IMPLEMENTATION OF THE HELSINKI ACCORDS

Rebuilding Bosnia-Herzegovina: Strategies and the U.S. Role

May 9, 1996

Briefing sponsored by the
Commission on Security and Cooperation in Europe
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The Carnegie Endowment for International Peace
Washington, DC

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CONTENTS

WITNESSES

	Page
Opening Statement of Hon. Frank Wolf	1
Opening Statement of Hon. James Moran	1
Statement of Hon. Harry Reid	2
Statement of J. Brian Atwood, Administrator, Agency for International Development	2

APPENDIX

FY96 USG-Funded Economic Development and Humanitarian Assistance for Bosnia-Herzegovina	22
Fact Sheet on USAID's Bosnia Emergency Shelter Repair Program	28

REBUILDING BOSNIA-HERZEGOVINA: STRATEGIES AND THE U.S. ROLE

Thursday, May 9, 1996

Commission on Security and Cooperation in Europe

Washington, DC

The commission met, pursuant to adjournment, at 2:06 p.m., in room 2255, Rayburn House Office Building, Hon. Frank Wolf, Commissioner, presiding.

Mr. *Wolf.* Good afternoon. On behalf of Congressman Smith, who is the chairman of the Commission, we are pleased to welcome everyone here to hear Brian Atwood, who has done an outstanding job at AID, brief us on rebuilding Bosnia-Herzegovina. I'm going to leave briefly and then come back and turn it over to Congressman Moran, but let me just make a couple of comments at the outset.

Three weeks ago, I was in Bosnia—in Tuzla and Sarajevo. The good news is the military people are doing an outstanding job. The citizens in the region love the American soldiers. You'd be very proud of the American military. They're bright-eyed; they know precisely why they're there and what they're doing. So that aspect is very positive. So the military side is going very well.

The second thing is, though, not much on the civilian side is taking place to fill in. If all the soldiers leave by the end of the year, if this civilian side doesn't work quickly to get something up and running, it's not going to be very pleasant.

What the region needs more than anything is reconciliation. There's got to be some identification of reconciliation. That's why they're so impressed with the American soldiers. They see American soldiers from all different backgrounds, racial backgrounds, different parts of the world who have joined the American military, and they're impressed when they see it. We really need to demonstrate reconciliation.

The last thing fits into the column that Mr. Cohen had in today's *Washington Post.* Everywhere we went, people said, unless you dealt with the issue of Karadzic and Mladic, that reconciliation just isn't going to happen. The longer that issue goes on, I think there's a great intimidation of some of the good and decent Serbs who would like to participate in the process.

So I think it's something the administration has to deal with quickly. So with that, let me just turn it over to Brian for the briefing. Brian, if you see we're leaving, we're going to come right back. Jim and Senator Reid, would you like to make any comments?

Mr. *Moran.* I think we simply have a Herculean task. I don't know how we're going to do it. I'm glad that Brian Atwood has the responsibility for doing it because I know he carries with him a true commitment, both to the welfare of the people and to the viability of the country. But you've got 2 million displaced people. Almost by definition, since they were displaced, most of them cannot return to their homeland.

I don't know how we develop the infrastructure that they need to create new, safe communities, but despite all the barriers in front of us, the goal is one that we cannot give up, and that is to have a viable, ethnically diverse democracy in that part of the world. Anyone that believes in that objective has got to be considered a resource for us and we need to work with him, and I know that AID is trying to do that.

The odds are almost insurmountable, but the goal is worth whatever resources and personal and collective commitment we can devote to that goal. So I'm glad to see the kind of turn-out we have for this briefing, and I'm anxious to hear what the director of AID has to say about it.

Mr. *Reid.* Congressman Wolf, like you, we almost crossed paths in the Balkans this past month. I found the trip to be tremendously educational, but words cannot describe it. Only the eyes can see the devastation that's taken place. To watch on television what's happened to Sarajevo doesn't give the true picture of the devastation that has taken place.

At the former Olympic village—what we all looked upon with amazement during the 1986 Winter Olympics—the tennis court has 10,000 graves on it. We went out in a helicopter over the country, Tuzla. It's hard to describe the nothingness that is there: this almost idyllic land with these rolling green hills or mountains with these homes which nobody lives in. They're vacant. No animals, no people, mile after mile of vacant space.

I would agree with you, Congressman Wolf, that something must be done regarding Karadzic and Mladic. They are, in effect, thumbing their noses at forces that are there. They have their own little realms of power, and I think the international community must recognize that until they are brought to justice, we cannot have a re-establishment of any type of peace and security in that region.

