

# Annual Report Year 4

## **FIRMA** Project USAID-Sida Bosnia & Herzegovina

Implemented by Cardno Emerging Markets USA, Ltd.



<b>To:</b>	Vlado Milin, COTR, USAID Sarajevo Nedim Bukvić, Project Manager, Sida BiH
<b>From:</b>	Dina Karić, Chief of Party, FIRMA, from 1-Sep-11
<b>RE:</b>	<b>Project Progress Report: Quarter #16 and Annual Report Year 4</b> Contract # 168-C-00-09-00103-00
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This report is submitted pursuant to contractual requirements under USAID-Sida’s *Fostering Interventions for Rapid Market Advancement* Project for Bosnia & Herzegovina (“FIRMA” or “the Project”), implemented by Cardno Emerging Markets USA, Ltd. In keeping with contractual guidelines for report content, it is organized as follows:

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## 1. Project Overview

FIRMA is a five-year, \$20 million project that began in September 2009 and is funded by USAID and Sida. The purpose of the project is to support enterprise competitiveness in selected value chains of the tourism, wood, and light manufacturing sectors of BiH, in the process advancing the country’s ability to meet the Copenhagen Economic Criteria for accession to the European Union. To support sustainability, the project works primarily through a group of key local implementing partners, known as the “FIRMA Consortium”, who cover all regions of the country.

The goals of USAID and Sida for FIRMA are ambitious and transformational, and therefore require wide impact – in product design and quality, in ways of connecting to markets, in expertise of workforce, and in investment attractiveness. FIRMA's strategy is directed toward these systemic objectives.

The FIRMA workplan is defined at the private sector value chain level. Implementing partners (called “Value Chain Facilitators” (VCFs)) organize stakeholders first to identify and prioritize competitiveness obstacles through value chain analysis, and then to originate and manage discrete activities to address these obstacles. FIRMA supervises and supports these activities, providing strategic and operational guidance, expert technical assistance, and grants from its \$3 million Small Grants Fund. In order to maximize scale and impact, FIRMA works closely with other donors and local government agencies that provide development assistance programs consistent with FIRMA's objectives – so-called “collaborating implementers”.

FIRMA is 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 AB (Stockholm, Sweden), Pi Consulting (Sarajevo, BiH), and 16 regional and local economic development agencies in BiH.

## 2. Summary Accomplishments during Project Year 4

This report covers the fourth full year (September 2012-August 2013) of the FIRMA project, incorporating the report for the sixteenth project quarter (June-August 2013).

During the fourth year of the project, FIRMA, together with its 16 local development agency partners, designed and launched 75 distinct **competitiveness-supporting activities** of its focus value chains, bringing the total number of activities initiated since the beginning of the project to 380. Seventy-five activities were completed during the fourth year, bringing total completed activities since project start to 310.

<b>Project Quarter / End Date</b>	<b>Activities Initiated</b>	<b>Activities Completed</b>
<b>Total Year 1</b>	<b>48</b>	<b>18</b>
<b>Total Year 2</b>	<b>187</b>	<b>129</b>
<b>Total Year 3</b>	<b>70</b>	<b>89</b>
<b>Total Year 4</b>	<b>75*</b>	<b>74*</b>
<b>TOTAL Project</b>	<b>380</b>	<b>310</b>

\*Includes child activities

These activities appear to have had a significant cumulative effect on the business results of project beneficiaries – the principal contractual objectives of the FIRMA project. The following table summarizes key business results of all stakeholders for the third full calendar year of the project (2012, for which most actual results were available in early 2013).

<b>Table 2: Annual, Cumulative, and Target Growth</b>					
	<b>Total Year 1</b>	<b>Total Year 2</b>	<b>Total Year 3</b>	<b>Cumulative 2009-2012</b>	<b>Targets Year 3</b>
<b>Sales</b>	10.8%	11%	6.4%	31%	30%
<b>Exports</b>	10.2%	17%	6.1%	37%	35%
<b>Jobs</b>	5%	9%	11.3%	27%	21%
<b>Finance</b>	6%	11%	13.2%	34%	24%

Source: FIRMA Baseline Survey 2013 Report

The targets and results are cumulative relative to the project's base year (2009). The Year 3 actual results meet or exceed the interim PMIs targeted for all business results. Furthermore, the actual results for Year 3, reported in the table below for FIRMA "designated beneficiaries" generally exceed the performance of each of the broader sectors in sales and employment growth.

<b>Table 3: Industry Growth vs. DB Growth</b>								
<b>Sector</b>	<b>Industry Sales</b>	<b>DB Sales</b>	<b>Industry Exports</b>	<b>DB Exports</b>	<b>Industry Employment</b>	<b>DB Employment</b>	<b>Tourist Arrivals</b>	<b>DB Tourist Arrivals</b>
<b>MP</b>	-3.3%	7.4%	-0.2%	10.9%	-8.2%	11.7%	9.0%	17.1%
<b>WP</b>	1.5%	5.2%	2.9%	-0.5%	-6.0%	13.8%		
<b>TO</b>	-1.5%	4.8%	11.9%	15.3%	-3.7%	2.8%		
<b>Overall</b>	-1.8%	6.4%	1.4%	6.1%	-6.2%	11.3%		

Source: FIRMA Baseline Survey 2013 Report

When comparing FIRMA's Designated Beneficiaries growth to that of industry for 2012, FIRMA's results are better across the board. The industry had negative trends for both employment and sales, whereas FIRMA's beneficiaries have been actively creating new jobs at 11.3% growth and sales grew by 6.4%. Overall DB's exports growth was also better than the industry growth, although our wood-sector designated beneficiaries did show less growth in exports compared to the industry. However, we explain further in attachment 7– the Year 4 Baseline Survey as to why we believe this happened. In the designated beneficiary areas of Sarajevo and Herzegovina, tourism companies have experienced higher growth in tourist arrivals than in other parts of the country. Tourist arrivals have been up by 17.1% while the whole country experienced an increase of 9%.

Government as Collaborating partner: When it comes to working with government, FIRMA has continued to find ways to collaborate with all levels of government including co-financing projects or through the provision of technical assistance. Below is a list of the most significant projects implemented throughout the year:

<b>Table 4: Government as Collaborating Partners</b>	
<b>Government Institutions</b>	<b>Activity</b>
<b>RS Ministry of Industry, Energy and Mining</b>	The Ministry agreed to top-up the RS Quality Trade Certification fund that was jointly established with FIRMA. They will add 10,000 KM to the fund.
<b>BiH Ministry of Foreign Trade and Economic and the Federal Ministry for Forestry</b>	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.
<b>Una-Sna Cantonal government</b>	Support was provided to the government to develop new criteria for the allocation of sawlogs to be implemented by the Una-Sana Cantonal Forestry Company
<b>Una-Sana Cantonal Ministry of Industry</b>	Youth Entrepreneurship Program. FIRMA provided support to implement the training program for the Cantonal entrepreneurial program. The Una-Sana government committed 150,000KM to finance the business plans that were developed through the training program
<b>Una-Sana Canton Ministry of Industry</b>	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 will provide 250,000KM as a guarantee to establish the fund which will be used to offset collateral requirements for SMEs
<b>Central Bosnia Canton Government</b>	FIRMA approached the Central Bosnia Cantonal government to establish a Quality Trade Certification Fund in this Canton as well. The Cantonal government has committed 30,000KM to the fund
<b>Foreign Trade Chamber of Commerce (VTK)</b>	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 München 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 131,082 KM in funding.
<b>Ministry of Development, Entrepreneurship and Crafts FBiH</b>	The Ministry provided 22,000 KM to co-finance the Gazelle Business Awards 2013.
<b>Tešanj Municipality, Federal Employment Agency,</b>	Provided 26,900 KM for CNC operators training and employment in FAD, Jelah.
<b>Ministry of Economy – Herzegovina-Neretva Canton, Federal Employment Agency</b>	Provided 44,000 KM of financing for training welders in Mostar.
<b>Municipality, Federal Employment Agency, Ministry of Education of Una-Sana Canton, Ministry of Economy for Una-Sana Canton</b>	Provided 55,200 KM to train joiners in AL DIHANI Cazin.
<b>Municipality, Federal Employment Agency, Ministry of Education Tuzla Canton</b>	Provided 36,100 KM to train CNC, blacksmith and mechatronics for Unis Tok Kalesija.
<b>Municipality, Federal Ministry of Education, Federal Employment Agency,</b>	Provided 162,000 KM for training and employment of sewers

Table 4: Government as Collaborating Partners	
Government Institutions	Activity
Ministry of Education of Central Bosnia Canton, Ministry of Economy Central Bosnia Canton, Cantonal Employment Bureau	Prevent Travnik.
Municipality, Federal Employment agency, Government of ZE-DO Canton, Cantonal Employment Bureau	Provided 79,898 KM to train and employ CNC, metal grinders for Mann Hummel, Pobjeda and Enker companies Tesanj.

Collaboration and co-funding on projects remains an important element of the FIRMA approach. The table below covers all 380 activities completed since project outset. During Year 4, FIRMA's efforts leveraged a total of KM 9.3 million in activity value 2.0 times the KM 4.6 million USAID-Sida investments from the project's grant fund. FIRMA contribution to the actual activities was 33% of the budget.

Table 5: FIRMA Actual Funds Leveraging							
Sector	FIRMA	Partners	Companies	Total Others	Total All	FIRMA Shr	Leverage
Wood	1,246,241	988,148	1,308,732	2,296,880	3,543,121	35%	1.8
Tourism	1,463,375	3,039,915	529,772	3,569,687	5,033,062	29%	2.4
Metal	1,173,164	1,091,634	516,280	1,607,914	2,781,078	42%	1.4
Cross-Cutting	756,648	1,423,817	405,488	1,829,305	2,585,953	29%	2.4
<b>Total</b>	<b>4,639,427</b>	<b>6,543,514</b>	<b>2,760,272</b>	<b>9,303,786</b>	<b>13,943,213</b>	<b>33%</b>	<b>2.0</b>

When it comes to other donors, FIRMA has worked the most closely with the German donor GIZ with whom we have implemented a number of projects mainly focused on workforce development. In Year 4 we managed to leverage over 40,000KM from GIZ. The Swiss SIPPO agency was closely involved in our access to markets activities, particularly working with us to implement the joint stands and exhibitions for the metal and wood processing sectors in Hannover and Koln. Their total contribution was around 56,000KM.

### 3. Sustainability and Old Highlights Revisited

Since the 4 years of the start of the project, FIRMA has implemented 380 activities. Although we have specific indicators that track our performance, in this year's annual report we decided to highlight some earlier activities to look at what impact they have made. Below are some highlights as reported by our beneficiaries:

- **Training for Forestry Stewardship Council Chain of Custody consultants:** FIRMA conducted a training earlier in the project to develop the FSC consultants market in BIH which would in support companies to reach new markets. The fifteen consultants that were trained by FIRMA have helped 96 companies implement the FSC standard. Previously companies were

either unaware of this market-demanded standard or had to engage costly foreign consultants.

