



**Regional Development Agency for Central BiH Region
Regionalna Razvojna Agencija za Regiju CBiH**

3rd European Regional Economic Forum (EREF-2007)

Building Knowledge Society through Public RTD Funding

**Round Table: Development priorities, preparations for IPA and public
funding of RTD in Candidate and Potential Candidate Countries**

**THE IMPLEMENTATION IN BOSNIA AND HERZEGOVINA
OF THE FIRST STAGES OF A REGIONAL POLICY
PROCESS IN THE PRE-ACCESSION PHASE LEADING UP
TO THE ENLARGEMENT PROCESS OF EU**

**Strengthening of research, development and training
capacities (Technology Park & Wood Excellence Centre),
in Central Bosnia and Herzegovina Region**

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**31st May 2007.
Nova Gorica, Slovenia**

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1. Global context

Bosnia and Herzegovina (BiH) is situated in south-eastern Europe in the west-central portion of the Balkan peninsula. It has an area of 50,000 km² and is quite mountainous and hilly. The country's location and terrain contribute to a range of climatic zones and with a variety of geologic and soil types a rich mosaic of biodiversity prevails throughout much of the country. Forests and forestland cover almost 50 percent of the land area.

Politically, administratively and economically BiH is a country defined by a war that ended ten years ago. The Dayton Agreement signed at the end of 1995 created a joint multi-ethnic and democratic government and three administrative districts: a municipality called the District of Brčko in the northeast of the country that is internationally supervised, and two other entities of roughly equal size, the Bosniak/Croat Federation of Bosnia and Herzegovina and the Serbian-led Republika Srpska. The Dayton Agreement established the Office of the High Representative (OHR) to oversee the implementation of civilian aspects of the agreement and today is also backed by European Union peacekeeping forces.

Recent figures estimate that there are about 3.8 million people living in the country. Urban populations make up about 60 percent of the population, a complete reversal of this demographic before the war. In 2005, BiH GDP per capita stood at 1933 EUR according to the European Commission. The official unemployment figures amounted to 44.6% in that year¹.

The post-war reconstruction of industry as well as the privatization process is slow and changes at former state-owned companies are difficult in most cases.

1.1 Bosnia and Herzegovina on the road to the EU

In June 2003, the Thessaloniki EU-Western Balkans summit confirmed the EU's support for the European perspective of the Western Balkan countries². The summit endorsed the "Thessaloniki agenda", comprising measures drawn from the pre-accession process, and made a commitment to implement it jointly. In June 2005 the European Council reaffirmed its commitment to implement the Thessaloniki agenda, noting that each country's progress towards European integration depends on its effort to comply with the Copenhagen criteria and the conditionality of the Stabilisation and Association Process (SAP).

Almost four years after the Thessaloniki summit, the Western Balkans region has further stabilised and advanced towards the European Union. The European perspective provides a powerful incentive for political and economic reform and has encouraged reconciliation among the peoples of the region. It is in the interest of the EU as a whole, as well as the countries concerned, that this process should be stepped up. This will help the EU to attain its own objectives without the risk of renewed instability in a directly adjacent region. Reinforcing the EU's policy for the region, especially in areas of mutual interest where there is a strong demand from the people of the region, such as Justice, Liberty and Security, education and trade, is the best means to strengthen the credibility of the process and to lessen political risks.

Over the last four years, the countries of the Western Balkans have made considerable progress in stabilization and reconciliation, internal reform and regional cooperation. As a result, they have moved closer to the EU (in our case: nearing conclusion of a Stabilisation and Association Agreement-SAA with Bosnia and Herzegovina). EU accession is a strategic priority for Bosnia and Herzegovina. Aspiration of Bosnia and Herzegovina to acquire full membership in the EU is based on a wide political consensus. The Declaration on Special Relations with the EU was adopted in 1998, and in 1999 Decisions by the BiH Council of Ministers and the Parliamentary Assembly adopted

¹ Taken from http://ec.europa.eu/enlargement/bosnia_and_herzegovina/economic_profile_en.htm

² The countries covered by the Stabilisation and Association process, the EU's policy for the Western Balkans, are Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Serbia and Montenegro, including Kosovo as defined in UN Security Council Resolution 1244/99.

Conclusions which, inter alia, present the presence of a full political consensus that EU membership is the highest possible priority for Bosnia and Herzegovina.

