

Remarks by Principal Deputy HR Larry Butler at a Ceremony Marking the Fifth Anniversary of HeidelbergCement's Investment in Kakanj Cement

Ladies and Gentlemen,

I'm extremely pleased to be here today – not simply because we are recognizing a significant and welcome example of real commercial success in Bosnia and Herzegovina, but because this *particular* example contains many of the elements that we want to see replicated right across the industrial spectrum. When that happens, the privatisation process that has been until now a disappointment in BiH can start to bring the citizens of this country the benefits it has already delivered in other transition countries.

Those benefits can be summarised in two words: investment and jobs.

When HeidelbergCement invested in the Kakanj Cement Company five years ago it launched a *process*.

It's important to emphasize this. Too often, media coverage of privatizations in BiH focuses on purchase price. This is routinely misleading. Privatisation is not in the first instance about *payment*; it's about transfer. Transfer of funds, of course – but also transfer of expertise, of technology, of marketing networks, of business models, of training schemes, and of corporate culture.

The object of these transfers is to make the privatized company profitable and competitive – and that has a direct

bearing on the interests of workers and their families, because only profitable and competitive companies can guarantee employment and pay decent salaries.

Following the privatization of Kakanj Cement, all of the company's employees were retained, and a further 30 new jobs have been created at the firm in the course of the last four years.

Part of the HeidelbergCement investment has included the installation of a state-of the art computerized administration system, accompanied by an employee-training scheme in computer literacy.

This kind of investment represents a win-win proposition for workers, shareholders, customers and society as a whole. It raises productivity, and at the same time it raises the stock of commercial resources that exists in BiH. When you raise standards in one cement company, you create the impetus for a corresponding rise right across the cement sector, and that has a knock-on effect outside the sector.

This privatisation has also had a positive and tangible impact on the company's environmental profile. Following plant modernization, production capacity has increased by 10 percent. At the same time, dust emissions have *decreased* by an astonishing 97 percent. Before privatization, dust emissions exceeded 300 milligrammes per square metre – an utterly unacceptable figure, especially when you consider the fact that the statutory European Union limit is just 50 milligrammes per square metre. Today, the company emits 10 milligrammes per square metre.

In addition, the plant has introduced ISO quality control and environmental management standards, and the company maintains a high level of public accountability through an annual Open Door event at which it informs the public about its activities.

When I took up my duties in Bosnia and Herzegovina I drew attention to the systemic weaknesses in the overall privatization process, including inefficient, and politically weak privatization agencies, unrealistically overvalued company assets, a refusal by the authorities to deal with corporate liabilities (such as unpaid salaries, welfare payments and debts), ineffective presentation of BiH investment opportunities to prospective international investors, and a lack of awareness – among local officials and the general public – that privatization is one of the keys to job creation and increased prosperity.

These problems existed in May, and they still exist today. I believe the time has come to gather all of the privatization stakeholders – responsible ministers, privatization agencies, employers, and trades union – and punch a way through the deadlock that has kept the process at a snail's pace.

We are here today to mark the fifth anniversary of a successful privatization that has brought investment and jobs to Bosnia and Herzegovina . This only points up the urgent need to secure more such privatizations. The people of BiH need more investment and more jobs, and the existing privatization system is delivering much too slowly.

Thank you