- **Pilot project to launch the seasonal bus-line Sarajevo-Jahorina:** In January 2012, FIRMA supported the establishment of a bus-line between Sarajevo city and Jahorina Mountain – the first such inter-Entity bus line to be established since the end of the war. The following year, the bus-line operated on a completely commercial basis and served its purpose of increasing the flow of tourists between the two towns.
- **Motorcycle Routes development of promotional materials and website:** FIRMA helped the Ilidza motorcycle club to map out routes for biker tourists throughout BiH. The grant beneficiary stated that hotels that provide accommodation to this niche group of tourists reported that their over-nights increased by up to 160% - with guests mainly coming from Slovenia, Poland and Croatia.
- **Workshops in Environmental Permits:** FIRMA organized workshops in certain localities to explain to companies the complicated process of obtaining environmental permits. Environmental permits are mandatory according to BiH law, and although the initial costs to implement them are high, in the long-run they will lead to lower energy bills for companies. Since the workshop 15 companies have permits.
- **Sommelier Course:** As a result of the initial training offered to 20 people to become certified sommeliers, the sommeliers organized their own association and have continued to offer training without donor support.
- **EU Product Safety Standards Pre-Assessment:** In the first year of the FIRMA project an activity was implemented to help companies develop a blueprint plan which would guide them through the complex process of implementing trade standards. Prior to this, many companies had embarked on this process only to discover that they had to undertake significant investments in equipment or processes – so called preconditions. The blueprint identified what the preconditions were which in turn helped companies plan and decide whether they will be able to even start the process. Of the 60 companies that were a part of this program, 27 have obtained trade certificates.
- **Forest Stewardship Council Conference:** During an earlier Joint Forestry Management Conference, organized by FIRMA as part of the annual Interio fair, FIRMA worked with forestry management units to plan on implementing the Forestry Stewardship Council certification of forests. At that stage only one forestry management units had certificates in place. Since that period an additional three companies have been certified.
- **Adventure Tourism Association:** When FIRMA's initial support for ATA operational costs ended, ATA obtained funding from Oxfam and a direct grant from the USAID Mission to BiH and UNDP to implement specific projects. They also have five other grants pending with donors. ATA is ideally placed to deliver donor-funded programs that can support of all its members and to further develop the BiH outdoor tourism segment.

#### 4. Significant Project Outputs by Sector and Work Area

a. Wood Sector

Outputs in Access to Markets

FIRMA's approach to accessing new markets in the wood and metal sectors is based on three main areas: (a) attending trade fairs, (b) development of promotional materials and (c) engaging sales agents in market-targeted countries

- **AMBIENTA 2012:** FIRMA supported five companies to exhibit at the 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, (Croatia, B&H, Serbia, Monte Negro, Macedonia) Ambienta is also visited by buyers from Italy, Hungary, Austria, Poland and Germany. Data obtained from the companies nine months after the fair shows that they had new sales worth BAM 730,000 and they expect further sales of over BAM1.12 million. Rattan Sedia, an exhibitor on the joint BH National stand, received the Mobile Optimum Golden plaque award for design and quality of products for their new collection.
- **M.O.W. 2012:** Two companies were supported to visit the German M.O.W. Fair in Salzuflen in September 2012. The M.O.W fair is targeted towards the medium-priced mass furniture market, 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 signing of a new contract in value of around BAM 500,000.
- **High Point 2012:** In collaboration with the USA sales agents, FIRMA supported the joint exhibition of six leading BH furniture manufacturers at the Furniture Trade Fair High Point 2012. The exhibition was organized on a 100sqm joint stand as a continuation of efforts to increase furniture exports to the US. In addition to this BH furniture manufacturers were presented in a leading industry magazine Furniture Today in two volumes (pre-fair and fair edition). So far three companies (Krivaja, Scontoprom and Nova Forma) managed to export their products to the USA for a total value of USD 200,000.
- **Belgrade Furniture Fair 2012:** Six furniture companies exhibited their products on a joint 200sqm stand at the 50th International Fair of Furniture, Equipment and Interior Decorations 2012 in Belgrade. The exhibition was organized in collaboration with the RS Chamber of Commerce, who also presented over 70 companies through newly developed FIRMA-supported catalogues.
- **Fair IMM 2013 Cologne:** FIRMA in partnership with the Foreign Trade Chamber and the BiH Export Promotion Agency and the Swiss SIPPO agency supported seven BiH furniture producers to exhibit at this fair. During the fair BH companies held around 300 business meetings with potential buyers from 50 countries. Six months after the fair, actual sales were BAM 5.64 million and expected sales are BAM 7.35 million.
- **GAST 2013 SPLIT:** FIRMA supported eight companies to exhibit on a joint BH stand at the GAST fair in Split in March. This was the fourth time that FIRMA supported BH companies to attend this Fair which we organized in collaboration with our partners, Foreign Trade Chamber of Bosnia and Herzegovina /BHEPA, Canton Tuzla Chamber of Commerce and value chain facilitators. The stand was very well visited during the entire exhibition period;

companies held around 130 business meetings with potential buyers from the whole region. Six months after the fair, companies reported sales of BAM 701,000 and expected sales of BAM 1.8 million.

- **INTERIO 2013 Sarajevo:** FIRMA has traditionally supported the INTERIO Trade Fair in Sarajevo, as it is the most important trade fair of the year for the wood industry in BiH.

FIRMA supported the following activities:

- *Joint "Tradition for Future" stand:* six companies presented their products on a 352sqm stand. Exhibitors made 55 business contacts/meetings with potential buyers/partners from Turkey, Canada, US, Latvia, GB, Croatia, Kosovo and Bosnia and Herzegovina. Companies reported BAM 185,000 sales six months after the fair and expected sales of around BAM320,000.
  - *Business-to-Business Meetings:* Sixty business one-on-one meetings were held with six foreign buyers/agents (UK, Germany, Netherland and Croatia) and 16 BH companies.
  - *Design Contest Quercus 13:* The annual design contest was held and this year 60 applications were received from the entire region with 20 applicants shortlisted.
  - *Workforce skills and the wood sector workshop:* A workshop addressing modalities for educational and training providers to meet the needs of companies in the wood processing sector was organized.
  - *Exhibition BH Women in Design:* As a part of USAID's month long event to celebrate women and girls, FIRMA organized and supported an exhibition of young BH designers to recognize young up and coming female designers.
  - *Sixth Joint Annual Forestry Conference (JAFC):* For the 6<sup>th</sup> year, FIRMA organized a Joint Annual Forestry Conference which brought together the private and public sectors to discuss obstacles for growth in the sector. The Conference was 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, new EU regulations that would affect the industry, 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.
- **UK Sales Agent:** 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 KM 14,000 on top of the existing Nova Forma and Urban exports to UK in the value of approx. 1,200,000 KM (516,752.91 GBP). In addition to this, Izazov also sent samples to the UK and expect to start exporting to the UK soon.
  - **German Sales Agent:** The German sales agent selected a location for the BiH showroom in Muellheim a.d. Ruhr, Germany. The showroom was officially opened on May 10 and features products from nine BH furniture producers. The opening was attended by the BH Foreign Trade Chamber and the BiH Consul to Frankfurt. The German sales agent has managed to sell BAM17 million of products in the first six months since the showroom opened. Other companies are currently negotiating with the sales agent to have their products exhibited in the showroom as well.

- **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.

#### Outputs in Product Development

FIRMA's approach to product and productivity in the wood and metal sector involves developing a package of support for companies to address their major obstacle areas. The analysis involves conducting a performance improvement assessment which includes critically reviewing all the areas within the company to determine points of weakness. Companies can have problems in low productivity, poor workforce skills for existing staff, and no trade certificates which hampers their ability to enter new markets. To address this FIRMA developed a number of programs including the Qualified Technical Assistance program - a database of specialist consultants including: engineers that can improve the layout of factories and decreases costs for companies, marketing specialist to develop company websites and promotional materials or workforce specialist for on-the-job training activities. We also have a number of programs to support companies to implement trade certificates as described under the EU Alignment section.

- **Performance Improvement Plans:** The FIRMA wood sector team continued to undertake performance improvement plans during this year to the following companies:
  - *Drvoprodex Banja Luka:* Drvoprodex needed to improve their poor marketing and promotional materials FIRMA supported the company to develop a branding strategy and promotional materials.
  - *Al Dihani, Cazin:* 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. The new factory opened in early June and is expected to employ at least 50 workers in the first phase and 100 in total by the end of this year. FIRMA also connected Al Dihani to a major glue board exporter in the EU.
  - *Lignum, Lopare:* a technical consultant was engaged to assist the company in the preproduction phase. The companies are planning to produce chairs for the Danish buyer BIVA.
  - *Scontoprom, Prijedor:* A Qualified Technical Consultant was engaged by FIRMA to train 24 employees in Scontoprom on 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 distributors of furniture. In addition to this training, FIRMA also helped the company to gain new customers from Germany like Maizer.
  - *FIS, Vitez:* A technical expert was engaged by FIRMA to prepare the company to recertify for ISO 9001, and obtain the Forestry Stewardship Council Chain of Custody certification and CE marking for two products.
- **Cluster DRVO Prijedor:** FIRMA assisted DRVO Cluster Prijedor to engage a designer to support four of their cluster members to improve their products. The designer will also support the companies to develop at least one newly designed product per company for both the export and BiH market. In addition to this each of the above mentioned companies have a show room and sales points within their production facilities and the designer was tasked to improve both.

Outputs in business environment

- **EKO BIS 2012 Trade Fair and Industry Conference:** FIRMA supported the Una-Sana Canton Chamber of Commerce to hold the annual Forestry and Wood Processing Expert Conference during the EKO BIS Trade Fair in Bihać in September 2012. The main topics discussed and presented this year were: Anti-corruption prevention program for the forestry sector and soft wood diseases prevention program. FIRMA used this opportunity to promote the quality trade fund program for wood-processing companies Canton that was established for this Canton.
- **European Union Timber Regulation Conference:** The EU Timber Regulation (EU Regulation No. 995/2010) is a new EU regulation that came in effect as of March 3, 2013. It lays down the obligation that timber and timber based products sold in the European markets must be sourced from legally harvested forests. 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 a guideline to help the private sector implement the regulation requirements. The guideline was presented to companies during a series of workshops in June/July (4 workshops in Tuzla, Zenica, Bihac and Prijedor).
- **Una-Sana Log Distribution System:** The FIRMA wood-processing specialists attended a meeting organized by the Prime Minister of the Una-Sana Canton Hamdija Lipovača in Bihać to help analyze the issues regarding the distribution of logs in the Canton. The meeting identified the need for improving the bylaw for log distribution to include additional criteria which would provide more points for companies that have invested in new technologies as well as high value added producers. FIRMA also supported the Una-Sana Canton Chamber Wood-sector Association to analyze the current obstacles in the logs distribution system. As a result the criteria were expanded to encourage linkages between lower-value wood processing companies such as sawmills and those that produce final products.
- **USK WS Development Policy:** FIRMA was requested by the Una-Sana Canton Government to provide assistance in developing policy guidelines for the development 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 but was not adopted due to current problems in the Una-Sana Cantonal government.
- **Log Distribution System in Zenica-Doboj Canton:** FIRMA initiated discussions with the Zenica-Doboj Cantonal Chamber of Commerce to establish a log distribution system in this Canton 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 BiH Wood Industry:** FIRMA through its approved-subcontractor Orgut AB Sweden finalized an assessment/study on how to utilise coppice forests to high value forests, and at the same time utilize low value assortments from forests for WP production purposes. The demands for both first class and low value assortments are surging in the last three to four years. Transferring low value (coppice) forests to high-value forests would in the long term increase the supply of high valued saw logs, and in the short term would provide low value forest assortments for 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 BiH** FIRMA's approved subcontractor 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 BiH standards organization (BAS) but are not in use or applied in practice. 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 BiH industrial/forestry centers.
- **Employment and training of 100 new workers for AL DIHANI CAZIN:** Based on the previous concepts of public private partnerships FIRMA developed a Workforce Development Program to support AL DIHANI wood processing company from CAZIN. A Memorandum of Understanding 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. More than 100 trainees will go through the training program that is tailored in accordance with the company's needs, and all trainees are expected to be employed by AL DIHANI.

b. Metal Processing

**Highlights during the Reporting Period**

FIRMA's work in metal processing receives primary support from subcontractor SIPU International of Stockholm.

