

COUNTRY MARKET STATEMENTS OF BOSNIA AND HERZEGOVINA

1. General economic trends affecting the forest and forest industries sector

Last year has beared positive trend of sustainable economic development without significant deterioration of macroeconomic balance. Foreign inflatory pressures from end of last year were more significant and in that manire year of 2007 is diferent than previous years. Economic trends could be better if there is no political tension in Bosnia and Herzegovina, ambient for reforms and faster approach to European integration was not beneficial because of that.

The overall GDP in 2007 is amounted to 20,95 billions BAM what is increase of 9,5% in comparing with 2006. Estimation of deflators of GDP in 2007 is slightly bigger than consume prices index, regarding the growth of other prices was greater. Based on that real growth of GDP is 6%, what confirm positive trend from past years although growth is little bit smaller than in 2006 (6,7%). This growth of GDP is on same level comparing with surrounding countries, which are in transition, what is the proof of real accessing to European Union, although still with significant standstill (33% of average GDP of EU 25-th members) behind EU countries. Average growth of GDP during last fifth years is 5,2%.

During 2007 prices had variable tendencies. After low inflation even slice deflation during first six months however on second half of year inflation start to grow up to Decembers 4,9%. Inflation remained relatively low, at 5% per annum.

There is significant progress of foreign investments during 2007. Central Bank of Bosnia and Herzegovina estimate amount of direct foreign investments on more than 2,89 billions BAM, which mean as high investment comparing with GDP (13,8% of GDP).

2. Policy measures taken in Bosnia and Herzegovina, which might have a bearing on trade and markets of forest products or forest management

In Bosnia and Herzegovina forest sector is regulated through entity level as coordination tasks belongs to MOFTER. Regarding the existing Law, owners of forests are Federation of Bosnia and Herzegovina, Republic of Srpska and District of Brcko.

According the forestry legislation in Federation of B&H, managing of forests is responsibility of lower, cantonal ministries. Under Federal ministry of agriculture, water management and forestry, there is Federal department for forest management responsible for development plan for forests and administrative supervision over state and private owned forests. In Federation of B&H, cantonal parliaments from each canton form one economic society, lead by cantonal minister in charge for forestry, husband state forest in next five years.

In Republic of Srpska is formed Department for forest management, responsible to Agricultural Ministry of RS, husband state forest and organized thru 23 lower forest households.

CEFTA Agreement (Central European Free Trade Agreement) which took effect on November 22, 2007. Thus, conditions for overcoming all trade barriers which impeded the process of wood and wood product trade have been created. This Agreement is of huge significance for companies dealing with wood processing in B&H. Both for exporting their products and importing raw materials and semifinished products. First results of the implementation of this Agreement show intensified competition on domestic market, as well as less problems in importing raw materials and semifinished products from the Agreement signatory countries.

3. Development in forest products markets sector (major emphasis)

Forest land covers about 2.7 milion ha or 53% of the total land area , which is among the highest forest cover in Europe. The State owns 80% of forest land and private holdings constitute 20%. Of total State forest land (about 2.1 milion ha), high forests constituted about 55% while the remaining 45% comprised an equal proportion of coppšice and bare land. Of private land (about 0.6 milion ha), only 20% is high forest. In 1990, the total growing stock on State land amounted to 359 milion m³ or 215 m³/ha of forested land which is again among the highest stocking in European forests. Corresponding figures for the private forests were in 1982, 27 milion m³ and 68 m³/ha respectively. This shows that the private forest land (20%) only had about 7% of the standing stock. The volume of conifers on State land amounted to 133 milion m³ and broadleaved species to 226 milion m³.

Wood energy

While Bosnia and Herzegovina is very well endowed with biomass energy resources, and the rural population is highly dependent on wood (particularly in the form of firewood), information related to the biomass energy sector was extremely scarce in past. Current data about biomass residues or waste are good and relatively new (they have been collected through EU/FP6/ADEG project in 2004, based on forest and agricultural statistics, and surveys (in forest management companies, economy chambers, and wood processing industry). The annual increment is calculated to 9.49 milion m³, which corresponds to 3.0 % of the total standing volume (317.5 milion m³).

