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BOSNIA PEACE OPERATION

Progress Toward Achieving the Dayton Agreement's Goals





GAO

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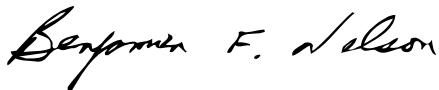
The Honorable Jesse Helms
Chairman, Committee on Foreign Relations
United States Senate

Dear Mr. Chairman:

This report discusses the Bosnia peace operation, specifically the progress made in achieving the operation's objectives and U.S. costs and commitments in support of the operation. We are sending copies of the report to the Secretaries of State and Defense, the Administrator of the U.S. Agency for International Development, the Ranking Minority Member, Committee on Foreign Relations, and to other appropriate congressional committees. We will make copies available to others upon request.

This report was prepared under the direction of Harold J. Johnson, Associate Director, International Relations and Trade Issues, who may be contacted on (202) 512-4128 if you or your staff have any questions about this report. Major contributors to the report are listed in appendix IX.

Sincerely yours,



Benjamin F. Nelson
Director, International Relations
and Trade Issues

Executive Summary

Purpose

The 1995 General Framework Agreement for Peace in Bosnia and Herzegovina and its supporting annexes (also known as the Dayton Agreement) provided the structure and mandates for an international operation intended to promote an enduring peace in Bosnia and stability in the region. While international in scope, the Bosnia peace operation has received important political, military, and financial support from the United States. At the request of the Chairman of the Senate Committee on Foreign Relations, GAO reviewed the implementation of the Bosnia peace operation, specifically the progress made in achieving the operation's four key objectives since the operation began in December 1995 and U. S. costs and commitments in support of the operation. The operation's objectives are to create conditions that allow Bosnia's political leaders to (1) provide security for the people of Bosnia; (2) create a unified, democratic Bosnia that respects the rule of law and internationally recognized human rights, including cooperating with the war crimes tribunal in arresting and bringing those charged with war crimes to trial; (3) rebuild the economy; and (4) ensure the right of people to return to their prewar homes.

To determine the progress made in achieving the operation's key objectives, GAO visited numerous locations in Bosnia during July and December 1996, and obtained documentation and interviewed officials from U.S., international, military, and local governmental organizations there. GAO also gathered and analyzed information from the Departments of State, Defense, and the Treasury, and other U.S. government agencies; the World Bank, the United Nations, the Organization for Security and Cooperation in Europe, and other international organizations; and several participating foreign governments. In addition, GAO attended the Peace Implementation Council session in London in December 1996 where progress and the future of the peace operation were assessed by the international community. (A complete description of GAO's scope and methodology is in chap. 1.)

Background

The war in Bosnia and Herzegovina was fought from 1992 through 1995 among Bosnia's three major ethnic/religious groups—Bosniaks (Muslims), Serbs (Eastern Orthodox Christians), and Croats (Roman Catholics).¹ During the war, Bosnian Serbs and Croats fought for and declared the establishment of ethnically pure states separate from Bosnia,² while

¹This report defines "Bosniaks" as "Muslims," the definition used in State Department human rights reports. The report also refers to any citizen of Bosnia as a "Bosnian," regardless of ethnic group.

²These states were never recognized by the international community, whereas Bosnia and Herzegovina was granted diplomatic recognition and became a member of the United Nations in 1992.

Bosniaks fought for a unified, multiethnic Bosnia. United Nations and other international mediators' attempts throughout the war to stop the fighting were generally unsuccessful, until U.S.-led negotiations in 1995 culminated in a cease-fire in October 1995 and the Dayton Agreement in December 1995.

The Dayton Agreement declared that Bosnia is a single state consisting of two entities that were created during the war: (1) the Bosnian Serb Republic, known as Republika Srpska, and (2) the Federation, an entity that joins together Bosniak- and Bosnian Croat-controlled areas of Bosnia.³ Most areas within Bosnia, with the exception of central Bosnia, are populated and controlled by a predominant ethnic group as a result of population movements during the war.

Implementing the Dayton Agreement was a complex, decentralized operation with numerous objectives and subobjectives designed to assist Bosnia's political leaders achieve the commitments they had made in signing the agreement. On the military side of the peace operation, the North Atlantic Treaty Organization (NATO) authorized two military forces—first the Implementation Force (IFOR) and later the Stabilization Force (SFOR)—that had responsibility for mainly military objectives and had clear lines of authority for planning and implementation. The United States was the largest force provider to IFOR and SFOR, and Americans occupied the key NATO military leadership positions that controlled their operations.

On the civilian side of the operation, the Office of the High Representative was established by the Dayton Agreement to assist the parties in implementing the agreement and to coordinate assistance efforts, but it had no operational authority over either the parties or the civilian organizations and donors active in Bosnia. Other organizations participating in the operation include the United Nations, with its unarmed, civilian police monitoring operation—the International Police Task Force—and other components; the Organization for Security and Cooperation in Europe; and the United Nations High Commissioner for Refugees. The United States has provided important political, financial, and personnel support to organizations participating in the operation, as well as to the international community's economic reconstruction program for Bosnia.

³U.S. mediation resulted in the establishment of the Federation in March 1994. Prior to this, the Bosniak and Bosnian Croat armies were fighting each other in central Bosnia. The Federation agreement led to a cease-fire between these two armies that held throughout the remainder of the war.

The peace operation faced a difficult task in attempting to help rebuild and bring reconciliation to Bosnia. For example, by the end of the war, annual per capita gross domestic product had fallen from its prewar level of \$1,900 to \$500; less than 25 percent of the prewar working population was employed; and war damage estimates ranged from \$20 billion to \$30 billion.⁴ Further, the extreme nationalism that precipitated and grew out of the war had made ethnic identity a critical factor in many aspects of Bosnians' daily life, and the violence, fear, and collapsed social structure that resulted from the war had eroded support for pluralism.

Results in Brief

The Bosnia peace operation has helped Bosnia take important first steps toward the Dayton Agreement's goals. The NATO-led military forces have created and sustained an environment that allows the peace process to move forward and Bosnians to return to normal life. The cease-fire has held, general security has improved, and some progress has been made in establishing political and economic institutions. Additionally, the more secure environment has allowed schools and shops to reopen, and families to start repairing damaged homes. Nevertheless, while the task of implementing the civil aspects of the Dayton Agreement has begun, transition to an effective multiethnic government had not occurred. Bosnia remains politically and ethnically divided, freedom of movement across ethnic boundaries is still very constrained, and economic activity is still at a low level. The limited progress to date has been due principally to the failure of the political leaders of Bosnia's three major ethnic groups to embrace political and social reconciliation and to fulfill their obligations under the Dayton Agreement. Major obstacles to the vision embodied in the Dayton Agreement remain, particularly the lack of cooperation of Bosnia's political leaders, and experts say full political and social reconciliation in Bosnia will be a long and difficult process.

The Bosnian people are more secure than before the Dayton Agreement. The fighting has not resumed, forces have separated, and force reductions on all sides have occurred. The U.S.-led "train and equip" program intended to help stabilize the military balance in the region is progressing, albeit slower than anticipated. Nonetheless, the Bosnian Serb political leaders have not fully lived up to arms reduction agreements, little progress has been made in reforming police forces so that they operate in accordance with democratic policing standards, and the Department of

⁴This is a World Bank estimate. The government of Bosnia estimates the damage at \$50 billion to \$70 billion.

State believes an international military force is still the only deterrent to major hostilities.

A unified, democratic state that respects the rule of law and adheres to international standards of human rights has yet to be achieved. Although national and entity-level elections were held, most institutions intended to unify Bosnia's ethnic groups are not yet functioning. Moreover, according to human rights reports, the human rights situation worsened in the months after the election, particularly in Bosnian Serb-controlled areas, and ethnic intolerance remained strong throughout Bosnia. Additionally, as of April 1997, only Bosniak authorities had surrendered indicted war criminals to the war crimes tribunal; the other two parties had made no arrests of indicted war criminals. U.S. and other officials view progress in this area as critical to achievement of the overall Dayton objectives.

Economic conditions have improved somewhat since the end of the war. Economic reconstruction has begun, and about \$1.1 billion in international assistance was disbursed in 1996 as part of the 3- to 4-year reconstruction program. However, economic activity remains at low levels, and progress toward building economic institutions designed to unify the country has been very limited.

People generally have been unable to return to their prewar homes. Of the estimated 2 million people who were forced or fled from their homes during the war, only about 250,000 have returned home. Virtually no returnees went back to homes in areas controlled by a different ethnic group.

The executive branch initially estimated that U.S. military and civilian participation in Bosnia would cost about \$3.2 billion through fiscal year 1997. The total estimated cost for U.S. participation in the operation has since risen to \$7.7 billion. The increase is primarily due to the December 1996 decision to extend the presence of U.S. forces in and around Bosnia until June 1998. Some State and Defense Department officials said that based on current conditions, they believe some type of international military force will likely be required after June 1998. U.S. participation in such an effort could push the final cost significantly higher than the current \$7.7 billion estimate. The executive branch has repeatedly stated that it plans to withdraw U.S. troops when the current mission ends in June 1998.

Principal Findings

Progress in Providing a Secure Environment

To improve the security environment in Bosnia, the Dayton Agreement sought a durable cessation of hostilities,⁵ a stable military balance in the region, and civilian police forces that operate in accordance with democratic policing standards. The U.S. government believes that there are two key elements of a stable military balance: arms control efforts called for by the agreement and the train and equip program for the Federation military that was established outside of the Dayton framework. Some progress has been made in stabilizing the military situation, but progress in reforming civilian police forces has been slow in the Federation and virtually nonexistent in Republika Srpska.

Bosnia's three militaries have observed the cease-fire, allowed IFOR and later SFOR to monitor their weapons sites and troop movements, and have reduced force levels by a combined total of 300,000. Moreover, the U.S.-led program to train and equip the Bosniak and Bosnian Croat militaries as they are integrated into a unified Federation military is making progress, although somewhat more slowly than expected.⁶ As of March 1997, three brigades were being trained, and heavy weapons from the United States have been delivered. This program was delayed because Bosniak and Bosnian Croat political leaders were slow to comply with conditions that had been set, including the removal of foreign forces from Bosnia, the enactment of legislation creating an integrated Defense Ministry and a joint high command, and the replacement of certain officials.

However, the political leaders of all three major ethnic groups have failed to fully comply with measures designed to achieve lasting security. Republika Srpska has not lived up to its agreement to reduce its arms to the lowest amount needed for its security. According to a State Department official, the United States could increase assistance under the Federation train and equip program to provide a military balance if the Bosnian Serbs do not comply with the arms control agreements.

Furthermore, Bosnian Croat and Bosniak political leaders have made limited progress in reforming their civilian police so that they provide security for Bosnians of all ethnic groups and do not commit human rights

⁵The Dayton Agreement does not define "a durable cessation of hostilities."

⁶The Federation defense law calls for the Bosniak and Bosnian Croat armies to be fully integrated by August 1999.

abuses; Bosnian Serb political leaders have yet to cooperate with the International Police Task Force in reforming their police force. In December 1996, the United Nations reported that Bosnia's police are responsible for most human rights violations—by some estimates as many as 70 percent—that occur in Bosnia. A U.S. embassy official told GAO that the primary problem in reforming police is that political leaders of all three ethnic groups continue to use police as a means of furthering their political aims.

In December 1996, the unstable security situation led to NATO authorizing SFOR for an 18-month mission to deter an outbreak of hostilities. Many western observers told GAO that based on the current pace of political and social change in Bosnia, some sort of international military force would likely be needed there for many years to deter an outbreak of hostilities while Bosnians continue the reconciliation process. The following three sections discuss elements of Bosnia's political and social reconciliation.

Progress in Developing a Unified, Democratic Bosnia

Only limited progress has been made toward the Dayton objective of a unified, democratic Bosnia that upholds the rule of law and adheres to international standards of human rights. Under strong international pressure, the parties had taken some steps to link politically the country's three major ethnic groups through the creation of national and Federation-level governmental institutions, but continuing tension, distrust, and political discord among Bosnia's ethnic groups has slowed progress toward a unified, democratic Bosnia.

U.S. officials acknowledge that progress toward a unified Bosnia depends heavily on the willingness of the three ethnic groups' political leaders to cooperate in developing indivisible political institutions. This has not yet happened. For example, institutions have been formed since the September 1996 election and the three-person Presidency had met 15 times; but as of March 1997 the Parliamentary Assembly had met once but passed no legislation; and the Council of Ministers had met 10 times but had no staff, funding, or office space. Further, Bosnia's three separate, ethnically-based armies continue to be controlled by their wartime political leaders. According to State, these armies must evolve into a unified armed forces before Bosnia can become a unified country. The committee called for in the Dayton Agreement to coordinate military matters at the national level had not met as of March 1997.

The September 1996 elections that began the development of Bosnia's national institutions were intended to be a step in the progressive achievement of democratic goals throughout Bosnia; however, it is unclear what impact the elections will have on Bosnia's democratic development. According to State Department officials, the elections were a necessary first step in developing democratic institutions in Bosnia, and they helped develop a viable opposition that did better than expected against the ruling political parties.

On the other hand, the Organization for Security and Cooperation in Europe said that the elections were not held in a fully free and fair environment. For example, opposition political parties were not permitted to campaign in a free atmosphere and their access to the media was restricted, as Bosnia's ruling political parties controlled the media and used it to propagate fear and insecurity among voters. State acknowledged this, but believes the results nonetheless represented the will of the people. A U.S. Agency for International Development (USAID) analysis stated that the September 1996 election may have actually hampered Bosnia's democratic development because it kept in power authoritarian political leaders. Some State and USAID officials acknowledged that these victories may hinder efforts to build a democratic state, but no one was surprised by the election outcome. State said that despite the election's flaws, it was an essential first step in creating democratic institutions in Bosnia.

According to official intergovernmental agency monitoring reports, the human rights situation actually worsened in the months following the election, particularly in Republika Srpska, as the ruling parties worked to consolidate their power. On April 14, 1997, the High Representative reported that a precarious human rights situation, characterized by widespread discrimination, harassment, and abuse on ethnic grounds, continues to reign in Bosnia, with the most severe abuses occurring in Republika Srpska and in Bosnian Croat-controlled areas.

Ethnic intolerance among all three ethnic groups and separatist tendencies of Bosnian Serbs and Croats remain strong, in large part because Bosnia's political leaders have controlled the media and used it to discourage reconciliation among the ethnic groups. A U.S. Information Agency poll taken in January 1997 indicated that 79 percent of Bosnian Croats and 94 percent of Bosnian Serbs thought the areas under their control should be part of Croatia and Serbia, respectively. In contrast, 99 percent of Bosniaks wanted a unified country.

As of April 1997, 66 of the 74 people indicted by the war crimes tribunal remained at large,⁷ some openly serving in official positions and/or retaining their political power. While the Bosniaks had surrendered all indicted war criminals in their area of control to the war crimes tribunal, Bosnian Serbs and Bosnian Croats had not surrendered to the tribunal any indicted war criminals in their areas. U.S. and other officials view progress on this issue as central to the achievement of the Dayton Agreement's objectives, but the international community had not decided on how to resolve this problem.

Progress in Rebuilding the Economy

The Dayton Agreement viewed economic rehabilitation and reconstruction as essential to achieving peace—the negotiators believed that the people must have an economic stake in the process to see that peace is better than war. Thus, economic reconstruction, economic institution building, and the promotion of a market economy were deemed to be of major importance. To support these goals, the government of Bosnia, with the assistance of the World Bank, the European Commission, the European Bank for Reconstruction and Development, and other international agencies and organizations, designed a 3- to 4-year, \$5.1-billion Priority Reconstruction Program. This program provided the international community with the framework for the economic reconstruction and integration of Bosnia.

In 1996, 59 donor countries and organizations pledged \$1.9 billion to the program, exceeding the first year goal of \$1.8 billion, and disbursed \$1.1 billion of those funds.⁸ The U.S. government, primarily through USAID, committed \$294.4 million during the program's first year for, among other things, repair of municipal infrastructure and services, small business loans, and technical assistance for the development of national and Federation economic institutions. By the end of 1996, there were many signs of economic recovery, primarily in the Federation. For example, key roads, rail links, and bridges were being restored, houses were being repaired, and some basic services like water and heating were being reestablished. The Sarajevo airport is now open to limited commercial traffic, and the tram system has been restored to half its prewar capacity. Over \$100 million in business loans has helped revive commerce,

⁷These figures do not include one person who was indicted by and surrendered to the war crimes tribunal, but who was released by the tribunal for humanitarian reasons and later died.

⁸World Bank data on funds that have been disbursed do not necessarily translate into results on the ground. Hence, while \$1.1 billion had been disbursed by December 1996, GAO cannot say what portion of this represents physical results.

generating an estimated 11,000 new jobs. Also, two key Federation agencies, the Federation Customs Administration and the Federation Banking Agency, became operational during 1996.

At the end of 1996, however, economic activity was still at a very low level, and much reconstruction work remained to be done. Furthermore, many key national and Federation economic institutions—such as Bosnia's central bank—were not yet fully functioning. The biggest obstacle to progress in economic reconstruction and economic institution building has been the lack of cooperation among Bosnia's political leaders in implementing infrastructure projects and economic institutions that would unite the ethnic groups within the Federation and across the two entities. According to November 1996 and March 1997 donor reports, problems in coordinating donor assistance have also contributed to delays in achieving results, though the pace of disbursements accelerated after the middle of the year.

Civilian landmine clearing, an area of critical importance to economic reconstruction and refugee returns, did not start in Bosnia until the fall of 1996 due to, among other things, persistent disagreements between the national and entity governments. In December 1996, a senior IFOR officer told GAO that the political leaders of Bosnia's three major ethnic groups do not want to remove landmines because they believe the cease-fire is only a temporary cessation of hostilities.

Progress in Returning Refugees and Displaced Persons to Their Homes

Despite guarantees in the Dayton Agreement and extensive international effort to resolve the issue, the return of refugees and displaced persons to their homes had barely begun in Bosnia as of March 1997. Fear, stemming from lack of personal security; violence triggered by attempted cross-ethnic returns; nonviolent resistance from Bosnia's political leaders of all ethnic groups; poor economic prospects; and lack of suitable housing combined to hinder returns. The returns that did take place in 1996 were mainly people going back to areas controlled by their own ethnic group because returns across ethnic lines proved nearly impossible. Efforts to address the return problem touch many aspects of the Bosnia peace operation, leading to calls by the international community for improved integration between groups responsible for implementing the Dayton Agreement's security, political, and economic reconstruction provisions.

U.S. Costs and Commitments

In February 1996, the executive branch estimated that the Bosnia peace operation would cost the United States about \$3.2 billion for fiscal years 1996 and 1997: \$2.5 billion in incremental costs for military-related operations and \$670 million for the civilian sector.⁹ These estimates assumed that U.S. military forces would be withdrawn from Bosnia when IFOR's mission ended in December 1996. The executive branch's current cost estimate for fiscal years 1996 and 1997 is more than \$5.9 billion: about \$5 billion in incremental costs for military-related operations and about \$941 million for the civilian sector. Almost all of the increase was due to the decision to extend the U.S. military presence in and around Bosnia through June 1998. In fiscal year 1998, the United States plans to commit about \$1.8 billion for the Bosnia peace operation: about \$1.5 billion for military operations and \$340 million for civilian activities.

Under current estimates, which assume that U.S. military participation in Bosnia will end by June 1998, the United States will provide a total of about \$7.7 billion for military and civilian support to the operation from fiscal years 1996 through 1998.¹⁰

Agency Comments

The Departments of State and Defense and USAID provided comments on a draft of this report. The Department of Defense generally concurred with the report and offered only technical changes that have been incorporated where appropriate. USAID said that, overall, the report provides comprehensive information on progress in achieving the goals of the Dayton Agreement, although it suggested that the accomplishments achieved be given greater emphasis. In response to USAID comments, additional information was added to our discussion of USAID programs in chapter 4 and appendix V. However, GAO did not evaluate individual USAID programs and is not in a position to comment on their effectiveness. Our objective was to assess progress towards the broad objectives in the Dayton Agreement.

The Department of State had two principal concerns with the draft report. State said that the report does not adequately recognize the enormity of the task of implementing the Dayton Agreement, nor does it sufficiently discuss the progress made thus far. GAO believes that the report properly

⁹Department of Defense costs are incremental costs; that is, they are costs that would not have been incurred if it were not for the Bosnia operation.

¹⁰At the time this report went to press, the Department of Defense was considering a proposed change to the SFOR operational plan that would increase the number of SFOR troops around the time of the municipal elections scheduled for September 1997. If approved, this option would likely change the Defense Department's cost estimates for fiscal years 1997 and 1998.

recognizes the difficulty of the task of bringing peace to Bosnia. The full breadth of the overall challenge is outlined in chapter 1 and appendix I, and additional context is provided in chapters 2 through 5 as each area of Dayton implementation is assessed. GAO also believes that the report presents a balanced picture of the progress made thus far in all sectors, both militarily and in rebuilding civil society.

State also specifically disagreed with GAO's reporting that (1) the human rights situation had worsened in the months following the September 1996 elections and (2) the September 1996 elections may hinder Bosnia's democratic development. According to State, "it is categorically untrue" that the human rights situation worsened in the months following the election and that the elections may have hampered the process of democratic development in Bosnia. GAO's reporting on these matters is based on an analysis of information contained in biweekly reports submitted by on-the-ground human rights monitors from the Organization for Security and Cooperation in Europe, an internationally recognized organization, and information obtained from USAID and other sources. The biweekly reports described a continuing deteriorating human rights situation in many parts of Bosnia in the months following the elections. This was particularly true, but not exclusively so, in Republika Srpska. GAO fully acknowledges that the September 1996 elections may have been a necessary first step in the process of democratic development in Bosnia and that opposition parties did better than expected in the election. However, GAO believes it is equally important to note that the election resulted in legitimizing and keeping in power the authoritarian political leaders who brought civil war and atrocities to Bosnia and who continue to resist working cooperatively to achieve the goals of the Dayton Agreement in the areas of democratic policing, the return of refugees, the smooth functioning of national government institutions, and economic integration, among other areas.

The agencies also provided technical comments that have been incorporated in the report as appropriate. Comments received from Defense, USAID, and State are reprinted in appendixes VI through VIII, respectively.

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Abbreviations

CIMIC	Civil Military Cooperation
CIRP	Community Infrastructure Rehabilitation Project
DOD	Department of Defense
EBRD	European Bank for Reconstruction and Development
HDZ	Croatian Democratic Union
IFOR	Implementation Force
IMF	International Monetary Fund
IMET	International Military Education and Training
IPTF	International Police Task Force
JCC	Joint Civilian Commission
NAC	North Atlantic Council
NATO	North Atlantic Treaty Organization
OSCE	Organization for Security and Cooperation in Europe
PIC	Peace Implementation Council
SDA	Bosniak Party of Democratic Action (1996) Muslim Party of Democratic Action (1990)
SDS	Serb Democratic Party
SFOR	Stabilization Force
SHAPE	Supreme Headquarters, Allied Powers Europe
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNMIBH	United Nations Mission in Bosnia and Herzegovina
UNPROFOR	United Nations Protection Force
USAID	U.S. Agency for International Development
USIA	U.S. Information Agency

Introduction

The 1992-95 war in Bosnia and Herzegovina (referred to as Bosnia) was part of the violent dissolution of Yugoslavia, which had been an ethnically diverse federation of six republics with almost no history of democratic governance or a capitalist economy. The war was fought among Bosnia's three major ethnic/religious groups—Bosniaks (Muslims), Serbs (Eastern Orthodox Christians), and Croats (Roman Catholics)¹—the latter two being supported directly by the republics of Serbia and Croatia, respectively. During the war, Bosnian Serbs and Croats fought for and declared the establishment of ethnically pure states separate from Bosnia: Bosnian Serbs established Republika Srpska, and Bosnian Croats established Herceg-Bosna.² In contrast, Bosniaks fought for a unified, multi-ethnic Bosnia.

In March 1994, U.S. mediation resulted in the establishment of the Federation, a joint Bosniak-Bosnian Croat entity.³ The United Nations and other international mediators were generally unsuccessful in their attempts to stop the war until the U.S. government took the lead in negotiations during mid-1995. By October 1995, a cease-fire among all three militaries was established. In December 1995, the Dayton Agreement was signed, continuing the complex and difficult process of attempting reconciliation among the parties to the conflict. A brief history of events leading to the conflict in Bosnia and a discussion of the international community's role through the fall of 1995 is in appendix I.

Situation in Bosnia at the Time of the Cease-Fire

At the time of the cease-fire, Bosnia's three militaries had over 400,000 men under arms, including armed civilian militias and an estimated 45,000 police that fought in conjunction with the three armies. The soldiers were largely deployed facing each other in static lines of fortified bunkers and trenches, behind minefields containing millions of landmines. These fortifications formed a nearly continuous front line over 1,100 kilometers long that split the country into two separate entities.

The war and its social dislocations left Bosnia a shattered country. Out of a population of 4.4 million, an estimated 250,000 people were killed or missing and 200,000 wounded. Over 2 million had fled or were forcibly

¹For purposes of this report, the term "Bosnian" refers to any citizen of Bosnia, regardless of ethnic group.

²These states were never recognized by the international community, whereas Bosnia and Herzegovina was granted diplomatic recognition and became a member of the United Nations in 1992.

³It also led to a cease-fire between the Bosniak and Bosnian Croat armies, which continued to fight against the Bosnian Serb army.

driven from their homes, many as the result of “ethnic cleansing.” While the fighting raged from 1992 through the late 1995, civilians received 85 percent of their food through the United Nations. At the end of the war, about 80 percent of Bosnians were relying on outside food aid, annual per capita gross domestic product was at about \$500—down from \$1,900 in 1990—and less than 25 percent of the prewar working population was employed. Estimates of war damage ranged from \$20 billion to \$70 billion.⁴ Two-thirds of private houses in Bosnia were damaged or destroyed; roads, bridges, telecommunications, health care facilities, and schools were seriously damaged; and industrial output was about 5 percent of its prewar level. (See figure 1.1.)

