



*DAYTON: TWO YEARS ON*  
*A REVIEW OF PROGRESS IN IMPLEMENTING*  
*THE DAYTON PEACE ACCORDS IN BOSNIA*

**ICG Bosnia Project - Report No 27**  
**19 NOVEMBER 1997**

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## I. INTRODUCTION

- Prospects for lasting peace in Bosnia and Herzegovina have improved in recent months as a result of a clear shift in approach towards implementation of the peace plan on the part of the international community. The new-found resolve has been characterised, in particular, by a snatch operation in Prijedor in July in which one indicted war criminal was captured and another killed, and the seizure by the NATO-led Stabilisation Force (SFOR) of four transmission towers used by Bosnian Serb television's (SRT) Pale studio which had hitherto been used to broadcast ethnic hatred and obstruct implementation of the Dayton Peace Agreement (DPA).
- The about-turn in international policy is, in part, a product of the change in government in Britain as well as the appointment of Madeleine Albright as US Secretary of State. It also reflects a realisation that NATO forces will only be able to make a dignified withdrawal from Bosnia and Herzegovina once the groundwork for a lasting peace has been laid. Maintaining a cease-fire for two and a half years and holding elections is simply not enough to prevent the country from slipping back into war as soon as international peace-keepers pull out. While the more robust international approach to implementing the DPA has begun to pay dividends, it has also highlighted the magnitude of the remaining task necessary to rebuild Bosnia and Herzegovina after four years of war.

## II. COOPERATION WITH THE INTERNATIONAL CRIMINAL TRIBUNAL FOR THE FORMER YUGOSLAVIA

- Recent progress in peace implementation is linked to efforts aimed at addressing and resolving the issue of war crimes. The cycle of impunity which had characterised the wars in the former Yugoslavia was broken on 10 July when British SFOR troops arrested Milan Kovacevic and killed Simo Drljaca in a shoot-out. Both men had been indicted for genocide, though their indictments had not been published. Since then, even though there has not been another snatch operation, the climate throughout Bosnia and Herzegovina has begun to improve. Moreover, pressure on indictees and those states and entities harbouring them has been maintained with the result that, on 6 October, 10 Bosnian Croat indictees, including the wartime leader Dario Kordic, surrendered to the International Criminal Tribunal for the Former Yugoslavia (ICTY).
- Of 78 named indictees, 20 (14 Croats, three Bosniacs and three Serbs) are now in custody. Two of the indictees (one Croat and one Serb) have already been tried and sentenced. And five (three Bosniacs and two Croats) are currently on trial in two separate proceedings. Only the Bosniacs have surrendered all three indictees in their jurisdiction. Croatia has now turned over 14 of 18 indictees

within Croat-controlled territory. And of the four who remain at liberty one is believed to be dead. Only the Federal Republic of Yugoslavia and Republika Srpska have refused to co-operate with the ICTY. Of 57 Serbs indicted, three are in custody, four are believed dead, leaving 50 at liberty.

- The phenomenon of sealed indictments has contributed to the change of ICTY's fortunes. Instead of publishing indictments, ICTY serves the indictments and arrest warrants only to SFOR or other international authorities. Even before the snatch operations against Kovacevic and Drljaca, ICTY had achieved the first success of its new policy with Slavko Dokmanovic, a Croatian Serb former mayor of Vukovar, who was arrested by the United Nations in Eastern Slavonia in June. The policy has led to much speculation about future arrests.
- Amid the optimism generated by the obvious successes, a word of caution. Key indictees, including Radovan Karadzic and Ratko Mladic, remain at liberty and clearly continue to influence policy. The peace process will not move forward significantly until they too are arrested. And reconciliation, which is so key to reconstructing Bosnia and Herzegovina, cannot proceed without their trials and a critical examination of the past among all Bosnians. Furthermore, ICTY is in need of additional funding if it is successfully to make cases against all indictees and issue new indictments. It is sobering to compare the funds available to ICTY with those available for the Nuremberg trials in the immediate aftermath of the Second World War. While ICTY has an annual budget of some \$48 million, the 11-month Nuremberg trial of the top 12 Nazi defendants cost the equivalent of about \$2 billion in today's terms.