1.2 Regional Economic Development Strategy for Central BiH Region

Over many years, the European Union has developed strategically targeted policies to improve economic opportunities in its disadvantaged regions. It has also successfully applied such policies in the pre-accession phase leading up to the EU's recent expansion.

Sustainable development in transition economies requires strategic development plan, since indiscriminate financing of individual projects, sectors or geographical areas simply leads to a waste of resources if there is no proper planning system. To this end, Bosnia and Herzegovina completed the Medium-term Poverty Reduction Strategy and Development Plan.

In Bosnia and Herzegovina, the European Commission (EC) is providing support for regional development, which will ultimately lead to structural funding when Bosnia and Herzegovina joins the European Union.

The implementation in Bosnia and Herzegovina of the first stages of a regional policy process through the EU RED project is aimed at introducing the country to EU economic and social cohesion (ESC) policy. The European Commission has previously adopted this approach with a view to familiarise pre-accession countries with Structural Funds' procedures and further structures needed upon accession. The aim is to strengthen the countries' administrative capacity and budgetary structures, while introducing progressively the approach of the Structural Funds in the areas of private sector development, enhancement of human resource capacities and business-related infrastructures.

Adopting a regional policy approach requires the preparation of a Regional Economic Strategy which serves a number of purposes:

- It provides a strategic framework for balanced economic and social development in the region;
- It serves as a strategic document for the programming of future EU funds, and eventually, local funds and;
- It provides the basis for future participation in EU's pre-accession (IPA- Instrument for Pre-Accession 2007-2013) and structural funds mechanisms.



Figure 1. The economic regions of BiH.

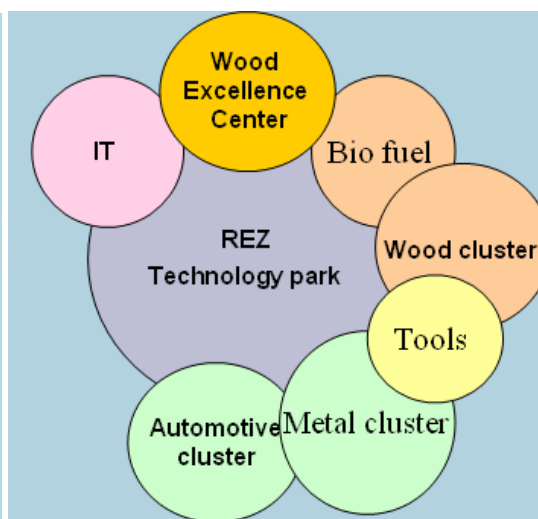


Figure 2. Science Technology Park of REZ Agency.

The EU RED (Regional Economic Development) project financed under the CARDS 2002 (Community Assistance for Reconstruction, Development and Stabilisation) project facilitated the final strategy documents in all five identified regions of Bosnia and Herzegovina.

The Regional Economic Development Strategy for Central BiH Region has been co-ordinated by the Regional Development Agency for Central BiH (REZ), during the extensive process of consultation within the region over the 9 months, under the guidance of the EU RED project. Municipalities and other local government structures, along with a variety of organizations and groups representing the private and civil sectors, have participated enthusiastically in discussions about their economic future—the detailed measures outlines in this Strategy are the result of their contributions and reflect their commitment. The Regional Strategy complements the Medium Term Development Strategy-PRSP document and many synergies between them are possible. The Medium Term Development Strategy is an informative and detailed document covering the period 2004-2007.

1.3 Experience of REZ Agency

REZ Regional Development Agency for Central BiH region was established in 2004, based on the success of REZ Association and with strong initial support from CHF International. REZ RDA is built on regional Public Private Partnerships and founders are Business associations, Municipalities and Cantons, creating the best platform for economic development and growth. Regional Development Agency –REZ had constitutional assembly on 26th February 2004 in Zenica and was registered on 10th of May 2004.

REZ Regional Development Agency has vast experience in various fields through the implementation of several comprehensive projects like:

- REDI – Regional Economic Development Initiative
- MENI - Market Based Enterprise Networking Initiative
- VAP – Vrbas Agriculture Program
- REXIS – Regional Export and Investment Support
- COMETS – Competitive Market based Export and Trade Service

These above mentioned projects are covering various fields but all are aiming to achieve the REZ RDA mission statement which states: "REZ is a Regional Development Agency for Central BIH Region that creates a clear vision for the region and streamlines more favorable entrepreneurial environment, develops human resources, promotes possibilities of the region and attracts the investments and financial means". Therefore activities of REZ RDA could be categorized in following categories:

- Regional Positioning/Regional Strategy(Prioritization, identification, facilitation and implementation of Projects)
- Support to development of SME Sector
- Researches and analyses
- Public Private Partnership strengthening
- RDA Networking, Lobbying, Policy Making
- Other activities

The following section presents REZ RDA experience and achievements sorted by the categories above.

