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FEDERACIJE BOSNE I HERCEGOVINE**

CHAMBER OF ECONOMY OF THE FEDERATION OF BOSNIA AND HERZEGOVINA

**FOCUS GROUP REPORT:  
QUALITY INFRASTRUCTURE**

**in**

***Chemical Industry***

Sarajevo, February 2021



**Project: "Improving the investment climate and access to markets"  
Contract no. 7198074**

The Chamber of the Economy of the Federation of Bosnia and Herzegovina and IFC within the project "Improving the investment climate and market access" conducted a focus group discussion (FGD):

**QUALITY INFRASTRUCTURE**

**in**

**Chemical Industry**

**DISCLAIMER PAGE:**

Chamber of the Economy of the Federation of Bosnia and Herzegovina declare that this research is original work and has not been submitted before to any institution for assessment purposes.



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## **1.0 INTRODUCTION**

The Chamber of the Economy of the Federation of Bosnia and Herzegovina within the project "Improvement of the investment climate and access to markets" in cooperation with the International Finance Corporation (IFC), organized an online focus group with business representatives from the Chemical Industry in order to provide further input of key stakeholder for quality infrastructure strategy development in the mentioned sector of industry. In addition, this focus group discussion would also provide an opportunity to receive further input aimed at identifying priority actions to improve quality infrastructure in the Chemical Industry.

Focus group was conducted to probe for qualitative information of the main issues of quality infrastructure in the Chemical Industry, as well as to get concrete measures and recommendations from business entities in order to improve current quality infrastructure situation, encourage export companies and promote measures with relevant authorities.

Recognizing the importance of this topic for business entities and the economy of Bosnia and Herzegovina in general, the Chamber of the Economy of the Federation of Bosnia and Herzegovina have already conducted surveys about quality infrastructure. However, the conducted focus group provides the opportunity to garner this more in-depth feedback through open-ended questions. They also allow group interaction between members of the group, which may encourage participants to make connections to various concepts through the discussions that may not occur otherwise. This provides a more comprehensive understanding.

Focus Group Discussion (FGD) regarding the quality infrastructure in the Chemical Industry is compared to the findings from previous conducted quantitative research (survey) and qualitative (focus group) of the impact of the pandemic Covid -19 on the economy of the Federation of Bosnia and Herzegovina in order to get comprehensive market analysis in quality infrastructure per sector, business dealing operations during the pandemic Covid-19 and the the impact of it.

This Focus Group Report summarizes the key findings of the quality infrastructure in the Chemical Industry, give situation overview, main issues and recommendations.



## **1.1 METHODOLOGY**

Due to the safety reasons and preventive prescribed measures, the Focus group discussion was held online.

Participants were introduced that the discussion will be recorded, but only for research purposes and it will be deleted once the data has been analyzed. As participants in the group, their names will not be noted in any other documentation than this which is also only for the research purpose.

The group is interviewed following a semi-structured format in that they opened with introductions and information sharing about situation overview, main issues and recommendations about quality infrastructure in the Chemical Industry. A transition question was also asked in order to get a broader picture of quality infrastructure in the Chemical Industry as well as to help participants discuss the issues on a broader scope.

Then specific questions were asked but not necessarily in the same order. This semi-structured format was used to ensure that the key topic is better understood, discussed among all participants of the focus group, allowing free flowing discussion so that information can later be compared.

The findings from the focus group were analyzed using a thematic analysis approach. The first step in this analysis involved playing back the recordings of the focus group, while concurrently reviewing and enhancing the summary notes.

The main questions addressed to the participants of the focus group is to describe the current situation regarding the quality infrastructure in the Chemical Industry , with the special emphasis on the main issues with which facing industry, and further steps and recommendations for the improvement.



## 1.2 PARTICIPANTS

Recruitment of the focus group participants took into consideration a sector of the Chemical Industry, mix of gender, participant's age and experience, company age and region.

The business entities involved in the focus group discussion were previously contacted and introduced with the topic. Although, they are all familiar with the focus group topic, have long-term experience, and agree to participate in the focus group discussion.

In total, in the focus group discussion participated 7 business entities from the different sectors of the Chemical Industry and from the different regions of Bosnia and Herzegovina, in order to get a better understanding from all parts of the Federation of Bosnia and Herzegovina.

The processed sample of a focus group is a representative basis for the analysis of the quality infrastructure in the Chemical Industry.

