



MINISTRY FOR FOREIGN
AFFAIRS OF FINLAND



*Empowered lives.
Resilient nations.*

2015 VALUE CHAIN ANALYSIS

Wood Processing

2 Mitrovicë/a Region





MINISTRY FOR FOREIGN
AFFAIRS OF FINLAND



*Empowered lives.
Resilient nations.*

2015 VALUE CHAIN ANALYSIS

2015 **Wood Processing**

2015 Mitrovicë/a Region

ACKNOWLEDGMENTS

Financing provided by the Ministry for Foreign Affairs of Finland in the framework of the Aid for Trade project.

ANALYSIS PREPARED BY:

Epi Centar International

SPECIAL CONTRIBUTION PROVIDED BY:

Quality Assurance, United Nations Development Programme (UNDP) Kosovo:

TEUTA PURRINI XHABALI, Project Manager, "Aid for Trade" project

ARTANE RIZVANOLLI, External consultant

ANITA SMAILOVIC, Project Associate, "Aid for Trade" project

BARLET GOJANI, NUNV Project Assistant, "Aid for Trade" project

ERĚBLINA ELEZAJ, Research Analyst, Policy, Research, Gender and Communications Team

IRIS DURI, Data Wrangler Statistician, Policy, Research, Gender and Communications Team

BRIKENA SYLEJMANI, Gender Program Associate, Policy, Research, Gender and Communications Team

BURBUQE DOBRANJA, Communications Associate, Policy, Research, Gender and Communications Team

DANIJELA MITIĆ, Communications Analyst, Policy, Research, Gender and Communication Team

A special gratitude goes to all interviewed businesses and other relevant actors.

There is no copyright on this document; therefore its content may be partially or fully used without prior permission of UNDP. Its source, however, must be cited.

The content and recommendations expressed in this report are of the contractor and do not represent the official position of the United Nations Development Programme and the Ministry for Foreign Affairs of Finland.

ACRONYMS

South Mitrovicë/a	Municipalities of Mitrovicë/a, Vushtrri/Vučitrn and Skënderaj/Srbica
North Mitrovicë/a	Municipalities of Leposaviq/Leposavić, Zubin Potok, Zveçan/ Zvečan, North Mitrovicë/a
CNC	Machines - Computer Numerical Control Machines
EU	European Union
IADK	Initiative for Agricultural Development of Kosovo
IBCM	International Business College Mitrovicë/a
MAFRD	Ministry of Agriculture, Forestry and Rural Development
NGOs	Non-Governmental Organizations
NWFP	Non-Wood Forest Products
SMEs	Small and Medium Enterprises
USAID	United States Agency for International Development
CE mark	European Conformity, originally Conformité Européenne,
FSC	Forest Stewardship Council

TABLE OF CONTENTS

ACKNOWLEDGMENTS	4
ACRONYMS	5
1. INTRODUCTION	8
2. METHODOLOGY	9
3. MAPPING OF THE SECTOR	10
3.1 Direct value chain participants.....	11
3.1.1 Forests (public and private)	11
3.1.2 Processors/Sawmills	11
3.1.3 Furniture, Pellet, and Panel Producers.....	12
3.1.4 Buyers/Traders of Furniture and Pellet	13
3.1.5 Exporters of Furniture and Pellet.....	14
3.2 Indirect value chain participants.....	14
3.2.1 Input providers – raw material providers, local or imported:	15
3.2.2 Design studios:	15
3.2.3 Marketing organizations:	15
3.2.4 Transport and logistics – transport companies and self-transport:	16
3.2.5 Access to capital – banks, financial institutions, development funds, administrative barriers:	16
3.2.6 Academic – Education:	17
3.2.7 Laboratories	17
3.2.8 Certifications - Certification providers, number of certified producers, number of CE mark (originally Conformité Européenne), FSC (Forest Stewardship Council) certified producers	18
4. COST STRUCTURE	19
5. DOMESTIC AND EXTERNAL TRADE AND MARKET TRENDS – MARKET ENTRY POINTS AND COMPETITION	21
6. HORIZONTAL AND VERTICAL LINKAGES.....	23
7. KEY ISSUES IDENTIFIED FOR THE TARGET REGION	24
7.1 Strengths.....	24
7.2 Weaknesses	24
7.3 Opportunities.....	25
7.4 Threats	25

8. RECOMMENDATIONS AND PROPOSED INTERVENTIONS	26
8.1 Improved business environment	26
8.2 Improved horizontal and vertical linkages.....	27
8.3 Improved marketing	28
8.4 Improved production.....	30
8.5 Improved access to capital	31
Annex 1. List of interviews conducted during the field work.....	33
Annex 2. Activities of donors in the past 5 years	35
Annex 3. References	37

FIGURES

Figure 1 - Graphical presentation of the value chain in the Mitrovicë/a region.....	10
Figure 2 - Furniture production cost distribution.....	19

TABLES

Table 1 - Structure of the export by the category in 2011 and 2012 in EUR.....	21
Table 2 - Data for the Import and Export of wood and wood products (January-December 2014)	22

1. INTRODUCTION

The targeted region consists of North Mitrovicë/a (municipalities: Leposaviq/Leposavić, Zvečan/Zvečan, Zubin Potok and North Mitrovicë/a), and South Mitrovicë/a (municipalities: South Mitrovicë/a, Vushtrri/Vučitrn and Skënderaj/Srbica). For the purpose of this study, the team has divided the targeted region in South and North Mitrovicë/a. South Mitrovicë/a has a population of around 192,000 inhabitants¹, mostly Albanians whereas North Mitrovicë/a has a population of around 40,000 inhabitants², mostly Serbs.

Unemployment is one of the main challenges of the Kosovan society. The unemployment rate is estimated to be around 30%³, remaining the highest in the region and Europe⁴. Although there are no data for the Mitrovicë/a region, there is no reason to believe that labour market conditions are different from those of the rest of Kosovo⁵. While there is abundant low-skilled labour available at a reasonable cost⁶, there is a lack of certain profiles and specific knowledge for the needs of the targeted value chain in South Mitrovicë/a. The situation in North Mitrovicë/a is slightly different related to skilled labour force. After the closure of the two factories in the region, SIMPO and HRAST, there are about 250 experienced and skilled workers available⁷.

Mitrovicë/a region has a long wood processing tradition. Its soils are generally nutrient-rich, providing a very good growth environment for natural plants and trees. The varied elevations, climatic influences and soils within Mitrovicë/a region provide a wide variety of micro-habitats, to which plant and tree species are adapted. However, according to the Kosovo Investment and Enterprise Support Agency (KIESA),⁸ the forested area is decreasing. The forest area is significantly reduced due to irregular operations, natural disasters (droughts, fires) and illegal logging.

In both North and South Mitrovicë/a, the industry is dominated by the production of furniture, and to a lesser extent, the production of pellet. Based on the interviews conducted for the purpose of this study, furniture production in South Mitrovicë/a has experienced some increase due to the booming construction sector. South Mitrovicë/a houses 11 saw mills and 23 furniture producers⁹. On the other hand, furniture production in North Mitrovicë/a has experienced a decline, particularly due to the closing of the two big companies HRAST and SIMPO. Today, companies engaged in this sector are micro enterprises, employing two to three people. The vast majority of enterprises are family owned, which inevitably reflects on their quality of organization and management. The production of pellet is a relatively new activity in the Mitrovicë/a region. South Mitrovicë/a houses three pellet producers, who currently have high stocks of goods, due to the problem they

1 Based on data from Kosovo Agency of Statistics

2 <http://www.osce.org/kosovo/66047>

3 Results of the Kosovo 2013 World Bank Labor Force Survey

4 Statistical Office of Kosovo

5 References to Kosovo shall be understood to be in the context of Security Council Resolution 1244 (1999).

6 According to Labor Force Survey for 2013 organized by Kosovo Statistic office, unemployment rate of 30%, youth unemployment rate 55.9% and inactivity rate 59.5%

7 Field Interviews

8 <http://www.invest-ks.org/en/Wood-Processing>

9 Information from field interviews

are facing in marketing the products. Although the production capacities exist, the companies still need support in management, sales systems, and finding new markets.