Annual allowable cut is calculated to 7.44 milion m³ and actual harvesting to 4.43 milion m³. Although annual growth seems high, annual wood increment is constrained by inadequate local forest management practices. This project removes market barriers to the adoption of sustainable biomass energy services in rural areas of Bosnia and Herzegovina through market transformation, enhancing job creation, community poverty reduction and local energy security. Focusing on the Srebrenica region covering the Municipalities of Srebrenica, Bratunac and Milici, the project addresses barriers in policy and legislation, finance, business and management skills,

awareness, and technology through a comprehensive barrier removal strategy that addresses biomass supply including forest management and demand-side biomass technology deployment.

The project will co-operate closely with the UNDP-SRRP Forestry for Employment Project to provide a model for addressing sustainable biomass supply. The GEF project uses an innovative niche market buyers-group approach (procurement) to increase sales volume, supported by heat service contracting (Build, Own, Operate, Transfer – BOOT), where technology suppliers carry both investment and operational risk and it represents best practice in building local ownership of project successes, enhancing sustainability.

The project objective is to avoid 120,000 tonnes CO₂eq over 15 years, by retrofitting or installing biomass-fired boilers in 20 schools. The GEF MSP will be closely integrated into the UNDP SRRP Forestry for Employment Project “Regeneration of the Forestry and Wood-Processing Cluster in the Srebrenica Region”.

Market demand for biomass energy is increased; Sustainable biomass fuel supply markets strengthened and expanded; Policy makers, financial sector, fuel and technology suppliers and niche markets are convinced of benefits and market opportunities for biomass energy.

Forest certification and Protection

The Forest Stewardship Council (FSC) certifies forests and plantations in accordance with the ten FSC principles and criteria. Groups around the world are accredited by the FSC to act as independent certification bodies.

Full certification of forest products involves two steps. First, an assessment of forest management is made at the site to ensure that management practices will sustain the resource and provide environmental goods and services. Second, chain of custody is traced from forest, to processor, to distributors, to the final consumer to ensure that only wood from the certified forests are being sold and delivered as FSC-certified. Many companies that have certified forest also possess certified mills and are distributors of certified woods as well. According to the FSC, all forest products carrying their logo have been independently certified as coming from forests that meet the FSC. Principles and Criteria of Forest Stewardship. Certified forests are categorized as natural forests, plantations, or mixed.

Natural forests are those where most of the principal characteristic and key elements of the native ecosystem, such as complexity, structure and diversity are present.

Plantations are areas which result from the human activities of planting, sowing or intensive silvicultural treatments, and lack most of the principal characteristics and key elements of native ecosystem. According to FSC, certified plantations should decrease the pressures on natural forests, have diversity in composition in species and age classes,

preferentially choose native over exotic species, serve to improve soil function, fertility and structure, and have some proportion of their area managed for the restoration of natural forest cover.

Mixed natural forest and plantations include large areas certified as one block that contains both natural forests and plantations. Semi-natural areas are forests that have some elements of both natural forests and plantations.

Value-added wood products

Bosnia and Herzegovina has a long tradition on furniture manufacturing. It boasts a wide range of solid wood furniture made from beech, spruce, fir, pine, oak and fruit trees, as well as a variety of styles and designs using board materials, veneers and painted finishes, plus upholstered furniture. Much of our raw materials is selected from our own forests. These forests in turn are becoming carefully managed to offer an advantage for exports of value added manufactures.

The market of Bosnia and Herzegovina is small and therefore, the products made by our quality conscious companies can be found on the European and international markets.

Our manufactures aim to export value-added products made of wood, and semi-finished high-quality solid wood products with high demand on the international markets. Thus, we can see the benefits of ensuring our workforce continues at its high skill levels, whilst putting in place cost effective enviromental equipment backed by widespread excellent kilning facilities.

One of the main limitation of B&H value-added wood product market is deficiency of product capacities for manufacturing final wood products.