Due to extreme nationalism that precipitated and grew out of the war, ethnic identity had become a critical factor in determining whether one would keep a job or lose it, remain at home or be driven out, and all too often live or die. Throughout Bosnia, the war had resulted in violence, fear, and a collapsed social structure, conditions that had eroded support for pluralism. In Bosniak and Bosnian Croat-controlled areas, the ruling Bosniak and Bosnian Croat political parties only partially respected civil liberties, exerting great influence over the media and political activity. In Bosnian Serb-held territory, the ruling party controlled both the media and political activity and did not permit dissent.

⁴The World Bank estimates damage to be \$20 billion to \$30 billion. The government of Bosnia estimates the damage at \$50 billion to \$70 billion.

Figure 1.1: Destruction in Postwar Bosnia

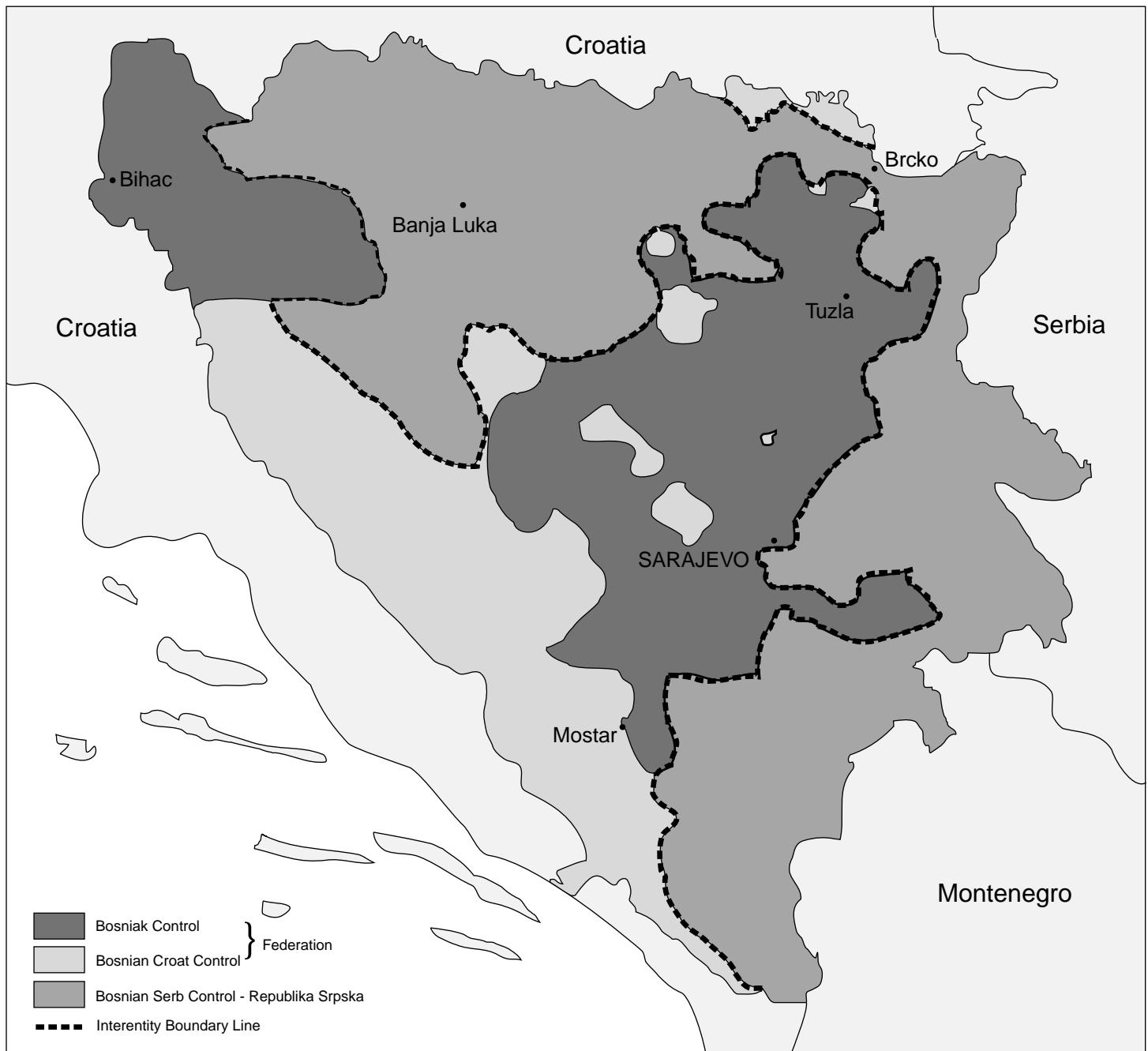


Dayton Agreement and Related Side Agreements

Building on the October 1995 cease-fire, representatives from Croatia, the Federal Republic of Yugoslavia,⁵ and Bosnia's three major ethnic groups signed the Dayton Agreement in Paris on December 14, 1995. The agreement declared that Bosnia is a single state consisting of the two entities that had been created during the war—Republika Srpska and the Bosniak-Croat Federation—and divided them by an interentity boundary line (see fig. 1.2). Both entities agreed to the transfer of territory. Republika Srpska would comprise 49 percent of Bosnia (and nearly all of the Bosnian Serb-controlled areas), and the Federation would consist of 51 percent of Bosnia. The Federation territory would be made up of noncontiguous areas of Bosniak and Bosnian Croat control. Most areas within Bosnia, with the exception of central Bosnia, are populated and controlled by a predominant ethnic group as a result of population movements during the war.

⁵The former Yugoslavia republics of Serbia and Montenegro have asserted a joint independent state with this name. The United States has not recognized this entity.

Figure 1.2: Map of Bosnia (as of October 1996)



At the time the Dayton Agreement was signed, the Bosniaks and Bosnian Croats also signed a related side agreement on the development of Federation economic and governmental institutions. Also, the U.S. government initiated a separate program to train and equip a unified Federation military. According to State Department officials, the program is intended to correct an imbalance of military power in the region and fulfill a commitment the U.S. government made to the Bosniaks in return for their approval of the Dayton Agreement.

In signing the Dayton Agreement and related side agreements, political leaders of Bosnia's three major ethnic groups pledged to provide security for the people of Bosnia; create a unified, democratic Bosnia within internationally recognized boundaries; rebuild the economy; and ensure the right of people to return to their homes (see table 1.1). In response to the leaders' request for assistance in achieving these goals, the international community established the Bosnia peace operation.

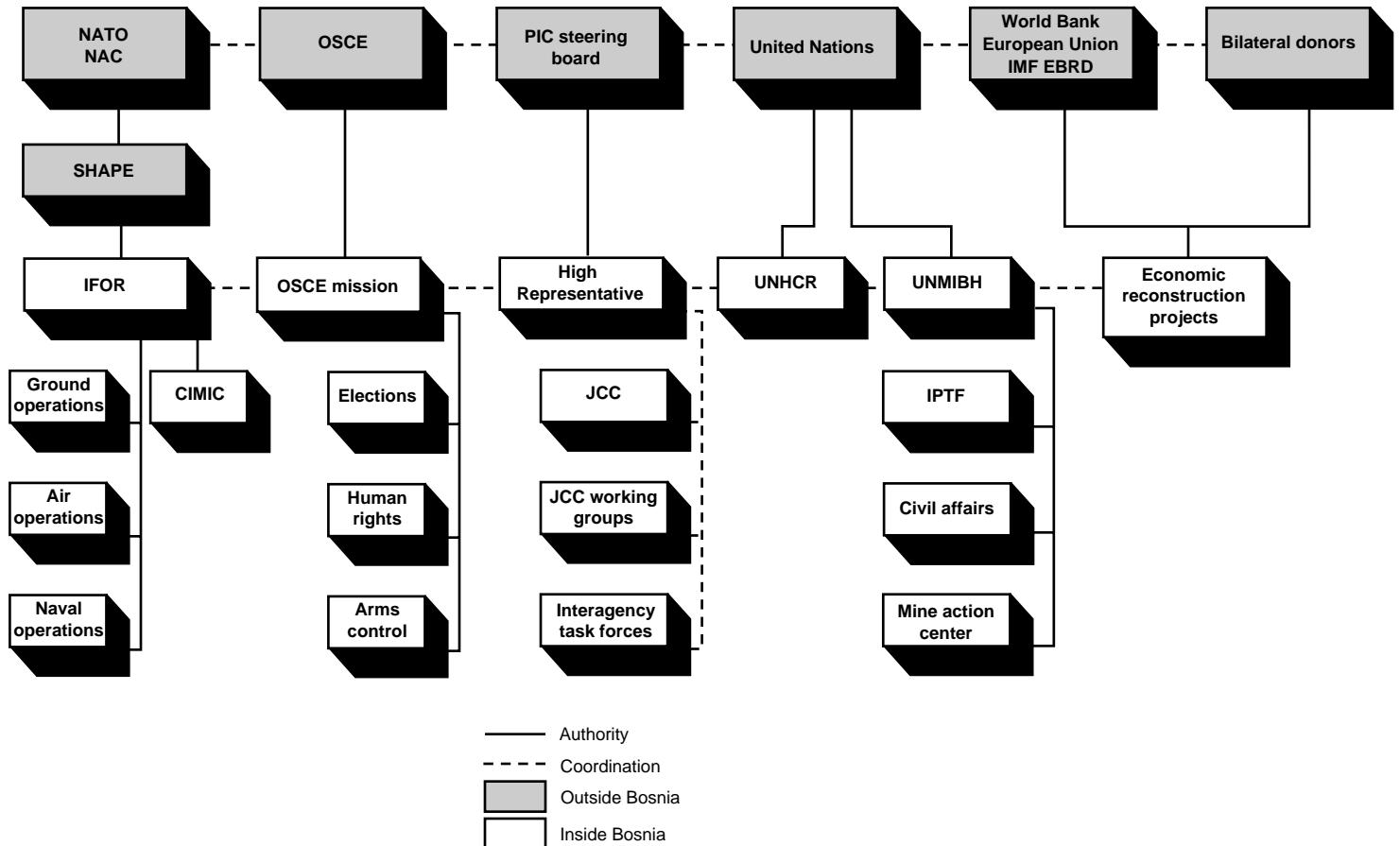
Table 1.1: Goals and Specific Agreements of the Dayton Agreement and Related Programs

Operation's goals	Specific agreements
Provide security for the people of Bosnia	Maintain cease-fire and separate forces; undertake arms control; participate in train and equip program; maintain civilian police that provide security for all people in jurisdiction and respect human rights.
Create a unified, democratic Bosnia within internationally recognized boundaries	Implement national constitution that calls for the creation of national institutions; create functioning Federation institutions; ensure conditions exist for free and fair elections that would be a step in country's democratic development; secure highest level of human rights for all persons; cooperate with the international war crimes tribunal.
Rebuild the economy	Rehabilitate infrastructure and undertake economic reconstruction; create a central bank; economically integrate the Federation; unify the payments systems, activate the Federation Customs and Tax Administrations, prepare a Federation budget.
Ensure the right of people to return to their homes	Allow all refugees and displaced persons the right to freely return to their homes; take actions to prevent impediments to safe return; cooperate with international organizations; establish an independent property commission.

Decentralized Operation Established to Implement the Dayton Agreement

The Dayton Agreement and its various annexes established a decentralized organizational structure to implement the agreement. This structure is depicted graphically in figure 1.3. The agreement specified that a military force led by the North Atlantic Treaty Organization (NATO) would implement provisions of the agreement designed to stop the parties' military operations. The NATO force would thereby provide general security and a discrete amount of time for the peace operation's other organizations to help Bosnians attain the political and social reconciliation necessary for a more durable cessation of hostilities. The implementing organizations and their roles are described below. None of these organizations had the mandate to arrest indicted war criminals.

Figure 1.3: Organization of the Bosnia Peace Operation in 1996



Note: Coordination in Bosnia occurs at all levels among these organizations.

Source: GAO analysis.

Legend

- NAC = North Atlantic Council
- SHAPE = Supreme Headquarters, Allied Powers Europe
- IFOR = Implementation Force
- CIMIC = Civil Military Cooperation
- OSCE = Organization for Security and Cooperation in Europe
- PIC = Peace Implementation Council
- JCC = Joint Civilian Commission
- UNHCR = United Nations High Commissioner for Refugees
- UNMIBH = United Nations Mission in Bosnia and Herzegovina
- IPTF = International Police Task Force
- IMF = International Monetary Fund
- EBRD = European Bank for Reconstruction and Development

By design, the Dayton Agreement did not give any one organization authority over the entire peace operation. Instead, the operation's NATO-led force and major civilian organizations responded to different lines of authority. At no single point did planning for each of the major organization's activities come together in a civil-military or consolidated civilian plan for Dayton implementation in 1996, although coordination occurred at all levels of the operation, and the NATO force often supported the civilian organizations.

NATO-Led Implementation and Stabilization Forces

The Dayton Agreement called for the creation of an international military force under NATO command, to enforce annex 1A of the Dayton Agreement.⁶ IFOR was created for this purpose, and began operations in December 1995.⁷ As outlined by annex 1A, IFOR's primary military tasks were to ensure (1) continued compliance with the October 1995 cease-fire, (2) the separation of the three Bosnian parties' militaries and their withdrawal from the zone of separation back to their respective territories,⁸ (3) the collection of heavy weapons into cantonment sites and troops into barracks, and (4) the demobilization of remaining forces. If resources were available, IFOR was also expected to (1) help create secure conditions for the conduct of other Dayton Agreement tasks, such as elections; (2) assist the UNHCR and other international organizations in their humanitarian missions; (3) observe and prevent interference with the movement of civilian populations, refugees, and displaced persons, and respond appropriately to deliberate violence to life and person; and (4) monitor the clearing of minefields and obstacles.

Annex 1A called for IFOR to complete its mission in about 1 year and be withdrawn from Bosnia by December 1996. As of July 1996, IFOR consisted of about 54,000 troops from 34 countries—15 NATO countries and 19 non-NATO countries. The United States, the largest force provider to IFOR, contributed about 16,200 troops⁹ to the operation, and Americans

⁶IFOR, and later SFOR, had the authority to use force to ensure implementation of annex 1A and the protection of IFOR. The U.N. Security Council provided IFOR's authority to use force in Resolution 1031 on December 15, 1995, and provided SFOR's authority in Resolution 1088 on December 12, 1996.

⁷The transfer of authority from the U.N. Protection Force (UNPROFOR) to IFOR took place on December 20, 1995. At that time, all NATO and non-NATO forces participating in the operation, including about 17,000 UNPROFOR troops, came under the command and/or control of the IFOR Commander.

⁸The zone of separation is an area generally 2 kilometers wide on each side of the interentity boundary line between the Federation and Republika Srpska.

⁹In addition, about 6,000 U.S. troops were stationed outside Bosnia to provide support to IFOR.

occupied the key NATO military leadership positions that controlled the operation.

Recognizing the need for a continued international military force, in December 1996 the North Atlantic Council authorized a new mission—the stabilization force (SFOR)—for an 18-month period that will end in June 1998.¹⁰ The mission of SFOR is to deter renewed hostilities and to stabilize and consolidate the peace in Bosnia. SFOR has an authorized force level of 31,000 troops or about half the size of IFOR. As of January 13, 1997, SFOR had a force level of about 36,000 troops, including about 8,500 U.S. troops in Bosnia.¹¹ As with IFOR, the United States is the largest force provider to NATO's operation in Bosnia, and Americans hold the key NATO military positions that control the operation. The North Atlantic Council provided political guidance to both NATO military operations.

The Commanders of IFOR and SFOR had the authority to control the operations of all NATO and non-NATO forces participating in the missions, within the operational parameters specified by each participating country's national command authority.¹² The NATO forces had an integrated headquarters, including planning staff, for all military operations. No civilian organization in Bosnia had authority over NATO operations there.

Civilian Organizations

In contrast to IFOR and SFOR's unified structure, no organization has authority over all of the operation's major civilian organizations. These organizations are described below.

Office of the High Representative

The Dayton Agreement created the Office of the High Representative and gave the High Representative many responsibilities, including monitoring implementation, coordinating civilian organizations, maintaining close contact with the parties, and giving the final interpretation in theater on civilian implementation of the agreement. However, according to officials from the Office of the High Representative, the agreement did not give the High Representative the authority to control any organization beyond his own staff and required him to respect the autonomy of the operation's

¹⁰The North Atlantic Council is NATO's political authority and consists of permanent representatives of all 16 member countries. It has decision-making power over and provides political guidance to NATO military operations.

¹¹The United States also contributed 5,000 troops to support SFOR from locations outside of Bosnia.

¹²National command authority remained with each country. Participating countries allowed their forces to participate in IFOR within specified areas and with specific rules of engagement. When the IFOR Commander wanted to deploy forces outside of agreed areas, participating forces would request permission through their national command authorities who would approve or deny the request.

civilian organizations. According to officials from this office, the role of the High Representative is to help resolve political issues associated with the agreement, rather than deal with detailed operational questions. The High Representative did not have the ability to enforce the parties' compliance with the civil provisions of the Dayton Agreement. IFOR provided physical support to the High Representative's headquarters and field offices by providing staff and limited logistical support for their operations.

The High Representative received political guidance from the Steering Board of the Peace Implementation Council, which was created in December 1995.¹³ The council's Steering Board consisted of eight countries and three multilateral organizations and is chaired by the High Representative.

United Nations Mission in Bosnia and Herzegovina

UNMIBH is headed by the Secretary General's Special Representative in Bosnia, who is the U.N. Chief of Mission and U.N. Coordinator for Bosnia. UNMIBH consists of IPTF, U.N. Civil Affairs, and the Mine Action Center.

- IPTF had about 1,700 unarmed police monitors from 34 different countries deployed throughout Bosnia as of December 1996. IPTF's mandate through December 1996 was to (1) monitor, observe, and inspect the parties' law enforcement activities and facilities; (2) advise governmental authorities on how to organize effective civilian law enforcement agencies; and (3) advise and train law enforcement personnel. IPTF's mandate does not include power of arrest. In December 1996, its mandate was expanded to include the investigation and reporting of human rights abuses by Bosnia's police. When requested, IFOR troops supported IPTF by accompanying monitors on their patrols, helping them to inspect weapons at police stations, and providing backup security support.
- U.N. Civil Affairs officers (1) analyze and report on local political events and trends; (2) provide regular briefings on local political dynamics to IPTF commanders and assist them in developing working relationships with local and international officials; and (3) assist local authorities in confidence-building and problem-solving methods to help in establishing local government bodies.
- The Mine Action Center's mandate was to coordinate donor's mine awareness and mine clearance activities and to encourage the Bosnian government to assume full responsibility for mine clearance. IFOR helped

¹³The Peace Implementation Council is a large deliberative body. It has only met twice since its inception, once in June 1996 and again in December 1996.

**United Nations High
Commissioner for Refugees**

the Mine Action Center develop its minefield database by providing the center with reports of minefield locations.

**Organization for Security and
Cooperation in Europe**

UNHCR's role in the implementation of the Dayton Agreement was to work with the parties to develop a repatriation plan that would allow the early, peaceful, and phased return of refugees and displaced persons. UNHCR chaired international and local meetings of the numerous assistance providers and developed databases tracking the delivery of humanitarian assistance at the local level. To foster returns, among other things UNHCR refurbished about 18,000 homes, operated 11 bus lines that crossed ethnic lines, and facilitated cross-ethnic visits to prewar homes. IPTF helped coordinate and monitored local police support for many of these efforts, and when requested, IFOR provided a site specific security presence for assessment visits.

OSCE, an organization of 55 member countries,¹⁴ was assigned responsibility for supervising the election process, monitoring human rights, assisting with negotiation and implementation of confidence building measures and arms control. OSCE made the final decision on whether to hold elections mandated by the Dayton Agreement and certified the validity of election results. In addition, the head of the OSCE mission in Bosnia chaired the Provisional Election Commission, the organization that established election rules and regulations. This commission included representatives of each of Bosnia's three major ethnic groups.

In July 1996, OSCE's Director General for Elections told us that without IFOR's support, OSCE would not be able to administer the elections within the time period specified in the Dayton Agreement.¹⁵ According to an OSCE report, IFOR provided substantial assistance for the election, including staff support for planning and operations, area security, air and land transport, radio networks, operations centers, publicity through the IFOR information campaign, and mapping. (See fig. 1.4.) Further, IFOR and IPTF developed security plans used by OSCE, and IPTF provided training for all three of Bosnia's police forces on election security.

¹⁴One member of the OSCE, the Federal Republic of Yugoslavia (Serbia and Montenegro), is not recognized as a state by the United States.

¹⁵The Dayton Agreement required OSCE to conduct elections for national and entity level positions no later than September 14, 1996.

Figure 1.4: IFOR Security for a Provisional Election Commission Meeting (July 1996)



Bilateral and Multilateral Donor Organizations

During 1996, 59 donors—11 multilateral and private organizations and 48 countries—provided funds for Bosnia's reconstruction program, known as the Priority Reconstruction and Recovery Program. The reconstruction program is a 3- to 4-year, \$5.1 billion-effort that intends to provide a common framework for donor support for the country's reconstruction. The government of Bosnia and Herzegovina prepared the plan for the program, with the support of the World Bank, the European Commission, the European Bank for Reconstruction and Development, and other donors. Many multilateral organizations and donor governments established policy for their own efforts that support the reconstruction program. IFOR and humanitarian assistance organizations, including UNHCR, supported the reconstruction effort through the implementation of small-scale, quick impact assistance projects.

Brcko Supervisory Structure Added in Early 1997

At Dayton, the parties were unable to agree on which of Bosnia's ethnic groups would control the strategically important area in and around the city of Brcko. The agreement instead called for an arbitration tribunal to

decide this issue by December 14, 1996. The tribunal consisted of three members: a Bosnian Serb, a Bosniak, and an American. The American arbitrator was selected by the President of the International Court of Justice and was granted authority to issue rulings on his own, including a final award, if the board could not reach consensus. At the end of the war, Brcko was controlled by Bosnian Serb political leaders and populated predominately by Serbs due to “ethnic cleansing” of the prewar Muslim and Croat population and resettlement of Serb refugees there. We were told by western observers in Bosnia that an arbitration decision that awarded control of the area to either the Bosniaks or Bosnian Serbs would lead to civil unrest and would possibly restart the conflict because the location of Brcko made it vitally important to both parties’ respective interests.

After granting a request for a 2-month extension, the tribunal issued its decision on February 14, 1997. In the decision, the tribunal called for the international community to designate a supervisor under the auspices of the Office of the High Representative, who would establish an interim supervisory administration for the Brcko area.¹⁶ This organization would be designed to supervise the implementation of the civil provisions of the Dayton Agreement in the Brcko area: specifically, to allow former Brcko residents to return to their homes, provide freedom of movement and other human rights throughout the area, give proper police protection to all citizens, encourage economic revitalization, and lay the foundation for local representative democratic government. As of March 27, 1997, the interim administration was scheduled to start on April 1, 1997, and is to operate for at least 1 year.¹⁷

On March 7, 1997, the Peace Implementation Council Steering Board announced that the High Representative had appointed a U.S. official as Brcko supervisor. The Steering Board stated that the High Representative was to ask the U.N. Secretary General to add 200 IPTF monitors to promote respect for freedom of movement and to facilitate the orderly and phased return of refugees in the Brcko area; on March 31, 1997, the Security Council authorized an increase in the strength of UNMIBH by 186 police monitors and 11 civilian personnel for this purpose. The board also called for other steps to help implement the Dayton Agreement in Brcko, such as

¹⁶The tribunal decision noted that (1) the national and entity governments were not sufficiently mature to take on the responsibility of administering the city, and (2) Republika Srpska’s disregard of its Dayton implementation obligations in the Brcko area had kept the tensions and instability at much higher levels than expected. Only the American member of the tribunal signed the decision.

¹⁷The arbitration tribunal may make a further decision on the status of the Brcko area by March 15, 1998, if the parties request such action between December 1, 1997, and January 15, 1998.

targeting economic assistance for repairs to Brcko's infrastructure, transportation links, housing, and social facilities. The arbitration decision and a Peace Implementation Council document noted the need for civilian coordination with SFOR in implementing the arbitration decision, but they did not describe SFOR's role in assisting the effort.

As described in these documents, the Brcko supervisor has more specific responsibility in this area of operations than the High Representative has in Bosnia in general. The tribunal's decision gave the supervisor authority to issue binding regulations and orders to assist in implementing the Dayton Agreement in the Brcko area and to strengthen the area's local democratic institutions. These regulations and orders would prevail over existing laws in the area if a conflict existed. Further, in reaffirming the right of persons to return to their homes of origin, the Peace Implementation Council said that any new influx of refugees or displaced persons should occur only with the consent of the supervisor in consultation with UNHCR. Neither document, however, described how the supervisor would enforce his regulations, orders, or decisions if the parties did not choose to comply.

Objectives, Scope, and Methodology

At the request of the Chairman, Senate Committee on Foreign Relations, we reviewed the implementation of the Bosnia peace operation. Our specific objectives were to determine what progress had been made in achieving the operation's objectives since the operation began in December 1995 and identify U.S. costs and commitments in support of the operation. In determining progress, we focused on the operation's four key goals, which are to create conditions that allow Bosnia's political leaders to (1) provide a secure environment for the people of Bosnia; (2) develop a unified, democratic country; (3) rebuild the economy; and (4) return refugees and displaced persons and ensure their right to return to their prewar homes. In addition, we reviewed the progress of the program designed to train and equip the Federation military.

To determine progress, we made field visits to Bosnia in July and December 1996. We did audit work in Sarajevo, Mostar, Stolac, Capljina, Gornji Vakuf, Vitez, Banja Luka, Doboj, Tuzla, Brcko, Kalesija, Zenica, Ugljevik, and numerous villages throughout Bosnia. While in Bosnia we interviewed officials and obtained documents from the U.S. Embassy; U.S. Agency for International Development (USAID); U.S. Information Agency (USIA); the headquarters of IFOR, two of its multinational division headquarters, and three of its non-U.S. brigade headquarters; the Office of

the High Representative; UNMIBH, including IPTF, U.N. Civil Affairs, and the Mine Action Center; the World Bank; the European Union Administration in Mostar; UNHCR; OSCE; government officials and opposition party leaders; and numerous nongovernmental organizations.

