

## THE FIRST ODA LOAN TO BOSNIA AND HERZEGOVINA - Support the Reconstruction of Power Sector -

The OECF (The Overseas Economic Cooperation Fund, Japan : President, Chairman of the Board, Mr. Kyosuke Shinozawa) is providing Bosnia and Herzegovina with a loan for the Emergency Electric Power Improvement Project amounting to 4,110 million yen.

Mr. Yasuo Hayashi, Vice President, Member of the Board, OECF and H.E. Mr. M. Kurtovic, Minister of Foreign Trade and Economic Relations of Bosnia and Herzegovina, signed the loan agreement on December 17, 1998 in Sarajevo.

This loan, provided in the form of co-financing with the World Bank, is the first ODA Loan to Bosnia and Herzegovina.

Amount, conditions of the loan, and outline of the project are as follows;

### 1. LOAN AMOUNT AND CONDITIONS

Project Name	Amount (Mil.yen)	Interest Rate (%/year)		Repayment Period / Grace Period (Year)	Tying Status	
		Goods and Services	Consulting Services		Goods and Services	Consulting Services
Emergency Electric Power Improvement Project	4,110	0.75*	0.75*	40/10	General Untied	Bilateral Tied

\*Special Environmental Project

### 2. Outline of Bosnia and Herzegovina

Bosnia and Herzegovina was one of the six republics which consisted of the Former Federation of Yugoslavia. In the Former Yugoslavia, famous for its intricate ethnic composition as succinctly depicted by the phrase "six republics, five nations, four languages, three religions, two alphabets, and one country", confrontation between Serbia that had been dominant in the federal government and officer corps of the federation army, and two economically advanced republics of Slovenia and Croatia had continued overtly and covertly. After the death of Josip Tito, a founding father of Yugoslavia who led the federation for over 30 years, decay of the centripetal power of the federal government which suppressed the emergence of nationalism of the republics and economic predicament contributed to the centrifugal tendency of the republics. In 1991, Slovenia and Croatia declared their independence from Yugoslavia.

In Bosnia and Herzegovina which consisted mainly of Muslim, Croatian and Serbian, the former two groups insisted of its independence for fear of Serbian dominance in the federation in the aftermath of the independence of Slovenia and Croatia. Bosnian Serbs opposed to independence, which resulted in the civil war for nearly four years with the loss of about 250 thousand human lives and vast material damages. After the Comprehensive Peace Agreement in Dayton in 1995, Bosnia and Herzegovina embarked on the project of building a country in which all ethnic groups would be able to live harmoniously, assisted by international organizations such as the United Nations, OSCE, the World Bank and EBRD, and bilateral aid from more than sixty countries.

For the purpose of helping the reconstruction endeavor of Bosnia and Herzegovina, emergency reconstruction program of \$5.1 billion was proposed by the World Bank at the Consultative Group meeting convened in 1996, and Japan has pledged assistance of \$500 million. ODA Loan for the Emergency Electric Power Improvement Project, which has been prepared under close consultation with the Government of Bosnia and Herzegovina, the World Bank and EBRD, would be provided within this world-wide aid framework.

Bosnia and Herzegovina consists of two entities, the Federation of Bosnia and Herzegovina and Republika Srpska.(back)

### 3. PROJECT DESCRIPTION

#### Emergency Electric Power Improvement Project

##### (1) Background to and Need for the Project

Electricity is indispensable for recovery from war devastation and resumption of economic activities. Nearly half of Bosnia and Herzegovina's electricity had been provided by coal thermal power plants which received coal supply from adjacent coal mines. The facilities of power plants and coal mines were obsolete, and after suffering from war devastation, the production of electricity and coal have dropped to one tenth and one sixth of prewar level respectively. For the restoration of electricity supply and stable and safe operation of the power plant, spare parts and the restoration of coal supply is indispensable. In addition, the increase in supply of steam for house heating from the power plants would prevent the environmental problem of deforestation by inhabitants.

##### (2) Purpose of the Project

The purpose of the project is to restore the supply of electricity by rehabilitating Kakanj thermal power plant and four coal mines adjacent to thermal power plants including Kakanj plant. Also, resumption of the supply of steam for house heating would contribute to the prevention of deforestation by inhabitants.

##### (3) Outline of the Project

This project is a part of the larger project co-financed by OECF and the World Bank which aims to rehabilitate four thermal power plants, four coal mines, five hydroelectric plants and transmission and distribution lines. The OECF Project covers the rehabilitation of Kakanj Thermal Power Plant and four coal mines, namely, Kakanj, Tuzla, Gacko and Ugljevik. The proceeds of the loan will be used for the procurement of necessary materials and services.

Executing agencies are the Elektroprivreda Bosne i Hercegovine, (Address: 71000 Sarajero, Vilsonoro setaliste 20, Tel: 387-072-750-810, Fax: 387-072-750-496), the Central Bosnia Coal Mines, (Address: Rudarska ulica, Kakanj, Tel: 387-072-750-810, Fax: 387-072-751-674), the Tuzla Coal Mines, (Address: 75000 Tuzla Stupine B4/1, Tel: 387-75-252-609, Fax: 387-75-283-412), the Elektroprivreda Republike Srpske, (Address: 78000 Banja Luka, Petra Karadordevica 95, Tel: 381-78-47-012, Fax: 381-78-39-364, 381-78-41-224).

(back to project list)