Outputs in Access to Markets

- **ZEPS Intermetal 2012:** FIRMA supported two activities this year as a part of the ZEPS Intermetal Fair - an exhibition of companies and the second Metal Forum event. Seven metal-processing companies were exhibited on a 120sqm stand at the fair including the welding institute from Tuzla. Two new companies exhibited at this year's event – Trokut Test from Sarajevo and SurTec-Eurosaj from Konjic. The exhibitors made around 300 contacts at the fair, out of which 125 were new customers. Since the fair, the companies generated new business in the amount of BAM 4.2 million while an additional BAM 3 million is expected. At the same time, it is expected that 28 new employees will be employed, out of which 17 are youth.
- **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 some 30 countries and about 13,000 visitors. A BiH 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 back that 22 new contacts were made and five new potential contracts with initial sales of nearly 600,000KM. 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 - FlaektWoods. Representatives of the Swedish company visited Uniklima in Sarajevo in the first half of 2013 and Uniklima successfully passed their internal audit and can now become a qualified FlaektWood supplier.
- **Business delegation in Azerbaijan:** A delegation of BiH officials and businessmen attended a Business Forum and B2B Event in Baku, Azerbaijan in October 2012. The Foreign Trade Chamber organized the visit as a part of an official visit by the chairman of the BiH Presidency, Bakir Izetbegovic. Representatives from eight BiH 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 BiH 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 BiH Foreign Trade Chamber and APROMO signed a Memorandum of Understanding.

- **BAU Fair 2013:** A joint exhibition of BiH companies was organized at BAU 2013, a leading International Trade Fair for Architecture, Materials and Systems, which was held in January 2013 in Munich, Germany. BiH companies met with around 300 potential buyers. Since the end of the fair, the companies signed new contracts in the value of 570,000 KM, while an additional 800,000 KM is expected. Inox Ajanovic who had the most contacts at BAU Fair has since employed five new young workers and are planning to employ an additional nine.
- **Exhibition at Hannover 2013:** At Hannover Fair 2013, FIRMA supported a joint exhibition of five BiH metal processing companies on 66sqm in the Industrial Supply Hall, three of the companies exhibited for the first time. FIRMA also supported a joint exhibition of three BiH metal processing companies over 21sqm in the Energy Hall, two of the companies exhibited for the first time. According to statements from the companies, they have since generated BAM 1.3 million in sales and additional sales of over BAM 6 million are expected. As result of these new sales the companies expect to employ twelve people.
- **BiH–Russia Business Forum:** FIRMA participated in a Russia – BiH Business Forum which was organized by the Foreign Trade Chamber of Bosnia and Herzegovina, in cooperation with the Ministry of Foreign Affairs, the Chambers of Commerce from both entities. The forum was held in Moscow in May 2013. The topics discussed included improving trade, avoiding double taxation agreements and protecting investors, both of which are prerequisites for better economic cooperation. The BiH delegation also emphasized how important it was to look at the possibility of giving preferential treatment to specific goods from BiH. At the end of the forum’s plenary session, meetings were held between businessmen from BiH and Russia, with 22 BiH companies participating and over 100 Russian.
- **Assessment of potential for BiH manufacturers to enter US High-end design market:** FIRMA engaged a consultant to conduct an assessment of BiH companies that have the potential to supply to high-end designer stores in the US. Although there are very few companies that are designing their own products, there are many companies that can manufacture products according to orders from US designers, and that can 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 BiH and what demands they have. As a result Jonathan Browning – a well known US designer- ordered a prototype of a brass chandelier to be produced in BiH. After the prototype was completed, Jonathan Browning Studios ordered 26 chandeliers to be delivered to the US. Another New York designer - Michelle Varian is also having work produced in BiH and she has ordered 60 lamps.

#### Outputs in Product Development

- **Performance Improvement Plans:** The FIRMA metal sector team continued to undertake performance improvement plans for the following companies:
  - **Škutor Mostar** is a producer and service provider for metal and wood industry tools sharpening instruments, they received support from a technical specialist through FIRMA, to develop a marketing plan including media strategy and to start building a

brand name for the company including a logo, web page and other marketing tools. Škutor plans to reach new markets and increase 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 150,000 KM.
- **Frigoterm** from Mostar applied for support to redesign and improve their web presentation. Frigoterm is a small company that manufactures air conditioners.
- **Trudbenik** from Dobož will receive support to obtain the CE sign for its compressors by certifying the security valves for equipment.
- **Provis** produces lightning signs used for promotion and signage of companies. They supply to high end clients such as Cartier, international banks etc. Provis needs CE sign as they are targeting 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 is fully completed and four products (various LCD wall mounts) are being produced. In 2012, Elda increased sales by 42% and exports by 163%, while further increase in exports (42%) is also expected in 2013.
- **Al-Lux** - from Mostar is a company that produces decorative lighting. Their main markets are the USA, Canada and the EU. Beside standardized lightings Al-Lux has focused its business to manufacture lightings according to customer designs and drawings. Al-Lux was supported by FIRMA to launch its own web site as well as the design of promotional materials.
- **Seminar for exporters continued:** Due to increased demand and interest, FIRMA supported two rounds of exporter seminars in BiH in collaboration with experts from the Indirect Taxation Administration (ITA). The goal of these seminars was to provide 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 August 2013, 37 metal-processing companies are now certified.
- **Product development:** FIRMA supported two companies to develop a new product through our innovation pilot activity. The companies received support from the Banja Luka Mechanical Engineering Faculty and their laboratories and engineers to develop a prototype of a new product. The purpose of this activity was to improve linkages in the innovation ecosystem – where BiH fails badly. Little connections between research and development institutions happen in BiH, and by offering support programs like this activity, FIRMA wants to reestablish these linkages. These types of programs are common in Europe – and are often referred to as innovation voucher programs. The two companies involved in this activity were supported to prepare product documentation for printing cartridges for Das-prom company, and technical documents for an elevator for Tri Best. The prototypes for the printing cartridge have been completed, and it is expected that the elements for an elevator will be finalised by the end of the year.
- **Certification of production plants in welding:** In collaboration with FIRMA, the BiH Welding Institute from Tuzla initiated activities to certify production plants according to EN ISO 3834 norms. By the end August 2013, certification was completed in six companies who obtained certification and an additional five companies are expected to be certified by the end of this activity. Of the companies involved in this activity, SIK Mostar has employed 15 new employees and started exporting to Scandinavia. Krivaja Metali Zavidovici has signed three

new contracts in the amount of BAM2.3 million, increased sales by 9.6% and employed 11 new people. MIP Prijedor has increased sales by 27% and negotiations with 3 new buyers are ongoing, while Alfe Mi Živinice have reported an increase in sales by 5%.

- **600 new workers - PREVENT Travnik:** The USAID Mission Director, David Barth, signed a Memorandum of Understanding with the Federal Employment Agency, Travnik Municipalities and eight other stakeholders to deliver training for new employees in Prevent's factory in Travnik. The new factory will manufacture car seat covers for Volkswagen. FIRMA provided technical assistance and finance to develop this activity and coordinated the role of each of the signatories. To date 622 people have been trained of which 29% are women and 94% are youth. Over two hundred and twenty people were subsequently employed.
- **Employment and training of 100 new workers for UNIS TOK Kalesija:** FIRMA developed a similar program in Kalesija for UNIS Tok a metal-processing company. The USAID Mission Director attended the MOU signing event with the Federal and Cantonal Agencies for Employment, the Municipality of Kalesija, the Tuzla Canton Ministry of Education, two vocational schools, NERDA, and UNIS TOK. The training program for blacksmiths and CNC operators started in mid July 2013 and is still running. Training is partially conducted in the school and in the UNIS Tok factory. The vocational school will enroll a class of students for blacksmith vocational training in the formal educational system for the 2013/2014 school year. All 100 trainees are expected to be employed by UNIS TOK by July 2014.
- **CNC training in Sanski Most:** After the successful installation of equipment and the completion of training for teachers, the CNC training centre in Sanski Most has become operational. The training center will offer adult training and support local businesses in the metal and wood sector to obtain skilled workers. The training center offers non-formal training programs tailored to meet the needs of regular students, individual candidates and companies.
- **Solid Works Education in Vocational Mechanical School Prijedor:** 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 workers need to be trained on how to use it. Apart from the software, eight school professors were trained on how to use it. Once the training program was completed, Prijedor Mechanical School will develop new curricula to incorporate in their formal educational program.
- **Introduction of CE mark through QTC Program:** The following metal-processing companies requested support from FIRMA to implement the CE mark:
  - **Alpro Vlasenica** supplies aluminum profiles to a large number of small companies in BiH. Alpro will include a number of their clients in this activity and will provide them with basic Factory Product Control documents. As a result another 11 companies have introduced the CE mark and 19 are planning to finalize the process by the end of the year.
  - **Fiko Komerc** needs certificates for its metal roof sheets and gutters. The QTC will prepare the company to obtain the CE mark for this product.
  - **Saraj Komerc** from Gornji Vakuf-Uskoplje completed all the steps to obtain ISO TS 16949. Through the FIRMA Qualified Technical Consultants program the company has all of the documentation in place for this demanding standard, they were also trained and passed internal audit. They expect to get the certificate in the first half of 2014.

### Outputs in Business environment

- **Metal Forum Activities:** The FIRMA-supported BiH Metal Forum working group continued to undertake activities to advocate for business environment improvement and policy measures to support the growth of the metal sector. A round table on investments in BiH Metal Sector was held in Zenica on September 18, with over 39 people, 17 companies, four chambers of commerce and one faculty. 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 (who subsequently received a DCA loan) and SurTec-Eurosaj from Konjic presented their investments projects. Furthermore, BiH 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 web site to continue with the discussions.

#### c. Tourism

### Outputs in Access to Markets

The tourism industry in BiH is faced with its own set of structural obstacles specific to the country. The responsibility for developing the sector has been allocated to the Entity and lower government levels, BiH does not have a National Tourism Organization, which would be responsible for international promotion and marketing of the country as a travel destination. This leaves the private sector in a situation where they have to handle the international market access and promotion 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 above obstacle in a sustainable and more affordable way 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 FIRMA, was brought to BiH 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 (Scandinavia), visit to specific trade fairs (Turkey), familiarization trips for media and tour operators from source markets and special presentations and a B2B program in source market (UK). In each case, the agent in the source market conducted direct mobilization of media and operators.