We also interviewed officials and obtained documents from (1) the Departments of State, Defense (DOD), and the Treasury; USAID; USIA; the Central Intelligence Agency; the World Bank; the European Commission; the Embassy of Bosnia-Herzegovina; and numerous nongovernmental organizations in Washington, D.C.; (2) the U.S. Mission to the U.N. and U.N. headquarters in New York, New York; (3) the U.S. European Command and U.S. Army Europe in Germany; (4) the U.S. mission to NATO, NATO international staff, the European Commission, and the Office of the High Representative in Brussels, Belgium; (5) the U.S. Mission and the United Kingdom delegation to the OSCE in Vienna, Austria; and (6) U.S. Embassy, IFOR support units, UNHCR, and U.N. Civil Affairs in Zagreb, Croatia. We also attended the Peace Implementation Council conference in London, England, in December 1996. Many of the officials with whom we met, including officials in the United States, assisted us in interpreting the Dayton Agreement's provisions. In addition, we interviewed academic experts on the history and culture of Bosnia and the former Yugoslavia.

To assess progress toward achieving the operation's objectives, we compared conditions in Bosnia with the goals laid out in Dayton and related agreements. We analyzed numerous situation reports from many organizations participating in the operation and reviewed U.S. and NATO documents. We also interviewed many observers of the situation in Bosnia to expand upon or clarify information contained in the situation reports. To gain an understanding of the obstacles and opportunities facing the operation, we interviewed experts on the history, culture, and politics of Bosnia and the former Yugoslavia.

To assess U.S. costs and commitments for civilian programs and activities, we contacted 14 U.S. civilian agencies and the Defense Security Assistance Agency to collect the financial and programmatic information. Of these 15 agencies, 11—USAID, USIA, the Defense Security Assistance Agency, the Trade and Development Agency, and the Departments of State, the Treasury, Commerce, Agriculture, Health and Human Services, Labor, and Justice—reported that they had incurred costs related to the Bosnia peace operation. Obligations of these agencies represent binding agreements, such as orders placed or contracts awarded, that will require payment immediately or in the future. The data reported included only program

costs for U.S. agencies, except that we also included USAID's salary and overhead identified in the fiscal year 1996 supplemental appropriation for Bosnia. We also included funds provided by U.S. agencies for the operating expenses of non-U.S. organizations that were participating in the peace operation.

For DOD, we collected information on incremental costs for operations inside and outside of Bosnia that supported IFOR and SFOR. DOD defined its incremental costs as those costs that would not have been incurred were it not for the peace operation.

We generally excluded DOD and civilian agency costs for U.N. peacekeeping operations in the former Yugoslavia that operate outside of Bosnia, such as the U.N. Transitional Authority in Eastern Slavonia and the peacekeeping operation in Macedonia. We also did not include U.S. annual contributions to multinational organizations, such as the World Bank or NATO, that subsequently provided financing or funded programs; however, we did include U.S. voluntary payments to multinational organizations that specifically supported U.S. programs, such as funding to UNHCR for humanitarian assistance.

We conducted our work from March 1996 through March 1997 in accordance with generally accepted government auditing standards. We did not verify the accuracy and completeness of the information DOD or civilian agencies provided to us. Our information on foreign law was obtained from interviews and secondary sources, rather than independent review and analysis.

We received comments from the Departments of State and Defense and USAID. The Department of Defense and USAID generally agreed with our report and offered technical comments that have been incorporated in the report as appropriate. State disagreed with our description of the human rights situation in the months following the September elections and the potential impact of the elections on Bosnia's democratic development. We address State's comments in these two areas in chapter 3. Comments received from Defense, USAID, and State are reprinted in appendixes VI through VIII, respectively.

Progress in Providing a Secure Environment

To promote a permanent reconciliation between all parties, the Dayton Agreement sought to establish “lasting security” based on a durable cessation of hostilities,¹⁸ a stable military balance in the region, and civilian police that operate in accordance with democratic policing standards. The U.S. government believes that there are two key elements of a stable military balance: arms control efforts called for by the agreement and the program for training and equipping the Federation military that was established outside of the Dayton framework. Some progress has been made toward achieving the goal of a secure environment. The parties observed the cease-fire, separated their forces, and have largely completed the reduction of their militaries to agreed-upon force levels. Moreover, the U.S.-led program to train, equip, and integrate the Federation military is making progress, although somewhat slower than expected.

Despite this progress, however, the parties have failed to fully comply with measures designed to achieve lasting security. Republika Srpska has failed to live up to its agreement to reduce its arms to the lowest numbers consistent with its security needs.

Furthermore, Bosniak and Bosnian Croat political leaders have made limited progress in reforming their civilian law enforcement agencies in accordance with democratic policing standards, and Bosnian Serb political leaders have not yet started reforming their police force. Recognizing that the security situation warranted a continued international military presence, in December 1996 NATO authorized another military mission, SFOR, to stabilize and consolidate the peace in Bosnia.

Cease-Fire Has Held, Weapons Were Put in Cantonment Sites, and Forces Were Demobilized

Under IFOR monitoring and supervision, Bosnia’s three militaries have observed the October 1995 cease-fire; withdrawn their forces from territories specified in the Dayton Agreement, including the zone of separation—an area generally 4 kilometers wide across the interentity boundary line; placed their heavy weapons into IFOR-approved storage sites and military installations where they are routinely monitored and inspected by IFOR troops; and demobilized approximately 300,000 soldiers. IFOR troops ensured the cease-fire and separation of the three militaries by continuously patrolling throughout the country and by conducting routine inspections of military facilities (see fig. 2.1).

¹⁸The Dayton Agreement did not define “a durable cessation of hostilities.”

Chapter 2
Progress in Providing a Secure Environment

Figure 2.1: U.S. IFOR on Patrol



Because the fighting has not resumed, the operation's civilian organizations have been able to begin their work and the people of Bosnia have started the long process of political and social reconciliation. Officials of numerous civilian organizations in Bosnia told us that they would not have been able to operate in Bosnia without the security presence provided by IFOR.

Military Train and Equip Program Is Progressing Slowly

The U.S. policy position is that a key element of establishing and sustaining a secure environment in Bosnia is the program to train, equip, and integrate the Bosniak and Bosnian Croat militaries into a unified Federation military. U.S. officials see this program as necessary to help establish a stable military balance in the country and the region.¹⁹ The program has progressed, but has been delayed somewhat by the time required for Bosniak and Bosnian Croat political leaders to comply with U.S. preconditions placed on the program. Congress held back 50 percent of economic revitalization funding²⁰ and the executive branch withheld arms shipments until all foreign forces were withdrawn from Bosnia and the Federation ended its military and intelligence relationships with Iran. In June 1996, the President certified that this had occurred.²¹

Also, the United States would not begin the program until a defense law passed the Federation assembly. The law was passed on July 9, 1996. It created an integrated Ministry of Defense and joint high command and requires the Bosniak and Bosnian Croat militaries to be fully integrated into a unified Federation military by August 1999. The United States further delayed the delivery of heavy weapons until the Federation's Minister and Deputy Minister of Defense were replaced. The Defense Minister, a Bosnian Croat, was viewed as obstructing progress in integrating the ministry. The Deputy Defense Minister, a Bosniak, had unacceptable ties to the Iranian government. The Minister resigned, the Deputy Minister was removed, and the heavy weapons were delivered in mid-November 1996.

¹⁹State Department officials stated that the specific weaponry provided under the program would contribute to a stable military balance and would be within the limits of the arms control agreement negotiated under annex 1B, article IV, of the Dayton Agreement. This provision called for negotiations on arms control measures for Bosnia's three militaries and those of Croatia and the Federal Republic of Yugoslavia (Serbia and Montenegro).

²⁰The Dayton Agreement required the removal of all foreign fighters from Bosnia. Congress linked the fulfillment of this requirement to economic revitalization funds in Public Law 104-122.

²¹According to IFOR and U.S. government officials, a number of foreign fighters remained in Bosnia as of December 1996, but they had acquired Bosnian citizenship and were not actively engaged in any military activities in conjunction with the Bosnian government.

According to a State Department official, implementation of the program has also been affected by the continuing European Union embargo on arms shipments to the former Yugoslavia. Because of this embargo, the Federation has been unable to purchase equipment from current European Union members and eastern European countries that aspire to join the union.

As of March 31, 1997, 14 countries had pledged at least \$376.24 million in cash, equipment, training, and technical support for the program for the Federation military, including about \$103 million worth of equipment, training, transportation support, and other services contributed by the U.S. government to Bosnia.²² As part of a Federation contract with a U.S. firm, three brigades were being trained in Bosnia with U.S.-supplied light weapons, and a training school and computer simulation center for command and staff training had been opened. According to State Department officials, progress in implementing this program has required heavy pressure from the United States. (See app. II for further information on the train and equip program.)

In August 1996, according to a State Department official, the United States offered training under the program to the Bosnian Serb army, if the Bosnian Serb political leaders and military would participate in the integrated Ministry of Defense and joint command structure called for in the Federation defense law. Bosnian Serb political leaders would also have to comply with all areas of the Dayton Agreement, including arresting indicted war criminals, guaranteeing freedom of movement, and following through on arms control agreements. As of April 1997, they had not agreed to participate in the program under these conditions.

²²According to State Department officials, many donors did not place a monetary value on in-kind assistance.

Bosnian Serbs Have Not Complied With All Arms Control Agreements

The international community and political leaders of Bosnia's three major ethnic groups have negotiated and begun to implement two of the three arms verification and control agreements called for by annex 1B, articles II, IV, and V, of the Dayton Agreement.²³ These political leaders signed the first agreement, the article II agreement, in January 1996 and fulfilled its first-year objectives,²⁴ which were to (1) declare their holdings of heavy weapons, (2) complete scheduled inspections of those holdings under OSCE auspices, and (3) exchange military liaisons and other communications links. As called for by annex 1B, article IV, the political leaders of all three ethnic groups joined the Federal Republic of Yugoslavia and Croatia in a second agreement²⁵ that (1) established voluntary military manpower limits, (2) set mandatory ceilings on heavy weapons significantly below their declared current holdings, (3) instituted an additional round of inspections of all five signatories' heavy weapons holdings, and (4) set timetables for the disposal of their surplus heavy weapons.²⁶ According to OSCE, the parties carried out all of the first agreement's inspections and 74 of the 96 inspections called for by the second agreement for 1996. However, only three of those not carried out were rescheduled.

Under the second agreement, the article IV agreement, Bosnian Serb political leaders have not complied in two areas, according to U.S. and OSCE officials. First, they seriously underreported holdings of heavy weapons.²⁷ Second, according to these officials, they circumvented the agreement by exempting about 1,250 surplus weapons from disposal. Because of these two factors, the Bosnian Serb army disposed of only 45 heavy weapons rather than the required percentages by December 31, 1996.

²³The two agreements defined five major categories of heavy weapons to be declared and subject to limitations: (1) battle tanks, (2) armored combat vehicles, (3) combat aircraft, (4) combat helicopters, and (5) artillery with a caliber of 75 millimeters and above. The first agreement also included a category for antitank guided missile launchers mounted on armored vehicles.

²⁴Negotiations conducted under annex 1B, article II, of the Dayton Agreement resulted in the "Agreement on Confidence- and Security-Building Measures in Bosnia and Herzegovina," signed on January 26, 1996.

²⁵Negotiations conducted under annex 1B, article IV, of the Dayton Agreement resulted in the "Agreement on Sub-Regional Arms Control," signed on June 16, 1996.

²⁶The agreement required the parties to reduce their surplus heavy weapons by set percentages—40 percent of surplus artillery, combat aircraft, and combat helicopters, as well as 20 percent of surplus tanks and armored combat vehicles—by December 31, 1996. The parties agreed to dispose of the rest of their surpluses no later than November 1, 1997.

²⁷Republika Srpska declared a total of about 2,161 heavy weapons as part of its holdings. U.S. officials estimated that Republika Srpska failed to declare between 1,700 and 2,000 of its heavy weapons.

In response to pressure from the Peace Implementation Council, on February 26, 1997, Bosnian Serb political leaders agreed to dispose of about an additional 1,100 heavy weapons by November 1, 1997. However, according to a State Department official, to fully comply with the agreement, the Bosnia Serb army would have to dispose of 2,200 to 2,300 heavy weapons in total. An OSCE official said that Bosnian Serb noncompliance could undermine the Dayton Agreement's goal of creating a stable military balance in the region.²⁸ According to a State Department official, however, the United States could increase assistance under the Federation train and equip program to provide a military balance if the Bosnian Serbs do not comply with the arms control agreements.

Negotiations have not yet begun on a third agreement called for by annex 1B, article V, to establish a regional arms control balance in and around the former Yugoslavia. OSCE has not yet named a special representative to foster these negotiations as required by the Dayton Agreement. The agreement placed no time limit on these negotiations, nor did it define the geographic area subject to this agreement. According to a State Department official, negotiations on the regional agreement will not begin until Bosnian Serb political leaders comply with the second agreement.

Little Progress in Reforming Police Forces

Bosniak and Bosnian Croat political leaders have made limited progress and Bosnian Serb political leaders have made no progress in developing police forces that provide a safe and secure environment for all people in their jurisdictions and that respect human rights. According to many observers and human rights reports, Bosnia's three ethnically-based police forces, which are controlled by their respective political leaders, have done little to provide personal security and uphold human rights of citizens of outside their respective ethnic groups.

Instead, most human rights violations—by some estimates as high as 70 percent, according to a December 9, 1996, U.N. report—have been committed by police. The State Department, the High Representative, the OSCE, the Federation Ombudsman's office, and a U.S.-based human rights organization have all reported that Bosnia's police forces in many instances have not acted to protect people of other ethnic groups who still

²⁸While the Bosniak and Bosnian Croat militaries also underreported some of their holdings and did not meet their interim disposal targets, U.S. and OSCE officials agreed that their failure to comply was largely due to technical problems and was not an attempt to circumvent the agreement. As of March 1997, the Bosniak and Bosnian Croat militaries had disposed of 728 of their heavy weapons, or about 94 percent of the heavy weapons required by their interim disposal target, according to State Department documents; they had yet to dispose of only 48 mortars to meet their target.

live in their jurisdictions or who wish to travel or return to their homes across ethnic lines. In November 1996, the three members of the Federation Ombudsman's office told us that based on the information gathered from their casework, they believe that police are the greatest violator of human rights in the Federation. For example, according to an IPTF report, in one particularly egregious incident in February 1997 the Bosnian Croat police beat and fired on a procession of several hundred Bosniaks who had crossed into west Mostar to visit a cemetery. According to a U.S. embassy official, the primary problem in reforming police is that political leaders of all three ethnic groups lack the will to stop using police as a means of furthering their political aims.

In 1996, IPTF started a process designed to restructure and train the three police forces in accordance with democratic policing standards. On April 25, 1996, Bosniak and Bosnian Croat political leaders agreed to comply with IPTF restructuring plans and democratic policing standards and to integrate their separate police forces into a unified Federation police force.²⁹ The agreement called for Federation police restructuring and integration to be completed by September 1, 1996. According to a U.N. report, these efforts did not meet expected timetables because of political disputes between Bosniak and Bosnian Croat political leaders.

As of March 1997, Bosnian Serb political leaders had not started to restructure the Bosnian Serb police force in accordance with IPTF democratic policing standards, although in early December 1996 they agreed to submit a restructuring plan to IPTF by the end of January 1997. According to a State Department official, the Bosnian Serb plan finally submitted in February 1997 did not comply with IPTF's democratic policing standards. Specifically, it did not include screening police for human rights offenders or identifying individual members of the police force.³⁰

According to many officials and other observers with whom we spoke, during its first year, IPTF did not have the mandate, authority or resources to take effective action against human rights offenders on police forces. In December 1996, the Peace Implementation Council and U.N. Security

²⁹Specifically, they agreed to review police functions and reduce the size of their forces to bring them closer to European standards, to screen all police for human rights abuses, to test all police to ensure they have the requisite skills, and to overhaul police policies and procedures to promote service to the community rather than service to the state.

³⁰IPTF, in conjunction with the United States, designed and solicited contributions for a program to train and equip police forces as a way of assisting police restructuring. The program's implementation was slowed by delays in restructuring the Federation and Republika Srpska police and lack of support from donor countries other than the United States.

Council, with the parties' agreement, attempted to correct this situation by giving IPTF the authority to investigate human rights abuses by civilian police forces and to propose sanctions against offenders. However, in early December 1996 neither the Peace Implementation Council nor other U.N. contributors agreed to provide the 300 additional police monitors requested by the IPTF Commissioner to perform these investigations.

According to a State Department official, the United Nations was encouraged to recruit monitors having specific investigative skills for this purpose while staying within its current ceiling of 1,721. Later that month, the U.N. Secretary General reported that if IPTF needed additional monitors to exercise its new authority, he would submit proposals in this regard to the Security Council. The IPTF leadership determined that it needed an additional 120 monitors to perform its mandate effectively. In early March 1997, the Secretary General asked the Security Council to consider authorizing an increase in the number of IPTF personnel by 120 so that IPTF could do human rights investigations while continuing its police monitoring, restructuring, and training functions.³¹ As of April 21, 1997, the Security Council had not acted on this request.

SFOR Established to Address Need for a Continued International Military Force

In December 1996, western observers in Bosnia told us that absent an international military force, the conflict would likely resume.³² They noted persistent, low-level violations of the military requirements by the three militaries, an accelerated pace of the destruction of housing for returnees of other ethnic groups, and organized confrontations between ethnic groups during attempts to resettle displaced persons in the zone of separation that prompted IFOR intervention. Many of these observers said that some sort of international military force would be needed for many years to deter an outbreak of hostilities while Bosnia continues the process of political and social reconciliation. They based this projection on their assessments of the current pace of political and social change in Bosnia, which we describe in the following three chapters of this report.

Recognizing the need for a continued international military force, in December 1996 the North Atlantic Council authorized a new mission, SFOR, which is about half the size of IFOR. The mission of SFOR is to continue to

³¹The report also asked that the Security Council authorize another 186 police monitors and 11 civilian personnel for deployment to Brcko. The Security Council authorized the increase in personnel for Brcko on March 31, 1996.

³²Estimates of the length of time necessary for the militaries to resume the conflict after the international force withdraws range from days to months.

stabilize the situation in Bosnia, deter renewed hostilities, and consolidate the peace. According to the SFOR operation plan approved by NATO in mid-December 1996, the desired NATO end state is an environment adequately secure for the "continued consolidation of the peace" without further need for NATO-led military forces in Bosnia. The plan lists four conditions that must be met for the desired end state objective to be realized:

- The political leaders of Bosnia's three ethnic groups must demonstrate a commitment to continue negotiations as the means to resolve political and military differences;
- Bosnia's established civil structures must be sufficiently mature to assume responsibilities for ensuring compliance with the Dayton Agreement;
- The political leaders of Bosnia's three ethnic groups must adhere on a sustained basis to the military requirements of the Dayton Agreement, including the virtual absence of violations or unauthorized military activities; and
- Conditions must be established for the safe continuation of ongoing nation-building activities.

The operation plan asserts that these objectives will be achieved by June 1998. However, the plan does not provide information on how the civil-related objectives are to be achieved. The plan bases this time frame on the assumption that the international community will develop a political framework and civil implementation strategy for 1997 and 1998 that will increase the emphasis on efforts of the operation's civilian organizations and Bosnia's political leaders to consolidate the peace.

The executive branch has repeatedly stated that it plans to withdraw U.S. troops when the current mission ends in June 1998. Some State and Defense Department officials said, however, that based on current conditions, they believe some type of international military force will likely be required after SFOR's mission ends.

Progress in Developing a Unified, Democratic Bosnia

As previously discussed, a principal objective of IFOR, and later SFOR, was to create and maintain a secure environment with an absence of war where political reconciliation could occur. A second principal objective of the Dayton Agreement was to establish Bosnia as a unified, democratic state that would uphold the rule of law and adhere to international standards of human rights. In early 1997, Bosnia was far from achieving this goal, due to continuing tension, distrust, and political discord among Bosnia's three major ethnic groups.

Under strong international pressure, the political leadership from all three ethnic groups have taken some steps to link the country's ethnic groups politically through the creation of national and entity-level governmental institutions,³³ but leaders and the majority of people in two of the three ethnic groups still want to live in ethnically pure states separate from Bosnia. The September 1996 elections that began the development of these institutions were intended to be a step in the progressive achievement of democratic goals throughout Bosnia; however, they were not held in a fully free and fair environment, and international observers and executive branch analyses reported that they may have even hampered Bosnia's democratic development. In the months following the elections, the human rights situation worsened, particularly in Bosnian Serb-controlled areas, and ethnic intolerance remained strong. As of March 1997, political leaders from two of the three Bosnian ethnic groups still had not begun cooperating with the International Criminal Tribunal for the Former Yugoslavia (referred to as the "war crimes tribunal") in its prosecution of war crimes and other violations of international humanitarian law even though the political leadership of all three ethnic groups had agreed to do so.

Building Institutions Under Way, but Some Ethnic Groups Still Want Separate States

Progress toward creation of a genuinely unified Bosnia is not self-sustaining and depends heavily on the willingness of the political leadership from all three ethnic groups to cooperate as well as on continued international pressure and support, especially from the United States. Since the September 1996 election of the multiethnic, national presidency and Parliamentary Assembly, elected Bosnian officials from all three ethnic groups have begun to build a national government. Table 3.1 shows a list of national institutions and their status as of March 1, 1997.

³³Bosnia's constitution gives the national government authority in 10 specific areas, excluding armed forces. All governmental functions not specifically granted to the national level are devolved to the entities.

Table 3.1: Progress in Creating National Institutions

Institution	Function under Dayton	Status as of March 1997
Parliamentary Assembly	Enact national legislation to implement decisions of the presidency, make revenue decisions, approve national budget, and ratify treaties.	Met once; passed no legislation.
Presidency	Act as executive of national government	Met 15 times since October 1996, with representatives from all 3 ethnic groups meeting to establish national, multiethnic governing institutions; reached several agreements.
Council of Ministers	Implement policies and decisions of national government	Co-chairs, vice-chair, ministers, and deputy ministers selected. Met 10 times since initial January 1997 meeting. Ministries still had no staff, funding, office space, or effective authority.
Standing Committee on Military Matters ^a	Coordinate military matters at national level.	Has never met.
Constitutional court	Highest appellate court; resolve disputes over constitution and between entities.	International and Bosniak members appointed; Bosnian Serb and Croat members not appointed; court has never met.
Central bank	Issue currency and conduct monetary policy	Members selected but could not agree on bank's role; separate currencies continue to be used in Bosnia's Serb, Croat, and Bosniak areas.

^aBosnia's Serbs, Croats, and Bosniaks still maintain three separate armed forces, a condition that must evolve into a unified armed forces, according to a State Department official, if Bosnia is to become a unified country. As an interim measure, the Dayton Agreement calls for members of the collective presidency to select representatives for a standing committee on military matters that would coordinate the activities of the armed forces.

Under significant pressure from the international community, Bosnian officials from all three ethnic groups have taken steps to build national and entity institutions that link Bosnia's ethnic groups politically. However, Bosnia is still a long way from having a functioning national government because ethnic political leaders continue to disagree first on the requirements of the Dayton Agreement and, second, on the scope, size, and authority of the national institutions.

According to various international observers, Bosnian Serbs very narrowly interpret the national institution-building requirements in the agreement because they want a small, weak national government. The Bosniaks on the other hand, believe the agreement calls for a stronger, more robust central government. This fundamental disagreement has slowed the process of starting national institutions. For example, final agreement on

the number of ministries in the national government was delayed because Bosnian Serb political leaders wanted to create only the two ministries specifically mentioned in Bosnia's constitution, whereas Bosniak political leaders wanted a larger national government with additional ministries. Also, Bosnian Serb political leaders continue to insist on using a different currency in Republika Srpska than in the Federation and have blocked efforts to establish a common central bank.

Although the Federation between Bosniaks and Bosnian Croats was established in March 1994, Bosniak and Bosnian Croat leaders have made only limited progress toward creation of the joint Bosniak-Croat Federation—this despite pressure from the United States and others. For example, the complete Federation House of Representatives has met only twice since its election in September. Bosnian Croat members boycotted the third meeting partly because they could not reach agreement with Bosniak members on redrawing the Federation's municipality boundaries; the Bosnian Croats sought to redraw the boundaries to create additional ethnically pure municipalities. Also, from 1994 through the end of 1996, the European Union implemented a program that attempted to politically integrate the divided city of Mostar. This effort did not succeed because the Bosnian Croats want to remain separate from the Bosniaks, and Bosnian Croat actions taken during the period tended to undermine the development of a unified city government.

According to international observers in Bosnia, as of December 1996 real governmental power and authority in the Federation continued to reside in separate Bosniak and Bosnian Croat governmental structures, despite three formal announcements in 1996 that they had been abolished. Some of these observers also noted that Bosnian Croat authorities in late 1996 seemed to be hardening their position with regard to not cooperating with Federation institutions. Efforts to build a viable Federation were further undermined by the violence in Mostar in February 1997.³⁴

After 1 year of implementing the Dayton Agreement, the three Bosnian ethnic groups continued to hold differing views on whether a unified Bosnia should exist. Although the political leaders for all three groups maintain publicly that they support the goals of a unified Bosnia, according to a December 1996 U.N. report some nationalist leaders of

³⁴On February 10, 1997, a group of uniformed and plainclothes Bosnian Croat police attacked an unarmed group of several hundred Bosniaks attempting to visit a cemetery as part of a religious holiday, killing 1 and wounding at least 20 Bosniaks. This attack triggered violence between Bosniak and Bosnian Croats throughout Mostar, including two attacks on SFOR vehicles. According to DOD, it is suspected that Bosnian Croats attacked the SFOR vehicles in both instances.