### III. REPUBLIKA SRPSKA

- The 10 July snatch operation transformed the political climate in Republika Srpska and paved the way for the entity's Banja Luka-based President Biljana Plavsic to make gains at the expense of her Pale-based rivals Momcilo Krajisnik and Radovan Karadzic. Shielded by SFOR, police loyal to President Plavsic have taken over almost all of Republika Srpska west of Brcko. The entity is now effectively divided with the town of Doboj in the west as well as everywhere from Brcko east under Pale control. About half the population is effectively ruled by Banja Luka and half by Pale. Moreover, the Republika Srpska national assembly loyal to the Pale hard-liners was dissolved in July by President Plavsic.
- Parliamentary elections are scheduled in Republika Srpska for 22 and 23 November. Many in the international community hope that this poll will resolve the entity's internal power struggle in President Plavsic's favour and, at the same time, produce a functioning and reasonable parliament. This hope, however, may prove naive. Logistically, the elections will be difficult to organise; politically, they may produce a hopelessly fragmented parliament or return a majority under the

control of the SDS (*Srpska demokratska stranka*) and SRS (*Srpska radikalna stranka*) hard-liners.

- President Plavsic is hardly a moderate, but rather is a Serb nationalist concerned for the future of Serbs in Bosnia and Herzegovina. She is thus prepared to co-operate with the international community in implementing certain aspects of the DPA in a way that her rivals are not. Otherwise, President Plavsic's objection to Karadzic and Krajisnik is that they are "raping" Republika Srpska economically and, in the process, harming long-term Serb interests. President Plavsic has made great political capital by revealing details of her rivals' corruption.
- While President Plavsic's credentials as a democrat are rather less than convincing -- she has, for example, conducted a minor purge of hostile media in Banja Luka -- her appearance remains the most positive political development in Republika Srpska since the DPA came into force. President Plavsic is also heavily dependent on the international community, both on SFOR for protection of her territorial gains and on foreign donors such as USAID which have begun cautiously to invest in Republika Srpska. As such, the international community should increasingly be able to condition economic assistance on the fulfilment of clear political goals.
- The problem with the forthcoming elections and indeed both polls which have taken place since the DPA came into force, is the all-pervasive climate of fear. There is nothing remotely democratic about elections in a territory in which much of the police force is paid by an indicted war criminal. Moreover, the elections can effectively be scuppered by Karadzic and Krajisnik at any stage if they do not consider the event to be in their best interests, that is if they are unlikely to win. That said, the chances of the SDS and the SRS doing well in elections are high. After all, they have a strong party structure and dominate the police as well as all aspects of society in areas under their control. Moreover, with some 49 alternatives on the ballot, voters may well be confused.
- For real implementation of the DPA to begin in Republika Srpska, Radovan Karadzic and other indicted Serbs must be removed and placed on trial. Here the Prijedor snatch operation should serve as a precedent. Despite minimal precautions, SFOR and the international community working in Republika Srpska have not, contrary to warnings of those opposed to such arrests, suffered serious reprisals.

#### IV. FEDERATION

- Despite obvious progress in some areas, the Federation-building process remains seriously flawed and agreements remain unfulfilled. For every two steps forward it seems that there is at least one step back.
- Building the Federation out of one territory controlled by the Bosnian Croat armed forces (HVO) and another controlled by the Bosnian Army remains a slow and painful process. More than three and a half years

after its creation in March 1994, the Federation remains divided into Croat- and Bosniac-controlled areas and all aspects of life are dominated by the two nationalist parties, HDZ (*Hrvatska demokratska zajednica*) and SDA (*Stranka demokratske akcije*). Party bosses generally by-pass democratic institutions, such as the parliament, in favour of bilateral deals. After boycotting the Federation parliament for several months in protest over SDA refusal to endorse proposals for redrawing municipal boundaries on ethnic lines, the HDZ returned in October to pass three laws linked to privatisation, namely the laws on General Claims, Privatisation of Enterprises and Privatisation of Socially-Owned Apartments. However, the law on Privatisation of Enterprises remains a dead letter until additional legislation, in particular the law on Opening Balance Sheets is also passed. Worse still, the privatisation law relating to socially-owned apartments makes it difficult for most displaced persons and refugees to return home. This is because the law favours current tenants, by conferring on them either the right to buy the property in which they are living or an extended period during which they cannot be evicted from it, at the expense of pre-war occupants. The issue is especially acute in the large cities and in particular in Sarajevo where more than half of all accommodation is socially-owned. Moreover, it discriminates, above all, against the return of Serbs.

