



# SPECIAL REPORT

## ABOUT THE REPORT

Throughout 1998 the United States Institute of Peace hosted a series of meetings of its Balkans Working Group to evaluate the implementation of the Dayton Peace Accords. These meetings involved members of various U.S. government agencies, think tanks, and nongovernmental organizations, as well as representatives from the region who are either with the current government of Bosnia and Herzegovina or knowledgeable about its activities and policies. Officials from Bosnia have included Vice President Ejup Ganic, President Kresimir Zubak, and Foreign Minister Jadranko Prlic. In an attempt to broaden thinking about the Bosnian peace process, the Institute sponsored a conference on "Bosnia in the Balkans," to which it invited persons from the region to discuss prospects for Balkan stability—stability that is essential if Bosnia is to complete a peaceful, democratic transition. This report, prepared by Senior Fellow John Menzies, Institute program officer Lauren Van Metre, and research assistants Burcu Akan and Kristine Herrmann, is an assessment of Dayton three years after its inception and is based on the views of the working group and regional experts.

For information on additional publications on Balkan issues, including democratic developments in Serbia and Croatia and the crisis in Kosovo, please contact the Institute at (202) 429-3828 or visit its Web site at: <http://www.usip.org>. The views expressed in this report do not necessarily reflect those of the United States Institute of Peace, which does not advocate specific policies.

*December 11, 1998*

## **Bosnia Report Card Pass, Fail, or Incomplete?**

### **Introduction**

Recent elections in Bosnia reveal several hopeful trends even as they underscore the fundamental weaknesses of the system created at Dayton. There is evidence of moderating political trends on both sides of the Inter-Entity Boundary Line (IEBL), and a working national government is now possible. However, more is involved in democracy than technically correct elections and workable results. The electoral system is biased in favor of nationalist elites who still cling to power, and whose accountability to an electorate is weak. The culture of democracy is beginning to take root, but more must be done in establishing the rule of law, combating crime, and reorganizing the economy.

Both the International Police Task Force (IPTF) and Stabilization Force (SFOR) continue to demonstrate effectiveness within narrowly defined objectives, but international political will to do more seems lacking. War criminals wander freely in Bosnia and Serbia. The arrest of relatively small fry does not substitute for holding leaders accountable. Their presence, and the political message it sends is a contributing factor to the climate of insecurity that limits refugee returns, particularly in minority areas.

The international community has in the past year been clearer about its goals and more forceful in its means. While there have been noticeable improvements and progress, there is still much more to be done in the area of civilian implementation to meet the basic conditions for peace and stability that were laid out at Dayton. What follows is a brief description of progress since Dayton and a road map for securing a sustainable peace and functioning state in Bosnia and Herzegovina.

### **Democracy Building**

#### ***Elections***

The September 1998 elections—for the national presidency and parliament, entity presidencies and parliaments, and, in the Federation, for office at the cantonal level—were not considered a watershed event by working group participants. That is, the election results were not definitive for determining Dayton's ultimate outcome, but they did offer an opportunity to calibrate the depth and progress of the transition under way. The victory of an ultranationalist, Nikola Poplasen, as President of the Republika Srpska (RS) and the possibility of additional radical wins initially shook Western governments, revealing a lingering uncertainty regarding the West's commitment to a long-term presence in Bosnia and Herzegovina. However, as the results of the election

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became clearer and Poplasen experienced difficulty in forming a coalition government, officials acknowledged that initial assessments were perhaps overly pessimistic and lacked a long-term perspective. Members of the working group felt that Poplasen's victory might be more accurately attributed to campaign tactics and strategies, rather than a resurgence of Serb nationalism. The incumbent, Biljana Plavsic, was considered to have run a poor campaign for the Presidency of the RS by competing primarily for the Serb nationalist vote while playing down issues of integration with the Federation and the return of refugees to the RS. Without Muslim support, which went to a relatively unknown Muslim candidate, the Sloga coalition could not achieve a victory. Essentially, Plavsic played to Poplasen's strengths and away from her own. Her opponents, the more hard line nationalists, were better organized to "get out the vote" and mobilize their supporters. Despite her recent electoral defeat, many felt that Plavsic's one-year term in office represented an important new milestone in RS politics—a politician could defect from the Pale clique and still survive politically.