In year 4 market entry programs were initiated for the target markets of Turkey and United Kingdom, while activities in Scandinavian markets and US continued from the previous year.

#### *Turkish Market:*

- **Assessment of market by 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. His goal was to conduct a fact finding mission in BiH to visit sites including Sarajevo, Mt. Vlasic, Banja Luka, Bihac and Mostar and to assess which of these 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 BiH to the Turkish market 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.

- **BiH presentation at the EMITT 2013 international fair:** EMITT 2013 is the largest fair for the Turkish travel market and was recommended by the FIRMA engaged Turkish tourism market expert. The BiH presentation at EMITT was primarily organized and coordinated by the Federation Tourism Community and the Republika Srpska Tourism Organization who jointly hosted the BiH stand at the fair. FIRMA support included the design of the stand, technical support for two promotional boards to mobilize BiH agencies to participate in the fair and the organization of a special presentation of the BiH offer to Turkish agencies and operators. Thirteen BiH agencies and service providers attended the fair. While in Istanbul, FIRMA met with Mr. Damir Dzanko – the BiH Ambassador to Republic of Turkey, who stated that he wanted to cooperate with FIRMA and its stakeholders on future promotional efforts of Sarajevo and BiH in the Turkish Market.
- **Turkish tour operators visit BiH:** The final step in entering the Turkish market was to bring the Turkish tour operators to BiH. The tour operators were identified by the Turkish tourism expert and were organized in close cooperation with TURSAB – the Turkish Association of Travel Agencies, who together with the consultant worked on selecting the Turkish agencies that participated in the trip. Eighteen operators, two representatives from TURSAB (including the director for Europe), one travel media representative and one representative from the regional office of Turkish Airlines attended. FIRMA was able to obtain free airline tickets for all of the tour agencies from Turkish Airlines. The intense three day program enabled the visiting tour operators to become familiar with the core cultural offer of BiH and the largest ski and winter tourism capacities. A small group specializing in outdoor programs had a special one- day introduction to the BiH outdoor/adventure offer, specifically hiking, mountain biking and rafting. The program closed with a special B2B event that provided BiH agencies with a structured opportunity to present their offer to the Turkish operators and discuss further cooperation for years 2013/2014 and beyond. Ten BiH agencies participated in the preparation and delivery of the program for the Turkish delegation. Following the successful FAM trip a special request was received from five Turkish adventure agencies (TURSAB Nature and Adventure Committee members) for a specialized adventure FAM to happen in Year 5.

*UK Market:*

- **Market Entry Assessment:** Mr. Christopher Woodbridge-Cox, expert on the UK tourism market engaged by FIRMA, visited BiH on a fact finding mission where he visited key sites in BiH and met with agencies and tourism service providers from Sarajevo, Banja Luka, Bihac and Mostar. The Consultant developed a framework plan to present the BiH offer in the UK market.
- **BiH presentation in UK:** The consultant assisted FIRMA and BH Embassy to the United Kingdom to successfully organize a presentation about the BH tourism offer in London in April 2013 and set up business-to-business meetings for three BH agents that stated that they want to create new programs specifically for the UK market.
- **UK tour operators visit BiH:** The presentation in the UK resulted in two UK tour operators visiting BH in May 2013 (rafting), while two other fly fishing UK tour operators are currently organizing groups to come to BiH in October 2013. Una rafting agency from Bihac hosted representatives from two kayak and canoe associations. The specialized fly fishing operator Zepter Passport from Banja Luka has embarked on developing fly fishing programs with operators as a result of meeting with UK tour

operators organized through the B2B meetings held in London. The first pilot visits of tourists are expected in late autumn.

- **UK media exposure:** FIRMA supported media visits including an outdoor adventure journalists/blogger who has his own travel blog and publishes at several others. He has extensively written on his blog: <http://www.journeymantraveller.com/2013/07/bosnia-and-herzegovina-quiet-remote.html>; <http://www.journeymantraveller.com/2013/08/into-olympic-mountains-bjelasnica.html>; and <http://www.sidetracked.co.uk/bosnia/>.

The second media representative is from a renowned Food and Travel Magazine, Green Publishing Ltd – their article focused on Sarajevo as an upcoming city break destination. The article will be published in the October 2013 issue. FIRMA has so far supported three UK reporters to visit the country. A third article is expected to be published in two different magazines in early Year 5 of the project.

#### *Scandinavian Market Entry*

- **Familiarization trip for Scandinavian Tour Operators:** A familiarization (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. 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 Year 4, the FAM trip included three Swedish operators that cover most of the Scandinavian countries who travelled throughout BiH with the goal to learn about the BiH tourism offer. The tour was coordinated by Lasta Travel from Mostar, but included a total of around 15 stakeholders from BiH; travel agencies, hotels, 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. This trip is planned for the beginning of October 2013.

#### *Outdoor Adventure Tourism*

BiH'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 will be delivered in early Year 5.

In 2011, a similar model was applied in effort to open the US market for BiH tourism product – US being one of the most developed markets for outdoor tourism. The initial assessment indicated that BiH's outdoor and adventure product base could be introduced to the US market. A specialized presentation of BiH 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 BiH (ATA BiH) was supported to become a member of the worldwide Adventure Travel Trade Association (ATTA). The ATTA membership provides ATA BiH 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 BiH, supported by FIRMA, took part in the Adventure Travel World Summit held in Luzerne Switzerland October 7-13, 2012. The event was hosted by Adventure Trade and Travel Association. 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 allows the industry to discuss the latest trends and share experiences linked to the adventure travel market development, communication and other related topics. ATA BiH took part in the activities and also used this opportunity to present the BiH adventure offer. A total of 16 business contacts were made, which are expected to lead to future cooperation (region, UK, US) as well as four contacts with specialized media. ATA BiH 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 which resulted in the agreement to deliver a specialized ATTA AdventureEdu 2 day training program that will be delivered Sept 25-26, 2013. Further, Greenvisions has signed contract with two outdoor adventure companies from US.

- **Western Balkans Geo Tourism Map Guide – Regional FAM Trip:** Bosnia and Herzegovina hosted the first familiarization trip as a part of the Western Balkans Geo Tourism Map Guide initiative. The trip was hosted by the Adventure Tourism Association BiH 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 BiH offer. Each country will also organize FAM trips in their countries, with the goal of promoting the region as one destination. FIRMA provided technical assistance in preparing the trip, while ATA BiH 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 BiH representatives participating. Another one to Serbia is scheduled for the autumn of 2013. Currently regional itineraries are being developed through joint initiatives of individual agencies from participating countries and will be posted on the WN Geotourism Map Guide as finalized.

#### *Promoting Sarajevo as a Tourism Destination*

The best practice worldwide indicates destination management as the most effective approach in sustainable development of destinations. It ensures adequate cooperation among all the interested parties – tourism industry, local authorities, local businesses and service providers – with a common goal: to provide quality and attractive tourism product that will contribute to increasing incomes and generating new employment and a higher quality of life for local communities. Destination management is a holistic approach and there is no one solution that fits all.

Sarajevo is already recognized in the market as a travel location in its own right. For the city to develop to its full potential as a travel destination and to ensure maximum benefits for its citizens from this activity, 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 specific relationship between Sarajevo Canton and City of Sarajevo).

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

- **Sarajevo Destination Marketing Framework:** 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 will have a unique opportunity to

be presented to wider audiences worldwide since it is the 100<sup>th</sup> anniversary since the assassination of Archduke Franz Ferdinand. This is a major opportunity to propel Sarajevo and BiH in the travel world – however, there is a concern that this may be hampered if there is insufficient promotion and marketing of Sarajevo. To overcome this FIRMA engaged an expert on destination marketing to develop a marketing framework for Sarajevo as a travel destination, with a focus on next year. The framework was presented to FIRMA's tourism VCFs and it will become a key tool in further discussions with City authorities and other institutional and private stakeholders in preparing for next year.

- **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.
- **Annual brochure about Destination Sarajevo 2013:** The updated and improved Destination Sarajevo publication was prepared and printed at the start of 2013. The updated version now contains extended information about Sarajevo and surroundings, and was completed in 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 flight connections between Turkey and BiH, and more intense promotional efforts in Turkey. The publication was printed in 30,000 copies and was distributed to the private sector and tourism promotional bodies as the promotional brochure for Sarajevo Destination.
- **Sarajevo Holiday Market 2012/13 – Regional Promotion:** This year, 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 included the ski resorts and the 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 Facebook campaign (targeting more segments globally, focus on youth). It is clear that there was an increase in interest in SAHM (all banners with exception of Facebook ads were linked to [www.sahm.ba](http://www.sahm.ba)) especially as seen from is evidenced by increased visits from the target region (Serbia, Croatia) during the campaign period (overall 9,000 visits; over 4,000 from target markets – regional countries; about 6,000 unique visitors). As per data reported by the Statistic Bureau of Sarajevo Canton, the increase in the number of visitors to Sarajevo Canton (East Sarajevo ski resorts visits not included) in comparison with the previous season is close to 19 %.
- **UNWTO Global Summit on City Tourism, Istanbul, Turkey:** FIRMA attended the UNWTO Global Summit on City Tourism held in Istanbul 14-16 November 2012. The Summit presented the new UNWTO report on City Tourism and also introduced activities underway or planned for the upcoming period. Finally it offered an opportunity for the industry to discuss current practices and share experiences in advancing city tourism.

## Product Development

The following product development activities were undertaken in each destination.

### *Outdoor Adventure Tourism*

- **SDI/TDI Diving Instructor Training and Certification:** FIRMA supported the completion of the diving instructor training according to the SDI/TDI certification program. The training and certification was implemented by Diving Centre Aquarius from Bihac, 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 will enable the BiH 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 BiH will be able to join the international diving community as equal members. Several divers are providing guiding services to specialized visitors, mainly in the Bihać
- **Signalization and Mapping of New Mountain Biking Trails in North-Western BiH:** The Green Tour Association for Support of Sustainable Tourism, supported by FIRMA, completed the mapping out and signalization of mountain biking trails in the wider Pliva -Vrbas area (north-western BiH). The following trails have been fully mapped out, signalizations put up and also presented through a web portal: Banja Luka-Krupa and Vrbas-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. In addition to the information in the field, all the mapped out trails can now be seen through the web site: [www.green-tour.org](http://www.green-tour.org).
- **Symposium on EU Pedestrian Routes:** FIRMA, together with ATA BiH representatives, attended a symposium on EU Pedestrian Routes hosted by the Mountaineering Association of BiH. 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 BiH were specifically discussed and presented.
- **Mountain Guide Training and Certification Program:** A training and certification program for mountaineering guides started in November 2012, organized by ATA BiH, with FIRMA support, and in partnership with the Mountaineering Association of BiH. 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 tourists and mountaineers groups. So far 10 guides, mainly those from Sarajevo and Bihać have been engaged on multiple locations and times to provide guiding service to tourists in BH.
- **Technical Assistance for Una National Park:** Following previous consultations with the Una National Park management, and also discussions with the Federal Ministry of Environment and Tourism, FIRMA engaged an expert in protected zones to deliver targeted assistance to the park. The first stage of the assignment involved reviewing a wide range of issues from park planning and management to commercial (tourism) activities within the park and key human resource needs. Based on his findings Mr. Olwyler recommended a selection of training programs to be delivered to NP staff and a select group of stakeholders from local administration as well as tourism private sector operators that operate programs within the NP territory. The consultations

focused on defining the area and the exact program to be delivered. The interpretative skills for cultural and natural heritage 3 day program will be delivered in mid September 2013. The US Forestry Services also joined the training and delivered a special one day workshop on trail development.

