10 Technologists from 16 companies to receive Welder Operators and Engineers Training

- > **Purchase of Laboratory and Training Equipment:** USAID-Sida FIRMA supported the Machine Institute of the Engineering Faculty of Mostar to procure non-destructive testing (NDT) laboratory and stainless steel and aluminum welding equipment. This equipment will help the Institute to obtain BATA accreditation, and to certify welders (TIG/WIG) of stainless steel and aluminum.
- > **Education and certification in product and tool design:** At the Mechanical Engineering Faculty in Banja Luka 10 companies from the MP sector were educated and tested in product and tool design. USAID-Sida FIRMA provided support to the Laboratory for Metal Forming Technology, Faculty of Mechanical Engineering, University Banja Luka (*LabMFT*) to train 18 engineers from 13 companies in product and tool design. The training provided participants with knowledge on product design, tool design, Finite Element Methods (FEM) simulations and rapid prototyping (RP) technologies. Participants increased their skills to develop products and tools and increased their competitiveness as they are able to produce higher value products. Additionally, three new products and tools were developed and these will be further produced by companies.
- > **CNC training in Sanski Most:** After the successful installation of equipment and the completion of training for teachers, the CNC training center in Sanski Most has become operational. The training center offers adult training and support to local businesses in the metal and wood sectors. The training center offered non-formal training programs tailored to meet the needs of regular students, individual candidates and companies.
- > **Solid Works Education in Vocational Mechanical School Prijedor:** USAID-Sida FIRMA supported the purchase of educational licenses for Solid Works software in the Prijedor vocational school. Solid works is essential for all metal processing companies who have modern machinery; however, trained workers are required to operate it. Apart from the software, eight school professors were trained on how to use it. Once the training program was completed, Prijedor Mechanical School developed new curricula to incorporate the training into their formal educational programs.

Purchase of 3D printer for Prijedor

Mechanical School: In order to improve the skills of secondary vocational schools and prepare them for work, USAID-Sida FIRMA supported the procurement of a 3D printer for the Prijedor Mechanical School. In addition, the teachers were trained on how to use the new equipment. This was the continuation of previous efforts to strengthen the capacity of the Mechanical School Prijedor and its staff in 3D modeling (CAM/CAD, Solid Works).



3D printer for Prijedor Mechanical School

- > **Solid works Training in Technical Schools:** In collaboration with the technical school in Gradiska, USAID-Sida FIRMA supported a Solid Works training course to prepare eleven trainees for the Certified SolidWorks Associate license. Previously, the school funded the purchase and installation of educational licenses for Solid Works software. Students can now achieve skills that are demanded in the market, increasing their chances of employment while helping companies find skilled workers. Six teachers from the schools are trained to deliver Solid Works courses based on curricula developed for the course. The curricula was finalized and adopted by RS Ministry of Education and Culture and the RS Pedagogical Bureau.
- > **ERP Implementation:** USAID-Sida FIRMA supported the implementation of the Enterprise Resource Planning software in two B&H companies – aluminum and copper cable manufacturers. The installed software will improve both the efficiency and quality of production.
- > **Purchasing of Cutting Machine:** Inox Trade of Maglaj, leader of a six-company consortium, installed a new metal cutting machine. Immediately after the machine was installed multiple companies from the area were asking for services.
- > **Lead-Value Chain companies:** The following companies were supported in the metal-processing sector
 - **Elda Lux, Banja Luka:** After the initial performance assessment was completed, the company jointly with USAID-Sida FIRMA technical staff determined that the company needed support to develop new LCD/Plasma TV metal brackets. A technical consultant was engaged by USAID-Sida FIRMA to develop technical documentation for new products.
 - **Metal, Gradiška:** Received support to introduce welding certification in the production plant, and was also connected to sales agents.
 - **Unis Tok, Kalesija:** Unis Tok, a manufacturer of forged steel products, hired 100 new skilled workers to be trained for its newly built production facility. USAID-Sida FIRMA supported the development of a tailored training program for CNC operators, blacksmiths and mechatronics. Training was delivered by the local vocational school.
 - **Saraj-Komerc, Gornji Vakuf-Uskoplje:** This company is a *manufacturer* of springs and parts for fuel filters. They received support to integrate ISO/TS 16949 with the system of quality and environment management in line with requirements of ISO 9001 and 14001, with the final goal to obtain ISO/TS certificate.

TTKabeli doubles their number of employees

TT Kabeli box – since starting collaboration with USAID-Sida FIRMA Project, the company's annual turnover soared from euro 6 million to over Euro 23 million in 2014. The really exciting news is that this resulted in the number of employees doubling from 43 to 90. The company contributes this partly to USAID-Sida FIRMA supported fair attendance at a number of fairs such as Hannover Messe, MIDEST, Essen Aluminum and Nordbygg Stockholm. TT Kabeli team made connections to new buyers at those events. With Project support, the company also implemented the demanding OVE certification required for the Austrian market; trained their engineers in SolidWorks 3D design software and improved production processes by implementing the Enterprise Resource Planning software.



TT Kabeli Company Production Plant in Široki Brijeg

TTKabeli Široki Brijeg, Miviko Posušje and Kapis Tomislavgrad Finalize EU mandated Certifications

All three companies asked for support to invest in certification required for the EU cable industry market. The VDE certificate is mandatory if a company wants to enter the German market, which is the biggest in Europe with total sales capacity of €5 billion, while OVE certificate is mandatory for the Austrian market. Miviko and TTKabeli were VDE certified and Kapis was OVE certified, but they required support from USAID-Sida FIRMA to successfully finalize the certification. The conditions to receive the certificate are very stringent and difficult to fulfill. USAID-Sida FIRMA supported all three companies to finally obtain certificates, which permits them to start exporting in EU by fulfilling all industry requirements.

- **Škutor, Mostar** is a producer and service provider for metal and wood industry. They received support from a technical specialist through USAID-Sida FIRMA to develop a marketing plan, and a media strategy. In order to boost the marketing strategy they started by building a brand name for the company which included a logo, web page and other marketing tools. Škutor reached new markets and increased their sales with this market strategy.
- **TTO, Sarajevo** received support to develop promotional materials to hand out at the Hannover fair where they exhibited and have leads for 23 new contacts and expected sales of around €76,694. TTO, Sarajevo produces high quality stainless steel metal products, and is certified according to EN 1090 standards. This standard certifies that all welding operations are completed in accordance with the European standard which helped TTO increase their export share.
- **Frigoterm, Mostar** received support to redesign and improve their web presentation. Frigoterm is a small company that manufactures air conditioners.
- **Trudbenik, Dobož** received support to obtain the CE sign for its compressors by certifying the security valves for equipment.
- **Provis, Visoko** produces lightning signs used for promotion and signage of companies. The clientele includes high end companies such as Cartier and international banks. Since the signs are placed on steel construction the company needed to become certified according to the CE and EN 1090 standards. The EN 1090 standard became mandatory in July 2014 for all companies exporting to the EU and using a welding process in their production. With USAID-Sida FIRMA assistance Provis was able to implement both standards and secure more sales on the EU market.
- **Elda Lux, Laktaši** – A technical consultant was engaged to prepare technical documentation to improve a number of the company's existing products, including LCD wall mounts. The production tool was fully completed and four products (various LCD wall mounts) were produced. In 2012, Elda increased sales by 42% and exports by 163%.

- **Al-Lux, Mostar** produces decorative lighting. Their main markets are the USA, Canada and the EU. Beside standardized lightings, Al-Lux has focused its business on manufacturing lightings according to customer designs and drawings. Al-Lux was supported by USAID-Sida FIRMA to launch its own website as well as the design of promotional materials and as a result attracted new clients.
- **Lafat Komerc, Kalesija** is a manufacturer of biomass boilers. They produce environmentally sound heating solutions. USAID-Sida FIRMA supported them to obtain the EN 3834 certificate, which improved their welding and overall production process.
- **MCE, Usora** provides services to metal machinery processing and laser cutting. As a fairly new company they needed to upgrade their production process by obtaining a DIN EN ISO 3834 certificate, which was also demanded by their Italian client.
- **Oprema Omo, Mostar** applied for support for CE marking for a pancake machine they manufacture. USAID-Sida FIRMA provided technical support in the development and implementation of all necessary technical documentation. Oprema Omo is now able to place the CE mark on their products.
- **Maks, Vitez and Selecta, Zenica** are manufacturers of aluminium and PVC joinery for international buyers. USAID-Sida FIRMA supported the companies to upgrade their current certificates in line with new EU directives applied to aluminium and PVC products.
- **Timing, Tuzla and Lasta, Istocno Sarajevo** applied for support for CE marking. Timing was supported to finalize the testing of its traffic signs and they now use CE marking on their products. Lasta completed the process required to attain the CE sign. USAID-Sida FIRMA provided technical support in terms of preparing documents for CE marking. Other companies that were also supported by USAID-Sida FIRMA to successfully implement CE signs were Trudbenik, Dobojski Provis, and Visoko.
- **Alpro, Vlasenica** supplies aluminum profiles to a large number of small companies in B&H. Alpro included a number of their clients in this activity and provided them with basic Factory Product Control documents. As a result of these efforts another 30 companies introduced the CE mark.
- **Fiko Komerc** needed certificates for its metal roof sheets and gutters. The QTC prepared the company to obtain the CE mark for this product.
- **Saraj Komerc, Gornji Vakuf-Uskoplje** completed all the steps to obtain ISO TS 16949. Through the USAID-Sida FIRMA QTC program the company received all of the documentation in place for this demanding standard. They received the certificate in the first half of 2014. The company was also trained and successfully passed an internal audit.

SERDA Project Academy:

USAID-Sida FIRMA supported a five-day training event on project-management-cycle. Twenty nine participants attended the training from the metal, wood, tourism companies as well as research institutions. Apart from learning about the project management methodology, the participants went through case studies to better prepare for future donor-funded projects specifically in the area of innovation.



SERDA Project Academy helped participants to better prepare for future donor-funded projects

- > **Prijedor Quality Fund:** As a part of the this fund companies such as Metalmont Mijic and Steel Foundry received support to implement manufacturing quality standards. Metalmont Mijic was certified with EN 3834 standard, while the Foundry obtained ISO 9001 standard.
- > **EU Directives Training:** A seminar on CE symbols for producers of pressure equipment was held in Banja Vrucica on January 29, 2014. The seminar was primarily designed for companies, which deal with welding and are interested in exporting their products and services to EU markets. Twenty-eight participants from 20 companies were familiarized with the quality criteria for welding metals as well as the necessary documents and directions to implement ISO 3834.
- > **Regional conference ENERGA:** The metal sector serves the energy sector in the construction of wind and solar power equipment. USAID-Sida FIRMA supported the ENERGA conference, held in Tuzla from 10-12 June, 2014. The Conference was very well attended with more than 200 participants. The main purpose of the conference was to discuss alternative energy sources, energy policies and investments.

4.2.3. *Business Environment*

- > **Workshop on Environmental Permits:** Awareness raising workshops were held together with a two-day specific training on requirements for mandatory environmental permits in Tesanj, Bugojno and Zenica. Over 50 companies attended the workshops.
- > **50th Anniversary Kemal Kapetanovic Institute, Zenica:** USAID-Sida FIRMA supported a conference to mark the 50th anniversary of the Kemal Kapetanovic Metallurgy Institute. The Institute is the leading organization for research and development in the metal sector in B&H. As a part of the conference, USAID-Sida FIRMA supported the organization of roundtables on research topics and helped develop and promote the Institute's monograph.

NDT Laboratory in Mostar: The NDT (Non-Destructive Testing) Laboratory officially opened at the Mechanical Engineering Institute in Mostar.

USAID-Sida FIRMA supported the Institute through the procurement of new calibration devices. With this equipment, the Institute was able to apply for accreditation from the B&H Accreditation Agency, which is currently underway. USAID-Sida FIRMA previously supported the Institute to train welders according to BAS EN 287-1 standard using steel, stainless steel and aluminum as welding materials and co-financed the purchase of equipment for aluminum welding for training purposes. Improving laboratory capacities and obtaining accreditation for its testing services is one of the key requirements of B&H in the EU pre-accession process in the area of Free Movement of Goods.



The official opening of the NDT Laboratory in Mostar November 2011

- > **Metal Forum Activities:** The B&H Metal Forum was organized jointly with the Economic Institute Sarajevo, B&H Foreign Trade Chamber, ZEPS Intermetal and ZEDA. The metal forum also included all major stakeholders in the metal processing sector. The goal of the Forum was to discuss business environment impediments to the sector. As part of the discussion the Economic Institute prepared two studies, which were presented at the first meeting of the Forum during ZEPs 2011: *“Major Obstacles in the B&H Metal Industry - Competitiveness of the Metal Sector”* and *“The Metal Sector and Employment.”* As a result of these studies the Forum adopted a so-called Manifesto of the Metal Industry. With support from USAID-Sida FIRMA, an informal Operational Team was formed to advocate to government the recommendations outlined in the Manifesto. The operational group includes five members, four representatives of the main B&H Chambers - the B&H Foreign Trade Chamber, RS Chamber of Commerce, FB&H Chamber of Commerce and Chamber of Commerce of the Brcko District as well as the team leader, Professor Aziz Mujezinovic. During 2012, the operational team visited all three Ministries of Economy to present the studies and advocated for reform, all of whom provided their initial support to the group. The USAID-Sida FIRMA-supported B&H Metal Forum working group continued to undertake activities to advocate for business environment improvements and policy measures to support the growth of the metal sector. A round table on investments in the B&H Metal Sector was held in Zenica on September 18 in 2013, with over 39 people, 17 companies, four chambers of commerce and one faculty in attendance. The main topic of the workshop was access to finance and connecting companies with financial institutions. Three commercial banks presented at the workshop as did the development banks of both entities. Pobjeda from Tesanj (which subsequently received a DCA loan) and SurTec-Eurosaj from Konjic presented their investments projects. Furthermore, B&H Metal Forum and RS Chamber of Commerce organized a round table on restructuring metal processing companies as a main element to further develop the metal sector. Specialists, managers of metal sector companies, business associations, banks and universities were invited with the aim to assess the problems of restructuring and propose appropriate solutions – 35 participants attended in total. The recommendations that came out of the meeting were sent to government and other stakeholders. The metal forum launched a website to continue with the discussions. The theme of the annual session of the B&H Metal Industry Forum at the 2013 ZEPS Intermetal

Fair was 'Restructuring companies in the metal sector as a strategic factor in the successful development of B&H industries'. The long-term objective of the B&H Metal Industry Forum is to position the metal sector of B&H as a key industry for the economic development of the country. For this to happen, certain companies from this sector needed to be restructured. The session was attended by 74 representatives from companies from the B&H metal sector, chambers of commerce, academia, business associations and governmental institutions.

4.3. Tourism Sector

4.3.1. Market Connections

The tourism industry in B&H is faced with a unique set of structural obstacles. The responsibility for developing the sector has been allocated to the Entity and lower government levels. B&H does not have a National Tourism Organization, which would be responsible for international promotion and marketing of B&H as a travel destination. This leaves the private sector to fend for itself, having to handle the international market access and promotion of themselves. Over the past several years, the private sector was supported by different donors to participate in international travel fairs. However, attending fairs is very costly and most private sector players relied on donors for support.

To overcome the obstacles mentioned above USAID-Sida FIRMA developed a model to engage agents in target markets – individuals who know the source markets well and already have connections with major operators. Each agent, identified by USAID-Sida FIRMA, was brought to B&H for a familiarization and fact finding mission to look at the product base and capabilities of operators and service providers. Based on those findings a specific market entry program was developed and followed for each market. The proposed programs included specialized publications for Scandinavia, visit to specific trade fairs like to Turkey), familiarization trips for media and tour operators from source markets and special presentations and a B2B program in source market, for example in the (UK). In each case, the agent in the source market conducted direct mobilization of media and operators.

Turkish Market:

- > **USAID-Sida FIRMA supported Turkish Tour Operators to come to B&H as a part of a familiarization trip.** At the end of their tour a business-to business event was organized at the National Museum. A group of 15 tour operators from Turkey and 24 from B&H were involved.
- > **Assessment of the market by a Turkish tourist agent:** The first step to enter the Turkish market included the engagement of a short-term consultant Kasim Gurkan Ozer, who is an expert for the Turkish outbound tourism market. He conducted a fact finding mission in B&H to visit sites including Sarajevo, Mt. Vlasic, Banja Luka, B&Hac and Mostar to assess which of these sites could be of interest to the Turkish market. Based on the findings from his fact-finding mission, the Consultant developed a framework plan to present B&H, which included recommendations for a market entry program including participation at EMITT 2013 International trade fair in Istanbul and a familiarization trip for Turkish tour operators.

B&H presentation at the EMITT 2013 and 2014

international fair: EMITT 2013 was the largest fair for the Turkish travel market and it was recommended by Mr. Gurkan Ozer that USAID-Sida FIRMA attend. The B&H presentation at EMITT was primarily organized and coordinated by the Federation Tourism Community and the Republika Srpska Tourism Organization, who jointly hosted the B&H stand at the fair. USAID-Sida FIRMA support included the design of the stand, technical support for two promotional boards to mobilize B&H agencies to participate in the fair and the organization of a special presentation of the B&H offer to Turkish agencies and operators. Thirteen B&H agencies and service providers attended the fair. While in Istanbul, USAID-Sida FIRMA met with Mr. Damir Dzanko – the B&H Ambassador to Republic of Turkey, who stated that he wanted to cooperate with USAID-Sida FIRMA and its stakeholders on future promotional efforts of Sarajevo and B&H in the Turkish Market.



“Sarajevo 2014” program and campaign were presented at the largest travel fair in Turkey, EMITT 2014, held in Istanbul

This presentation contributed to the tremendous growth of over 70% in numbers of Turkish visitors to B&H in 2013. USAID-Sida FIRMA supported a special presentation of Sarajevo 2014 program at EMITT 2014, where it was promoted as a section of the B&H stand. Promotional materials were tailored specifically for the Turkish tour operators and the average Turkish tourist.

- > **Turkish tour operators visit B&H:** The final step in entering the Turkish market was to bring the Turkish tour operators to B&H. The tour operators were organized in close cooperation with TURSAB – the Turkish Association of Travel Agencies. Eighteen operators, two representatives from TURSAB, one travel media representative and one representative from the regional office of Turkish Airlines attended. The intense 3-day program enabled the visiting tour operators to become familiar with the core cultural offers of B&H and the ski and winter tourism capacities. The program closed with a special B2B event that provided B&H agencies with a structured opportunity to present their offer to the Turkish operators and discuss further cooperation for years 2013/2014 and beyond. Ten B&H agencies participated in the preparation.

Second Familiarization trip for Turkish Adventure

Operators: A second familiarization trip for Turkish tour operators specialized in adventure travel was organized as well. This trip was delivered in full coordination with TURSAB. A group of six Turkish operators and two Turkish media representatives enjoyed a program focused on adventure activities such as hiking, mountain biking and rafting. The goal of the trip was to introduce Turkish operators to the offer and capacities of B&H adventure agencies and initiate communication between the B&H agencies and their Turkish counterparts. For summer 2014, two new programs were developed and were offered through Turkish operators. The FAM trip was delivered in partnership with Turkish Airlines, who provided free flights for the Turkish delegation.



Rafting on Neretva river for Turkish tour operators that specialize in outdoor adventure tourism (Sept. 2013)

UK Market:

- > **Market Entry Assessment:** With the help of USAID-Sida FIRMA, Mr. Christopher Woodbridge-Cox an expert on the UK tourism market engaged by USAID-Sida FIRMA, visited B&H on a fact finding mission where he visited key sites in B&H and met with

agencies and tourism service providers from Sarajevo, Banja Luka, B&Hac and Mostar. The Consultant developed a framework plan and presented the B&H offer in the UK market.

- > **B&H presentation in UK:** The consultant assisted USAID-Sida FIRMA to visit B&H Embassy in London, United Kingdom in April 2013. During this trip USAID-Sida FIRMA successfully presented B&H tourism sector and what there is to offer to the UK market. In addition, Mr. Woodbridge-Cox set up business-to-business meetings for three B&H agents interested in creating new programs specifically for the UK market.
- > **UK tour operators visit B&H:** Presentations in the UK resulted in two UK tour operators visiting B&H in May 2013. Una rafting agency from Bihac hosted representatives from two kayak and canoe associations. The specialized fly fishing operator Zepter Passport from Banja Luka embarked on developing fly fishing programs with operators as a result of meeting with UK tour operators.
- > **Promotion of B&H tourism offer in the UK:** Following the recommendations delivered by Mr. Woodbridge-Cox, the initial efforts to enter the UK market were successful. In the final year of the USAID-Sida FIRMA project support focused on support to UK specialized travel media agencies to visit B&H. This included a visit from the following individuals
 - **Andrew Mazibrada** - a recognized travel reporter with his own travel blog, *Journeymantraveller** is also a co-editor of the *Sidetracked Magazine*. He wrote four articles in four different UK print media.
 - **Alicia Miller** – travel writer specializing on gastronomy based travel featured a story on Sarajevo published in October 2013 edition of *Food and Travel* magazine (section *City Breaks*).
 - **Mary Novakovich** – reporter for *The Independent* featured a story on Sarajevo published in *The Independent* in November 2013.
 - **Rudolf Abraham** – award-winning travel and documentary photographer and writer specializing in Eastern Europe. His commissioned article focused on stecci (medieval tombstones) in B&H for *Hidden Europe*, print circulation of approximately 5000 copies. A photo journal from this visit was published through his blog[†], while the article was published in *Hidden Europe*.
 - **Christian Schuhbock** - journalist from Austria specializing in reporting on UNESCO protected sites.

Scandinavian Market

- > **Scandinavia Market development:** Early in 2012 USAID-Sida FIRMA engaged STTA Fredrik Bjorksater as a tourism expert for the Scandinavian market. Mr. Bjorksater supported B&H tourism agencies at the Gotheburg fair in February 2012, where a B2B meeting was held and the Herzegovina offer was introduced to Swedish tour agencies. In late March, Mr. Bjorksater visited B&H during which time he familiarized himself with the B&H product and also met with a selection of B&H agencies from Herzegovina and Sarajevo to determine if they can develop and offer tours to Swedish tour agencies. A familiarization trip was organized in July 2012 for media representatives from *Moderna Resor*, one of the leading lifestyle magazines in Sweden. The journalists focused on Sarajevo and its film festivals as they identified this aspect as the most attractive to their audience.

* www.journeymantraveller.com; www.sidetracked.co.uk

† <http://www.rudolfabraham.co.uk/gallery-list>

- > **Familiarization trip for Scandinavian Tour Operators:** A FAM trip was organized for a group of Scandinavian tour operators during the fourth year of the project as an overall effort to increase visitors from Sweden. USAID-Sida FIRMA first began working on connecting with the Scandinavian market in 2011. This included the publication of a tour magazine - Inspire Herzegovina, presentations at Gothenburg fair in 2012 and 2013, and a travel media visit in the summer of 2012. In 2013, the FAM trip included three Swedish operators that covered most of the Scandinavian countries who travelled throughout B&H with the goal to learn about the B&H tourism offer. The tour was coordinated by Lasta Travel from Mostar, but included a total of around 15 stakeholders from B&H, including travel agencies, hotels, and restaurants. A special B2B event was also organized. The first FAM trip was so successful that three local agencies decided to jointly host a new group of four agencies from Malmö and Gothenburg.
- > **Connecting to Croatia—Weekend Media Festival:** USAID-Sida FIRMA supported presentation of Sarajevo as a short break/city destination at the Weekend Media Festival in Rovinj, Croatia. This Festival is the largest annual event bringing together media and marketing professionals and agencies from the wider region (ex-Yu plus Austria, Hungary, Italy), attracting 3000+ participants.
- > **B2B event during FAM trip for US tour operators:** USAID-Sida FIRMA supported VCFs, Sarajevo Navigator and ZUP Bascarsija, to organize a special B2B event at the Brusa Bezistan for US tour operators and media.
- > **US Market Entry Strategy:** USAID-Sida FIRMA, with the assistance of two experts, assessed the opportunities and channels for entering the US tourism market. The first point of entry was the Outdoor Retailer Market Show in Salt Lake City, Utah where ATA presented the B&H offer. Additional B2B meetings were organized as well as meetings with specialized outdoor/adventure media and journalists. Following earlier presentations at the US market (OESK 2011, National Geographic Western Balkans Geotourism Map Guide, 2012, 2013 and 2014) USAID-Sida FIRMA supported a specialized travel media visit by US media to B&H. Two visits were hosted in 2013-2014 and it included:
 - **Forrest McCarthy** who published a promotional feature story Packrafting Bosnia[‡] through the ISSUU blog.
 - **Alex Crevar** who commissioned five articles on the Via Dinarica trail for the online edition of Outside magazine – the leading adventure and outdoor travel magazine in the US. Three of these articles are on B&H locations[§]: Una and Sutjeska National Parks and the Tobacco Smuggling Trail (Blidinje to Lukomir). Articles ran as a series and the first story was published in the last week of July 2014 and attracted 1677 shares by its readers.

