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FEDERACIJE BOSNE I HERCEGOVINE**

CHAMBER OF ECONOMY OF THE FEDERATION OF BOSNIA AND HERZEGOVINA

**FOCUS GROUP REPORT:
QUALITY INFRASTRUCTURE**

in

Textile, Leather Processing and Footwear Sector

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

Textile, Leather Processing and Footwear Sector

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 Textile, Leather Processing and Footwear Sector in order to provide further input of key stakeholder for quality infrastructure strategy development in the mentioned sector of industry. In addition, as all segments of the economy are dealing with the challenges of the COVID-19 pandemic in varying degrees, this focus group discussion would provide also an opportunity to receive further input aimed at identifying priority actions to improve quality infrastructure in Textile, Leather Processing and Footwear Sector and promote business operation and recovery.

Focus group was conducted to probe for qualitative information of the main issues of quality infrastructure in the Textile, Leather Processing and Footwear Sector, 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 a survey 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 Textile, Leather Processing and Footwear Sector 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 Textile, Leather Processing and Footwear Sector, giving a 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 Textile, Leather Processing and Footwear Sector. A transition question was also asked in order to get a broader picture of quality infrastructure in the Textile, Leather Processing and Footwear Sector 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 Textile, Leather Processing and Footwear Sector, 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 Textile, Leather Processing and Footwear Sector, 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 4 business entities from the different sectors of the Textile, Leather Processing and Footwear Sector and from the different region of Bosnia and Herzegovina, in order to get a better situation 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 Textile, Leather Processing and Footwear Sector.

PARTICIPANTS:

1. *MRS. ELMA MEMIĆ - FORSTER ROHNER, ILIDŽA*
2. *MRS. MENSURA SURČIĆ - EMPRESS, ZENICA*
3. *MR. FADIL SALIHOVIĆ – BFM, TRAVNIK*
4. *MRS. ŠEJLA DŽANANOVIĆ - BOSNA INSPEKT (ACCREDITED LABORATORY), SARAJEVO*
5. *MRS. AMERA PAŠIĆ - IFC*
6. *MRS. JASMINA ZEJNILAGIĆ – CHAMBER OF ECONOMY OF THE FEDERATION OF BOSNIA AND HERZEGOVINA*
7. *MR. ALMIN MALIŠEVIĆ - CHAMBER OF ECONOMY OF THE FEDERATION OF BOSNIA AND HERZEGOVINA*



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 Textile, Leather Processing and Footwear Sector, 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 textile sector is one of the most important segments of the Bosnian economy. B&H has experience in the textile industry, historically speaking, and therefore a skilled workforce.

Most companies of the Textile, Leather Processing and Footwear Sector are export-oriented, primarily to the European Union market. Most of them are lohn jobs, that is jobs of finishing products for world houses. Only a small number of companies decide to export their own brands.

Economic experts believe that the step forward made by domestic producers in the wood industry by branding could be used in the textile industry as well, which means more export oriented companies, but the current business environment in terms of quality infrastructure in Textile, Leather Processing and Footwear Sector is not favorable to domestic companies, which also confirm participants during the focus group discussion.

During the Focus Group Discussion, a representative of Bosna Inspekt, accredited laboratory, Mrs. Šejla Džananović was present. Mrs. Džananović provides a clarification and gives a broader picture of the current situation in terms of quality infrastructure in the Textile, Leather Processing and Footwear Sector.

Bosna Inspekt is an accredited laboratory for testing textiles and leather. There are no certified laboratories in B&H, only accredited testing laboratories, clarified Mrs. Džananović.

Although, she explains that the standards for which B&H laboratories are accredited are according to English standards. The main issue is when companies want to apply on procurements where standards of American and German origin are sought. So, laboratories cannot issue because they only have English project standards.

In addition, Mrs. Džananović stated that the main issue facing domestic laboratories is lack of equipment and it is very difficult to purchase the new equipment due to the finance, because equipment is expensive. No one co-finances the procurement of laboratory equipment, nor are there projects designed for laboratories that would assist laboratories in the procurement of equipment.



Situation with Covid-19 put the companies in the Textile, Leather Processing and Footwear Sector and laboratories in an even more subordinate situation. More precisely, domestic companies produce protective masks, but in order to export it, they have to get all certificates, which is almost impossible and very difficult for companies. On the other hand, in B&H it is possible to import all kind of protective mask, because there is no control of it, and domestic laboratories have not equipment for testing and controlling imported mask – test of breathability, whether bacteria pass or not, and other standards in terms of EU standards for protective mask. She emphasizes that there is a potential for domestic companies.