- **Via Dinarica:** 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.

#### *Sarajevo Product Design*

- **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 who 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. A new series of workshops for the third SAHM is being planned with support from the Embassy of Norway to Bosnia and Herzegovina, possibly with additional topics and more participants.
- **Sarajevo Symphony Orchestra:** In its efforts to support and improve the cultural offer of Sarajevo, FIRMA had consultations with the management of Sarajevo Symphony Orchestra – as one of the key cultural institutions in the City in an effort to improve the cultural offer in Sarajevo. 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.
- **Sarajevo Destination model:** The development of the FIRMA commissioned Sarajevo Destination Marketing Framework has led to increased consultations with the City of Sarajevo authorities and the Sarajevo Canton Tourism Community related to promoting the 100<sup>th</sup> anniversary of WWI next year. Due to the historic events of 28 June 2014 Sarajevo is rightfully joining the world in marking this centenary. In addition, Sarajevo will be marking several other anniversaries in 2014 including the 30<sup>th</sup> anniversary since the Winter Olympic Games.

#### *Other*

- **Archaeology and Economic Development Conference, London UK:** FIRMA supported a delegation of BiH 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 BiH delegation included representatives from the Commission for Protection of National Monuments, the RS Institute for Protection of Cultural, Historic and Natural Heritage, the FBiH Institute for Protection of Monuments, Museum of RS and the Agency for Protection of Cultural, Historic and Natural heritage of Jajce Town.

## Business Environment

- **Federal Ministry of Environment and Tourism:** FIRMA met with the Federal Ministry for Environment and Tourism to discuss possible areas of cooperation. 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 – this included support for exhibiting at international fairs, rural accommodation and guide certification programs and FIRMA’s intentions to undertake an assessment of the Una National Park management.
- **Regional Cooperation:** FIRMA continues to actively participate in regional efforts to strengthen tourism industry cooperation within the six participating countries. The May meeting focused on discussions on how to further strengthen regional cooperation efforts. Possible joint actions over the next period were identified including further development of marketing tools for the Western Balkans Geo Tourism Map Guide and regional cooperation with the ATTA (Adventure Travel and Trade Association) to start with the specialized ATTA ETU training delivered to regional adventure travel audience.
- **Trout Conservancy:** 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 Working Group:** Cooperation with the TWG continued in Year 4. During this year, the TWG was dominated with the 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. Over the past year FIRMA had several consultative meetings with the EU project leadership, mainly focused on keeping each project updated on activities. FIRMA also held several meetings with 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. FIRMA is currently providing technical assistance to MOFTER on reviewing the recommendations and developing an interagency approach needed for implementing the proposed recommendations. Finally, FIRMA participated in the MOFTER hosted multi-donor meeting that included Oxfam Italia, JICA and 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.

### *d. Access to Finance*

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 is encouraging use of the USAID-Sida DCA program.

### Outputs in Access to Finance

- **Qualified Business Finance Consultants:** FIRMA’s Qualified Business Finance Consultant (QBFC) program addressing a key obstacle 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.

Since January 2011, when the certified consultants began to engage companies, FIRMA has supported 53 companies to receive loans which totals KM34.87million. QBFC program use is spread across all three FIRMA sectors.

Table 6: QBFC Program Status		
Sector	Loans Approved	
	# Companies	Amount KM
Metal	29	15.876.272
Wood	15	11.162.000
Tourism	9	7.829.000
<b>Total</b>	<b>53</b>	<b>34.867.272</b>

- Youth Entrepreneurship Program:** FIRMA collaborated with PLOD and the Una-Sana Cantonal 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 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 150,000KM 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 stated they will support the entrepreneurs and provide them with money to fund their business plan.

- Development Credit Authority guarantee:**

In the Fourth Year three FIRMA- Designated Beneficiaries received loans under the USAID-Sida DCA guarantee program:

- Interworks - Bosanski Petrovac:** 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. Currently they are producing 25 tons per day and employing 31 people which is more than originally planned. The loan amount was for KM3.2million
- TT Kabeli - Široki Brijeg:** As a result of FIRMA's efforts to familiarize sector companies with the DCA guarantee program, TT Kabeli Široki Brijeg received a KM1.5 million from Zberbank 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:** FIRMA's designated beneficiary company from the automotive value chain Pobjeda dd Tešanj received a DCA guarantee for a loan from Zberbank BiH. The value of the loan is KM 600,000 and DCA will cover 50% of the loan. Pobjeda found out about the DCA facility through FIRMA.

- **Sarajevo Business Forum 2013 visit:** FIRMA attended the annual Sarajevo Business Forum 2013 organized by BBI Bank held on May 17. This event is a major business happening in BiH with the goal to present BiH 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. FIRMA presented Konjuh, a wood-processing company, which currently employs around 700 people and is desperately seeking new equity investors to ensure that it does not close its doors.
- **Access to Finance workshops:** were organized in Bihać, Banja Luka and Tuzla in collaboration with USAID-Sida FARMA Project and local partners PLOD development agency in Bihać, 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:** FIRMA supported two award ceremonies to recognize fast growing small and medium sized businesses and their managers. The 2013 GAZELLE BiH Business Award ceremony honors the most successful small and medium enterprises in BiH during 2012. This year two award ceremonies were held, one in Sarajevo on April 25 and the following day 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 BiH.
- **Technical assistance in establishing SME loans guarantee fund in USK:** 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 250,000KM for the guarantee scheme.
- **Scontoprom financial restructuring:** 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 company's current banks accepted Scontoprom proposed loan restructuring and the company is working in accordance with the new plan. However, the issue with the additional working capital is still unresolved and is expected to be resolved soon by the FBiH Development Bank.
- **CEED 7<sup>th</sup> Regional Conference Zagreb:** 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 that seeks ways and presented and distributed previously developed Investment plan for Konjuh Zivinice.

e. Workforce Development

The lack of adequately-skilled workforce remains one of the most complex obstacles to growth of FIRMA-supported value chains. To address this FIRMA launched a Workforce Development Institutions Initiative in mid 2010 which includes 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.

During this period FIRMA supported the establishment of the following new VET councils *Sanski Most Mixed Secondary school* and *Kalesija Mixed Secondary school*.

The workforce activities that are sector specific are incorporated in the sector sections above, below are activities that impacted on more than one sector.

- **Web database of non-formal training programs and training providers operational:** FIRMA in collaboration with GIZ, supported the development of a web database to provide a comprehensive list of specific training and training providers in one place. The database provides employers and individuals with information regarding specific training programs, program objectives and tasks, curricula, venue, duration etc. It is housed with the BiH Agency for Labour and Employment which will ensure its sustainability.
- **Facebook Education.** FIRMA in collaboration with Via Media Marketing Agency conducted a training session for companies from 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 intend to use Facebook as a way to advertize their companies. Participants learned advanced techniques how to use social media for commercial purposes especially techniques how to reach specific groups of potential clients. A follow up session will be held in September 2013 where additional support will be provided to participants.

The following table summarizes results achieved under FIRMA workforce development activities through project Year 4:

Table 7: Summary of Workforce Development Activities - Cumulative for Y4					
Status	Number of trainings	Participants			FIRMA Actual Investment to Date KM
		Total	Female	Male	
Completed	79	2,847	1,062	1,785	524,966
In Implementation	8	926	229	697	232,607
<b>Total Activities</b>	<b>87</b>	<b>3,773</b>	<b>1,291</b>	<b>2,482</b>	<b>757,573</b>

Over 3,770 persons have participated in 87 training-related activities supported by FIRMA, of which 34% were women.

*f. EU Alignment*

To attain the EU alignment goal, FIRMA is focusing on supporting companies to implement trade quality standards. Our approach here is to first attempt to address this problem in a systematic way by working with local authorities to support a larger number of companies and to effectively change the way local governments support SMEs. This was achieved through the establishment of three Quality Trade Certificate funds in different government administrative areas, which was co-funded by FIRMA, Cantonal/Entity or municipal governments or combination of both. In areas of the country where we have not been able to establish such funds, we have directly supported companies to attain certificates through our Performance Improvement Plan process.

- **Central Bosnia Canton Quality Trade Certificates 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 will support 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 FIRMA, the Norwegian Embassy and the Ministry of Economy of Central Bosnia Canton. So far, nine companies were approved to receive financial support in the total amount of KM

115,000. So far, two companies have completed the certification process and an additional five have applied for support.

- **Una-Sana Canton Quality Trade Fund:** The Fund is fully operational in the Canton and seven companies have prepared and certified their processes and procedures in accordance with Forestry Standards Council Chain of Custody (FSC CoC) standards. In addition to this seven more companies are in the last phase of implementing standards, so 14 companies in total were supported by the USK Quality Fund.
- **RS Quality Trade Fund:** The Fund was almost fully utilized and resulted in 35 companies that either implemented or were certified for trade quality standards. The RS government recognized the effectiveness of the program and decided to top-up the Fund with an additional 10,000 KM.
- **Workshop on Quality Standards.** In cooperation with BiH Foreign Trade Chamber, 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. A round of nine workshops took place during December in Tuzla, Sarajevo, Vitez, and Mostar. Metal and wood processing companies, exporting to the EU, must implement standards to meet EU market demands and to obtain EU trade certificates. Around 30 companies attended the training events.
- **Energy Efficiency and Renewable Energy Standards:** FIRMA supported a round of trainings to improve energy efficiency in companies from all three FIRMA targeted sectors. The trainings were held in Žepče, Zavidovići, Bugojno and Tešanj and included 60 representatives from 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.

#### *Other*

- **B&H Industry Outlook 2012 Wood & Metal processing sectors:** FIRMA produced an Outlook report for the Wood and Metal processing sectors which includes a full macroeconomic overview for BiH 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 in 2011 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 banks and financial institutions in BiH and international development organizations and donors with the aim to draw attention to performance and expectations in those two sectors particularly with regards to providing access to finance and developing support for further growth in those industries.

## **5. Coordination and Advisory Body, Local Government**

### *a. Coordination Body:*

In November 2012, FIRMA held the fourth Coordination Body meeting in Banja Luka attended by most Coordination Body members together with USAID and Sida representatives. FIRMA presented its third year results including detailed information on activities where FIRMA cooperated with all government institutions at all levels as well as possible future collaboration. In order to further elaborate on these ideas, FIRMA met with certain ministries individually. As a result the Republika of Srpska Ministry for Industry decided to provide additional funds to the jointly established Quality Trade Certification Fund, the Federation Ministry of Development, Entrepreneurship and Crafts agreed to adjust their annual grants program to enable co-financing of their grant activities with

other donors and meetings with Ministry of Tourism and Environment FBiH resulted in support to the development of a project proposal for tourism development on Buško Lake. The project will be submitted to the EU IPA funded project for the cross border initiative between Croatia and BiH.