Outdoor Adventure Tourism

B&H's outdoor adventure tourism destination was included in all the above promotional efforts. The Turkish market trip evolved to include a specialized familiarization trip for the Turkish outdoor agencies, which was delivered early in year five.

In 2011 a similar model was applied to the US in an effort to open the US market for the B&H tourism product. The US is one of the most developed markets for outdoor tourism. The initial

[‡] ISSUU blog: <http://issuu.com/ckerns/docs/bosnia/3?e=6975100/5455965>

[§] <http://www.outsideonline.com/adventure-travel/escapes/go-list/A-Balkan-Journey-Slovenia-to-Croatia.html>

assessment indicated that B&H's outdoor and adventure product base could be introduced to the US market. A specialized presentation of B&H was made during the Travel Hub of the Outdoor Retailers Summer Market (ORSM) in Salt Lake City in 2011. In 2012, the outdoor adventure offer was presented as part of the Western Balkans Geo Tourism Map Guide Promotional week in Washington DC, and at the Adventure Travel World Summit in Luzerne, Switzerland.

Finally, the Adventure Tourism Association in B&H (ATA B&H) was supported to become a member of the worldwide Adventure Travel Trade Association (ATTA). The ATTA membership provides ATA B&H and its members access to the Hub, the industry market platform, as well as a series of market information and webinars focused on needs and performance of the adventure industry.

- > **Adventure Travel World Summit, Luzerne, Switzerland:** ATA B&H, supported by USAID-Sida FIRMA, took part in the Adventure Travel World Summit held in Luzerne Switzerland from October 7-13, 2012. The event was hosted by ATTA. The Summit is an annual gathering of stakeholders from the adventure travel trade from around the world, including retailers and media. In addition, to opportunities for networking, the summit also featured a series of workshops, which allowed the industry to discuss the latest trends and share experiences linked to the adventure travel market development, communication and other related topics. ATA B&H took part in the activities and also used this opportunity to present the B&H adventure offer. A total of 16 business contacts were made, which led to future cooperation (region, UK, US) as well as four contacts with specialized media. ATA B&H also participated in an initiative to mobilize closer regional cooperation among the adventure tourism agencies in the Balkan countries. ATA and its member Greenvisions (both participated directly in ATWS in Luzerne) have since participated in regional ATTA meetings. This resulted in an agreement to deliver a specialized ATTA AdventureEdu two day training program that was delivered in September 2013. Further, Greenvisions signed a contract with two outdoor adventure companies from US.
- > **Western Balkans Geo Tourism Regional FAM Trip:** B&H hosted the first familiarization trip as a part of the Western Balkans Geo Tourism Map Guide initiative. The trip was hosted by the ATA B&H and included representatives from the regional WB Geo Tourism portal editors participating countries and the project coordinator. The aim of the tour was to introduce the regional portals editors with the B&H offer. Each country organized FAM trips in their countries, with the goal of promoting the region as one destination. USAID-Sida FIRMA provided technical assistance in preparing the trip, while ATA B&H obtained funding from Oxfam Italia to cover the costs for accommodation and local transport. Following the FAM trip to Bosnia, the same model was used for FAM trips to Albania and Montenegro, with all B&H representatives participating. Another trip to Serbia occurred in the autumn of 2013. Regional itineraries were developed through joint initiatives of individual agencies from participating countries and were posted on the WN Geotourism Map Guide.
- > **Western Balkans Geo Tourism Map Guide:** The Western Balkans Geo Tourism Map Guide portal (WB Map Guide) was initiated and developed as a result of regional cooperation coordinated under the RCI project. It was developed in partnership with the National Geographic Society under the auspices of their Geo Tourism initiative. The WB Map Guide includes six countries: Albania, B&H, Kosovo, Macedonia, Montenegro and Serbia. In each country a national Portal Editor was nominated to manage the portal content for that country.

The portal offered a Western Balkans entry page with suggested regional itineraries and tours, organized by themes, and sub links to country pages with more detailed information and a map of facilities and locations. The portal serves as a vehicle for promotion and advancement of geo tourism principles and values at location management level and among service providers. Regional projects involved in developing the Geo Tourism Map Guide defined the Map guide themes and topics, ensuring that all country portals had a uniform approach in presenting their tourism sites, attractions and facilities. USAID-Sida FIRMA selected Operativni menadzment as the “portal editor”- implementer for the in- country activities to prepare and develop nominations. The official public launch of the portal was held in Washington DC in June, 2013.

- > **Western Balkans Geo Tourism Map Guide Promotion Week:** USAID-Sida FIRMA supported a B&H delegation to exhibit at the promotional week for the Western Balkans Geo Tourism Map Guide held in Washington DC from 18-22 June 2012. The promotional week included three main events: exhibition at the Ronald Reagan Building (indoor exhibition, 12 photographs, two days); exhibition at Farragut Square Park (outdoor exhibition, 60 photographs, 2 days) and WB Map Guide Reception to launch the web site (held at the National Geographic Society premises). During the promotional week, the web site registered over 450 US visitors, and it is estimated that over 2,000 people attended the exhibition.
- > **Coach Tour Fair in Cologne:** USAID-Sida FIRMA supported a group of tour operators to attend the Cologne fair in Germany. EKO-PLI from Jajce was supported to attend the Vakantiebeurs Fair in Utrecht in Holland.
- > **Outdoor Journalists FAM Trip:** In collaboration with the USAID EI project-supported Exploring Bosnia agency, USAID-Sida FIRMA supported a study trip for a group of five journalists and photographers of Montages Magazine group from France. These journalists were specifically focused on winter and overall outdoor tourism.
- > **Fiats and Wandel Beurs Amsterdam:** The B&H Outdoor Association exhibited at a specialized adventure fair in Amsterdam, Holland. The presentation was delivered under the identity of *Brave Enough – Bosnia and Herzegovina*.
- > **ITB 2011:** The ITB fair is one of the two largest tourism trade shows, held every March in Berlin. USAID-Sida FIRMA supported an exhibition by the B&H Adventure Tourism Association at a new special ITB hall for outdoor programs.
- > **Fly Fishing Study Trip for US Media:** USAID-Sida FIRMA supported Zepter Passport to host US media specializing in the first fly fishing study trip. This presentation included presenting B&H’s fly fishing potentials as well as that of the region (Slovenia, Croatia) through the Wild on The Fly journal and the Fly-fishing Travel channel – a specialized promotional channel for top fly fishing destinations. The study trip was a continuation of an effort started earlier in 2011 when the B&H outdoor offer was presented to the US market at the ORSM 2011 Fair in Salt Lake City, in August 2011.
- > **ITB Berlin 2014 – Regional Cooperation Visit:** USAID-Sida FIRMA led a visit of a B&H ministerial delegation to ITB Berlin 2014. B&H has been exhibiting at the fair since 2000. The delegation included representatives from entity ministries (RS Ministry of Trade and Tourism and FB&H Ministry of Environment and Tourism), the B&H Western Balkans Geotourism Map Guide portal editor, the ATA B&H and USAID-Sida FIRMA.

Promoting Sarajevo as a Tourism Destination

Worldwide best practices indicates destination management (DM) as the most effective approach in sustainable development of destinations. It ensures that all stakeholders cooperate including – tourism industry, local authorities, local businesses and service providers – with a common goal: to provide quality and attractive tourism products that will contribute to increasing incomes and generate new employment and a higher quality of life for local communities. Destination management is a holistic approach which is adopted according to specific destination governance structures.

Sarajevo is already recognized in the market as a travel location in its own right. For the city to achieve its full potential as a travel destination and to ensure maximum benefits for its citizens, a change towards the destination management approach is needed. However, the existing administrative organization of the city itself and its surroundings does not lend itself to an easy transition to the destination management concepts (Sarajevo as a travel destination is currently divided between two entities and a number of municipalities).

USAID-Sida FIRMA has been supporting our VCFs in efforts to introduce the destination management models through discussions with local stakeholders. It was determined that the first step would concentrate on promotional efforts and this has been embraced by most stakeholders.

- > **Annual brochure about Destination Sarajevo 2013:** The updated and improved Destination Sarajevo publication was prepared and printed at the start of 2013. This version now contains extended information about Sarajevo and its surroundings and was completed in both English and Turkish. The Turkish language version was done in an effort to address the gap in the lack of promotional material on Sarajevo in Turkish. This was needed given the increase in number of direct flights between Turkey and B&H, and more intense promotional efforts in Turkey. There were 30,000 publications printed and distributed to the private sector and tourism promotional bodies.

Sarajevo Destination Marketing Framework: USAID-Sida FIRMA engaged an international expert in destination marketing to support the efforts for improved promotion and marketing of Sarajevo as a travel destination. In 2014, Sarajevo was introduced to wider audiences worldwide as it was the 100th anniversary since the assassination of Archduke Franz Ferdinand. This was a major opportunity to propel Sarajevo and B&H in the travel world. However, there was concern that this may be hampered if there were insufficient promotional efforts to market Sarajevo. To overcome this challenge, USAID-Sida FIRMA engaged an expert on destination marketing to develop a marketing framework for Sarajevo as a travel destination. The framework was presented to USAID-Sida FIRMA's tourism VCFs and became a key tool in further discussions with City authorities and other institutional and private stakeholders.



USAID-Sida FIRMA supported number of activities promoting Sarajevo as Tourism Destination

- > **Sarajevo Destination Portal Definition:** The technical specification for the destination portal was developed during this period. In order to ensure that the portal incorporates all the necessary elements, several public-private meetings and consultations were held to obtain input from as many stakeholders as possible.
- > **Sarajevo Holiday Market 2012/13 – Regional Promotion:** USAID-Sida FIRMA supported the SAHM to increase its promotional activities in the regional market. The promotional

campaign focused on promoting Sarajevo as a winter tourism destination, which also included ski resorts and the winter market. The campaign included promotion through a sales network of the leading Croatian tour operator *Uniline* (targeting families segment, mainly in Dalmatian coast, Istria and Zagreb area); two weeks media promotion through MTV Adria (targeting youth segment - regionally), and a Facebook campaign (targeting more segments globally, focus on youth). It was clear that there was an increase in interest in Sarajevo Annual Holiday Market (SAHM) which is evident by the increased visitors that came from the target region during the campaign period (overall 9,000 visits; over 4,000 from target markets – regional countries; about 6,000 unique visitors). Report from the Statistic Bureau of Sarajevo Canton shows a 19% increase in the number of visitors to Sarajevo Canton (East Sarajevo ski resorts visits not included) as compared to the previous years.

- > **NEXPO Exhibition:** In collaboration with implementing partner Sarajevo Navigator and the government of the City of Sarajevo, USAID-Sida FIRMA supported the presentation of Sarajevo as a tourism destination during the NEXPO fair. The NEXPO fair is two-day regional event held in Sarajevo in 2011 bringing together representatives from local governments. Over 200 municipalities from SEE and 50 national and international associations of local governments and development agencies took part in the event.
- > **UNWTO Global Summit on City Tourism, Istanbul, Turkey:** USAID-Sida FIRMA attended the UNWTO Global Summit on City Tourism held in Istanbul November 2012. The Summit presented the new UNWTO report on City Tourism and also introduced activities underway or planned for the upcoming period. It also offered an opportunity for the industry to discuss current practices and share experiences in advancing city tourism.
- > **Sarajevo 2014 – The Opportunity of the Century (Destination Marketing Framework):** A panel discussion was held as part of the Weekend Media Festival (WMF) program *Sarajevo 2014 – The Opportunity of the Century* to promote Sarajevo to regional media outlets. The panel launched the Sarajevo 2014 communications campaign focused on promoting the upcoming 100th anniversary of the start of WWI, and other important anniversaries that fell in 2014 – the 30th anniversary since the XIV Winter Olympic Games were held, 20 years since the Sarajevo Film Festival started. This launch was scheduled as part of the WMF which attracted 4,000 regional media representatives.
- > **Sarajevo 2014 – Communications Campaign:** Sarajevo marked several important anniversaries in 2014, the key ones being the 30 year anniversary of the Winter Olympic Games, 20 years since the inception of the Sarajevo Film Festival and 100 years since the start of WWI. In order to facilitate the timely and comprehensive communication of the events and activities planned, USAID-Sida FIRMA supported the Sarajevo Navigator/Linden (City Break VCF) to develop, execute and manage a communications campaign. Sarajevo Navigator/Linden was also appointed by the City of Sarajevo as the official promotional agency for the 2014 events. The Campaign had a regional focus and lasted throughout 2014, with four critical marketing peaks.
 - The first two peaks of the Campaign were the *My Olympic Memories* aimed to link back the Olympic community as well as citizens and guests of the XIV Olympic Games. Implemented through social media, it reported over 5,500 Facebook likes and over 300 photographs from the Olympic Games were donated to the Olympic museum collection.
 - The third peak focused on the reopening of the Sarajevo City Hall – Vijećnica on May 9th, 2014. The effort resulted in several dozen articles including coverage by international

media such as CNN and BBC. The campaign which promoted the event through web portals and social media platforms resulted in a high volume of traffic, including direct “reporting” by those present at the event.

- The fourth peak of the Campaign focused on the Sarajevo Film Festival (August 15-23, 2014). USAID-Sida FIRMA support focused on development and production of the campaign and its communication tools.
- > **Destination Sarajevo – Internal Campaign:** In light of the special events and anniversaries that Sarajevo was celebrating in 2014, it was anticipated that Sarajevo would have a high number of visitors during the year and in particular during the summer months. With this in mind USAID-Sida FIRMA wanted to increase awareness among the local population of Sarajevo that the city is a tourist destination. USAID-Sida FIRMA launched a media campaign *Feel Sarajevo* in B&H to communicate the events, product elements and values of Sarajevo as a travel destination to the local population. The billboards were featured in Sarajevo and along the main traffic routes entering the country from the north and the south.

Destination Sarajevo Travel Portal: USAID-Sida FIRMA supported the first Sarajevo destination portal – a comprehensive web portal that promotes destination Sarajevo (including territories of Sarajevo and East Sarajevo) through a dynamic market driven design and online booking service using one of the leading booking engines – Booking.com. The portal, officially launched on April 15, 2014, included all segments of the destination offer and enables visitors to learn about, identify and book all segments of their travel according to their interests (from flights to restaurants or event tickets). The goal was to have the portal become the primary comprehensive platform for the industry to communicate and promote their products.



The portal contains information about accommodation, restaurants, tours, guide services, and events which allows visitors to tailor their visit accordingly. Since it was activated, the Destination Sarajevo Facebook profile attracted over 24,000 fans.

- > **International Tourism Days Sarajevo 2014:** USAID-Sida FIRMA supported the presentation of two programs: Via Dinarica and Western Balkans Geotourism Map Guide at the International Tourism Days Sarajevo 2014 fair. The event which represented a successful result of a public-private dialogue led by USAID-Sida FIRMA was organized as an effort to revive the once very successful Sarajevo annual tourism industry gathering. USAID-Sida FIRMA continued providing technical assistance to the host of the fair – Centar Skenderija – for the duration of the project on developing the long-term vision for this industry event. In a joint presentation with the Tourism Group of the Foreign Trade Chamber of Commerce, the USAID-Sida FIRMA team presented the B&H Brand Toolkit. A tailored publication developed as a guideline for all stakeholders that promoted B&H internationally, this toolkit provided reference on how to manage communication in order to maintain the core brand values for B&H tourism.

Opening of Sarajevo City Hall – Vijecnica

USAID-Sida FIRMA provided technical assistance to the City of Sarajevo to develop and deliver the program for the opening of the Sarajevo City Hall – Vijecnica. The event was held on May 9, 2014 and included Mayor’s Cocktail ceremony inside the Hall,

and a two hour outdoor program for citizens and visitors, including the Sarajevo Symphony open-air concert. The event attracted several thousand spectators and was televised by BHRT (B&H state television station). BHRT provided a Eurovision link of the program, while Al Jazeera secured satellite link for all media outlets. The program was delivered by local artists including the famous Sarajevo Cellist Vedran Smajlovic and the 150 member children's choir. Following the launch event, USAID-Sida FIRMA continued to provide the City of Sarajevo with technical assistance to mobilize the Vijecnica site for tourism related activities. USAID-Sida FIRMA developed and provided the City authorities with the basic concept for a Visitor Welcome Centre as a medium to long-term solution. In the meantime for the summer of 2014 USAID-Sida FIRMA provided design and production of a set of exhibition stands. On August 1, 2014 the exhibition *Sarajevo City Hall – Revisited* was opened in the City Hall. USAID-Sida FIRMA provided support to redesign (from its 2011 edition) the exhibition and its implementation. The exhibition offers a historic overview of the City Hall construction, destruction and reconstruction with many original drawings and plans. The exhibition has become a permanent fixture of the City Hall offer.



- > **Exceltur Tourism Leadership Forum at FITUR:** USAID-Sida FIRMA supported B&H's participation in the Exceltur Tourism Leadership Forum in Madrid Spain. This forum is an annual event hosted by UNWTO and the organizers of FITUR (Spanish travel fair), and is dedicated to providing a platform for discussions and knowledge sharing among industry leaders. The Seventh Exceltur forum was focused on tourism as a key driver to support the country brand. The Forum introduced B&H delegates with the latest trends and the lessons learned on the importance of brand management for successful market performance. It also provided an introductory session with the Adventure Travel Trade Association on the possibilities for wider cooperation on development and promotion of adventure tourism in B&H.
- > **Slovene Matchmaking:** USAID-Sida FIRMA cooperated with the Slovenian Embassy to facilitate workshop with Slovene tourism service providers and B&H stakeholders.
- > **Herzegovina Branding:** In collaboration with REDAH and entity and cantonal tourism ministries, USAID-Sida FIRMA supported the efforts of Herzegovina to brand itself as a special tourism region through a special workshop at the spring Mostar Trade Fair, which was attended by 50 participants.
- > **Herzegovina Gastro Guide:** This guidebook was developed as the final product of the assessment of the Herzegovina gastronomic offer and was the second in a series of thematic Herzegovina guides (the first was Rural Herzegovina). The Gastro Guide communicates the importance of culinary traditions, highlighting regional specialties and authentic produce and dishes. A specialized study tour was organized for the travel industry and media from B&H and Croatia to introduce them to this new product with the purpose of including the new tour in their offer. In part because of this effort, several leading Herzegovinian tourism agencies and web sites now offer travel programs combining wine and food.



Don't Miss Magazines: USAID-Sida FIRMA supported the development and production of two *Don't Miss* magazines – Sarajevo and Herzegovina. The *Don't Miss* magazines are lifestyle magazines for an international, regional and domestic audience that aims to inspire travel to Sarajevo and Herzegovina. The magazines are produced in two language versions – English and Bosnian. The Sarajevo edition was officially introduced to the B&H tourism industry, media and general public on January 6th, 2012 and the Herzegovina edition was launched during the Mostar Fair in March. In the first wave, both language versions were distributed throughout B&H – to tourism establishments and facilities, and through regular magazine sales channels (newsstands, bookstores, etc), while copies were also provided to the city and other institutions to be used as promotional materials. Subsequently, with the support from UNDP, *Don't Miss* editions were printed for the Krajina and North-Western regions of B&H.

4.3.2. *Product & Productivity*

Sarajevo Destination

- > **Candidacy for EYOWF 2015:** USAID-Sida FIRMA, in cooperation with VCFs, Sarajevo Navigator and ZUP Bascarsija, provided support in the design and production of the final set of promotional materials for the joint candidacy of Eastern Sarajevo and Sarajevo for hosting the 2015 European Youth Olympic Winter Festival.
- > **Sarajevo City Break Workshops:** Sarajevo Navigator and ZUP Bascarsija organized workshops for over 20 tourism stakeholders in the Sarajevo area on specific actions planned for Sarajevo City Break.
- > **Sarajevo Attractions on B&H Guide Smartphone/iPad Application:** USAID-Sida FIRMA supported an effort to include around 50 tourism attraction sites in Sarajevo, which were integrated into the smart phone B&H Guide app. B&H Guide app was developed in cooperation with Oxfam Italia and it included entries from the Three Valleys program implemented by Oxfam Italia. USAID-Sida FIRMA focused on the development and uploading of entries from Sarajevo Destination, thus ensuring key attractions in and around the city were available to those using the app. As the application was based on the Garmin navigation model, it enabled a much improved orientation for visitors and tourists.

Sarajevo Holiday Market: Sarajevo Holiday Market (SHM) was an initiative launched by USAID-Sida FIRMA and VCF Sarajevo Navigator and ZUP Bascarsija as a specialized event to mark the holiday season in the city and enrich the Sarajevo tourism product during the winter period. SHM was developed with support and in partnership with the City of Sarajevo and municipalities of Stari Grad and Centar. SHM was a month long annual event (Dec 15 to Jan 15) modeled after the well-known German Christmas markets, but adjusted to accommodate the specific Sarajevo environment – covering the holidays celebrated by the residents of Sarajevo, which include Hanukah to Orthodox New Year.



SHM also offers a venue for artisans and craftsmen to display and sell their products, providing an opportunity for them to reach a much wider customer base. The first SHM included 21 exhibitors who reported sales of over €46,016. The market program incorporated various activities including stage performances, presentations and other smaller and larger events. It also included a separate, all-day program for children, where around 900 children visited and played in the Children's Pavilion. Since the first market, four have been held and in 2015 without USAID-Sida FIRMA support.

Traditions and Creative Workshops at Sarajevo Holiday Market

Sarajevo Holiday Market (SAHM) is an annual event established with USAID-Sida FIRMA support in 2011. In 2013 it had its third edition from December 11, 2013 to January 15, 2014. The event itself is sustainable and has become the staple program of Sarajevo winter offer. Each year the SHM aims to improve, expand and enrich its program, especially in the areas of stronger promotion of local traditions and handicraft. For SHM 2013/2014 USAID-Sida FIRMA supported a set of traditional crafts workshops for children.



The workshops allowed children to observe the crafts-people and to try either independently completing specific steps or assisting the craftsmen – depending on the difficulty and adequacy for their age. The workshops served to enrich the program of the SHM, but even more so to introduce children to the B&H heritage. SHM was organised in 2015 without USAID-Sida FIRMA financial support.

- > **Sarajevo City Hall Revisited:** In 2011, USAID-Sida FIRMA supported an exhibition of original architectural drawings of the Vijećnica and historic photos in an effort to communicate the history of this landmark to visitors and improve the Sarajevo tourism offerings. This opened the door to establish the City Hall Museum – as a permanent attraction managed by the City. Further, this effort propelled discussions between the City and private sector on models of private-public-sector development and management of tourism attractions.
- > **Product Design, Packaging and Sales Workshops:** A series of workshops were held with the Sarajevo Holiday Market (SAHM) exhibitors. The workshops were organized in response to the exit survey conducted with the visitors and the exhibitors at the end of the SAHM 2011-2012, which stated that the stands needed to be improved. Workshops were aimed at increasing the skills and knowledge of Sarajevo Holiday Market participants in fields of product design, marketing and presentation. Two workshops were held in November and December of 2012 with over 34 exhibitors participating (over 50% were women). The exhibitors were additionally supported to improve product design, as well as support in

product placing and sales. The exhibitors that participated stated that their sales increased by 5% in comparison to the previous year.