In North Mitrovicë/a, there is one pellet factory in Zubin Potok, which sells its entire production in Serbia. There is no local market for the product in North Mitrovicë/a since during the field interviews we were constantly told that the population in this region does not pay any utility bills so currently there is no incentive to resort to cheaper heating solutions.

2. METHODOLOGY

The purpose of this research is to identify and analyse all aspects of the wood and pellet value chain in Mitrovicë/a region. The preparation of the value chain analysis was organized in two stages. The desk research was used to review all existing relevant documents related to the wood and pellet sector and collection and analysis of available data produced from all relevant institutions. During the field research, the project team made efforts to collect data that was not available through the desk research. This phase included collection of data through organization of interviews with all relevant stakeholders in the value chain. During these meetings, interviews were conducted with questionnaires prepared prior to the field visit. The selection of key stakeholders was made considering equal territorial and organizational representation, choosing the leaders of all different value chain structures. Special efforts were made to map the institutions in the target area, their capacities and established mechanisms for development activities.

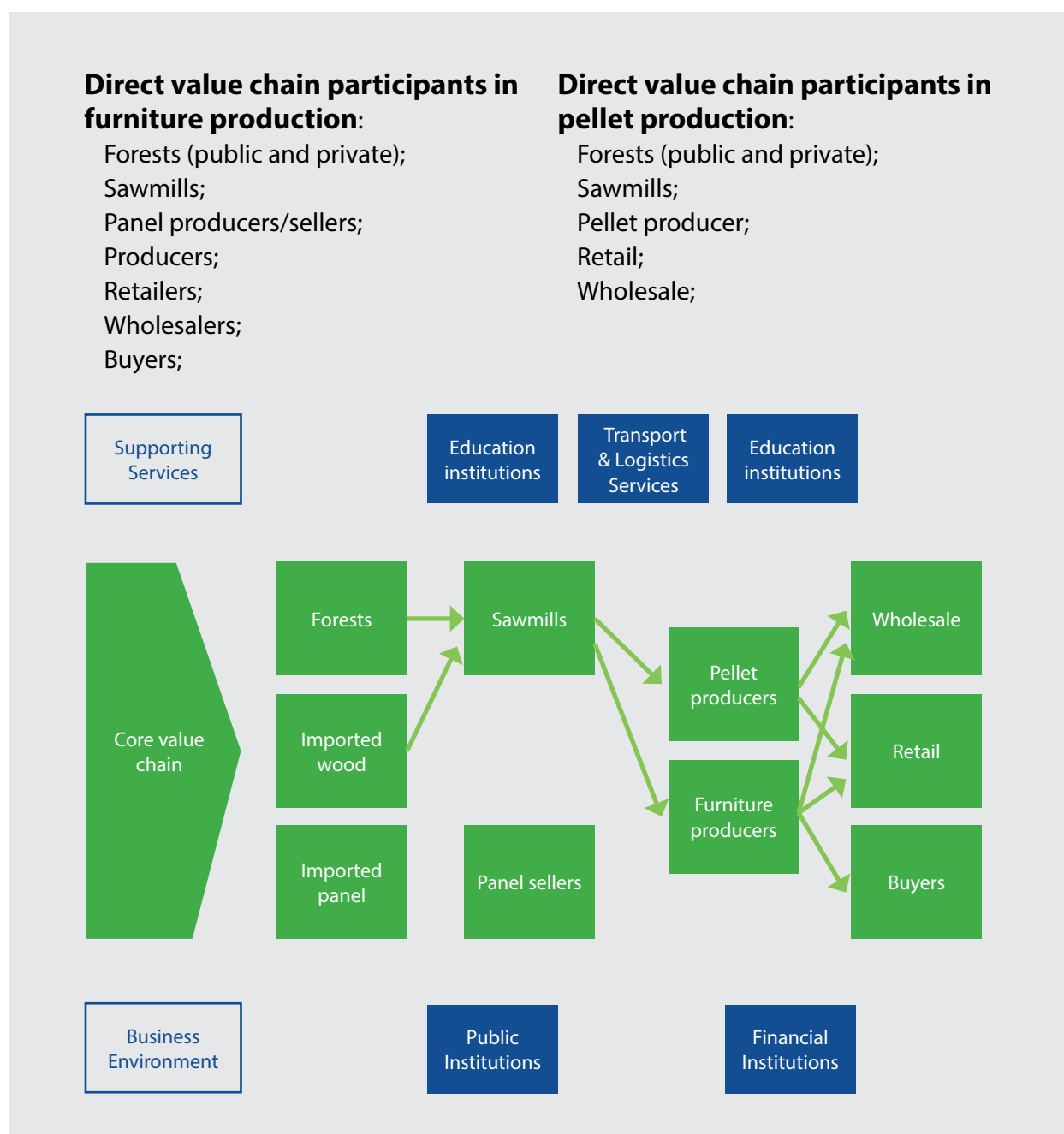
In order to analyse the available sector support aspect and the existing business environment, interviews were organized with representatives of the Ministry of Agriculture, Forestry and Rural Development (MAFRD), Kosovo Forest Agency, Municipalities of South Mitrovicë/a and Leposaviq/Leposavič. The workforce specifics and capacity building requirement was covered through interviews with the professors of the University of Hasan Prishtina in Prishtinë/Priština and at least 20 SMEs active in the region. Information related to access to capital was gathered through interviews with several representatives from the banking sector. Efforts were made to analyse the indirect-value chain participants as transport, logistics and marketing aspects. Finally, the producing and processing aspect of the value chain was covered through interviews with all relevant producers and processors in the targeted region. Efforts were made to analyse the situation in North Mitrovicë/a through organization of interviews with companies in Serbia that are cooperating on daily basis with companies in this region.

The information collected was crucial for preparation of a SWOT analysis where all the strengths, weaknesses, opportunities and threats have been identified. Two separate focus groups were organized in Vushtrri/Vučitrn and Mitrovicë/a, one for the North and one for the South Mitrovicë/a participants. On both of these focus groups, efforts were made to ensure participation from relevant key sector stakeholders from all points of the value chain. The main goal of the focus groups was to elaborate and discuss the main findings of the research. The recommendations and proposed interventions were complemented by the sector stakeholders, resulting in a document which is reflecting the real needs and identifying the gaps in the wood processing sector.

3. MAPPING OF THE SECTOR

Figure 1 below is a graphical presentation of the direct participants in the value chain of the furniture and pellet production in the region of Mitrovicë/a. The arrows in this figure represent the direction of the communication, and, as depicted, currently there is only “*one way communication*” between stakeholders, without interaction between different levels of the value chain. The research shows that currently there are no vertical linkages between different value chain players that could form integrated production cycles, thus actively connecting producers with processors and market. This reduces the ability of the producers to get adequate support from the processors and from market in the production process.