Also, in terms of equipment, Mrs. Džananović said that some crucial equipment is not available, for example such as equipment for testing zippers - tear strength.

Furthermore, the problem is that current standards are available only on English language, where companies and laboratories need to translate, losing time and money, but even more difficult is in interpretation from English language to Bosnian, because companies and laboratories do it by themselves.

CE mark is another important issue which companies from Textile, Leather Processing and Footwear Sector facing, because there is no certification laboratory.

All participants of the focus group discussion said that they have ISO standards and certificates required for production and export to EU countries. The most important ISO and most frequent ISO standard which companies have is ISO 9001, 14000. At the same time new business opportunities, enforce companies to go in procedure of obtaining new certificates and standards, among others the most frequent new standard which companies obtain is ISO 8000 - socially responsible company, with which they want to emphasize the quality of their products.

Participants of the focus group discussion stated that one of the challenge for them is impossibility to apply for international procurements because they can't get certification from Bosnia and Herzegovina, and even for some products they can not get certification in another country because in procurement is a condition that certificate can be only from the country of the product origin.

Special impact on the company from the Textile, Leather Processing and Footwear Sector happened in the first lockdown due to the pandemic Covid-19, because the country borders were closed, broken supply chains, lack of materials, rising prices and transport, and the worst and most difficult temporary suspension of production and closure of the factory.

One of the possibilities for mitigating the consequences was the production of masks, protective suits, and almost all companies in this sector focused their capacities on this type of production, because they saw a new business opportunity and potential for export. However,



most of them at the end only serve the domestic market, because for exporting they have barriers in terms of certification, which they cannot obtain in B&H.

During the Focus Group Discussion, participants added that for other products and its certification they have to go to countries in the region which expose them to additional huge costs.

All participants were involved in discussion, even between themselves, where through the discussion they propose that representatives of the laboratories suggest which kind of equipment is a need for, and companies which have interest can in synergy or by own buy it, in order to solve problem of obtaining certification, and going in other countries for it. The main issue in this proposal will be servicing machines and equipment in case of failure.

One of the conclusion and proposal of all focus group participant is to establish body who will connect business and laboratories in order to exchange information, problems, advise each other and similar, because there is no institution in B&H which current work on this issues of improving quality infrastructure in Textile, Leather Processing and Footwear Sector.



2.2. MAIN ISSUES AND CHALLENGES

The main issues and challenges about quality infrastructure in Textile, Leather Processing and Footwear Sector about which focus group participants discussed and mentioned can be summarized as:

- There is no certification laboratories;
- The issue of product certification in B&H for export;
- The inability to apply for international procurement;
- The problem of uncontrolled imports which creates unfair competition;
- Old equipment and in general lack of equipment in laboratories;
- Insufficient information and underdeveloped communication with the relevant institutions, especially for medical mask and one-protective suits;
- High costs of certification in countries outside B&H;
- Lack of an institution which will provide information and advice companies;
- Non-harmonized regulations with the EU;
- All standards are on English language, which take time and money for companies and laboratories, and also put them in difficult situation when they need to interpret it from one language to other;
- Companies losing business opportunities due to all this issues caused by unregulated market of quality infrastructure;
- Lack of quality infrastructure at state level which will define and resolve all this issues which now have companies;



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 Textile, Leather Processing and Footwear Sector are:

- Adoption of a quality infrastructure strategy at the level of B&H;
- Harmonization of Bosnian regulations and standards with EU standards;
- Improvement of communication, legal cooperation, technical assistance with accreditation institutions in B&H;
- More up-to-date and more downloads and translation on Bosnian language of EU standards by institutions to make it easier for companies to understand;
- Urgent establishment of certification laboratories ;
- Purchasing of the new equipment and tools for laboratories in order to reduce companies cost for testing products outside the country due to the lack of equipment in domestic laboratories;
- Making a list of companies who want to support purchasing of new equipment for laboratories and themselves, so they can issues certification, without going outside the country;
- Introduction of more restrictive import control measures in order to protect local market and local companies;
- Establishment of body who will connect business and laboratories in order to exchange information, problems, advise each other;
- Strengthening the competence of the staff employed at the Accreditation Institute of Bosnia and Herzegovina;



3. CONCLUSIONS AND RECOMMENDATIONS

3.1. CONCLUSIONS

B&H has experience in the textile industry, historically speaking, and therefore a skilled workforce. Economic experts believe that the step forward made by domestic producers in the wood industry by branding could be used in the textile industry as well, which means more export oriented companies, but the current business environment in terms of quality infrastructure in Textile, Leather Processing and Footwear Sector is not favorable to domestic companies, which also confirm participants during the focus group discussion.