- In May, hard-line Croats formed the “Croat Community of Herzeg-Bosna”. This is supposedly not a geographic entity but a self-appointed body to look after Croat interests throughout Bosnia and Herzegovina. In reality, the institutions of a separate Croat entity continue to function, especially in Mostar and other parts of western Herzegovina.
- Concerted international pressure on Croatia obliged the Bosnian Croats to hand over 10 indictees for war crimes to ICTY on 6 October. These indictees, however, were escorted by many of the most prominent Bosnian Croat politicians, including Federation President Vladimir Soljic, to the aeroplane taking them to The Hague and hailed in the Croat media as heroes. Following the departure of the indictees, a reshuffle took place in the upper ranks of the HDZ in Mostar in an attempt to put a more acceptable face on Bosnian Croat politics. The HVO and Bosnian Army have formed a joint military command and announced in October a series of additional measures, including uniform licence plates on vehicles, aiming at harmonisation.

## V. RETURN OF INTERNALLY DISPLACED PERSONS AND REFUGEES

- The “Open Cities” project, an initiative of the Office of the UN High Commissioner for Refugees (UNHCR) launched in March, is the highlight of what has otherwise been a disappointing and frustrating return process. Of 2.3 million displaced persons at the end of hostilities, some 381,000 have returned home, 171,000 refugees and 210,000 internally displaced, mostly to areas in which they belong to the ethnic majority.
- With some 60 per cent of the national housing stock destroyed or damaged during the war, physical difficulties alone are daunting. They have been exacerbated by the deliberate and systematic destruction of houses in both Croat-controlled parts of the Federation and Republika Srpska, and discriminatory property legislation in both entities which affect majority and minority returnees alike.
- “Open Cities” differs from earlier initiatives in that instead of directing economic assistance towards returnees, aid is distributed throughout the target municipality. In this way returnees are eased back into society and the entire community benefits from their return. The UNHCR only recognises municipalities which demonstrate a genuine commitment to accept all former residents back as open cities. To date, four municipalities -- Konjic, Busovaca, Vogosca and Bihac -- have been recognised as open cities, all of which are in the Federation. Some 30 municipalities are seeking open city status, including a handful in Republika Srpska.
- Throughout Bosnia and Herzegovina, according to the UNHCR, some 22,500 people -- 13,800 Croats, 5,600 Serbs and 2,900 Bosniacs -- have returned to areas in which the army of their ethnic group does not control the territory. Of these, the vast majority are in the Federation. Some 1,200 Bosniacs have returned to their homes in the zone of separation on the Republika Srpska side of the Inter-Entity Boundary Line and some 1,100 Bosniacs have returned to their homes around Brcko.
- While the international community has constructed a framework to handle large-scale returns next year, the political obstacles remain great. Unless discriminatory property legislation is repealed throughout the country, for example, many displaced persons will not be able to return to their own homes.

## VI. ELECTIONS

- Thanks to careful preparations, voting in September’s municipal elections passed off without violent incident. Moreover, owing to a complete voter registration which put a lid on fraud, the results were not marred by an impossibly high turn-out as were the national elections a year earlier. The most difficult element of the elections, namely installation of new council administrations, is currently in progress. Of 135 municipalities, 100 councils have already convened

at least once, but authorities in some 10 municipalities, including Srebrenica, Dobož, Zepce and Drvar, are obstructing the process.