Figure 1 - Graphical presentation of the value chain in the Mitrovicë/a region



3.1 Direct value chain participants

3.1.1 Forests (public and private)

General findings	Field visits and stakeholder interviews revealed that there is a high availability of primary wood. Currently, the harvesting potential of the region is to a high extent under-utilized. Primary wood in the region is easily accessible in terms of quantity and competitive prices. However, there appear to be some difficulties in the management of forests: • There are no clear criteria how the harvesting rights are issued, • The planning process, especially for private forests is inadequate and lacks supervision and control, • Waste-wood utilization is not followed, especially where illegal harvesting takes place, • Forest management is not undertaken consistently, leading to lowered productivity and reduced stumpage values, especially in private forests, and • Forests are not protected against fire and insect outbreaks.
South Mitrovicë/a	MAFRD through the Forestry Agency of Kosovo, monitors, inspects and prepares the development and annual operational plans on forest utilization. The agency is also responsible for long-term management plans and investments in the forests and for issuing the licenses for utilizing the wood from the forests and secondary products as well. The municipalities are responsible to protect the forests against illegal logging in their territories, as well as for the implementation of the Forestry Agency plans. As there is no specific data for South Mitrovicë/a, it can be assumed that like in the rest of Kosovo, 30% of the forests in the region are privately and 70% publicly owned¹⁰. The general finding is that the forest management system is lagging behind, as there are not clearly defined roles between the stakeholders, so there is limited cooperation between them.
North Mitrovicë/a	The public body responsible for forest management is the branch of Serbia Forest, ŠG "Ibar" in Leposaviq/Leposavič. Based on stakeholder interviews, 60% are of forests in North Mitrovicë/a are publicly owned, whilst 40% of woods are privately owned. The management of both private and public forests is unsatisfactory, caused partly by the lack of financial and human resources and unclear/disputed roles, and mandates between Serbian and Kosovar institutions.

3.1.2 Processors/Sawmills

General findings	The sector is dominated by family businesses located in rural areas. They produce firewood and raw material for massive furniture as well as construction wood. Construction wood is currently their main source of income. The technical wood processing in sawmills produces 30% of waste¹¹, which is used by the pellet producers as a main raw material.
-------------------------	--

¹⁰ Data from the field interviews.

¹¹ Information from the field interviews.

South Mitrovicë/a	There are 11 sawmills in South Mitrovicë/a. They operate in the village of Zhabar/Žabare. Together, they process around 30 thousand lineal - meters of wood. They work exclusively with imported wood from Montenegro and Bosnia and Herzegovina. Their main product is wood for construction purposes, mainly sold on the local market.
North Mitrovicë/a	There are four sawmills in North Mitrovicë/a. Two are located in Leposaviq/Leposavič and two in Zubin Potok. They collect wood from the local forest, which is used mainly as firewood, while a small share is processed for construction and furniture.

3.1.3 Furniture, Pellet, and Panel Producers

General findings	Furniture production: It should be mentioned that the industry is dominated by window, door, and kitchen producers. Pellet production: As is the case with the rest of Kosovo, the pellet industry is a new initiative in Mitrovicë/a as well. Generally, there is a growing demand for pellet and increasing pellet production, closely related to the increased awareness of gas emissions and increasing costs of energy in the region and globally. Panel production: There are no panel producers in Mitrovicë/a region. Panels, used for production of furniture, are imported from abroad, mainly from Turkey, Bulgaria, and Slovenia.
South Mitrovicë/a	Furniture production: According to the Ministry of Trade and Industry, there are 23 active furniture producers in South Mitrovicë/a. The sector has a growing trend, linked mostly with the booming construction sector in Kosovo. The largest producers of furniture are located in South Mitrovicë/a (Binni and Ciao Berto). Their products are based on wood panel processing (i.e. kitchens, doors, and cupboards). The majority of companies that are active in the region possess advanced technology (CNC machines) which enable mass production. However, despite the potential, there is currently no mass production as the domestic market is small and businesses produce mainly for the local market. The two larger producers export to EU countries, which amount to 30% of their overall production. Currently the market demand exceeds their production capacities, so they constantly invest in new technologies that will enable them to increase their productivity. Pellet production: There are three pellet producers in the region that are mainly processing the waste from sawmills located in the area. Their product is mainly sold on the local market, with some examples of sporadic exports. There is a growing demand for this product on the local market. Nevertheless, in South Mitrovicë/a, the non-utilization of waste wood from the forests, the limited availability of waste from sawmills and the expensive firewood make the local product less competitive, compared to imports, which have easy access to low-cost raw materials.

North Mitrovicë/a	Furniture production: There are 10 furniture producers in North Mitrovicë/a (Annex 3), mostly small family businesses. The number varies because they are not active all the time. Out of ten, two are producers of massive furniture and eight of panel furniture. Production is organized in own facilities, mostly adequate for the size of their production, with equipment that is usually more than 15 years old. The team has not identified any producers with CNC equipment in North Mitrovicë/a. The average value of the equipment is between 10 and 30 thousand EUR. The internal organization of the companies in North Mitrovicë/a is on a fairly low level. The sector is characterized with small companies, where employees perform multiple tasks simultaneously (e.g. the director is responsible for production, as well as for marketing, promotion, etc.). Producers are focused on tailor-made products (massive furniture and plate furniture), and because of the tailor-made production, the products are sold mainly on the local market. Pellet production: Pellet production is concentrated in Zubin Potok. The raw material for production is supplied by 12 collectors of waste wood from the Zubin Potok area. The annual collection of raw material is between 50 and 60 thousand tons¹².
--------------------------	--

3.1.4 Buyers/Traders of Furniture and Pellet

General findings	The competition related to imported furniture and pellet is very strong and poses a problem for the local wood processors. The imported goods tend to be price-competitive and enjoy the trust of the buyers, as they are perceived to be of superior quality.
South Mitrovicë/a	Competition from imports is stronger in South Mitrovicë/a, where the number of furniture and pellet retailers is much higher. The reason for this is also the higher purchasing power of the local market¹³. There is a growing demand for pellet¹⁴, mainly because of the increasing energy prices.
North Mitrovicë/a	All furniture producers sell their products directly to the household market. There are only two selling points in North Mitrovicë/a, with limited operations, which sell products mainly from Serbia. The retail sector is underdeveloped due to lack of purchasing power of the local population and unavailability of consumer banking products. There is a limited demand for pellet in North Mitrovicë/a, as the population uses electricity as the main energy source for heating. There is one pellet producer, which sells its product(s) in Serbia and in the region. This producer has no linkages to the market in South Mitrovicë/a or the rest of Kosovo.

¹² Information from field interviews.

¹³ There are 3 pellet producers only in South Mitrovicë/a area. Due to higher costs for heating local pellet consumption in this area is also considerably higher.

¹⁴ Electricity Score – Copyright © 2013 GAP, INDEP and FIQ

3.1.5 Exporters of Furniture and Pellet

General findings	As is the case with the other industries, the wood sector is dominated by imports, with hardly any local companies exporting. In 2012, there were approximately 300,000 EUR recorded exports of wood and wooden products from Kosovo¹⁵. There are no specific data about the amount of exports from the Mitrovicë/a region. The development of the companies, especially in the South, provides an opportunity to organize exports to regional and EU markets. The CE (originally Conformité Européenne) certificate obtained by local producers has opened the door to the EU market. Current pellet production does not meet the needs of the local market. On the other hand, pellet producers are not utilizing their full production capacity, due to their inability to compete in quality and price with imported goods. However, through investments in quality improvement, growing demand of the product in question in local and EU markets is an opportunity for the domestic producers.
South Mitrovicë/a	In the past years, exports, mostly with kitchen equipment and doors, to Albania, Montenegro, and Switzerland have started. The major exporters are Binni and Ciao Berto in the Mitrovicë/a region. There is no export of pellet presently.
North Mitrovicë/a	Currently, there are no furniture exporters from North Mitrovicë/a. The exports stopped with the closing of the two active companies SIMPO and HRAST, in 2000 and 2014, respectively. The only pellet producer in North Mitrovicë/a sells mainly to Kosovo, and exports the rest to Serbia and the region. The company has no problems with marketing the product, due to the high demand in the Serbian market. It is also price-competitive, since it produces raw material for pellet. The forests in North Mitrovicë/a are under the management and control of the public enterprise Serbia Forest. The enterprise follows the Serbian legislation that has developed a set of rules for the collection of waste wood. The companies that are currently managing the forests in this region are following these regulations.

3.2 Indirect value chain participants

Indirect value chain participants for the furniture and pellet production are similar.

They include the following entities:

- Input providers, raw material providers;
- Design studios;
- Marketing organizations;
- Transport & logistics – transport companies and self-transport;
- Education providers;
- Laboratories - all relevant laboratories directly connected with the value chain;
- Certification providers;

The text below presents a description and influence of indirect value chain participants on the furniture and pellet production in North and South Mitrovicë/a.