Republika Srpska, as well as some Bosnian Croat leaders, have continued to advocate the complete separation of their territories from Bosnia. In January 1997, the State Department reported that Bosnian Serb and Bosnian Croat political leaders still retained their commitment to the concepts of a “greater Serbia” and a “greater Croatia,” after having agreed in the Dayton accords to abandon them.

According to polls conducted by USIA in December 1996 through January 1997, the political leaders’ views are shared by their ethnic groups. While the majority of all three ethnic groups said they favor Dayton Agreement goals and view the agreement as better than war, 79 percent of Bosnian Croats and 94 percent of Bosnian Serbs think the areas under their control should be part of Croatia and Serbia, respectively. In contrast, 99 percent of Bosniaks support a unified Bosnia, with two-thirds believing a unified Bosnia is worth dying for.³⁵

Elections Were Held, but Were Considered Not Fully Free and Fair

In June 1996, the OSCE Chairman-in-Office announced that while conditions were not suitable to hold the national, entity, and other elections scheduled for September 14, 1996, they should be held. In this statement, the Chairman-in-Office noted serious problems with the political and human rights climate.³⁶ On election day, less than 1 year after the cessation of hostilities, voter turnout was high, the security situation was generally calm throughout Bosnia despite concerns about the potential for violence,³⁷ and voters were able to vote for the candidates of their choice.

However, the report of the OSCE Coordinator for International Monitoring stated that the ability of all Bosnian political parties to (1) campaign in a free and fair atmosphere, (2) receive equal treatment before the law, and (3) obtain unimpeded access to the media was below the minimum OSCE standard. During the campaign, the three ethnically based political parties that have ruled since Bosnia’s 1990 election—the Bosniak Party of Democratic Action (SDA), the Serb Democratic Party (SDS), and the Croatian Democratic Union (HDZ)—harassed and intimidated opposition

³⁵USIA data shows results for “Bosnian Muslims”, not Bosniaks. For the purposes of this report, we have used the terms synonymously.

³⁶The Dayton Agreement required OSCE to conduct elections for national and entity-level positions no later than September 1996. OSCE could also conduct cantonal and municipal-level elections during this time frame, if feasible. On August 27, 1996, OSCE announced it would postpone the municipal elections because of serious distortions in the use of the rule that allowed people to vote where they intended to live. As of March 1997, OSCE planned to hold municipal elections in September 1997.

³⁷Many observers attributed the lack of violence on election day to the postponement of municipal elections.

parties. Moreover, the three ruling political parties generally controlled the media during the campaign and used this control to propagate fear and insecurity among voters.

Although SDA allowed a greater degree of media freedom than SDS or HDZ, opposition parties in general had a very difficult time campaigning through television, radio, or print media.³⁸ State Department officials acknowledged that the elections were not conducted in a fully free and fair atmosphere. However, they believed that the results accurately represented the will of the people.

The impact of the elections on Bosnia's progress toward becoming a democratic nation is unclear. With some exceptions in Republika Srpska, the three ruling political parties won overwhelmingly because, according to USAID and human rights documents, Bosnians believed that only the ruling political parties could protect their respective interests in light of the threat of renewed conflict and the fear instilled by the parties. (See app. III for election results.)

Many observers told us that the elections, while not conducted in a fully free and fair environment, turned out as well as could be expected less than 1 year after the war. In their view, the elections were the first step in a democratization process, culminating in the Bosnian national elections planned for 1998. In addition, the election process helped create an active political opposition which could set the stage for later political changes in Bosnia. Further, although the ruling political parties were the major winners on election day, opposition candidates, particularly in Republika Srpska, did somewhat better than expected. A Bosnian Serb opposition candidate told us that before he started campaigning, he was supported by 3 percent of the population, but ended up getting 30 percent of the vote. A Bosnian Croat opposition candidate reported that receiving 10 percent of the vote almost constituted a victory, relative to the 7 percent he would have been satisfied with.

However, according to various reports, the election results may have had some negative effect on democratic progress in Bosnia. According to international observers and a USAID strategy document for promoting democratic reforms in Bosnia, the election results decreased, rather than strengthened, the probability that reconciliation and political tolerance

³⁸The Open Broadcast Network—an effort by the international community to establish an alternative media source for opposition parties—began operation only 1 week before the election due to the late arrival of equipment and unwillingness of some of the ethnic political leaders to allow it to operate. State Department and USAID officials said its impact on the election was minimal.

would occur because they kept in power authoritarian leaders and political parties that control the media and the flow of information. State Department and USAID officials told us that while these victories may hinder efforts to build a democratic state, no one was surprised that the ruling political parties won by such wide margins. However, State's official position is that despite its flaws, the September 1996 election was an essential first step in the long-term process of creating democratic institutions in Bosnia.

Human Rights Situation Worsened, and Ethnic Intolerance Was Strong After the Election

According to human rights observers and their reports, the overall human rights situation deteriorated in the months after the September 1996 election, particularly in Republika Srpska, as the ruling parties worked to consolidate their power. For example, OSCE human rights reports noted increasing numbers of bombings and arson attacks, and evictions directed at ethnic minorities throughout the country; intensified repression of the opposition press and political parties, including evictions aimed at opposition party members in Republika Srpska; and the destruction of 95 Bosniak houses in Prijedor, Republika Srpska, over a several-hour period in late October 1996. These human rights reports noted a continuing deteriorating human rights situation throughout Bosnia, but particularly in Republika Srpska, through December 1996 at the time we completed our fieldwork in Bosnia.

In addition, Bosnians of all three ethnic groups could not travel freely across ethnic boundaries in many areas of the country, even though many physical barriers to freedom of movement have been removed and IFOR data show that large numbers of vehicles cross the interentity boundary line. According to human rights reports, much of the population could not freely cross ethnic lines at will or remain behind ethnic lines to visit, work, or live without facing harassment, intimidation, or arrest by police of other ethnic groups. A December 1996 NATO document stated that IFOR suspected all three ethnic groups of continuing to use mobile, fast-moving checkpoints to hinder freedom of movement.

In December 1996, the United Nations reported that the police throughout Bosnia were responsible for most human rights violations—by some estimates as much as 70 percent. To help address this critical issue, the Peace Implementation Council, at its December 1996 London conference, imposed new responsibilities on the United Nation's IPTF to, among other things, investigate human rights abuses by police. An additional 120 IPTF

monitors, with investigative skills, were requested in March 1997 for this purpose.

According to USIA polls and international observers, ethnic animosity and intolerance in Bosnia have remained strong. For example, according to a January 1997 poll, 92 percent of Bosnian Serbs had an unfavorable opinion of Bosniaks and 76 percent had an unfavorable view of Bosnian Croats. Bosnian Serbs were viewed unfavorably in return by 70 percent or more of the other two groups. Relations between Bosniaks and Bosnian Croats actually grew worse through 1996. While in December 1995 over 40 percent of Bosnian Croats viewed Bosniaks favorably, by January 1997 85 percent viewed Bosniaks unfavorably. During the same period, the percentage of Bosniaks who viewed Bosnian Croats favorably fell from 72 percent to 42 percent.

In February 1997, the Archbishop of Sarajevo said that Bosnians hold these views because their political leaders control and use the media to encourage animosity and discourage reconciliation among the ethnic groups. Moreover, according to international observers, the bitter memories from the recent war contribute to the strong ethnic animosities—people remember who killed their family members or forced them from their homes.

On April 14, 1997, the High Representative reported that a precarious human rights situation, characterized by widespread discrimination and abuse on ethnic grounds, continues to reign in Bosnia. The High Representative reported continued harassment of minorities residing, visiting, or travelling through areas where another group is in the majority, with the most severe abuses occurring in the Republika Srpska and in Bosnian Croat-controlled areas. The report also noted a worrying development during the reporting period—tit-for-tat attacks on religious and cultural edifices, such as churches, mosques, and cemeteries, within the Federation.

According to a State Department document, the international community must engage in a long-term democratization effort to counter the continued presence of separatists and unreconstructed, authoritarian centralists in Bosnia. By late 1996, many international aid donors, including USAID, USIA, and OSCE, had already started democratization projects designed to foster ethnic tolerance and reconciliation within and across the two entities and to develop alternative media outlets and

political, social, cultural, and business organizations. See appendix V for descriptions of USAID and USIA democracy programs in Bosnia.

Leadership of Two Ethnic Groups Have Not Cooperated With the War Crimes Tribunal

The Dayton Agreement calls for all parties—including Bosnia's Serb, Croat, and Bosniak authorities—to cooperate with the War Crimes Tribunal, which includes arresting people indicted for war crimes and surrendering them to the war crimes tribunal; however, as of April 25, 1997, only 8 of the 74 people³⁹ indicted for war crimes had been arrested and brought to the tribunal. While the Bosniak authorities arrested all indicted persons who were in Bosniak-controlled areas, the Bosnian Serbs and Bosnian Croats did not arrest people indicted for war crimes in their areas of control.

The international community made some attempts to politically isolate and remove from power the most prominent Bosnian Serbs indicted by the war crimes tribunal. Under pressure from OSCE and the international community, Radovan Karadzic⁴⁰ stepped down as the head of the SDS on July 18, 1996. According to international observers, however, the international community's efforts to remove him from power did not work; instead, he has effectively retained his control and grown in popularity among people in Republika Srpska (see fig. 3.1). USIA polls showed that between April 1996 and January 1997, the percentage of Bosnian Serbs who viewed Karadzic very favorably increased from 31 percent to 56 percent, and the percentage who viewed him somewhat favorably or very favorably rose from 68 percent to 85 percent.

³⁹These figures do not include one person who was indicted by and surrendered to the war crimes tribunal, but who was released by the tribunal for humanitarian reasons and later died.

⁴⁰Radovan Karadzic was indicted on charges of violating the laws of war, crimes against humanity, and genocide by the war crimes tribunal.

Chapter 3
Progress in Developing a Unified,
Democratic Bosnia

Figure 3.1: Karadzic-SDS Campaign Poster Over OSCE Office in Doboj (July 28, 1996)



According to State Department officials and documents, until indicted war criminals are arrested and turned over to the tribunal, it will be impossible to establish a stable peace in the region. Human rights reports also support this conclusion; according to some reports, indicted war criminals control the economy and governmental institutions in many places in Bosnia. Further, according to an expert on Bosnian culture, reconciliation among Bosnians cannot take place until war criminals are brought to justice and held accountable for their actions.

The State Department has indicated, however, that countries participating in the Bosnia peace operation are divided over how to resolve the issue of noncompliance with the war crimes tribunal. While some countries, including the United States, would support an active strategy for the arrest of war criminals, other countries would not do so.

Agency Comments and Our Evaluation

State specifically disagreed with two issues discussed in this chapter: (1) that the human rights situation had worsened in the months following the September 1996 elections; and (2) that the elections may have had the effect of hindering the process of democratic development in Bosnia. According to State, it is “categorically untrue” that the human rights situation had worsened, or that the elections may have had any long-term negative effect on the pursuit of democracy in Bosnia. Despite reports to the contrary, to which State gave little weight, State said the human rights situation had improved, and that the elections represent an “unqualified validation” of the work of the international community. State said that although the September 1996 elections kept in power leaders from the nationalist parties, they were a necessary prerequisite for Bosnia’s democratic development.

Our discussion of the human rights situation in the months following the election is based on an analysis of information contained in biweekly reports submitted by on-the-ground observers from an internationally recognized organization. These reports described a continuing deteriorating human rights situation in many parts of Bosnia in the months following the elections. This was particularly true, but not exclusively so, in Republika Srpska. Moreover, the international community itself, in late 1996 and early 1997, recognized the seriousness of human rights abuses in Bosnia when it sought an expanded mandate and an 120 additional monitors for IPTF specifically to investigate allegations of abuses by members of Bosnia’s police forces.

We acknowledge that the September 1996 elections may have been a necessary first step in the process of democratic development in Bosnia and that opposition parties did better than expected in the election. We also agree that it was no surprise that the ruling parties won by such wide margins, particularly given the fact that the ruling parties controlled the media, making it difficult for opposition parties to campaign. Moreover, we recognize State’s position that the elections were an essential first step in the long-term process of developing democratic institutions in Bosnia. However, we believe it is equally important to note the potential negative

aspects of the elections. As State itself acknowledged, the election resulted in legitimizing and keeping in power the authoritarian political leaders who brought civil war and atrocities to Bosnia. These leaders have continued to resist working cooperatively to achieve the goals of the Dayton Agreement in many critical areas, including the development of democratic policing; the return of refugees, particularly cross-ethnic returns; the implementation of smooth functioning national government institutions; and economic integration across entity boundaries and within the Federation.

Progress in Rebuilding Bosnia's Economy

The Dayton Agreement's goals for the economy of Bosnia and Herzegovina include economic reconstruction, building national government and Federation economic institutions, and promoting a market economy. To support these goals, the government of Bosnia, with the assistance of the World Bank, the European Commission, the European Bank for Reconstruction and Development, and other international agencies and organizations, designed the 3- to 4-year, \$5.1-billion Priority Reconstruction Program. This program gave the international community a framework for the economic reconstruction and integration of Bosnia. In addition to supporting the Dayton Agreement's goals, the program sought to jump-start economic recovery, thereby creating visible results quickly so that the people of Bosnia could experience an immediate betterment of their lives and become stakeholders in creating conditions for an enduring peace.

In 1996, 59 donor countries and organizations pledged \$1.9 billion, exceeding the program's first-year pledging goal of \$1.8 billion. By the end of the year, there were many signs of economic recovery in the Federation. Overall, however, economic activity was still at a very low level, much reconstruction work remained to be done, and mass unemployment was still a major concern. The biggest obstacle to progress has been the lack of cooperation among Bosnia's political leaders in implementing projects and developing institutions that would economically link their respective ethnic groups. Problems in donor coordination have also contributed to delays in achieving results. At a December 1996 conference in London, the international community stated that it would use economic assistance as a tool to encourage compliance or discourage noncompliance with Dayton goals in the areas of refugee return and freedom of movement.

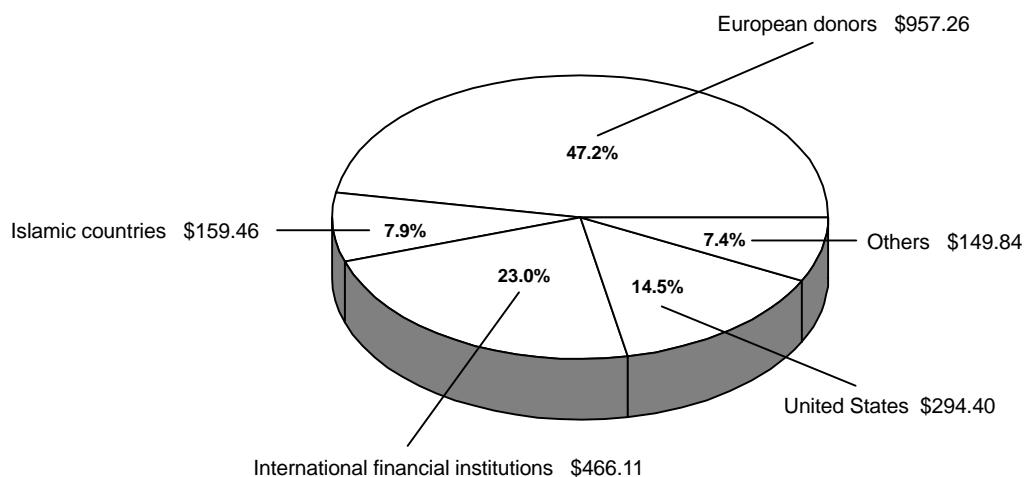
Donors Exceeded 1996 Pledging Goal for the Reconstruction Program

Fifty-nine donors—48 countries and 11 organizations—exceeded the \$1.8 billion goal of the December 1995 and April 1996 pledging conferences, bringing the total international pledge for the 1996 reconstruction program to \$1.9 billion.⁴¹ However, as of December 1996, \$2.03 billion, more than the amount pledged, had been committed to the program. The U.S. government, primarily through USAID, committed \$294.4 million during the program's first year for, among other things, repair of municipal infrastructure and services, small business loans, and technical assistance for the development of national and Federation economic institutions. The United States as a donor was third behind the

⁴¹Funding for the reconstruction program in subsequent years is to be raised at succeeding conferences.

European Commission's \$430.21 million and the World Bank's \$357.8 million. European donors as a group committed 47.2 percent of the committed funds and the United States committed 14.5 percent (see fig. 4.1).

Figure 4.1: Donor Commitments to the Priority Reconstruction Program, as of December 1996 (Dollars in Millions)



Source: Implementation of the Priority Reconstruction Program in 1996, prepared by the European Commission and the Central Europe Department of the World Bank (Mar. 1997).

As of December 1996, nearly all of the \$2.03 billion of the committed funds had been designated for reconstruction activities, and \$1.1 billion, or 54 percent of the total commitments had been disbursed,⁴² exceeding the disbursement target of \$950 million (about half of the pledged funding) set in June 1996. A November 1996 donor report prepared by the European

⁴²World Bank data on funds that have been disbursed do not necessarily translate into results on the ground. Hence, while \$1.10 billion had been disbursed by December 1996, we cannot say what portion of this represents physical results. That information is not currently available.

Commission and the World Bank⁴³ estimated the financing needs of the program over the next 2 years to be \$2.5 billion, of which the 1997 requirements represent \$1.4 billion. Appendix IV provides more information on the Priority Reconstruction Program.

Economic Activity Remains at Low Level, but Signs of Economic Recovery Now Visible

Overall, economic activity remains at low levels throughout Bosnia, although there are visible signs of economic recovery. According to the World Bank, by the end of 1996 industrial production, though recovering, was still only at 10 to 15 percent of its prewar level; half the labor force remained unemployed, and wages in the Federation averaged little more than \$150 per month, for those who were working.⁴⁴

According to the November 1996 donor report, economic conditions in the Federation had improved since the war's end, albeit from very low levels. Bosniak-controlled areas of the Federation sustained the heaviest physical damages from the war, and by year-end 1996 the Federation, as a whole, had received \$1.1 billion, or 81 percent, of the total assistance efforts under implementation (\$1.36 billion).⁴⁵ In the Bosniak-controlled part of the Federation, the World Bank estimated unemployment at 50-60 percent, an improvement from the 90 percent unemployment at the end of the war. Industrial output roughly doubled to 15-20 percent of its prewar levels, and wages, for those who were working, had roughly quadrupled, to an average of a little more than \$100 per month. According to the World Bank, during 1996 the Federation cash budget was balanced and prices remained broadly stable. The November 1996 donor report indicated that in the Bosnian Croat-controlled areas of the Federation, which suffered less war damage than the Bosniak-controlled areas, industrial production was running at 85 percent of its prewar level, and wages stood at more than \$200 per month.⁴⁶

⁴³The Priority Reconstruction Program: From Emergency to Sustainability, prepared by the European Commission, the European Bank for Reconstruction and Development, and the Central Europe Department of the World Bank for the Donor Information Meeting, vols. 1, 2, and 3 (Nov. 1996), hereafter referred to as the "November 1996 donor report." The March 1997 status report to the donor community, Implementation of the Priority Reconstruction Program in 1996, prepared by the European Commission and the Central Europe Department of the World Bank (Mar. 1997), is referred to as the "March 1997 donor report."

⁴⁴According to several international financial institutions involved in the program, there are no reliable end-of-war (1995) financial statistics, and reliable financial statistics are not yet available for Bosnia's 1996 economic performance.

⁴⁵Funds under implementation are those firmly committed funds for which contracts have been tendered, signed, or are under way (including amounts disbursed).

⁴⁶The report did not provide an end-of-war estimate of industrial production in Bosnian Croat-controlled areas.

Although Republika Srpska suffered less physical damage from the war, the economic embargo⁴⁷ had an adverse impact on industrial production. At the end of 1996, industrial production was estimated to be at 8-10 percent of its prewar level, and unemployment was estimated to be over 60 percent. Because of international sanctions and donor governments' policies, about 3.2 percent of the total assistance efforts under implementation (\$1.36 billion), or \$43 million, was actually being implemented in Republika Srpska in 1996. This included activities primarily of an emergency nature. Growth in Republika Srpska during 1996 was close to zero.

The first results of the economic reconstruction program are now visible, primarily in the Federation. For example, key transport linkages including airports, roads, railways, and bridges have been restored. The Sarajevo airport is now open to limited commercial traffic, and the tram system has been restored to half its prewar capacity. Repairs and renovations have been made to thousands of homes, including the reconnection of 32,000 apartments to the district heating system in Sarajevo before winter. Four major transmission lines were restored, and three major thermal power plants are being repaired. Basic services like water, electricity, and heating have been or are being restored in many areas. Over \$100 million in small- and medium-sized business loans have helped revive commerce and have generated an estimated 11,000 new jobs. According to the November 1996 donor report, an estimated 250,000 jobs were created at the peak of the 1996 reconstruction program.

Fiscal support has been provided to more than 10 government institutions, including the Federation Customs, Tax, and Banking Supervision Agencies, and economic institutions are beginning to emerge. The Federation Customs Administration became operational in April 1996, and revenues began flowing into the Federation from Bosnian Croat-controlled, as well as Bosniak-controlled, areas, though not without numerous delays and interruptions. The Federation Banking Agency became operational in July 1996, following the passage of legislation in June. The agency had issued more than 21 licenses to banks in the Federation as of January 1997 and had begun to monitor all banks in the Federation based on prudential standards.⁴⁸ The Federation parliament

⁴⁷On April 17, 1993, the United Nations Security Council adopted Resolution 820, which barred all trade and financial transactions with the Serb-controlled areas of Bosnia. On February 27, 1996, economic sanctions imposed upon the Republika Srpska were suspended by the Security Council in accordance with Resolution 1022, and they were completely terminated in October 1996 by Resolution 1074.

⁴⁸According to USAID officials, banks in both parts of the Federation are receiving licenses subject to uniform bank licensing criteria using western norms.

passed the tax administration law in August 1996, and it became effective in October. At a meeting of the presidency on April 15, 1997, the three parties agreed to establish a single central bank operating as a currency board, as provided by Dayton, and to establish a single currency valid for all transactions in Bosnia. (See app. IV for details on sectoral progress.)

In addition to the reconstruction work going on within the framework of the Priority Reconstruction Program, other international efforts have benefitted the economy. IFOR, in the conduct of its mission, carried out substantial repairs to restore infrastructure, particularly in the area of transport. The international community has also funded humanitarian assistance projects that rehabilitated housing and micro-level infrastructure. As of November 1996, UNHCR's humanitarian housing program had repaired 18,000 houses and apartments, benefiting over 90,000 people in both the Federation and Republika Srpska, and USAID's Emergency Shelter Program repaired over 2,500 homes in the Federation as of November 1996 (see fig. 4.2). However, UNHCR indicated in a November 1996 report that lack of housing remains a constraint to refugee return.

Figure 4.2: USAID-funded Housing and Bridge Repairs



Lack of Parties' Cooperation and Problems in Donor Coordination Hinder Progress

According to the November 1996 and March 1997 donor reports, converting the reconstruction funds into actual results on the ground has been slower than estimated. In many key sectors, this has been due to the reluctance of the three ethnic groups' political leaders to cooperate in infrastructure projects and economic institutions that would link the ethnic groups within the Federation and across the entities. In addition, the donor reports indicated that donor coordination problems have also contributed to delays in achieving results on the ground.

Lack of Cooperation From the Parties

The November 1996 donor report stated that there has been little cooperation both within the Federation and between the entities in the major network sectors such as telecommunications, electric power, and transport, where projects frequently involve link-ups between the different ethnic groups. For example, connecting Bosnia's Serb, Croat, and Bosniak

areas by telephone has been held up by a three-sided insistence on separate networks. Implementation of intra- and interentity electric power projects has been stalled by a lack of cooperation among Bosnia's three electric power plant companies; each company is located in a different area of ethnic control. Further, the regularity of railway operations has been impeded by the lack of contact between the three railway companies that now operate the 1,000 kilometers of lines. Though successful water works projects were undertaken in 1996, in municipalities divided along ethnic lines but served by a common water source there has been a reluctance to cooperate.

Moreover, civilian landmine clearing, particularly critical to reconstruction efforts and refugee return, has been slow to start. While progress has been made in institution-building, training, and identification of minefields, according to the March 1997 donor report, implementation of actual mine clearing has been much slower than expected due to persistent disagreements between the central and entity governments, among others, on the sharing of responsibilities, and the lack of local capacity to do mine clearing.⁴⁹ Because of these problems, civilian mine clearing operations did not start in Bosnia until the fall of 1996. In December 1996, a senior IFOR officer told us that the political leaders of Bosnia's three major ethnic groups do not want to remove landmines—most of which are located in strategic locations in the zone of separation—because they believe the cease-fire is only a temporary cessation of hostilities. Further, according to a December 1996 USAID report, the parties are continuing to lay landmines in the zone of separation and other areas of Bosnia.

According to USAID officials, the main obstacles USAID has encountered in implementing its municipal infrastructure program have involved freedom of movement issues and noncompliance by municipal leaders who do not support the principles and practices embodied in the Federation constitution and the Dayton Agreement with respect to equal protection and opportunity for all ethnic groups.

The lack of cooperation and differing views of the political leadership of all three ethnic groups, fueled in part by differing opinions on whether a unified Bosnia should exist, has limited progress in economic institution building, stalling economic integration at the national government and

⁴⁹Bosnian authorities disagreed with the initial donor mine clearing plan, which called for the use of international firms to perform urgent mine clearing around infrastructure that was key to economic recovery. Instead, they wanted to wait until there was a cadre of Bosnian firms that could clear mines as a means of generating employment. Thus, demining efforts were unable to start until near the end of 1996.

Federation level. As of late March 1997, the newly constituted central bank had not yet met officially, awaiting the passage of a central bank law that had yet to be enacted due to lack of agreement between the three parties on the structure of the bank and the new currency.⁵⁰

Political barriers, not technical obstacles, also have hindered the linking of the payment systems in the Croat-, Bosniak-, and Serb-controlled areas of Bosnia. For political reasons, business accounts are settled once a week rather than daily, thus contributing to segmentation of Bosnia's financial system. The circulation of separate currencies in Bosnia's Serb-, Croat-, and Bosniak-controlled areas has also impeded the unification of the payment systems. While the newly established Federation Customs Administration has unified the trade and tariff regimes in Bosnian Croat- and Bosniak-controlled areas of the Federation, and has begun integrating customs staff of the two parts of the Federation, different trade and tariff regimes continue to apply between the two entities.