Furthermore, Poplasen's win does not necessarily portend a return to the old Pale-dominated system: (1) His statements after the election acknowledged the necessity of compliance with Dayton in order to remain in office. (The Office of the High Representative has been granted the authority to remove any official who expresses anti-Dayton policies or sentiments.) (2) Poplasen's win was not overwhelming; he was forced to cultivate a parliamentary coalition to form a government and will likely have to put together ad hoc groupings to pass specific programs and legislation. (3) The Karadzic patronage system appears to have broken down considerably since the Banja Luka-Pale split, while other criminal networks have begun to vie for power in and influence over the government. In fact, the new RS Assembly may have many fewer politicians with ties to Karadzic and the Pale clique.

The election results are, therefore, a mixed bag. Working group participants looked forward to a more pragmatic approach to the national presidency, believing that Zhivko Radisic will be a welcome change from the intransigence that characterized Momir Krajisnik's term in office. Radisic, however, has well-known ties to President Slobodan Milosevic, leading some to express concern that both Belgrade and Washington supported the same man. The possibility of the Sloga coalition fracturing and a breakdown in Plavsic's party, the Serbian Peoples League (SNS), also worried working group participants. These more Western-friendly RS politicians intend to remain a cohesive political movement, but many in the working group predicted that former Serbian Democratic Party (SDS) members currently affiliated with Plavsic's SNS party will be attracted to the Poplasen regime and its political handouts.

Participants agreed that fallout from the elections would occur over many months, allowing the West an opportunity to mold and shape the final outcome. Because Poplasen is forced to work within a coalition, it remains to be seen which officials will actually administer and manage the RS government. The Office of the High Representative has already demonstrated its determination to remove from office officials who do not comply with Dayton; Poplasen has been warned, and his recent more "pragmatic" statements about his political intentions show that he understands Office of the High Representative's current role in domestic politics. The RS Assembly provides another opportunity to further the Dayton agenda. Moderates picked up additional seats and, although they do not have the numbers of the nationalists and radicals, can

influence entity politics if they remain united. Participants in the working group cautioned, however, that the United States must be circumspect about continued aid to the Republika Srpska. They suggested a general review of U.S. aid priorities and programs and stressed the need to offer financial support after compliance. Aid-giving should not be a carrot to encourage RS support, but a reward for good behavior and concrete results.

The election results in the Federation showed a nascent but growing political pluralism. Zlatko Lagumdžija's Social Democrats (SDP) had a good showing and will share power as a junior partner within a ruling coalition. With their wins the Socialist Democrats have established a center left in Bosnian politics. If the democratic opposition emerges as a stronger political force a stable center composed of moderate parties of the right and left may form, resulting in the steady diminution in power of nationalist extremists. In fact, many felt that with the passing of the current wartime leadership (Alija Izetbegović and Franjo Tuđman) the political scene will become extremely fluid as nationalist parties split and realign. Participants predicted that loyalists from Izetbegović's Party of Democratic Action (SDA) will approach Lagumdžija seeking either coalitions with or membership in the SDP, thereby reinforcing the political center. Participants also noted with enthusiasm President Kresimir Zubak's recent split with the Croatian Democratic Union (HDZ) to organize a Croat party rooted in Bosnia and Herzegovina with few ties to Zagreb. While Zubak's party did not do well in the recent elections, most felt that it was unrealistic to expect a two-month-old party to garner substantial support. Zubak's recent moves are most promising for long-term political developments in Bosnia and Herzegovina.