¹⁵ Data from two exports located in South Mitrovica region

3.2.1 Input providers – raw material providers, local or imported

The inputs for the furniture industry are obtained from the local forests on a small scale but the bulk of it still comes from imports. The situation in North Mitrovicë/a is slightly different, as the management and utilization of the forests is better organized and the collection of waste wood is regulated. The majority of inputs come from imports, especially for furniture production. The producers face no problems concerning the quantity or quality of the raw material.

In South Mitrovicë/a, the supply of inputs is very well organized. The market consists of inputs for seedling nursery production for reforestation, as well as of supply for paints and other elements for wood processors. During the interviews, the team learned that the major processors import their inputs themselves.

In North Mitrovicë/a, the raw material providers are well organized and the quality of the raw material is satisfactory to the needs of the producers. During interviews and in focus group, stakeholders stated that they mainly purchase the necessary raw material for furniture production from the south, e.g. from Prishtinë/Priština, Vushtrri/Vučitrn, and occasionally from Serbia. The one local pellet producer is directly managing part of the forests in the region and also has established contract for procurement of fire wood with several other public and private owners of the forests. The company has obtained a license for forest utilization, which enables it to sell firewood, and use the rest as raw material.

3.2.2 Design studios

After the field visits and interviews, and discussions with two focus groups, the general conclusion is that there is lack of cooperation between design studios and furniture producers both in the South and in the North Mitrovicë/a.

In South Mitrovicë/a, there are interior design studios, which design items, based on the requirements of the buyers and then send the blueprints to the producers.

In North Mitrovicë/a, relationship and cooperation between design studios and wood manufacturers does not exist. There are no design studios. The furniture producers are not associated with architects. Only one person who works with 3D design could be identified.

3.2.3 Marketing organizations

The general conclusion is that there are no specialized marketing organizations for the wood industry. The large furniture producers from South Mitrovicë/a use the general marketing and public relation companies for promoting their products, which are mainly based in Prishtinë/Priština. The printouts and other materials can be printed at the local print houses, some of which are highly professional. Only the major furniture processors have web pages, which are quite well designed and regularly updated with new products. In North Mitrovicë/a, only two furniture producers use Facebook as the only marketing tool for promoting their products, not a single furniture producer

has a web site, brochures or other means of promotion. Producers are relying on “word of mouth” marketing, which is not sufficient, even in this relatively small market.

In the pellet industry, the only producer in the North cooperates with the marketing organizations from Serbia in order to promote its products in Serbian and regional markets.

3.2.4 Transport and logistics – transport companies and self-transport

The field team found that transport and logistics are very well organized in the furniture and pellet production.

In South Mitrovicë/a and throughout Kosovo, there are numerous transport companies, which provide transport and logistics services to the wood industry, as well. The transporters use their own infrastructure for internal transportation, and partner companies from Novi Pazar and Preshevë/Preševo for exports. For the import of goods, transportation is performed from various countries, with two major players having offices in Kosovo - “Intereuropa” and “Vijator”.

In North Mitrovicë/a, furniture and pellet producers also claim that transport and logistics services do not present a problem for current small-sized production. Companies have their own means of transportation.

3.2.5 Access to capital – banks, financial institutions, development funds and administrative barriers

This is the most important barrier raised during the interviews with all relevant stakeholders. Problems are more or less the same both in the South and the North. In the wood sector, self-investments plus some small scale donations from USAID represent the business funding structure. It is worth mentioning that EU funding programs provide grants aimed at specific policy objectives, such as research or education. Some of these can be relevant for businesses in the North and South. All interviewed participants stressed the problem with access to capital. The interest rates for bank loans are generally high in Kosovo¹⁶ and the requirements related to paperwork and collaterals are demanding and strict. The sector also lacks information and knowledge of the grant mechanisms, which have generally been scarce. Currently there is a USAID program ongoing, which aims at supporting the wood sector throughout Kosovo. The program provides grants to up to 70,000 EUR for potential applicants.

Access to capital in North Mitrovicë/a is very limited. Many unsolved legal issues are causing additional problems in this respect. Access to formal finance to invest and grow is very limited. Some microfinance organizations, supported by donors, incidentally offer some micro-loan products with 6%¹⁷ annual interest rate but only as a stimulus measure, limited in size and duration and only for the companies in North Mitrovicë/a. Until 2011, the Serbian office for the support of SMEs offered loans with a monthly interest rate of 0.6% (maximum loan of 30,000 EUR). The ability to make use

¹⁶ For loans below 10,000 EUR usually fixed asset collateral is not mandatory and the interest rate is highest (18% and higher). As the loan amount is growing the interest rate is gradually decreasing (up to 11% at the time of the field interviews) but with mandatory fixed asset collateral.

¹⁷ Field interviews

of grants is also considered limited. Lack of English language skills as well as lack of supporting institutions for the preparation of grant applications is evident. There are no support mechanisms for the SMEs to achieve the standards of EU funded programs. At the same time, there are no consumer loans for the potential buyers. This also influences the decreasing demand for furniture products.

3.2.6 Academic – Education

The major factors of competitiveness of the sector include research and innovation, labour force skills and know-how, product quality and access to foreign markets. In the Mitrovicë/a region, two higher-education institutions are active (a branch of University of Hasan Prishtina in South Mitrovicë/a and University of Mitrovicë/a in North Mitrovicë/a), and a number of private universities. The common problem in the whole region is the lack of connection between private sector and academic organizations.

Although the Faculty of Architecture¹⁸ in North Mitrovicë/a provides classes on interior design, the interior design architects do not have any relations with the wood industry, as the production of furniture in the North is very limited.

In South Mitrovicë/a and in Kosovo there is a Faculty of Applied Sciences in Ferizaj/Uroševac, which is part of the University of Hasan Prishtina. This faculty provides education in the branch of wood processing. The faculty of Applied Sciences in Ferizaj/Uroševac accommodates 620 students. Out of them, 50 are in the department of interior and furniture design. There are also eight Regional Vocational Centres in Kosovo, which teach wood processing on a high school level. According to the Ministry around 50 thousand pupils attend professional schools in Kosovo, while in Mitrovicë/a there are 6,310 pupils. However, these numbers do not include pupils in North Mitrovicë/a, as there is no data available.

3.2.7 Laboratories

All relevant laboratories are directly connected with the value chain. However, relationships between laboratories and the economy are still not regulated by law or by buyer demand. In the south, the Forestry Laboratory in Pejë/Peč is active, and it controls the production of seedlings for reforestation, as well as the health of the forests. As most of the industry's products are sold locally, the processors can still avoid certifications of any kind. In North Mitrovicë/a, there is no official laboratory which can provide any certificate for the pellet producer. Also, regulations for pellet producers are not in place yet. Pellet producers claimed that the equipment for quality control should be owned by the business, which would allow the business to check the quality of its product constantly.

18 University of Hasan Prishtina, Prishtinë/Priština

3.2.8 Certifications - Certification providers, number of certified producers, number of CE mark (originally Conformité Européenne), FSC (Forest Stewardship Council) certified producers

There are no accredited bodies to provide CE certification locally. Recently, the Forest Stewardship Council was established in Kosovo, which will deal with certifications in the future. In South Mitrovicë/a, there are no accredited certification bodies for other industry-specific certifications (excluding management certifications).¹⁹ Currently, there are only two known CE certified processors in South Mitrovicë/a, Binni and Ciao Berto. The companies obtained their certifications from abroad. However, other producers are certified with ISO standards such as ISO 9001. In North Mitrovicë/a, the furniture and pellet producers do not have any certifications or certified production practices. The manufacturers are aware they will need all necessary certifications if they are interested to export.

4. COST STRUCTURE

The calculation of profit margins for furniture producers depends on the size of production and the process involved. Increased competition in the domestic market had resulted in gradual reduction of the margins for furniture producers.