- For the ruling nationalist parties, the key battle was voter registration. Displaced persons could choose whether to vote in their current municipality or where they had been living at the time of the 1991 census, and predictably the nationalist parties attempted to pack key municipalities with voters from the “correct” ethnic group. Given the scale and complexity of the process, even the most meticulous preparations would have failed to eradicate fraud. Moreover, the ruling nationalist parties could and did work out the results of the elections in advance based on the complete electoral registers, determining their level of support by examining the clearly distinguishable names of Bosniac, Serb and Croat voters. Armed with this information, the ruling Serb and Croat nationalist parties, SDS and HDZ, threatened a boycott unless the Organisation for Security and Co-operation in Europe (OSCE) granted them key concessions. Eleventh-hour deals to “save” the elections cast a shadow over the integrity of the poll.
- Four weeks after polling day the OSCE published and technically certified all of the results. As expected, the three ruling parties won a majority of the council seats, a total of 3,230 (67 per cent) - 1,719 (81 per cent) in the Federation and 1,511 (57 per cent) in Republika Srpska. Non-national parties (those which do not exclusively represent the rights of one ethnic group) won 297 council seats (6 per cent) throughout the country - 250 (12 per cent) in the Federation and 47 (2 per cent) in Republika Srpska. Only in one municipality, Tuzla, did non-national parties win a majority (63 per cent) of council seats. Candidates representing displaced persons and their right to return to their pre-war municipalities won more than 50 per cent of council seats in six municipalities (4 per cent) - five in the Federation and one in Republika Srpska. In 42 municipalities, the displaced won between 20 and 49 per cent of council seats - 14 in the Federation and 28 in Republika Srpska. In 47 municipalities, the displaced won up to 20 per cent of council seats - 26 in the Federation and 21 in Republika Srpska.
- Final certification will be conferred on a municipality-by-municipality basis once new council administrations have been installed and various other criteria -- including representation of minority political parties and coalitions among executive officers -- are fulfilled. The OSCE’s election-related mandate runs out on 31 December and if municipalities have not fulfilled these criteria, the results will not receive final certification.
- Victories for the ruling nationalist parties are in part the legacy of 44 months of war. They are also, however, a feature and indeed a weakness of the existing electoral system. The fundamental flaw is that candidates need only seek votes from one ethnic group to win office. Given the very recent experience of war, the prime factor motivating the electoral decision of almost all Bosnians is fear of the two other constituent peoples of Bosnia and Herzegovina to which they do not belong. Understandably, therefore, almost everybody votes for



the candidate and/or party which promises the most robust defence against the perceived threat, that is, for the nationalist party. But since the nationalist parties are themselves the threat to the two other peoples, the consequence is a vicious cycle of hatred and fear. This can only be changed by a fundamental redesign of the electoral system.

## VII. BRCKO

- The fate of this strategic town on the Sava River which links eastern and western halves of Republika Srpska is to be decided by international arbitration in March 1998. Whether Brcko remains in Republika Srpska or becomes a district of Bosnia and Herzegovina under the administration of the common institutions, ostensibly depends on how the DPA is implemented there this year. William Farrand, a US Ambassador and Deputy High Representative, is overseeing that implementation.
- As expected, all aspects of the municipal elections proved especially controversial in Brcko. The Federation boycotted voter registration for the first four weeks on the grounds that since the town's status was still undetermined, a single election should take place throughout the former municipality, not separate polls in the Federation and Republika Srpska. Meanwhile, the Republika Srpska authorities attempted to abuse voter registration in an attempt to pack Brcko with Serbs and thus engineer an absolute Serb majority. After the first four weeks of registration, the scale of the fraud was so great that the process had to be cancelled and redone.
- As polling day approached and the SDS threatened to boycott the elections, the OSCE discovered an "error" in registration, boosting the total number of voters in Brcko by 2,600. The OSCE never explained convincingly to the Bosnian electorate the circumstances of this "error". Of the 56 council seats contested, Serb national parties won 30 (17 SDS, 7 SRS and 6 SPRS), and the remaining 26 were distributed between the SDA Coalition (16), the HDZ (3) and the SDP (7), a party which campaigns on a multi-ethnic platform, though its support comes almost exclusively from the Federation.
- Following the elections, Ambassador Farrand issued directives concerning the functioning of a multi-ethnic administration, judiciary and police which the Republika Srpska authorities have described as unconstitutional. He also held a local donors' conference in October to raise the means with which to regenerate the region's economy.
- The most that could realistically be achieved in Brcko this year was to begin the return process into Brcko town and thus defy the ideology which maintains that Serbs, Bosniacs and Croats cannot live together. To date, this has not been achieved. The 1,100 displaced persons who have moved back to their homes have settled in outlying villages, not in Brcko town.