Pilot Bus Line Sarajevo-Jahorina: USAID-Sida FIRMA supported the establishment of a special bus line between Sarajevo-Jahorina Ski Resort during the Sarajevo Holiday Market period. The bus line was a complimentary service to SHM 2011, allowing Jahorina ski resort visitors to visit SHM and Sarajevo city attractions, and city visitors to go skiing. The bus line was jointly proposed by the City of Sarajevo and the Association of Jahorina Hoteliers, and received support from the City of Eastern Sarajevo and Jahorina Ski Centre. The pilot line was highly successful and Sarajevo Navigator discussed with the Ministry of Transport and Communication of B&H which resulted in two permanent bus lines now running during the season (the Ministry is in charge of approving the inter-entity bus lines).



As part of Sarajevo Holiday Market 2011, Sarajevo-Jahorina bus line was inaugurated after 20 years

- > **Sarajevo Destination Management (DM):** In January 2012, USAID-Sida FIRMA launched an initiative to introduce destination management practices as a methodology for tourism planning in the wider Sarajevo area. USAID-Sida FIRMA engaged a Destination Management Expert, Robert Travers to assist the project and its partners to build consensus and outline processes and actions that would lead to better management practices and overall improved image and status of Sarajevo as a travel destination. During the first visit he met with key public sector partners, as well as a selection of private sector service providers. The consultant produced a report providing an overview of the key destination management principles and practices, a summary of the model currently present in Sarajevo and possible paths for improvement and next steps based on best practices.

Moja Slika Sarajeva Launch: USAID-Sida FIRMA in collaboration with the City of Sarajevo launched the Moja slika Sarajeva photo competition. The general public were asked to submit photos of Sarajevo which will be used as tourism photos. The program collected over 4,500 photographs, organized by different themes –architecture, street scenes, events and seasons. The final exhibition displayed the photos of the 12 monthly winners and the overall winner of the competition. Olympus, who collaborated with USAID-Sida FIRMA on this activity, awarded the winners a camera. This activity was also supported by the City of Sarajevo – who took the Moja slika Sarajeva exhibition on the road as a part of a promotional program of Sarajevo, with exhibits organized in Belgrade and Friedrichshafen, Germany.



"Moja slika Sarajeva" Contest winning photo by Senka Music (2011-2012)

- > **Festival of Culture and Traditions:** A festival celebrating cultural heritage and traditions of the people of Sarajevo was officially opened on June 27, 2014 at Zuta tabija site. As the month of Ramadan falls during the high season period it was decided that the festival could

offer an opportunity for tourists to witness joint evening meals at sunset as a part of the breaking of the fast. Overall, 23 different events (exhibitions, concerts, discussions) on four locations were organized as part of the Festival, in cooperation with the Gazi Husrev Bey's Library, Faculty of Islamic Studies, Islamic Community of B&H, Sevdah Art House, and the Municipality of Stari Grad. The festival program was financially supported by the EU Delegation to B&H. The program was well received and visited by both tourists and citizens, while new tourist attractions, Sarajevo's vista points Žuta tabija / Yellow fortress, was cleaned and made more attractive to welcome city visitors.

- > **Sarajevo Symphony Orchestra:** In its efforts to support and improve the cultural offerings of Sarajevo, USAID-Sida FIRMA had consultations with the management of the Sarajevo Symphony Orchestra, as one of the key cultural institutions in the City, in an effort to improve cultural offerings in the city. USAID-Sida FIRMA engaged a consultant to review the current obstacles faced by the Symphony and develop a proposal with immediate and mid-term interventions that can assist the symphony to reduce or overcome some of those obstacles. USAID-Sida FIRMA supported the Sarajevo Symphony Orchestra to build a wider audience base by organizing an Open Air concert on May 9, 2014, as part of a special program for the citizens accompanying the opening ceremony for the Sarajevo City Hall. The concert was attended by several thousand spectators and was extremely well received. Following the successful organization of the concert, USAID-Sida FIRMA continued to provide Sarajevo Symphony Orchestra with technical assistance on possible modules for attracting additional funding. A set of sponsorship and partnership packages were developed and delivered to the Orchestra management.
- > **Bascarsija Traditional Crafts Certification Program:** Bascarsija Traditional Crafts Certification program developed a certification model for traditional crafts (skills), products and designs. The program was led by VCF, ZUP Bascarsija, and it included the development of the entire model of certification and regulatory frameworks to obtain the seal of geographic origin for traditional crafts. This process included cooperation and coordination with two key institutions – National Museum, who are experts on ethnography and the B&H Institute for Intellectual Property, who provided the geographic origin seal. The process included the development of rulebooks, as well as individual nomination files for each craft and craftsmen that were submitted for certification. A total of 19 craftspeople received certification for six crafts. On April 28, 2014 the certification program for traditional crafts and craftsmen was officially announced and an award ceremony was held. The certified craftspeople have the right to use the Original Sarajevo Quality seal, with the full branding kit with guidelines, package samples, seals, and special stickers to mark their businesses. This will allow them to differentiate protected traditional crafts from other products in the Bascarsija area. The promotion is continuously delivered through different channels that include web, Sarajevo Navigator city guide, media reports and others.

Outdoor Destination

- > **Pliva Vrbas region mountain biking routes,** USAID-Sida FIRMA supported the development of the biking routes with the Center for Environment Banja Luka and VCF Green Tour of BL. This involved identifying routes, GPS mapping, clearing and signage along the trails and development of maps and other promotional materials.
- > **Global Sustainable Tourism Criteria workshops:** GSTC was an initiative launched jointly by UNWTO, National Geographic, Expedia, and 52 other international organizations. The

GSTC aimed to provide guidelines and framework for developing sustainable tourism solutions. USAID RCI supported a series of workshops by the GTSC team in the RCI countries, including B&H.

- > **Outdoor Association Support:** USAID-Sida FIRMA provided support to establish the Adventure Tourism Association which was made up of a core group of 10 outdoor service providers. With a promising start in May 2011, when ATA finally became registered, the Association stopped operations in September 2011 when the newly engaged director left. The operation was re-launched in mid-March 2012 with the engagement of Ms. Erna Kurtovic as the new Executive Director. The pre-season period was used to finalize all the operational processes, including the Assembly meeting held on May 17th at which the internal rule books and regulations were adopted as well as the workplan for 2012. Two project proposals were prepared to obtain funding from other donors and ATA B&H also provided organizational support to promote the Western Balkans Geo Tourism Map guide portal that was held in Washington DC in June.
- > **Certification of Open Water Life Guards – Award Ceremony:** USAID-Sida FIRMA supported a program to train life guards for the open waters. The training was developed following guidance from the international life guard association, and delivered by BUK diving center from Banja Luka. A total of 70 candidates from Sarajevo, Foca, Jajce and Neum completed the course. The award ceremony was attended by Mr. Zoltan Somogyi of UNWTO.
- > **Mt. Ozren Mountain Bike trails workshop and promotional ride:** The development of Mt. Ozren as an outdoor and a mountain biking destination are long term goals for the Dobojski private sector and its tourism organization. USAID-Sida FIRMA supported Trios consulting, a private development company from Dobojski, to expand the market attractiveness of the mountain biking through GPS positioning, adequate signage and promotional events and efforts. A final event was organized to mark the completion of the activity, including a workshop for mountain biking groups and service providers and a promotional bike ride for biking clubs. The workshop attracted some 31 representatives from local and regional service providers, while the promotional ride was attended by 52 bike riders.
- > **Training in Catering and Tourism Management Practices:** With VCF, Green Tour of Banja Luka, USAID-Sida FIRMA supported catering and tourism management practices training for small hotels and rural/private accommodation providers from the Pliva-Vrbas region. The training consisted of nine workshops, covering such topics as eco-tourism, hotel services and categorization, and catering. Twenty-eight candidates successfully completed the full training.
- > **Lifeguard Training and Certification:** USAID-Sida FIRMA supported a program of open water lifeguard training, based on international lifeguard association standards through the BUK diving center in Banja Luka. The first 29 lifeguards from Banja Luka and Jajce received certificates. Additional training sessions were held in Sarajevo, Tuzla and Mostar, and 80 people were trained for internationally-certified lifeguards.
- > **Una Pounje Monography:** USAID-Sida FIRMA supported the publication of a monograph dedicated to Una River and its tributaries as the first publication that includes comprehensive information on flora, fauna and natural resources of Una River and its surroundings.

- > **Climbing Centre Smetovi:** USAID-Sida FIRMA supported the completion of the climbing center in Smetovi, to improve the overall adventure tourism offer in B&H, it is also a training center for other adventure tour operators.
- > **Sutjeska National Park:** USAID-Sida FIRMA launched a series of meetings to coordinate the current level of interventions focused on developing and improving Sutjeska National Park (SNP) as a destination for visitors. SNP is a major resource that is significantly underused for tourism purposes. The SNP is faced with complex issues including inadequate management practices, and funding and quality of supply services to visitors. While the need for improvement is significant, there are also several (up to seven) different donor supported programs addressing issues in and around the park. In order to determine the need and the scope of potential USAID-Sida FIRMA interventions, USAID-Sida FIRMA undertook an overview of the current programs and activities. The overview established the levels of interventions and possible gaps where USAID-Sida FIRMA assistance could be applied most effectively.
- > **Specialized location guides Banja Luka:** USAID-Sida FIRMA facilitated a series of meetings between Spektar agency, City of Banja Luka, Tourism Organization of Banja Luka and Ministry of Trade and Tourism RS to develop a training program for specialized tour guides. Spektar Agency, the training provider, developed a training program for specialized location guides for Banja Luka, with the support of GIZ and in cooperation with European Guide Association certified trainer team. The program incorporates the current standards and programs of the EU Guide Association. USAID-Sida FIRMA's involvement included ensuring that the training program was officially recognized and adopted by local authorities. Apart from the training, a Rulebook for certification of specialized guides was adopted by the City of Banja Luka and verified by the RS Ministry for trade and tourism and a Register of Banja Luka guides was established within the Tourism Organization of Banja Luka. The training was completed at the end of June, 2014.
- > **Signalization and Mapping of New Mountain Biking Trails in North-Western B&H:** The Green Tour Association for Support of Sustainable Tourism, supported by USAID-Sida FIRMA, completed the mapping out and signalization of mountain biking trails in the wider Pliva -Vrba area (north-western B&H). The following trails have been fully mapped out, signalizations put up and also presented through a web portal: Banja Luka-Krupa and Vrba-Manjaca-Mrkonjic Grad; Mrkonjic Grad-Grezovi-Source of Pliva River-Sipovo; Sipovo-Jezero Jajce; Circular route Gornja Sanica and north western entry into Sanica from Sanski Most direction.
- > **Una National Park:** USAID-Sida FIRMA took part in a meeting hosted by Plod Centar from B&Hac to coordinate activities for tourism development in the Una National Park. The meeting was attended by all donor programs active in the area, as well as representatives from UNDP and the Una National Park.
- > **Symposium on EU Pedestrian Routes:** USAID-Sida FIRMA, together with ATA B&H representatives, attended a symposium on EU Pedestrian Routes hosted by the Mountaineering Association of B&H. The symposium was held on Mt. Igman with the purpose of informing the mountaineering community of the current EU practices in developing walking and mountaineering routes. The EU routes passing through B&H were specifically discussed and presented.

Mountain Biking Trails on Mt. Kozara: The Mountain biking Marathon held in October 2013 attracted some 200 cyclists from the region and nearby EU countries. The Marathon was organized to promote the renewed mountain biking (MTB) trails throughout Mt. Kozara. The initiative delivered by Pro Cycle received USAID-Sida FIRMA project support earlier in the summer to clean, map and mark in total 65 km of routes for longer marathons, 33 km of short marathon routes and 4 km of recreational routes. Because of this effort, the new MTB routes have become an integral part of the outdoor/adventure offer of the Mt. Kozara range, directly and indirectly improving and expanding the offer of NP Kozara, hiking and MTB service providers in Prijedor, and enriches the tourism offers of Banja Luka and Jajce-Mrkonjic Grad basin. The MTB routes on Mt. Kozara also complement the biking corridor that was developed by PREDA, which links the Prijedor area with Croatia and further with the EU biking corridor network.



*The Mountain biking Marathon on Mt. Kozara
(Oct. 2013)*

- > **ATTA Adventure EDU Training:** ATA B&H coordinated the delivery of the first ever Adventure EDU program in the SEE region. The Adventure EDU program was a specialized education program developed and offered by Adventure Travel and Trade Association (ATTA) and focused on improving skills and performance of adventure travel operators worldwide. The curriculum focused on best practices and was delivered by some of the world leading operators and agents, and ensures the direct knowledge transfer from the best in the adventure travel. The USAID REG project was also asked to participate to ensure regional participation in the training program. Agencies from the SEE region (Serbia, Montenegro, Macedonia, and Albania) all participated in the training thus building a network of agents that share market values and common goals. A total of 19 agencies attended the training, eight of which were from B&H.
- > **Symposium on EU Pedestrian Routes:** USAID-Sida FIRMA, together with ATA B&H representatives, attended a symposium on EU Pedestrian Routes hosted by the Mountaineering Association of B&H. The symposium was held on Mt. Igman with the purpose of informing the mountaineering community of the current EU practices in developing walking and mountaineering routes. The EU routes passing through B&H were specifically discussed and presented.
- > **Rural Tourism Support:** In 2013, USAID-Sida FIRMA commissioned an assessment of the status and framework for development of rural tourism in B&H. The activity included several workshops with rural accommodation service providers and B&H travel agencies with 12 rural service providers and eight travel agencies taking part. The recommendations from the assessment included targeted interventions that involved actions for the private and public sectors. Stakeholders from the private sector made a commitment to implementing their actions on June 23, 2014 when they signed a Memorandum for Cooperation. The Foreign Trade Chamber has taken the lead role to coordinate future efforts in this area.

Rafting Rally Banja Luka 2014

B&H and the region experienced catastrophic floods in May 2014. The B&H adventure community and especially the rafting and rescue community were at the forefront of the rescue efforts. The rafting communities responded immediately and were en-route to the affected parts of the country within hours of the flood. They drove across the country from one affected location to next where their help was most needed, rescuing people from their flooded homes, delivering food and medication. It is important to note that the rafting community made these efforts while their own homes and businesses were flooded. During the rescue efforts, a significant amount of equipment was destroyed or lost, leaving the rafters with decreased capacity for the tourism season.

To support the recovery of the rafting community, USAID-Sida FIRMA with ATA B&H coordinated a Rafting Rally that was held at the Karanovac Rafting Centre near Banja Luka. The overall Rally program included the IRF Medal of Bravery award ceremony to all teams that participated in the rescue effort, the Adventure Fair – event that allowed different service providers from B&H to present their products and offer. USAID-Sida FIRMA supported the special section of the Rally program – a series of IRF safety upgrade trainings delivered to rafting teams from the 4 key rafting rivers (Vrbas, Una, Neretva and Foca). The training focused on IRF safety guidelines for rafting operations and rescue missions. Twenty team leaders received full IRF certification. In addition, USAID-Sida FIRMA equipped all teams (rafting, rescue, and fishing), in total 54, that took part in May 2014 rescue operations with basic white water first aid kits, and equipped ATA B&H with the initial 10 personal dry suit rescue sets to be available for rescue mission of its members.



- > **North East Bosnia and Herzegovina Tourism Product Assessment:** USAID-Sida FIRMA commissioned an assessment of the tourism product of the north-eastern B&H. Thus far the NE B&H has not been seen as a major tourism area of the country, however several strong local initiatives (including the Banovici Ciro and Tuzla Panonica Salt Lakes) and the opening of Tuzla airport as the first low-cost airport in B&H, present opportunities for faster progress in tourism development. The recommendations included the need to change the approach of tourism development from the current administratively driven method to a destination and/or regionally based approach. Further, it highlighted the need to support the development of tourism based on industrial heritage – recognizing the competitive advantage it holds. In July 2014 in cooperation with the Tourism Community of Tuzla Canton a presentation of the research and recommendations was delivered to the tourism industry stakeholders in the region. The audience included two cantonal Ministers from the Trade and Tourism and Urban Planning ministries with responsibility in further pursuing tourism development issues in their Canton.

- > **SDI/TDI Diving Instructor Training and Certification:** USAID-Sida FIRMA supported a diving instructor training event, which was implemented according to the SDI/TDI certification program. The training and certification was implemented by Diving Centre Aquarius from B&Hac, and it consisted of two waves of training and certification. The first wave was implemented in the summer of 2011, when eight diving guides and seven diving instructors received full certification. The second wave, delivered in August 2012, resulted in an additional 12 diving guides being fully certified. The capacity created through this activity enabled the B&H diving community to improve the quality of the services offered and ensure safer conditions for international clientele and generally the international market. With SDI/TDI certified diving guides and instructors, B&H will be able to join the international diving community as equal members. Several divers provide guiding services to specialized visitors, mainly in B&Hac.
- > **Mountain Guide Training and Certification Program:** A training and certification program for mountaineering guides started in November 2012, organized by ATA B&H, with USAID-Sida FIRMA support, and in partnership with the Mountaineering Association of B&H. The training and certification program was developed and adopted by the Mountaineering Association under the guidance of the European Association of Mountain Guides. Thirty-six guides completed the training enabling them to provide professional guides for tourist and mountaineers groups. So far 10 guides, mainly those from Sarajevo and B&Hac have been engaged on multiple locations and times to provide guiding service to tourists in B&H.

Via Dinarica: USAID-Sida FIRMA provided support to define the promotional hiking tour for the Via Dinarica initiative. The project was eventually financed by USAID and UNDP in the amount of Euro 90,000 and was awarded to ATA.



Via Dinarica is a regional project that forms a unique area of hiking routes between five countries: Slovenia, Croatia, Bosnia and Herzegovina, Montenegro and Albania.

- > **AH&LEI Training and Certification:** In cooperation with the USAID REG project, USAID-Sida FIRMA supported a delegation of B&H hoteliers to attend the American Hotel and Leisure Education Institute (AH&LEI) training and certification program offered in Belgrade, Serbia. The program focused on training and certifying a core group from each of the participating countries (Serbia, Montenegro, Macedonia and B&H) in key hotel management skills. The program was delivered in a specific format of train-the-trainer, which allowed those that successfully completed the certification to roll out training programs in their home countries, as well as to build a network of trainers that can facilitate future skill transfer across the region. The B&H participation was coordinated through the FTC and in particular ECOS which is the education arm of FTC. ECOS entered into a MoU with the

AH&LEI as the long-term partner organization to manage the roll out process as well as possible future expansion of programs in B&H.

- > **Banovicki Ciro – Narrow Gauge Railroad in Banovici:** USAID-Sida FIRMA supported the refurbishment of two open air train cars with the goal of increasing the capacity of narrow gauge railroad as a tourism product in Banovici. The narrow gauge track in Banovici operates as a live track, integral to the overall railroad network within the Banovici coal mine. Over the past three seasons Banovici received specialized groups from Switzerland and the UK – interested in the specialized market niche of train watchers/lovers. The additional two train cars were refurbished increasing overall carrying capacity of the narrow gauge train and making one carriage suitable for passengers with restricted mobility. The promotional ride was held on June 21, 2014 and it included local media representatives. The expansion of the train capacity was the first step in the implementation of the full project that includes extension of the narrow gauge track to link Banovici with the facilities on Mt. Konjuh. In addition the establishment of the Museum of Mining would be the first effort in B&H and even the region to bring industrial heritage to the forefront of the tourism offer.
- > **Jajce Local Tourist Guides – Training and Certification:** USAID-Sida FIRMA supported the Youth Center Jajce to implement a specialized training for Jajce tourist guides. The program was developed and delivered in partnership with the Agency for Protection and Management of Cultural, Historical and Natural Heritage of Jajce Town. Jajce has seen a 300% increase in the number of visitors in 2013, and the trend continued in 2014. Jajce is a destination with extremely rich and layered heritage, and there was a need to provide visitors with a service that was capable of emphasizing the importance of this heritage. Out of 22 candidates who attended the training, 15 successfully completed it. In order for their certificates to be fully operational, these 15 candidates had to complete the general tourist guide training and certification with the FB&H Ministry of Environment and Tourism. The training was successfully finalized on June 3, 2014.
- > **Baljvine Village Project:** USAID-Sida FIRMA provided technical support to the Association of Tourist Guides of Republika Srpska (ATGRS) to develop a project proposal application for Baljvine Village project for which the ATGRS received support in the amount of €15,338 from the US Embassy. The project included working with the local population on creating tourism products that can be included in the regional tourism offer for Banja Luka, Jajce, Sipovo and Mrkonjic Grad.
- > **Interpretative Skills Training – Assistance to National Park Una:** Early in 2013 USAID-Sida FIRMA engaged Michael Olwyler, an expert in national parks, to deliver training for NP Una. Mr. Olwyler visited NP Una on a fact finding mission and conducted a needs and gaps assessment. Furthermore, he developed a tailored program for the NP staff and local stakeholders focusing on developing interpretative skills for protected areas. Fifteen participants attended the 2-day intense training and they included NP staff, local representatives of B&Hac municipality, local businesses that operates within the NP Una boundaries, and a representative from each of the remaining 4 protected areas in B&H. A pre-session was also developed and delivered through cooperation with a visiting US Forestry Services delegation. The consultant continued working with the NP Una management beyond this engagement through USAID-Sida FIRMA, guiding their effort in defining their goals and seeking financial support for a study visit to a US national park. In the early summer of 2014 their efforts received commitment from the George Wright Society, who agreed to finance the study visit to a US national park for learning purposes.

Further support was sought from the Trust for Mutual Understanding to support the delegation of four members of NP Una management staff. The study tour lasted for two weeks and focused on practices in recreation management and administration, interpretation, visitors' services, community relations, and research. USAID-Sida FIRMA and US Forestry Service provided letters of support for this application which was accepted.

Herzegovina Destination

To support the Herzegovina tourism development, USAID-Sida FIRMA, delivered the following activities.

- > **Sommelier Training and Certification:** Nineteen candidates from all parts of B&H were trained by the Sommelier Association of Croatia and certified.
- > **B&H Filming Locations Guide:** USAID-Sida FIRMA supported the development of the first ever B&H Filming locations guide. The guide was prepared by the Association of Film Industry Artists in an overall effort to develop B&H as a strong regional film industry hub.
- > **9th Mostar Blues Festival:** USAID-Sida FIRMA continued to support for the second year the Mostar Blues Festival through a promotional program. Marketing and promotional materials were developed in 2010 and was launched to promote the event regionally, primarily along the Croatian coastline. Regional promotion was increased in 2011 and as a result the audience grew from 300 to 1000 in one year alone.
- > **Radimlja Souvenir Shop, Stolac:** USAID-Sida FIRMA, through its VCF REDAH, provided assistance to an initiative led by NGO Vidoski grad from Stolac to establish a souvenir shop at Radimlja – one of the largest stecci necropolises in B&H. USAID-Sida FIRMA support was focused on purchasing shop displays and developing the design and subsequent production of the first set of souvenirs to be offered through the shop. NGO Vidoski grad facilitated two workshops with local designers, artisans and craftsmen to develop the souvenir design. The motives selected included two designs based on the traditional folk clothing applied on a selection of items such as cups, magnets and other souvenirs. In addition, a promotional leaflet was developed to communicate this heritage and the initiative to visitors. The overall project was implemented in partnership with the Radimlja Public Institution, which provided the premises for the souvenir shop. With the expected listing of Radimlja stecci as an UNESCO site, it is anticipated that it will attract more visitors to the site. It also presents an opportunity for local artisans to offer their products and increase their incomes.
- > **Support to cultural tourism product development – revitalization of old “Ćiro” railway tourism project:** USAID-Sida FIRMA supported the development of the project to create tourism product based on a old „Ćiro“ (old steam engine trains) narrow railway. Protection of the old railway route, establishment of the new biking trails and integration of the existing cultural, historical and natural heritage into a unique tourist product is the core idea of this activity.
- > **Support to cross-border product development Trebinje – Dubrovnik:** In order to strengthen cross-border cooperation in tourism sector, USAID-Sida FIRMA engaged an expert to moderate Cross border Eco-Tourism development and development of the thematic brochures for Trebinje area. As a result of this, Trebinje area thematic brochures were developed on eco-tourism, general tourism, slow food and wine tasting.