According to U.S. Treasury officials, underlying tensions and continuing distrust between the Bosnian Croat and Bosniak members of the Federation, and between political leaders of all three ethnic groups, have impeded progress in the areas in which the Treasury is providing technical assistance. The resulting disagreements, delays, reluctance to change, and logistical problems (hiring and paying Federation staff and acquiring office space and computers), and the replacement of Ministry of Finance staff with whom the Treasury had developed good working relations, have obstructed the implementation of a fully functioning budget process and threaten to halt the implementation of the unified Federation tax administration, which has just begun.

A unified Federation tax administration is intended to merge the two existing, separate tax administrations in Bosnian Croat- and Bosniak-controlled areas and establish the enforcement and collection of tax revenues, a prerequisite for running a government. The lack of a functioning budget process impedes the development of the national government, Federation, and cantonal budgets, which require agreement concerning revenue sources and expenditure responsibility. As of March 1997, the 1997 budgets for all three levels of government had not been developed, and separate fiscal systems for the three ethnically-controlled areas of Bosnia continued to operate, each with its

⁵⁰The Central Bank Law was still awaiting passage as of April 22, 1997, even though the Presidency agreed to a single central bank and single currency on April 15, 1997.

own tax policy. Political tensions and disagreements have also stalled progress in bank privatization and the passage of an external debt law.

Problems in Donor Coordination

Problems also exist concerning the coordination of donor funds, according to the November 1996 and March 1997 donor reports. The November 1996 report stated that donor coordination is the key to matching scarce donor funds with programs so as to avoid gaps and overlaps, to ensure appropriate geographical balance, and to obtain the maximum amount of synergy between the different donor programs. Although donors surpassed their original funding commitment target set for 1996, there were a number of gaps, mismatches, and surpluses in the overall reconstruction program.

Many areas of the reconstruction program were underfunded, specifically job creation, social safety net programs, health and education, transport, and energy. In 1996, the transport sector had a shortfall of \$125 million, or 39 percent of the first-year program requirement. The energy sector, with \$284 million committed against estimated 1996 needs of \$403 million, had an overall funding gap totaling \$119 million. And telecommunications, with \$37 million committed against the \$160 million program requirement, was significantly underfunded. According to a State Department official, telecommunications was underfunded because donors refused to commit money for three separate ethnic phone systems, particularly since the Bosnian Serb entity would not even link its system with the other two.

Other areas of the program, notably housing, fiscal support, and industry and finance, met or exceeded their 1996 program requirements. The March 1997 donor report said that improved coordination of donor activities in the housing sector was needed and called for better planning to coordinate the efforts of the local municipalities, the many donors, and the many nongovernmental organizations repairing the homes. Although the education sector met its 1996 target, it lacked adequate funding to complete the primary school reconstruction program. Overall, the industry and finance sector well exceeded its 1996 program requirement. However, while the commitments for lines-of-credit and technical assistance exceeded the first-year requirements, other components of the program, such as equity funds, remained under-funded.

The World Bank and U.S. government took actions during 1996 to improve donor coordination. The World Bank established sector task forces in Sarajevo that, according to USAID officials, helped to correct donor

coordination problems that occurred early in the reconstruction program. The United States, recognizing the coordination problem, appointed a Special Representative to serve as U.S. reconstruction coordinator in mid-1996. In early 1997, the successor Special Representative was appointed to a newly created position of Deputy High Representative for Economic Reconstruction, where he will coordinate the international effort.

Use of Conditionality in Providing Economic Assistance

During 1996, according to a State Department official, all major bilateral donors had withheld economic assistance from Bosnian Serb-controlled areas because Bosnian Serb political leaders failed to comply with key human rights and other provisions of the Dayton Agreement. Donors in 1996 at times also withheld assistance in the Federation at the city/town level due to noncompliance with the Dayton Agreement. For example, USAID held up implementation of three municipal infrastructure projects because local authorities would not allow full freedom of movement for refugees and displaced persons wishing to return to their homes. As of January 1997, USAID had restarted only one of these three projects.

In December 1996, the Peace Implementation Council emphasized that the international community would use economic assistance as a tool to encourage compliance or discourage noncompliance with Dayton goals, such as furthering the return of refugees and cooperating with the war crimes tribunal.⁵¹ Further, the donors' conference, originally planned to be held at the end of February 1997, was postponed because Bosnia's council of ministers had not yet adopted key economic laws.

Western observers in Bosnia have questioned the effectiveness of threatening to withhold economic assistance from Bosnian Serb- and Croat-controlled areas in this conditional manner, partly because they have received little international assistance to date. They also questioned attaching political conditions to economic assistance as a means of encouraging Bosnian Croat compliance with the Dayton Agreement because Bosnian Croats have other sources of financial support, including Croatia.⁵² Furthermore, according to World Bank officials, conditioning economic assistance on political leaders' compliance with the Dayton Agreement is complicated by the difficulty of determining the appropriate

⁵¹The Congress has placed conditions on some U.S. assistance. See, for example, Public Laws 104-107, section 584; 104-122; and 104-208, Title II.

⁵²According to State officials, Bosnian Croat-controlled areas received little economic assistance to date because they suffered little war damage.

mix of politically conditional aid with humanitarian aid, which is not conditional, as well as by the need for making judgment calls in regard to financing ongoing projects.

State and USAID officials told us that in March 1997, some Bosnian Serb political leaders, including the President of Republika Srpska, had shown a willingness to accept economic assistance that includes conditions such as employing multiethnic work forces. These leaders, according to State, are willing to accept conditional assistance because they see the growing gap in economic recovery between the Federation and Republika Srpska. However, as of April 16, 1997, there were no tangible results in this area.

Progress in Returning Refugees and Displaced Persons to Their Homes

Despite guarantees in the Dayton Agreement and significant international effort, the return of refugees and displaced persons to their homes has barely begun in Bosnia. Fear, stemming from lack of personal security; resistance from Bosnian political officials of all ethnic groups; poor economic prospects; and lack of suitable housing have combined to hinder returns. The returns that did take place in 1996 were mainly people going back to areas controlled by their own ethnic group because returns across ethnic lines proved extremely difficult. Efforts to address the return problem affect many aspects of the Bosnia peace operation, leading to calls by the international community for improved integration among groups responsible for security and political and economic reconstruction implementation.

Political Leaders Are Actively Discouraging Returns

Bosnia's constitution and annex 7 of the Dayton Agreement clearly established the right of refugees and displaced persons to freely return to their homes of origin. The political leadership of all three ethnic groups further agreed to take action to "prevent activities within their territories which would hinder or impede the safe and voluntary return of refugees and displaced persons" and not to hinder UNHCR and other organizations' efforts to implement UNHCR's repatriation plan. Annex 7 also established a Commission for Real Property Claims of Refugees and Displaced Persons. Its mission is to help receive and resolve claims for property from which people fled and to which they wish to return.

In practice, all three ethnic groups have widely ignored the various agreements to allow returns. In October 1996, UNHCR reported that "in general, there has been no compliance with the provisions of Annex 7." As a result, only about 250,000 out of the estimated 2 million Bosnian refugees and displaced persons returned to their homes during 1996—less than a third of UNHCR's initial planning figure of 870,000.⁵³ Over 80,000 others fled or were driven from their homes during the year. Most Bosniaks would have had to cross ethnic lines to return home, but few of the returnees in 1996 did so.

Security Concerns Hindered Returns

The issue of cross-ethnic returns is highly contentious politically and has led to many violent incidents. Bosnian Serbs and Bosnian Croats do not want to allow Bosniaks to return to their homes, because this goes counter to their war aims of creating ethnically pure states separate from Bosnia. However, according to international observers, the return of Bosniaks to

⁵³In May 1996, a UNHCR official told us that this initial estimate was overly optimistic.

their prewar homes is one of the highest priority policy objectives for Bosniak leaders. These leaders have encouraged returns across ethnic lines to test the right to return home.

Many of the violent incidents in Bosnia during 1996 were the direct result of Bosniaks attempting to cross ethnic lines to visit or re-settle in their prewar homes. For example, in a series of incidents in late 1996, groups of Bosniak displaced persons crossed the interentity boundary line and forced their way into abandoned villages within the zone of separation. In each instance these unannounced movements triggered violent responses from Bosnian Serbs. International observers told us they suspected that these actions had been organized by Bosniak political leaders in an effort to occupy strategically important areas within Republika Srpska. In some instances, members of the Bosniak military supported these efforts.⁵⁴ IFOR officials in Tuzla told us it was challenging to contain and eventually control the ensuing violence. A DOD official also told us he was concerned that these returns of displaced persons would continue to trigger violence and potentially affect NATO's ability to draw down its military force in Bosnia.

In general, the political leaders of all three ethnic groups have not met their obligation to provide security for refugees and displaced persons of other ethnic groups. Ethnic minorities are facing growing levels of violence and intimidation. In an effort to discourage cross-ethnic returns, over 300 homes were destroyed in late 1996 and early 1997. In many cases, these homes were blown up after they appeared on UNHCR lists of Bosniaks intending to return and reoccupy their homes in Bosnian Serb-controlled areas (see fig. 5.1).

⁵⁴A human rights monitor and IFOR officials told us that there is no evidence that the Bosniak military forced civilians to cross ethnic lines in these instances. Instead, according to the human rights monitor, the goals of the two groups were mutually supporting.

Figure 5.1: Blown Up Housing in the Brcko Area



Expulsions of minorities from Serb- (Banja Luka), Croat- (West Mostar), and Bosniak- (Sarajevo suburbs)⁵⁵ controlled areas continued throughout 1996. While the Bosniak record is generally better than that of Bosnian Serbs and Croats, Bosniaks have prevented Bosnian Croats and Serbs from returning to their homes in some areas under their control and have allowed harassment of other ethnic groups in Sarajevo and elsewhere in Bosniak-controlled areas.

**Leaders Create Nonviolent
Barriers to Return**

Active resistance from political leaders of the three major ethnic groups has also created barriers to returns. Bosnian Serb authorities have publicly stated that there can be no returns of Bosnian Croat and Bosniaks to Republika Srpska territory. Serb displaced persons from the western parts

⁵⁵Throughout 1996 Bosniaks attempted to force out Bosnian Serbs who did not leave when administrative control of the Sarajevo suburbs was given to Bosniak authorities in February 1996.

of the Federation have not been able to return home—Republika Srpska officials have used pressure and intimidation to keep them from trying to leave, and Bosnian Croat officials have forbidden them from returning. Bosniak authorities in Bugojno have also hindered Bosnian Croat efforts to return.

The regional nature of the refugee problem further complicates efforts for returns. Some 30,000 Croatian Serb refugees who fled from areas that were occupied by the Croatian army in 1995 are already living in Republika Srpska. Bosnian Serb political leaders say they cannot allow Bosniaks or Bosnian Croats to return because the Croatian Serbs currently occupy all available housing. Further, several international observers were concerned that thousands of Croatian Serbs could flee the eastern Slavonia region of Croatia when the U.N. mission there ends during the summer of 1997, placing additional burdens on already over-crowded areas in Republika Srpska.

According to international observers, thousands of Bosnian families cannot return to their prewar homes across ethnic lines because they are now occupied by someone else. In many locations, officials have moved displaced persons from the ruling ethnic group into homes that were previously occupied by families from other ethnic groups. Moreover, both the Federation and Republika Srpska have adopted restrictive property laws that make it difficult for persons to reclaim homes abandoned during the war. A number of human rights organizations are involved in property disputes, as property rights issues are the type of human rights complaint they most frequently receive. However, limited progress has been made in resolving property rights complaints. The Commission for Real Property Claims of Refugees and Displaced Persons, which has responsibility under Dayton to resolve these disputes, started taking claims in November 1996, but according to the chairman of the commission, it may not be able to operate beyond June 1997 due to lack of funds. Other human right organizations lack investigative and other resources needed to resolve the complaints.

UNHCR's Cross-Entity Bus Service

To help improve freedom of movement across ethnic lines, in May 1996, UNHCR began running a free bus line between Bosniak- and Bosnian Serb-controlled neighborhoods in the Sarajevo area. During the year, UNHCR overcame attacks on some buses and efforts of some local political officials to administratively block bus operations. By the end of the year, the bus service had expanded to 11 routes, allowing 241,000 passengers to

safely cross the boundary between Republika Srpska and the Federation. State Department and UNHCR officials told us the bus line proved to be a great success and offered some hope in an otherwise grim situation.

Poor Economic Conditions Deter Returns

Potential returnees face poor economic prospects, including lack of job opportunities and devastated infrastructure. According to international officials and the November 1996 donor report, many Bosnian refugees are reluctant or unwilling to return to Bosnia because of the poor economic conditions there. In recognition of the impact of economic conditions on returns, the World Bank and the Peace Implementation Council have called for improved integration between these areas.

In many areas of Bosnia, there is not enough suitable housing to accommodate Bosnians wishing to return home. World Bank figures showed that over half of the prewar housing stock had been destroyed or damaged. Although UNHCR and USAID rehabilitated over 20,000 damaged homes during 1996, some areas in Bosnia continued to suffer serious housing shortages by the end of 1996.⁵⁶

Interrelated Nature of Return Issue

Attempting to return thousands of Bosnians to their prewar homes touches on a variety of security, political, and economic issues involving numerous international organizations and levels of the Bosnian government. At the end of 1996, the international community recognized the need to develop a more integrated approach to address the return issue. In December 1996, the Peace Implementation Council noted the potential impact of political efforts and economic reconstruction on the return of refugees and displaced persons. The Council called on UNHCR, the High Representative, the World Bank, and the European Commission to develop closer linkages in these areas.⁵⁷ Later that month, a UNHCR humanitarian issues working group developed guidelines for a repatriation program for Bosnia in 1997 and recommended that a plan be finalized and presented to the international community by the spring of 1997. The final plan would be developed in conjunction with national, regional, and international organizations and would include political, economic, and security considerations.

⁵⁶The Omnibus Consolidated Appropriations Act of 1997 prohibited the use of Assistance for Eastern Europe and the Baltic States funds for housing repair or construction in Bosnia, unless directly related to efforts of U.S. troops to promote peace. (P.L. 104-208, Title II).

⁵⁷This political guidance came at the 1996 London Peace Implementation Conference.

Chapter 5
Progress in Returning Refugees and
Displaced Persons to Their Homes

The State Department supports the development of a new commission to address freedom of movement and refugee return issues. Such a commission could be tasked by the Peace Implementation Council to develop an integrated plan for securing full compliance with the Dayton Agreement's freedom of movement requirements. The commission could consider all factors associated with the return issue. However, even if this commission were to be established, State officials told us that refugee and freedom of movement issues were not likely to be resolved by the time SFOR withdraws in June 1998.

U.S. Costs and Commitments Exceed Initial Estimates

In February 1996, the executive branch estimated that the Bosnia peace operation would cost the United States about \$3.2 billion for fiscal years 1996 and 1997—\$2.5 billion in incremental costs for military-related operations and \$670 million for the civilian sector.⁵⁸ These initial estimates assumed that U.S. military forces would be withdrawn from Bosnia when IFOR's mission ended in December 1996. The executive branch's current cost estimate for fiscal years 1996 and 1997 is more than \$5.9 billion: \$5 billion in incremental costs for military-related operations and about \$941 million for the civilian sector. Almost all of the increase was due to the decision to extend the U.S. military presence in and around Bosnia through June 1998.

As presented in the fiscal year 1998 budget request to Congress, the United States plans to commit about \$1.8 billion for the Bosnia peace operation—about \$1.5 billion for military operations and \$340 million for civilian activities. Under current estimates, which assume that the U.S. military participation in Bosnia will end by June 1998, the United States will provide a total of about \$7.7 billion for military and civilian support to the operation from fiscal years 1996 through 1998.

Fiscal Year 1996 Estimates and Costs

At the end of the fiscal year 1996, the executive branch estimated that about \$3 billion in fiscal year 1996 funds would be spent in support of the Bosnia peace operation (see table 6.1). This is approximately \$569 million more than the executive branch's initial estimate for the fiscal year.

Table 6.1: Comparison of Fiscal Year 1996 Estimates and Costs for the Bosnia Peace Operation

Dollars in millions			
Government branch	Initial estimate ^a	Fiscal year-end estimate ^b	Costs ^c
DOD	\$2,000	\$2,479	\$2,479
Civilian agencies ^d	470	560	501
Total	\$2,470	\$3,039	\$2,980

^aAs of February 1996.

^bAs of December 30, 1996, for DOD and as of October 22, 1996, for civilian agencies.

^cFor DOD, costs are incremental costs, i.e., those costs that would not have been incurred if it were not for the operation. For the civilian agencies, this amount represents obligations.

^dIncludes USAID; USIA; and the Departments of State, Agriculture, Commerce, Justice, Labor, Health and Human Services, and the Treasury.

⁵⁸As used in this report, “incremental costs” means those costs that would not have been incurred if it were not for the operation. This is the same definition that is contained in 10 U.S.C. 127a, as amended by the National Defense Authorization Act for Fiscal Year 1996.

Chapter 6
U.S. Costs and Commitments Exceed Initial Estimates

DOD's incremental costs were about \$500 million more than the initial estimate due to increases in such items as logistics, communications, and force sustainment.⁵⁹ DOD incurred some of these additional costs because IFOR and its large contingent of U.S. troops remained at full strength longer than originally planned in order to support the September 1996 elections.⁶⁰

Estimated costs for civilian agencies increased by about \$90 million primarily because of increased spending for humanitarian relief and refugee assistance. As of April 1997, civilian agencies had not obligated about \$59 million of their fiscal year 1996 funds.

DOD Costs and Estimates

In fiscal year 1996, DOD incurred about \$2.5 billion in incremental costs for its participation in IFOR and other DOD operations that supported the Bosnia peace operation (see table 6.2). These other operations included Operation Deny Flight (now called Deliberate Guard), which involves air operations for maintaining the no-fly zone over Bosnia, and Operation Provide Promise, which airlifted and airdropped humanitarian supplies into Bosnia.

Table 6.2: Fiscal Year 1996 DOD Costs for Bosnia, by Operation

Dollars in millions	
Activity/operation ^a	Incremental costs ^b
IFOR	\$2,073.2
Operation Deny Flight	225.9
IFOR preparation	158.5
Operation Provide Promise	21.7
Total	\$2,479.3

^aExcludes \$30.9 million spent on U.S. participation in a U.N. peacekeeping operation in Macedonia, \$9.3 million spent on enforcement of the arms embargo and U.N. sanctions on Serbia-Montenegro, and \$500,000 spent on U.S. military personnel and supplies for the operation of a Zagreb hospital in support of the United Nations.

^bAs of December 30, 1996.

Most of DOD's costs—about 89 percent—were in operation and maintenance accounts that pay for such items as transportation, per diem,

⁵⁹For a more detailed discussion of DOD's costs estimates and costs see *Bosnia: Costs Are Uncertain but Seem Likely to Exceed DOD's Estimate* ([GAO/NSIAD-96-120BR](#), Mar. 14, 1996), and *Bosnia: Costs Are Exceeding DOD's Estimate* ([GAO/NSIAD-96-204BR](#), July 25, 1996).

⁶⁰As of March 1996, the U.S. Army assumed that the drawdown of U.S. forces from Bosnia would start in the summer of 1996 because it was anticipated that elections in Bosnia would occur in June or July.

supplies, fuel, communications, contractual services, equipment maintenance, and other mission-related expenses. The remaining costs are in military personnel accounts. These accounts fund certain special pays that military personnel deployed to Bosnia are eligible to receive, such as imminent danger pay, family separation allowance, certain places pay (formerly called foreign duty pay), and basic allowance for subsistence for enlisted personnel, as well as the military pay for activated reservists.

The U.S. Army, which is deploying and logically supporting ground troops in and around Bosnia,⁶¹ incurred the majority of the costs—over \$1.8 billion—in fiscal year 1996, including \$37.5 million for NATO contributions. The U.S. Air Force spent about \$340 million, while the Navy and Marine Corps spent about \$97 million and \$3 million, respectively. In addition, about \$198 million was spent by other organizations such as the National Security Agency, the Defense Mapping Agency, the Defense Intelligence Agency, and the U.S. Special Operations Command.

Civilian Agency Costs and Program Descriptions

At the end of the fiscal year, the executive branch estimated that the State Department, USAID, USIA, and four other agencies would spend about \$555 million in fiscal year 1996 funds for economic reconstruction, humanitarian aid, democracy and human rights programs, and other support for civilian organizations in the peace operation (see table 6.3).

**Table 6.3: Fiscal Year 1996 U.S.
Funding for Civilian Aspects of the
Bosnia Peace Operation**

Dollars in millions			
Program/activity^a	Fiscal year-end estimate^b	Amount obligated	Amount unobligated
Economic reconstruction	\$183.8	\$151.8	\$32.0
Humanitarian assistance	253.5	243.1	10.4
Democracy and human rights	56.6	46.7	9.9
Other support for civilian programs/activities	65.9	59.7	6.2
Total	\$559.8	\$501.3	\$58.5

^aIncludes programs and activities funded by USAID; USIA; and the Departments of State, Agriculture, Commerce, Justice, Labor, Health and Human Services, and the Treasury.

^bAs of October 1996.

⁶¹The U.S. Army is logically supporting ground troops for all services in Bosnia, Croatia, and Hungary.

Most of this assistance, about \$337 million, was funded by USAID primarily in the areas of economic reconstruction, humanitarian assistance, and democracy and human rights. The State Department provided about \$164 million for programs such as landmine removal under the economic reconstruction program, support for democracy and human rights, and refugee assistance. Other U.S. civilian agencies—USIA and the Departments of Justice, Health and Human Services, Labor, the Treasury, and Commerce—also administered relatively small programs that directly or indirectly supported the Bosnia peace operation. For example, USIA funded small-scale democracy projects, including independent media, civics education, and international exchange programs. Most of the unobligated funds were in the areas of economic reconstruction and democracy and human rights. Appendix V provides more information on civilian program costs for the Bosnia peace operation in fiscal year 1996.

Fiscal Year 1997 Cost Estimates

In fiscal year 1997, the U.S. government plans to provide about \$2.9 billion in support of the peace operation (see table 6.4). This is about \$2.2 billion more than the executive branch's initial estimate, which assumed that all U.S. troops in or supporting the peace operation would be out of Bosnia and neighboring countries by December 20, 1996.

Table 6.4: Fiscal Year 1997 U.S. Cost Estimates for the Bosnia Peace Operation

Dollars in millions		
Government branch	Initial estimate ^a	Current estimate ^b
DOD	\$500	\$2,500
Civilian agencies ^c	200	381
Total	\$700	\$2,881

^aAs of February 1996.

^bAs of January 30, 1997 for DOD; as of October 25, 1996 for civilian agencies.

^cCivilian agencies include USAID, USIA, and the Department of State.

In January 1997, DOD estimated its fiscal year 1997 incremental costs for the operation at about \$2.5 billion, an increase of about \$2 billion over the initial estimate. This increase is primarily attributable to the decision to commit up to 13,500 troops to participate in or support SFOR.⁶² These funds will support two troop rotations, equipment refurbishment, and increased intelligence operations in the former Yugoslavia. During the third week of

⁶²Up to 8,500 U.S. troops will be deployed in Bosnia and 5,000 troops outside of Bosnia.

November 1996, the number of U.S. troops deployed to participate in or support NATO operations in Bosnia peaked at 27,700 as IFOR was in the process of transitioning to SFOR—19,300 in Bosnia and 8,400 in Italy, Hungary, and Croatia. By early December 1996, total U.S. deployment had dropped to 16,000.

The U.S. government plans to provide about \$381 million in support of the peace operation's civilian elements in fiscal year 1997. This includes about \$184 million for economic reconstruction, \$98 million for humanitarian assistance, \$40 million for democracy and human rights programs, and \$59 million in other support to civilian organizations of the peace operation. According to a State Department official, U.S. civilian commitments may increase during the fiscal year if refugees and displaced persons do not return home in large numbers, as these estimates assume.

Fiscal Year 1998 Cost Estimates

In the fiscal year 1998 budget request, the President asked Congress to commit about \$1.8 billion in fiscal year 1998 funds to support the peace operation. As of March 1997, the State Department had projected fiscal year 1998 costs for continued humanitarian and transition aid at \$340 million, and DOD had projected its fiscal year 1998 costs for the operation about \$1.5 billion. DOD's cost estimate is based on an assumption that all U.S. troops will be out of Bosnia by June 1998.

Background on the Bosnian Conflict

In the spring of 1990, Yugoslavia held republic-level elections that brought nationalist and independence-minded governments to power in the republics of Slovenia and Croatia. These elections were followed by the collapse of Yugoslavia's central civilian authority in 1991, as its republics and various independence movements rejected central authority and escalating ethnic animosities propelled parts of the country into a vicious armed conflict.¹

In 1991, Serbia, the largest Yugoslav republic, began to dominate Yugoslav institutions and gained control of the Yugoslav army. After Slovenia and Croatia declared their independence in June 1991, Serbia tried forcibly to prevent them from becoming independent. During the ensuing 6-month war in Croatia, Yugoslav army soldiers and Serbian paramilitary forces were stationed in Bosnia. By the end of 1991, ethnic Serbs in areas of Croatia and Bosnia had declared local autonomy and had rejected the two republics' authority over their regions.

Bosnia's Independence and the Outbreak of War

Before the war, Bosnia's population was 4.4 million people—44 percent Muslim, 31 percent Serb, 17 percent Croat, and 8 percent other ethnic groups. The spring 1990 election in Bosnia resulted in three ethnically based political parties—the Muslim Party of Democratic Action (SDA), the Serbian Democratic Party (SDS), and the Croatian Democratic Union (HDZ)—forming a governing “partnership” under the leadership of President Alija Izetbegovic, a Muslim. After the election, ethnic polarization grew as the republic dealt with nationalist sentiments coming from Croatia and Serbia and growing independence movements from Bosnian Serbs. In February and March 1992, an independence referendum was held, and 63 percent of Bosnia's electorate—primarily Muslims and Croats—voted for independence. Shortly thereafter, Bosnia gained diplomatic recognition as an independent state and became a member of the United Nations. Throughout the war that followed, ethnic differences were manipulated by SDS and HDZ to sustain concepts of “greater Serbia” and “greater Croatia.”