## VIII. MEDIA

- Media played an especially pernicious role in the destruction of Yugoslavia -- both before and during the war. Nevertheless, media were not specifically covered in the DPA and, even after the end of hostilities, continued to fan the flames of conflict, consistently undermining the peace process through a diet of ethnic hatred. This changed at the Sintra meeting of the Peace Implementation Council at the end of May which gave the High Representative "the right to curtail or suspend any media network or programme whose output is in persistent and blatant contravention of either the spirit or letter of the peace agreement."
- The High Representative used these new powers on 1 October when, after repeated warnings to and broken promises from Pale-based Bosnian Serb television (SRT), SFOR seized four transmission towers. The High Representative demanded fundamental restructuring of the station, including the removal of obstructionist leaders such as Momcilo Krajsnik from the station's governing board, as pre-conditions for handing the transmission towers back. However, SRT refused to comply.
- Even before SFOR seized the transmission towers SRT was divided between its Banja Luka studio, loyal to President Plavsic, and Pale studio, loyal to Krajsnik and Karadzic. Since 21 August SRT's Banja Luka studio had broadcast to most of the western half of Republika Srpska, while the Pale studio broadcast to the eastern half. Following an agreement struck under Federal Republic of Yugoslavia President Slobodan Milosevic's auspices in Belgrade, the rival studios were to broadcast news on alternative days. This arrangement was abruptly terminated two days later after Pale-based SRT broadcast a speech by ICTY Chief Prosecutor Louise Arbour which was altered to suggest bias against Serbs. From the moment that SFOR took over the transmission towers, SRT began exclusively broadcasting from the Banja Luka studio. For two days (16 and 17 October) SRT Pale returned to the air without the authorisation of the Office of the High Representative (OHR) using an additional transmitter which was then dismantled before SFOR could seize it. For the next two weeks SRT Banja Luka broadcast in the west and a test card transmission in the east explained why the station was not broadcasting. Currently SRT Banja Luka is again broadcasting throughout Republika Srpska with the benefit of a satellite link established and paid for by the international community.
- Despite the strong-arm tactics used against SRT, there have been no reprisals against SFOR or the international community working in Republika Srpska. Moreover, SRT has now opened itself up both to opposition parties and is also broadcasting programmes supplied by the international community, including documentaries on Serb refugees wishing to return to their homes in the Federation. These views have never been broadcast before and the impact could be substantial. In the run-up to the election campaign all 31 parties and

18 independent candidates, including those from the Federation, have an equal opportunity to present themselves to the electorate on special programmes designated for this purpose.

- The problems of the Bosnian media are not limited to SRT. The Bosnian Croat media have also broadcast inflammatory statements and intentionally deceptive news reports, and the broadcasts of Sarajevo-based Bosnian television also leave much to be desired. At the same time, the internationally-funded television station, the Open Broadcast Network, has failed to have an impact among Bosnians. It is now critical, therefore, to develop a comprehensive approach to all Bosnian media to bring them in line with the DPA. To this end the OHR is drawing up a new media framework, including a country-wide Media Standards and Licensing Authority, for the next meeting of the Peace Implementation Council in Bonn in December. It is important to be aware, however, that the media tend to reflect more fundamental problems within Bosnian society which must also be addressed if the country is to have a future.

## IX. IMPLEMENTATION OF THE MILITARY PROVISIONS OF THE DPA AND REGIONAL STABILISATION

- In recent months SFOR has exercised its mandate in a more robust manner. Following the snatch operation against two indicted war criminals in July, SFOR intervened in Banja Luka to shield President Plavsic and ensure her control of the police. On 10 November SFOR troops intervened again in Doboij to dissolve the special police and close its barracks. These forceful actions stand in marked contrast to the first 19 months of the mandate. During that time, once it had successfully overseen the cease-fire, the transfer of authority in some areas and the creation of a zone of separation, the NATO-led force concentrated on patrolling the Inter-Entity Boundary Line.
- The deadline for completion of the second phase of weapons reduction under the Sub-Regional Arms Control Agreement was 31 October 1997. The agreement set ceilings for military hardware which should eventually leave a two-to-one ratio between the Federation and Republika Srpska armed forces. At present, however, most of the Federation's ceilings are largely theoretical since it possessed minimal heavy weaponry at the time that the terms of the agreement were worked out. Only Republika Srpska is obliged to make large-scale reductions, but is worried by the US-sponsored "Train and Equip" programme which is building up the strength of the Federation armed forces. The first deadline expired on 31 December 1996 and was not met. The Federation destroyed 776 pieces of artillery while Republika Srpska destroyed 45 pieces of equipment in total.
- To meet the latest deadline Republika Srpska has, according to the OSCE which is monitoring the process, already destroyed some 242 tanks and 433 artillery pieces. This is a start but not enough. What is enough, however, is not clear since the exact stock-piles of the

Bosnian Serb army are not known. Though Republika Srpska has revealed the existence of additional weaponry to international monitors on several occasions during the past two years, much military hardware may never have been declared. SFOR and the OSCE are carrying out random inspections in November to assess the level of compliance.