- > **Archaeology and Economic Development Conference, London UK:** USAID-Sida FIRMA supported a delegation of B&H experts to participate in the Archaeology and Economic Development conference held in London, UK. The conference was hosted by the UK Institute for Archeology and it included archaeologists, development specialists and tourism development experts from around the world to discuss current practices, positive and negative experiences, and the impact of development on heritage sites. The B&H delegation included representatives from the Commission for Protection of National Monuments, the RS Institute for Protection of Cultural, Historic and Natural Heritage, the FB&H Institute for Protection of Monuments, Museum of RS and the Agency for Protection of Cultural, Historic and Natural heritage of Jajce Town.
- > **Presentation of the traditional Herzegovina cuisine at the International Mostar Fair:** USAID-Sida FIRMA with VCF Redah organised a presentation/workshop on traditional cuisine, which included the history and role of cuisine in life of Herzegovina, the role of cuisine in tourist offer, traditional/typical meals presentation and standard traditional gastronomic menus was led by well-known regional culinary expert Mr. Veljko Barbieri. The goal of the presentation was to show how food is an integral part of tourism
- > **Assesment of the Herzegovina Gastro offer:** An assessment completed by USAID-Sida FIRMA and VCF Redah of the tourism gastro offer in main tourism locations in Herzegovina (Mostar, Neum, Medjugorje) was an important step forward in increasing the quality of the tourism offer to prospective visitors. The assessment included over 30 different companies/restaurants, and it was focused mainly on the type of tourism gastro offer, and other tourism-related hospitality elements: capacities of the restaurant to host larger tour groups, and overall number of restaurants etc. A specific focus of the assessment was to identify places that offer typical Herzegovinian meals.
- > **Support to cultural tourism product development – Trebinje Medieval Market Tourism product:** USAID-Sida FIRMA supported the development and promotion of the Trebinje Medieval Market as specific tourism product, organized by the Women’s Center Trebinje. In an attempt to enrich the tourism offer in Herzegovina during the summer season and increase tourist arrivals, partners proposed the establishment of *Trebinje Medieval Market Tourism Product*. This activity included connecting to markets (presenting the offer to tourist agencies and hotels from Croatia and Montenegro, by organizing site visit for them).

Interpretative Signage for Bascarsija Streets - Origin of Names

Bascarsija – the old Ottoman quarter in Sarajevo is probably the most attractive section of the city. It is definitely a must see for all those who come to Sarajevo, and often takes a large portion of their time. The narrow streets and alleyways of this historic core carry the rich heritage of the City, including the unique heritage hidden in its street names. Many streets carry names of old traditional crafts and trades and thus communicate the way Bascarsija used to be organized. To better communicate this specific story of the quarter’s life to visitors and new generations alike, USAID-Sida FIRMA supported an initiative by ZUP Bascarsija, USAID-Sida FIRMA VCF, (Business Improvement District) to develop interpretative signs for the historic quarter. The interpretative street signs accompany the street names plates and enable visitors to learn about the heritage of Bascarsija life. The interpretative signage also offers QR codes enabling those interested to easily and quickly access more detailed information on the street itself and Bascarsija as a whole, as well as period photographs where available. The initiative was implemented with support and cooperation of Municipality Old Town as the administrative unit managing the Bascarsija area. Finally, the street and the interpretative signs were produced by Pismolik, a local company employing hearing impaired persons. In total some 50 streets received interpretative signage and total of 250 signs were installed.

4.3.3. *Business Environment*

- > **Tourism Working Group (TWG):** USAID-Sida FIRMA continued to participate in TWG meetings. USAID-Sida FIRMA facilitated discussions on deciding which fairs should be supported with government funds, progress on resolving tourism statistics and involvement of UNWTO representative on the First Regional Tourism Conference. USAID-Sida FIRMA continued to cooperate with the TWG over the last year. Several meetings were dedicated to the preparations to put together the First Regional Cooperation Conference. The TWG and the responsible Ministries (State Ministry for Foreign Trade and Economic Relations, Republika Srpska Ministry for Trade and Tourism, and the Federation Ministry for Environment and Tourism) were invited to take an active role and be hosts of the conference. Unfortunately this was not possible, but instead both TWG and the ministries were actively involved in the conference and conducted a number of presentations. USAID-Sida FIRMA also facilitated meetings between the ministries and Mr. Zoltan Somogyi from UNWTO. In an effort to ensure that the actions implemented by this project can be used to promote the importance of tourism to policy-makers, USAID-Sida FIRMA worked with the TWG coordinator within the Ministry of Foreign Trade and Economic Relations on issues such as improving tourism statistics by coordinating with the EU Statistics project. Areas of discussion included international fairs where B&H should be presented, and proposed budgets to attend the fairs. The TWG tasked the Entity Ministries to discuss the proposed fairs with their respective promotional boards to determine whether joint activities to support attendance at the fairs should be supported. The group further discussed the issues of skipper training and certification. During year four, the TWG focused on final findings and the closure and or possible extensions of the EU funded Tourism project – as the primary donor driven support mechanism to the group. Throughout the fourth year USAID-Sida FIRMA had several consultative meetings with the EU project leadership, mainly focused on keeping each project updated on activities. USAID-Sida FIRMA also held several meetings with the State Ministry for Foreign Trade and Economic Relations (MOFTER)– the coordinator for the group, regarding possible joint activities beyond the EU project support. Close coordination started on the possibilities to reopen the issue of tourism statistics – an EU twining project completed a review of the tourism statistics and provided some recommendations and their remedy and resolution. USAID-Sida FIRMA provided technical assistance to MOFTER to review recommendations and develop an interagency approach required to implement the recommendations. Finally, USAID-Sida FIRMA participated in the MOFTER, hosted multi-donor meeting that included Oxfam Italia, JICA and USAID-Sida FIRMA regarding exchange of information on Herzegovina tourism activities, which were needed to determine what the JICA project would do and to ensure that there would be no overlap. The cooperation between the members of the TWG continued through year five. This was done more in the form of consultations with the group members on an individual basis.
- > **RCI Tourism Strategy Group:** USAID-Sida FIRMA regularly participated in the RCI Tourism Strategy Group, which brought together representatives of all USAID-supported tourism initiatives active in the region. The group developed regional solutions to promote the market and develop the product. This group proposed that a regional Western Balkans Geo Tourism website be developed (through National Geographic magazine), as well as the Western Balkans Map Guide. The group also reached out to the Adventure Travel and Trade

Association (ATTA) to hold the specialized ATTA ETU training for regional adventure tourism providers.

- > **Donor Coordination:** USAID-Sida FIRMA, jointly with the EU Delegation to B&H, held the first donor group meeting to re-establish mechanisms for coordinating donor supported activities in B&H tourism. The following organizations participated: UNDP, SNV Netherlands, Oxfam Italy, Mozaik, and USAID-Sida FIRMA. FIRMA also coordinated with the EU Tourism Policy project in the areas of Workforce Development and Marketing Strategy and Plan with JICA. JICA began a new project in tourism in 2012. A meeting was also held with the EU Statistics project who has dedicated resources for analysis and a pilot survey in tourism. USAID-Sida FIRMA also continued to closely cooperate with GIZ and Oxfam Italia.

Cooperation Agreement with the City of Sarajevo: USAID-Sida FIRMA and its implementing partners Sarajevo Navigator and ZUP Bascarsija furthered collaboration with the City of Sarajevo in developing the city as a travel destination. The Agreement confirmed the commitment to joint goals and shared effort on developing Sarajevo as a tourism destination. The City subsequently opened a new line item for tourism promotion in its 2011 budget.



The City of Sarajevo and the USAID-Sida FIRMA Project signed a cooperation agreement in the Sarajevo City Hall Building on January 2011.

- > **Global Tourism Forum:** USAID-Sida FIRMA was represented at the annual UNWTO Global Tourism Forum in March, to promote B&H tourism, learn of recent developments in the tourism industry, and secure participation of UNWTO at the Regional Tourism Conference that was hosted by USAID-Sida FIRMA and the USAID RCI project in September.
- > **Federal Ministry of Environment and Tourism:** USAID-Sida FIRMA met with the Federal Ministry for Environment and Tourism to discuss possible areas of cooperation. USAID-Sida FIRMA team informed the Minister and her team on the key achievements of the past period and discussed planned activities, focusing on areas of possible cooperation – which included support for exhibiting at international fairs, rural accommodation and guide certification programs and USAID-Sida FIRMA’s intentions to undertake an assessment of the Una National Park management.
- > **Trout Conservancy:** USAID-Sida FIRMA met with the Trout Conservancy (TC) and US Embassy representatives on the TC concepts being developed with partners in Konjic related to protection of endemic trout species in Neretva River. Possible areas of cooperation were discussed.
- > **Tourism Statistics:** USAID-Sida FIRMA facilitated the opening of communication channels between the B&H institutions dealing with tourism statistics in B&H – the Agency for Statistics and the B&H Central Bank with the expert team from the Zagreb Institute for

Tourism (Zagreb, Croatia). Following several consultations with the expert team from Zagreb Institute, USAID-Sida FIRMA supported representatives of the two B&H institutions to attend a full day meeting in Zagreb. The meeting was dedicated to discussions on Croatia's experience in advancing tourism statistics and lessons learned, as well as a possible approach that would be applicable to the unique B&H environment.

First Regional Cooperation Conference for Sustainable Tourism Development: Jointly with the USAID RCI project, USAID-Sida FIRMA hosted the First Regional Cooperation Conference for Sustainable Tourism Development. The conference was an opportunity to identify joint programs and activities amongst B&H and regional country tourism stakeholders. UNWTO supported the conference and were represented by Mr. Zoltan Somogyi, Executive Director for Member Relations and Services. The conference attracted over 120 participants from the region: Albania, Montenegro, Serbia, Macedonia, Kosovo, and Bosnia and Herzegovina. Donor organizations also participated including UNDP, GIZ, and EBRD. Joint actions were presented including the Geo Tourism Map Guide and Quality Mark for accommodation facilities.



The First Regional Cooperation Conference for Sustainable Tourism Development was held in Sarajevo, in September 2011

- > **Trade Fairs:** One of the most important ways for companies to reach new buyers and markets was to attend trade fairs. Through its hallmark approach of supporting Joint Fair stands, USAID-Sida FIRMA enabled different companies to attend 45 trade fairs during the life of the project. USAID-Sida FIRMA collaborated with the Foreign Trade Chamber (FTC) and the Export Promotion Agency (EPA) to organize the fairs, help them select the right companies to attend, and prepare them to provide support. In August 2014, the metal and wood trade exhibition stands to the FTC. The Cardno approach involved gradually reducing of the USAID-Sida FIRMA cost-share for repeat companies. Companies that would attend a second or third fair with USAID-Sida FIRMA needed to provide a higher cost share. After their third attendance, the companies graduated and had to cover their entire costs. A number of companies reported that they will continue to attend trade fairs, even without USAID-Sida FIRMA support.

Table 6: USAID-Sida FIRMA Trade Fairs across All Three Sectors

| Trade Fair | USAID-Sida FIRMA € Investment | Sales in € (Actual and Expected) | # Cos with results | # Cos Attending | ROI |
|--|----------------------------------|-------------------------------------|-----------------------|--------------------|-----|
| GAST '10 Fair B&H WS Exhibition | 15,536 | 409,034 | 8 | 11 | 26 |
| INTERIO '10 Fair WP Exhibition & Promotion | 4,391 | 199,404 | 4 | 7 | 45 |
| ZEPS Intermetal Fair 2010 | 11,165 | 107,883 | 4 | 7 | 10 |
| European Aluminum Fair 2010- Essen, Germany | 9,535 | 1,278,230 | 2 | 5 | 134 |
| BH National Pavilion - IMM Cologne Fair | 28,794 | 882,216 | 6 | 7 | 31 |
| High Point Market Week Fall Fair 2010 | 17,073 | 153,388 | 2 | 7 | 9 |
| Belgrade Furniture Fair Promotion Program | 7,600 | 805,285 | 4 | 4 | 106 |
| Exhibition of MP companies at Hannover Fair | 43,222 | 1,109,759 | 5 | 6 | 26 |

| Trade Fair | USAID-Sida FIRMA € Investment | Sales in € (Actual and Expected) | # Cos with results | # Cos Attending | ROI |
|---|----------------------------------|-------------------------------------|-----------------------|--------------------|------|
| 2011 | | | | | |
| Interiors NEC Birmingham Fair 2011 | 8,997 | 536,856 | 4 | 7 | 60 |
| Support the exhibition of Eko Pliva Jajce members at International Tourism Fair in Utrecht, Holland | 7,765 | 57,750 | 1 | 1 | 7 |
| Trebinje Medieval Market Tourism Product | 21,854 | 46,016 | 27 | 27 | 2 |
| Automechanika & Autoinvest 2011 Fair in St.Petersburg | 11,503 | 421,816 | 4 | 4 | 37 |
| INTERIO Fair 2011 WS Joint Exhibition and Promotion | 31,048 | 1,154,416 | 6 | 12 | 37 |
| SEE Auto Compo 2011 Fair in Kragujevac | 13,875 | 536,856 | 2 | 7 | 39 |
| GAST Fair 2011 | 33,422 | 1,572,223 | 6 | 12 | 47 |
| Outdoor Fairs – Spring 2011: ITB in Berlin and Fiets and Wandel Beurs Outdoor Adventure Trade Fair in Amsterdam | 0 | 6,136 | 1 | 2 | 0 |
| ZEPS Intermetal Fair 2011 | 36,144 | 520,766 | 8 | 8 | 14 |
| Herzegovina Promotion in Scandinavian Market | 18,436 | 366,091 | 1 | 1 | 20 |
| High Point Spring Fair 2011 | 7,176 | 434,598 | 3 | 5 | 61 |
| Fair ICFF New York | 4,499 | 301,662 | 1 | 2 | 67 |
| MIDEST Fair 2011 | 5,299 | 1,334,983 | 1 | 3 | 252 |
| Fair SASO 2011 | 11,267 | 165,045 | 8 | 8 | 15 |
| Fair IMM Cologne 2012 | 19,715 | 1,416,279 | 5 | 10 | 72 |
| Interiors NEC Birmingham Fair 2012 | 11,726 | 93,341 | 7 | 9 | 8 |
| Belgrade Furniture Fair 2011 | 6,509 | 1,789,522 | 5 | 5 | 275 |
| Sarajevo Holiday Market | 40,903 | 46,016 | 20 | 20 | 1 |
| Fair GAST 2012 Split | 16,668 | 459,140 | 8 | 9 | 28 |
| Fair INTERIO 2012 Sarajevo | 34,454 | 150,320 | 5 | 9 | 4 |
| Exhibition of MP companies at Hannover Fair 2012 | 25,566 | 1,956,014 | 5 | 5 | 77 |
| Fair IMM Cologne 2013 | 30,315 | 6,641,682 | 7 | 7 | 219 |
| Workshops for Sarajevo Holiday Market (SAHM) Exhibitors | 1,534 | 93,162 | 24 | 24 | 61 |
| ZEPS Intermetal 2012 | 24,407 | 2,114,192 | 7 | 7 | 87 |
| Adventure World Summit 2012 | 1,958 | 35,790 | 0 | 0 | 18 |
| BAU 2013 Munich | 7,172 | 848,745 | 3 | 4 | 118 |
| Ambienta 2012 - Fair | 361 | 945,379 | 5 | 5 | 2619 |
| M.O.W. Fair Visit | 528 | 258,202 | 1 | 2 | 489 |
| ELMIA Subcontracting 2012 | 4,043 | 288,880 | 3 | 3 | 71 |
| Exhibition of MP companies at Hannover Fair 2013 | 25,300 | 6,496,475 | 8 | 8 | 257 |

| Trade Fair | USAID-Sida FIRMA € Investment | Sales in € (Actual and Expected) | # Cos with results | # Cos Attending | ROI |
|---|----------------------------------|-------------------------------------|-----------------------|--------------------|-----------|
| Belgrade Furniture Fair 2012 | 6,652 | 2,305,926 | 5 | 6 | 347 |
| Fair INTERIO 2013 Sarajevo and Wood Convention | 30,974 | 258,202 | 4 | 6 | 8 |
| GAST 2013 | 12,169 | 1,296,636 | 7 | 8 | 107 |
| B&H Business outward missions to EU and non-EU markets | 12,954 | 2,562,339 | 9 | 12 | 198 |
| IMM 2014 Fair | 21,147 | 3,359,699 | 6 | 7 | 159 |
| Exhibition of MP companies at Hannover Fair 2014 | 21,317 | 4,287,779 | 8 | 8 | 201 |
| Fair GAST 2014 | 12,118 | 0 | 0 | 0 | 0 |
| Total | 717,090 | 50,104,131 | | | 31 |

4.4. Access to Finance

USAID-Sida FIRMA's access to finance initiative consists of (i) improving company-level financial management and operational efficiency, (ii) stimulating financial product innovation on the part of banks, and (iii) supporting effective consulting intermediation between companies seeking finance and financial institutions. A particular focus was encouraging the use of the USAID-Sida DCA program.

4.4.1. Access to Finance

Since January 2011, when the certified consultants began to engage companies, USAID-Sida FIRMA supported 62 companies to receive loans totaling €20.24 million.

Table 7: Loans Across Three Sectors

| Sector | Loans Approved | |
|--------------|----------------|-------------------|
| | # Companies | Amount € |
| Metal | 31 | 8,296,361 |
| Wood | 19 | 7,297,316 |
| Tourism | 12 | 4,642,018 |
| Total | 62 | 20,235,695 |

> **Financial Benchmarking Report:** USAID-Sida FIRMA produced and published a Financial Benchmarking Report for the B&H wood and metal sectors. This research memorandum was targeted for the use of financial institutions in B&H, to better familiarize them with key financial indicators of successful companies in these two USAID-Sida FIRMA focus sectors, so as to reduce uncertainty and

For us it was extremely useful – the consultant made a business plan and offered other useful suggestion for our future growth. He helped us prepare complex documents, which the bank required, and we ended up getting a 150,000KM loan under very reasonable conditions.” Radomir Mastilovic, Owner and Director of Nikos-Kanbera-Mastilovic

risk in lending to firms. The report was distributed to all major financial institutions in B&H.

- > **Support to Una-Sana Canton:** Upon the request of the Una-Sana Canton government, USAID-Sida FIRMA provided technical guidance to establish a SME credit guarantee fund in this Canton. USAID-Sida FIRMA also facilitated a seminar on credit guarantee fund management by SERDA for USK.
- > **Information about sources of financing:** USAID-Sida FIRMA conducted a thorough review of all the sources of financing (commercial funding sources) and grant programs (government and donor) in country for SMEs. USAID-Sida FIRMA then collected and made this information available on the project website.

Qualified Business Finance Consultants:

USAID-Sida FIRMA launched its Access to Finance program in late 2010. Over 50 people applied for the advertised Qualified Business Finance Consultant (QBFC) program, of which 29 applicants passed a USAID-Sida FIRMA administered test and were selected to attend the QBFC training program. The three-day training program, held at the end of November 2010 officially launched the QBFC program. A second recruitment round held later in year two added 15 consultants into the program. USAID-Sida FIRMA developed the QBFC program to address key obstacles in SME access to finance – the need for trusted and competent consulting assistance to help SMEs approach financial institutions, while providing financial institutions with greater confidence in SME creditworthiness.



QBFC event in Bihac gathered companies' and financial institutions' representatives Feb. 2011

- > **A2F Matchmaking Events:** USAID-Sida FIRMA organized A2F matchmaking events in Sarajevo, Bihac, Zenica, Tuzla and Banja Luka, to bring together loan officers from financial institutions, private companies interested in obtaining loans, and QBFC program consultants. The workshops provided information on the QBFC program, as well as financial facilities for SME's including DCA and other development credit lines. Over 100 people attended.
- > **B&H Industry Outlook 2012 Wood & Metal processing Sectors:** USAID-Sida FIRMA produced an Outlook report for the Wood and Metal processing sectors which included a full macroeconomic overview for B&H in 2011 and projected main economic indicators with focus on industry impact and projections for both sectors. It covers in detail the main industry trends with analyses of key performance indicators like sales, export and employment together with an in-depth analysis of main export market trends and expectations. The report was distributed to all the financial institutions and international development organizations.
- > **BH Credit Information Report:** In our efforts to address the obstacles of access to finance, USAID-Sida FIRMA undertook an assessment on the main credit information sources in B&H. This included reviewing the two government operated institutions: the Central Registry of Credit (CRK), the Central Registry of Corporate Transaction Accounts, and LRC which is the first private credit bureau in the country. Apart from providing information on institutions dealing with credit information, the report also addresses the availability of corporate financial reports and debt collection as well as the pledge registration system.

- > **Benchmarking reports for WS and MP sectors:** USAID-Sida FIRMA prepared a Financial Benchmarking Report for commercial lending institutions to provide them with information about the performance of companies in these sectors. The report also included an overview of the wood and metal sector structures as well as the outlook for the sectors performance in year 2011.
- > **SME A2F Online Search Engine:** USAID-Sida FIRMA engaged SERDA to develop and maintain an access to finance web portal and data base search engine, which contained information on all available sources of SME financing in B&H. This online application helps SMEs' access information on currently available bank loans, leasing, factoring, grants and other financing available in the country at one place.
- > **Leasing for SMEs Report:** USAID-Sida FIRMA engaged a short-term expert to conduct an assessment of the obstacles to increase leasing financing to USAID-Sida FIRMA-targeted companies. The findings and recommendations clarify the obstacles and actions needed for the further development of leasing market in B&H.

Development Credit Authority guarantee:

- > **Interworks - Bosanski Petrovac:** USAID-Sida FIRMA completed an assessment of a pellet-production company in Bosanski Petrovac in order to support their DCA application. The DCA guarantee was placed under VolksBank. The company had completed the investment and successfully started production. As a result, their production jumped to 25 tons per day and employing 31 people, which was more than originally planned. The loan amount was for €1.64million.
- > **TT Kabeli - Široki Brijeg:** As a result of USAID-Sida FIRMA's efforts to familiarize sector companies with the DCA guarantee program, TT Kabeli Široki Brijeg received a €766,938 from Sberbank of which 50% was placed under the DCA guarantee. TT Kabeli expanded their production capacities by installing two additional machines, which were financed by this loan.
- > **Pobjeda - Tešanj:** USAID-Sida FIRMA's designated beneficiary company from the automotive value chain Pobjeda dd Tešanj received a DCA guarantee for a loan. The value of the loan is €306,775 and DCA covered 50% of the loan.
- > USAID-Sida FIRMA visited a DCA applicant to provide a technical opinion about the company and its operational capacities as input to the USAID Mission as a part of the DCA approval process. During the visit, the team completed a review of the wood pellets production business plan and made an assessment of the management capabilities of the company and its market growth possibilities. Subsequently, the DCA guarantee was approved and the loan was disbursed.

Regional Access to Finance Forum: USAID-Sida FIRMA together with FARMA, PARE and USAID regional projects RCI and Partners for Financial Stability, and the Regional Cooperation Council, organized the Regional Access to Finance Forum on June 19th in Sarajevo. It was a regional conference, which presented the most interesting investment and business opportunities in Southeast Europe. The conference was opened by the B&H Central Bank Governor Kemal Kozarić, followed by the head of Sida Mr. Pelle Persson, and H.E. Hido Biscevic, the Secretary General of the Regional Cooperation Council. Over 20 equity investors active in the region attended, including Private Equity and Venture Capital Funds as well as Business Angels Networks.



Regional Access to Finance Forum, Sarajevo, June 2012

During the conference investors had an opportunity to directly meet with entrepreneurs and discuss potential projects. Di Di Delic, a company from B&Hac, proceeded with further discussions with the representative from the Links Angel Turkey (member of the Turkey Business Angels Association). Di Di Delic prepared a business plan that was further distributed via Links Angel network to potential investors in Turkey.