I know that the Agency for International Development is not the agency which we should be directing that to. However, I hope that people within earshot understand that, as far as I'm concerned, this is a problem that is not going to go away. I think the administration and the international community should get their acts together here and figure out a way to capture these two indicted war criminals.

Mr. *Wolf.* I thank you, Senator. Brian?

Mr. *Atwood.* Thank you very much, Mr. Chairman. I appreciate the words spoken here. I will try to comment on some of these aspects of the problem. I want to thank the Helsinki Commission, your commission, for holding this event. I appreciate the turn-out. Obviously there's a great deal of interest in this subject. I might add also, I appreciate the opportunity to sit up here for a change. I've had a few hearings lately and it's a lot better view from here.

Let me say a few words, since I know that this audience is very knowledgeable on this subject: why we're there, why we're doing this. It shouldn't have to be answered, that question. It seems to me that it's obvious; nonetheless, there are people who do raise that question, and so I think I'll start there, and then I want to give you an update on where I think we are with respect to civilian implementation.

First, let me address the issue of why we're there. I think those people like Frank Wolf and Jim Moran and Harry Reid know why we're there. We're there, obviously, because of our humanitarian concern for the victims of this war. That ought to be reason enough. But there are a lot of people who suggest that this is simply another example of foreign policy by social welfare, and that there really are no geopolitical interests of the United States in Bosnia.

Well, let me tell you, when there's a war in Europe, it is in the United States' interest to try to help resolve that problem. The first impact that a war in Europe has is on some rather fundamental interests of the United States. We obviously are looking at a situation which engages NATO. This is a real test for NATO. We have set a foreign policy that has bipartisan support of enlarging NATO. We want to see NATO extended so that we can take the occasion of this opportunity to bring about stability and security in Europe for many years to come.

Part of our foreign policy has been to try to transform the former Communist states of Eastern Europe and Central Europe and the former Soviet Union so that they'll become democracies and free market economies. The progress in doing that has been harmed greatly by Bosnia. The countries in the immediate area have been harmed more than others, but nonetheless, we're talking about places like Romania, Bulgaria, Albania, and Hungary, that are directly affected by the embargo.

We have seen refugee flows out of Bosnia into Europe that are creating major changes in the politics of Europe, and that affects our interests as well. We have always supported unity in Europe, and there are now nationalistic forces, anti-immigrant forces evolving in Europe that are changing the politics, making it more difficult for Europeans to move toward the requirements of the Maastricht Treaty and more of a community and a common currency and the like. So we have real interests in this region, and they're not only humanitarian, but they're geopolitical and very pragmatic.

Let me just tell you a little bit about what I think is happening in Bosnia today.

There are many positive signs. For example, there are people who are removing semi-permanent security barriers. There are people who are starting new businesses. There are sandbags being removed. There is more communication, more people out on the street. There is a return to normalcy, in a sense.

There are people who want desperately to get out into the fields and begin planting, and that is happening now that the planting season is with us. More information is being exchanged than ever before, and in a very curious way, that information is being exchanged in a more secure environment. In my opinion, as each day goes by, the extremists are being marginalized day by day.

I'm not disagreeing with the point that has been made about people like Mladic and Karadzic and others, but we are seeing them being marginalized as economic activity, information flows, and other things improve. A great deal of the credit for that goes to the NATO force, the IFOR force. They deserve that credit, the U.S. military in particular.

Last week, I attended a briefing at the Pentagon for the principals from Secretary Perry, Secretary Christopher, and others, by General Joulwan of NATO. It is clear they have achieved a good deal of their mission. Disengagement has happened; the zones of separation have been created. Many people who were working and many of the people with whom AID is and has been, now see major changes on the ground.

What needs to be done now? Obviously, we know that we're under the gun; a great deal needs to be accomplished before the IFOR forces can leave. The fact that the IFOR forces are known to be leaving at the end of the year is a very positive factor, and I want to leave that thought with you because it's creating a great deal of pressure on the civilian implementation side.

The first thing which I would cite that needs to be done is a great deal more resettlement. Mrs. Ogata [U.N. High Commissioner for Refugees] has a plan. The international community has committed itself to help. She is focusing on the 1.3 million displaced persons inside Bosnia first. We are hoping that we will continue to have the cooperation of European nations who are housing many of the refugees so that we can get that job done before the infrastructure of Bosnia is swamped by people coming home from other European countries.