Regional Positioning/Regional Strategy (Prioritization, identification, facilitation and implementation of Projects)

REZ RDA has succeeded in establishing itself as the single agency responsible for co-coordinating and facilitating regional economic initiatives in the Central BiH Economic Region. All 16 municipalities voluntarily signed letters of intent to participate in RED process.

REZ RDA nominated the region of Central BIH to the competition of Foreign Direct Investment magazine (specialized publication of London Financial Times) for the European Region of the Future. After analysis of the regions candidates our region was selected in the first round for the European Region of Future for 2004/05 for South, East and Central Europe September issue of fDi magazine published an article about this award, as well as special presentation of the region.

The REZ RDA, including the Supervisory Board and Staff, went through a facilitated process in the first and second quarters of 2005, where the Central BiH Economic Strategy has been reviewed. Initial fifty projects have been prioritized and REZ RDA, as an organization, will focus its efforts and resources on their implementation, in order to begin the process of stimulating the regional economy.

Support to development of SME Sector

MENI - Market Based Enterprise Networking Initiative – is a project for whose implementation CHF International received funds from Royal Netherlands Embassy in Sarajevo. Implementation of this project is undertaken by REZ Regional Development Agency during the period between November 2004 and November 2005.

The goal of the project is to create IDEA Business Unit in REZ RDA. The MENI project makes support to the market-based development of small and medium enterprises and industry clusters in Central Bosnia, by providing: Business linkages on local, regional and international level, Business Services to SME's, Workshops and trainings for SME's, Mediation services between BiH and foreign businessmen. The IDEA Business Unit has a total of 4 Business Advisors and 2 management staff which link the unit to the other key teams/departments within the REZ-RDA.

COMETS – Competitive Market-based Export and trade service

Main aim of the project is to promote entrepreneurship, market researches and to increase exports of companies in Central BiH by supporting a minimum number of 30 companies. 60 companies who have a good export potential were included in regional survey and after analyses of survey 30 companies were selected as target group. The following main activities are or will be conducted: Surveying of regional SMEs (wood and metal processing companies as focus group and other identified companies during project implementation) on export potential; Deliver specialized assistance to individual SMEs clients; Deliver general seminars; Design and print brochures and publications "Export Work Book"; Organizing of Trade Mission; All other promotional activities. Overall objective of the project is to decrease trade deficit and to increase flow of money within the region that will have general impact on BiH economy development. Specific objective of the project is to provide assistance to at least 30 companies to improve or start their export activities. This 15 months project has started in November 2005 and is financed by EC delegation to BiH.

REXIS – Regional Export and Investment service

REZ RDA has designed REXIS program approach to ensure more comprehensive export and investment possibilities in the region of Central BiH with the main objective to change import-export ratio towards more favorable values.

Program activities will directly respond to market demand and will provide services that are relevant to area businesses. Program activities are directly responding to market demand and provide services that are relevant to area businesses. Rather than offering off-the-shelf solutions to problems that are often tied to specific features of this region, REZ aims to have an immediate impact on the way business is done by helping area SMEs to focus on under-utilized potentials and by linking them to financial and equity capital and new markets. The proposed program is implemented through three main objectives: Increase of SMEs Competitiveness in Central BiH region, Competitive REZ IDEA Business Unit, Increase of Industry Sectors Export Competitiveness (wood, metal, agro). This 24 month project has started in December 2005 and is financed by Royal Netherlands Embassy to BiH.

Regional Development Fund - In its work REZ RDA has the intention to both financially support the economic development projects and to develop capacities of implementing organizations throughout the Central BiH region. One segment of REZ RDA Mission statement quotes "...develops human resources..." Activities related to REZ RDA Regional Development Fund are in line with this principle. This fund, although humble with available financial means (150,000.00 EUR), was aimed to achieve impact beyond the mentioned financial weight. The most important goal, that was set, was increasing the project management capabilities of partner organizations in order to achieve greater fund absorption capabilities through the region. Targeted beneficiaries are: Business Associations,

Agricultural Associations, Local Development agencies and Agricultural cooperatives. After first call there was 9 applications awarded out of 11 submitted. After intensive work in the field already on second call there was 29 applications while 6 were approved.