- > **Youth Entrepreneurship Program:** USAID-Sida FIRMA collaborated with PLOD and the USK Government to launch the Youth Entrepreneurship Program to support young entrepreneurs to start their businesses. The first step was to hold a three-day training session for the entrepreneurs to develop business plans. The training was held in four different locations. The program also included mentors who provided hands-on guidance to entrepreneurs from the USAID-Sida FIRMA supported sectors. Once the business plans were developed, the trainees were eligible to apply for grants provided under the Youth Entrepreneurship Fund. The Cantonal Government provided €76,693 to the Fund, which was set up to support young entrepreneurs (between 18-35 years), to increase the number of sustainable companies owned by young entrepreneurs and to develop an entrepreneurship culture in the Canton. The Government passed a regulatory act where they supported the entrepreneurs and provided them with money to fund their business plans.
- > **Sarajevo Business Forum 2013 visit:** USAID-Sida FIRMA attended the annual Sarajevo Business Forum in 2013 organized by BBI Bank. This forum was a major business event in B&H with the goal to present B&H and the SEE region to international investors and to foster economic development of the country. The conference program included discussion panels on best international practices to attract foreign direct investment, infrastructure needs, energy and agriculture and tourism sector development. USAID-Sida FIRMA presented Konjuh, a wood-processing company, which employs around 700 people and were desperately seeking new equity investors to ensure that it does not close its doors.
- > **Access to Finance workshops:** The workshops were organized in B&Hać, Banja Luka and Tuzla in collaboration with USAID-Sida FARMA Project and local partners PLOD development agency in B&Hać, NERDA development agency in Tuzla and Chamber of Commerce of Republic of Srpska in Banja Luka. The events were attended by over 100 company representatives, who learned about new loan programs in B&H as well as the new World Bank credit line and less known financial products like factoring and insurance brokerage.
- > **Gazelle Awards:** USAID-Sida FIRMA supported two award ceremonies to recognize fast growing small and SMEs and their managers. The 2013 GAZELLE B&H Business Award ceremony honored the most successful SMEs in B&H during 2012. Two award ceremonies were held, one in Sarajevo and the other in Banja Luka. Special awards were presented for the Best Female Entrepreneur and Best Young Entrepreneur, in both Entities. The Gazelle Award ceremony brought together top experts from the world of economics and business, as well as the most successful managers and SME owners in B&H.
- > **Technical assistance in establishing SME loans guarantee fund in USK:** USAID-Sida FIRMA provided technical support to Una-Sana Canton Development Agency RAUSK to develop documentation and procedures to implement the Una-Sana Canton SME loans guarantee fund. The consultant prepared a tender dossier to select the bank that will administer the fund which will be operational by the end of 2013. It will be funded by USK government which will provide €127,822 for the guarantee scheme.
- > **Scontoprom financial restructuring:** USAID-Sida FIRMA assisted a market leader company Scontoprom in negotiations with banks and other financial institutions such as the Export Guarantee Agency to restructure its liabilities towards the banks to increase its level of working capital. All of the banks accepted Scontoprom's proposed loan restructuring and the company worked in accordance with the new plan.

- > **CEED 7th Regional Conference Zagreb:** USAID-Sida FIRMA participated in an investors' conference, organized by CEED, which gathered equity investors from all over the region and Europe. CEED is an entrepreneurial network organization.
- > **Budo Export doo Zepce Supported in Developing Business Plans:** A producer of solid wood panels Budo Export from Zepce required assistance to complete a business plan for a loan application in order to finance further production expansion and restructure existing loans. With the assistance of USAID-Sida FIRMA, Budo managed to obtain a new loan from NLB bank in amount of €1,12million.
- > **Sofic Jewelry:** In cooperation with the National Museum of B&H, Sofic Jewelry produces replicas of old Bosnian jewelry and is the most successful goldsmith in Bascarsija. Sofic expanded their production and further built their sales and distribution network. With support from USAID-Sida FIRMA, Sofic developed a business plan and applied for a €102,258 loan at the Federation Development Bank.
- > **EE Euro Exim doo Breza:** EE Euro Exim doo Breza looked for financing for their innovative bio fuel ethanol from wood waste production facility. Euro Exim successfully piloted ethanol production on a small scale proving the business model was ready for scaling into full commercial production.
- > **Pelex doo Cazin Supported in Developing Business Plans:** Pelex doo Cazin looked for a joint venture partner for sawmill and production of Euro pallets at their production location in Bosanski Petrovac. The total required investment amounts to €2.87million with projected investment return in 3.5 years.
- > **Comprehensive A2F Analysis:** The first was an analysis of the legal obstacles to collecting accounts receivables. The second report provided a comprehensive assessment of the supply and demand side obstacles for access to finance.

4.5. Workforce Development

The lack of adequately-skilled workforce remains one of the most complex obstacles to growth of USAID-Sida FIRMA-supported value chains. To address this challenge, USAID-Sida FIRMA launched a Workforce Development Institutions Initiative in mid-2010, which included the establishment of formal Vocational Educational & Training (VET) Councils and collaboration with existing adult learning institutions and employment bureaus to improve current adult training programs. As a result of USAID-Sida FIRMA's facilitation, 9 local-level VET councils have now been established and registered in B&H.

- > **Adult Vocational Training program for wood and metal sectors:** In collaboration with SERDA and the Secondary Mechanical Engineering School in Sarajevo, USAID-Sida FIRMA identifies the skills gaps through a survey of wood and metal sector companies. After the identification of this gap, USAID-Sida FIRMA supported the development of new adult vocational training programs for the wood and metal sectors which were officially approved by the Canton Ministries of Education, with which USAID-Sida FIRMA signed a formal collaboration agreement. Sixty people completed the initial training program, focused on CNC, CAM, and CAD technologies. During Year 3, a VET Council was established in Tuzla Canton at the Cantonal-level, and one at the municipal-level in Kalesija.

Vocational Educational and Training (VET) Councils.

A VET Council is a key public-private dialog mechanism required to promote regular communication of workforce skills needs from employers to education and training providers. The councils are advisory, but have a significant impact on workforce development. They collect information on industry skills, convene regular meetings to discuss workforce issues, recommend training programs, and curriculum adjustments. VET Councils support local companies address their short and long-term needs for workforce development. For immediate needs, adult training programs are developed, whereas for long-term needs curriculums are developed for the 3 or 4 year vocational schooling programs. USAID-Sida FIRMA's contribution to the establishment of the VET Councils included technical assistance – usually no financial contribution was required. The VET Councils are run by the schools and continue to function even after USAID-Sida FIRMA's initial involvement.



*The first VET Council was established in Tesanj in 2010:
Future mechatronic technicians in training*

- > **WfD Donors Group:** In order to avoid overlapping of activities and ensure better cooperation between individual projects, USAID-Sida FIRMA catalyzed the establishment of a working group of donor-funded vocational education and training projects. The group included GIZ, the EU VET Project, the Swiss Development Council, and the Institute for Adult Education of RS.
- > **Upholstery Training:** Twenty employees of the beneficiary stakeholder, Scontoprom, were trained in upholstery skills in order to improve product quality and workforce knowledge, in connection with the wood team's performance improvement plan.
- > **Curriculum Expansion for Metal Processors:** In response to employer needs for training for 250 workers, the Tešanj VET Council facilitated expansion of the formally-approved curriculum for the metal processor/cutter occupational profile. Tešanj Secondary Technical School permanently added the training to its curriculum, including in-company apprenticeships for students, and the company guaranteed employment for all of the workers who successfully completed the course.
- > **Accreditation and Curriculum for Mechatronic Technicians:** In response to VET council-identified industry needs for workers operating sophisticated machinery, a new multidisciplinary employment profile, mechatronic technician, was introduced into the secondary technical school curriculum in Zenica-Doboj Canton. In addition to the formal 4-year education program, GIZ and USAID-Sida FIRMA collaborated to fast-track 32 candidates through an adult-training program required by employers.
- > **Qualified Technical Consultants Program:** USAID-Sida FIRMA initiated an activity with REDAH to mobilize a cadre of qualified technical consultants to support SMEs in USAID-Sida FIRMA targeted sectors through a consultancy voucher support program. Companies were able to engage consultants for a range of services including optimizing production capacities, developing marketing strategies, support for design, and in-house training. Around 50 companies were supported through this program.
- > **Quick Impact WfD funds:** USAID-Sida FIRMA supported the Federal Employment Bureau's initiative to establish a Quick Impact Fund to rapidly address the needs of

companies in training when hiring new employees. The FEB increased their share from €153,387 to €255,645 in 2012 mainly as a result of their confidence in the USAID-Sida FIRMA proposed approach.

- > **Una-Sana Canton Wood-Processing Companies:** USAID-Sida FIRMA initiated a workforce development program to support the training of new employees in three companies in this Canton: Al Dihani, Bozzy and Scontoprom. The total number of people expected to be trained and employed was 250. The team collaborated with the USK Government, certain municipalities, vocational schools and implementing partners to develop curricula and deliver training for the new employees. Apart from adult training, the curricula will be adjusted for formal education and incorporated in their secondary vocational schools.
- > **Training of 100 new workers for Al Dihani Cazin:** Based on the previous concepts of public private partnerships, USAID-Sida FIRMA developed a Workforce Development Program to support AL DIHANI wood processing company from Cazin. An MOU was signed between USAID, the Federal and Cantonal Agencies for Employment, the Municipality of Cazin, Government of Una-Sana Canton, Vocational School Safet Krupić from Bosanska Krupa and Developmental Agencies of Una Sana Canton RAUSK and PLOD to deliver training for Al Dihani.
- > **Training and Employment of 100 New Workers in UNIS TOK Kalesija:** USAID-Sida FIRMA together with the Federal Employment Bureau developed an activity to train 100 new workers in UNIS TOK, a metal-processing company in northeastern B&H. This company, which was expanding its production facilities needed up to 60 new CNC operators, 30 blacksmiths and 10 mechatronics, all of which are not available in the local labor market. In cooperation with NERDA, the local vocational school, the Cantonal Ministry of Education, Kalesija Municipality and UNIS Tok - a training program was developed and was delivered by the local vocational school. This program considerably reduced the costs of retraining for UNIS Tok and allowed them to respond to new orders immediately.
- > **Training and Employment of 30 Lathe CNC Operators in FAD Jelah:** FAD dd Jelah a metal-processing company expanded their production of car brake discs and needed to employ 30 new certified lathe CNC operators. These new employees were to be trained to meet the high standards of car brake discs production for one of the largest global car manufacturers - Volkswagen. USAID-Sida FIRMA together with the Federal Employment Bureau supported the development and delivery of a training course. The curriculum developed was approved by the Cantonal Ministry for Education, meaning that the qualifications will be included in the employee's working groups and officially recognized as a new skill. This activity was identified as a part of a needs assessments conducted by the Vocational Educational Council (VET) established in the Tesanj Vocational school with support from USAID-Sida FIRMA.
- > **Web database of non-formal training programs:** In collaboration with GIZ, USAID-Sida FIRMA supported the development one-stop-shop web database to provide a comprehensive information on specific training and training providers. The database provided employers and individuals with information regarding specific training programs, program objectives and tasks, curricula, and venue. It is housed with the B&H Agency for Labor and Employment, which will ensure its sustainability.

Training and employment of 600 car seat sewers in new Prevent Factory in Travnik: When Prevent opened a new factory in Travnik for the production of car seat covers, it needed 600 new employees trained and recruited to meet the high standards of their demanding buyer – Volkswagen. The curriculum for car seat sewers was already developed under a previous USAID-Sida FIRMA activity and therefore there was no need to develop it again. Two hundred people were trained under this program, of which 150 were women. USAID-Sida FIRMA collaborated with the Federal Employment Bureau and other partners on this activity. In Gorazde, USAID-Sida FIRMA worked with Prevent to help train 675 people, of which 257 were employed after completing the training.



Prevent Factory in Travnik

- > **Facebook Education.** USAID-Sida FIRMA in collaboration with Via Media Marketing Agency conducted a training session for companies from USAID-Sida FIRMA’s targeted sectors on how to use social media to market their companies. In addition to traditional classroom training, consultancy and mentoring support was provided to companies that intended to use Facebook as a way to advertise their companies. Participants learned advanced techniques on how to use social media for commercial purposes, especially techniques on how to reach specific groups of potential clients. A follow up session was held in September 2013 where additional support was provided to participants.
- > **Developed occupational standards for six occupations in wood processing, metal processing and tourism industry.** With support from USAID-Sida FIRMA and GiZ, the Agency for Pre-Primary, Primary and Secondary Education (APOS0) developed occupational standards for six occupations in the three USAID-Sida FIRMA-supported sectors. APOS0 formed three sector working groups and developed the occupational standards, which included employer representatives, Employer’s Associations, Chambers of Commerce and Employment Agencies. Based on previously conducted surveys completed in 48 companies, the working groups then held four rounds of three day working sessions in Banja Luka further defining new occupational standards for Mechanical technician - Lathe CNC Operator, Welder, Waiter, Chef, Final wood processing technician and Upholsterer. After completing the final consultations with representative companies from the three sectors, APOS0 published the new occupational standards in July 2014.
- > **Provision of equipment for the Department of Design, Sarajevo Academy of Fine Arts.** On April 25, 2014 the Academy of Fine Arts in Sarajevo organized an event to mark the opening of a new design cabinet, thanks to support received from USAID-Sida FIRMA. The new equipment included computer hardware and SolidWorks 3D software, which has been used to design software training and student design projects. Modernizing this university department has already enhanced the standard teaching practices for the Academy’s product designers. Now, the design students will be able to implement their theoretical knowledge into practice. This activity was developed in response to company demands for better trained local designers, especially those working in the furniture sector. The Academy of Fine Arts in Sarajevo continued modernizing this department by procuring additional equipment, including CNC simulators, 3D printers and other sophisticated technology.

The Center for Adult Education in Tesanj. USAID-Sida FIRMA supported the establishment of an Adult Training Center in the Tesanj vocational secondary school through the provision of equipment. The Center for Adult Education deals primarily with vocational training, which meets the demands of the labor market by providing programs that enable individuals to train as CNC operators, metal grinders, metal cutters, upholsterers, carpenters, and mechatronic technicians, etc. The Center was also supported by the Federal Employment Agency, the Municipality of Tesanj, the Mixed Secondary School in Tesanj, the Government of Zenica-Doboj Canton, the Association of Businessmen, Biznis Centar Jelah-Tesanj, as well as Pobjeda, Fad, Mann + Hummel BA and Enker from Tesanj. Of those who were trained in the first group, 26 people obtained new employment right after training.



The Center for Adult Education in Tesanj was inaugurated in June 2014

- > **Support for Workforce training and new employment in Srebrenica:** Continuing successful cooperation with Prevent, the largest automotive company in B&H, USAID-Sida FIRMA initiated a groundbreaking workforce development program which trained and recruited new employees in the newly opened factory facility in Srebrenica. Prevent needed 60 staff for a new production facility in Srebrenica and required workers that had skills in sewing, leather leveling and fitting with specific skills in the production of handbrake levers for the automotive industry. Using successful fund leveraging model, pioneered by USAID-Sida FIRMA team, several stakeholders were able to financially contribute to this effort. They included ALDI Goražde, local development agency to implement the activity, UNDP, the Federal Employment Bureau, the Municipality of Srebrenica and the Employment Bureau of Republic of Srpska.
- > **Seasonal Employment Potential in Sarajevo Canton:** In cooperation with SERDA, USAID-Sida FIRMA presented a labor market assessment on skills needs for the tourism sector. The aim of the analysis was to determine the real needs of employers when it came to tourism seasonal workforce requirements. The survey was conducted with accommodation providers, travel agencies, high school graduates and the unemployed. The key findings were presented to the Management of the Employment Bureau of Sarajevo Canton in August 2014.

Through investment of €704,005 from USAID-Sida FIRMA budget and co-financing from several stakeholders such as GiZ, UNDP, government and private sector stakeholders, over 4,318 persons participated in 129 training-related activities supported by USAID-Sida FIRMA, of which 34% were women.

Table 8: Summary of Workforce Development Activities - Cumulative for 2009-2014

| Status | Number of trainings | Participants | | | USAID-Sida FIRMA Actual Investment to Date € |
|-----------------------------------|---------------------|--------------|--------------|--------------|---|
| | | Total | Female | Male | |
| Total Completed Activities | 129 | 4,318 | 1,445 | 2,863 | 704,005 |

4.6. EU Alignment

All of USAID-Sida FIRMA's competitiveness-enhancing and business environment-related activities were carried out to ensure alignment with EU trade standards and the *acquis communautaire*. USAID-Sida FIRMA supported 60 companies in this process. When it came to trade certification support the project had three pillars of support: (i) *Support for planning to introduce standards*: Although companies know they must implement standards or certificates, they are not aware of all of the costs involved, which sometimes can include purchasing new equipment. The companies would start the process, but would have to stop mid-way because of the additional finances and time to undertake the entire process. This phase of support helped companies complete a blueprint, which represents an action plan demonstrating which steps are required for implementation and costs to be expected. After blueprints were completed, USAID-Sida FIRMA actively supported companies to identify other donor or government sources of funding for the implementation phase; (ii) *Support for implementing phase 2*: For some companies the costs to implement phase 2 are exorbitantly high, especially where multiple certificates are required. Yet without the standards, markets will be closed and businesses could be jeopardized. USAID-Sida FIRMA supported companies to implement the standards; (iii) *Quality Trade Funds*: In order to ensure sustainability of support, USAID-Sida FIRMA's main focus was to set up QTC with local and regional governments, ensuring sustainable long-term support for companies.

4.6.1. EU Alignment

In 2009 when USAID-Sida FIRMA started working with private sector, the awareness about the standards was not high. Since then, the project worked extensively on implementing a wide range of standards with 255 companies. As mentioned above, the strategic approach the team implemented was to establish QTC Funds with a number of local and regional government bodies. Each time, USAID-Sida FIRMA Project team successfully leveraged funding through a cost-sharing mechanism. In the case of the three funds established in RS, USK and Central Bosnia Canton, the local governments co-financed 50% of the cost. As a result, the companies could use the fund to implement a particular standard they needed.

Standards Manual: In collaboration with the B&H Institute for Standardization (BAS), USAID-Sida FIRMA supported the preparation of a 100+ page EU Technical Standards Manual. The manual provides a clear description of the need for standards and institutions and procedures on how to obtain them. A comprehensive reference list of all standards applicable to the wood and metal sectors were also included in the manual.

Lab Assessment Report: In collaboration with the USAID-Sida FIRMA, the project completed a comprehensive overview of the status of labs in the country and their capacity to undertake product testing in the food as well as the USAID-Sida FIRMA supported sectors.



- > **EU Standards:** USAID-Sida FIRMA initiated a program whereby 66 companies prepared EU standards pre-assessments, which was the critical first phase in planning, prioritizing, and preparing to obtain the ISO, CE, FSC CoC, and HACCP certificates. Subsequently USAID-Sida FIRMA was able to identify second phase funding for standards implementation for all but three of the companies. USAID-Sida FIRMA supported 13 companies in the second phase of implementation of standards. After the initial pre-assessments were completed for 60 companies, USAID-Sida FIRMA sought support from government and donor sources to finance the implementation of the standards, leaving the third phase – certification to be financed by the companies. Twenty-six companies implemented identified standards/technical regulations with their own funds.
- > **Support to the B&H Quality Association:** USAID-Sida FIRMA supported the B&H Quality Association to maintain its membership within the European Quality Association, which is a network of organizations from European countries and other countries with expertise in the field of quality standards. This support enabled the B&H Quality Association to participate at the European Association of Quality Annual Conference and to deliver a series of trainings in the area of quality standards.
- > **Seminars on ISO, FSC, OHAS and CE:** The project supported the B&H VTK in holding five seminars in Sarajevo, Banja Luka and Tuzla with over 137 participants from the USAID-Sida FIRMA sectors, covering ISO 9001, FSC CoC, ISO 14001, OHSAS 18001, and CE mark certificate.
- > **EU EXPRO Project:** USAID-Sida FIRMA assisted this EU project which was tasked to develop a formal B&H Export Strategy, a condition for the country's integration into the EU. USAID-Sida FIRMA consultants served as mentors and participants in five working groups: wood sector exporting, metal sector exporting, tourism, country branding, and export finance.

TTO, a metal processor from Sarajevo, implemented ISO 9001 and ISO EN 3834 (EU Standard for Welding) with USAID-Sida Project. Implementation of these standards contributed to increasing TTO's revenue by 70% in 2014.

RS Trade Certification Quality Fund: USAID-Sida FIRMA established a fund at the onset of the project to support wood-processing companies to implement trade quality standards. The project was successful in leveraging funding from the RS Government and a number of municipalities from the RS in the total amount of €56,242. In the first nine months, using the fund support 35 companies obtained international quality standards such as FSC CoC, CE Mark, ISO 9001 and ISO 14001. These standards have paved the way to help companies export to the most demanding markets. They have also enabled companies to overcome the mandatory trade barrier imposed by EU directive 995/2010, which came in force in March 2013. FSC CoC certification, although not substitute for the directive 995/2010, is the best possible way to satisfy the requirements of this Directive. The RS government recognized the effectiveness of the program and decided to top-up the Fund with an additional €5,113.

- > **USK Trade Certification Quality Fund:** Following the great example in RS, similar fund was established in the USK with the Canton along with a number of municipalities contributing financially to the Fund. As a result, seven companies prepared and certified their processes and procedures in accordance with Forestry Standards Council Chain of Custody (FSC CoC) standards. A total of 14 companies were supported by the USK Quality Fund.
- > **Central Bosnia Canton Trade Certification Quality Fund:** In March 2012, USAID-Sida FIRMA, REZ and the Central Bosnia Cantonal Government signed a Protocol to collaborate on USAID-Sida FIRMA activities. The first activity was implemented under this agreement was a Quality Trade Fund to support wood and metal processing companies to implement trade quality standards with a focus on CE Mark and FSC CoC. The fund was jointly funded

by Central Bosnia Canton Government and USAID-Sida FIRMA and it was managed and implemented by REZ Development Agency. REZ and the Ministry of Industry of Central Bosnia Canton prepared a public call for applications for companies to apply for support. USAID-Sida FIRMA provided technical support to REZ to develop procedures and documentation for the fund based on procedures developed for Una-Sana Trade Certification Quality Fund. REZ also obtained €10,225 from the Norwegian government for the fund. The Regional Development Agency for Central Bosnia, REZ, published a public call to support companies to implement standards including CE mark and Forest Stewardship Council Chain of Custody required for exporting to the EU. This public call supported SMEs from the metal processing, tourism, forestry and wood processing sectors, as well as other manufacturing and export-oriented companies, which are based in Central Bosnia Canton. The Fund was established with support from USAID-Sida FIRMA, the Norwegian Embassy and the Ministry of Economy of Central Bosnia Canton. Twenty –one companies were supported and received certificates.

- > **Workshop on Quality Standards.** In cooperation with B&H VTK, USAID-Sida FIRMA supported a series of seminars regarding the implementation of Forestry Stewardship Council Chain of Custody standards and CE mark for wood and metal companies. Around nine workshops took place during December in Tuzla, Sarajevo, Vitez, and Mostar. Close to 30 companies attended the training events.
- > **Energy Efficiency and Renewable Energy Standards:** USAID-Sida FIRMA supported a round of trainings to improve energy efficiency in companies from all three USAID-Sida FIRMA targeted sectors. The trainings were held in Žepče, Zavidovići, Bugojno and Tešanj and included 60 representatives from USAID-Sida FIRMA supported sectors. The main goal of the activity was to conduct workshops to increase the awareness of SMEs from the Central Bosnia region about the latest methods of efficient energy usage, and how energy efficiency can directly decrease costs for companies and increase productivity and competitiveness.

4.7. Gender / Youth / Inclusion

Women, youth and disabled person remain segments of the B&H population whose economic participation and potential has not been fully understood and realized. Gender equality and socially excluded individuals has been integrated into the USAID-Sida FIRMA’s approach since the beginning. The project team sought to promote inclusion in all of its activities and had initiated activities consistent with its overall business results objectives that specifically target economic mainstreaming of women, youth, and persons with disabilities.