Larger furniture producers have their own production lines, practice some limited serial productions and use advance technology in the process. This allows them to reduce the production margins and be more competitive. On the other hand, smaller furniture producers, both in the North and in the South, have very limited flexibility to reduce the margins.

Producers of massive furniture usually calculate the price depending on how many hours they spend to produce one piece of furniture and the cost of raw material. The time they spend for specific production depends on the type of wood, complexity of design and dimensions of the product. Producers of massive furniture usually calculate 5 EUR per hour. For example, for the production of a table, a producer calculates 150 EUR (approximately 30 hours x 5 EUR per hour) as the total labour cost for the table. The final price will depend on the type of wood used in the production.

Figure 2 - Furniture production cost distribution



Producers of plate furniture calculate the total price of their product a bit differently. The cost structure is similar in the South and North Mitrovicë/a, with slight differences in the profit margin. The basic formula for calculating the total manufacturing costs is to add the cost of direct labour to the costs for the raw materials and manufacturing. The participation of labour in the production of plate furniture is significantly lower compared to that of massive furniture production mainly because of the specifics of the production and smaller participation of labour in the production process. Currently, the labour margin calculated for the processing of plate furniture ranges from 30% – 50% of the raw material cost. This percentage depends on the market and in the past few years has significantly declined. For the smaller producers, the depreciation of the equipment is rarely included in this calculation.²⁰

The price of pellets on the Kosovo market is determined mainly by the big regional producers from Serbia and Bulgaria. Pellet producers need to be very careful when they calculate their cost considering the small margins calculated in the production. The current price of 1 ton of pellet in the region ranges from 160 EUR in the summer to 170 EUR in the winter. The current price of pellet on the EU market is 180 EUR. Current consumer protection laws do not require the disclosure of the content of the pellet on the package. This allows for unfair competition from imported pellets of lower quality. The usual conversion rates for the used raw material are:

The cost and the profit margin for the production of pellet are calculated as follows²¹: 1.5 - 2 m³ of fire wood will give 1 ton of pellets. The cost of 1m³ of firewood ranges from 25 to 40 EUR. The high percentage of firewood used in the production process gives a better quality pellet, due to the lower amount of waste in the form of ash. The pellet producer in North Mitrovicë/a uses waste wood as well, collected from the forests in the area. About 3 – 3.5 m³ of waste wood will give 1 ton of pellets. The cost of the waste wood is about 13 EUR per m³ and only about 10 percent of the raw material is usually waste wood. On the other hand, around 9 m³ of sawdust will give 1 ton of pellets, out of which 1 m³ is used as energy source for the production process. The cost of the sawdust is 4 EUR per m³.

The current pellet producers in the Mitrovicë/a region usually use sawdust from sawmills as their main raw material. In North Mitrovicë/a, the producer uses 50% sawdust and 50% waste wood from the forests. In South Mitrovicë/a, the producers use sawdust and firewood.

The production price for 1 tone of pellets is calculated at about 130 EUR. Of this amount, 30% covers the cost for raw materials, 20% for energy, 20% for labour, 10% for fuel, 5% for packaging, 10% for rent and 5% for maintenance.

The amortization expenses are not included in this calculation. Taking into consideration the price of the pellet production line, of about 500,000 EUR, coupled with the cost of the production, it can be easily calculated that the production costs are much higher, thus narrowing the profit margin. Nevertheless, the increasing energy prices and the growing demand of the product on the local and regional markets provide for an increasing market, which will consequently increase of profits.

21 Presented information from the field interviews

5. DOMESTIC AND EXTERNAL TRADE AND MARKET TRENDS – MARKET ENTRY POINTS AND COMPETITION

Most of the locally-produced wood items are sold on the domestic market throughout Kosovo. The major players from the Mitrovicë/a region supply the entire Kosovo market. The domestic market is covered through numerous furniture stores, which besides the local products offer imported goods, too. The majority of furniture selling points are located in urban areas, mostly in the suburbs of major cities.

Table 1 shows that the main exported products of this sector are windows, doors, kitchens, and furniture. On average, the value of exports increased by 23% from 2011 to 2012. The average value of exports ranged between 50,000 EUR and 60,000 EUR per company, whilst a few companies exported more than 200,000 EUR annually²². The qualitative research conducted for the purpose of this study suggests that export in the wood industry is increasing.

Table 1 - Structure of the export by the category in 2011 and 2012 in EUR²³

Category	2011	2012
Kitchens and furniture	17,200	32,900
Manufacturing of veneer sheets, manufacture of plywood, laminate board, particle board, fibre board and other panels and boards	75,833	79,999
Sawmilling and planning of wood, impregnation of wood	90,125	104,000
Other wood products	48,333	67,500

²² Data from field interviews – average for the last three years

²³ Ministry of Trade and Industry

The available data presented in table 2 show some modest increase of exports but the overall participation of exports remains very low. The current imports of wood and wood products are more than ten times larger in quantity and monetary value compared to exports.

Table 2 - Data for the Import and Export of wood and wood products (January-December 2014)²⁴

Category	Export		Import	
	<i>Amount in kg</i>	<i>Value in EUR</i>	<i>Amount in kg</i>	<i>Value in EUR</i>
Conifers	3,950	364	119,741	9,572
Broadleaves	0.00	0.00	2,501	1,884
Pellet	0.00	0.00	6,871,851	1,009,162
Briquettes	20,160	1,915	437,452	25,792
Sawdust	0.00	0.00	186,720	16,149
Others	0.00	0.00	4,819,629	613,091
Wood treated with colour	0.00	0.00	814,680	257,470
Lumber for sawn	0.00	0.00	278,280	27,704
Others	0.00	0.00	403,050	30,105
Technical wood	0.00	0.00	7,057,930	513,400
Conifer wood	2,500	1,155	1,084	219
Not conifer-Broadleaves	0.00	0.00	4,290	1,111
Wood for construction	49,340.00	19,710	36,160	9,386
Pine type of Picea Abies	510	427	2,797,810	440,649
Pine (type of Pinus Sylvestris)	0.00	0.00	6,321	3,073
Others	41,950	24,980	4,957,684	857,470
Silver Pine (Bredhi i Argjend)	0.00	0.00	920,652	204,774
White Pine (Pinus Alba)	0.00	0.00	51,523	19,069
Others	211,458	31,987	46,826,296	8,466,756
Total	679,088	92,889	76,889,596	12,518,730

6. HORIZONTAL AND VERTICAL LINKAGES

Horizontal and Vertical Linkages	
General findings	Horizontal and vertical linkages need to be established/ improved in both North and South Mitrovicë/a. No formal or informal vertical linkages were identified in furniture production. The only linkage in pellet production was between pellet producers and sawmills, which provides sawdust as raw material.
South Mitrovicë/a	A Wood Processors Association was established through donor funding. The association is considered among the most active in Kosovo, but businesses view its role as limited, nevertheless. Lack of funding is considered to be one of the reasons for the limited activity. No vertical linkages in the furniture and pellet sector have been identified, and the larger players are not willing to be involved in such linkages.
North Mitrovicë/a	Furniture producers in North Kosovo are not connected formally between themselves. Their cooperation is not structured and organized and it is sporadic. Horizontal linkages almost do not exist, because of the lack of institutions to support their functioning. The companies in North Mitrovicë/a are not members of the Wood Processors Association. The pellet producer has a straightforward production process and as the sole company of its kind, has no need for involving other stakeholders, besides the network of collectors of waste wood.