- By the end of 1997 the Federation armed forces will have received some \$250 million worth of military hardware as part of the "Train and Equip" programme. That equipment is currently stored near Sarajevo and will be allocated in the next month. After months of obstruction, Republika Srpska and the Federation formed in September a Standing Commission on Military Matters, an advisory body which the Presidency could use to help control the armed forces of both entities.

#### X. FORMATION OF COMMON INSTITUTIONS, REINTEGRATION AND SINDRA DEADLINES

- At the meeting of the Peace Implementation Council in Sintra, Portugal at the end of May, implementation deadlines were set for the first time and the Office of the High Representative was awarded the right to curtail or suspend any media network whose output persistently and blatantly contravened the DPA. Deadlines were set for an integrated telephone system (15 July), a reconstituted and operational Civil Aviation Authority (end of July), citizenship laws and the appointment of ambassadors (1 August 1997), a new flag (1 September) and common vehicle registration for all Bosnian cars (1 January 1998).
- Despite the deadlines, however, progress towards implementation has remained slow. Telephone connections do now exist between the Federation and Republika Srpska, but there are insufficient lines and additional capacity has to be built. A Civil Aviation Authority has finally come together. Citizenship laws have not been passed, there is no common passport, no common Bosnian flag and no progress has been made towards a common vehicle registration. The fundamental problem is that Bosnia and Herzegovina's common institutions have failed to function. Though ostensibly the creation of these institutions was the reason for national elections in September 1996, the poll was fought in the absence of the conditions in which it could be free, fair or even remotely democratic. In these circumstances, many of the nationalist leaders responsible for the outbreak of war were elected and have used their pseudo-democratic mandates to obstruct the peace process. Though the three-man collective Presidency has been meeting regularly since October 1996 and the Council of Ministers since January this year, even minor progress requires massive and sustained international pressure and obstructionism continues to yield dividends.
- The fate of a common Bosnian currency is indicative of the political impasse. A central bank law was passed after much delay by the Bosnian parliament on 20 June. Under this law, the central bank was

to issue a new currency, the “Convertible Marka”, once its design had been approved by the board of governors and the Presidency. In the interim, the entities will be able to issue temporary coupons and continue to use the foreign currencies - Yugoslav Dinars, Croatian Kuna and German Marks - currently in circulation. The entities are obliged to “undertake all efforts” to promote the use of the Convertible Marka, but no deadline or penalties have been set lest those efforts prove minimal. To date, the Presidency has failed to agree even the design of the coupon currency.

- To break the political impasse, the Office of the High Representative is looking to the next meeting of the Peace Implementation Council, scheduled for 8 and 9 December in Bonn, to strengthen its mandate with the power of binding arbitration.

## XI. RECONSTRUCTION AND ECONOMIC DEVELOPMENT

- A framework for Bosnia and Herzegovina’s reconstruction has been successfully put in place by the World Bank. Donors pledged \$1.8 billion last year, and a further \$1.24 billion at this year’s Donors’ Conference. Moreover, donors have so far more than fulfilled their pledges committing a total of \$1.9 billion for 1996. Of the \$1.1 billion actually disbursed that year, the bulk went to Bosniac-controlled regions of the Federation and only 3 per cent went to Republika Srpska since that entity had refused to attend the Donors’ Conference. In the future, roughly 70 per cent of disbursements is earmarked for the Federation and 30 per cent for Republika Srpska. This allocation is based on various criteria including the level of physical destruction and the size of the population.
- Exact economic data are difficult to obtain. Nevertheless, it is clear that in the Federation, the economy, employment and wages grew rapidly throughout 1996, but that growth rates slowed in the first half of 1997. According to the Federation Statistical Institute, the economy grew by almost 68 per cent in 1996 and should grow by another 40 per cent this year to reach some 47.5 per cent of its pre-war level. Unemployment is estimated to be between 60 and 75 per cent of the labour force, though this is difficult to assess because of the “grey” economy. The number of registered employed has been floating around 338,000 since the end of 1996. This represents a 70 per cent increase over the 1995 average, but below the pre-war figure of 950,000. Meanwhile, average monthly wages have risen to 266 DM in July this year from about 44 DM in 1995.
- Growth in Republika Srpska, where data is even less precise, has been slower than in the Federation. In 1996, even without an injection of foreign capital the economy grew by 20 per cent to about a quarter of its pre-war level. Average monthly wages had risen to 84 DM by June this year, compared with 21 DM in 1995. Meanwhile, according to Republika Srpska’s statistical institute, 193,574 people are employed and 140,781 people are registered as unemployed.