4.7.1. Gender and Social Inclusion

- > **B&H Handicrafts Value Chain:** Support for the BH Crafts value chain was initiated, which had as a key objective advancing the economic inclusion of poor women and persons with disabilities. An extensive assessment of 56 companies and organizations was conducted to determine what was required to sell their products in the tourism souvenir market. Most products required further design improvement and access to souvenir distribution sellers. For the purpose of improving design, USAID-Sida FIRMA engaged an expert to deliver a workshop to students from the Sarajevo Academy for Fine Arts on how to support handicraft manufacturers in the country and to improve the design of their products.

Gender Mainstreaming Conference: In cooperation with the B&H Agency for Gender Equality and the B&H Foreign Trade Chamber, USAID-Sida FIRMA organized a Gender Mainstreaming in Economic Growth Conference– the largest event of its kind in B&H in many years. The conference addressed the enabling environment for women entrepreneurship, knowledge and skills for women entrepreneurs, and business obstacles and opportunities for women entrepreneurs. The event attracted 86 participants representing companies, women entrepreneurs, government institutions and the non-governmental sector. It produced an Action Plan for Gender Mainstreaming in Economic Growth and established working groups to regularly monitor progress.



Gender Mainstreaming in Economic Growth Conference was held in Sarajevo in May 2011

- > **Report on support organizations for women entrepreneurs in Republic of Srpska:** USAID-Sida FIRMA and the RS Gender Center supported a survey about the status of women entrepreneurs in the RS, organizations that support their growth and general reasons why women decide to become entrepreneurs. Over 70 associations and 350 women were interviewed.

Women Entrepreneurs: Women's participation as entrepreneurs, employees and leaders is considered an indicator of countries' viability. USAID-Sida FIRMA's strong commitment to the gender equality is shown in the project's work in this area. The team has worked with 188 women-led companies, and trained a total of 1,455 women. Out of the 2,425 new jobs created, 25% were filled by women. This is a significant accomplishment considering that two out of three USAID-Sida FIRMA sectors.

Qualified Technical Consultants for Women-led Businesses: Within the general QTC program a separate QTC program was launched for women-led businesses. Women-led companies face the same difficulties as male-led companies; however they are routinely over-looked when it comes to receiving government and donor support. Over 25 companies were supported through this program.



Full women's economic potential still remains untapped

- > **Youth Entrepreneurship Pilot Program:** USAID-Sida FIRMA developed a pilot program for Youth Entrepreneurship Program in the Una-Sana Canton. The Una-Sana Canton and municipalities committed to providing funds to support youth start-ups and establish businesses through a partial grant and loan program. USAID-Sida FIRMA's assistance included designing the entire program and funding business plan training. Another important element incorporated in this program was to provide the young business people with mentors and advisors as they start their businesses.
- > **Mapping of Entrepreneurial Potential for Women in RS:** A local think tank group, Proeduca, completed an assessment of the entrepreneurial potential of women in the RS. Proeduca is involved in the promotion of women entrepreneurs in B&H for the last 10 years.

The assessment identified key obstacles women face in entrepreneurship, including lack of financial resources and a low level of self-confidence.

- > **Women-led Companies attend Gender Conference in Zagreb, Croatia:** An international conference supported by USAID Croatia on Invest for the Future, Women Driving Economic Growth, was organized in Zagreb during the reporting period. Keynote speakers were Ms. Melanne Verwee, Ambassador-at-Large for Global Women's Issues and the President of Croatia. The USAID-Sida FIRMA Gender Specialist attended on behalf of the project, and USAID-Sida FIRMA supported a number of women led businesses to attend, including Ms. Elizabeta Josipovic, owner and CEO of Scontoprom.
- > **Development of new gender projects for VCFs:** USAID-Sida FIRMA's gender specialist supported REZ to prepare an application in response to a Washington issued Request for Applications to support women in business. The USAID-Sida FIRMA consultant provided in-house support in assessment, data analysis and brainstorming for development of project objectives and activities that would promote and empower women entrepreneurs.
 - > **Zehra Jakubovic** is at the helm of Izazov, a wood processing company from Kalesija and one of B&H's leading furniture manufacturers. With support provided through USAID-Sida FIRMA Project, Izazov participated in several important regional and international fairs which Zehra and her team used to establish business contacts and secure new business. Zehra's tenacity and interest in business has been passed on to her daughter who is planning to join the family business.
 - > **Sanja Cicevic** is an innovator and co-owner of Oprema OMO in Mostar, which works on the design, production and sale of equipment for catering industry. In cooperation with USAID-Sida FIRMA Project, Oprema OMO exhibited at the 2013 GAST Fair in Split, Croatia where the company was able to close several new business deals. USAID-Sida FIRMA Project also provided assistance to Sanja's company in the implementation of the EU standards which enabled Oprema OMO to increase exports.

4.8. Innovation

USAID-Sida FIRMA sought to stimulate competitive, company-level innovation in B&H, to elevate the country's very low international country innovation rankings. USAID-Sida FIRMA addressed this challenge by organizing and networking Business Innovation Centers (BICs), to identify priority projects for further support, and to encourage collaboration across donors and local government agencies that are supporting innovation.

- > After an initial assessment of the capabilities of eleven techno centers, USAID-Sida FIRMA launched the first B&H Innovation Support Network. This network connects all stakeholders including BICs, to identify areas of specialization and collaboration, exchange of best-practices, and share skills and clients. USAID-Sida FIRMA advanced the ISN initiative during the quarter through:
 - > Preparation of an inception report, "Building the B&H Innovation Support Network". This report included an overview of Entity innovation and R&D strategies and provides an overview of measures that can be introduced to stimulate innovation; including consultants voucher schemes, innovation funds, and graduate internship programs for company innovation development.
 - > Sponsorship and presentation at a PREDA-organized "International Conference on Innovation, Research and SME Development" in Prijedor, attended by over 80 companies and BIC representatives.
 - > Developed the B&H Innovation Support Network. This conference was attended by 30 participants from B&H academic and R&D institutions as well as regional and local

development agencies. The conference agenda included presentation by a representative of the European Business & Innovation Center Network (EBN) on quality standards for BICs.

- > Facilitation of connection with the European Business and Innovation Center Network (EBN), to enable membership by B&H ISN member BICs through USAID-Sida FIRMA's umbrella membership. EBN provided qualification criteria for BICs, capacity building, and collaborative projects with other EBN members from all over Europe.
- > USAID-Sida FIRMA and VCF Link participated in the Innovation Tools Exchange Forum in Berlin which was organized by EBN, the leading pan-European network. The EBN brings together 200+ business and innovation centers from all over Europe. USAID-Sida FIRMA together with over 25 B&H business and innovation centers became a full member of EBN. The Forum presented an opportunity to learn about new tools for developing innovation.
- > As a member of EBN, USAID-Sida FIRMA was able to host a visit to B&H by Mr. Giordano Dichter, Quality & Membership Development Manager at EBN. During his stay he visited a number of innovation support centers in B&H including - ICBL innovation center, CIDEA development agency, the Mechanical Faculty laboratory Banja Luka, ZEDA development agency in Zenica, and SERDA development agency in Sarajevo. In East Sarajevo, USAID-Sida FIRMA organized a workshop on quality standards for Business Innovation Centers where Mr. Dichter presented the EBN requirements for BICs and ICBL presented their experience in becoming a full EBN member. The workshop was co-organized with the RS SME Agency and was attended by economic development organizations and R&D institution from Sarajevo and East Sarajevo.
- > USAID-Sida FIRMA designed and delivered a number of trainings to provide tools to our VCFs to support SMEs and research and development organizations on fostering innovation. The workshops were attended by the University Entrepreneurial Center (UPC) Banja Luka, Innovation Centre Banja Luka (ICBL), and Center for Promotion of Local Development (PLOD) B&Hac, Development Agency of Una-Sana Canton (RAUSK) B&Hac and PREDAC. The participating organizations signed a MoU to cooperate in the provision of support services for innovation development in companies. The MoU signing ceremony took place in Banja Luka on July 30, 2014.

Innovation activities on the USAID-Sida FIRMA project were supported by subcontractor J.E. Austin and Associates.

4.9. Environment

Environmental issues were addressed under two main pillars. The first was ensuring that the grants are compliant to requirements under Regulation 216. All of USAID-Sida FIRMA grants were reviewed to assess how they impact the environment. Where there was a possibility that a grant could negatively affect the environment, the project team engaged an environmental expert to develop an environmental mitigation plan with the grantee. Furthermore, USAID-Sida FIRMA also supported private sector efforts to adhere to EU environmental requirements (second pillar). The project supported the introduction of international environmental standards like ISO14000, delivered training on energy efficiency measures, and supported companies to obtain environmental permits as issued by government.

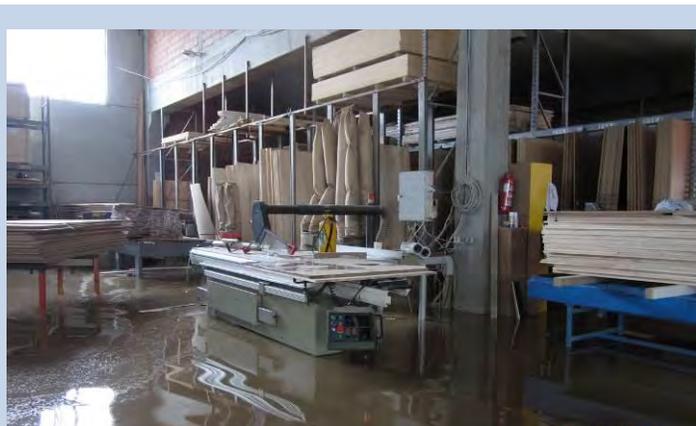
Green Design Festival: USAID-Sida FIRMA supported the Green Design Festival (GDF) in 2010. GDF, which was organized by the Sarajevo Faculty for Architecture, promotes new technologies and green solutions, which applies to all three USAID-Sida FIRMA sectors. This was the third time the festival was organized, which eventually expanded to Mostar. An impressive list of world-renowned green design speakers attended from nine countries from Europe and the USA to discuss issues such as how to transform industrial zones. The festival organizers continued to hold this festival with the goal of positioning Sarajevo as a centre for debate, and development and application of green design principals and technologies. Business to Business meetings were also organized where foreign investors in Bosnia and Herzegovina had an opportunity to meet with the Bosnian companies involved in green technologies.



A number of world-renowned green design speakers attended GDF in Sarajevo

5. Floods and Extension

The floods that occurred in May and August 2014 in B&H affected large areas of the central, northern and north-eastern parts of the country flooding homes, businesses and destroying infrastructure. The North eastern part of the country is the most densely populated part of B&H, and is considered the industrial region of the country. When it came to USAID-Sida FIRMA-targeted sectors, of the 1000 companies in the USAID-Sida FIRMA database 320 were located in the flood affected areas (from Zenica to Laktasi to Sanski Most).



Samac is one of the B&H municipalities that was heavily affected by floods in May 2014

In addition, this region also included a large number of other industries employing considerable number of people in the apparel and plastics industries.

Immediately after the floods happened, USAID-Sida FIRMA collected initial information from companies which indicated that hundreds of jobs were at risk of being lost because of damages caused by the floods. Companies reported damaged equipment, raw materials destroyed, damages to buildings and flooding of inventory. There was also a serious threat that companies may lose contracts with buyers and they may even lose access to markets resulting in long-term losses. Economists were predicting an economic decline of GDP by 1.5% because of the floods, which would have been devastating for B&H. If many businesses were unable to recover, the long-term impact for communities would include job loss, decrease in wellbeing, possible increase in the number of households falling under the poverty line, decrease in tax revenues which would consequently affect the delivery of government services (i.e. education, health).

It was crucial for livelihoods and communities that businesses had to restart their operations as soon as possible. Companies affected by the floods faced cash flow problems as they had to spend money to repair factories/business premises, repurchase supplies for production, or repair or replace equipment. At the same time they needed to continue meeting their loan repayments, paying out



USAID-Sida FIRMA staff assessing flood damage

salaries, paying VAT in advance (the Indirect Taxation Authority had approved that only May payments be postponed), and meeting all other tax obligations. USAID-Sida FIRMA's access to finance assessment showed that most companies in B&H had liquidity problems (as a result of

large outstanding accounts receivables and the lack of suitable working capital finance products) and there was concern that very few companies had the cash flow to overcome this crisis.

USAID-Sida FIRMA received a 10 month cost extension to help flooded companies recover through grant support with the goal of retaining workers. The focus was on providing grant support for the purchase of raw materials, repair of equipment and premises, and acquisition of new or used production equipment. USAID-Sida FIRMA also supported companies to complete loan applications to restructure their current loans or apply for new loans with government or international financial institutions, including use of DCA facilities. USAID-Sida FIRMA also worked with local and regional government to identify business environment problem, and coordinated closely with other donors (such as Catholic Relief Services, UNDP, UNICEF, and others), who were carrying out complementary initiatives.

In just ten months USAID-Sida FIRMA implemented 63 grants totaling \$1.72 million to companies in seven municipalities. These efforts helped retain 1507 jobs and created 53 new jobs. USAID-Sida FIRMA initiated a project donor working group meeting to coordinate implementation efforts with organizations like UNDP, CRS. USAID-Sida FIRMA helped 12 companies refinance their loans to provide them with more working capital or ease their investment loan repayments.

Local businesses teach a lesson in solidarity and cooperation

The fact that distress sometimes brings people together in the quickest and strongest manner is demonstrated by the intensive cooperation of a number of companies and businesses following the floods that strongly hit Bosnia and Herzegovina in May this year. The intensity of mutual solidarity and readiness to help goes beyond both the entity and national as well as other imposed divisions B&H society has been burdened with for the last 20 years, and it even came as a surprise to businesses themselves.

Under the new Scope of Work focused on supporting B&H flood affected companies, representatives of USAID-Sida FIRMA Project conducted field visits and post-flood assessments during which they came across a number of touching stories about cooperation and mutual assistance of B&H companies in both entities. One of them is the story about textile company Premier d.o.o. from Doboj which suffered extensive damages..

Investing in the latest equipment, Premier moved from trading to the production sector in 2012. After 12 years of operations it set up its textile production facility equipped to manufacture the most demanding pieces of clothing. Over the past two years the company had a huge success, succeeding in the local



and international markets and exporting directly or indirectly to Germany, Austria, Italy and Poland. In May 2014 when the factory was hit by floods, the company employed 66 workers – 30 more relative to 2012.

“The damage our company suffered as a result of floods is extensive. Our equipment and materials are destroyed and our facilities heavily damaged. Our estimate shows that the loss we suffered exceeds 50% last year’s turnover,” explained **Zoran Vučić**, Director of Premier d.o.o. company from Doboj.

At the moment when all seemed lost, and production process halted for good, Premier’s longtime business partners – textile companies Kotex from Tešanj and Kismet from Doboj Istok – selflessly offered their assistance.

“Many of our friends and partners demonstrated their solidarity in this situation, but Kotex and Kismet have literally raised us from ashes! In order not to lose important deals and clients, and to meet our deadlines, they made their factories and machines available to our workers, and all of this free of charge. They did not even let us pay for the electricity consumed,” said Zoran Vučić still evidently moved by a noble gesture of his business partners.

All this made it possible for Premier to return a number of its employees to their workplaces soon after the floods and the company currently employs 49 workers. The Management hopes production will be normalized before long and all workers returned to their workplaces.

“We will never forget this and we hope to have the opportunity to return the favor to Kotex and Kismet. When we were in a hopeless situation, they were there for us and we appreciate this enormously,” said Vučić and added: “We believe all differences disappear in times of a disaster and people come together. These floods were disastrous; however they brought people together and in large part made them come to their senses.”

Humane and solidary actions in flood affected areas were neither an exception nor spur of the moment as demonstrated by the example of EKOVIĆ company from Doboj which produces packaging and advertising materials. The loss the company suffered as a result of the floods was as high as around 20% of its total annual turnover.

Vladimir Despotović, co-owner of Eković, says that despite the damages incurred, the company did not suffer a major loss of jobs or clients.

“Among many partners we have to single out our client Bingo Supermarkets from Tuzla which selflessly offered us assistance immediately after the floods. By doing so, they did not cancel a single contract and they put up with all the delays. They even offered to buy us new machines, which was indeed too much and we could not agree to; however, it meant a great deal to us.” – Vladimir Despotovic, Eković

Companies from flood-affected areas of B&H actively engaged in repairing damages

During the floods, B&V Univer, producer of wood board furniture, including kitchens, wardrobes and office furniture, suffered damages of almost KM 300,000.

Regardless of the situation which, at first seemed hopeless, the owners and employees of B&V Univer did their utmost to partially restore their production facilities in order to meet increased demand for furniture after the floods.

“Our business premises and machines were completely flooded. Nevertheless, a month after the water retreated, with hard work and huge efforts we managed to restore limited production capabilities. A strong driving force was the fact that we were receiving a number of orders for furniture both from households and other devastated and flooded companies which were also attempting to recover,” explained Vinko Pejić, co-owner of B&V Univer, adding that majority of orders are from Doboj, Domaljevac and Maglaj.

With the support of a USAID-Sida FIRMA grant, B&V Univer purchased two new machines which allowed the company to meet previously signed contracts, respond to new demands from clients, and accept new contracts.

“It is very important to us that regardless of the damages suffered, we managed to retain all of our employees and we also have intentions to employ additional two workers,” says **Blagoje Blagojević**, co-owner of the company.

In addition to all of the damage, the floods also generated a new market for companies to repair damages to households, public institutions, businesses and infrastructure.

One of these companies is Metalotehnika from Doboj, a producer of aluminum and PVC construction elements. Despite enormous damages to its business, Metalotehnika is receiving new deals to reconstruct facilities and repair damages caused by floods.

“A need to reconstruct a number of facilities in Doboj and its region arose after the floods, and thus a need for our products – PVC joinery.

Most of our activities are currently focused on reconstructing facilities of public interest such as the municipal building, kindergartens, schools and, of course, many households within the city,” says **Samir Glumčević**, Director of Metalotehnika.

Due to the floods, Metalotehnika suffered damages to its equipment and inputs which is estimated at KM 400,000. With the support of a USAID – Sida FIRMA grant materialist helped the company service a large contract which was of key importance for its operations.

“Thanks to this grant we did not lose our rhythm and managed to keep the pace with the market. All this enabled us to make new deals and, more importantly, we were not forced to lay off our workers,” concludes Glumčević.



Books Collected in at the Sarajevo Holiday Market Delivered to Flood Damaged Primary School in Domaljevac

The collection of books and required reading for children of this flood affected municipality was organized by USAID-Sida FIRMA Project in B&H, and the initiative was supported by the Association of Families of Children and Persons with Developmental Disabilities 'Dajte Nam Šansu' (Give Us a Chance).

Thanks to the solidarity of the citizens of Sarajevo as well as publishing house Buybook and news portal Depo.ba, almost 700 books



and required reading intended for children of Domaljevac and other residents of the municipality were collected during this activity.

Representatives of Domaljevac municipality expressed gratitude to the citizens and children of Sarajevo who collected the books and emphasized that the initiative shows that FIRMA Project recognized the issue this community is facing.

„In our branch school in Grebnice everything was destroyed during the floods, so the large part of this donation will go directly to Grebnice school library. We are pleased that our

cooperation with USAID-Sida FIRMA Project started in this manner and we believe it will continue in future," said **Stjepan Piljić**, School Director, during the donation ceremony. He also added that despite the difficulties, this school continues to address the challenges of contemporary education and recently they even inaugurated the Day Care Centre for Children with Developmental Disabilities.

Beside industry and households, a number of educational and cultural facilities were damaged during last year's floods in with school materials libraries, books and required school readings destroyed. Therefore, the main aim of this activity was to contribute to cultural recovery and normalization of life in flood affected areas of B&H, such as the Domaljevac municipality.

"I think the books are a wonderful gift. They allow you to fantasize, escape to your own world, they make you feel better and stronger and inspire new ideas. Today we brought the books citizens of Sarajevo collected for you and we hope they will be useful and that you will read them," said **Marie Bergstrom**, Head of Development Cooperation at the Swedish Embassy in B&H, while addressing children from Domaljevac during the donation ceremony.

A combination of modern design, and quality products – B&H has become the regional leader in manufacturing wooden furniture

“Jadrina from Gračanica is an exceptional example of all that the USAID-Sida FIRMA Project stood for over the past six years: networking local designers, manufacturers and accessing markets,” - Salih Teskeredzic, renowned B&H product designer and wood and furniture design consultant with USAID-Sida FIRMA Project.

Jadrina, a USAID – Sida FIRMA project beneficiary is working with **Salih Teskeredzic** and **Zlatko Tanovic**, founders of Gazzda, to produce designer wood furniture collection. This successful collaboration of design and production allowed Gazzda to sell their ‘Ena’ collection in the selective EU and Swiss markets.

Salih Teskeredzic, a renowned EU designer met Zlatko Tanovic, a marketing expert and returnee from the Netherlands through the project. Their business vision coincided with the project’s efforts to manufacture products in B&H based on original designs. From the very beginning, FIRMA encouraged companies to use B&H original designs by linking designers and manufacturers, supporting companies to implement EU certificates, organizing annual design competitions, and helping companies attend key international trade shows. For many years, B&H companies were copying the designs of international producers, but now things have changed. Everything is now being done in B&H – the design, including the manufacturing using local raw materials.

“All of these activities contributed to strengthening buyer’s perceptions of B&H products and B&H design in international markets. This was affirmed by numerous awards our designers and furniture producers won at prestigious global competitions and trade fairs for several years now,” said Salih, who himself won several important awards for innovative design.

Established in 1964 and privatized in 2001, Jadrina employed 284 workers in May 2014. In August of last year the company was completely flooded. They incurred damages over €2.7 million and considered closing their factory doors and letting go of all of their workers. However, they survived due to the sheer will of staff who came together to clean their machines to make them operational as soon as possible. Their clients, suppliers and partners, including Gazzda brand, also reached out to help the company – providing supplies at no cost, and extending payment deadlines. The Project provided the company with a €75,000 grant, as part of its assistance program to flood affected companies. Jadrina used it to buy raw materials.

“The grant we received from the USAID-Sida FIRMA project helped us re-start production, and we were able to meet buyer deadlines,” said **Ramiz Grapkic**, *Managing Director of Jadrina*. Ramiz added that not only did they not close the company but they managed to sign new buyer contracts and now employ an additional 50 workers.

“While we were fighting to survive, our buyers did not lose faith in us and they even increased the number of orders so we could employ additional workers. Unfortunately, we are still not at the same production level as before the floods and we have to decline some orders,” explains Ramiz Grapkic.

Ramiz attributes the success to their recovery to the foundations that were created because of the USAID – Sida FIRMA project, “a combination of good design and quality production is what gets us into international markets. This should be a business model for all B&H companies - it will guarantee them success.”



FIRMA Project Grants Helps Support More Than 1500 Jobs in Flood Affected Areas of B&H

After the catastrophic floods there was an urgent need for recovery and normalization of living conditions. The USAID-Sida FIRMA Project responded swiftly and awarded grants to 63 damaged companies to date, saving over 1507 jobs.

During field visits, the USAID – Sida FIRMA Project representatives noted that, in addition to households, public institutions and infrastructure, the manufacturing companies operating in the affected areas also experienced extensive destruction to their equipment, facilities, raw material, and inventory. Given that all this could potentially jeopardize their market position and may lead to the loss of hundreds of jobs, the project concluded that it is of vital importance to help these companies recover as soon as possible and set up and normalize their production processes.

Summarizing the results of a comprehensive field surveys and discussions with representatives of affected companies and municipal authorities, it was decided to focus extension activities on restoring livelihoods and private sector employment in flood affected areas of B&H.

A textile company - **Premier d.o.o. from Dobož** – was supported through the grant program and managed to replace flood-damaged equipment which enabled it to take on a BAM 3 million (€ 1.53 million) contract.

“With the help of the USAID-Sida FIRMA Project grant we purchased several new machines and this gave us a chance to meet the set deadlines, retain important contracts and find new dealings. What is even more important is that with this we managed to get all of our employees back to work and even employ new workers,” says Zoran Vučić, Director of Premier Company, announcing the opening of new jobs.