7. KEY ISSUES IDENTIFIED FOR THE TARGET REGION

7.1 Strengths:

- Significant investments in the wood processing sector (South Mitrovicë/a) – The biggest Kosovo furniture producers (BINNI and Ciao Berto) are located in this targeted region.
- Tradition in furniture production (North Mitrovicë/a) – The major producers (Simpò in Zubin Potok and Hrast in Leposaviq / Leposavič) were located here, though they are no longer active. As a result, there is a considerably large number of seasoned professionals available.
- Developed domestic network of furniture production material – Domestic companies with established import systems provide adequate raw material at reasonable prices.
- Availability of the physical labour force - Unemployment of around 145.000²⁵.
- Existing Association of Wood Processing Companies – Existing platform for the initiation of discussion between value chain stakeholders and the organization of joint promotional events on export markets.
- Increased operations of the sawmills in the target region producing raw material for the pellet producers – Due to growing demand of the construction industry, sawmills are constantly increasing their production in the target region; consequently, increasing raw material for pellet production.

7.2 Weaknesses:

- Lack of access to capital – High interest rates²⁶ or no access to loans (North Mitrovicë/a)
- Lack of information within the value chain stakeholders - The actors in the same value chain have different or no information regarding the development of the sector, especially between North and South Mitrovicë/a.
- Narrow range of products mainly kitchens, doors, windows, targeting mainly the domestic market.
- Lack of foreign investors in the wood industry – Lack of established links with export markets and advanced production technology.
- Skilled labour not available – To satisfy the requirements of the companies introducing new processing technologies (CNC machines, computer design). Most of the producers and processors have complains about deficiency of educated labour and lack of innovative skills.
- Not certified companies (smaller) – Limited number of companies (BINNI and Ciao Berto) with available CE mark which enables them to access the EU market.

25 Results of the Kosovo 2013 Labour Force Survey, Kosovo Agency of Statistics, July 2014

26 Refer to footnotes 15 and 16

7.3 Opportunities:

- Growing construction sector in Kosovo – Increased local demand for furniture.
- Big pellet deficit on EU markets – According to several international studies, there is currently a deficit of 2,500,000 tons of pellets identified on EU markets as well as considerable deficit of pellets on the regional markets²⁷.
- Increased energy costs – Increased use of pellets due to cheaper costs by both households and industry in the regions.
- Increased ecologic awareness - For using ecology-friendly energy sources resulting in increased awareness for the environmental advantages of the use of pellets²⁸.
- Low cost labour - The average gross wage in Kosovo is 372 EUR²⁹.
- Liberal trade regime – Access to EU markets.
- Favourable tax policy – Kosovo has a flat-rate taxation system that is simple and that reduces the tax burden for individuals and businesses.

7.4 Threats:

- Deregulated forest management and control mechanisms resulting in gradual deforestation – In South Mitrovicë/a, the Forestry Department is under direct authority of the MAFRD with questionable authority in forestry control and development plans for forestry cutting - mainly as result of decentralization of this sector. In North Mitrovicë/a, currently the public enterprise Serbia Forest is authorized for forest management and control mechanisms by the Serbian Government.
- The purchasing power of the population is limited (particularly in North Mitrovicë/a) – Consumer interest rates for South Mitrovicë/a are high and currently in North Mitrovicë/a there is no access to any consumer lending products.
- Strong competition from the region (import of ready-made furniture) - Import of furniture by regional producers is one of the main threats for the domestic furniture producers.
- Lack of institutional programs supporting the development of the sector – inputs in production and machinery currently not excluded from taxation³⁰ thus making the investment in fixed assets considerably higher.

27 <http://www.aebiom.org/wp-content/uploads/file/2013%20AEBIOM%20Conference/Presentations%202013/A%20Dale%20presentation%20AEBIOM%20Brussels%202013.pdf>

28 <http://www.fao.org/europe/news/detail-news/en/c/283674/>

29 <http://hdr.undp.org/sites/default/files/khdr2014english.pdf>

30 Information from field interviews.

8. RECOMMENDATIONS AND PROPOSED INTERVENTIONS

8.1 Improved business environment

8.1.1 Issue

To improve the monitoring or control mechanisms that could ensure sustainable development and use of natural resources.

Conclusions

This sector has no monitoring or control mechanisms, or clear delegation of responsibility between institutions that will ensure a sustainable use of forests. The situation is slightly better in North Mitrovicë/a (due to a different system which is currently functioning), but there is room for improvement there, too. The current situation is resulting in deforestation and in very little practical control of the situation on the ground. This practice in the long run can have negative effects both on the biodiversity in the region and the economic implications for the people active in this sector.

Possible solutions

- To support the process of development of appropriate legal framework that should result in the development of appropriate monitoring and control mechanisms that will ensure a sustainable use of forests. This process should ensure participation from SMEs, local institutions and public organizations. The process should also clearly define the roles of different institutions in the process of forest exploitation. Establishing control mechanisms should be a priority.

8.1.2 Issue

Creation of a sustainable, transparent and updated Registry of all value chain stakeholders to improve the information flow between South and North Mitrovicë/a.

Conclusions

Currently, there is no formal registry of companies active in this value chain. The existing Wood Processing Association is partially solving this problem for the SMEs throughout Kosovo (except for North Mitrovicë/a). The feedback received from SMEs during the interviews provided us with different perception from the SMEs about the role and quality of services received from this association. During the field and desk research it was clear that there is a lack of available relevant information for the development of the sector.

Possible solutions

- Creation of a sustainable transparent and updated **Registry of all value chain stakeholders** in cooperation with local institutions and existing NGOs in the target region. This registry should improve the information flow in the value chain and improve the cooperation between North and South Mitrovicë/a.

8.2 Improved horizontal and vertical linkages

8.2.1 Issue

To support initiatives for integrated production of pellets and furniture.

Conclusions

No functional vertical integration in the target region was identified in the course of this research. Currently, there is no communication and very limited information shared between SMEs from North and South Mitrovicë/a. Supporting cross-regional interventions for improving the cooperation between SMEs could considerably improve the competitiveness of all value chain stakeholders. Although political differences are still present, the qualitative research conducted suggests that there is readiness among value chain participants to set aside these differences in the interest of economic benefits.

Possible solutions

- To consider supporting initiatives for the **establishment of integrated production of pellets**, linking the pellet producers with sawmills and furniture producers. These initiatives should also consider linking the operations between the SMEs from North and South Mitrovicë/a.
- To consider supporting an initiative for **integrated production of furniture**, linking the existing bigger furniture producers with the smaller ones, transferring part of the big furniture producers' production process to the identified small local furniture producers. This process should require certification of the production, organization of small serial production, improved planning of the production, clear definition and description of different stages of the production process, joint organization of stocks, establishment of quality control mechanisms and alignment of the production process.
- To support the **establishment of a platform for cross-regional information-sharing**. This process should improve the cooperation between the SMEs in South and North Mitrovicë/a through providing relevant information that can result in improved business cooperation. The establishment of a regional furniture producers' cluster in cooperation with local institutions can help this process. This organization could also assist the process of better coordination of donor assistance in the region.

8.2.2 Issue

To improve the access to qualified workforce

Conclusions

The demand for qualified workforce is considerably different in the two regions, depending on the level of development of the existing SMEs. Furniture producers in South Mitrovicë/a are much bigger and possess new production technology that requires qualified workforce with specific knowledge (operation with the CNC machines or preparation of designs using computer models). As the complexity of the machines used in the production is increasing, the need of specialized workforce

will also increase. Using computer programs in the design process and in the preparation for the production also requires some specialized qualifications.

Possible solutions

- Development of appropriate **on-the-job vocational training programs through designing appropriate internships programs** in cooperation with existing furniture producers. These programs should be developed in coordination with existing furniture producers in the region and existing educational institutions.
- **Development of specialized courses for furniture producers associated with some advanced production technologies, Enterprise Resource Planning (ERP) systems and management courses.** These should be developed in partnership with existing education institutions and coordinated with existing SMEs in the region. Supporting pilot programs for the initiation of such systems could help the process of replication and easier acceptance of the courses by local companies.

8.3 Improved marketing

8.3.1 Issue

To improve consumer protection mechanisms, enabling a fair competition on the local market and protection of the domestic producers.