Bosnia has undergone a series of elections since the peace accords, a process in theory designed to: (1) empower the majority, hopefully at the expense of the small group of radical nationalists who initiated and perpetrated the war; (2) establish democratic practices in a formerly communist country; and (3) break the monopoly of power of the nationalists and encourage political pluralism. Participants noted, however, that while the international community has become most expert at organizing technically correct elections in Bosnia and Herzegovina, the West's obsession with the electoral process—four elections in the three years since Dayton—has had a significant impact on other areas of Bosnia's democratic development. The focus on elections, for example, has possibly stunted the formation of common institutions of government. Officials tend to focus on campaigning, which often reinforces ethnic ties, rather than the everyday business of running a government—a process that could yield common interests and bonds among ethnic groups. Presidential elections also perpetuate ethnic divisions in society since candidates, according to the rules of Dayton, run for government offices that are assigned by a system of ethnic quotas. As Bosniac citizens vote for the Bosniac member of the tripartite presidency, and Croats for the Croatian counterpart, their sense of ethnicity is heightened.

Thus, the current electoral system reinforces ethnic divisions in society in a number of ways: (1) Candidates must be identified as a member of one of the three constituent ethnic groups in order to run for the presidency; (2) Serb candidates cast one vote to elect an RS member of the national presidency, while Croats and Bosniacs vote only for candidates from the Federation; (3) political positions within the government are assigned by ethnic group; and (4) there is no accountability to voters; the proportional party list system di-

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forces voters from their representatives, leaving power and accountability in the hands of party officials. While necessary for securing a successfully negotiated peace agreement, the electoral system's continued use, most working group participants felt, will prevent social and political reconciliation. Participants have suggested that the presidential elections might be reformed in the following ways:

- Stipulate that each voter shall have one vote in the presidential election of each of the three ethnic representatives to the collective national presidency.
- Create a fourth "Other" representative to the national collective presidency, representing the constituency of Bosnians with multiethnic parentage, as well as Jews, Roma, Ukrainians, and others.
- Stipulate that the nomination petitions that each presidential candidate submits must contain a specified number of signatures of voters registered in their original homes from a specified number of electoral districts in each of the three ethnically based entities.
- Create districts with a clearly identified representative and political constituency.

Participants in an Institute working group on electoral reform have also suggested various measures to improve parliamentary, cantonal, and municipal elections by employing techniques used in other countries to prevent the dominance of large majority parties and improve the participation of representatives from minority and small parties. These include the Sant-Lague method (used in modified forms in Denmark, Norway, Sweden, and somewhat in Poland), the single transferable vote (employed in the Republic of Ireland), limited proportional representation, or a mixed proportional-majoritarian system. The current Bosnian system, which employs party lists and full proportional representation, favors the large political parties, reinforcing the nationalists' monopoly on power and preventing the emergence of greater political pluralism and multiethnic parties. While the changes suggested above

do not represent definitive solutions, participants agreed that the Organization for Security and Cooperation in Europe (OSCE) should immediately consider these and

*Republika Srpska presidential candidate, Plausic, holds a political rally in Banja Luka.*

*Photo: Lauren Van Metre*



other reforms to the electoral system in time for the 2000 elections. A two-year review is considered essential in order to ensure that new methods will improve on the current methods of voting, that clear and consistent procedures are put into operation, and that voters are sufficiently educated.

## Civil Society

Managing numerous complex elections has diverted resources and human capital from other equally important areas of democratic development, such as building civic institutions and encouraging civic education programs. Social reconstruction and the establishment of civic institutions—elements of the so-called civilian side of Dayton—have also generally lagged behind progress in the “military” areas of Dayton implementation, such as arms control, demobilization, and separation of forces. Working group participants agreed that building a strong, functional civil society must be a priority of the international community in the next few years, if an enduring peace is to take hold in Bosnia and Herzegovina.