Housing is crucial here because a lot of these people are not in permanent homes. Sixty-five percent of the homes in Bosnia have been damaged, and that is why USAID has launched a major housing repair program. We hope by October 31 to repair 2,500 houses in 44 villages; and, in those villages, we will also do municipal infrastructure repairs so that there will be no excuse. People can go home.

People are already registering for this program. We believe it will generate at least 2,000 jobs in the construction industry in Bosnia. This $29 million program is really a model for what we would like to see other donors do. It's already under way. We expect to see real activity there by mid-June with all of these houses fixed by October 31.

We've set a timetable for ourselves with respect to this and the other programs in which we're engaged, and we are going to move to make sure that we keep that timetable.

The second thing that needs to be done, and this is really crucial, is to resume economic activity. We have now between 3 and 5 percent of the industrial output in this society that we had before the war. The potential is there. The people know how to work. But when there is no currency, when there is no economic activity of any kind, you basically have to prime the pump. That's what the international community is doing.

Just a few months ago in Brussels, the international community pledged this year $2 billion to start that process. This is part of a $5.1 billion program that the World Bank has created, which we believe will resume economic activity in this country. Now, obviously, we want to be using private sector resources as well, and a lot of that will be used for that purpose.

We have to help transform this economy at the same time. This is, after all, a society that used to have a command economy. This is not the way to get reconstruction moving or economic activity moving, and so therefore, we have helped, working with the central bank, to create the macroeconomic environment so that this will occur. It's a great part of what we're trying to do.

This package, which we now can look at with a great deal of confidence, will actually happen because the U.S. Congress has helped us with the initial phase of our contribution. We'll include, in the first year, $248 million for economic revitalization and reconstruction in which the United States will actually participate.

We have two basic programs there. One is an economic financing package which will have us putting resources directly into the banking system of Bosnia, which is very fragile. We just learned this morning that Chase Manhattan Bank will be there with us with

bankers so that we can follow these loans. Already activity is occurring there. We're already identifying those who are qualified for these loans.

Basically, it will go into the construction industry or to people who want to reconstruct a business or a home or whatever. But the money will have a balance of payments impact as well, so that then Bosnia will be eligible for even additional money from the World Bank and others.

We'll also be engaged in a municipal reconstruction program which will go through the government. Again, it will have a balance of payments impact, and it will go directly to municipalities which have power plants that are out or water systems that need to be repaired or whatever. It will be highly targeted, but it will have a real impact; and both of these programs will allow Bosnians to gain the hard currency they need to pay off past debts and to begin once again to have a hard currency that they can use. It helps to resume that kind of economic activity.

Obviously it's crucial, when you consider that we'll still have another 200,000 demobilized soldiers that will be coming back into the economy and they're going to need work. So there are two things that are important about this: economic activity in and of itself and the institutional support for that, and jobs. If we can do that, then we can begin the process of reconstructing the economy and the society with Bosnians, not with just external help.

I saw the *Christian Science Monitor* article this morning. Theirs is the highest estimate I've seen for the reconstruction effort. It said $50 billion. We've heard $30 billion, but it's really difficult to figure. But, the $5.1 billion in the next 3 years from the international community is just a very small portion of that. What is required here is to get economic activity moving so that the Bosnians can generate the wealth necessary to reconstruct their own society.

Next point is one of great interest to the Helsinki Commission because the Organization for the Security and Cooperation in Europe (OSCE) is responsible for elections. We very much want to see the Dayton Agreement followed. We want to see elections before 9 months. The date, the crucial date, is September 14. We would hope that we could hold those elections before then, but it is probably not likely before the first part of September.

It's obviously crucial to have these elections when IFOR is in full force, when we can use that security umbrella for this purpose. Ambassador Frowick, the chair of the electoral commission, is working for the OSCE. He has to certify that the conditions are right to hold elections. That means a lot of things. It means that we would like to see cooperation among the parties to encourage a free and fair election.

It means that we have to see freedom of movement to allow for that to happen. It means that we'd like to see a politically neutral environment. It means that we'd like to see freedom of association without intimidation. Let me tell you that today we can't say that those conditions do exist, but we have confidence that we will be able to achieve that goal.

We have a great deal of concern that the parties are not contributing to the creation of this environment. In other words, we're concerned that they're not fulfilling their obligations under the Dayton accords, and we will continue to place pressure on them to fulfill those obligations. We'll be holding a forum next week to discuss this and the creation of the institutions that will be put in place after the elections with leaders from Bosnia, and the Secretary of State plans to participate in this forum.