***b. Advisory Board – Value Chain Facilitators***

In order to increase FIRMA's ability to reach its goals and to improve sustainability of its programs FIRMA continued to work closely with its VCF partners. The majority of FIRMA's activities are implemented jointly with VCFs either as implementing partners, collaborating implementers or grant recipients. By joint implementation of activities FIRMA builds both the capacity of VCFs and fosters a closer relationship with companies.

The table below summarizes total funding channeled through VCFs for FIRMA grants.

<b>Table 8: Total funding for VCFs</b>	
<b>VCFs</b>	<b>Value of Actual Spent in KM</b>
NERDA	56,908
Plod Centar	63,841
REDAH	84,500
REZ	241,333
Komora RS	174,750
Komora USK	42,296
Sarajevo Navigator/Linden	132,452
SERDA	157,103
Green Tour/Zelene staze	33,445
ZUP Bascarsija	29,657
NBR	0
UPIP	70,051
ZEDA	50,620
LiNK	30,059
PREDA	0
VTK	85,949
Drvni Klaster BiH	120,220
<b>Total</b>	<b>1,373,184</b>

FIRMA continued to offer VCF opportunities to improve their skills, based on areas where they deemed necessary.

- **PREDA** -FIRMA's implementing partner in the Prijedor region, requested FIRMA support to improve their ability to manage projects. Project Cycle Management describes decision-making procedures used during the life-cycle of a project (programming, identification, formulation, implementation and evaluation). The consultant delivered a 5-day training event with PREDA staff (PCM).
- **REZ** – FIRMA provided support to REZ through engagement of the STTA tasked to prepare EU LED project proposal and implementation plan which will increase the access to finance capacities of REZ.

- **RAUSK** – FIRMA engaged STTA to help develop the capacities of the RAUSK staff with advice on procedures, methodologies and good practice associated with the establishment of the credit guarantee fund. Technical support was provided to Una Sana Canton development agency RAUSK to establish a Credit Guarantee Fund for the Una Sana Canton.
- **PREDA** – FIRMA engaged STTA to provide training for the staff of the Prijedor Local Development Agency (PREDA) to improve their skills in financial management. As a result of this activity PREDA will develop a small team of specialized staff to support companies in their financial management.
- **PREDA** - Support was provided to VCF aimed to improve their ability and capability to manage project. Therefore a project management cycle training was to improve the capacity of PREDA staff to improve their practical and theoretical knowledge about project cycle management (PCM)
- **REDAH** - FIRMA provided support to tourism product development process (product related to narrow-gauge train “Ćiro”) through project development workshops.
- **ZUP** - FIRMA provided support through analysis and recommendations for web presence and promotion of ZUP Bačaršija and Bačaršija traditional handicrafts. Apart from that FIRMA engaged
- **SARAJEVO NAVIGATOR** - FIRMA engaged the expert to recommend marketing strategy for promoting Sarajevo in year 2014. Additional STTA was engaged to support implementation of segments related to implementation of online campaign “Sarajevo 2014” (campaign implementation, branding and online presence).
- **PREDA** – FIRMA provided technical assistance to PREDA to apply to the EU open call for local economic development projects.
- **PREDA** – This VCF requested assistance to help build the capacities of their staff in supporting companies in the area of financial restructuring.

## 6. Project Progress versus Workplan and PMP

### a. Progress versus Workplan

In Attachment 5 to this report, Progress vs. Work plan Year 4, we report the status of all of the tasks and activities contained in the original Year 4 Workplan that were due to be completed or initiated during the review period. Most activities due to be completed during the period were in fact completed, and almost all due to be initiated are in process. Exceptions and updates are reported in the status column of the table. There were no exceptions that significantly affected FIRMA’s work.

### *FIRMA Grants Fund*

FIRMA has a \$3.0 million grants fund to support activities which was increased during Year 4 through a contract modification to \$3.3million– approximately KM 4.78 million at the average BAM/\$ exchange rate level over the life of the project. The following table summarizes grant approvals from TEC meetings convened through project Year 4. Thirty-eight grants were approved in Year 4. FIRMA is closely monitoring the grant fund usage per activity to find savings where possible by including collaborating partners. Attachment 4 provides the current status of the grants fund.

TEC Meeting Date	# Grants Approved
<b>Total Year 1</b>	<b>30</b>
<b>Total Year 2</b>	<b>108</b>
<b>Total Year 3</b>	<b>51</b>
11-Oct-2012	8
18-Jan-2013	11
Email Approvals (Dec 12-Jan 13)	3
9-July-2013	16
<b>Total Year 4</b>	<b>38</b>
<b>Total Project</b>	<b>227</b>

b. Progress versus PMP

The 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: 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 fourth of which was completed during the first quarter of 2013, once beneficiaries had their final 2012 financial results. The Baseline Survey was distributed to approximately 600 companies from FIRMA's database of stakeholders. The following table summarizes respondents by size:

2012 – KM MM					
Sector	#Cos	Sales	Exports	Finance	#Jobs
Wood	67	384	196	12	6.523
Metal	85	597	217	40	7.129
Tourism	116	90	42	4	1.967
<b>Total DBs</b>	<b>268</b>	<b>1.071</b>	<b>454</b>	<b>56</b>	<b>15.619</b>

Source: FIRMA Baseline Survey 2013 Report

The metal sector is by far the largest in terms of numbers of jobs, total sales, exports, and finance. Although tourism had the highest number of companies that responded to the survey, a large majority of them were small in size, having less than 25 employees and sales of 250,000KM or less. This year FIRMA collected data to distinguish between women-led companies and their business progress; they had significant sales growth of 28%.

The following table provides a breakdown of respondents by employment.

<b>Table 11: Number of Respondents by Employment</b>					
<b>Sector</b>	<b>&lt;25</b>	<b>25-100</b>	<b>100-250</b>	<b>&gt;250</b>	<b>Total</b>
Wood	32	25	11	7	<b>75</b>
Metal	33	35	16	7	<b>91</b>
Tourism	101	14	3	0	<b>118</b>
<b>Total # Cos</b>	<b>166</b>	<b>74</b>	<b>30</b>	<b>14</b>	<b>284</b>

Source: FIRMA Baseline Survey 2013 Report

More than one half of all respondents were companies with less than 25 employees. A quarter of companies were mid size companies that had 25 to 100 employees. There were 44 companies with 100 employees or more, out of which 14 companies had more than 250 employees. Average employment for DBs and all stakeholders was 58.

<b>Table 12: Designated Beneficiaries Cumulative Investment</b>	
<i>MM KM</i>	
<b>Sector</b>	<b>DB Investment 2009-2012</b>
Wood	46
Metal	121
Tourism	20
<b>Overall</b>	<b>186</b>

Source: FIRMA Baseline Survey 2013 Report

In the fourth Baseline report we continued to gather information and data on investments made by our beneficiary companies. From 2009 to 2012, FIRMA surveyed DBs had cumulative investment of 186 million KM out of which some 79 million KM was invested in 2012.

The 4<sup>th</sup> Baseline Survey is attached to this report with full details of results – Attachment 7.

*Business Results – Activity Level:* Through project Year 4, FIRMA supported companies in its three focus sectors to either visit or exhibit at 11 international and BiH fairs. At all of these fairs, FIRMA also organized business-to-business meetings allowing for companies to meet with potential buyers. FIRMA has also supported the establishment of PSAs representing BiH producers so far in the US, German, Swedish, and UK markets. The following table summarizes the investment cost and sales impact of results of fair attendance supported by FIRMA:

Table 13: FIRMA Trade Fairs					
Trade Fair	FIRMA KM Investment	Sales in KM (Actual and Expected)	# Cos with results	# Cos Attending	ROI
GAST '10 Fair BiH WS Exhibition	30.385	800.000	8	11	26
INTERIO '10 Fair WP Exhibition & Promotion	8.589	390.000	4	7	45
ZEPS Intermetal Fair 2010	21.836	211.000	4	7	10
European Aluminum Fair 2010- Essen, Germany	20.021	2.500.000	2	5	125
BH National Pavilion - IMM Cologne Fair	56.317	1.725.464	6	10	31
High Point Market Week Fall Fair 2010	33.392	300.000	2	7	9
Belgrade Furniture Fair Promotion Program	14.864	1.575.000	4	12	106
Exhibition of MP companies at Hannover Fair 2011	84.534	2.170.500	5	5	26
Interiors NEC Birmingham Fair 2011	17.596	1.050.000	4	7	60
Support the exhibition of Eko Pliva Jajce members at International Tourism Fair in Utrecht, Holland	15.187	112.950	1	1	7
Trebinje Medieval Market Tourism Product	42.742	90.000	27	27	2
Automechanika & Autoinvest 2011 Fair in St.Petersburg	22.497	825.000	4	8	37
INTERIO Fair 2011 WS Joint Exhibition and Promotion	60.724	2.257.842	6	12	37
SEE Auto Compo 2011 Fair in Kragujevac	27.138	1.050.000	2	7	39
GAST Fair 2011	65.368	3.075.000	6	12	47
Outdoor Fairs – Spring 2011: ITB in Berlin and Fiets and Wandel Beurs Outdoor Adventure Trade Fair in Amsterdam	12.150	12.000	1	2	1
ZEPS Intermetal Fair 2011	70.692	1.018.529	8	19	14
Herzegovina Promotion in Scandinavian Market	36.058	716.012	1	1	20
High Point Spring Fair 2011	14.036	850.000	3	6	61
Fair ICFF New York	8.800	590.000	1	2	67
MIDEST Fair 2011	10.363	2.611.000	1	2	252
Fair SASO 2011	22.036	322.800	8	8	15
Fair IMM Cologne 2012	38.560	2.770.000	5	10	72
Interiors NEC Birmingham Fair 2012	22.934	182.560	7	7	8
Belgrade Furniture Fair 2011	12.730	3.500.000	5	5	275
Sarajevo Holiday Market	80.000	90.000	20	20	1
Fair GAST 2012 Split	32.600	898.000	8	9	28
Fair INTERIO 2012 Sarajevo	60.386	294.000	5	9	5
Exhibition of MP companies at Hannover Fair 2012	50.002	3.825.630	5	6	77
Fair IMM Cologne 2013	58.791	12.990.000	7	7	221

Table 13: FIRMA Trade Fairs					
Trade Fair	FIRMA KM Investment	Sales in KM (Actual and Expected)	# Cos with results	# Cos Attending	ROI
ZEPS Intermetal 2012	47.736	4.135.000	7	7	87
Adventure World Summit 2012	3.830	70.000	0	0	18
BAU 2013 Munich	14.028	1.660.000	3	4	118
Ambienta 2012 - Fair	706	1.849.000	5	5	2619
M.O.W. Fair Visit	1.033	505.000	1	2	489
ELMIA Subcontracting 2012	7.908	565.000	3	3	71
Exhibition of MP companies at Hannover Fair 2013	49.483	12.706.000	8	8	257
Belgrade Furniture Fair 2012	13.010	1.000.000	4	6	77
Fair INTERIO 2013 Sarajevo and Wood Convention	42.730	505.000	4	6	12
GAST 2013	23.000	2.536.000	7	8	110
<b>Total</b>	<b>1.254.792</b>	<b>74.334.287</b>	<b>212</b>		<b>59</b>

The overall ROI of all trade fair activities (the ratio of sales impact to FIRMA investment) is 59.0 x – a remarkable result and stands at nearly 74 million KM.