The National Democratic Institute (NDI) discussed a series of small but highly effective programs it has developed in Tuzla, Banja Luka, and Mostar to teach citizens how to lobby local officials regarding community needs. Working with local officials, citizens have built schools, hospitals, roads, and other institutions to support their community. Participants suggested a few priority areas in addition to NDI programs that emphasize the importance of activism in democracy. The development of nongovernmental and “watchdog” organizations is of obvious importance, as is the reintegration of the youth into society and the electoral process. Election results indicate that young people are an isolated group, unemployed in large numbers, and without a stake in the current political and economic transition. As a result, few participate in elections (although one participant noted that their nonsupport for nationalist candidates was not necessarily a bad sign). Yet the youth vote is believed significant enough to erode nationalist power throughout the country. In fact, many felt that Zlatko Lagumdžija’s Social Democrats did well in September because they cultivated young people, who turned out in large numbers to support the party.

Targeting youth is also important as Bosnia and Herzegovina heads toward an important generational change in leadership. Older, wartime leaders are on their way out. The next generation, it is hoped, will be able to move their country forward in ways that the previous generation could not. Of critical importance is their immediate exposure to democratic practices, such as tolerance, compromise, individual rights, and political activism. International institutions must consider the young as they put together their programs for Bosnia. The alternative is grim: continuing emigration and loss of the “next generation” to other countries.

The international community’s media programs in Bosnia were deemed insufficient by working group participants. Many felt that indigenous media capacity has not been supported sufficiently as funding has gone primarily to equipment purchases and facility support. Furthermore, the decision to devote considerable resources to a quasi-official media network (the Open Broadcasting Network) has crowded out local organizations. The media can play a critical role in the conduct of free and fair elections, the furthering of social

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reconciliation, and the strengthening of citizens' education. Given its critical role in democratic development, more consideration must be given to expanding its capacities.

### **Refugee Returns**

Electorally reinforced ethnic divisions have also had an impact on another critical element of social reconciliation and Dayton implementation—the return of refugees. Some 470,000 refugees from “majority” areas have returned home or opted for a new place to live. Minority returns have been more problematic. The international community and Bosnian government have planned for 70,600 minority returns in 1998; this goal has not been and will not be reached. The latest elections reflect an enduring affiliation with ethnic groups. Voters overwhelmingly voted along party (ethnic) lines and did not split their votes within the four (or five) electoral races, as might have occurred with issue-based voting.

A direct correlation was noted between the rate of refugee returns and voter support for opposition and minority parties. In cantons in the Federation where there have been successful majority and minority returns, such as Tuzla, electoral results reflect a plurality of interests. As refugee returns are primarily a local issue, there is not much optimism that nationalist strongholds will show progress in the area of minority returns. Working group participants thought that it would be worth following the policies of the Social Democrats on this issue. In many cantons where Lagumdžija's people have been elected, the SDA remains the party in power. However, an SDP-HDZ alliance could break the logjam on returns. While not optimistic that such a union would occur, participants noted that pluralistic governments do yield interesting compromises and coalitions.

### **Apprehension of War Criminals**

There was clear consensus by the group that war criminals in the former Yugoslavia must be brought to justice if the Dayton Accords are to succeed. Recent moves to arrest indictees are a good beginning, but indicted political leaders must also be targets of such actions. Apprehension is important to ensure justice and bring closure to a tragic episode in the region's history. The arrest and prosecution of war criminals is not only an issue of justice, but one that will have important and long-lasting effects on Bosnia's ability to form a democratic state, institute market reforms, and accomplish social reconciliation. Nationalists responsible for the war and indicted for war crimes still retain tremendous political and economic power at the national and local levels. Despite the recent Banja Luka-Pale split, Pale still maintains a fierce stranglehold on any independent political initiative by municipal leaders under its “jurisdiction.” Similar political forces operate in various regions of the Federation as well. In addition, many indicted war criminals have access to and control over vast resources and distribution networks in the black market—resources and people that need to be brought into the official economy to strengthen economic growth and unification.