This is obviously something that our government is seized with. We are doing everything we can to support this process, and we're doing everything we can to try to help create the conditions; this is why we have invested money in the OSCE itself to support the mechanics and the environmental aspects of this; and this is why we're supporting American NGOs and being involved to try to help, especially those political parties that are not ethnically based.

We would like to see some of those parties that are traditional parties survive this process. So there's a good deal to be done before we can get to that point. The last point I would make is on the justice question. Clearly, we need to be supporting the international war crimes tribunal. Many of you may have seen that this week the first trial of an alleged war criminal started.

I've spoken about this to Justice Goldstone, who needs all the support that he can get. We need to demonstrate to all of the parties that the impunity that occurred during the war will be punished. The United States military and the NATO military forces are contributing to this by escorting investigators to the sites where massacres allegedly occurred. Investigators, now that the weather is better, are going in and looking at these situations and attempting to ascertain who caused these horrible massacres.

I don't think that we've seen anything like this in recent years. We certainly have seen what happened in the genocide in Rwanda. In some cases, while not as widespread as the genocide in Rwanda, these are horrendous crimes against humanity; we've got to do something about this and demonstrate that people cannot get away with this kind of thing. That, I think, will enhance confidence among people as well.

If we get to work on all of these and make progress, will we create the conditions that are necessary for an IFOR withdrawal within the year that has been prescribed by the NATO countries? That is the $64,000 question, is it not? I believe that we can lay the foundation. I believe that we can do the work necessary to resume economic activity, to resettle the bulk of displaced people. It cannot be done, obviously, without U.S. leadership, without a driving force to make sure it happens.

The World Bank, under the leadership of Jim Wolfenson, has done a great deal. They've gone out on a limb. Bosnia wasn't even a member state of the World Bank, but resources were committed even before that occurred; and I'm sure that the World Bank is going to make its contribution. The European Union, under the European Commission, has pledged more money than anyone else to this process. They've pledged something like $379 million out of the $2 billion that was pledged.

However, the best that can be said about the European Commission and the World Bank at this juncture is that they are poised to move. My belief is that by the end of this year, we can have spent about one-half of the $2 billion that's been pledged. If we do that, if we spend a billion dollars in this small country, we can make a major impact. We can really give people hope, we can give them some confidence in the future, and we can do what we can to make the Dayton Agreement an enduring one.

If we find the situation unstable at the end of the year, let me tell you that I think the President of the United States and everyone who is engaged in this, Europeans and others, cannot afford to allow this to fail. So we'll do what we have to do. At this juncture, I can tell you that we believe it's very important to keep the pressure on, to try to keep our deadlines, including the December 20 deadline when IFOR is due to leave. It's vitally important that we do that.

I think that, because of the reasons I stated at the outset, we must press ahead. I believe in the next few months, you're going to see civilian implementation moving, and a large part of the reason will be that the U.S. Government will be in the lead. We want to see the Europeans assume that role and believe that they will assume that role. I can tell you that, despite the early problems that the high representative's office had, mainly because of the concerns about Sarajevo and the Serb neighborhoods, that operation is now operating very well. The high representative wants to see as many of the donors involved as possible.

I have to say one final thing: the United States in Bosnia had some built-in advantages in being able to move faster than the other donors. One reason was that we had a lot of our non-governmental organizations who had worked in the country throughout the war, so that we had over 100 people who were working on AID contracts for humanitarian purposes in place.

They knew the country well, they knew the people well, and they knew what needed to be fixed. So we continue to provide food and disaster relief assistance in this country, and I think we're doing more to help Mrs. Ogata with the resettlement than anyone else because we know these villages and our people have taken real risks with their lives to make this process work.

So I feel proud of the fact that not a single person that we know of died of starvation during the war. Too many died of other causes. But that's quite a humanitarian feat when you consider the extent of that war and its terrible consequences on so many people.

I believe that this is a real test. It's a test of the patience of our political system, and in an election year. It's a test of the Agency for International Development, the U.S. military, the State Department, all of those who are engaged in attempting to make this work. It's a real test of the international community; and if it's a test that we fail, believe me, the consequences are going to be very serious.

It's going to mean that in the post-Cold War world, ethnic tensions and the wars that are created by them cannot be controlled by the United Nations, by the European community, by the United States, and by the World Bank and by all of those that are engaged in attempting to make this work. My belief is that it will work because those organizations and the world community as we know it cannot allow it to fail. Thank you. I'll be very happy to take questions.