### PARTICIPANTS:

1. *MR. MAHIR MUJIĆ - TISAL, BUSOVAČA*
2. *MRS. HURIJA HUSIĆ - DITA, TUZLA*
3. *MRS. AIDA KARAHODŽIĆ - BELIF, JELAH*
4. *MRS. AJNA TRAKIĆ, KOALA PAINTINGS, TEŠANJ*
5. *MRS. IRENA HERCEG - LIFE OIL, JELAH*
6. *MRS. DŽENANA TERZIĆ - PLASTEKS, GRAČANICA*
7. *MR. KENAN HAJDAREVIĆ - NUTAL, VITEZ*
8. *MRS. JASMINA ZEJNILAGIĆ – CHAMBER OF ECONOMY OF THE FEDERATION OF BOSNIA AND HERZEGOVINA*
9. *MR. ALMIN MALIŠEVIĆ - CHAMBER OF ECONOMY OF THE FEDERATION OF BOSNIA AND HERZEGOVINA*
10. *MRS. AMERA PAŠIĆ - IFC*



## **2.0 KEY FINDINGS**

In the following section represented are the key findings of the focus group discussion. Analyzed are: quality infrastructure situation overview in the Chemical Industry, the main issues and challenges with which this sector facing in terms of quality infrastructure, and concrete steps and measures that can improve quality infrastructure strategy in this sector.

### **2.1 SITUATION OVERVIEW**

The Chemical Industry in Bosnia and Herzegovina is one of the branches that has huge potential. The tradition of dealing with this type of industry is especially known in Tuzla Canton.

Recognizable products of the chemical industry can significantly contribute to the economic progress of B&H. However, in order for this branch to be more successful, the potential and tradition alone are not enough, much more is needed, where the first issue with which companies are facing is related to quality infrastructure.

If we look at the statistics compared to previous years, before the Covid-19 pandemic, we can say that the situation in the Chemical Industry shows great progress, but as it is a sector that includes various production activities and product ranges, the presence of these products at foreign market and the business environment in general in which companies in Chemical Industry operate now, easily can be seen that the situation is not satisfactory.

Participants of the focus group discussion stated that temporarily there is no accredited institution or laboratories in the country. All tests, controls and analyzes that companies do can be done exclusively for the market of the Federation of B&H, because regulations at entity levels are inconsistent. Moreover, even those analyses and controls that companies do are only for the purpose of satisfying the legal regulations, because there is no institution or laboratory that issues certificates. For export and certification purposes, companies must go to neighboring countries or countries in the region, where they are exposed to additional costs.

All participants agree that the lack of a state-level quality infrastructure strategy further complicates the situation.

Exports of chemical, pharmaceutical products, plastics, fertilizers, rubber in 2020 in FB&H amounted to 1.30 billion KM, which is 0,72 percent less than in 2019. If we compare the statistics, the shift is large and it is a sector that leads in export results together with the electricity, metal and wood sectors.

The development of the chemical industry in B&H would enable new business opportunities, new markets, the opening of new companies, and thus new jobs. Therefore, the analysis of the



export results of Chemical Industry shows that B&H is extremely good in this sector of industry, but the current business environment for companies in the chemical industry is extremely difficult.

Participants of the focus group stated that an especially difficult situation was for them in March 2020 when the first lockdown due to the Coronavirus. In that period, through the Chamber of Economy of FB&H, a number of initiatives were sent to the competent institutions, such as: Proposal for the abolition of excises/duties for the production of hygiene products and disinfectants. When it comes to the producers related to mentioned, B&H is completely dependent on the foreign market. Given that at that time only the purchase of alcohol was possible on the EU market, so an urgent request was sent for the abolition of excise duties under tariffs 2207, 2207 10 00 00 and 2207 20 00 00 for producers of cleaning and disinfectants who use or can use in their production alcohol, (ethanol and denatured).

All participants said that they have ISO standards and certificates required for production and export to EU countries, but it takes a lot of money and time because the certification process is done outside the market of Bosnia and Herzegovina. At the same time new business opportunities, enforce companies to go in procedure of obtaining new certificates and standards, which extends all issues with which companies are already facing.

In addition, the participants of the focus group stated that the problem is also because temporary there is no relevant institution or body that can provide them with adequate information about regulation, standards as well as advise them.