Project for establishment of wood-processing industry clusters - Regarding that the project for establishment of wood-processing industry cluster for CBIH region is one of 10 priority tasks, RDA entered the negotiations with USAID in the manner of establishing of strategic partnership in order to realize this project. As a result of these activities, USAID and REZ as partners commenced the implementation of project of Raising of competitiveness through development of clusters (CCA). It is a four-year project that started in September 2004.

REZ RDA together with CCA Project assist groups of companies within wood processing industry and institutions linked with them developing and applying strategic approaches.

Researches and analyses

Two studies for this sector development are undertaken by REZ RDA as sub-contractor:

1. Analysis of existing and required workforce and training in wood processing industry
2. Analysis of the existing level of production technologies in use on the wood processing industry and specification of future needs

Both analysis were financed by USAID CCA and will in its form of a document serve as a base for strategic actions in the future. The both analysis were conducted in the period between 15th August 2005 till 30th November 2005.

Project "Research of conditions for the establishment of metal-industry cluster in Central Bosnia and Herzegovina region" - Federal Ministry for development, entrepreneurship and apprenticeship financed REZ RDA project named „Research of conditions for establishment of metal-industry clusters in Central Bosnia and Herzegovina region“. Project relates to the market research and creation of analysis of metal processing industry in the region of Central BiH as a first phase of establishment of metal industry cluster. Project has been implemented in the region of Central Bosnia and Herzegovina from January 2005 to April 2005. The final results were presented on ZEPS International Fair INTERMETAL in Zenica.

Feasibility study on waste wood commercial utilization in central Bosnia and Herzegovina as a resource recovery and economic development project

The objective of the feasibility study was to analyze the demand and supply factors that impact the potential development of this industry within Central BiH as a viable commercial activity and its anticipated socio-economic and environmental consequences by considering Environmental Protection, Unemployment Reduction and Commercial Sustainability. Feasibility study development was carried out in the period 1st November 2005 till 31st January 2006.

Public Private Partnership strengthening

VAP – Vrbas Agricultural Project is the project whose implementation REZ RDA started in April 2005 and will last for 18 months. It is financed by PfD (Partners for Development) and the area of the project implementation is: Bugojno, Gornji Vakuf-Uskoplje, Donji Vakuf and Jajce municipalities.

Expected outcomes of VAP project include:

- Independent association of agricultural producers (NUPP) from Bugojno, that covers all four municipalities from the upper flow of the river Vrbas, would increase its capacity in service provision to their members and enable the co-operation of public and private sector at sub-regional level, and within the scope of REZ RDA's project of cluster development.
- Activities of four municipal administrations will function better and provide better services to the residents of rural areas, which will significantly increase the satisfaction of farmers, citizens as well as registered companies with the work of municipal institutions.

RDA Networking, Lobbying, Policy Making

At a meeting on 30 September 2004 the group of 5 RDA Directors formed a Network with the intention to provide a platform for cooperation of RDAs through synchronization and coordination of their activities based on discussion of issues of their common interests, and to pursue issues related to the use of new opportunities for RED incentives in BiH

The Network will enable efficient strategic partnership between the 5 RDAs in implementing regional development strategies and other relevant projects (especially those involving regions of BiH in the implementation of initiatives and programs covering Western Balkan / SEE area).

The Network will provide support to BiH authorities (governments) in the creation and implementation of development policies as well as establishment and improvement of a single economic space in BiH.

Bulldozer actions in BiH (policy making) - REZ RDA has had an active role in the Bulldozer action from the beginning of this process. In first and second phase REZ promoted 24 initiatives. In the third Phase REZ RDA, as a co-coordinator of regional Bulldozer committee for the region of Central BiH, was actively involved and participated in all 3 plenary sessions held within the scope of the third phase, where 50 new initiatives were adopted for official presentation to the authorities of BiH on 10 January 2005. During this phase, REZ RDA, in its capacity of regional co-coordinator for the region of Central BiH promoted 17 initiatives.

Other activities

Conference - The Royal Melbourne Institute of Technology Australia invited REZ RDA to be one of the presenters on the Conference "Pathways to Reconciliation and Global Human Rights" that was held in Sarajevo from 16th to 19th August 2005. Among other political topics REZ RDA was unique presenting "How economy could contribute to the reconciliation".