Conclusions

Both the production of domestic pellets and furniture are currently dominated by imports from other countries on the local market. Because of limited consumer protection mechanisms, the domestic products sold on the market are often of lower quality, sold at much lower prices compared to the foreign ones. This process creates unfair competition and a business environment which is unfavourable for sustainable development of the domestic production.

Possible solutions

- To develop product monitoring, improved public procurement and **consumer protection mechanisms** regulating the local market and protecting the domestic producers. As part of this activity, should consider launching an **awareness campaign for the promotion of the domestic production** that should lead to increased consumption of domestic products. Support the establishment and organization of a regional logo used by the domestic furniture and pellet producers in cooperation with local institutions in the region.

8.3.2 Issue

To improve e-Marketing practices

Conclusions

During the desk research, the team could not find appropriate information on the products available from the SME sector, a few exceptions being the larger SMEs in South Mitrovicë/a. In North Mitrovicë/a, no company that has a functional and updated website was identified.

Possible solutions

- **To improve SMEs e-marketing practices** through the introduction of computer based design and improved web based marketing for custom made furniture. This should improve the capacity of the SMEs for using e-marketing tools and develop knowledge for using specialized e-design software.

8.3.3 Issue

To increase the local demand for pellets.

Conclusions

Pellets are still considered as a new energy source. There is a lack of potential consumers' understanding of the advantages of pellet use. The organization of campaigns that may raise awareness for potential benefits that will promote the use of pellets could have a considerable effect on demand for pellets.

Possible solutions

- Organization of an **awareness campaign for the promotion of the benefits of pellet** as an alternative energy source. This should assist current pellet producers and increase local demand for this product. This campaign should educate the domestic consumers about the advantages of pellets compared to other heating sources and should also promote the ecological aspects of this product.

8.3.4 Issue

To support furniture exports to targeted export markets

Conclusions

Currently, furniture production is mainly targeting the domestic market, with the exception of several bigger companies that are aggressively increasing their export rates. In all discussions with interviewees, the export of Kosovo furniture was mentioned as one of the main conditions for ensuring sustainable development of the sector. Currently, exporters make their business decisions based on insufficient understanding of a specific market and market segments, unconfirmed information on competitors and price positioning that reduces the likelihood of developing successful export plans. Also, by lacking market intelligence and resources for promotion, exporters find it difficult to identify and establish contacts with the most relevant players on the market.

Possible solutions

- To support the organization of **international markets entry studies, buyers Mission & B2B meetings**. This should be organized for selected export markets in cooperation with the existing furniture exporters and with the local furniture cluster organization.

8.4 Improved production

8.4.1 Issue

To improve manufacturing productivity.

Conclusions

The majority of furniture producers in Kosovo have uniform production. Most of them are connected with the growing construction sector, producing mainly doors or kitchens. The larger furniture producers are seriously considering expanding their production to other products that could achieve a better use of the equipment and improve the profitability of the companies. The process of developing other products should require mobilization of all available local academic experts, supported possibly by international consultants that could transfer the experience for the initiation of small mass production and development of new products. At the same time, these consultants should ensure links with larger international distribution centres that have a need for this type of products.

Possible solutions

- To improve the utilization of **production capacities and manufacturing productivity**. This should result in diversification of production & facilitation of new product development through introduction of new production methodologies that will reduce waste and increase efficiency and product quality. This process should also promote the use of new machinery that could increase productivity of furniture producers. Special attention should be paid to the calculation of productivity from using new technology compared to the old one.

8.4.2 Issue

To support the production and marketing of massive furniture in North Mitrovicë/a

Conclusions

In the case of North Mitrovicë/a, the team suggests supporting a few initiatives for the production of "Massive Furniture", production that does not require expensive machinery and big investments. Considering the different capacities of the SMEs in North Mitrovicë/a, the production of massive furniture can provide short term solutions for future development of the furniture industry in this region.

Possible solutions

- To support the production **of massive furniture in North Mitrovicë/a**. This process should also assist the producers from North Mitrovicë/a to find markets in other parts of Kosovo.

8.4.3 Issue

To improve access to raw material for pellet producers.

Conclusions

Production of pellet is relatively new for both South and North Mitrovicë/a. The founders of the companies acquired their experience individually and applied their acquired knowledge in their firms. It can be beneficial if they are provided with expert advice to enable them to improve the quality of their products. According to a few specialized companies interviewed for the purpose of this study, there is a considerable potential for increasing the pellet production, assuming that adequate quantity of raw material is provided.

Possible solutions

- **Cleaning forest waste** for improving access to raw material for increased pellet production. Cleaning forests is one of the solutions assuming it is organized in line with internationally accepted practices and standards and adequate control mechanisms. Adaptation of the legislation and improved control mechanisms should be developed, parallel to this intervention.
- The **introduction of small technical laboratories** that will be able to control the quality of the product through different stages of production (pellets), could improve the quality of the produced pellets.

8.5 Improved access to capital

8.5.1 Issue

To improve access to capital.

Conclusions

Access to capital is one of the biggest problems for all stakeholders in the Mitrovicë/a region and it was identified as one of the biggest obstacles for achieving sustainable growth for furniture and pellet production. In South Mitrovicë/a, the existing financial products offered by banks are expensive and do not correspond to the real needs of the SMEs. In North Mitrovicë/a, there are currently no lending products available to neither consumers nor companies. Such inadequate financial support can jeopardize and seriously damage existing production in both South and North Mitrovicë/a. The development of appropriate funding mechanisms, in cooperation with existing financial institutions, should be one of the main priorities of all support structures. While this is a complex problem that cannot be addressed overnight, short-term solutions can be designed to help SMEs to partially address this obstacle.

Possible solutions

- To develop **funding mechanisms in cooperation with existing financial institutions**. Interventions should be developed in coordination with existing financial institutions. In this way, the developed mechanisms will be applicable in the future. Assuming this solution proves to be successful, we could also expect positive replication models by other financial institutions active on the market.

8.5.2 Issue

To improve the SMEs capacity related to grant application

Conclusions

There are several existing grant support structures developed to increase the competitiveness of the SMEs in Kosovo. During the survey and the discussions with the SMEs, it was clear that there is a considerable misunderstanding and lack of information regarding the grant process, implemented either by some donor organizations or public agencies. The existing support structures (individual consultants, NGOs or consulting companies) remain to be properly developed to successfully assist the needs of these companies. Educating the SMEs and training the support structures should be one of the priorities for a sustainable use of the available resources.

Possible solutions

- To improve the local knowledge for the **preparation of grant application documents**. In cooperation with the NGOs active in the region, suitable training events and applications on a pilot basis should be prepared. Special attention should be paid to increasing capacities of existing NGOs and consulting companies that provide services to local SMEs;
- To improve the **strategic planning process of SMEs active in furniture production**. This process should support the preparation of company strategic development plans on a pilot basis.

Annex 1. List of interviews conducted during the field work

	Name and Surname	Institution/Organization	Sector	Location
1	Kastriot Këpuska	TEB Bank	Bank	Prishtinë/Priština
2	Ganimete Rexhepi	Vijator	Transport	Prishtinë/Priština
3	Armend Hoxha	ProCreditBank	Bank	Prishtinë/Priština
4	Benar Kelmendi	Intereuropa	Transport	Prishtinë/Priština
5	Nuredin Limani	Limani Furniture	Furniture production	Prishtinë/Priština
6	Nusrete Doda Gashi	Ministry of Agriculture, Forestry and Rural Development	Kosovo institutions	Prishtinë/Priština
7	Faruk Bojaxhi	Kosovo Forest Agency	Kosovo institutions	Prishtinë/Priština
8	Arieta Pozhegu	Lesna	Furniture	Prishtinë/Priština
9	Visar Idrizi	Vi-Print	Design and Print company	Mitrovicë/a
10	Benar Kelmendi	Intereuropa	Transport	Prishtinë/Priština
11	Alban Dedi	Kanun	Marketing and Advertising	Prishtinë/Priština
12	Vlora Basha	Index Kosova	Research Institution	Prishtinë/Priština
13	Elbasan Maliqi	EL-Fa	Pellet production	Mitrovicë/a
14	Bedri Bajrami	Municipality of Mitrovicë/a	Kosovo institutions	Mitrovicë/a
15	Bahri Muja	Kovacica	Wood processing	Mitrovicë/a
16	Naim Fazliu	Binni	Furniture	Vushtrri / Vuçitër
17	Nebojsa Arsic	University of Prishtina, Hasan Prishtina – North Mitrovicë/a Branch	Education	Mitrovicë/a
18	Aleksandar Ristovski	University of Prishtina, Hasan Prishtina	Education	Mitrovicë/a
19	Miljojko Petrović	Municipality of Leposaviq / Leposavič	Kosovo institutions	Leposaviq / Leposavič
20	Vitomir Jachimović	Hrast	Furniture	Leposaviq / Leposavič
21	Aleksandar Djukić	Faculty of Agriculture	Education	Mitrovicë/a
22	Dushko Minić	University of Prishtina, Hasan Prishtina	Education	Mitrovicë/a
23	Bojan Kostović	DEKOR In	Furniture	Leposaviq / Leposavič