It is necessary to provide a favorable business environment, which primarily refers to the regulation of quality infrastructure at the state level, in order to enable business entities to do business easily and be competitive at local but also regional and EU markets.

The above facts have influenced the condition of the quality infrastructure in the Chemical Industry to be at a very low level.



## 2.2. MAIN ISSUES AND CHALLENGES

The main issues and challenges about quality infrastructure in Chemical Industry about which focus group participants discussed and mentioned can be summarized as:

- There is no accredited institution or certification laboratory
- The lack of a state-level quality infrastructure strategy
- Non-harmonized entity regulations
- The issue of product certification in B&H for export
- High costs of certification in countries outside B&H
- The problem of uncontrolled imports
- Laboratories although doesn't have appropriate equipment for testing and analysis
- Lack of an institution or body that will provide companies with information, regulation, advise them and support in dealing business according to the EU standards
- Human, animal and environmental health issues due to the uncontrolled imports into B&H;
- Shifting the responsibilities of one institution to another due to insufficient knowledge in this area and the issues with which facing companies;
- Inability to apply for tenders in B&H due to lack of certificates, which creates uncompetitive domestic companies and unfair competition;
- Inability to export domestic companies due to lack of certificates that cannot be obtained in B&H, only outside the country which exposes companies to huge costs which some can not bear; Obtaining a certificate in B&H would be more favorable for domestic companies, which would result in the possibility of exporting to a larger number of companies from B&H.
- The production of paints and varnishes is not regulated on the B&H market, everything can be produced and imported without any import controls, without the protection of the environment and human health.

In general, per focus group discussion, the main issue that cause all other challenges in the Chemical Industry is same as in other industry, and it is related to the lack of a quality infrastructure strategy at the state level, non-adoption of the agreement on compliance and all accompanying EU Directives by the Council of Ministers of B&H.

At the same time, this causes huge costs to businesses that have to use accreditation institutions in the region and other countries of the EU.



## **2.3 RECOMMENDATIONS by participants**

The main recommendation by focus group participants that were mentioned as needed or even more as urgent in order to improve current quality infrastructure in Chemical Industry are:

- Adoption of a quality infrastructure strategy at the level of B&H
- Harmonization of B&H regulations and laws according to the EU standards and Directives
- In general there is a need for improvement of quality infrastructure in Chemical Industry;
- Harmonization of regulations and laws between entities
- Establishing an accredited certification institution/laboratories
- Improvement of knowledge, communication, legal cooperation, technical assistance of institutions in B&H in order to provide companies with information, advise and knowledge;
- Education of employees in companies about standards and other related regulation and laws for export in EU countries and in general education of companies about quality infrastructure in Chemical Industry;
- Improving work procedures and training of staff in the field of market surveillance;
- Improving control of imports and market surveillance of imports
- Increase the internal standard in companies, because after getting ISO standards companies sometimes do not implement it;
- Improving knowledge of customers, because unfortunately customers cannot distinguish quality from low quality product;
- Participants also stated if this situation continue in the Chemical Industry in terms of quality infrastructure it will results in in the impossibility of export and loss of competitiveness companies from B&H;



## **3. CONCLUSIONS AND RECOMMENDATIONS**

### **3.1. CONCLUSIONS**

The Chemical Industry in Bosnia and Herzegovina is one of the branches that has huge potential.

However, in order for this branch to be more successful, the potential and tradition alone are not enough, much more is needed, where the first issue with which companies are facing is related to quality infrastructure.

Participants of the focus group discussion said that the challenge is a temporary situation, where there is no accredited institution or laboratories in the country. All tests, controls and analyzes that companies do can be done exclusively for the market of the Federation of B&H, because regulations at entity levels are inconsistent. For export and certification purposes, companies must go to neighboring countries or countries in the region, where they are exposed to additional – huge costs.

The main issue is lack of a state-level quality infrastructure strategy. In addition, the problem is also that there is no institution or body that can provide them with adequate information about standards as well as advise them, because even employees in institutions don't have knowledge.

Lack of quality infrastructure strategy at B&H level affects the competitiveness of companies not only at the market of the EU, but also in the country because they cannot place products from the Federation in another smaller entity - the Republika Srpska, or participate in tenders.

In addition, the limiting factor for domestic companies is uncontrolled imports that are not controlled in terms of quality, but also safety for the environment and human and animal health.