Several ongoing projects of REZ Agency are as follows:

- Science-Technology Park;
- Wood Excellence Centre;
- MEP (Market Economic Profile) Database;
- Establishment of CISCO Academia in Central BiH Region;
- Feasibility study of establishment industrial zones' in Central BiH Region etc.

1.4 RTD Support Activities of REZ Agency

REZ-RDA Central BiH is regional development agency responsible for central region within the country of Bosnia and Herzegovina. REZ Agency was established in May 2004 and founders are both governmental and non governmental institutions from 16 municipalities. Geographically, it covers 10% of territory of Bosnia and Herzegovina with around 600.000 inhabitants.

Concept of private entrepreneurship is relatively new in BiH. Economy in pre war Bosnia & Herzegovina was based on large, state owned facilities that were employing huge number of people. Former state had developed system and managed export for its products on very professional and high level. This is partly due to the fact that previous state was a founder and leader of Nonalignment movement, organizing large number of countries that became de facto market for our companies. As a result of war activities, all of these huge companies cease to work and rehabilitation of such facilities required a lot of financial investments. Many of them were technologically underdeveloped since they were not following technological trend during the war time in the country. This have created environment with a lot of unemployed people who were forced to turn towards private entrepreneurship.

Majority of SMEs in central BiH region have turned towards either wood or metal processing business. This is due to potentials of the region when wood is in question and tradition when metal is question. Nevertheless majority of companies have started to exploit the vast forest resources that region poses. This production was mainly primary through processing of logs and production of

construction wooden products like planks, rafter and similar. This was caused mainly by heavy demand for such material during the reconstruction of housing stock throughout war thorn BiH. With the time and diminishing of demand some companies have started with production of other wood products but still linked to housing and its reconstruction. In this phase SMEs have started with production of doors and windows and similar products but as years were passing by the competition on local market have caused the extinction of smaller an unprepared SMEs.

At present stage production orientated companies do not have business techniques and required knowledge for expanding to foreign markets. Second disadvantage of the companies in the region is standardizing of quality of their products with demands of foreign markets. Significant number of companies does have possibility to produce (CNC machines and high quality materials) but lack the assistance and even if they do have high quality products there is no possibility to get the certification for it. Closest Centre for certification of wood products (furniture and joinery mainly) is in Slavonski Brod, Republic of Croatia. Nevertheless this Centre has the ability to certify the products for placing solely on Croatian market. The sole possibility for our producers to penetrate the foreign markets is to close the deals with foreign partner that performs certification in their respective country and than the placement of product is possible. This scheme retards local producers since it reduces the profit (foreign partner takes major part of the gained profit) and often excludes brand development (usually foreign partner claims it as its own product). Enabling the local producers to certify its products would open access to foreign markets and would propel the production and most importantly it would improve BiH export ratio.

One of major activities of that REZ-RDA is establishment of Science and Technology Park in Zenica. This project has strong support of University in Zenica and representatives of Local Government. It is intention to investigate all the possibilities within and out of Bosnia and Herzegovina for support of this project. In that light REZ Agency and University of Zenica would like to consider the possibilities on how international projects could contribute to establishment of Science and Technology Park. Support in any form would be appreciated no matter is it intellectual through assistance of relevant field specialists or through the financial means in accordance with available resources. Cooperation through partnership could be another possibility, for which REZ Agency and University of Zenica are more than interested.

In the future, there is a good opportunity to support STP project through following funds:

- Competitiveness and Innovation Framework Programme- CIP and;
- 7th Framework Programme for Research and Technological Development- FP7.

The Wood Excellence Centre project at hand is based on different contacts and activities between the REZ Agency and University of Zenica on the one hand, and the University of Applied Sciences Berne - Architecture, Wood and Civil Engineering (BFH), on the other. For the REZ Agency and University of Zenica the development of a Wood Excellence Centre is a very important step within a comprehensive Technology Park programme in the region of Central BiH.

The aim of Wood Excellence Centre Project is on one hand to improve the expertise of researchers and lecturers of the University of Zenica so that they can more readily implement demand-driven applied research and development (hereafter referred to as aR&D) and advanced training activities in favour of the BiH wood processing sector and on the other hand to establish a long-term partnership between the two institutions.