Working group participants felt that the time was increasingly ripe to apprehend indictees. In the three years since Dayton, new political forces have emerged that have weakened previous power relationships, and citizens have in many ways “passed the Rubicon of fear” and are more open to social and

ethnic reconciliation. Threats to the security of North Atlantic Treaty Organization (NATO) troops stationed in Bosnia might occur in reaction to arrests of top political leaders. Yet working group participants generally agreed that local reactions to a concerted effort to roundup indictees would be very limited, somewhat shallow, and consist mostly of demonstrations by “rent-a-crowds.” A substantial number of indictees now reside in Serbia. It is critical that they be turned over to The Hague.

## **The Government**

The government structure established at Dayton would be extremely complex and unwieldy even under optimal political conditions. At each level of national government, offices are assigned to achieve equal representation for the three constituent ethnic groups. Further complicating the political scene is the establishment of a “mismatched” two-entity (Federation and Republika Srpska) structure. The Federation is broken down into cantonal and municipal governments. Meanwhile, the RS maintains a highly centralized structure where the entity government directly oversees the municipalities (cantons do not exist in the RS). Thus, relations between the RS and the Federation, already colored by ethnic tensions, are further complicated by asymmetrical governmental structures. Continued resistance to the formation of a multiethnic Bosnian state by nationalist politicians, as well as a dearth of administrators expert in the workings of democratic governments, also paralyzes the overly complex governmental process. Bosnian politicians remark that, even with the reduction of ethnic tensions among politicians and officeholders, the system is too unwieldy and will have to be simplified.

In the meantime, the lack of political will and acts of blatant obstructionism on the part of elected officials have left Bosnia at times with little more than the trappings of state. The Office of the High Representative makes most tough decisions and has had to dictate a common currency, the establishment of a central bank, etc. Political enmity has, at times, been so palpable that the High Representative has also made “not-so-tough” decisions on a national flag and anthem. Bosnian officials admit that they have a long way to go before they are a fully functioning and effective state. Recent changes in the RS will help. The electoral defeat of the Serb Representative to the National Presidency, Momir Krajisnik, and the election of the more moderate Radisic gives Bosnian and U.S. officials hope that Bosnia’s common institutions at the level of the presidency and Council of Ministers may at last begin to operate effectively. As one high-level Bosnian official noted, “The type of official elected from the RS is changing; the people are learning democracy.”

The most critical task currently facing the government of Bosnia and Herzegovina, according to both U.S. and Bosnian officials, is the establishment of workable, common institutions of government. One Bosnian official noted that the scope of the effort currently under way in Bosnia was comparable, in relative terms, to the U.S. Marshall Plan for rebuilding Europe. The West has committed itself to forming not only a nation state with the requisite accoutrements of government, but a broad-based project of social reconciliation and economic reconstruction. Dayton resembles the Marshall Plan in other critical ways—it is a joint project of the international community and local officials, and the international community plays a critical leadership role in implementing its vision of a new postwar society. The Dayton Implementation Council, made up of 60 countries, and the Office of the High Representative

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play critical roles in Bosnia on behalf of the international community. However, Dayton differs from the Marshall Plan in that it lacks the resources and force of will that characterized the World War II recovery program for Europe.

A top priority, according to Bosnian officials, is to hire and train qualified people to staff government institutions such as the Presidents' Office, the Parliament, and the Council of Ministers. In this area, Bosnia and Herzegovina needs help. Former communist officials are readily available to do the job; persons knowledgeable about the workings of democratic governments are not as easily found. Bosnia will have to undergo a period of transition as it trains and develops an experienced bureaucratic administration to support and implement state policies. Self-sustainability, according to Foreign Minister Jadranko Prlic, is another important goal of state, that is, the ability of the government to operate without the intervention of and support from the international community. This will require a major political transformation, as well as establishing revenue sources for common institutions. In his remarks at the Institute in September 1998, Prlic discussed plans to establish a state border police. Not only will such an agency reinforce the territorial integrity of the state of Bosnia and Herzegovina, it will provide the government with an important source of revenue from customs duties.