Mr. *Moran.* Thank you very much, Mr. Atwood, for your testimony and particularly for your involvement in rebuilding Bosnia. I thought I might ask a few questions, and Senator Reid might, and then we can have the audience identify themselves and participate in some questions.

Mr. *Reid.* The audience can have my questions. I don't have any.

Mr. *Moran.* I don't believe that.

Mr. *Reid.* We in the Senate try to keep things brief. [Laughter]

Mr. *Moran.* We've seen some of those Senate filibusters. Well, everything's relative. What you last said, Brian, is a good stage for the area that I wanted to get into. The reconstruction of Bosnia preferably would not be something that is conducted by the outside world, but that really takes place on behalf of and by the Bosnian people themselves. Three out of four of Bosnian adults have lost their livelihood.

It would seem to me that the reconstruction effort itself is a source of a great many jobs that they desperately need and perhaps even more so the kind of training, whether

it be in building trades or the whole scope of functions that must be performed in any economy and society.

So I would hope that AID would take an instrumental role in training people to perform much of the work themselves rather than hiring people at wages that are not typical of Bosnian wages, but receiving money that the Bosnians desperately need. If we could train the Bosnian people to perform much of the infrastructure development, we'd be accomplishing a far more enduring objective than just contracting out with American or other firms to do it for them.

What kind of work are you doing in that area?

Mr. *Atwood*. Well, you're absolutely right. We're trying to facilitate the renewal of the construction industry that already exists. Actually, not a lot of training is necessary. We hope to use local materials, local people, and pay local wages to get this job done. There's a desire to do it. There's certainly a desire to get back to work, and there's a limited amount of training that needs to be done.

The biggest problem that we have from a development point of view is in transforming the economy from a command economy to a private-oriented one, and that's a problem in helping people to re-think the way they conduct themselves in terms of economic affairs. But this was an economy that worked, that had small businesses. I mean, the former Yugoslavia allowed more of that kind of entrepreneurship than many of the Communist countries in the region, so the talent is there.

The people obviously have been off fighting wars and doing other things that are not helpful to this society, but when they get back, we think that the talent is there to make this work in a sensible way.

Mr. *Moran*. You came from the National Democratic Institute. In your former life before you became Administrator of AID and involved with the government, you were helping to lay the foundation for democratic governments around the world. In coordination with OSCE and others, are we trying to identify future leaders and develop them and perhaps have exchange programs and the like to lay this foundation of responsible political leadership that is not nationalistic in orientation?

Mr. *Atwood*. Absolutely, and we've got a number of groups that are working to support the creation of a political system that is more pluralistic than existed before. The biggest challenge, as I mentioned before, is that some of the parties that are now taking over are really ethnically based; and I think people at the grassroots level are getting a little sick and tired of the monopolistic control that some of these parties have.

There have been some traditional parties that are multi-ethnic, that are seeking even to go across the line into Republika Srpska. We've got obviously three major ethnic groups, but there are other ethnic groups as well. We'd like to do what we can to encourage that kind of party even though it isn't easy to encourage cross-ethnic reconciliation at this point.

The effects of this war have been tremendous, and people are afraid to go back to some of these villages where there's a majority ethnic group of the other side. We're encouraging people to move; and, of course, under Dayton, they can move freely. There have been some problems there, and IFOR is concerned about these kinds of movements. But we don't expect, in the first year, a lot of cross-ethnic resettlement; and that's a problem for the future.

We need resettlement to occur. In many cases, it's going to be in same- ethnic villages. The divisiveness that was caused by this war—and it isn't just Serb versus Muslim, it's Croat versus Muslim as well—is really deep. To try to overcome that in the political process is going to be a real challenge. We have to get from here to there. People right now are working on the constitution that would be put in place after the election. That constitution will be a democratic constitution under the Dayton accord. That is the desire of all of the sides.

Mr. *Reid*. Mr. Atwood, one of the real problems of people not going home is highlighted by the elections. Where do they vote?

Mr. *Atwood*. Yes. Of course, that is a real issue, and people have the right to vote at their home place, or they can change their registration. It's one of the issues that people at the OSCE are struggling with right now because they've got to have the resources available now so that people can re-register if they wish to re-register. Right now, they can vote where their home was, but some of them will choose not to do that. That is regrettable.