There are no certified laboratories in B&H, only accredited testing laboratories. Although, B&H laboratories are accredited according to English standards, so the companies facing the problem when they want to apply on international procurement where the condition is standard of American and German required.

Another issue of local laboratories is lack of equipment, which is very difficult to purchase because of the cost of it.

On the other hand in B&H it is possible to import all kind of protective mask, because there is no control of it, and domestic laboratories have not equipment for testing and controlling imported mask – test of breathability, whether bacteria pass or not, and other standards in terms of EU standards for protective mask.

Furthermore, the issue for the companies is that current standards are available only on English language, so it is hard to interpret and understand.

All participants of the focus group discussion said that they have ISO standards and certificates required for production and export to EU countries. The most important ISO and most frequent standard, which companies have is ISO 9001, 14000 and 8000.

According to the above mentioned the first step and recommendation by focus group participations in improving quality infrastructure in Textile, Leather Processing and Footwear Sector is adoption of a quality infrastructure strategy at the level of B&H, adoption of the EU Directive by the Council of Ministers of B&H.

In order to improve quality infrastructure in the Textile, Leather Processing and Footwear Sector of crucial importance is to get certified laboratories. This will help companies to obtain certification in their country –B&H, reduce cost of issues certification in other countries, as well as increase competitiveness at the domestic, regional, and international market.

At the same time it is important to have good communication between companies, laboratories, and institutions, which now is not at the satisfactory level, according to focus group discussion. One of the reasons for this situation is lack of education and knowledge, which should be the



next important step in improving quality infrastructure in the Textile, Leather Processing and Footwear Sector.

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 Textile, Leather Processing and Footwear Sector.

However, after the total focus group discussion, below stated are the main important recommendations that need to be implemented in order to improve and upgrade quality infrastructure in general, but also in the Textile, Leather Processing and Footwear Sector in B&H.

- **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 the first step in improving quality infrastructure in the Textile, Leather Processing and Footwear Sector.

- **Urgent establishment of certification laboratories**

Without laboratories that can issue certification to companies, they are obligated to go outside the country, resulting in cost increases, but even more it takes a lot of time to companies. At the same time without adequately equipped laboratories, quality infrastructure cannot be improved. There is a strong need for a set of measures and programs that will support laboratories in purchasement of needed equipment. All this ultimately affects the strengthening of the competitiveness of domestic companies, but also B&H itself, as a country with good and equipped laboratories that already have educated and highly professional staff.

- **Introduction of more restrictive import control measures in order to protect local market and local companies;**

Good quality infrastructure doesn't mean only improvement that will help companies doing business in export. It also means that they will be protected at the local market, which is not the situation now, because local companies have to satisfy all prescribed standards, which is not the same for importing companies. This current situation has created unfair competition to domestic companies.

- **Establishment of body who will connect business and laboratories in order to exchange information, problems, advise each other;**

Due to many unknown facts, the recommendation is to establish a body or Association that will connect business companies with laboratories, in the aim of networking between them,



exchanging information, informing about updates, as well as advising them and sharing examples of good practice.

- **Strengthening the competence of the staff employed at the Accreditation Institute of Bosnia and Herzegovina as well as in companies and laboratories;**

As quality infrastructure is still not at the satisfactory level in general, including also Textile, Leather Processing and Footwear Sector, there is a strong need for organizing education and trainings to the representatives of Accreditation Institute of Bosnia and Herzegovina, but also to companies and laboratories in order to strength their competence. This will improve communication between institutions and companies, where institutions will be more at disposal to companies and laboratories. Temporary there is a lack of knowledge and support by institutors, even the standards at the official web sites are not translated on Bosnian language, which complicated the situation and understanding of the prescribed standards.



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 Textile, Leather Processing and Footwear Sector.

The main thing we are interested in today is hearing from you, the experts, about your ideas, opinions, and concerns as they relate quality infrastructure in the Textile, Leather Processing and Footwear Sector. 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.