

## BOSNIA and HERZEGOVINA

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**T**he Federation of Bosnian Moslems and Croats (FBC) and Republika Srpska (RS), which formed Bosnia and Herzegovina, continued to function as semi-autonomous political and economic entities during 2001. The FBC administered about 51% of Bosnia and Herzegovina's territory, the balance of the territory was administered by the RS. In 2001, there appeared to be little progress with respect to the integration of the FBC and RS entities. This lack of progress continued to be reflected by a less than clear economic picture resulting from disparate reporting by each side to the Agency for Statistics in Sarajevo.

Foreign financial assistance and transfers from abroad continued to be among the mainstays of economic growth. The growth rate of the gross domestic product (GDP) in 2000 was about 5.8% compared with that of 1999 and a growth rate of about 5.6% was anticipated for 2001. Industrial output has constituted about 26% of Bosnia and Herzegovina's GDP. The contribution to the GDP by the mining and quarrying and processing sectors of FBC and RS amounted to about 2.8% and 1.3%, respectively (World Bank Group, 2002).

The overall contribution of the private sector to Bosnia and Herzegovina's GDP was low, amounting to about 35%. Private ownership in the mining/quarrying and mineral processing sphere in both FBC and RS was less than 1% of total privatised enterprises in the country. To correct this imbalance, the governments of FBC and RS agreed to accelerate the denationalisation process of large-scale industrial enterprises and utilities, with financial assistance from such international institutions as the European Union, the World Bank and USAID (World Bank Group, 2001). These and other organisations formed the International Advisory Group on Privatisation,

which supported a plan to privatise 86 enterprises in the FBC and 52 in RS. Enterprises for metal processing, machine building and construction materials manufacturing were among the proposed groups. The FBC's Zenica steelworks was also included in this plan.

In 2001, the major developments in Bosnia and Herzegovina's minerals industry occurred mainly in the FBC. Coal (Tuzla and Zenica regions), bauxite and alumina (in southern and western FBC), and aluminium (at Mostar) were the leading minerals produced in the FBC. Lead and zinc has been produced at Olovo and Vares, but the current mining status of these operations remained uncertain. Iron-ore production was centred on Jablanica and Vares, and manganese ore production at Bosanska Krupa.

The FBC also has exploitable resources of barite, gypsum, magnesite and rock salt. The current levels of output of these as well as other minerals commodities, however, are not clear.

In the FBC, BH Steel Co. in Zenica (formerly RMK Zenica), which was Bosnia and Herzegovina's only producer of steel, announced plans for facility expansion in 2001. A contract was awarded to Danieli SpA of Italy to supply the steel mill with a new 100 ton electric arc furnace, a ladle furnace, and a five-strand high-speed billet caster (850,000 t/y). The new facility would produce both basic and high quality steels in the range of 130 mm to 180 mm. *Metal Bulletin* reported that BH Steel became a major recipient of foreign investment in 1999 when the Government of Kuwait purchased 50% of the enterprise's shares of stock.

A major development in the country's nonferrous metals sector involved the modernisation of FBC's aluminum producer,

Alluminij D.D. Mostar. The modernisation programme, valued at DM140 million, whose completion reportedly was scheduled for the third quarter of 2002, was to be carried by such EU companies as VAW Aluminium Technologie GmbH, Daimler-Chrysler and Proceadair Pollution Control. The modernisation programme was to include conversion of the 256-pot smelter to a centre-worked pot system from side-worked Pechiney units, which were installed in the early 1980s. The modernisation programme reportedly would protect the existing workforce and add additional jobs at the Mostar aluminum plant.

Another important development involved the continuing privatisation of the FBC's cement industry. In 2001, D.D. Fabrika Cementa Lukavac became fully privatised through the sale of government assets worth about 77% of total stock value. The government's offer included the sale of about 67% of its shares through international tender; the balance through the public sale of stock. In October, Alas International Baustoffproduktion AG (AIB) of Austria obtained 51% of Lukavac's stock (US\$15.7 million).

Lukavac, with a production capacity (dry process) of 300,000 t/y of cement, would continue to obtain all of its limestone feedstock (up to 250,000 t/y) from a nearby government-owned limestone quarry. As part of the agreement, AIB planned to invest about US\$52 million in the course of a three-year period and would maintain the existing level of employment. Other bidders included Heidelberger Zement of Germany, which had acquired Tvornica Cementa Kakanj, the country's other cement producer, in 2000 (Novac).

The RS was known to mine coal and lignite and metal ores that included bauxite, and those for iron, lead and zinc. Industrial mineral production included asbestos, ceramic and refractory clays, gypsum, limestone magnesite, marble and silica.

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