Metalotehnika from Dobož was also supported with a grant and managed to retain a BAM 150,000 (€77,000) contract. With the support of the USAID – Sida FIRMA project, a company from Šamac - Nova Stolarija managed to implement BAM 300,000 (€154,000) contract for a German buyer, thus ensuring long-term cooperation with German buyers.

“Without timely support, manufacturers are at risk of losing sales contracts and subsequent effects would be felt beyond the municipalities where the businesses are located. For this reason, the support by USAID-Sida FIRMA project is very important to us in order to purchase raw materials that were destroyed during the floods and honor agreements with important clients,” explained Samir Glumčević, co-owner of metal company Metalotehnika Dobož.



6. Project Progress versus Workplan and PMP

6.1. Progress versus PMP

6.1.1. Performance Management Plan Overview

Performance monitoring, the continuous process of collecting and analyzing data to compare how well a project is being implemented against expected results, is a critical part of project management. The USAID-Sida FIRMA performance monitoring system allowed for 1) effective management decision-making, including selection of activities in which to invest project resources; 2) assigning responsibility and ensuring accountability for meeting progress milestones, deliverables and results; 3) learning and correcting; and 4) documenting and reporting results attributable to USAID-Sida FIRMA interventions.

For USAID-Sida FIRMA, the overall results objectives stipulated in the Task Order can be organized in five components, which are:

- (i) **Business results:** broad scale and significant growth in sales, exports, employment, and finance for the selected subsectors
- (ii) **Sustainability and ownership**
- (iii) **EU alignment and trade facilitation**
- (iv) **Gender and inclusion,** and
- (v) **Workforce development.**

The USAID-Sida FIRMA PMP proceeded from a general causal model tracing from Activities to Outputs to Outcomes to Impact. The USAID-Sida FIRMA Workplans (general and annual), submitted separately, complemented by detailed Sector Action Plans, are the vehicle for translating the general causal model into an implementation program. The PMP was the project's technical procedure for monitoring, evaluating, and measuring the results of its interventions. It consisted of three principal elements, which are described in the following sections:

1. The performance measurement indicators, with defined data sources and data collection frequency, applicable to outputs, outcomes, and impact. This allowed progress toward achievement of objectives to be tracked as the project proceeds
2. The ROI framework, to evaluate the expected and actual impact of USAID-Sida FIRMA activities on key expected results. The ROI framework provided a basis for attribution of results to the investment of project resources.
3. The Project Activities Database (PAD), linking activities and stakeholders, regularly updated for outputs and outcomes. The PAD was the principal for recording, analyzing, and reporting project data.

The PMP also includes the training and monitoring of staff and implementing partners on their information management responsibilities – the requirements for routine updating of the PAD and complying with USAID data quality standards.

6.1.2. Performance Measurement Indicators

The USAID-Sida FIRMA Task Order establishes five key Expected Results for the project, as follows:

| Performance Indicator | Target Cumulative Increase | |
|--|-------------------------------|--------|
| | Year 3 | Year 5 |
| 1. Project beneficiaries' share of sectoral output | 40% | |
| 2. Sales of project beneficiaries | 30% | 50% |
| 3. Employment of project beneficiaries | 21% | 35% |
| 4. Finance to project beneficiaries | 24% | 40% |
| 5. Policy constraints identified and addressed | implemented | |

Expected Results 1 and 5 are *output* indicators – they are the direct result of project interventions. Expected Results 2-4 are *outcomes* indicators – the indirect or ultimate desired result of project interventions. The challenge for *outcomes* indicators was how to attribute to project interventions broad results such as these – sales, employment, and finance – which of course are the result of a number of factors. We describe below, in the Return on Investment framework, how this will be done.

In the *Performance Measurement Indicators* (PMIs) table we provide a detailed set of PMIs applicable to USAID-Sida FIRMA objectives. The table is broken down according to major project work areas, showing both relevant “F” indicators and indicators specific to the USAID-Sida FIRMA project.

The PMIs table indicates the method of tracking each indicator. There are three primary standard methods for gathering information:

- > From documented deliverables for implemented activities
- > From annual baseline surveys.
- > From USAID-Sida FIRMA staff and implementing partners day-to-day tracking of the actual results of activities

USAID-Sida FIRMA calculated return on investment (ROI) using key business results measures by measuring the increase in Sales of USAID-Sida FIRMA Beneficiaries / Investment of Project Resources. The Project ROI objective was calculated as follows by aggregating the total increase in sales over the life of the project from the company’s baseline annual figure for all companies that are deemed to qualify as “capital B” Beneficiaries. Such a Beneficiary shall be one that fulfills the following criteria:

- > Based on the type and extent of activities performed, a stakeholder may be classified as a designated beneficiary if the stakeholder has participated in at least one of the following activities:
 - Fairs
 - Performance Improvement Plan
 - Specific workforce development training for job creation
 - QBFC

- EU certifications (excluding ISO)

Specified activities are all activities that directly lead to business and employment results.

- > **Fairs:** Attendance at trade shows and fairs result in increase in sales, employment and exports
- > **PIP (Performance Improvement Plan):** Activities covering a range of actions that help companies properly assess and address obstacles in their operations and improve their competitiveness. The improvement plans are a part of the larger program called the USAID-Sida FIRMA Key Value Chains Stakeholder Program (KVCSP). The goal of the program is to support larger companies in the value chain, with the ultimate goal of supporting the small and medium companies that supply to them.
- > **Specific workforce development training for job creation:** These activities includes all those trainings that will specifically result in creation of new jobs.
- > **QBFC – Qualified Business Financial Consultants:** A USAID-Sida FIRMA-initiated program which helps companies obtain financing by supporting certified business financial consultants in assisting companies in identifying suitable sources of finance, completing business plans, and completing loan documentation. Activities of this type result in increase in access to finance, which in turn has impact on business and employment results.
- > **EU certification:** Activities that focus on helping companies achieve EU certifications. As a result of these activities, we can expect increase in sales, exports and employment.

The company's own assessment of whether it considers USAID-Sida FIRMA support to have significantly contributed to its business results, which will be a standard question in every annual USAID-Sida FIRMA baseline survey.

Companies that fulfill one of these two criteria will be Designated Beneficiaries, and their sales growth will be included in the numerator of the ROI calculation.

For tourism sector, due to the nature of many tourism related activities which promote areas and regions rather than a specific business, we have designated as beneficiaries two areas: Sarajevo area and Herzegovina region. All tourism related companies that fall into these two areas of impact will be surveyed in order to estimate the results of USAID-Sida FIRMA activities.

The USAID-Sida FIRMA PMP consists of three primary elements: (i) business results, (ii) Performance Management Indicators (PMIs), and (iii) Return on Investment (ROI).

- > **Business Results – Sector Level:** USAID-Sida FIRMA's key contractual objectives are expressed in terms of business results: substantial growth over the period of the project in the sales, employment, and business finance of beneficiaries, who must in turn represent at least 40% of the sales of their sectors.

Business results at the sector level are measured through annual Baseline Surveys, the fifth of which was completed during the first quarter of 2015, once beneficiaries had their final 2014 financial results. The survey request was sent to the USAID-Sida FIRMA stakeholders evenly distributed across 3 USAID-Sida FIRMA sectors. Four hundred and one companies are covered by the survey, of which 384 were USAID-Sida FIRMA DB's. The sample size was significant in size and distributed across the USAID-Sida FIRMA three sectors.

The following table summarizes respondents by size:

Table 9: DB Survey Respondents - Key indicators (2014 - € MM)

| Sector | #Cos | Sales | Exports | Finance | #Jobs |
|--------------|------------|------------|------------|-------------|---------------|
| Metal | 134 | 532 | 271 | 20 | 13,038 |
| Tourism | 129 | 55 | 36 | 1.5 | 2,002 |
| Wood | 121 | 368 | 172 | 14 | 8,649 |
| Total | 384 | 955 | 479 | 35.5 | 23,689 |

Source: USAID-Sida FIRMA Baseline Survey 2015 Report

As in the past, the metal sector is the largest among DB respondents in all aspects of business results: total sales, exports, finance and number of jobs, followed by wood and tourism. Although tourism was solidly represented, the tourism companies are generally small companies having less than 25 employees and sales of €127,823 or less, thus their business results are traditionally much lower than for other two sectors. It should be noted that export figures are obtained from the baseline surveys completed by companies and are not cross-checked as in the case of sales, as there are no formal documents that can be obtained to verify the baseline reported figures for exports. Tourism DBs had less sales in 2014 compared to the 2013 because of the catastrophic floods that hit the country in May and August 2014. However, good overall results in all four surveyed fields show that there is positive growth despite the post-flood recovery of the B&H economy. The following table provides a breakdown of respondents by employment.

Table 10: Number of Respondents by Employment

| Sector | <25 | 25-100 | 100-250 | >250 | Total |
|--------------------|------------|------------|-----------|-----------|------------|
| Metal | 46 | 53 | 31 | 11 | 141 |
| Tourism | 112 | 12 | 5 | 0 | 129 |
| Wood | 57 | 47 | 18 | 9 | 131 |
| Total # Cos | 215 | 112 | 54 | 20 | 401 |

Source: USAID-Sida FIRMA Baseline Survey 2015 Report

More than one half of all respondents were companies with less than 25 employees. More than a quarter of companies were mid-size companies that had 25 to 100 employees. There was still a good representation of larger companies with 100 or more employees, i.e. 74 companies with 100 employees or more, out of which 20 companies had more than 250 employees. Average employment for DBs and all stakeholders was 62.

Table 11: Designated Beneficiaries Cumulative Investment (MM €)

| Sector | DB Investment 2009-2014 |
|----------------|-------------------------|
| Wood | 49 |
| Metal | 118 |
| Tourism | 42 |
| Overall | 209 |

Source: USAID-Sida FIRMA Baseline Survey 2015 Report

From 2009 to 2014, USAID-Sida FIRMA surveyed DBs had cumulative investment of €208 million out of which some €70 million was invested in 2014.

PMIs: USAID-Sida FIRMA’s approved PMP stipulates tracking of 17 PMIs – the USAID-Sida-approved “dashboard” of quantitative project results objectives. Attachment 1: Performance Management Indicators shows all PMIs and their status as of the end of Year 5. Indicators are based on activity monitoring reports and follow up evaluation reports that cover 420 implemented activities.

USAID-Sida FIRMA has met or surpassed all of its observable PMI targets for Year 5. Sectoral business results targets for Year 4 were also surpassed; actual sectoral business results.

Return on Investment: USAID-Sida FIRMA tracks ROI at the sector level.

Sector level ROI is the ratio of cumulative growth in sales of project beneficiaries to cumulative USAID-Sida FIRMA investment, which is measured on an annual basis. Annual business results were obtained from the Baseline Survey of 401 companies who responded to USAID-Sida FIRMA’s request for information from larger number of stakeholders/companies in the USAID-Sida FIRMA Project Activities Database who have taken part in any USAID-Sida FIRMA activity. The following results were obtained relative to USAID-Sida FIRMA project business results objectives:

Table 12: Sector ROI – All companies

| Sector | Sales Growth 2009-2014 | Investment (€) | ROI |
|----------------|------------------------|----------------|-------------|
| Wood | 77.5 | 4.6 | 16.7 |
| Metal | 164.9 | 4.5 | 36.3 |
| Tourism | 11.9 | 4.8 | 2.5 |
| Overall | 254.2 | 14.0 | 18.1 |

Source: USAID-Sida FIRMA Baseline Survey 2015 Report

Sales growth in these tables is calculated as the growth of companies’ sales for 2010, 2011, 2012, 2013, and 2014. Investment of project resources is total USAID-Sida FIRMA expenses through the end of August 2014 allocated by estimate to the sectors.

Looking at all respondent stakeholders, their total sales grew by EUR 254.2 million over the last five years, for an overall sector ROI for USAID-Sida FIRMA of 18.1. This year USAID-Sida FIRMA was over the end of project ROI target of 14.3, as supported by the Eurozone economy’s recovery and post flood growth in 2014.

Performance Management Indicators

All PMIs in approved FIRMA Performance Management Plan. Activity PMIs are taken from activity monitoring and evaluation reports covering 484 completed activities.

| Work Area | Indicator Type | Indicator No. | Performance Indicator | Contr Req* | Unit** | Target (Cumulative) | | | | | | | | | | Floods Extension | | Data Source | | |
|-----------------|----------------|---------------|--|------------|--------|---------------------|-------|-----|-------|-----|-------|-----|-------|-----|------|------------------|-----|-------------|------------|------------------|
| | | | | | | Yr1 | | Yr2 | | Yr3 | | Yr4 | | Yr5 | | Tgt | Act | | | |
| | | | | | | Tgt | Act | Tgt | Act | Tgt | Tgt | Tgt | Act | Tgt | Act | | | | | |
| Competitiveness | F | 101 | Firms with improved management practices as a result of USG assistance | X | N | 65 | 11 | 190 | 417 | 315 | 373 | 440 | 443 | 565 | | | | | Activities | |
| | F | 102 | Firms receiving USG assistance that obtain certification for international standards | | | 20 | 22 | 40 | 189 | 60 | 189 | 200 | 238 | 230 | 255 | | | | | |
| | F | 103 | Exports of firms receiving USG assistance to increase their exports | X | % | 10% | 10.2% | 25% | 32% | 35% | 37% | 45% | 57% | 60% | 76% | | | | | Baseline Surveys |
| | Custom | 104.1 | Private financing mobilized with a DCA guarantee - Number of Loans | | B | 12 | 0 | 18 | 2 | 32 | 2 | 45 | 5 | 60 | 7 | | | | | Activities |
| | F | 104.2 | Private financing mobilized with a DCA guarantee - Amount | X | MM \$ | 1.2 | 0 | 1.8 | 1.05 | 3.2 | 1.05 | 4.5 | 4,77 | 6.0 | 9,35 | | | | | |
| | Custom | 105 | Aggregate economic scale of beneficiaries | X | % | 20% | B | 30% | 43% | 40% | 56% | 40% | 53% | 40% | 58% | | | | | Baseline Surveys |
| | Custom | 106 | Sales of project beneficiaries | X | N | 5% | 10.8% | 15% | 21% | 30% | 31% | 40% | 40% | 50% | 50% | | | | | |
| | | | <i>Sales of project beneficiaries – women led</i> | | | | 2,8% | | 11,8% | | 42,8% | | 48,9% | | 50% | | | | | |
| | Custom | 107 | Employment of project beneficiaries | X | | 3% | 5% | 10% | 14.5% | 21% | 27% | 28% | 38% | 35% | 54% | | | | | |

| Work Area | Indicator Type | Indicator No. | Performance Indicator | Contr Req* | Unit** | Target (Cumulative) | | | | | | | | | | Floods Extension | | Data Source |
|--------------------|----------------|---------------|---|------------|--------|---------------------|-------------|------|----------------------|-------|----------------------|-------|--------------------------|-------|--------------------------|------------------|-----|-------------|
| | | | | | | Yr1 | | Yr2 | | Yr3 | | Yr4 | | Yr5 | | Tgt | Act | |
| | | | | | | Tgt | Act | Tgt | Act | Tgt | Tgt | Tgt | Act | Tgt | Act | | | |
| | | | <i>Employment of project beneficiaries – women led</i> | | | | <i>n.a.</i> | | <i>F28%M 72%</i> | | <i>F28% M72%</i> | | <i>F17% M82%</i> | | <i>F19% M81%</i> | | | |
| | Custom | 108 | Business finance to project beneficiaries | X | | 6% | 6**% | 12% | 18% | 24% | 34% | 32% | 52% | 40% | 56% | | | |
| | F | 109 | Firms receiving USG assistance that obtain EU-aligned standards or certifications | | N | 10 | > | 30 | 189 | 50 | 189 | 200 | 238 | 230 | 255 | | | Activities |
| Workforce Dev't | F | 201 | Persons completing USG-funded workforce development programs | | N | 225 | 359 | 750 | 1,212 | 1,275 | 2,337 | 3,800 | | 4,000 | | | | Activities |
| | | | | | | | | | | | | | 3773 F 1291 M 2482 | | 4318 F 1455 M 2863 | | | |
| | F | 202 | Persons gaining employment or better employment as a result of participation in USG-funded workforce development programs | X | | 150 | 125 | 350 | 728 | 550 | 1,305 | 2,100 | | 2,400 | | | | |
| | Custom | 203 | Persons participating in FIRMA-supported WfD programs from disadvantaged / excluded groups | | | 50 | > | 100 | 438 | 150 | 992 | 1,200 | 1322 | 1,300 | | 1718 | | |
| Gender / Inclusion | Custom | 301 | Women-led businesses in the 3 FIRMA focus sectors | | N | #/0% | 43 | #/3% | 121 | #/5% | 148 | #/7% | 165 | #/10% | 188 | | | Activities |

** First year finance growth is based on the information about new debt from the baseline survey 2012.

| Work Area | Indicator Type | Indicator No. | Performance Indicator | Contr Req* | Unit** | Target (Cumulative) | | | | | | | | | | Floods Extension | | Data Source |
|--|----------------|---------------|--|------------|--------|---------------------|-----|------|-----|------|-----|-------|-----|-------|-----|------------------|------|------------------------|
| | | | | | | Yr1 | | Yr2 | | Yr3 | | Yr4 | | Yr5 | | Tgt | Act | |
| | | | | | | Tgt | Act | Tgt | Act | Tgt | Tgt | Tgt | Act | Tgt | Act | | | |
| | Custom | 302 | FIRMA beneficiary SMEs employing the socially / economically excluded | | N | #/ 3% | B | #/5% | 123 | #/8% | 135 | #/10% | 138 | #/12% | 171 | | | |
| Business Environment | F | 401 | Policy, legal, and regulatory changes adopted in connection with USG assistance | | N | track | 0 | >> | 8 | >> | 17 | >> | 21 | >> | 30 | | | Activities |
| Sustainability | Custom | 501 | Implementing partners fully capable of taking over FIRMA functions and financially sustainable | | N | 1 | 2 | 2 | 2 | 5 | 2 | 6 | 6 | 7 | 7 | | | Independent Assessment |
| | Custom | 601 | Number of companies from the flood-affected areas that directly benefited from the FIRMA project | | N | | | | | | | | | | | 70 | 69 | Extension Grants/QBFC |
| | Custom | 602 | Number of full-time jobs sustained in FIRMA-assisted companies in flood-affected areas | | N | | | | | | | | | | | 1200 | 1507 | |
| * X = indicator required by contract ** All data disaggregated by gender whenever meaningful B = baseline report needed to determine results | | | | | | | | | | | | | | | | | | |

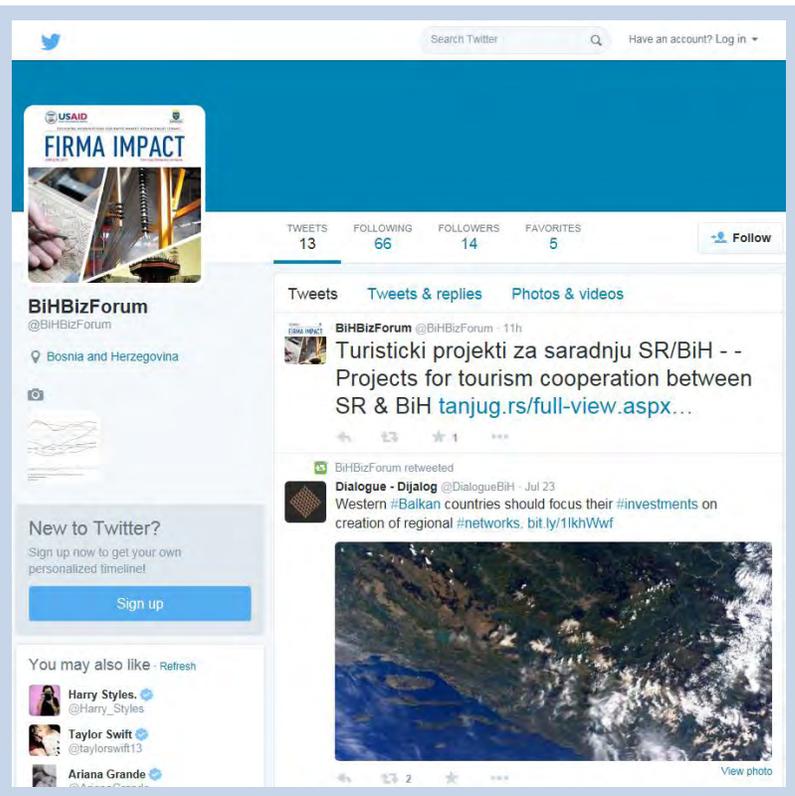
7. Project Publicity and External Communications

From the beginning of the project, USAID-Sida FIRMA had significant media coverage because of its consistent public communication activities. The USAID Mission collect information on what is happening in the media, and they noted that USAID-Sida FIRMA had by far the largest number of articles in local media compared to any other USAID project at the time.

USAID-Sida FIRMA had multiple stories come out in the leading print media outlets, including the most widely read Bosnian daily newspapers (Dnevni Avaz, Osobodjenje, Nezavisne novine and Dnevni list), business magazines (Poslovne novine and Business Magazine), and on social media. The Project was constantly featured on the most popular news portals such as Klix, Radio Sarajevo, Depo, Biznis.ba, Ekapija, etc.

Strategic Use of Social Media: USAID-Sida FIRMA is no stranger to media attention. It has been the most covered private sector development project in B&H since 2009. The team has used the social media especially in the preparation and execution of the USAID-Sida FIRMA Final events. During both events, the Project team was updating the audience in real time. What's more, during the Panel Discussions at VTK the team established a tweet wall which allowed the audience to ask participate in the discussion. The takeaways from both events were broadcasted in traditional and social media.

Going the distance: The team has kept the @BiHBizForum live, updating content on daily basis with information relevant to the private sector development in B&H and beyond. The use of social media was very well received by project stakeholders.



Throughout the duration of the USAID-Sida FIRMA **870 press clippings** were collected from local media. Apart from the press clippings, certain media completed longer analytical articles, including interviews featuring USAID-Sida FIRMA's most important activities in different sectors. For example, in March 2013, *Poslovne novine* (business monthly from Sarajevo) published a two page interview with Dina Karic. On March 20, 2011 *Dnevni list* (Mostar daily) published a two page interview with Luksa Soljan, USAID-Sida FIRMA's Wood Processing Sector Team Leader. In June 2011, *Poslovne novine* published a two page interview with Krunoslav Rasic, USAID-Sida FIRMA's Metal Processing Sector Team Leader. In June 2012, The *Business Magazine* published a three page article on the USAID-Sida FIRMA organized regional access to finance forum: "SEEnovate: Supporting Intelligent Growth." In addition, *Poslovne novine in May 2013 published a three page article* on the tourism sector in B&H based on the report produced by the project: "B&H Industry Outlook 2013, Tourism Sector."

Apart from B&H media, USAID-Sida FIRMA was also covered in foreign media often when the project organized joint trade fairs. German *Deutsche Welle* printed articles about USAID-Sida FIRMA, companies and the B&H wood-processing sector on several occasions. These articles were often published during Germany's prestigious furniture and interior design fair, IMM Cologne. There were probably over 30 articles printed about the USAID-Sida FIRMA Project tourism sector activities, foreign travel magazines and famous travel web sites frequently mentioned Sarajevo as a travel destination. The prominent British newspaper, *The Independent*, in September 2013 published an article titled "Sarajevo: A crossroad of culture and history", while the internationally acclaimed travel magazine, *National Geographic Traveler*, in their November 2013 edition listed Sarajevo on the prestigious list of 20 must-see worldwide destinations for 2014. The British magazine *Food and Travel* recommended Sarajevo, not simply as a cultural-historical site that is worthy of attention, but as one of the more interesting culinary destinations. In March 2015, *The Guardian* included Sarajevo in the top 10 alternative city breaks in Europe. The famous travel and tracking web site *Sidetracked.com*, in September 2013 recommended Bosnia and Herzegovina as a fascinating tracking destination.