Finally, Bosnians have discussed the importance of changing the political philosophy that has operated throughout the Balkans for many years. Traditionally, politics has been considered a zero-sum game where someone, or some cause, had to lose for another to win. This attitude is slowly changing among ethnic groups but must completely give way if Bosnia and Herzegovina is to forge a democratic, multiethnic state. To precipitate such change, officials such as Prlic are emphasizing common interests and finding ways to present Bosnia as a unified state. Bosnia's integration into Europe helps to achieve these goals. If Bosnia is admitted into the Council of Europe next April, as it hopes, it will enter as one state—an important psychological and political victory for those seeking a unified Bosnia. For similar reasons, the government is also seeking relations with NATO through the Partnership for Peace program. This effort has not been as successful. The Federation Army had its first NATO seminar in July; the RS Army is thus far reluctant to accept NATO membership as an ultimate objective. Yet many Bosnian officials appear committed to forging ahead. For them cooperation with Europe yields not only important symbolic benefits. It also meets the common interests of all ethnic communities for security and economic prosperity.

### The Security Environment

The security "gap" has long been acknowledged as a critical barrier in the implementation of the Dayton Accords. The IPTF, operating under UN auspices to oversee the downsizing, vetting, and retraining of Bosnian police forces, was placed in the field unarmed in accordance with UN policies. Because SFOR's mandate does not extend beyond traditional military missions, Bosnian civilians have been left largely unprotected as they attempt to return to their homes. The low number of refugee returns, especially minority returns, is generally attributed to this so-called security gap.

Recent policies, however, have worked toward improving the security environment. Allied governments have expanded SFOR's mandate by assigning it "gendarme" forces trained in riot control and managing civil distur-

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bances. IPTF training of local police forces has also begun to take hold. In the recent elections, local police were in charge of crowd control and by all accounts acted responsibly and professionally. In fact, the IPTF mission was touted in a working group meeting as a model international mission by fully supporting a local Bosnian institution without replacing it. Impartial, professional police forces can make a significant difference in sensitive areas such as refugee returns, but the will and commitment to recreate a multiethnic Bosnia must come from the politicians.

While police restructuring—downsizing, vetting, and retraining—has gone well in the Federation, the same processes must proceed further in the RS. Not only is police restructuring a key aspect of democratization and refugee returns, but it can be a powerful tool for national unification. When the Federation adopted standard procedures throughout all ten police jurisdictions, it significantly reinforced entity cohesion even among predominantly Bosniac and Croat communities. Extending and incorporating these same standards within the RS will improve cooperation at the highest levels of government. Furthermore, cross-entity cooperation by police units will strengthen a community of interests on both sides of the IEBL as officers work together to combat crime. To reinforce the rule of law in police work, working group participants commended the United Nations' recent establishment of a court monitoring system. Judicial reform not only supports police professionalism, it is a necessary component of the ongoing process of democratization in Bosnia and Herzegovina.

## The Economy

The Federation's economy grew 35 percent last year and is expected to achieve a 55 percent growth rate in 1998. Despite such positive growth trends, per capita income is only 33 percent of prewar levels. While some of the economy's improvement is due directly to an increase in the number of small- and medium-sized business start-ups and improvements in infrastructure, most experts acknowledge that the recent boom is generated by large infusions of Western aid. Until growth is fueled by real production and investment, the economic recovery is in no way self-sustaining.

Aid programs have been generally limited to the Federation, although the more pragmatic Dodik-Plavsic government received substantial Western backing for its efforts to break the Pale monopoly of power in the RS. The next steps toward economic improvement will require substantial economic restructuring. Economic reform in Bosnia and Herzegovina is multifaceted. The government must effect an economic recovery from war while transitioning from a centrally planned, communist economy to one that embraces free market principles. Further complicating Bosnia's recovery is ongoing regional instability. Bosnia's natural trading partners—its regional neighbors—are not completely stable, economically prosperous states. In fact, the international sanctions on Serbia have had a spillover effect, slowing economic growth and recovery throughout the Balkan region.