The following main results are expected from the project activities:

- The requirements of the wood processing sector with regard to aR&D and advanced training have been investigated.
- International support and training methods as well as materials have been adapted for local use.
- Specialists of the University of Zenica have improved their knowledge with regard to aR&D and advanced training.
- The first demand-driven activities related to aR&D and advanced training have been implemented.

2. Science-Technology Park

The Central BiH Region was the most industrialized region (especially heavy industry sector) in Bosnia until the 1980s. The 1990s, however, saw a decline in the heavy and chemical industries and unemployment problems, political changes in Eastern European Countries, dissolution of former Yugoslavia state and market, war, etc. due to changes in the nation's industrial structure.

According to the task what REZ Agency received from Zenica-Doboj Canton and signed agreement, Agency are nominated as the institution which works at the Project of Scientific and Technological Park in Central Bih Region (location-Zenica).

At this moment, REZ Agency and University of Zenica are doing the considerable activities in the area of reconstruction of premises and all other activities, which will support this Project. Since 2005., project team of researchers was doing more of 400 pages of written text. This study presents in details all technologies will be appeared in working of future Science-Technology Park (hereafter referred to as STP), necessary human resources, materials and equipment. All of these technologies, which were treated in the Project, were interested for STP and SME's (e.g. CAD/CAP/CAM technologies, Industrial Design, Marketing, and special technologies as Rapid Prototyping, Reverse Engineering, Injection Molding, Die Casting etc.).

In appendix of the Project was designed more than one hundred SME's with different kinds of technologies, which will be support by future STP. As special task, researchers were investigated environmental protection technologies.

Project team has fully finished planned work regarding Project documentation. They are working on creation of optimal organizational structure according to needs of future STP and requests of local regulations in Bosnia and Herzegovina. They've engaged a team of 30 researchers from different disciplines (Ph.D. from technical and engineering sciences – mechanical, civil, electrical, metallurgy, chemistry like as from economy, law and other social sciences). We emphasize that in the project team, the average age of our researchers are 33 years. We have seen that our team consists of young researchers whose works postgraduate's thesis (master or doctoral thesis) in topics of Technology Park interests and further SME's development. Moreover, we have included 10 students of the final year to works on the business plans and other themes of Park interests (e.g. The design of Metrology Laboratory in STP, Reverse Engineering in STP Zenica, The role of HSC technologies in STP, Incubator as a part of STP, The importance SME's development for local community etc.).

We've have devoted a lot of attention to the education till today. During last four years our experts were in Techno-Parks in Valles and in Barcelona (Spain), in Graz (Austria), in Warwick (England), in Tokyo (Japan), in Munchen (Germany), in Ljubljana (Slovenia), in Zagreb (Croatia) etc. Now, four of our researchers, through joint project with Bern University of Applied Science, are at the education in Switzerland. Moreover, in the project team were included several persons whose passed education abroad. It is necessary to know that the Government of Ze-Do Canton has excluded Metallurgy Institute "Kemal Kapetanovic" from the process of privatization. The Government has determinated this space for development of STP. It is necessary to make some investment in reconstruction of this space, especially in the equipment. It will be necessary step for responding to the challenges and need's of STP. The estimation which was done till today at the Project show the amount of 5 million EUR of future investment. This amount will be enough for creation one modern STP and which will be able to support more than 300 SME's in Central Bosnia region and create possibilities for 15 000 to 20 000 new employees in those enterprises. At any rate this will be the greatest result of our STP project. REZ Agency was making "Regional Economic Development Strategy for Central BiH Economic Region". So, the Project of STP was seriously considered in the whole this Strategy. The Project is entered in all Development Projects of Central BiH Region.

Also, Project of World Bank was created City of Zenica Local Development Agency. REZ Agency was actively involved at this Project. We'd like to mention Project of Working/Industrial Zone with more of 300 000 sq m with purpose of development of SMEs. This space was a working area of the old iron and steel factory. Today, it's a property of city of Zenica and future area of STPs' tenants.

3. Wood Excellence Centre

Bosnia and Herzegovina (BiH) is known for its vast forest surface (55.6% of land area)³ and the wood industry is one of the most important sectors in the country. Approximately 20% of the country's exports are related to the wood industry and the sector accounts for about 15% of the employment as well as 10% of the GDP⁴.

