



Non-timber forest products in transition economies: Innovation cases in selected SEE countries



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ABSTRACT

Driven by political and economic reforms since 1990, the forestry sector in southeast European (SEE) countries has faced changes which have resulted, among others, in the rise of private businesses. Many of those businesses have demonstrated innovation in the sphere of non-timber forest products (NTFPs), although these products had been neglected in the past, and their potentials are still underestimated. Therefore, our aim was to get a better understanding of the innovation processes behind three case studies in selected SEE countries (Slovenia, Serbia and FYR Macedonia). For the purpose of this research, we conducted semi-structured qualitative interviews with people responsible for the selected innovation cases in three NTFP-based enterprises. The interviews revolved around questions related to the idea and product development, the firm foundation, the supporting and hindering factors and the actors and their roles in the entire process of business development. To understand the framework conditions, we interviewed representatives of the organizations that were in charge of supporting innovation and business development. The results show that several national policy programs (e.g., in the fields of SMEs, forestry and nature protection) form a framework for supporting NTFPs innovation. However, in all the selected countries, there were no policies specifically tailored for NTFPs. An analysis showed that these innovations were developed solely by the owners and their personal ideas, and most information and financing came from the businesses themselves. The innovation systems in the selected countries did not significantly contribute to the development and running of the businesses. The lessons provided by these cases can be significant for strengthening existing NTFP-related innovation systems and fostering their effectiveness in the future.

1. Introduction

1.1. Forestry in transition economies

The process of political and economic reforms in the transition economies of post-socialist countries in southeastern Europe (SEE)¹ have significantly influenced institutional forestry reforms (Glück, 2011; Sarvašová et al., 2014; Nonić et al., 2014; Weiss et al., 2012). Changes in the forestry sector have been made through the adoption of new policies and legislation, changes in the area of land tenure, and private property rights (Bouriaud et al., 2013; Weiland, 2010), which

have brought about new possibilities for improving the sector governance and for fostering multifunctional forest management. In the forest sector, wood-based products are still considered the main product due to their great economic importance and well-structured and competitive value chains (Lawrence, 2003). However, forest enterprises have been diversifying and expanding their portfolios through the addition of non-timber forest products (NTFPs) and services to their businesses (Donnelly and Helberg, 2003; Kathe et al., 2003; Niskanen et al., 2007; O'Brien Mee, 2009; Pettenella et al., 2007). In this paper, we look at NTFPs primarily as a sub-sector of forestry but also note that the realm of innovation in NTFPs can go beyond the forestry sector and include

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¹ For the purpose of this paper, the south-eastern Europe includes following countries: Albania, Bosnia and Herzegovina, Bulgaria, Montenegro, Greece, Croatia, Former Yugoslav Republic of Macedonia, Moldova, Romania, Serbia, Slovenia and Turkey (SEECP, 2017).

other economic sectors such as food and agriculture, leisure, recreation and tourism activities in the forests and woodlands, craft decorations, chemical substances and health products (Ludvig et al., 2016b).

In former Yugoslavia,² the NTFP sub-sector was dominated by state-owned enterprises and Agriculture Industrial Combinates (AIC),³ who were responsible for the buying, processing, trading and exporting of NTFPs (Nedeljković, 2015). During the transition period after the 1990s, NTFP-related activities of the state-owned enterprises were terminated. This provided a base for the development of private enterprises, who (re)entered the foreign markets and developed new products (Turudija Živanović, 2010). These enterprises “responded rapidly to systemic shocks, produced goods and services demanded by the population, and in the process, contributed to the generation of new jobs and incomes” (Gashi et al., 2014, p. 407).

1.2. Innovation related to NTFPs

Traditional sectors, such as forestry, are not always seen as a field where innovative activities occur. However, a growing number of scholarly articles (Jarský, 2015; Ludvig et al., 2016a; Nedeljković, 2015; Rametsteiner et al., 2005; Rametsteiner et al. 2010; Ranković et al., 2012; Tunzelmann and Acha, 2004; Weiss et al., 2011) are emphasizing the importance of the forestry sector in creating economic growth, improving the role of innovations, and enhancing the quality of life in rural areas.