A comprehensive economic reform program is a prerequisite for further sustained economic growth. Although quite remarkable, current levels of economic expansion are a reflection of the postwar recovery and large infusions of Western aid. Significant progress has been made in the area of small- and medium-sized private business start-ups, but eventually even their success will

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be limited unless significant economic restructuring takes place. The big conglomerates that were a hallmark of the former communist economy have been left largely untouched. With tens of thousands of people still in the conglomerates' employ, ways must be found to restructure these enterprises. The government of Bosnia and Herzegovina must soon embark on a privatization program similar to those undergone by East European countries. Economists and politicians have learned from Eastern Europe and Russia the necessity of socially responsible privatization aimed at stimulating economic growth at the all levels of society, they must avoid lining only the pockets of the elite in order to reinforce political legitimacy. Complicating matters for Bosnia, however, are the issues of restitution, wartime debt, and the need to attract foreign direct investment. Given these factors the government has opted for a mass privatization "voucher" program similar to the Czech Republic's. Hopefully, they will be able to avoid all the pitfalls involved with this particular route, such as lack of protection for small investors and the dominant position of banks and stock funds that operated with little regulatory oversight in financial markets. In addition, privatization must be accompanied by demonopolization and the establishment of capital markets to ensure that economic production is efficient and develops in areas where Bosnia maintains economic advantage.

Participants noted that Bosnia and Herzegovina may one day represent a microcosm of regional integration, if its constituent parts can learn to work together. Again, common institutions in the economic realm need to function effectively, such as a central bank, institutions that encourage fiscal federalism, and national tax collection mechanisms. If the current state structures cannot operate, the economy will suffer. The government of Bosnia and Herzegovina must also devote significant attention to the issue of corruption and organized crime—practices that plague much of the Balkan region and that require national as well as transnational solutions. Experts have identified specific ways governments can eliminate corruption, such as:

- scaling down the role of the public sector;
- clear separation between the public and private sector;
- establishing and enforcing transparent business practices by law; and
- codifying standards for government officials.

The importance of curtailing and eventually eliminating corrupt practices has only recently been understood by economists. Studies now show that corrupt regimes experience low private investment and are less able to attract foreign direct investment. They also spend more on inappropriate public programs: Governments generally opt for larger, complex projects to enhance economic gain from corrupt practices. Furthermore, they are more likely to let current infrastructure deteriorate in order to develop these new, larger projects. Tax revenue is obviously affected when more and more of the economy goes "underground," and legitimate businesses most often pay the biggest penalties by remaining in the official economy. Finally, corruption stifles economic growth by absorbing entrepreneurial talent and stifling small enterprises—the true engines of economic growth.

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## **Recommendations**

### ***Democracy Building***

- Continue divesting extremists of instruments of control while empowering the people through elections and economic opportunity
- Strive for free and fair elections; do not settle for technically correct elections
- Think beyond the construction of Dayton if it will strengthen democratization in Bosnia
  - reconsider the current system, which segregates ethnic groups within the government according to a system of ethnic quotas (three-party presidency)
  - explore the possibility of electoral reform to encourage cross-ethnic voting and participation of small, multiethnic parties in parliament and eliminate practices that reinforce ethnic divisions in society and politics
  - establish clear accountability between elected officials and constituents
  - examine the effects of a centralized RS state vs. a decentralized Federation on entity relations
- Build independent media primarily by developing human capacity; invest in equipment and facilities as a secondary priority.