8. Considerations for the Future

In September 2014 the project was extended for 10 months due to floods that devastated many businesses. The main purpose of the extension was to provide companies in eight municipalities with grants for equipment and raw materials to keep their businesses open and ensure that they retain their employees. During this period, USAID-Sida FIRMA was also tasked to identify areas of business environment reform that would support private sector growth and reduce opportunities for corruption. To do this we completed three activities: (i) a survey of companies where we asked them to rank their business environment obstacles; (ii) focus group sessions to extract more in-depth information about the problems identified in the survey; (iii) and finally a panel session held during the FIRMA final event which primarily focused on business environment issues.

The business environment for SMEs in B&H is often characterized as complex, difficult and unfriendly for prospective investors and businesses. The country is mired with low foreign investments, an unfavorable business climate, and high unemployment rates. The European Commission, in its Progress Report on B&H⁶ stated that the country has made little progress towards becoming a functioning market economy. The Progress Report identifies weak coordination between and within the entities, high labor market imbalances and deficiencies in the legal and business environment, as underlining obstacles to economic growth. Adding to these challenges, is costly public spending, complex business entry and exit procedures which create an unfavorable climate for businesses to grow and succeed. Despite these challenges, the B&H Directorate for Economic Planning in National Economic Reform Program (NERP) forecasts a macroeconomic scenario with nominal growth of 4.4% and real growth of 3.4% in 2015.⁷

The last available data for B&H in the Global Competitiveness Report from 2013-2014 has B&H ranked at 87 out of 148 economies in the world and describes B&H as an efficiency-driven economy.⁸ This report ranks the following as the most problematic factors for doing business in B&H: access to finance, policy instability, tax rates and government instability. The business environment in B&H is the least friendly in the region, as it is burdened by a large and complex public administration system and layers of administrative approval authorities.⁹ In the World Bank's Doing Business Report, even though it has modestly progressed in DTF (distance to frontier) score by 0.31, from 60.24 to 60.55, B&H ranks 107 out of 189 economies on the Doing Business indicators for 2015, which represents a regression of three places as compared to 2014. Since 2010 the country made minimal progress in the areas of starting a business, dealing with construction permits, registering property and trading across borders.¹⁰ The report recognizes that stronger progress is needed in the following specific problematic areas: dealing with construction permits, getting electricity, paying taxes and starting a business. In Transparency International's 2014 Corruption Perception Index (CPI), which measures perceived levels of

⁶European Commission, Bosnia and Herzegovina Progress Report 2014, p 3

http://ec.europa.eu/enlargement/pdf/key_documents/2014/20141008-bosnia-and-herzegovina-progress-report_en.pdf

⁷ B&H Directorate for Economic Planning. B&H National Economic Reform Program (NERP), www.dep.gov.ba

⁸ WEF. The Global Competitiveness Report for 2014–2015. op.cit., pp11-15

⁹ World Bank Group – Bosnia and Herzegovina Partnership: Country Program Snapshot, p4

¹⁰ World Bank. Doing Business 2015 report, p10

corruption in the countries worldwide, B&H was ranked 80th out of 174 countries. This is a deterioration of eight places compared to 2013.¹¹

Following the Conclusions of the EU Foreign Affairs Council published in April 2014, and their call for a broader EU-B&H agenda, the EUSR (EU Special Representative in B&H) in cooperation with the IMF, WB, EBRD, U.S. Embassy and representatives of government, businesses and the unions proposed the Compact for Growth and Jobs agenda. This strategy included concrete and urgent measures to address unemployment and corruption, improve investment climate and the efficiency of the social protection system.¹² The agenda has six priority reform measures that need to be implemented:

1. Taxes on jobs: focused on improving competitiveness through reducing the cost of working from 40% to 35% (average for new EU member states)
2. Barriers to jobs: focusing on labor market reforms to increase job creation
3. Business climate: focusing on competitiveness measured by Doing Business indicators with an aim to reach the regional average
4. Enterprises: focusing on private sector, investors protection, improvement of corporate governance and access to financing
5. Corruption: focusing on stronger adherence to the rule of law and public administration reform
6. Social protection: focusing on improvement of the social assistance in order to be more effective, efficient and equitable.

8.1. Construction and related permits (including getting electricity)

USAID-Sida FIRMA completed a business environment survey of companies that attended the flood-assistance grants informational sessions. The survey results showed that companies were most concerned with:

- > Grey-market activities: Over 84% of respondents stated that companies that are not paying taxes or registering employees can offer lower costs and have an unfair advantage.
- > Para-fiscal fees and taxes: Over 80% of respondents were dissatisfied with the number, extent and costs of the para-fiscal fees at different government levels (local, cantonal, entity, state).
- > Court procedures: Three quarters of respondents stated that the duration and costs of court procedures was an area of concern.
- > Labor force: Issues such as hiring and firing, contracts, working hours etc. were marked very negative or negative by one third of respondents
- > Construction and related permits: 54% of respondents market cited the delay in construction and related permits as very negative or negative
- > Inspection practices: Almost 60% of businesses responded that the quality of inspection practices were very negative or negative

¹¹ Transparency International <http://ti-B&H.org/B&H-nazadovala-prema-indeksu-percepcije-korupcije/?lang=en> (2014)

¹² European Union Delegation to B&H. Compact for Growth and Jobs. www.europa.ba

- > Public procurements procedures: Were identified as complicated and burdensome by 83% of respondents

USAID-Sida FIRMA then decided to focus on three priority areas. These were selected because other areas were already being analyzed by other donor and USAID projects (the Fiscal project is looking at para-fiscal taxes) or by USAID-Sida FIRMA itself. (USAID-Sida FIRMA was in the process of conducting a comprehensive report on the labor market):

1. Construction and related permits (including getting electricity);
2. Inspections;
3. Government programs and public procurement practices.

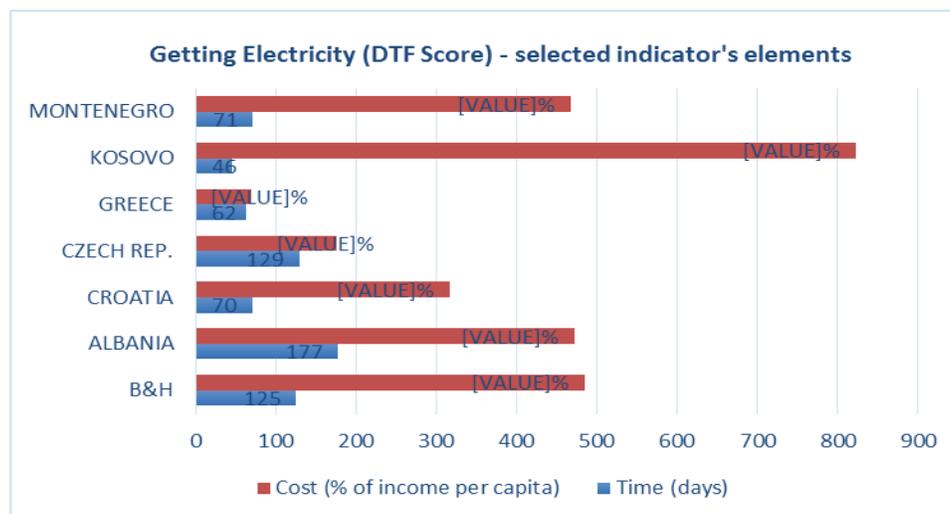
Procedures and practices related to construction or related permits in B&H are generally considered as being complicated and burdensome for potential investors as numerous procedures are often time-consuming and discouraging. The Doing Business 2015 Report frequently states that B&H is positioned low in comparison with other countries. Specifically the report identifies that the procedures, time and costs required for acquiring permits are not investor-friendly. B&H is near the bottom of the DB rankings list when it comes to Construction Permits, and is ranked 163rd for Getting Electricity. In both categories B&H is ranked the lowest in comparison with all countries in the region.

According to available data, it takes 15 procedures and 179 days to get a construction permit, while getting electricity requires 8 procedures and 125 days in B&H.

Companies identified the following key challenges:

- > Deadlines stipulated in the law to obtain electrical permits are often ignored. Businesses complained about the frequent penalties they have to pay.
- > Before being granted a construction permit, companies have to pass technical checks conducted by municipal officers. The company pays for the officers to do the check. However, they believe that this contributes to repeated visits by the officers who continue to add conditions after each additional visit.

Figure 1: Getting Electricity (DTF Score) – selected indicator's elements

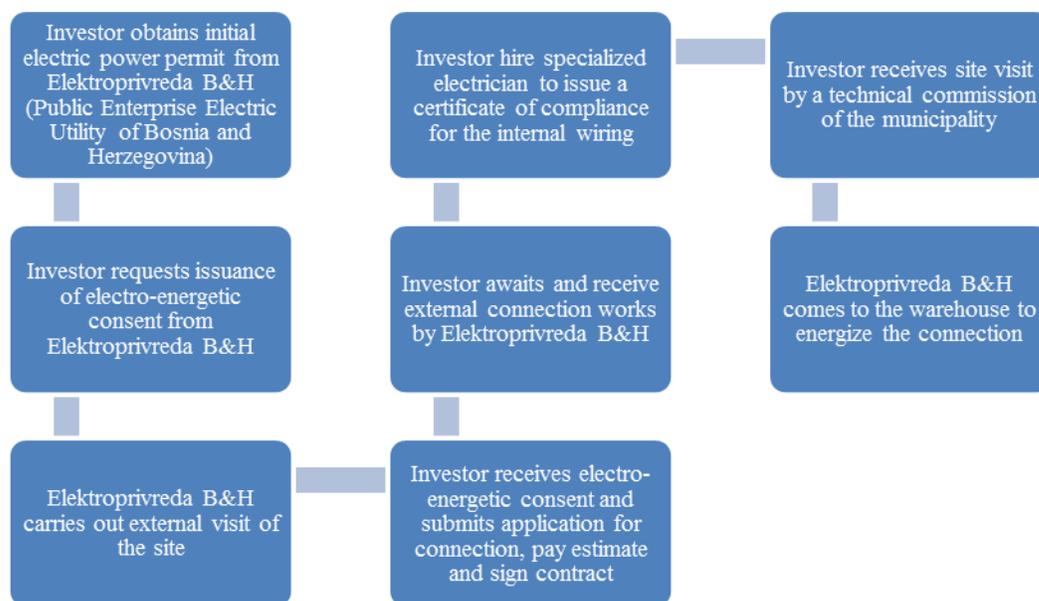


According to Figure 1, costs of getting electricity in B&H (with 484.4% of income per capita) is close to Albania and Montenegro, but is significantly weaker than Greece or the

Czech Republic as selected economies (69.7% of income per capita and 175% respectively).¹³ Information is rarely provided in English making it difficult for foreign investors to follow the application process. The prices of electricity for industrial customers are not aligned in the two Entities. For example, currently prices are lower in Republic of Srpska. Moreover, although free access to the electricity market is possible, for SMEs accessing electricity is not worthwhile if they cannot plan their continuous consumption.

The typical process to obtain access to electricity for investors includes the following steps.

Figure 2: Process to obtain access to electricity



According to the Doing Business reports, Slovenia and Kosovo are the best positioned EU & ex-Yugoslavia countries for obtaining construction permits. For instance, obtaining construction permits in Slovenia requires 11 procedures, takes 212 days and costs 1.3% of the warehouse value.¹⁴ The same procedure in Kosovo dealing with construction permits requires 15 procedures, takes 152 days and costs 6.7 % of the warehouse value.¹⁵ Costs (measured by the % of the construction value) in B&H are at 19.7%, which is much higher than neighboring countries - Montenegro costs are at 12.2% and Croatia 10.9%.

Not only are the procedures cumbersome but there are many opportunities for corruption during the process of getting a permit. According to an analysis completed by UNODP, the sectors which are the most affected by bribery in B&H are the building and construction sector, transportation and storage sector,

Focus group companies stated that local planning zones tend to change often and it's difficult to find land to invest in. Further, the companies voiced their concern that local municipalities are not investing enough in access roads or energy networks in B&H.

¹³ World Bank, op.cit., p12

¹⁴ Doing Business Slovenia 2015 Report, p23

¹⁵ Doing Business Kosovo 2015 Report, p25

and wholesale trade and retail trade. In turn the level of corruption has become a large deterrent for investors.

In addition the administrative structure in B&H is confusing for foreign and domestic investors. In some areas it is not immediately clear which level of government is responsible for issuing a permit. Although the general procedures are similar throughout the country, there are nuances applied in each administrative region which are not uniform. There is no single point of contact which investors can use to compare procedures or simply obtain information on how to obtain a permit. In the Federation, investors deal with municipalities, but there are also cases where they deal with Cantons and with the Federation Entity. The situation in the RS is less complicated because investors interact only at the municipal level.

Certain progress has been made with the establishment of an E-Register system, which includes descriptions of the procedures, but in most of the cases it does not include the actual forms. This register can be used as a platform to obtain information but it needs to be loaded with all of the forms from all levels of government. It also needs to be in English. At this point only four cantons and fourteen cities and municipalities are linked to E-Register. Ideally the register should include all of the government administrative units.

Even the government finds the entire procedures confusing. On the Ministry of Foreign Trade and Economic Relations website for foreign investors they state: "There is no way in which you can find out in advance which kind of approvals you need in the process of obtaining a permit. There is no standard which prescribes these consents in systematic manner, so which consents needed are unknown beforehand and determined on ad hoc basis."¹

On a positive note, the newly formed Federation Government plans to address the construction permit issue. The Prime Minister announced plans to simplify the process of urban planning permits, building permits and electro-energetic consents, by limiting the application process to a maximum time period of one month. The government plans to address business environment improvements and corruption as two of the eight key economic policy measures. They are poised to make changes and will require technical assistance to make these reforms.

8.2. Inspections

Inspections play an important role in ensuring safety standards are maintained and that the quality of goods and services is in line with the law or market standards. However, when inspectors are poorly trained they can be a burden and ultimately become an impediment to business. This is especially the case when competencies between the different authorities or administration levels are not clear and the business areas are overregulated which is generally the case in B&H. Overregulation can often result in the abuse of authority and may deter potential investors.

The structure of the inspectorate system in B&H is very complex. There are multiple types of inspections at each level of government. For example, there are environmental inspectors at the canton and the entity level. In B&H there are 10 inspectorate

Case: Selective approach to inspections

During the focus groups, many companies described how legally registered companies are inspected, yet the authorities ignore those that aren't registered. For example, on a construction site there can be 3 to 4 companies involved with workers. When the inspectors come in they inspect the legally registered companies to see if their workers have insurance, are wearing safety equipment – yet they ignore the illegally registered companies that are working on the same construction site.

bodies, which incorporate 37 sub segments/inspectors ranging from tax, labor, chemical, transport etc.

There are inspection offices at all levels of government and the division of responsibility between the levels is unclear. Businesses are sometimes subject to controls from similar inspectorates from each of the different levels. Some sectors are often overregulated and there are unclear and ambiguous regulations, which lead to different interpretations. Moreover, there is significant corruption where inspectors receive bribes. Finally, there is a general perception that inspectors do not guide companies on how to implement the law better but are just out to levy fines on businesses.

8.3. Government programs and public procurement practices

According to the Center for Investigative Journalism and the public procurement database, in the last four years over 39,000 contracts valued at BAM 6.2 billion were awarded at all levels of government through public procurement procedures. For a large number of companies, the government is their main or only buyer and these companies get work through the tender process. In a survey conducted by Analitka, 88.2% of companies stated that corruption in a form of bribe or other form was somewhat or very present in the public procurement procedures, while 58.2% do not have much trust or do not trust in the public procurement system in B&H at all. Wide-spread opinion amongst businesses was that political and personal ties are one of the key factors to winning a contract.

The new Law on Public Procurement was adopted in 2014. The intention of the Law was to improve the old procurement procedures and the appeal process with the ultimate goal of improving transparency. Many USAID-Sida FIRMA companies complain that the new law is worse than the old one. A summary of their main concerns are presented below:

- > **Procurement:** Criteria were designed to favor certain companies. Companies stated that in some cases criteria were so skewed that only a very small number of companies could apply.
- > **Tender documentation:** Procurement forecast notices are published online through the GoProcure system and in Official Gazettes. The full procurement notices are not published online, but rather companies have to request it and sometimes they have to pay for it. Businesses complained that the cost of the tender documentation, and the time and cost spent to collect all of the accompanying documentation is too high. Furthermore, it is sometimes impossible to collect all of the required documentation because there is not enough time.
- > **Differences among government institutions:** Procurement authorities throughout the country do not recognize licenses issued by other government authorities. This is not a procurement issue but more a single economic space issue that affects the procurement process. For example, a company that installs heating systems applied to a tender in Sarajevo Cantina and is successful. The same company applies for a similar tender in the Gorazde and is rejected because they are told that their work license is not valid
- > **Appeal process is costly.** It can range from 500 BAM (for procurement value up to 50.000 BAM) to 25.000 BAM (for procurement amounts to or above BAM9 million).
- > **Government programs – grants disbursement:** Transparency International's surveys show that the public is mistrustful of how the government budget is spent. 82.5% of citizens

consider budgetary spending as inadequate and that current spending does not address their needs.¹⁶

Budget planning and execution are not transparent enough in B&H. According to benchmarks in the Open Budget Index 2012 (OBI), which reflects the timeliness and comprehensiveness of publicly available budget information, B&H scored 50 out of 100 points and it ranked 40th globally. However, B&H was listed amongst two-thirds of countries which have strong independent audit offices.¹⁷ Audit reports are completed regularly and they show that in many cases that budget funds are being used non-transparently, and not in accordance with the law. But the problem is that both judicial and legislative authorities fail to address the recommendations of the auditors; in terms of prosecuting those responsible for improving the budget execution.¹⁸

FOCUS Group comments:

- › Bribes can be paid at all stages of the public procurement process, including during implementation when fake invoices are submitted to gov't officials – who end up taking a cut from the difference.
- › There is a general perception that government is not supportive of businesses. Focus group companies stated that government expects some companies to pay its utility bills immediately. However, it can take the government up to a year to pay for services rendered by businesses.
- › Criteria are often designed to favor select companies
- › There is a large discrepancy between the scope of work presented in the tender and the executed/results achieved on the actual project. In effect this changes the scope of the tender which is not aligned to procurement best practices.

One of the problems with the grants disbursement in B&H is the fact that there is no single institution, which is responsible to manage and coordinate government grants. Government grant schemes are published separately on the sites of different ministries or public funds. There is a lack of uniform grant applications, corruption and no inclusion of independent application reviewers. There is no central place like GoProcure or FBO.gov, which would include information on all available grant opportunities.

8.4. Recommendations

Global institutional reports and recommendations recognize the need to radically improve the business environment in B&H. Improvements in the business environment will lead to improvements in the overall competitiveness of the country and ultimately support economic development efforts. The findings of those reports are fully in line with the findings of USAID-Sida FIRMA project. Local businesses find B&H as a business-unfriendly environment in many instances, especially in construction and electricity access, inspections and government programs and the public procurement practices. Limited progress in some areas is not sufficient, thus leaving the country lagging behind its neighbors in the wider region. Recommendations for improvements in each of the three main focus areas are presented below.

¹⁶ Transparency International. Percepcija javne uprave – Bosna i Hercegovina 2014. pp13-24

¹⁷ International Budget Partnership. Open Budget Survey 2012. IBP. pp7-50

¹⁸ Transparency International. Percepcija javne uprave – Bosna i Hercegovina 2014, pp14

STREAMLINE AND SHORTEN THE PROCESS OF ISSUING CONSTRUCTION AND RELATED PERMITS, AND ACCESSING ELECTRICITY.

Prospective and existing investors expect favorable business environment conditions as well as prompt and efficient responses from responsible institutions for processing permits. Burdensome procedures delay implementation of new investments, thus leading to losses for investors as well as for the local community where the investment is planned. This reduces opportunities for employment as well as spending generated by increased citizens' revenues. The local community loses additional revenues generated by different prescribed fees and charges. In order to prevent such negative consequences to the community, local government and beneficiaries need to improve conditions at the local level for investments and doing business. Previously conducted surveys show that the existing process of obtaining permits to construct buildings/facilities and access electricity is lengthy, complex and involves a number of actors. Notwithstanding the issue of competencies at different levels, investors expect prompt and more effective service, with a lower total cost. Following best practices, B&H needs to **shorten the deadline for issuing permits to up to 30 days**. Implementation of these measures inevitably involves **revision of laws and procedures** related to obtaining permits and fees, along with **reducing or consolidating fees** in line with the principle of the fee being set in accordance to the costs of service rendered, as well as **eliminating non-tax charges** which involve no service or value delivered. This process will inevitably lead to the alignment of the distribution system of the main revenues, which would ensure that local self-governance has fees available that belong to it. In addition, process improvements will require **better linkages among the institutions**, including aligning the process flow and specific deadlines within the general deadline and defining sub-processes, which may take place in parallel and increased automation of the process, including facilitating electronic application for permits.

CREATE BUSINESS-FRIENDLY ENVIRONMENT AT THE LOCAL LEVEL:

Work practices of local and cantonal authorities need to focus on the needs of business sector development and the local economy in general. There is a need to create teams or departments within the municipalities to support investors. The support team, similar to a one-stop shop, would help streamline investing, communicate with all institutions involved in the process of issuing necessary permits and implement the entire administrative procedure after the investor expresses an interest to invest. Municipal staff need to be trained to develop expertise in the area of local self-governance to know how to implement effective local economic development policies.

ELIMINATE OR RADICALLY REDUCE THE PRACTICES THAT SUPPORT UNFAIR COMPETITION, THE SHADOW ECONOMY AND CORRUPTION:

If the process of issuing permits is not elaborated in detail, with defined deadlines, authorization and competent authorities/persons, it creates opportunities for issuing permits by provision of different services or bribery. Clear, transparent processes would reduce the presence or would prevent practices which support unfair competition, providing support to entities in a way which puts other entities in an unequal position – in terms of access to information, adjustment of criteria, etc. Vertical alignment of development strategies (municipality – canton – entity – state)

and accompanying processes are seen by investors as one of the most important prerequisites for ensuring the stability of investments.

CREATE PUBLIC REGISTER OF PARA-FISCAL TAXES AND FEES AND COMPETENCIES OF INSTITUTIONS:

To increase transparency, Compact for Growth and Jobs suggests a comprehensive public listing of para-fiscal fees and other costs, permits and licenses. Similar approaches are used in neighboring countries, where the registers of para-fiscal fees are available to public and regularly updated. The information regarding the competences of different level inspections for specific areas also needs to be made available within the public register. This would provide businesses with a simple insight into areas of inspection competencies regarding parts of their business. This public listing would gather information in a single place about competencies of inspections from different levels, amounts of fees and taxes as well as penalties for non-compliance, and would also eliminate possible conflicts or overlapping of competencies. In addition, it is necessary to either reduce the number of fees or to consolidate them.

STRENGTHEN SANCTIONS FOR ILLEGAL BUSINESS:

The issue of the shadow economy is one of the largest obstacles to economic development in B&H. Business activities of unregistered entities or registered business entities with very few officially registered workers relative to the amount of work they do is a serious challenge to the inspection authorities. There is a need for better linkages between the inspection authorities and other bodies, such as finance ministries and taxation authorities. Inspection authorities need to be bound by the law to act proactively rather than only reactively in case of the operations of unregistered entities.

STRENGTHEN THE CONTROL OVER THE WORK OF INSPECTORATES:

Businesses and government authorities believe that many inspectors are technically weak in their areas of expertise. Inspectors need to be trained properly. Also there should be greater opportunities to report corruptive behavior without the fear of sanctions or reprisals.

INCREASE TRANSPARENCY AND AVAILABILITY OF NOTICES ON PUBLICATION OF CALLS, AND EFFICIENCY AND EFFECTIVENESS OF THE USE OF GOVERNMENT SUPPORT PROGRAMS:

A special website should be developed where all public procurements are listed. There should be a uniform application which can be supplemented with specific elements relevant for individual areas. There needs to be a mechanism to review public procurement criteria to ensure that the process does not favor any one particular business. A third party should also oversee the implementation of awarded procurement and grant funds by introducing institutional measures to monitoring the use of funds.