Even though the use of NTFPs in many European countries is traditionally and culturally recognized as a very well-known activity, it has only become economically recognized in recent times (Maso et al., 2011; Sisak et al., 2016). NTFPs have shorter production cycles than timber and embody cultural and traditional values (Lawrence, 2003), and thus, they attract the interest of innovative businesses. Entrepreneurs recognize the potential of NTFPs as a significant opportunity for the promotion and development of rural areas that are dependent on forest resources (Kathe et al., 2003; Niskanen et al., 2007; O'Brien Mee, 2009), and entrepreneurial goals are to pursue given opportunities and to fill market niches (Šalká et al., 2006). These enterprises can have more success and better economic results when they are embedded in a larger innovation system where support comes through various mechanisms (such as financing, advice and knowledge) (Nonić et al., 2012; Rametsteiner et al., 2005; Weiss et al., 2011). Since the business around NTFPs implies the interaction of different and larger sets of stakeholders, as well as interaction with various policies, the most promising approach for an analysis of innovative cases in this sub-sector would be the innovation systems (ISs) framework (Edquist, 1997; Rametsteiner et al., 2005; Weiss et al., forthcoming).

1.3. Aims of the article

In SEE countries, both innovation systems and the NTFP sub-sector have faced a challenging transition period in the last two and a half decades. This article addresses NTFP innovation cases in Serbia, Slovenia and the Former Yugoslav Republic (FYR) of Macedonia. These countries were chosen based on their joint history (in ex-Yugoslavia) but currently differing relations to the EU (Slovenia as EU member and Serbia and FYR Macedonia in the process of accession). Until the beginning of 1990s, these countries were the main NTFP

² The Socialist Federal Republic of Yugoslavia (SFRY) replaced the former Kingdom of Yugoslavia and was a federation of six socialist republics: Bosnia and Herzegovina, Croatia, Macedonia, Montenegro, Serbia, and Slovenia. All of them gained independence as democratic republics at the end of the XX and the beginning of XXI century (Encyclopedia Britannica, 2017).

³ Type of social enterprise (existed during socialism) where assets are completely socially owned. Its capital was divided into shares, or portions, and recorded into a registrar. AICs were medium or large companies employing many employees in the different stages of the supply chain.

exporters from SEE (Sitta and Floriani, 2008, Turudija Živanović, 2010). There was a significant link between the collection process (e.g., good raw material base in Macedonia and Serbia) and the processing and export of products (which were made in cooperation with Slovenian companies) among these countries.

In the selected countries, forestry constitutes an important sector, which has a long tradition in forest management and the use of NTFPs (Nedanovska, 2012; Nedeljković, 2015). During the transition period in the 1990s,⁴ the forestry sectors underwent a process of change (Pachova et al., 2004). Still, the narrow focus on wood-based products was prevalent in the forest policies of those countries. Bottom-up initiatives and private businesses were not given a prominent place in forestry development, especially when considering the innovative activities involving various forest goods and services (Weiss et al., 2011).

With this in mind, the overall aim of this research was to get an in-depth understanding of the innovation processes in the analyzed case studies. More specifically, we looked at the fostering and hindering factors in the process, on both internal (enterprise) level and external (institutional) level. The specific research questions were as follows:

1. What are the framework conditions for innovation in the selected countries?
2. What was the role of the actors in the analyzed innovation processes?
2. What was the role of the institutions in the analyzed innovation processes?
4. What kind of interactions existed in the analyzed innovation cases?
5. What were the main supporting mechanisms (information, coordination and incentives)?

With the analysis of the case studies, this paper aimed at demonstrating how innovations arise and develop in the NTFP sub-sector in the selected SEE countries with economies in transition. We believe that this paper can provide feedback to the NTFP-related innovation systems in place in these countries in particular and in transition countries in general and that it can foster effective policies for supporting future NTFP businesses in the region.

3. Conceptual framework

Innovations are identified as a key driving force behind economic growth, which is emphasized in many innovation-related policies at the EU (e.g., EUROPE 2020, A strategy for smart, sustainable and inclusive growth) and national levels. Perceiving innovation through the linear concept of the innovation process has gradually changed into a systemic model known as the innovation systems (IS) approach (Edquist, 1997; Rogers, 1995). The IS approach perceives innovation as an institutional process (Edquist, 2001; Lundvall et al. 2002; Moulart and Sekia 2003) where it is not only the entrepreneur that is responsible for the innovativeness of the enterprise but also a system of actors and institutions.

In this paper, we followed Rametsteiner and Weiss's (2006) explanation that “innovation system approaches are considered a conceptual framework rather than a formal theory” and that the main elements of ISs are actors and institutions and their interactions (Fig. 2). Actors, or the players of the game, are represented by a set of institutional actors that together play a major role in influencing innovative performance. Actors are usually considered organizations, which are seen as formal structures with explicit purposes that are

⁴ Most post-socialist countries of central and south-east Europe underwent a dramatic shift from central planning to capitalist-style market liberalization in the early 1990s (Banalieva et al., 2017). In Serbia, the transition started in 2000 when the basic conditions for its implementation were acquired (i.e., political change, trade and capital account liberalization, etc.) (Cvijanović et al., 2009).

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