- At the end of June, Bosnia and Herzegovina agreed in principle with the London Club of creditors, a group of private banks, an effective 87.5 per cent reduction of the state's commercial debt inherited from the former Yugoslavia. The country will have to service \$404 million of its \$1.04 billion debt. Of this \$105 million will be at low interest rates and \$354 million will only become payable once the GDP per capita rises to \$2,800. While this agreement is a significant development, it is threatened by the political impasse in the country's central institutions and the power struggle in Republika Srpska. The London Club has until 10 December to finalise terms and may yet back out of the agreement. Key to the London Club's decision is a stand-by agreement with the International Monetary Fund. Worth \$100 million, this is essentially an economic health check of Bosnia and Herzegovina based on scrutiny of the country's fiscal policy and budgets. The agreement has been held up by, among other things, bickering over the design of the common currency.
- Reconstruction in Bosnia and Herzegovina is especially complicated since the country must, at the same time, restructure after half a century of state socialism. In many respects the latter is actually the greater problem. Political control over the economy and a lack of transparency in accounting undermine the international community's efforts. Indeed, international investment may work against reintegration unless political issues are resolved first. Money is generally channelled via authorities who are almost invariably nationalist party apparatchiks. In the process, therefore, the strength and influence of nationalist parties may be enhanced.

## XII. CONCLUSION

The international community's new-found resolve to see the DPA implemented has begun to turn the peace process in Bosnia and Herzegovina around. Fundamental obstacles, including the continued liberty of key indicted war criminals, continue to hamper implementation of the DPA. These must be resolved to maintain the momentum which has been generated in recent months. However, it is also important to be aware that there are no quick-fix solutions. If the international community wishes to ensure the long-term success of the peace process, it must remain in Bosnia and Herzegovina for many years to come. The departure of NATO troops must, therefore, be tied to the completion of a mission and not a deadline which has been set in advance.

**18 November 1997, Sarajevo**

## **ABOUT THE INTERNATIONAL CRISIS GROUP**

We want to head off crises before they develop,  
rather than react to crises after they happen.

Senator George Mitchell, ICG Board of Trustees Chair

The International Crisis Group (ICG) is a multinational non-governmental organisation founded in 1995 to reinforce the capacity and resolve of the international community to head off crises before they develop into full-blown disasters. ICG board members - many of them high profile leaders in the fields of politics, business and the media - are committed to using their influence to help focus the attention of governments, international organisations and the private sector on impending crises and to build support for early preventive action.

Since February 1996 ICG has been engaged in Bosnia and Herzegovina in support of the international effort to implement the Dayton Peace Agreement. Based in Bosnia, the ICG staff have monitored progress towards implementation of the peace accord, identifying potential obstacles, and advocating strategies for overcoming them. ICG's priority has been to assist the international community and to pre-empt threats to the peace process before they have a chance to re-ignite the conflict that has ravaged the region since 1991.

**OTHER MAJOR PROJECT REPORTS AVAILABLE FROM ICG**

<b>BOSNIA</b>		
1.	Eastern Slavonia	27 March 1996
2.	Analysis of the International Police Task Force	19 March 1996
3.	Security, Repatriation, Elections and Reconstruction	1 April 1996
4.	Military Security Post IFOR	15 April 1996
5.	Bosnia Policy Framework	30 April 1996
6.	Conditions for Democratic Elections in Bosnia	22 May 1996
7.	The Political Crisis in Republika Srpska	23 May 1996
8.	Elections in Mostar	28 May 1996
9.	ICG Statement on the Elections in Bosnia	5 June 1996
10.	An Independent Six Month Review of the Dayton Peace Accords	13 June 1996
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