- **PMIs:** 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 4. Indicators are based on activity monitoring reports and follow up evaluation reports that cover 380 activities either completed or in implementation.

By the end of Y3 FIRMA significantly exceeded some of the targeted performance management indicators especially those from the training activities. New revised indicators were presented in quarterly reports and subsequently used for results reporting as seen in the Attachment 1. The changes are as follows:

- Indicator 201 was increased to 3800 for Y4 and 4000 for Y5
- Indicator 202 was increased to 2100 for Y4 and 2400 for Y5
- Indicator 203 was increased to 1200 for Y4 and 1300 for Y5

In addition Indicators 106 and 107 are now broken down by gender.

FIRMA has surpassed all of its observable PMI targets for Year 4 except for the indicator 201 (Persons completing USG-funded workforce development programs) that are slightly under. This will be met in Y5 following completion of workforce development programs already in the pipeline. Sectoral business results targets for Year 3 were also surpassed; actual sectoral business results for Year 4 will be available only in early 2014, when beneficiaries' full-year financial results are available.

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

*Sector level ROI* is the ratio of cumulative growth in sales of project beneficiaries to cumulative FIRMA investment, which is measured on an annual basis. Annual business results for the first year of the FIRMA project were obtained from the Baseline Survey of 284 companies who responded to FIRMA's request for information from 600 stakeholders

– companies in the FIRMA Project Activities Database who have taken part in any FIRMA activity. The following results were obtained relative to FIRMA project business results objectives:

<b>Table 14: Sector ROI - Project beneficiaries</b>			
<b>Sector</b>	<b>Sales Growth 2009-2012</b>	<b>Investment KM</b>	<b>ROI</b>
Wood	72.7	7.0	10.4
Metal	198.7	6.9	28.8
Tourism	17.0	7.2	2.4
<b>Overall</b>	<b>288.4</b>	<b>21.1</b>	<b>13.7</b>

Source: FIRMA Baseline Survey 2013 Report

Sales growth in these tables is calculated as the growth in companies' sales in 2010, 2011, and 2012. Investment of project resources is total FIRMA expenses through the report quarter allocated by estimate to the sectors. Looking at all respondent stakeholders, their total sales grew by KM 288.4 million over the last three years, for an overall sector ROI for FIRMA of 13.7. Although FIRMA's investment was some 30% lower in the 2012 then in 2011 the sales growth of stakeholders dropped by 46% (117 mil KM in 2011 vs. 64 mil KM in 2012) as a result of a renewed recession in Europe. This year FIRMA has just fallen short of meeting the end of project ROI target of 14.3, however we expect this to change next year as supported by improved industrial production results in the first six months of 2012.

### 7. Progress versus Budget

Expenditure during Year 4 was \$3.5 million, which is under that expected for Year 4. Projections for Year 5 and careful planning will ensure that all funds are spent during Year 5. This left cumulative spending for the entire project through Year 4 still about 8% under budget.

As discussed above, most of the grant fund has now been committed, though a little less than half is actually disbursed. Additional funding for FIRMA grants is needed in order to maintain momentum, and justified given the highly effective use of these funds to date.

<b>Table 15: Expenditure vs. Budget Summary - Report Year 4</b>				
<b>Line Item</b>	<b>Budget</b>	<b>Expense</b>	<b>Difference</b>	<b>%</b>
Labor	2,667,814	2,042,320	625,495	77%
Operating & General	1,247,538	872,416	375,122	70%
Grants & Procurements	890,034	606,473	283,561	68%
<b>Total</b>	<b>\$4,805,386</b>	<b>\$3,521,209</b>	<b>\$1,284,177</b>	<b>73%</b>

<b>Table 16: Expenditure vs. Budget Summary - Cumulative</b>				
<b>Line Item</b>	<b>Budget</b>	<b>Expense</b>	<b>Difference</b>	<b>%</b>
Labor	9,206,773	8,581,278	625,495	93%
Operating & General	4,168,671	3,793,549	375,122	91%
Grants & Procurements	3,300,924	3,017,363	283,561	91%
<b>Total</b>	<b>\$16,676,368</b>	<b>\$15,392,191</b>	<b>\$1,284,177</b>	<b>92%</b>

**Staffing:** Total project employment at end Year 4 was 20 full-time and 8 part-time / STTA, consisting of 13 full-time and 6 part-time professional technical staff, and 7 full-time and 2 part-time general and administrative staff. The Year 4 organization chart is provided in Attachment 3 below.

In Year 4, FIRMA engaged 18 short-term experts in the following areas:

<b>Table 15: Consultants List Year 4</b>		
<b>Name of Consultant</b>	<b>Title</b>	<b>Output</b>
Abdulah Hadživadić	Trade Show Consultant	Field work with IMM, GAST and Interio shows' participating companies that includes guidance, monitoring, and reporting.
Salih Teskeredžić	WS Design Consultant	Selection of exhibits, participating companies advising, design of final layout of selected exhibits, and reporting.
Dušanka Selaković	Rural Tourism expert	Review of current situation in BH, regional and international practice and recommendations of most effective mechanisms for upgrading standards and practice in BH rural tourism.
Michael Olwyer	Protected Areas Management Expert	Development of a set of recommendations for Una National park management in order to upgrade its management practice, improve its promotional efforts and identify human resources needs and organize training in Interpretative skills and knowledge.
Alen Čaušević	Protected Zone Coordinator	Review of existing tourism related projects and activities at NP Sutjeska.
Davor Sušić	Souvenirs Value Chain Specialist	Conduct review of supply and demand side and identify gaps and opportunities in tourism souvenirs trade. Facilitate producer-distributor communication and produced catalogue of BiH made souvenirs that best respond to the market needs.
Adnan Branković	Destination Marketing Consultant	Development of Sarajevo Communications Strategy with special reference to 2014.
Alis Brkić	Marketing, Sales, In store Promotion Expert	Delivered workshop on promotion, marketing and sales for the Sarajevo Holiday Market exhibitors and provided guidance during the Market period.
Fredrick Bjorksater	Scandinavian Market Tourism Specialist	Market entry for Scandinavia, mobilized interest of Swedish tour operators.
Stellen Grandstrom	Metal Advisor for Swedish Market	Support BiH metal companies to enter Swedish market.
Christopher Woodbridge-Cox	UK Market Expert	Preparation of framework for BH Tourism entry into UK market, organization of BH tourism presentation and B2B meetings in UK, and assistance in the organization of FAM trips.
Kazim Gurkan Ozer	Turkish Market Expert	Market entry framework and support in mobilization of interest among the Turkish tour operators and agencies.
Henrik Blom	LM Sales & Marketing Adviser	PSA for BiH metal companies to support Swedish market.
Mihovil Barančić	Business Angel Network Development Specialist	Support to the development of action plan document for the first Business Angels Network in Bosnia and Herzegovina (B&H BA Network).

Table 15: Consultants List Year 4		
Name of Consultant	Title	Output
Bruce Gilardi	New Product Development Specialist	Promotion of B&H wood and metal producers of high end interior products at US furniture and interior products fairs with goal to identify potential buyers in the US and provide inputs about US market demand.
Milica Lakić	Financial Management Specialist	Training program delivery to the staff of Preda - the local development agency of Prijedor municipality to improve their skills in financial management.
Rasim Tulumović	Access to Finance Specialist	Engaged to conduct project management cycle training for PREDA staff to build the capacity of our VCF.
Ermina Ramić	Credit Guarantee Fund Specialist	Technical support to Una Sana Canton development agency RAUSK to establish a Credit Guarantee Fund for the Una Sana Canton.

## 8. Workplan Year 5

The detailed workplan for Year 5 can be found under Attachment 6 for review and approval by USAID and Sida. In Year 5 FIRMA will continue to focus on the areas which have proven to be successful in the last 4 years and where we have gained significant achievements and results. This includes supporting companies to access new markets, through trade fair attendance and engagement of sales agents, support for the implementation of EU trade quality standards for product and productivity support as well as qualified technical support for new product design. In the area of workforce training, we intend to continue our successful collaboration with the Federal Employment Bureau and to support the establishment of additional VET Councils – where resources allow. Our Year 5 workplan has integrated the EU Alignment elements into the sector workplans.

Attachment 1: Performance Management Indicators

All PMIs in approved FIRMA Performance Management Plan. Activity PMIs are taken from activity monitoring and evaluation reports covering 380 activities either in progress or completed.

Table 1: Performance Management Indicators																
Work Area	Indicator Type	Indicator Number	Performance Indicator	Contr Req*	Unit**	Target (Cumulative)										Data Source
						Yr1		Yr2		Yr3		Yr4		Yr5		
						Tgt	Act	Tgt	Act	Tgt	Act	Tgt	Act			
Competitive-ness	F	101	Firms with improved management practices as a result of USG assistance	X		65	11	190	417	315	373	440	443	565	Activities	
	F	102	Firms receiving USG assistance that obtain certification for international standards		N	20	22	40	189	60	189	200	238	230		
	F	103	Exports of firms receiving USG assistance to increase their exports	X	%	10%	10.2 %	25%	32%	35%	37%	45%	n.a.	60%	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	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		
	Custom	105	Aggregate economic scale of beneficiaries	X	%	20%	B	30%	43%	40%	56%	40%	n.a.	40%		
	Custom	106	Sales of project beneficiaries	X		5%	10.8 %	15%	21%	30%	31%	40%	n.a.	50%	Baseline Surveys	
			<i>Sales of project beneficiaries – women led</i>				2,8%		11,8%		42,8%		n.a.			
	Custom	107	Employment of project beneficiaries	X	N	3%	5%	10%	14.5%	21%	27%	28%	n.a.	35%		
		<i>Employment of project beneficiaries – women led</i>				n.a.		F28%M 72%		F28% M72%		n.a.				
Custom	108	Business finance to project beneficiaries	X		6%	6 %	12%	18%	24%	34%	32%	n.a.	405			

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

Table 1: Performance Management Indicators															
Work Area	Indicator Type	Indicator Number	Performance Indicator	Contr Req*	Unit**	Target (Cumulative)								Data Source	
						Yr1		Yr2		Yr3		Yr4			Yr5
						Tgt	Act	Tgt	Act	Tgt	Act	Tgt	Act		
	F	109	Firms receiving USG assistance that obtain EU-aligned standards or certifications		N	10	>	30	189	50	189	200	238	230	Activities
Workforce Development	F	201	Persons completing USG-funded workforce development programs			225	359	750	1,212	1,275	2,337	3,800	3773 F 1291 M 2482	4,000	Activities
	F	202	Persons gaining employment or better employment as a result of participation in USG-funded workforce development programs	X	N	150	125	350	728	550	1,305	2,100	2128 F 556 M 1572	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	
Gender / Inclusion	Custom	301	Women-led businesses in the 3 FIRMA focus sectors		N	#/0%	43	#/3%	121	#/5%	148	#/7%	165	#/10%	Activities
	Custom	302	FIRMA beneficiary SMEs employing the socially / economically excluded		N	#/ 3%	B	#/5%	123	#/8%	135	#/10%	138	#/12%	
Business Environment	F	401	Policy, legal, and regulatory changes adopted in connection with USG assistance		N	track	0	>>	8	>>	17	>>	21	>>	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	Independent Assessment