We had hoped that more would choose to vote at their home base because it means for the most part that they're part of a minority, and the hope had been that they would vote for the more moderate elements of the majority, in the case of Muslims who lived in Republika Srpska, for example. It doesn't seem to be happening; but, nonetheless, there are other provisions for re-registration.

These are complicated factors, and that's why, in the next month, we're going to really have to work intensively on these things to get ready so that we can indeed certify that the conditions are right for an election to take place.

Mr. *Moran*. Harry, are you sure you don't want to bring up other issues or questions?

Mr. *Reid*. No.

Mr. *Moran*. I know everybody would like to hear from you.

Mr. *Reid*. OK.

Mr. *Moran*. Well, thank you very much for joining us.

Mr. *Atwood*. Thank you, Senator.

Mr. *Moran*. Thank you, Senator. Mr. Atwood, you've discussed the issue of war crimes and used the word "impunity." One of the problems with the impunity with which people are still conducting themselves goes beyond just a belief that we all have that you can't really have sustained peace without justice. But beyond that, their ability to operate with impunity, and I'm speaking not just of Karadzic and Mladic, but also General Arkan.

There's a whole group of people who have no business still operating in a civilized society, but they've been particularly instrumental in discouraging groups from being able to work together. Mladic and Karadzic, I know, were influential in destroying any kind of multi-ethnicity we had left in Sarajevo neighborhoods, and I understand that they're still trying to do that, to pull the country apart.

Are your people confronting that? I know that they can't confront them directly, and I think NATO ought to go after them personally; but how are you dealing with this residual hatred that they have been so successful in fomenting, particularly among the Serbian villagers who would prefer that things go back to normal?

Mr. *Atwood*. Well, that's really a serious problem, and I had mentioned before that I didn't disagree with the prescription for the problem, but we have to be careful about

what we say so that we don't produce a counter-productive result. The problem here seems to be that they're in Pale with a great deal of support and a great deal of security around them.

We would like, obviously, to work throughout Bosnia-Herzegovina, including in the Republika Srpska, to deal with ordinary people who are sick and tired of war. We've been testing public opinion, having focus groups and the like, and what we're learning is that people, as each day goes by and as they can look at the prospect of peace, really want to return to normalcy. So that's one factor that's important.

They are exchanging more information. That's important. They're beginning to get a little tired of the controls that the SDS, in the case of Republika Srpska, is attempting to exercise against them and of course, that's from Pale. We, obviously, would like to work with the media. We would like to work with broadcasting and put information out that would encourage the separation of ordinary people from the radicals, the extremists. We believe that can be done.

Mr. *Moran*. With VOA trying to——

Mr. *Atwood*. We're working on a whole variety of things, including VOA, to see if we can get some messages there and working with the people of the country itself. I think we'll be able to do that. I can't obviously comment on other aspects of the security situation, and I think IFOR has done a wonderful job. We need to get from here to there, and we'll see what happens to the war criminals. My hope is that in the end, they'll be so isolated that their own people will just turn them in.

Mr. *Moran*. You'd like to think so, although I worry about the role of the Serbian Orthodox Church in continuing to give them support as well. You know, it's discouraging to see the $219 million—the total that we're pledging—when it may seem like a lot of money out of context, but in the context of a need of the immediate amount of $5 billion, which is only an eighth of what we know is actually needed, we are not providing the kind of support that it seems to me is necessary.

Do you think that there's any chance that we might try to get more aid committed internationally? Do you see any prospect of that?

Mr. *Atwood*. Well, the fact is that we have always said that we believe the Europeans should take the lead here, and I'm afraid that a majority of your colleagues up here would not want to see us providing more money in this situation. I feel quite good about the pledges that we were able to make. We made pledges, I think, of $282 million at Brussels. Only the World Bank and the European Commission were ahead of us, and that's where they ought to be, it seems to me.

The total amount of money that the United States is going to be spending in Bosnia this year is $563 million. In other words, the pledges were only against that World Bank financing package. That was only the money that would have a balance of payments impact. The rest of it is humanitarian. We're spending $162 million in humanitarian assistance this year. So the United States doesn't have to take a second seat to anyone in terms of the contribution it's making this year and I hope it will make for the next several years to the reconstruction of Bosnia.

It is, after all, in the Europeans' backyard. Yes, I made the case that it's in our interest; but the fact of the matter is, we are also carrying the burden of Haiti and other problems in our backyard, continuing to look at Central America after the problems down

there. This is a time of budget stringency, and I believe that, given that, we have really made a good contribution to the effort.