There is a long tradition of manufacturing wooden products in BiH, and companies in this sector are already present throughout the wood value chain. The sector is currently going through restructuring; both the privatization process of companies and the damage caused by the war have changed the industry. As a result of the war, secondary wood processing activities have shrunk, but many local companies are currently refocusing emphasis on secondary processing capabilities. 2006 saw a sharp increase of 30% for BiH exports of wood products and the same increase are also expected for 2007⁵. Likewise, the construction industry of BiH has also seen a considerable increase in the last two years. The various stakeholders from the local public and private sector in the Bosnian wood processing sector have repeatedly acknowledged the need for an adequate training, research and service Centre to support the transition process and long term development of this sector.

The REZ Agency and its partners present a proposal for the establishment of a "Wood Excellence Centre" at the University of Zenica in BiH. Zenica, located in the heart of BiH, is a region known for the production of wood products. This Centre will develop responsible leadership cadres for the BiH wood products industry, knowledgeable of the latest technologies. Such a Centre would also become the focal point for implementing changes in environmental standards and certification of forests and wood products. The other project partners are: The Business Humanitarian Forum (BHF), Switzerland; European manufacturing companies and an association of manufacturers; the University of Zenica; the Berne University of Applied Sciences, Architecture, Wood and Civil Engineering and its Centre for Development and Cooperation .

Necessity of product certification is more than evident and therefore the existence of laboratories or other provider of certification centre is more than necessary. Current situation in Central BiH and the same conclusion could be drawn for whole BiH limits producers from further expansion. Access to foreign markets is multistage process and requires gaining of numerous certificates and achieving standards and other preconditions required by foreign markets. REZ RDA maintains continuous relations with SMEs in the region trying to respond to their needs and to remove obstacles set against their business relations. Several activities and separate projects of REZ RDA are dealing with issues like improvement of business relations, techniques or marketing skills of SMEs. Final problem of wood processing SMEs will be resolved by Wood excellence Centre and its services. Methodology or logic that REZ RDA intends to use while implements the project is preparation of services based on demands and multistage development of project activities and therefore establishment of Wood excellence Centre. Observing from the project implementation angle the second is most important. Development of Centre will be executed in several stages used to confirm or reconfirm information available to REZ Agency. Development such Centre as REZ RDA intends is more than establishment of one laboratory and requires large amounts of money therefore this project aims to establish the initial and most needed service provider that will grow with the time into wide range service Centre. The crucial segment of such activity is link of such institution with well established organizations in the relevant field and with education Centers like Universities. REZ RDA has strong relations with University of Zenica that will play important role in project implementation. Second major partner of REZ RDA in project implementation will be Institute "Kemal Kapetanovic" Zenica with its vast experience in material testing and certification. The mentioned two are most important partners related to execution of project while Zenica-Doboj Canton Government and municipality Zenica are other two supporters of the project. Establishment of wood excellence Centre will perform in several steps that could be grouped in following:

1. Assessment of possibilities, capabilities and needs
2. Establishment and accreditation of Centre
3. Further development and expansion
4. Commercialization of the Centre/self-sustainability.

³ BiH Human Development Report, UNDP, 2003, page 130

⁴ Agency for Statistics of BiH

⁵ Taken from Article in Oslobodjane, Feb. 2007.

The complete project consisted from following stages:

a) Analysis of relevant local capacities:

This Wood excellence centre has its viability based on several analysis and reports performed by REZ RDA and University of Zenica. Furthermore initial screening of capabilities gives the proof that the Central BiH region or more precisely Zenica has the initial human and technical capacities to support development and establishment of such centre in Zenica. Parameters that are essential precondition are already met like existence of University with its educated personnel and existence of Institute with long tradition in analyzing of machinery and materials. Nevertheless it is still necessary to perform in depth analysis of human and technical capacities of all partners in this project. This means that partners will perform in depth analysis of human and technical capacities of Institute “Kemal Kapetanović” and University of Zenica. The analysis will have the aim to list the machinery, human resources, structural potentials and other relevant information. This in depth analysis will be the base to define the steps and time schedule of other activities.

b) Analysis of specific regional and state SME demand for certification:

REZ RDA and University of Zenica will perform in this preparatory activity definition analysis of needs of SMEs in relation to wood quality. This activity is needed in order to define several most needed services that Wood excellence centre will provide. Quality certification presumes wide range of services but Wood excellence centre in its initial phase will start with provision of limited number of services but based of actual needs of SMEs. The analysis will define as mentioned initial needs but will be supplemented with list created by the demands of foreign markets.

c) Preparation of space for establishment of Centre:

REZ RDA already has space available for the purpose of wood excellence centre. The space is physically located at “Kemal Kapetanovic” Institute.

d) Construction and/or purchasing of necessary testing equipment :

The initial phase of wood excellence centre will require establishment of at least one laboratory and management section. This laboratory, that will represent nucleus of future Wood excellence centre, needs to be established in second half of project duration. This is due to logic to establish the Wood excellence centre in a way to have stage development. This project has an aim to establish the so called first phase of future centre. The first phase will requires establishment of laboratory that will perform limited number of testing and issue the certification of quality for those. This in reality needs to be lined with most desired needs of SMEs. Based on this analysis experts of “Kemal Kapetanovic” institute will construct and produce the testing devices. Majority of these devices used in testing process are not wide marketed but produced for specific purpose. Other testing equipment needs to be purchased. This phase will include engagement of eminent staff from BFH, Switzerland that has vast experience in this field. Experience of partners from BFH will be used in order to define the specific equipment to be purchased on one side and assistance in definition of equipment that will be constructed on site at the Wood excellence centre. Certain testing devices are to be used with its expendables (chemical solutions, additives or similar) and in this phase sufficient projected quantity of these expendables will be purchased as well with the aim to cover all functioning of Wood Excellence Centre. Based on above mentioned project, the European manufacturers will contribute to the WEC by the donation, cost-free leasing of machines, equipment and tools. They may also provide cost-free maintenance of machines, equipment and tools.

e) Education of initial staff:

Project foresees in this initial phase of Wood excellence centre engagement of limited number of staff. This staff will be selected from the implementing partner organizations namely REZ RDA, “Kemal Kapetanovic” Institute and University of Zenica. The staff will be educated at relevant institutions abroad (BFH, Switzerland) that have profile of activity divided into four specialized fields of interest.

f) Certification of centre:

Wood excellence centre needs to get certification by international standards for its laboratories. Required certificate is BAS/ISO 17025. Institute “Kemal Kapetanovic” within University of Zenica has several laboratories for mechanical and chemical testing that are certified with mentioned centre. These laboratories

will be used for testing of wood products where required. In addition the laboratory of Wood excellence centre will upon the establishment request certification as well. The BAS/ISO 17025 certificate can be issued by BATA (Institute for accreditation of Bosnia and Herzegovina) upon the request of relevant organization/laboratory.

g) Provision of services:

Once all the activities above are completed Wood excellence centre will be able to go on market offering the services based on step-by-step process. The region of Central BiH alone has 421 wood processing SMEs which opens wide market for Wood Excellence Centre⁶. The provision of services will be market driven and will be developed with the time based on needs of wood processing SMEs. Furthermore wood cluster initiative will organize the SMEs in Central BiH region and will enable them to give directions for development of the centre accordingly.

h) Establishment of multilateral business relations with relevant institutions at targeted markets:

European markets are most interesting for woodworking SMEs in the region. The credibility of Wood excellence centre once it is operational will be enhanced with establishment with partners at targeted countries. REZ-RDA and University of Zenica will play significant role in this phase operating in two directions promotion of Wood excellence centre activities within the country and establishing the links with partners abroad through the form of multilateral agreements with Institutions abroad –BFH.

i) Promotional activities/Branding of Wood Excellence centre:

Promotional activities will be conducted using media and wide verity of printed materials. This will be important for future functioning of Centre and its recognition on the market.

4. Conclusion

For the wood processing sector of BiH the results of Wood Excellence Centre project will have the following positive impacts:

- Creation of jobs, more income and value added in the region as improvement of livelihoods.
- Improved collaboration between SMEs and research and training institutions.
- Possibility to carry out applied research and development locally in the country, which will result in innovation and further development of the wood processing sector.
- Possibility to exchange and improve know-how with international partners.

The Wood Excellence Centre (WEC) will provide technical consultancy services on:

- Design of new products in order to fulfil the technical and marketing objectives of the firm in compliance with regulatory standards;
- Analysis of the defects of tested products;
- Study of the improvement of the products under test;
- Product certification, in reference to existing trade marks;
- R&D activity and;
- Technology transfer activity.

SME will profit from the improved knowledge at WEC what will result in the further development of their business and an additional demand on qualified wood processing specialists. The project partners are aware that during implementation of the projects new questions and challenges will arise. This is recognized as part today's fast changing business and will help us to find future-oriented solutions.

⁶ Taken from USAID CCA database.