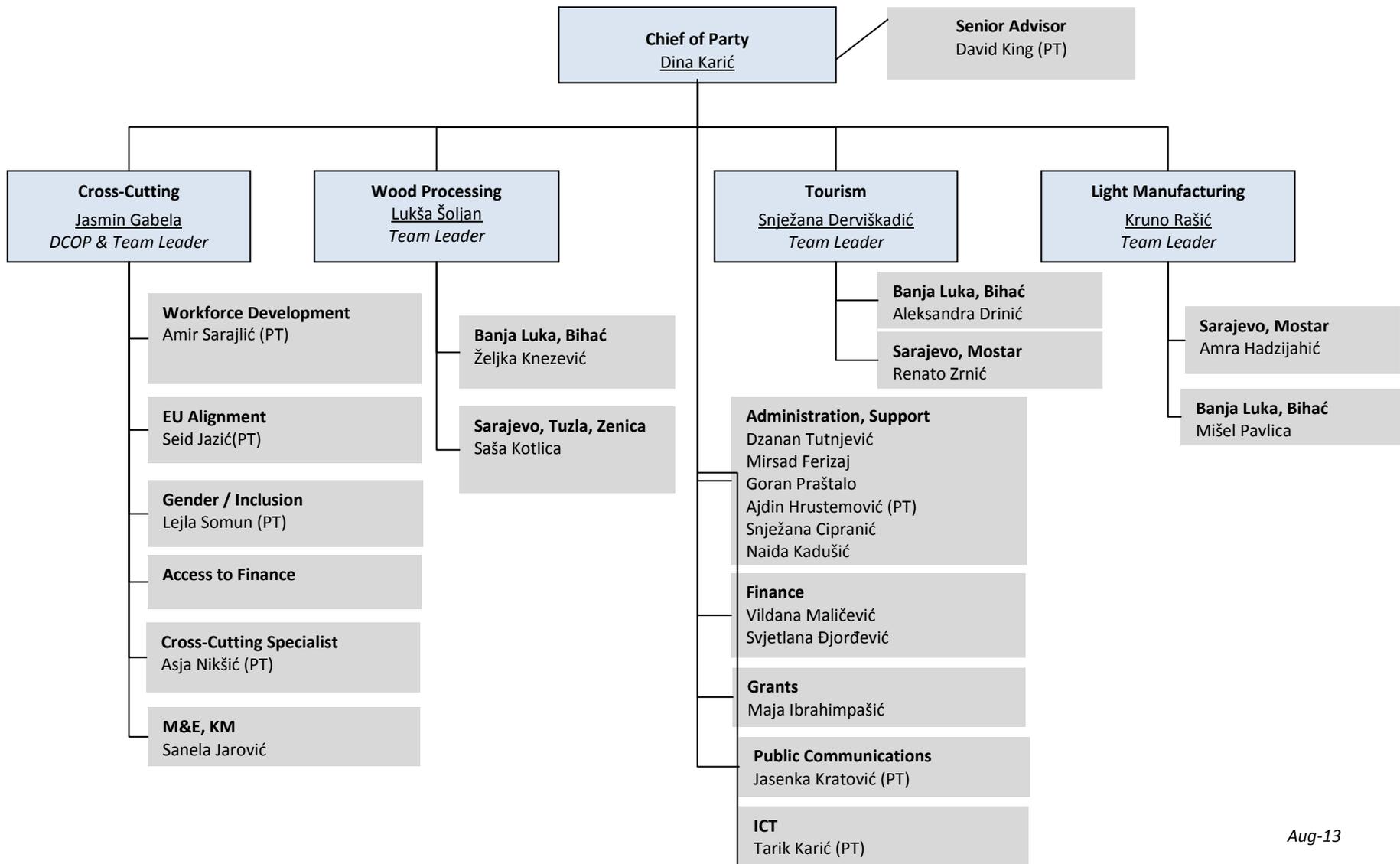
\* X = indicator required by contract \*\* All data disaggregated by gender whenever meaningful B = baseline report needed to determine results

Attachment 2: **Project Documentary Outputs**

FIRMA prepared 29 significant assessments, reports and activity outputs in Year 4:

<i>Table: FIRMA Documents &amp; Reports – Year 4</i>	
<b>Document/Report Name</b>	<b>Date</b>
1. Baseline survey 2013	Jul - 2013
2. Information Memorandum for Potential Investors in Konjuh dd Zivinice	Mar - 2013
3. Recommendations and observations for the development of Business Angels Network in BiH	Nov - 2012
4. BH Tourism Industry Report 2013	Oct - 2012
5. Assessment of current formal education CAD/CAM programs (vocational and university level)	Aug - 2013
6. BiH Metal industry forum - analysis, perspectives and methods of operation	Mar - 2013
7. Destination management - Best practice in Destination Management Organizations and opportunities for Sarajevo Report	Apr - 2012
8. Branding Tool Kit	Aug - 2013
9. Destination Sarajevo Brochure	Jan - 2013
10. Trebinje Tourism promotion leaflets	Mar - 2013
11. Sarajevo Revisited Report - Sarajevo Communication Strategy	Jun - 2013
12. Turkish Market Entry	Dec - 2012
13. Una National park - Assessment and recommendations	Jun - 2013
14. Manual for the application of EU timber regulation 995/2010	Apr - 2013
15. Transition from JUS to BAS EN Standards for forest timber assortments in BiH report	Dec - 2012
16. Utilization of low grade forest assortments and transformation of coppice forests in BiH report	Dec - 2012
17. Success story: Training tailored to specific needs helps company boosts its production and employ new workers	Oct - 2012
18. Success story: Inox Ajanovic exports more than 90 percent of its products	Oct - 2012
19. Success story: Supported by FIRMA project Izazov Company marks annual growth of 15 percent, expands production facilities and workforce	Oct - 2012
20. Success story: TT Kabeli, A Company that keeps growing with FIRMA support	Oct - 2012
21. Success story: BiH Company Wins Prestigious Award at Ambienta Trade Fair in Zagreb	Dec - 2012
22. Success story: With Specialized Training, 600 Travnik Workers Sew Up Jobs	Dec - 2012
23. Success story: We Present Women Entrepreneurs in BiH: SANJA ČIČEVIĆ, innovator and co-owner of Oprema OMO in Mostar	Apr - 2013
24. Success story: We Present Women Entrepreneurs in BiH: ZEHRA JAKUBOVIĆ, director of IZAZOV, furniture company in Kalesija	Apr - 2013
25. Success story: We Present Women Entrepreneurs in BiH: NATAŠA MUSA, director of the Sarajevo Navigator Foundation	Apr - 2013
26. Success story: We Present Women Entrepreneurs in BiH: ELIZABETA JOSIPOVIĆ, owner and director of SCONTO-PROM in Prijedor	Apr - 2013
27. Success story: Banja Luka now has internationally recognized tour guides	Apr - 2013
28. Success story: BiH innovators compete for EU markets	Apr - 2013
29. Success story: Top-quality products by BiH craftsmen are now available in Manhattan	May - 2013

Attachment 3: **FIRMA Work Organization – Y4**



Aug-13

Attachment 4: Grant Fund Status

<b>FIRMA GRANT FUND STATUS</b>			
	\$ Amount	Exchange Rate	
Total Grants per TEC*	\$3.229.877		
Amount Spent	\$2.661.162	\$1,43	
Amount to be Paid (903.451 KM)	\$568.304	\$1,45	
<b>Spending Summary of Completed Activities in KM</b>			
	Total Committed Amount	Actual Spent	Balance Remaining/Unsent Funds**
Wood Processing	965.302	719.781	245.521
Metal Processing	955.763	821.787	133.976
Tourism	1.417.042	1.155.134	261.908
Cross Cutting	554.296	392.762	161.534
<b>Total</b>	<b>3.892.404</b>	<b>3.089.464</b>	<b>802.940</b>
**All unspent funds (802.940 KM) for completed activities are automatically returned to the pool of grant money.			
<b>Spending Summary of Ongoing Activities in KM</b>			
	Committed	Spent	Remaining to be paid
Wood Processing	524.650	322.110	202.540
Metal Processing	219.750	84.900	134.850
Tourism	342.170	76.924	265.246
Cross Cutting	442.690	221.285	221.405
<b>Total</b>	<b>1.529.260</b>	<b>705.219</b>	<b>824.041</b>
<b>Amount Spent for Completed Activities</b>			<b>3.089.464</b>
<b>Amount Spent for Ongoing Activities</b>			<b>705.219</b>
<b>AMOUNT SPENT SO FAR in KM</b>			<b>3.794.683</b>
<b>AMOUNT SPENT SO FAR in USD</b>			<b>2.661.162</b>
*Total Grants Per TEC is calculated as Actual Spent for Completed (KM 3.089.464) + Ongoing Committed (KM 1.529.260) divided by \$ exchange rate of 1.43.			

Explanation of Figures reported in the table above:

- Total Grants per TEC is calculated as Actual Spent Amount plus Committed Amount of Ongoing Activities per TEC approvals;
- Amount Actual Spent - this figure represents actual amount spent as of end of reporting quarter;
- Amount to be Paid: this amount is calculated as the amount Committed less what has already been paid;

**Definition of Committed:** this is the amount approved by the TEC meetings for activities, when the activity is at a Concept Note stage. The TEC approval to Concept Notes represents a general approval to FIRMA to start negotiating actual budgets for individual grants to beneficiaries. The Commitment amount is a framework budget that shows the maximum amount of resources that could be committed to the grant. This amount is often greater than the actual budget, because once budget negotiations start a detailed budget is developed. The budget in the grant contract must not exceed the Committed Amount.

Table: Spending Summary of Completed Activities in KM

- Committed Amount: this is shown for each sector and is the total approved by the TEC at the Concept Note stage;
- Actual Spent: shows the amount spent in KM;
- Balance Remaining: difference between Committed Amount and Actual Spent. Once an activity is closed these funds are released and sent back to the grant pool of funds;

Table: Spending Summary of Ongoing activities in KM

- Committed Amount: this is shown for each sector and is the total approved by the TEC at the Concept Note stage;
- Actual Spent: shows the amount spent in KM;
- Balance Remaining: difference between Committed Amount and Actual Spent. These funds are reserved until the activity is completed. All balances that have not been used will be returned to the grant pool of funds;

Table: Summary of Spent activities

- Shows the total spent in KM – broken down for completed and ongoing activities;
- Shows the total amount spent in USD using exchange rates applicable on the day of payment;

**The following attachments are delivered in separate files:**

Attachment 5: Progress vs. Work Plan Year 4

Attachment 6: Work Plan Year 5

Attachment 7: Baseline Survey 2013