In order to improve quality infrastructure in the Chemical Industry, first focus group participants declare that there is an urgent need for the adoption of a quality infrastructure strategy at the level of B&H, adoption of the EU Directive and standards.

Although, focus group participants said that important for them together with adaptation of quality infrastructure strategy, is education for companies but also for institutions so they can inform companies and advise them.

Recognizable products of the chemical industry can significantly contribute to the economic progress of B&H. The development of the chemical industry in B&H would enable new business opportunities, new markets, the opening of new companies, and thus new jobs, so as the first step it is necessary to improve quality infrastructure.



## 3.2 RECOMMENDATIONS

According to the focus group discussion, there is a need for undertaking a set of measures and steps in order to improve quality infrastructure in the Chemical Industry in B&H.

However, after the total focus group discussion, below are the main important recommendations and urgent recommendations that need to be implemented in order to improve and upgrade quality infrastructure in the Chemical Industry.

Implementation of the following recommendations automatically reflects and withdraws all other measures and recommendations stated by the focus group participants.

- **Adoption of a quality infrastructure strategy at the level of B&H**

Adoption of the quality infrastructure strategy at the level of B&H will lead to harmonization of the legislation at the state level as first step in improving quality infrastructure in Chemical Industry and ensure facilitated business to companies at the state level, because temporary there is issues in dealing business between entities and many other issue above mentioned.

- **Adoption and harmonization of the EU Directives and standards with the regulations in B&H**

Adaptation of this recommendation is crucial, because it will simplify dealing business to companies, enable more export oriented companies, and increase competitiveness of local companies.

- **Urgent establishment of accredited laboratories and certification institutions in the chemical industry**

As it states above, temporary there is no accredited laboratories or institution that issues certification, so to there is a strong need for establishment, in order to reduce the cost of certification companies that get certification outside the country, as well as increase competitiveness of companies, enable them do apply on procurement procedures, and simply doing business in Chemical Industry among other things.

- **Improvement in education and knowledge of the representatives of institutions who will inform, advise and support companies;**

Companies declare that there is a strong need to get information about regulation, advice and support from institutions. Unfortunately now, the situation is not like that, temporarily there is a lack of knowledge so representatives of institutions just make a shift from one institution to another.

- **Education for companies**



Among other issues, which companies in the Chemical Industry are facing, they are aware that there is also a big lack in knowledge, understanding terminology and standards in companies, so they expressed a great need for education.

- **Introduction of greater import controls and greater controls in terms of health and environmental protection**

Unfortunately, now local companies are unprotected. Their status is in a subordinate position compared to importing companies. Local companies have restrictions on export, while in B&H there is no strict control of import. Very often, imported goods do not meet the standards, neither quality nor health protection, but due to lower prices they are more represented in the domestic market compared to local companies.

In general recommendation of focus group in Chemical industry is similar to other focus group discussion that were organized in sector of metal, wood, food, and textile and it is regarding the adoption of a quality infrastructure at the level of B&H as a first step in improving infrastructure and business climate in Bosnia and Herzegovina.



## **4. APPENDIX**

### **4.1. MODERATOR'S GUIDE**

**Moderator:** Mrs. Jasmina Zejnilagić, Chamber of Economy of the Federation of Bosnia and Herzegovina;

#### **Greeting**

Welcome and thank you for being here today. We really appreciate you taking the time to participate in this research project. My name is Jasmina Zejnilagić and I will be the moderator for our discussion.

#### **Purpose**

Chamber of the Economy of the Federation of Bosnia and Herzegovina within the project "Improvement of the investment climate and access to markets" in cooperation with the International Finance Corporation (IFC), organized this online focus group related to the quality infrastructure in the Chemical Industry.

The main thing we are interested in today's hearing from you, the experts, about your ideas, opinions, and concerns as they relate quality infrastructure in the Chemical Industry. Your participation in today's focus group will help us gain valuable information and better understanding of the previous research results.

#### **How to Participate**

Today you will be participating in a focus group. This will be a group discussion. It's not an interview where I ask a question and each person answers the question and we move on to the next one. Instead, we'll be putting topics on the „table“ and the idea is for everyone to participate in the discussion with each other. It's particularly helpful if somebody says something and you're sitting here thinking, "Yeah, that's sort of the way I think about it or feel about it" and you share that. We also want to hear from you if you are thinking, "NO, that's not the way I do it. That's not how I think about it." We want to hear both similarities and differences within the group. There are no right or wrong answers to these questions.