Mr. *Moran*. Well, thank you. I'm sure you're right that the majority would not want to contribute more. In fact, we're reluctant to contribute what is already committed.

Who would like to ask some questions? As opposed to the kinds of questions we ask, we want you to ask brief questions, to the point and, of course, appropriate. We have a microphone here if you would like to use it.

Questioner. Yes, Mr. Atwood. My name is Suzanne Rose. I'm with the Schiller Institute. I wanted to ask you about reports that the World Bank and the IMF are demanding that Bosnia repay 17 percent of the debt of the former Serbian aggressors. Wouldn't that undermine, in your view, or sabotage the reconstruction effort?

Mr. *Atwood*. What has been done here is to calculate the debt of the former Yugoslavia, and the World Bank and the IMF, I think, have done a good job of apportioning that and then attempting to mitigate the impact of it so that what we're really talking about is a small transfer of funds as the other countries come forward with their balance of payments support for the government.

It doesn't have as big an impact as you suggest. It's something that has to be done because we're dealing with bankers at the international level. The IMF just can't write off a debt. They have to figure out how to do it, but I can tell you that they've been very creative in this situation. No one in the Bosnian Government, for example, complains about the way the international community has handled that problem.

We're really not talking about a serious matter, and I won't get into some of the other underlying points of your question here, but the debt of the country of Yugoslavia was divided up among all of the republics that became independent.

Mr. *Moran*. Other questions? Yes, sir?

Questioner. Yes, Jack Amick from Peace Corps. I was curious to learn a little about intentions of using Bosnians in the reconstruction process. It's been suggested paying in local wages and so forth. I'm also juxtaposing that with the comment that was made about the concerns of switching from a central economy to a market economy, and how do you propose to go about making this transition without placing more dependency on foreign assistance?

Mr. *Atwood*. Well, the problem right now is that there is not any hard cash to buy anything. You can't buy tools and equipment necessary to reconstruct the country. So the international community has to come in with some hard currency to try to get the banking system to the point where it is operable and to help the government convert its currency so that it can have a viable currency. Right now the German mark is the currency that is being used in the country. That's how flat on its back their economy is.

In the early stages, we're really not worried about creating dependency on foreign aid. What we're hoping is that the currency that we can put into the country will be used to help start small business, or restart small businesses. At the end of the 3-year period, we still don't think industrial output will be what it was before the war. We're talking about maybe reviving it up to two-thirds or so of what it was before. Then it has to just keep building on itself as time goes by.

But there's a great deal of sensitivity. We're seeing small businesses start up again, but mostly it's in the services industry. We'd like to see the construction industry, which

was quite healthy in Bosnia by the standards of the former Yugoslavia, start up again and believe that this is the best way to get it done.

Mr. *Moran*. Other questions? Yes?

Questioner. Mr. Atwood, what is the current status of the funds that were earmarked for Bosnia-Herzegovina that could possibly be very helpful in setting up community bridge-building and so forth that Mrs. Clinton announced at the end of January that I understand has not actually been disbursed yet?

Mr. *Atwood*. I'm not sure about the technical detail, whether they've been disbursed. But when a group of American women, including my friend Nancy Rubin—and there were others who were more famous than her—went to Bosnia and began to express their concern that we weren't doing enough for children and traumatized women, victims of rape, and the like, we looked at this situation again and found, indeed, that we had moved some money away from the IRC, I believe, that was doing some of that work. We went back and scrubbed some numbers.

The reason for this, I have to tell you, is that there's a great deal of focus on the need to make sure that we're contributing money that has a balance-of-payments impact. If we can't put our contribution into the overall financing package, then there is a threat that the whole thing would fall apart. So of $5.1 billion—we had to contribute, we felt, at least 20 percent of the foreign exchanges part of that; otherwise we would have real trouble.

Here comes the chairman. Mr. Chairman, how are you? Nice to see you, Chris. How are you?

Mr. *Smith*. Good.

Mr. *Moran*. Chairman Smith has arrived. Chris, we've been getting some good questions from the audience, all of them appropriate. I'm going to turn the ball back to you. But we were just having people ask short, concise, to-the-point, appropriate questions. They've been doing that. So if you want to catch your breath, we can do a couple more and then we can——

Mr. *Atwood*. I'll just finish the answer. So we went back to the drawing board and found, I believe, $1.3 million that we could put back into that program. I'm pleased that American citizens can go out and look at situations and call problems to our attention, because certainly that's of major help to us.