Under the leadership of Radovan Karadzic, SDS and its pan-Serbian nationalists boycotted Bosnia's independence referendum in an attempt to remain part of Serbia-dominated Yugoslavia and form a “greater Serbia.” By mid-1992 SDS forces, supported by the Yugoslav army and Serbia, had seized territory in northern and eastern Bosnia and controlled 60 percent of Bosnia's territory. SDS forces began expelling much of the non-Serbian

¹Except where noted, the material in this appendix was derived from State Department reports.

population, primarily Muslims and Croats, from areas under their control—including the cities of Banja Luka, Prijedor, and Doboj—in a campaign of terror that became known as “ethnic cleansing.” The Bosnian Serb army also began carrying out massive artillery attacks against Sarajevo and other population centers such as the Muslim enclaves of Srebrenica, Gorazde, and Zepa. By mid-1992, SDS had completely withdrawn from Bosnian institutions and had started creating institutions for its own ethnically pure state, later named the “Serb Republic,” or Republika Srpska.

About this same time, Croatian nationalists of the HDZ proclaimed their own entity within Bosnia, which they called “the Croatia Community of Herceg-Bosna.” Their army, the Bosnian Croat army, was supported and controlled by Croatia. Early in the war, the Bosnian government welcomed the presence of Croatian forces on its territory as the two sides fought together against Serbian aggression. By April 1993, however, periodic skirmishing between the Bosnian government army and Bosnian Croat army escalated into outright war, as HDZ insisted on creating Herceg-Bosna with Mostar as its capital. When the Bosnian government refused to submit its troops to Bosnian Croat army command, the Bosnian Croat army blockaded Mostar, attacked it, brutalized its Muslim residents, and evicted non-Croats from west Mostar and nearby cities of Stolac and Capljina. Regular Croatian army units, originally in Bosnia under a bilateral cooperation pact, fought on the side of the Bosnian Croat forces.

The Bosnian government, headed by President Izetbegovic of SDA, supported and fought for a unified, multiethnic Bosnia. By the end of 1993, the government was Muslim-dominated and controlled only 20 percent of the country.² While only the Bosnian Serbs pursued “ethnic cleansing” as a matter of policy, local units of Bosnian government troops also killed many people out of nationalistic or religious hatred and targeted civilians, particularly Bosnian Croats during the conflict in central Bosnia. In early 1994, Bosnian government forces started receiving material and other support from Iran and other Islamic countries in contravention of the United Nations-mandated and U.S.-supported arms embargo.

²The Bosnian Serb army controlled 70 percent.

International Interventions and Shift in the War

In 1992 and 1993, the U.N. Security Council sent peacekeepers from the United Nations Protection Force (UNPROFOR) to Bosnia to facilitate the delivery of humanitarian relief being provided by the U.N. High Commissioner for Refugees (UNHCR),³ established a “no-fly zone” over Bosnia, and declared Sarajevo and five Muslim enclaves “safe areas” under the protection of UNPROFOR. NATO agreed to enforce the no-fly zone and use air power to protect U.N. forces if attacked.⁴

The U.N. and NATO operations provided humanitarian assistance to thousands of people in the region, but they did not accomplish their other mandated objectives because (1) UNPROFOR lacked resources required for its operations; (2) U.N. operations lacked overall leadership to provide consistent direction and strategy for the mission, effectively coordinate military and humanitarian operations, and develop an overall plan; and (3) UNPROFOR used NATO airstrikes sparingly due to UNPROFOR concerns about having to appear impartial in its dealings with the Bosnian parties.⁵

In March 1994, after U.N.-European Union diplomatic efforts had stalled, U.S. mediation produced an agreement between the Bosnian government, Bosnian Croats, and the government of Croatia to establish a Federation between Bosniaks and Croats in Bosnia, which would be joined in confederation with Croatia. This agreement led to a cease-fire between the Bosniaks and Bosnian Croats and started the process of transforming the internal structure of the Bosnian territories under Bosniak and Croat control. During the remainder of the war, the cease-fire between the Bosniaks and Croats held, but the Federation did not function as a government and Herceg-Bosna continued to exist.

In the spring of 1994 the Contact Group—the United States, Russia, Britain, France, and Germany—was established to broker a settlement between the Federation and Bosnian Serbs. By the summer of 1995, the United States had taken the lead in the negotiation process.

In July 1995, the Bosnia Serb army launched an offensive and forced the removal of the majority Bosniak population from the U.N. safe area of Srebrenica by killing many thousands and driving out the rest. In response to the attack on Srebrenica and continued ethnic cleansing, in July NATO

³UNPROFOR was originally established in February 1992 to oversee the cease-fire in Croatia.

⁴NATO also enforced the U.N. arms embargo against the former Yugoslavia.

⁵See Humanitarian Intervention: Effectiveness of U.N. Operations in Bosnia ([GAO/NSIAD-94-156BR](#), Apr. 13, 1994) and Peace Operations: Update on the Situation in the Former Yugoslavia ([GAO/NSIAD-95-148BR](#), May 8, 1995).

Appendix I
Background on the Bosnian Conflict

started an intensive month-long bombing campaign of Bosnian Serb military targets. About this time, a joint Bosniak-Croat offensive supported by Croatia allowed the Federation to capture about 20 percent of Bosnian Serb-controlled territory in western and northwestern Bosnia.

In October 1995, a cease-fire resulted from the changed battlefield circumstances, the intensive diplomatic effort by the United States and the Contact Group, and the cumulative effect of economic sanctions on Serbia and Bosnian Serb-controlled territory. The cease-fire, which UNPROFOR monitored, ultimately led to the negotiation of the General Framework Agreement for Peace in Bosnia and Herzegovina in November 1995 near Dayton, Ohio. The agreement was signed on December 14, 1995, in Paris.

The Program to Train and Equip the Federation Army

In 1996 Congress approved and the United States began a program that was intended to train and equip the Bosniak and Bosnian Croat armies as they are integrated into a unified Federation army.⁶ This program was designed to help create a stable military balance within Bosnia by offsetting Republika Srpska's military advantages while staying within the Dayton Agreement's arms control limits; to provide incentives and assistance for Bosniak and Bosnian Croat political leaders to integrate their armies and to develop an integrated defensive and deterrence capability; and to eliminate the Bosniaks' wartime military and intelligence ties with the Republic of Iran.⁷

Chronology

- In November 1995, the Department of Defense commissioned a U.S.-based organization—the Institute for Defense Analyses—to identify the force structure and military equipment needs of the peacetime Federation army.
- In December 1995, the President told Congress that the United States would follow through on commitments made during the Dayton negotiations to initiate the train and equip program. That same month, the State Department established the Office of the U.S. Special Representative for Military Stabilization in the Balkans to run the Federation train and equip program.
- The Federation's force structure study was completed on February 5, 1996. It recommended the creation of a unified Bosniak-Croat joint military staff and an integrated peacetime force of 55,000 active-duty troops composed of 14 brigades (10 Bosniak and 4 Bosnian Croat). It also identified the types of training and facilities such a force required and the heavy and light equipment it would need. The quantities of heavy weapons the study recommended were kept within the limits proposed by the arms control section of the Dayton Agreement. About \$50 million in cash was considered sufficient to initiate a basic training program.⁸
- In March 1996, the U.S. government announced the program and began soliciting international cash and in-kind donations for the program at a conference held in Turkey. Although 32 nations and 5 international organizations attended, only Turkey and the United States made a specific pledge at that time, while 5 other nations pledged to provide unspecified

⁶Public Law 104-107, section 540.

⁷In 1996, according to a State Department official, the U.S. government offered to extend the program to the Bosnia Serb army if Bosnian Serb political leaders agreed to implement the Dayton provisions.

⁸According to a State Department official, the cost methodology used in the study showed that the program would require up to \$800 million to be fully implemented, including about \$600 million in in-kind assistance and \$200 million in cash to conduct the program. The study's method of valuing equipment and services differs from that used by the U.S. government in valuing its contribution to the program.

Appendix II
The Program to Train and Equip the
Federation Army

material and technical assistance in Bosnia. Following an appeal by the U.S. President in April, subsequent donations were announced, including sufficient cash donations from five Islamic nations to start the program, and training courses were started in three other countries.

- On May 29, 1996, a U.S.-based firm—Military Professional Resources, Incorporated—was awarded a contract by the Federation government to begin a basic train and equip program. This contract included provisions for integrating the Federation Ministry of Defense and organizational structure of the Federation army, establishing training schools, and training the army on equipment that would be provided by the United States.
- On June 26, 1996, the President certified that (1) the Federation had complied with article III of annex 1A of the Dayton Agreement concerning the withdrawal of foreign forces from Bosnia; and (2) intelligence cooperation on training, investigations, and related activities between Iranian officials and Bosnian officials had been terminated. According to IFOR and U.S. government officials, a number of foreign fighters remained in Bosnia as of December 1996, but they had acquired Bosnian citizenship and were not actively engaged in any military activities in conjunction with the Bosnian government.
- On July 9, 1996, a Federation defense law was signed that created an integrated Federation Ministry of Defense and joint high command and called for the Federation partners to fully integrate their armies by August 1999.
- On July 16, 1996, the U.S.-based firm signed the contract with the Federation. The contract included an option for a 13-month extension if necessary.
- In August 1996, the contractor began performing the contract. As of December 1996, according to contractor officials, the contractor had about 170 trainers and advisers in Bosnia to carry out the contract, which covers four broad undertakings: (1) to conduct infantry unit training and integration, provide individual soldier training, and develop a noncommissioned officer corps; (2) to train and integrate the staffs of the Federation Ministry of Defense and Joint High Command; (3) to integrate the Federation military logistics and logistics management systems; and (4) to conduct heavy weapons integration and training.

Train and Equip Contract Status

As of March 27, 1997, the status of the four areas of the contract was as follows:

- The small unit infantry training had made the most progress, according to contractor officials in Bosnia. In August 1996, the United States began delivering light equipment and weapons. That month the contractor also began to provide military training, including training for three Federation brigades and seminars for senior leaders. The contractor opened the Federation army school for officers and noncommissioned officers as scheduled on October 7, 1996, and completed instruction for its first three classes of Bosniak and Bosniak Croat army personnel by mid-January 1997. According to State Department officials, a total of 523 students—officers and non-commissioned officers—have graduated from the school.
- As of mid-March 1997, the Ministry of Defense had moved into its Sarajevo headquarters building, and both Bosniak and Bosnian Croat officials had been named to senior Ministry and Joint Military Command positions. Joint working groups were formed to conduct the joint staff integration process, according to a contractor official, but both the Bosniak and the Bosnian Croat defense organizations still functioned separately.
- The logistics management section of the contract, although approved in theory, remained in the discussion phase. A contractor official told us that a lack of trust between the parties and a reluctance to abandon their wartime logistics sources had slowed performance of this section of the contract.
- The heavy weapons integration and training task had not progressed as scheduled because the U.S. heavy weapons shipment had been delayed by about 1 month from October to November 1996. The shipment had been sent on the understanding that the Federation's Deputy Minister of Defense would be removed. The ship carrying the weapons arrived October 24 but did not unload until November 21, after the Federation Minister of Defense resigned and Deputy Minister of Defense had been removed.

According to U.S. government and contractor officials, the Federation train and equip program will not be completed within the 13-month contract period, but the Federation government will probably exercise its option to extend the contract for an additional 13 months.

Status of Program Donations

As of April 17, 1997, 14 countries had pledged at least \$376 million in cash, equipment, training, and technical support for the program for the Federation military.⁹ Most of the program donors are Islamic countries, as concerns over the program's potential to destabilize the military situation have led most members of the European Union—with the exception of Germany—to decline to participate in the program.¹⁰ The U.S. contribution to the program included donations of \$100 million in drawdown equipment and services.¹¹ DOD also provided, and will continue to provide, additional defense articles under the Excess Defense Articles program.¹² Table II.1 provides information on the status of equipment donations as of March 31, 1997.

⁹Not all donors provided an estimate of the value of their contribution, according to State Department officials.

¹⁰According to a State Department official, the European Union renewed its ban on arms transfers to the former Yugoslavia in January 1997. Germany offered to provide training on U.S.-provided equipment through its own bilateral program rather than donate equipment.

¹¹For fiscal year 1996, Congress authorized the transfer of up to \$100 million in defense articles from DOD stocks and DOD services to the government of Bosnia in Public Law 104-107, section 540. The State Department and DOD refer to this as "drawdown authority."

¹²DOD provides excess defense articles under section 516 of the Foreign Assistance Act of 1961, as amended (22 U.S.C. 2321j).

Appendix II
The Program to Train and Equip the
Federation Army

Table II.1: Equipment Donations to the Train and Equip Program, as of March 31, 1997

Dollars in millions

Donor	Total value and type	Equipment value, quantity, and type	Other	Status
United States	\$103.44 ^a	\$51.5 in drawdown equipment ^{bc} : 45 M-60 tanks 15 UH-1H helicopters 80 M113 armored personnel carriers 840 AT-4 light antitank weapons 46,100 M-16 rifles 1,000 M60 machine guns 80 M2 .50 caliber machine guns 45 M85 machine guns 45 M245 machine guns 2,332 Radios 4,100 Tactical telephones 168 Generators 400 Binoculars Combat training simulation systems Maps Ammunition Uniforms Publications \$2.64 in excess defense articles. ^c	\$34 for transport and other services ^d .76 for IMET ^e	First shipment of light arms and equipment delivered August 29, 1996. Bulk of heavy arms and equipment delivered November 21, 1996. Helicopters yet to be delivered. Uniforms, publications delivered March 1997. Howitzer deliveries to start in September.
	116 155mm Towed Howitzers			

(continued)

Appendix II
The Program to Train and Equip the
Federation Army

Dollars in millions

Donor	Total value	Equipment value, quantity, and type	Other	Status
United Arab Emirates	\$120	42 French-made AMX30 tanks 36 105mm howitzers 44 Armored reconnaissance vehicles	Artillery training in United Arab Emirates	Delivered 36 howitzers on November 27, 1996.
Egypt	\$3.8	12 130mm guns 12 122mm howitzers 18 Antiaircraft guns	Officer training in Egypt	Equipment all delivered by early December.
Turkey	\$2.0	1,000 Rifles 100 Grenade launchers Ammunition	\$2 million for tank and artillery training in Turkey	Arms delivered in July; two training courses complete or underway.
Pakistan			Technical training	
Germany ^f			Helicopter pilot and armored vehicle maintenance training in Germany	
Qatar			Technical training	
Bangladesh			Technical training	
Indonesia			Technical training	
Morocco			Unspecified	

Legend

IMET = International Military Education and Training Program

^aThe State Department estimated the value of the total U.S. equipment and transportation contribution at \$293 million to \$303 million based on current commercial market value estimates.

^bThere is \$14.5 million in drawdown authority remaining. According to State Department officials, \$10.8 million of this amount will be used to provide additional equipment, and about \$3.7 million will be used to refurbish, transport, and provide spares for the howitzers.

^cThe value of these articles is not included in DOD's incremental cost estimates included in chapter 6 of the report.

^dIn chapter 6, these transportation costs are included in DOD's incremental cost estimates and IMET costs are included in civilian cost estimates.

^eThis figure consists of \$259,000 in fiscal year 1996 and \$500,000 in fiscal year 1997. The IMET program is a world wide grant training program that, among other objectives, seeks to promote military rapport between the United States and foreign countries and promote better understanding of the United States, including its people, political system, and institutions. IMET funding was allocated for Bosnia, but funding has been made available only to the Federation as of April 1997. IMET funding will not be made available for the Bosnian Serbs until they comply with the Dayton agreement, according to a State Department official.

^fGermany is providing this assistance as part of its own bilateral program with the Federation.

In addition to the equipment donations, five Islamic countries pledged a total of \$147 million in cash donations as of April 8, 1997. Of this amount, \$127 million was deposited in the program's account held by the U.S. Treasury; \$40 million of deposited funds have been obligated. One country, Brunei, has pledged but not yet deposited an additional \$20 million.

Remaining Program Requirements

To complete the program, the Bosniak and Bosnian Croat political leaders would have to (1) secure funding to maintain the Federation army;¹³ (2) identify donors to make up equipment shortfalls, for example, 2,700 trucks; and (3) fulfill their commitments to integrate their forces. In January 1997, a State Department official told us that the United States is not actively seeking additional funds for the program and would not do so until the Federation identifies additional requirements for cash donations and expends the funds currently on account. Furthermore, DOD intends to provide 21 heavy equipment transporters to the Federation from excess defense article stocks before the end of 1997. Although the State Department has assessed the price and availability of compatible military equipment in other countries, as of April 1997 no country had made additional arms donations to the program to address remaining equipment shortfalls.

¹³The Federation's force structure proposal scaled back its peacetime force level from 55,000 troops to a more affordable level of 30,000-35,000 troops.

Results of Bosnia's September 1996 National and Entity Elections

When Bosnians went to the polls in September 1996, they were voting for a variety of public offices at different levels of government. Although the ruling political parties were the major winners on election day, opposition parties, particularly in Republika Srpska, did better than expected.

National Level Election Results

At the national level, voters throughout Bosnia voted for two offices—the Presidency and for members of the Bosnian House of Representatives.

The Bosnian Constitution created a national Presidency with three members—one for each ethnic group. Voters whose ballots were counted in the Federation were able to select either the Bosnian Croat or Bosniak member of the Presidency. Voters who cast their ballots in Republika Srpska were only able to vote for a Bosnian Serb candidate. The ruling parties captured all three seats of the Presidency by wide margins, although the race for the Bosnian Serb member was closer than expected. The Bosniak SDA candidate, Alija Izetbegovic, received the most votes and was declared Chair of the Presidency. (See table III.1.)

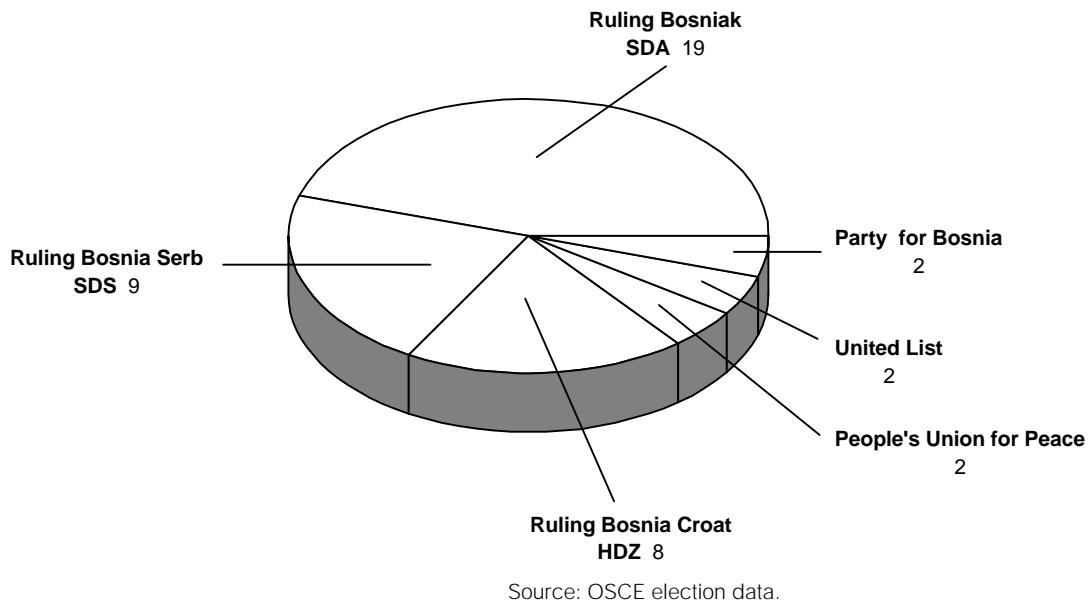
Table III.1: September 1996 Election Results for Bosnian Presidency

Position	Winning party	Percent of votes cast	Second place candidate and percent of votes cast
Bosniak Member of Presidency	SDA	80	Party for Bosnia, 14 percent
Bosnian Serb Member of Presidency	SDS	67	Democratic Patriotic Block, 30 percent
Bosnian Croat Member of Presidency	HDZ	89	United List, 10 percent

Source: Election data from the Organization for Security and Cooperation in Europe (OSCE).

The Bosnian House of Representatives is the highest directly elected legislative body in Bosnia. Federation voters selected 28 of the 42 members of the House; the other 14 were selected by voters in Republika Srpska. Voters cast their ballots for specific political parties, which were then awarded seats based on the percentage of the vote they received within each entity. The ruling parties won 36 of the 42 seats in the Bosnian House of Representatives (see fig. III.1).

Figure III.1: September 1996 Election Results for Bosnian House of Representatives



Entity Level Election Results

In the Federation, voters selected the 140 members of the Federation House of Representatives (see table III.2), and 406 representatives to the 10 cantonal assemblies (see table III.3).¹⁴ In both elections, voters chose from political parties on their ballot, which then received a proportion of seats equal to the percentage of vote they received. The two ruling parties in the Federation—SDA and HDZ—captured nearly 80 percent of the seats in the Federation assembly and over 80 percent of the seats in the ten cantonal assemblies. The SDA won the majority in six cantons, while the HDZ was the majority party in the other four cantons.

¹⁴The Federation consists of 10 smaller governing units known as cantons. The number of seats in the cantonal assembly varied from canton to canton.

Appendix III
Results of Bosnia's September 1996 National
and Entity Elections

Table III.2: September 1996 Election Results for Federation House of Representatives

Political party	Number of seats	Percent of total seats
SDA	78	56
HDZ	36	26
United List	11	8
Party for Bosnia	10	7
Democratic People's Union	3	2
Croatian Rights Party	2	1
Total	140	100

Source: OSCE election data.

Table III.3: September 1996 Election Results for Federation Cantonal Assemblies

Political party	Number of seats	Percent of total seats
SDS	221	54
HDZ	124	31
Party for Bosnia	27	7
United List	26	6
Democratic People's Union	6	1
Croatian Rights Party	2	1
Total	406	100

Source: OSCE election data.

In Republika Srpska, voters cast ballots to select the President of Republika Srpska¹⁵ and the 83 members of the Republika Srpska National Assembly.¹⁶ The SDS candidate was elected President of Republika Srpska, with 59 percent of the vote. The SDA's candidate garnered 18 percent of the vote, while the top Bosnian Serb opposition candidate received 16 percent of the vote (see table III.4).

¹⁵The Federation President is selected by the Federation Assembly.

¹⁶Republika Srpska has no cantonal level of government.

Appendix III
Results of Bosnia's September 1996 National
and Entity Elections

Table III.4: September 1996 Election Results for Republika Srpska Presidency

Political party	Percent of vote cast
SDS	59
SDA	18
People's Union for Peace	16
Democratic Patriotic Block	4
Other parties	3
Total	100

Source: OSCE election data.

Representatives to the Republika Srpska National Assembly were selected based on the proportional vote received from voters in the Republika Srpska. The SDS received just over half of the vote, with substantial numbers of seats going to Bosniak and opposition Bosnian Serb candidates (see table III.5).

Table III.5: September 1996 Election Results for Republika Srpska National Assembly

Political party	Number of seats	Percent of total seats
SDS	45	54
SDA	14	17
People's Union for Peace	10	12
Serb Radical Party	6	7
Democratic Patriotic Block	2	2
United List	2	2
Party for Bosnia	2	2
Serb Party of Krajina	1	1
Serb Patriotic Party	1	1
Total	83	98

Note: Percent does not add to 100 due to rounding.

Source: OSCE election data.

Bosnia's Priority Reconstruction and Recovery Program

Bosnia's Priority Reconstruction and Recovery Program is providing the framework for simultaneously carrying out economic reconstruction, the development of governmental structures, and the transition from socialism to a market economy. The three main objectives are to (1) provide sufficient financial resources to initiate a broad-based rehabilitation process that will jump-start economic recovery and growth; (2) strengthen and rebuild government institutions; and (3) support, in parallel, the transition to a market economy.

Donor Pledges and Commitments

In 1996, 59 donor countries and organizations pledged \$1.9 billion and committed even more, \$2.03 billion, in support of the reconstruction effort in Bosnia. The 12 largest donors contributed \$1.7 billion, about 84 percent, of the total commitments of \$2.03 billion.¹⁷ The largest individual donor is the European Commission, committing a total of \$430.21 million, followed by the World Bank (\$357.8 million), the United States (\$294.40 million), Japan (\$107.7 million), the Netherlands (\$100 million), and the European Bank for Reconstruction and Development (\$89.31 million). (See table IV.1.)

Table IV.1: Donor Pledges and Commitments for Bosnia's Reconstruction Program, as of December 1996

Dollars in millions		
Donor	Total pledge	Total commitments
European donors		
European Commission	\$367.10	\$430.21
Albania	0.02	0.02
Austria	11.50	23.07
Belgium	7.57	7.28
Bulgaria	0.01	0.03
Croatia	0.50	7.50
Czech Republic	6.00	6.42
Denmark	5.10	9.63
Estonia	0.07	0.07
Federal Republic of Yugoslavia (Serbia and Montenegro)	10.00	11.70
Finland	5.00	8.94
France	9.29	13.19
Germany	39.25	51.49

(continued)

¹⁷According to the November 1996 donor report, all the information on implementation progress has been provided by the donors. There are information gaps, and figures should be considered best estimates.