### ***Government***

- Take advantage of personnel changes to build common institutions of government at the highest levels (presidency and Council of Ministers)
- Make staffing of common institutions a priority
- Work toward self-sustainability in government
  - develop sources of revenue, such as a state border police, to support common institutions
  - build government capacity and cooperation so that international authority plays less and less of a role in state decision making
- Reinforce Bosnia's statehood through international recognition and integration
  - membership in the Council of Europe
  - cooperation with NATO through the Partnership for Peace programs
  - contractual relations with the European Union
- Support institutions that reinforce national unification
  - state border police (ensures the territorial integrity of Bosnia and Herzegovina)
  - national police forces (to control cross-entity crime)

### ***Economics***

- Work toward regional cooperation by eliminating economic barriers (tariff and nontariff) and harmonizing economic goals (may occur naturally as countries adopt free market principles)
- Privatize state-owned assets to foster economic growth and minimize corruption

## **Bosnia in the Balkans Initiative**

The Bosnia in the Balkans Initiative (BIB) of the United States Institute of Peace uses the efforts of various Institute programs to support the peace implementation process in Bosnia. The Institute has conducted training programs for staff of international and local NGOs working in Bosnia to help them in their relief and reconciliation work in the aftermath of this intense conflict. The Institute's Religion, Ethics, and Human Rights Program has supported the efforts of top religious leaders in Bosnia to form an Inter-Religious Council to work "together to replace hostility with cooperation and respect" and to acknowledge their shared moral commitment. It is also working with other members within the religious communities to support their efforts at reconciliation. The Institute also recognizes that, if any measure of reconciliation is to occur for Bosnia, war victims, regardless of ethnic affiliation, must have access to fair hearings and due process. To support citizen participation in the justice process, the Institute's Rule of Law Program has begun to work with a variety of Bosnian officials on a number of initiatives, including establishing protection for trial witnesses, more effective police screening procedures, and programs to improve the efficiency of the International War Crimes Tribunal at The Hague. It is also helping to create a Truth and Reconciliation Commission for Bosnia in response to requests from the country's judicial officials and community leaders. The Institute's Grant Program funds a variety of scholarly investigations of the Bosnian conflict and conflict-resolution projects for NGO and other practitioners in the country. Through these and other efforts, the Institute seeks to fulfill its mandate to find and explore creative solutions to international crises and conflict.

The BIB Initiative is under the direction of Harriet Hentges, executive vice president of the Institute.

- Effect deep structural reforms to create the conditions for economic recovery and growth: demonopolization, development of capital markets, rule of law
- Emphasize leadership, technical capability, and rule of law to a new generation of economic officials
- Strengthen and streamline economic institutions and practices at the national level
  - central bank
  - fiscal federalism
  - tax collection agencies
- Adopt measures to prevent pervasive corruption
  - scale down public sector
  - enforce and encourage transparent business practices by law
  - separate public from private activities
  - enact and enforce laws against organized crime and corruption

## ***International Community***

- Determine programs and mechanisms that cultivate a civil culture in which citizens do not depend entirely on the state and know how to
  - organize at the local level
  - develop social initiatives
  - defend human rights
  - practice nonviolence
- Extend to the Balkans programs that build strong ties and lasting relations with European capitals and institutions—integration with Europe has strengthened democratic institutions and cultures throughout the continent
- Encourage cooperation among regional democrats and nongovernmental organizations (NGOs)
- Review U.S. and multilateral assistance to Bosnia
  - apply lessons learned in Eastern Europe regarding leadership and political party development
  - do not "personalize" aid-giving but respect the democratic process and institutions
  - strengthen emphasis on multiethnic collaboration
- Look toward the next generation of leadership and be poised to influence the outcome as the transition occurs
- Increase voter education programs but emphasize knowledge of political party positions and not just correct electoral procedures
- Further develop civic education programs
  - social activism on issues of community
  - NGO and watchdog group development
  - youth enfranchisement
- Instruct the OSCE to develop options for electoral reform now so that consistent rules are established in time for the 2000 elections; less focus on election mechanics
- Encourage international organizations and institutions to support and not replace Bosnian institutions (the IPTF model)