24	Slobodan Milutinović	PP Evrokatič	Wood processing	Leposaviq / Leposavič
25	Mladen Milicević	PTP Europa	Pellet production	Leposaviq / Leposavič
26	Nemanja Milič	Furniture production	Furniture	Mitrovicë/a
27	Sasha Milović	SZTR Javor	Furniture	Mitrovicë/a
28	Dori Pavlovska Georgievska	IBCM	Education	Mitrovicë/a
29	Vojislav Milijić	SERBIO, National Association for biomass	Wood sector	Majdanpek
30	Srđan Marinković	ECO PELET	Pellet production	Leskovac
31	Bratislav Đorđević	Bata Đ	Furniture	Leskovac
32	Goran Kocić	Drvoprodukt Kocić	Furniture	Leskovac
33	Siniša Simonović	Beli Bor	Furniture	Leskovac
34	Bratislav Stanojević	MITA	Furniture	Leskovac
35	Bratislav Dodić	Dodić d.o.o.	Furniture	Vranja
36	Milica Dimitrijević	Hanibal d.o.o & Serbian Furniture Cluster	Furniture	Vranja

Annex 2. Activities of donors in the past 5 years³¹

Donor		USAID
Project		Kosovo Private Enterprise Program, implemented by Booz Allen Hamilton
Period of implementation		2008 – 2012
Budget		17.3 million USD
Area of operations		Kosovo wide
Major accomplishment		• Establishment of Association of Wood Processing Sector • Support to Wood processing companies in Viti/Vitina and Leposaviq/ć • Participation fairs e.g. Fancy food fair US • Study tour in region and EU
Donor		Government of Finland
Project		Sustainable Development in Dragash/š
Period of implementation		2009-2013
Budget		2.9 million EUR
Area of operations		Municipality of Dragash/š
Main objectives		Provide continuing support to the establishment of a sustainable development framework for Dragash/š Municipality, one of the poorest municipalities in Kosovo, and where biodiversity valuable for Kosovo and for South East Europe exist.
Description		Promote sustainable development focusing on: i) the conservation of biodiversity; ii) the re-establishment and development of improved local businesses based on sustainable land use; iii) environmentally sound energy services and sustainable development principles; and iv) improved capacities and empowerment of local government community leaders and women to promote development in collaboration with central level sectors.
Donor		Government of Finland
Project		Support to Implementation of the Forest Policy and Strategy in Kosovo
Period of implementation		2011-2016
Budget		3.8 million EUR
Area of operations		Kosovo wide
Main objectives		Increase the contribution of the forest sector to the national economy through sustainable use of forest resources, taking into account the multi-purpose forestry including the economic, social and environmental benefits as well as its contribution to climate change mitigation.
Description		The project will have a positive environmental impact through improved forest management practices. There will be project activities specifically directed towards protecting the forests from fungal and insect attacks. This will result in better and healthier forests with a beneficial impact on environment.

31 The list of projects and donors is non-exhaustive.

Donor		Government of Finland
Project		Aid for Trade
Period of implementation		2012-2016
Budget		1.4 million EUR
Area of operations		Kosovo wide
Objective		The overall development goal of the Aid for Trade project is to foster sustainable and inclusive economic growth, through the promotion of trade and the enhancement of Kosovo's competitiveness. Acknowledging the importance of trade and industry in emerging economies and their positive influence over employment and poverty reduction trajectories, project focuses on concrete interventions required to improve Kosovo's long term trade and economic performance by strengthening capacities to participate in and benefit from international trade. Aid for Trade project provides technical assistance and supports capacity development for the Ministry of Trade and Industry (MTI) to develop and implement evidence-based and pro-poor trade reforms. Together with small and medium enterprises and farmers operating in the Economic Region South (ERS) and Mitrovicë/a region, the project works to raise productivity, employment and entrepreneurship, in a gender-responsive manner, and contributes to improved livelihoods.
Donor		USAID
Project		EMPOWER
Period of implementation		2014-2019
Budget		10 million USD
Area of operations		Kosovo wide
Main objectives		• To support Wood Processing Companies and Wood Processing Sector • To support the textile industry • To support rural tourism

Annex 3. References

1. Baseline Assessment of the Economic Region South - published by UNDP, 2014
2. Conference on The Role of Women in Forestry in Kosovo – published by Ministry of Agriculture, Forestry and Rural Development, Kosovo, 2013
3. Forest Stewardship Standard for the Republic of Kosovo, Version 2.1, Forest tested draft, Prishtinë/Priština, 2010.
4. Illegal Logging Activities in Kosovo (under UNSCR 1244/1999) – published by Regional Environmental Centre, Kosovo, 2010
5. Integrating Environment into Agriculture and Forestry Progress and Prospects in Eastern Europe and Central Asia - published by World Bank, 2007
6. Kosovo Green Report, 2014 – published by Ministry of Agriculture, Forestry and Rural Development, Prishtinë/Priština, Kosovo 2014, Green Report
7. Kosovo National Forest Inventory - published by Ministry of Agriculture, Forestry and Rural Development, Kosovo, 2012
8. Kosovo Report – published by Arcotrass consortium, financed by European Commission, Kosovo, 2006
9. National Strategy on Non-Wood Forest Products (NWFP) sector 2014-2020 – published by Ministry of Agriculture, Forestry and Rural Development, Kosovo, 2014
10. Policy and Strategy Paper on Forestry Sector Development, 2010-2020 – published by Ministry of Agriculture, Forestry and Rural Development, Kosovo, 2009
11. Primary Wood Production and Processing Industry – published by Ministry of Trade and Industry, Kosovo, 2008
12. Products Calendar, Map of the Forest Value Chain in Dragash/š, Kosovo, Adolfo Rosati (forest value chain expert), 2013
13. Heating Strategy - published by Ministry of Economic Development, 2011-2018, Kosovo, 2009
14. Sector Profile of Wood Processing Industry – published by Ministry of Trade and Industry, Kosovo, 2014
15. Skills Gap Analysis for Wood Processing Industry - published by Ministry of Agriculture, Forestry and Rural Development, Kosovo, 2010
16. Strategy and Action Plan for Biodiversity 2011-2020 – published by Ministry of Environment and Spatial Planning, 2010, Kosovo
17. Strategy of Sustainable Forestry Development, Vehbi Sotiu September 2013, Tetovo, Macedonia
18. USAID Kosovo Private Enterprise Program (KPEP), Veronica R. Bartolome, Nazmi Pllana, implemented by Booz Allen Hamilton, 2009
19. Wood Processing Report - published by Ministry of Trade and Industry, Kosovo, 2005
20. <http://www.invest-ks.org/en/Wood-/Processing>
21. <http://www.forestlandscaperestoration.org/learning-site-kosovo>
22. Results of the Kosovo 2013 Labour Force Survey, Kosovo Agency of Statistics, JULY 2014