Appendix IV
Bosnia's Priority Reconstruction and
Recovery Program

Dollars in millions

Donor	Total pledge	Total commitments
Greece	7.00	7.00
Hungary	1.00	1.00
Iceland	1.60	1.60
Ireland	6.00	6.20
Italy	63.65	70.70
Latvia	0.09	0.11
Lithuania	0.07	0.08
Luxembourg	3.23	2.87
Macedonia	0.10	0.10
Netherlands	100.02	100.00
Norway	40.76	42.40
Poland	2.90	3.00
Portugal	1.00	NA
Romania	0.21	0.21
Russia	50.00	NA
San Marino	0.14	0.23
Slovakia	1.50	1.50
Slovenia	2.89	3.19
Spain	17.50	14.40
Sweden	30.40	38.50
Switzerland	33.50	31.87
United Kingdom	39.70	57.75
Council of Europe Social Development Fund	5.00	5.00
Subtotal	869.67	957.26
Islamic countries		
Organization of the Islamic Conference	3.00	3.00
Brunei	2.00	18.70
Egypt	1.00	1.03
Indonesia	2.10	2.08
Jordan	1.37	NA
Kuwait	35.00	21.15
Malaysia	12.00	12.00
Qatar	5.00	5.00
Saudi Arabia	50.00	50.00
Turkey	26.50	46.50
Subtotal	136.60	159.46

(continued)

Appendix IV
Bosnia's Priority Reconstruction and
Recovery Program

Dollars in millions

Donor	Total pledge	Total commitments
Other non-European countries		
Australia	1.13	1.13
Canada	25.44	22.71
Japan	136.70	107.70
Republic of Korea	1.00	1.00
United States	281.70	294.40
Subtotal	365.97	426.94
International financial institutions		
European Bank for Reconstruction and Development	80.21	89.31
Islamic Development Bank	15.00	19.00
World Bank	330.00	357.80
Subtotal	425.21	466.11
Other multilateral donors		
International Committee of the Red Cross	1.50	1.50
International Fund for Agricultural Development	7.30	7.32
United Nations Development Program	2.00	0.64
World Health Organization	1.18	1.88
Subtotal	11.98	11.34
Private Donors		
Soros Foundation	5.00	5.96
Subtotal	5.00	5.96
Total	\$1,895.80	\$2,026.87

Legend:

NA = Not available

Source: Implementation of the Priority Reconstruction Program in 1996, prepared by the European Commission and the Central Europe Department of the World Bank (Mar. 1997).

A number of donors have transferred part of their contributions to trust funds administered by international agencies, including international financial institutions. As of December 1996, these funds totaled \$191.8 million, or about 9 percent of the total commitments. These funds administered by international agencies include \$145.07 million that are grant funds to Bosnia in a trust fund with the World Bank.

Sectoral Progress

Progress in the reconstruction effort can be measured by how much of the firmly committed funds had been disbursed (see table IV.2).¹⁸ As of December 1996, \$1,104 million, or 58 percent of the \$1,904 million in firmly committed funds for 1996, had been disbursed. This disbursal rate exceeded the reconstruction program's year-end disbursement target of about \$950 million (about half the pledged funding).

¹⁸According to the November 1996 donor report, "disbursed funds" are those transferred to an account in the name of a Bosnian agency, or a disbursement agency (foreign or local) in Bosnia, and include expenditures made against works, goods, and service contracts, for balance of payments, and advanced for the purpose of payment of contractors. In-kind assistance is considered disbursed once provided. "Firmly committed funds" are those funds that have been approved by national legislative bodies or boards of multilateral agencies and allocated to specific activities.

**Appendix IV
Bosnia's Priority Reconstruction and
Recovery Program**

Table IV.2: 1996 Program Requirements, Commitments, and Disbursements by Sector for the Bosnia Priority Reconstruction Program, as of December 1996

Dollars in millions

Sector	Program requirements	Firm commitments	Disbursements as of December 1996	Disbursements as a % of firm commitments
Reconstruction Sectors				
Agriculture	\$97	\$73	\$56	77%
Education	72	104	55	53
Employment generation	75	54	15	28
Energy (District heating and natural gas)	403 (141)	84 (53)	165 (33)	(58) (62)
(Electric power and coal)	(262)	(231)	(132)	(57)
Govt. and social support	75	128	76	59
Health	145	111	49	44
Housing	165	302	184	61
Industry and finance	120	192	77	40
Landmine clearing	70	51	24	47
Telecommunications	160	37	15	41
Transport	317	192	91	47
Water and waste management	140	96	47	49
Subtotal	1,839	1,624	854	53
Peace implementation ^a	•	132	115	87
Balance of payments ^b	•	148	135	91
Total	\$1,839	\$1,904	\$1,104	58%

^aPeace implementation activities, a majority of which have taken place on an interentity basis, include support for elections, media, and the local police. These activities, while essential to provide the necessary conditions for reconstruction and recovery to take place, are not considered part of the framework of the Bosnia Priority Reconstruction Program.

^bBalance-of-payments support is provided to the government of Bosnia for reserve build-up for imports and the start-up of a currency board. The counterpart funds of balance-of-payments support can be used by the government to finance overall fiscal needs, including recurrent costs in different sectors and other reconstruction-related expenditures.

Source: Implementation of the Priority Reconstruction Program in 1996.

Sector Objectives

Table IV.3 provides information on the objectives of the program's 12 sectors.

Table IV.3: Sector Objectives of the Reconstruction Program

Sector	Objective
Agriculture	Ensure the availability of imported critical inputs and equipment, including key seasonal inputs, farm equipment and livestock, and seeds; rehabilitate critical sectors with potential for export, including high-value orchards and vineyards, forestry activities, and wood processing.
Education	Ensure that classrooms are minimally supplied with textbooks and educational materials for students and teachers; reconstruct highly damaged primary and general secondary schools to make them functional quickly; strengthen capacities for education administration at all levels.
Employment generation	Create rapid employment for those unemployed as a result of the war; rehabilitate small-scale public infrastructure and clean up war-damaged public property and assets; reinforce the decision-making role of municipality governments in municipal infrastructure project design and management; and deliver immediate visible impact at the local level.
Energy Heating and natural gas	Restore district heating service in Sarajevo and enhance system efficiency and the commercial performance of the district heating entity; reduce Bosnia's dependence on natural gas by providing dual gas/light oil firing capability.
Electric power and coal	Restore electric service to acceptable levels in major cities and for vital industries; increase coal production to supply fuel required for thermal power plants; reconfigure the electric power network; and enhance institutional capacity and help restructure the electric power and coal sectors.
Government and social support	Develop and strengthen institutional capacity of key government institutions, including salary supplements for national and Federation government staff and repairs to damaged government buildings in Sarajevo and Mostar; provide minimal social protection to ease severe hardship faced by vulnerable population groups.
Health	Prevent and control epidemics and communicable diseases through priority public health interventions; reconstruct and rehabilitate priority health infrastructure; rehabilitate war victims by addressing physical disability and psychological trauma; support recurrent expenditures, including salaries for health sector staff and purchases of essential generic drugs and supplies.
Housing	Create conditions to enable the return of refugees and the internally displaced; rapidly expand the usable housing stock for the entire population.

(continued)

**Appendix IV
Bosnia's Priority Reconstruction and
Recovery Program**

Sector	Objective
Industry and finance	Stimulate sustainable growth and employment by making loans to small- and medium-sized enterprises; help enterprises restore trade links; facilitate expansion of financial intermediation and stimulate the saving-investment process.
Landmine clearing	Make land available for use by clearing identified mine fields and surveying systematically "priority areas" to remove most of the uncertainty on the mine situation, and prevent mine-related accidents.
Telecommunications	Restore and modernize critical parts of the existing networks; establish a global system for mobile communications; support institution building and provide technical assistance on legal and regulatory matters.
Transport	Reconstruct and repair urgent, high-priority links and services in the transport system, particularly roads, bridges, tunnels, the railways, Sarajevo airport, and urban transport.
Water and waste management	Restore water, sewerage, solid waste disposal, flood control, and irrigation systems to prewar levels; establish the proper institutional arrangements to make the improvements sustainable.

Source: The Priority Reconstruction Program, and Priority Reconstruction Projects Update, World Bank (Washington, D.C.: The World Bank, Sept. 1996).

Geographic Distribution of Reconstruction Activities

Reconstruction efforts have focused primarily on the Federation, which had received \$1.1 billion, or 81 percent of the funds under implementation (\$1.36 billion) as of December 1996.¹⁹ The amount disbursed to the Federation, \$868 million, represented 46 percent of the funds firmly committed to the 1996 reconstruction program (\$1.904 billion). Disbursements to Republika Srpska were \$35 million, or 1.8 percent. (See table IV.4.)

¹⁹According to the December 1996 donor report, amounts "under implementation" are those firmly committed funds for which contracts have been tendered, signed, or are under way (including amounts disbursed).

**Appendix IV
Bosnia's Priority Reconstruction and
Recovery Program**

Table IV.4: Distribution of Implemented and Disbursed Funds by Entity as of December 1996

Dollars in millions			
Entity	Under implementation	Disbursements	Disbursement as percent of 1996 firm commitments
Federation	\$1,098	\$868	45.6
Republika Srpska	43	35	1.8
National and interentity	219	201	10.6
Total	\$1,360	\$1,104	58.0

Source: Implementation of the Priority Reconstruction Program in 1996.

Of the \$868 million disbursed to the Federation, \$455 million could be identified by cantonal allocation. As of December 1996, the Bosniak-majority cantons had received \$323 million, or 17 percent of the 1996 commitments; Croat-majority cantons had received \$25 million, or 1.3 percent; mixed cantons had received \$107 million in disbursed funds, or 5.6 percent. The remaining \$413 million, or 21.7 percent, includes amounts that benefited more than one canton and amounts for which more specific information was not available. (See table IV.5.)

Table IV.5: Distribution of Disbursements in the Federation by Canton and Ethnic Composition, as of December 1996

Dollars in millions			
Canton	Ethnic majority	Disbursements	Disbursements as a percent of 1996 firm commitments
Uns-Sana (Bihac region)	Bosniak	\$23	1.2
Posava	Croat	9	0.5
Tuzla-Podrinje	Bosniak	79	4.1
Zenica-Doboj	Bosniak	75	3.9
Gornjedrinski (Gorazde)	Bosniak	13	0.7
Central Bosnia (Travnik-Vitez)	Mixed	32	1.7
Neretva (Mostar-Konjic)	Mixed	75	3.9
West Herzegovina (Posusje-Grude)	Croat	8	0.1
Sarajevo	Bosniak	133	7.0
West Bosnia (Glamoc-Tomislavgrad)	Croat	8	0.4
Subtotal		455	23.9
Multicanton		413	21.7
Total		\$868	45.6

Source: Implementation of the Priority Reconstruction Program in 1996.

Reconstruction Program Strategy for 1997

According to the November 1996 donor report, the strategy for the 1997 program continues to reflect the three broad objectives of the 1996 program, though with a focus on reconstruction in contrast to the first year's focus on emergency assistance. The strategy for 1997, from emergency to sustainability, includes four priorities: (1) continued rehabilitation of physical and social infrastructure; (2) support of refugee return, with an emphasis on an integrated approach covering housing, job creation, and basic infrastructure; (3) employment generation through private and financial sector development; and (4) support of sustainable budgets and transition policies, and a strengthening of government institutions. The external financing target for 1997 is \$1.4 billion.

U.S. Civilian Programs in Support of the Bosnia Peace Operation, Fiscal Year 1996

This appendix contains fiscal year 1996 obligation and programmatic information on U.S. civilian assistance programs to Bosnia. These programs are categorized into four areas: economic reconstruction, humanitarian aid, democracy and human rights programs, and other support for civilian organizations in the peace operation (see table V.1). The programs were funded and/or implemented by the U.S. Agency for International Development (USAID); the U.S. Information Agency (USIA); the Defense Security Assistance Agency; the Trade and Development Agency; and the Departments of State, Agriculture, Commerce, Justice, Labor, Health and Human Services, and the Treasury.

Table V.1: U.S. Funding for Civilian Aspects of Bosnia Peace Operation, Fiscal Year 1996

Dollars in millions		
Program/activity	Fiscal year-end estimate ^a	Obligations
Economic reconstruction		
Municipal infrastructure and services	\$79.3	\$75.0
Reconstruction finance	68.0	46.5
Economic stabilization and institution-building	23.0	16.8
Demining	8.5	9.4
Gorazde road	3.0	3.0
Commercial opportunities	2.0	1.1
Subtotal	183.8	151.8
Humanitarian assistance		
Food assistance	99.2	98.3
Refugee assistance	84.3	84.3
Emergency humanitarian assistance	40.3	34.1
Emergency shelter program	29.0	25.7
Commission on the Missing	0.7	0.7
Subtotal	253.5	243.1
Democracy and human rights		
Police training and equipment ^b	20.0	3.9
War crimes tribunal	11.7	10.9
OSCE elections programs ^c	13.1	14.2
Democratic reforms	6.9	11.3
Open Broadcast Network	2.0	2.0
Training and exchanges	1.7	2.1
UNICEF programs	1.0	2.0
IMET	0.2	0.3
Subtotal	56.6	46.7

(continued)

Appendix V
U.S. Civilian Programs in Support of the
Bosnia Peace Operation, Fiscal Year 1996

Program/activity	Fiscal year-end estimate ^a	Obligations
Other support for civilian programs/activities		
IPTF monitors	55.7	47.6
USAID operating expenses and other costs	5.0	5.3
Office of the High Representative	3.0	3.0
OSCE mission assessment	2.2	3.8
Subtotal	65.9	59.7
Total	\$559.8	\$501.3^d

Legend

OSCE = Organization for Security and Cooperation in Europe

UNICEF = United Nations Children's Fund

IMET = International Military Education and Training program

IPTF = International Police Task Force

^aAs of October 1996.

^bThe fiscal year-end estimate includes costs for police training in the eastern Slavonia area of Croatia because the estimates provided by the State Department did not separate them from assistance to Bosnia. The obligation amount is for Bosnia only.

^cUSAID's support to OSCE for election activities is included in the democratic reforms category because the obligation data provided by USAID did not allow us to separate out OSCE support from other USAID democracy projects.

^dThe Department of Labor and Health and Human Services also obligated negligible amounts for programs in Bosnia during fiscal year 1996.

Economic Reconstruction

Municipal Infrastructure and Services

In fiscal year 1996 USAID obligated \$75 million for the Municipal Infrastructure and Services program, which will provide a total of \$182 million to finance community infrastructure projects over 4 years. The program is to help stabilize Bosnian communities damaged by the war, primarily in the U.S. military sector and in Sarajevo; support the return of displaced persons and demobilized soldiers to their homes; and reactivate the local economy. Municipal infrastructure projects were collocated in communities benefiting from USAID's Emergency Shelter Program and reconstruction finance loans.

According to USAID, as of the end of February 1997, the Municipal Infrastructure and Services program had approved 39 projects totaling \$49.1 million and had generated about 1,000 short-term jobs. The program's 15 power projects totaled \$32.5 million, or 66 percent of the dollar amount of approved projects. The remainder of the projects were distributed among the transport, education, water, and health sectors. According to USAID project estimates, the power repair projects will benefit more than 500,000 people in 17 towns and villages; in the transport sector, the repair of roads and bridges will benefit 3,000 homes and 10,000 residents; municipal water system repairs will impact 175,000 people; and repairs to schools will benefit 5,300 students.

A subactivity of the Municipal Infrastructure and Services Program, the Community Infrastructure Rehabilitation Project (CIRP), is being administered by SFOR in the U.S. military sector of Bosnia. The subactivity was created to provide employment for demobilized Bosnian soldiers, both in the Federation and Republika Srpska (within the U.S. military sector), and to accelerate economic and social rehabilitation at the community level in order to stimulate the return of displaced persons. CIRP consists of small-scale, community-level, labor-intensive projects that can be quickly implemented for immediate impact. SFOR identifies, monitors, and reports on the projects, while the USAID mission in Bosnia approves them. According to USAID, as of late February 1997, USAID had approved 113 CIRP projects—73 in the Federation and 40 in Republika Srpska—totaling \$4.7 million and designed to generate 4,700 jobs. Seventy-two CIRP projects had been completed by February 1997. The SFOR Commander in the U.S. military sector views these small-scale projects as a means of ensuring force protection; they help SFOR troops develop better relations with local communities.

Reconstruction Finance

USAID obligated \$46.5 million for the Bosnian Reconstruction Finance Facility program,²⁰ a 5-year, \$278-million lending program. The program's primary objective is to help jump-start the economy and increase the employment of the general population, refugees, and demobilized soldiers. As part of these efforts, the program is providing balance-of-payments assistance to Bosnia for needed imports and commercial credit to small- and medium-sized businesses in the form of quickly disbursed loans. In addition, the program is assisting local enterprises in the preparation of loan applications and is providing technical assistance and training to

²⁰The facility is staffed by bankers and accountants from the United States and provides nonconcessional loans, with repayments to be used for further lending under the program.

commercial bankers. Priority is being given to borrowers in the U.S. military sector in Bosnia, including Tuzla and Zenica, and in Sarajevo and to equitable distribution of credit along ethnic lines.

As of March 1997, this program had approved 57 loans totaling \$32.3 million, with 52 more applications in the pipeline, and had disbursed \$27.7 million. About 7,500 jobs were created by these loans. The average loan amount was about \$560,000 for businesses such as clothes and shoes manufacturing; baked goods, fruit juice, and dairy production; furniture manufacturing; construction; agriculture; and pharmaceuticals.

Economic Stabilization and Institution-Building

In fiscal year 1996 USAID obligated \$16.8 million including \$1.2 million transferred to the Treasury Department for economic stabilization and institution building. USAID and the Treasury developed their programs in collaboration with the International Monetary Fund and the World Bank who have primary responsibility for economic stabilization and recovery in Bosnia.

USAID's assistance is designed to help the government of Bosnia ensure that external assistance is provided within a macroeconomic framework of sound monetary and fiscal management. There are six technical assistance components to USAID's macroeconomic stabilization program:

(1) macroeconomic assistance to help the Bosnian government manage the large balance-of-payments inflows from donor governments; (2) commercial bank training and advice for commercial bankers in market-oriented credit policies, procedures, and operations as well as other critical financial services and risk management; (3) bank supervision advice for operations and institutional development of the Federation Banking Agency; (4) assistance to Bosnian businesses seeking to access Bosnian Reconstruction Finance Facility loans and other donor credit programs—specifically, helping them to develop loan applications and business plans and to improve business operations; (5) assistance, in conjunction with the European Union, in the establishment of a customs training center and in the design and implementation of training programs for Bosnian customs officials; (6) assistance to accelerate privatization by training Federation and cantonal officials in privatization strategies and enterprise preparation.

The Treasury's Office of Technical Assistance is helping the national and entity governments, primarily the Federation Ministry of Finance, in the areas of tax, budget, debt, banking, and infrastructure finance. During

1996, Treasury helped the Federation Ministry of Finance get established and helped to develop working relations between the Bosnian Croat Minister, the Bosniak Deputy, and their respective staff. Treasury tax advisors have been assisting the Federation Ministry of Finance in (1) writing tax law and implementing new tax systems, (2) developing a revenue analysis unit to understand the implications of tax law and revenue allocation for the financing of different levels of government, and (3) developing a tax administration system. The primary objective of the Treasury's budget assistance to the Federation has been to create a transparent budget process by (1) assisting the Federation Ministry of Finance in devising the processes and procedures for developing a budget and techniques for budget analysis and (2) assisting the ministry staff in the revision of the budget law.

The Treasury's role in external debt has been to give advice to (1) the national government as it prepares for negotiations on restructuring bilateral official and commercial debt and (2) the entities on complementary procedures and laws to ensure that their constitutional requirement to provide debt service is met. In the banking sector, the Treasury's main focus has been the reform and privatization of the banking system. The Treasury has also provided technical assistance to the national and entity governments to support the Dayton Agreement's provisions for joint institutions to own, rebuild, rebuild, finance, and operate certain major infrastructure items. According to Treasury officials, progress has recently been greatest in restoring rail communications.

Demining

The State Department obligated \$9.4 million in fiscal year 1996 for demining efforts. These funds were for (1) the start-up of the United Nations Mine Action Center, the information clearinghouse and training center for mine clearance and mine awareness activities; (2) training and staffing of mine survey teams; and (3) three demining teams headquartered out of Tuzla, Banja Luka, and Mostar. In the fall of 1996, the teams started clearing mines with the goal of returning land to the local population for resettlement, economic expansion, agricultural development, and a safe living and working environment. As of February 4, 1997, the State Department contractor had cleared or certified as cleared 570,000 square meters of land, thereby returning back to productive use such areas as hospitals, schools, airports, power lines, agricultural areas, and places used by local people for transit.

Gorazde Road

In fiscal year 1996 USAID transferred \$3 million to DOD for the Gorazde road improvement project. This road was called for in the Dayton Agreement. This project was aimed at improving the 61 kilometers of road between Gorazde and Sarajevo and was implemented by the U.S. Army.

Commercial Opportunities

USAID transferred \$2.0 million to the U.S. Trade and Development Agency and the Commerce Department in fiscal year 1996 for activities in this category, of which \$1.1 million was obligated. The Trade and Development Agency provided air traffic control training and funded three engineer advisors in the areas of transportation, utilities, and energy. The Commerce Department funded the start-up of a Central and Eastern European Business Information Center in Bosnia.

Humanitarian Assistance

Food Assistance

In fiscal year 1996, the Department of Agriculture funded and USAID obligated \$98.3 million under the title II, Public Law 480 program, which provided foodstuffs such as wheat, flour, vegetables, cornmeal, beans, and rice to the people of Bosnia.

Refugee Assistance

The State Department's Bureau of Population, Migration and Refugees obligated \$84.3 million in grants to assist Bosnian refugees and displaced persons. About \$57 million of this amount was provided to UNHCR, about \$11.7 million was provided to the International Committee of the Red Cross, about \$4.1 million was provided to International Rescue Committee, and the remaining \$11.5 million was provided to nine other nongovernmental organizations.

Emergency Humanitarian Assistance

USAID's Office of Foreign Disaster Assistance provided \$34.1 million in other emergency assistance to Bosnians. This assistance consisted of clothing, fuel, food, health assistance, and other critical items needed for survival until economic recovery activities take hold.

Emergency Shelter Program

USAID obligated \$25.7 million for the Emergency Shelter Program in fiscal year 1996. The objective of this program, which complemented USAID

economic reconstruction projects, was to accelerate the return of Bosnian displaced families and refugees to their homes and to stimulate economic activity by doing limited emergency repairs on single-family houses for approximately 2,500 families. The program aimed to simultaneously revitalize communities and economic life, by focusing on villages rather than isolated homes and by generating at least 2,000 short-term jobs.

As of December 1996, about 2,550 houses for 12,500 people were repaired under the Emergency Shelter Program, figures exceeding the program goal. The program also resulted in the creation of 2,000 jobs. According to a USAID official, the Emergency Shelter Program did not have serious problems primarily because it generally did not attempt to bring people back home across ethnic lines.

A micro-infrastructure program was also implemented under the auspices of the Emergency Shelter Program. The purpose of this program was to help consolidate the positive effects of the program by repairing and restoring essential services and utilities to selected villages. According to USAID, the program repaired 15 water systems, 14 schools, 4 health clinics, and 2 electricity systems.

Commission on the Missing

The State Department provided \$700,000 in fiscal year 1996 for the International Committee of the Red Cross's International Commission on Missing Persons in the Balkans. This commission used the funds to (1) exhume bodies of atrocity victims, (2) set up clearinghouse facilities on missing persons in Sarajevo, and (3) prepare for its first major planning meeting to be held in Geneva, Switzerland, in October 1996.

Democracy and Human Rights

Police Training and Equipment

The State Department had planned to provide \$20 million in fiscal year 1996 funds to assist (1) the U.N. peacekeeping operation in Croatia, known as the U.N. Transitional Administration in Eastern Slavonia, to establish, train, and equip the new transitional police force; and (2) IPTF to train and equip local police forces in Bosnia.²¹ In conjunction with the United States, IPTF had designed and solicited contributions for a 2-year,

²¹A breakout of estimated costs for activities in Bosnia and Croatia was not available.

Appendix V
U.S. Civilian Programs in Support of the
Bosnia Peace Operation, Fiscal Year 1996

\$100-\$200 million program to train and equip Bosniak, Bosnian Croat, and Bosnian Serb local police forces as a way of implementing IPTF's police reform efforts.²² However, as of November 1996, only \$3.9 million had been obligated by the State Department for police assistance in Bosnia—\$3 million for training and technical assistance provided by the Justice Department's International Criminal Investigative Training Assistance Program and about \$900,000 for other purposes—because the restructuring in the three police forces was slower than expected and there were very few people to train.

During fiscal year 1996, the Justice Department provided technical assistance and training for IPTF and Federation police executives. Among other things, the department's technical assistance helped IPTF in assessing the potential for police reform in Bosnia and in developing its standard operating procedures. Further, in conjunction with IPTF, and at the State Department's request, the Justice Department developed a mobile training program that oriented about 1,700 IPTF personnel to standardize their operational procedures in the daily performance of their jobs. Prior to the September 1996 election, it also provided training to 109 IPTF station commanders on election monitoring and the basics of democratic policing during an election. Station commanders then taught these subjects to IPTF monitors, who in turn instructed local police.

The Justice Department also helped plan and fund two executive seminars for Federation police executives. One seminar was held in Germany during August 1996; the second was held in the United States during December 1996. The seminars helped familiarize senior police and ministry of interior executives with democratic policing standards. During the second seminar, the executives developed a first draft of implementation plans for restructuring police forces in their respective cantons that are consistent with internationally recognized standards of democratic policing.

The State Department directly provided \$900,000 in assistance to local police and IPTF. About half of this amount directly supported for the local police force in the Sarajevo canton; the remainder was to provide technical assistance to the IPTF in developing its standard operating procedures, reviewing existing police structures, identifying specific local police training and equipment needs, and assessing the compatibility of local laws.

²²According to a State Department official, the U.S. government provides training and technical assistance to Bosnia's local police and to IPTF on a bilateral basis. The United States does not transfer funds to either the United Nations or IPTF for these purposes.

**Appendix V
U.S. Civilian Programs in Support of the
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As of March 25, 1997, the United States had not provided any training or equipment to Republika Srpska police. According to a State Department official, U.S. policy is to withhold training and equipment until Republika Srpska authorities formally commit to police restructuring, including identification and vetting of officers for human rights violations, in accordance with democratic policing standards.

War Crimes Tribunal	In fiscal year 1996, the State Department obligated \$10.9 million for the administrative expenses of the war crimes tribunal.
OSCE Elections Programs	The State Department provided \$14.2 million to support the OSCE's electoral activities in Bosnia during 1996. Most of this money went directly to OSCE in the form of a nonearmarked cash grant. In general, the grant covered OSCE's office expenses and activities related to administering the September 1996 election, including the printing of voter education materials.
Democratic Reforms	USAID obligated \$11.3 million for a variety of democracy projects designed, in general, to assist in the development of a multiethnic Bosnia based on rule of law and democratic principles. About \$6.3 million of this amount was obligated by USAID's Office of Transition Initiatives for democracy-building and elections-related grants. Operating out of four locations in Bosnia, this office directly provided about 260 small grants as of March 1997 to local media and civic advocacy groups in the Federation and Republika Srpska, in an effort to give a greater voice to organizations that support Dayton goals. USAID's bureau for Europe and the New Independent States also obligated about \$5 million for democratic reforms. These funds paid for contract personnel who staffed OSCE's election unit, including the Director General position, which administered and implemented the September 1996 election. USAID funds were also provided to organizations that (1) helped develop political parties prior to the election, (2) provided voter and civic education, (3) worked to strengthen independent media, and (4) sought to improve budgetary and financial management in the Federation's cantons and municipalities.
Open Broadcast Network	USIA obligated \$2 million for the establishment of the Open Broadcast Network, ²³ which was intended by its international donors to provide

²³These funds were transferred to USIA from USAID.

greater coverage, improved programming, and broader public access to the media than was available under government-controlled programming. This effort included upgrading five independent television stations.

Training and Exchanges	USIA obligated \$2.1 million for training in Bosnia and in the United States. Programs in this category included the Ron Brown Fellowships for graduate studies, internships in the United States, international visitor programs, civics education, and Voice of America broadcasts. USIA used some of these funds to conduct its public opinion polls in Bosnia.
United Nations Children's Fund Programs	USAID contributed \$2 million to UNICEF programs in Bosnia. It granted \$1 million in support of the crisis education fund for rebuilding the primary education system in Bosnia, where over 50 percent of schools suffered major damage or destruction due to war. It also granted \$1 million in support of UNICEF's primary immunization program for children.
IMET	In fiscal year 1996, the United States provided about \$300,000 in IMET training for the Federation military. ²⁴ These funds paid for two English language labs in Bosnia, as well as English language instructor training and English language training in the United States for seven Federation military personnel. It also funded the followon training of five of the seven officers at U.S. military education institutions.

Other Support to Civilian Programs/Activities

IPTF Monitors	The State Department obligated \$47.6 million for the IPTF mission in Bosnia, which monitors, advises, and provides training for Bosnia's law enforcement personnel. The IPTF also works with local authorities in restructuring police in accordance with democratic policing standards and
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²⁴The IMET program is jointly managed by the State Department and DOD. The Secretary of State is responsible for the program's general direction, recommends funding levels for congressional approval, and allocates approved funds to each country. The Secretary of Defense is responsible for planning and implementing the program, including administration and monitoring, within established funding levels.

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investigates human rights abuses by police. This category includes \$28.7 million for the U.S.-assessed share of the U.N. Mission in Bosnia and Herzegovina, the majority of which went to fund IPTF. It also includes \$18.9 million in voluntary contributions that funded about 170 U.S. police monitors who served in the IPTF mission in Bosnia.²⁵

USAID Operating Expenses and Other Costs

USAID obligated \$5.3 million in fiscal year 1996 for project design, planning, audit, and other support for its Bosnia programs, including \$3.5 million in operating expenses. We included these salary and overhead charges because they were identified by the executive branch in its fiscal year 1996 supplemental request as being specifically for the peace operation in Bosnia.

Office of the High Representative

In fiscal year 1996, the State Department obligated \$3 million for administrative support to the Office of the High Representative. This office was established to facilitate the efforts of the parties in implementing the Dayton Agreement and to mobilize and coordinate the activities of civilian organizations participating in the peace operation.

OSCE Mission Assessment

The State Department obligated \$3.8 million for the OSCE mission assessment that covers the cost of OSCE's human rights and arms control activities.

²⁵The number of U.S. police monitors in Bosnia varied throughout the year.

Comments From the Department of Defense



POLICY

OFFICE OF THE UNDER SECRETARY OF DEFENSE
2000 DEFENSE PENTAGON
WASHINGTON, DC 20301-2000



25 APR 1997

Mr. Benjamin F. Nelson
Director, International Relations and
Trade Issues
National Security and International
Affairs Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Nelson:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, "BOSNIA PEACE OPERATION: Progress Toward Achieving the Dayton Agreement's Goals," dated March 31, 1997 (GAO Code 711184/OSD Case 1330).

The Department of Defense has reviewed the report and generally concurs with the report. Technical corrections were provided separately. The Department appreciates the opportunity to comment on the draft report.

Sincerely,

Thomas K. Longstreth
Principal Deputy Assistant Secretary
of Defense, Strategy and Requirements and
Director, Bosnia Task Force



Comments From the U.S. Agency for International Development



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

100 23 1997

Mr. Henry L. Hinton, Jr.
Assistant Comptroller General
National Security and International Affairs Division
U.S. General Accounting Office
441 G Street, N.W. - Room 4039
Washington, D.C. 20548

Dear Mr. Hinton:

I am pleased to provide the U.S. Agency for International Development's (USAID's) formal response on the draft GAO report entitled "BOSNIA PEACE OPERATION: Progress Toward Achieving the Dayton Agreement's Goals" (April, 1997).

Overall, the report provides comprehensive information on progress in achieving the goals of the Dayton Agreement. However, it is difficult to assess accomplishments due to the scope of the review and length of the report. We suggest that GAO emphasize the significant accomplishments brought about by the efforts of the international community, and highlight the progress of the U.S. program in meeting its objectives and achievements. The enclosure provides additional information.

In addition, USAID has provided detailed comments and information regarding our role in Bosnia to the Department of State to be considered for inclusion in their response.

Thank you for the opportunity to respond to the GAO draft report and for the courtesies extended by your staff in the conduct of this review.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard C. Nygard".
Richard C. Nygard
Acting Assistant Administrator
Bureau for Management

320 TWENTY-FIRST STREET, N.W., WASHINGTON, D.C. 20523

Appendix VII
Comments From the U.S. Agency for
International Development

ENCLOSURE
USAID COMMENTS ON GAO DRAFT REPORT
BOSNIA PEACE OPERATION:
Progress Toward Achieving the Dayton Agreement's Goals (4/97)

Accomplishments

We suggest incorporating the following USAID program achievements:

Municipal Infrastructure and Services (MIS):

- o To date, USAID and Bosnian counterparts have identified nearly 75 infrastructure activities in the energy, water, transportation, education and health sectors, many of which have been or are nearing completion. In 1996, USAID implemented \$58 million worth of infrastructure repair projects, including: fifteen power sector projects (\$33 million); five water sector projects (\$6 million); six transport sector projects (\$6 million); ten education sector projects (\$3 million); and three health sector projects (\$2 million).
- o At the community-level, the restoration of power, the rebuilding of schools and health facilities, improvements to local water supply, and road repairs, are helping to stabilize communities and provide employment opportunities. This will foster economic recovery and encourage the return of displaced persons and refugees.

Bosnia Reconstruction Finance Facility (BRFF):

- o To date, 61 loans, totaling \$35.5 million, have been approved. These initial loans will provide employment to over 7,500 Bosnians, including demobilized soldiers and women adversely affected by the war, representing a mix of ethnic backgrounds. Typical BRFF loans include manufacturing, garments, agro-industry and food, and construction.

Examples of BRFF loans to private businesses:

- o Bosna Plet - a wicker furniture producer located in Gradacac, in northeastern Bosnia. This company is one of two companies to survive the war; it organizes cottage industry production of wicker furniture. 200 jobs targetted for female home weavers are being created through this loan.
- o Integral Parquet Manufacturer - a wood products company established in 1990 and located in Zepece in Central Bosnia. A former lumber company, it will now make only parquet, a high value product in which Bosnia has a competitive advantage. 128 jobs are being created through this loan, and seasonal employment opportunities are also being

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created. This loan has the added benefit of strengthening the Federation building process by promoting cooperation between Croats and Muslims. A Croat firm and a Muslim lending organization (Hippo Banka) are involved.

Democracy

- o By providing technical assistance, training, and equipment to alternative television and radio stations, USAID is building management, marketing, and production techniques to bolster the emergence of an independent media in Bosnia.
- o Among the accomplishments of USAID's Bosnia Judicial Strengthening Program are inauguration of the Federation Constitutional Court and Supreme Court and the development of their administrative rules and procedures; establishment of a Federation Judges' Association to promote the independence and reform of the judiciary; bar reform; and legal education reform.

Macroeconomic Stabilization and Recovery Technical Assistance

- o As a result of bank supervision technical assistance, the Federation Banking Agency was established. This Agency unified banking supervision in both parts of the Federation. It is also a visible and functioning symbol of cooperation in the Federation. Bank supervision technical assistance is also critical to the functioning of a Federation/Republika Srpska Working Group which is harmonizing banking laws between the entities and working to unify the Bosnia banking system.
- o As a result of privatization technical assistance, Federation and cantonal government officials from the largest state-owned enterprises have received training in preparing enterprises for privatization and privatization mechanics. Privatization technical assistance also created the definitive inventory of state-owned enterprises, which has been adopted by the World Bank in their economic sector program.

Elections

The draft report sets a high standard for success with regard to the September elections. The report correctly notes that the elections were not fully free and fair; however, it would be helpful to recognize that these were the first elections in a country with no tradition of democracy, and the emergence of opposition parties is the beginning of a democratic process. Future steps will be the municipal and national elections.

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Equally important is the continued strengthening of independent media and democratic institutions.

Sector Task Forces

There is no mention of the World Bank's Sarajevo-based Sector Task Forces and their role in economic reconstruction and donor coordination. The Sector Task Forces have helped to rectify donor coordination problems that plagued the early economic reconstruction program. We suggest that the existence and role of the Task Forces be added to discussions of donor coordination issues.

Comments From the Department of State

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



United States Department of State

Chief Financial Officer

Washington, D.C. 20520-7427

April 28, 1997

Dear Mr. Hinton:

We appreciate the opportunity to provide Department of State comments on your draft report, "BOSNIA PEACE OPERATION: Progress Toward Achieving the Dayton Agreement's Goals," GAO Job Code 711184.

The Department has reviewed the report and takes issue with some of GAO's conclusions. A discussion of these issues as well as a compilation of line-by-line suggestions for corrections are enclosed.

If you have any questions concerning this response, please call Ambassador William Montgomery, EUR/SABI, at (202) 647-1880.

Sincerely,

A handwritten signature in black ink that reads "Kathleen J. Charles".
Kathleen J. Charles, Acting

Enclosures:
As stated.

cc:
GAO - Mr. Martin
STATE/EUR/SABI - Mr. Whiddon

Mr. Henry L. Hinton, Jr.,
Assistant Comptroller General,
National Security and International Affairs,
U.S. General Accounting Office.

Appendix VIII
Comments From the Department of State

**Department of State Comments on the GAO Draft Report
BOSNIA PEACE OPERATION: Progress Toward Achieving the Dayton
Agreement's Goals: Job Code 711184**

The process that began with the negotiation of the General Framework Agreement for Peace in Dayton, Ohio, in the Autumn of 1995 brought an end to nearly four years of the worst conflict in Europe in fifty years. The signing of the Dayton agreement brought the peace that the world and Bosnia share today, and it took concerted U.S. leadership - political, diplomatic and military - to make it happen.

This success brought us more than peace in Bosnia, however. Our leadership restored the United States to a necessary and leading role in European diplomacy, strengthened NATO - which was seriously undermined by an on-going war in its own front yard - and directly validated the new trans-Atlantic security architecture, especially the Partnership for Peace, more than a dozen of whose members participated in IFOR and now in SFOR. The peace process calmed a troubled Balkan region, ending the risk of a wider war and terminating the further destabilization of newly-emerged democracies in Central and Eastern Europe.

However, the Dayton agreement was only the beginning of a process, a long process of implementation of the agreements. This is clearly a long-term task, particularly because so much of the implementation depends on the good will and cooperation of the very parties who were at war only eighteen months ago.

Our approach to the implementation has been to exert a consistent and unrelenting pressure on the parties to honor their Dayton commitments. We have supported the implementation effort materially and substantially; we are prepared to continue to do so and to encourage others to do so. Our goal is to create conditions that will maintain the peace and permit the building of a stable Bosnia to continue, without the presence of a NATO-led peacekeeping force in Bosnia.

We see two major flaws in the draft report on implementation prepared by the General Accounting Office. The report does not recognize the enormity of the task of implementation, nor does it account for the major progress made thus far. We consider these to be critical failures of the report, reflecting a lack of understanding of the complexity of the task and an unfortunate tendency to attach equal weight to every statement, regardless of the source.

We are attaching an extensive compilation of line-by-line suggestions for corrections of errors of fact and judgment, to be incorporated in the report. Also provided herein is a more extensive discussion of some key areas of accomplishment which have not been adequately addressed.

See comment 1.

See comment 2.

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Comments From the Department of State

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We are compelled to take immediate issue with three aspects of the report as particularly incorrect or inappropriate:

See comment 3.

The inference that subsequent to the elections, the human rights situation has worsened is categorically untrue.

See comment 3.

Secondly, the notion that the September 1996 elections may have hampered Bosnia's democratic development is equally unfounded.

See comment 1.

Finally, the report consistently understates and overlooks the very real progress that has been achieved in the fields of economics and economic reconstruction.

While we find the three above notions and concepts most offending, other aspects of the report, and particularly its lack of acknowledgment of progress to date, require further elaboration. We expand on these themes in the paragraphs below and in the line-by line comments included.

As the architect of the Dayton agreement, the United States has a compelling interest and an obligation to advance its implementation. Our overarching goal in Bosnia remains the implementation of the Dayton agreement and its provisions.

Our key goals include maintaining Bosnia as a unitary state, promoting the effective functioning of joint institutions, strengthening the Federation as a cornerstone of the peace process, supporting the War Crimes Tribunal, promoting democracy and civil society, curtailing Iranian influence, supporting military stabilization, accelerating economic reconstruction and revitalization, advancing the right of return and freedom of movement, and promoting good relations between Bosnia and her neighbors.

See comment 4.

We have achieved major successes in the first sixteen months of Dayton implementation: IFOR goals were met and SFOR goals met and maintained thus far; the fighting has ended, forces have been separated, and heavy weapons have been placed in cantonment; national elections have been held and elected officials have taken office; nearly all joint institutions have been formed; nearly all authorities of the former Republic and "Herceg-Bosna" governments have been devolved to the Federation; the Brcko arbitral decision has been managed peacefully, with implementation now underway; substantial progress has been made on rebuilding the Bosnian infrastructure and economy; thousands of refugees and displaced persons have returned to their homes in majority areas; our Equip and Train program is well underway and important steps have been taken to strengthen cooperation within the Federation military; and Bosnian military and intelligence ties to Iran have been severed.

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Progress on Arms Control

Annex 1-B of the Dayton Agreement has been a major success. It led in January 1996 to the signing of the Agreement on Confidence and Security Building Measures in Bosnia and Herzegovina, and in June 1996 to the signing of the Agreement on Sub-Regional Arms Control.

Implementation of the Agreement on Confidence and Security Building Measures has been a substantial success. Among the key confidence building measures established, the agreement created military liaison missions, which have functioned on a regular basis to open the territories of the Dayton parties to inspection by their counterparts, ensuring greater openness and transparency. Regularly exchanged information on force levels and structures has served to increase the level of communication between the entities' military forces, and reduced the likelihood of surprise attacks in the future.

The Agreement on Sub-regional Arms Control has led to the reduction of over 1,700 heavy weapons of the kind used to besiege Sarajevo and overrun Srebrenica during the recent war. Further militarily significant reductions are expected over the next few months during the second phase of mandatory reductions. Even though the Republika Srpska has failed to meet its reduction obligations, it nonetheless agreed in January 1997 to reduce 1,008 heavy armaments of great military significance to the overall balance in Bosnia and Herzegovina.

Restructured Police Forces

Prior to implementation of the Dayton Accords, there were estimated to be more than 40,000 "police," some professionally trained but many more with military or paramilitary backgrounds, serving throughout Bosnia and Herzegovina. Rather than enforce civil rights, the police often actively impeded them by setting up illegal checkpoints to harass members of other ethnic groups and by instigating or participating in violence against such individuals.

A little more than a year after the arrival of the International Police Task Force, law enforcement in the Federation has undergone significant change. Police forces in the Federation are implementing plans to restructure and downsize their personnel to functions and levels consistent with European policing standards, and all military and paramilitary elements have been removed. All Federation police are being vetted for human rights violations and, through a phased approach that has been implemented thus far in two cantons, police forces are being restructured to conform with international standards of democratic policing.

A comprehensive training program funded by bilateral donors in cooperation with the IPTF has begun to be implemented. The Republika Srpska has not cooperated with the IPTF on police vetting and restructuring and will receive no international police training or equipment assistance until it does so.

See comment 5.

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Comments From the Department of State

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September 1996 National Elections

Holding elections in September 1996 - only nine months after Dayton was signed and less than a year after the October 1996 cease-fire - was always recognized as an ambitious goal; no one expected all the ingredients for participatory democracy to be in place in such a short period. Nevertheless, with (and despite) these expectations, the international community and the Bosnian people acquitted themselves favorably.

High voter turnout figures, coupled with the fact that all thirty-plus political parties (including the losers) accepted the results, validate this conclusion. Coordinator for International Monitoring Ed van Thijn was unable to document any cases of election fraud during polling, and has said so in public repeatedly. Election day itself was 100 percent peaceful, with no civil unrest or casualties reported surrounding the election.

Holding elections in Bosnia represents the beginning of a process, and represents a significant step forward and an unqualified validation of the work of the international community. Fully democratic processes do not emerge overnight in a war-scarred environment which has little history or tradition of democracy. The fact that opposition parties emerged, won a small number of seats, and, in the case of Republika Srpska, garnered enough votes to prevent the leading Bosnian Serb candidate from otherwise occupying the collective presidency's chairmanship, represents significant progress in the development of a democratic Bosnia.

Human Rights in Bosnia

The notion that the human rights situation has deteriorated since the elections of 1996 is fundamentally flawed. A long-term outlook is needed for a proper overview of the human rights situation in Bosnia, because progress has proceeded incrementally but steadily in several areas since Dayton went into effect.

Overall, respect for human rights has improved in several important areas: for example, there are fewer illegal detentions, and there have been a substantial number of releases in the past few months. Despite the GAO's claims, the number of evictions has actually decreased, despite the recent Mostar evictions. Even the media situation has marginally improved: recent surveys indicate a larger audience for independent media.

Finally, it bears noting that the lack of free movement in Bosnia has been an issue since the beginning of the war. The international community continues to take small steps forward to address this issue. For example, the UNHCR has sponsored bus lines to provide cross-IEBL service, and the number of IEBL crossings is steadily increasing.

See comment 3.

See comment 6.

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Some of the contentions of the report which are used to support the conclusion that the situation has worsened since the elections are technically incorrect. The "bombings and arson attacks" referred to, according to OSCE and OHR, were specifically aimed at refugees planning to return before the winter and not indicative of any general trend. Similarly, repression of the opposition press was much more prevalent prior to the elections, rather than afterward. None of this is to say that any of these cases is acceptable.

Building a civil society out of the ashes of Europe's most destructive conflict since World War II is a long-term process, and is not one that can be accurately assessed only in a timeframe of "since the September elections."

Economic Reconstruction

The Priority Reconstruction Program has, during the first year of peace, brought the beginnings of political, economic and social recovery to Bosnia. Given the war damage to national infrastructure, and the political problems which significantly limit reconstruction efforts in key sectors, 1996 accomplishments, such as 33 percent growth, halving of unemployment and containing inflation at around 3 percent, are substantial. The international community made a significant contribution to the rebuilding of Bosnia. Yet, the report downplays this fact.

USAID has led all other international organizations in delivery of assistance. AID was on time, on budget and on target with its programs. Its major programs in emergency shelter repair, municipal infrastructure and business lending have served as models.

There were many reasons for a slower response to the outstanding implementation needs by much of the rest of the donor community. The United States recognized this as a problem and worked hard to get an American named as Deputy High Representative for Economic Reconstruction, in early 1997. USAID's strong prior performance gave the United States the credibility to argue successfully for the establishment of this position. It is our hope and goal that this position and the incumbent can provide additional direction to the reconstruction effort.

The report makes several references to the lack of donor coordination generally, leaving an unsubstantiated and incorrect implication that this alleged lack of coordination pertains to U.S.-funded projects.

See comment 7.

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Refugee Return

The issue of return of refugees lies at the very heart of the Dayton process and is one of the most neuralgic aspects of the implementation. For the Bosniaks, Dayton promises to deny the gains of ethnic cleansing; for the Bosnian Serbs, it establishes a quasi-autonomous Serb entity. While the Bosnian Serbs (and to a lesser extent, the Croats) will resist the returns, the country will remain unstable until the Bosniaks are satisfied on this issue. This is admittedly the most difficult implementation issue.

The implementation strategy is essentially two-pronged. We intend to coordinate the provision of economic reconstruction assistance with refugee return needs in ways that both encourage returns and reward communities accepting the returnees. Secondly, we intend to focus return planning and efforts on areas where the returnees will be in a majority of the population (same-ethnic returns), while not abandoning the concept of supporting returns where the returnee is in the minority (cross-ethnic returns). The cross-ethnic returns will be carefully focussed on areas where it is believed they have the best chance of success. In this manner, we hope to maximize returns.

In December and January, the Administration developed and approved a strategy to promote the safe and orderly return of refugees and displaced persons. We have noted concrete signs that the strategy implementation is beginning to succeed. As a key element of the plan, an interagency delegation travelled to Bosnia in March to press the parties on the return issue. Since the delegation's visit, there have been no strategically-motivated returns to the Zone of Separation (ZOS), and no returns to the ZOS have resulted in confrontation.

The RS and Federation Refugee Ministers issued a joint statement recently, expressing support for same-ethnic and cross-ethnic return country-wide, including to Brcko and the ZOS. While it will not be clear for several months whether they will comply with this statement, it is the first time they have taken such a step. Publicly and privately, the refugee ministers have said they hope soon to designate locations where minority return can occur. The Bosniak leadership withdrew financial and political support from an individual who had been behind organized return efforts to the ZOS that resulted in confrontation.

As with many aspects of the report, the comments regarding return of refugees are underdeveloped and do not take into account many aspects of our efforts and accomplishments.

See comment 8.

GAO Comments

The following are GAO's comments on State's letter dated April 28, 1997.

1. We do not underestimate the enormity of the task of implementing the Dayton Agreement, and we believe our report properly recognizes the difficulty of bringing peace to Bosnia. The full breadth of the overall challenge is described in chapter 1 and appendix I. Additional context is provided in chapters 2 through 5 as each area of the implementation of the Dayton Agreement is discussed. While our report makes every effort to present information and analysis of progress made thus far, we believe it is equally important to inform decisionmakers about problems and impediments encountered. Although one high level State official recently stated that one should always try to focus on the positive with regard to Bosnia, we believe that a realistic assessment that considers both the positive and negative has more value in helping decisionmakers to make informed decisions.
2. We have not reprinted State's line-by-line wording suggestions, but have incorporated them in the text where appropriate.
3. We have addressed State's comments on these matters on pages 11, 12, 53, and 54 in this report.
4. Our report acknowledges the progress that has been made in meeting the goals of the Dayton Agreement specifically mentioned by State. However, our review did not confirm that nearly all authorities of the former Republic and "Herceg-Bosna" governments have been devolved to the Federation. Instead, as discussed on page 46, we found that although the Federation was established in 1994, Bosniak and Bosnian Croat political leaders had made only limited progress toward the creation of the Federation—despite strong pressure from the United States and others. Moreover, even in those areas where progress has been made, care must be taken not to overstate the degree of success achieved, as State has done in some instances. For example, while national elections have been held and elected officials have taken office, the governmental institutions are not yet functioning. While progress is being made in rebuilding Bosnia's infrastructure and economy, there are still severe impediments in many areas such as rail links and an integration of the telecommunications system.
5. Chapter 2 of our report discusses the major achievements in this area.

6. See comment 3. While we do not disagree with State that the human rights situation has improved when viewed in the long perspective, i.e., wholesale murder of thousands of civilians and mass ethnic cleansing are no longer occurring as they did during the war, evidence indicates that a deterioration did occur in the months following the September 1996 elections as compared with the months preceding it. We believe this measure of the condition in Bosnia at this point is important because it demonstrates efforts undertaken by nationalist political leaders to consolidate their power and illustrates their level of commitment to key provisions of the Dayton Agreement, including promoting democratic practices and respect for human rights and ensuring the right of refugees and displaced persons to return to their prewar homes.
7. Our report does not imply that the lack of donor coordination pertained to U.S.-funded projects. Information on the appointment of an American as the Deputy High Representative for Economic Reconstruction was added to page 64 of the report.
8. While this may be the first time Federation and Republika Srpska Refugee Ministers issued a statement expressing support for cross-ethnic returns, it is not the first time such a pledge was made by Bosnia's political leaders. In signing the Dayton Agreement in December 1995, political leaders of all three major ethnic groups pledged to ensure the right of refugees and displaced persons to return to their prewar homes. As of April 1997, none of these political leaders have fulfilled the agreement they made in December 1995 with respect to allowing cross-ethnic returns, as discussed in chapter 5 of our report.

Major Contributors to This Report

**National Security and
International Affairs
Division, Washington,
D.C.**

Lenora R. Fuller
B. Patrick Hickey
David R. Martin
David C. Maurer
Judith A. McCloskey
Tetsuo Miyabara
RG Steinman

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