I personally visited a small school for orphans, war orphans, children who had been traumatized in Sarajevo, and they were doing wonderful work. We cannot exaggerate the impact of this war on children or on women who've been raped, in many cases just as a weapon of war. That system was used. It's just awful to contemplate, and we need to do what we can to heal the mental side of this as well as the physical infrastructure side.

Mr. *Moran*. Good to hear your commitment to that. I know the chairman shares that concern, and I certainly do. In fact, the person asking the question has been very much involved in that on a constructive basis as well, with the children and the female victims of this war.

Are there other questions? Ma'am, go ahead.

Questioner. I'm Lisa Lee from World Vision, and you were mentioning that NGOs had been in Bosnia since the beginning of war and that they knew the problems. I was just wondering if the change in focus indeed would be a change in using NGOs to implement the program, and if that's going to change at all in the future?

Mr. *Atwood*. No, I don't think it is. These programs, the bigger ones that I mentioned, are rather esoteric. Therefore you need bankers to run the money that we're running through the banking system and the like. But we've turned to the NGOs to do the shelter repair program and part of the municipal repair program, because they know the villages. They know what to do, and they've developed quite a capacity to do this kind of work, including World Vision, I might add.

But this is something that NGOs weren't that good at doing 10 years ago, and it's amazing what our NGOs now can do. Some of them are involved in land-mine education programs. It's really quite remarkable to see the scope. Thanks, Jim. So we're going to be using NGOs. That is a major asset to the United States. A lot of the European donors don't have that asset.

I'm not suggesting that they're not there. We're actually using some European NGOs as well. We're mainly interested in getting this job done, and we have a real commitment to NGOs because they have a much more personal relationship with people on the ground, and that helps us encourage a civil society as well.

Is there a question in the back?

Questioner. I came late, so I'm not sure if you talked about this, but Mr. Shattuck spoke about the international police force. The local police forces were unable to arrest the war criminals, and I was wondering if you could speak a little bit about the war criminals, the ones who have been indicted.

Mr. *Atwood*. Let me make it clear that we want the parties to abide by the Dayton agreement, and they've all committed themselves to doing it. So if there's an indicted war criminal, we expect local police forces to arrest him. I must say that that's not something we expect to be realized in the context of Pale, but that is the commitment that the local authorities made. So we're going to continue to put the pressure on until that occurs.

However, I'll tell you, with respect to the international police force, that at this juncture they're unarmed. That was the whole notion, that they would be there to support, to be monitors, to provide information and education to local police institutions and the like. Of course, if these people run through a checkpoint—I know it happened early in the process here, and there was a judgment made by the commander on the ground that the problem would have been worse than the solution or whatever; the solution would have been worse than the problem.

It's difficult. I can't get into a lot of detail about this. IFOR commanders have said that if they see these war criminals, they will arrest them. I would say that in any given situation, their first concern is for the security of the overall situation itself.

There's been some controversy about freedom of movement, that IFOR may inadvertently be restricting it. Well, you heard General Joulwan the other day talk about the problem. If you have a large group of people that want to move across the zone of separation, obviously it's in their interest to make sure that these people are not armed and are not going to be met by a large group on the other side with stones and guns and other things as well. So these are tricky questions that have to be resolved by the commanders on the ground. But I can tell you that nothing that I say or no rules of engagement restrict us from actually arresting these people, and we will do it.

Questioner. The secretariat——

Mr. *Atwood*. That's right. Anyone who's indicted.

Questioner. I'm Diane Paul, and I just returned from a month on the ground in Bosnia. One of the things I did in relation to IFOR is I interviewed individual soldiers on the ground to find out what they would do if they come across persons indicted of war crimes. I have to tell you that many of them are not at all clear what we should do. A young soldier from North Carolina said, "Well, I'm not supposed to arrest them, ma'am." And a Scandinavian fellow down the road said, "Well, if we arrest them, they'll be out soon; so we don't arrest them, we let them go." The Russian IFOR had no knowledge of what I was even talking about. So there's a lot in terms about how clear it is for them on the ground.

Also you stated what many of us are concerned about: we're 6 months into it now almost, and what commanders are concerned about is the carrot and sticks that the international community has to offer are being given away. For example, if sanctions are lifted for the Bosnian Serbs. Also it looks as if it might be possible to get Croatia admitted into the Council of Europe, which means that you won't have as much leverage on Croatia to bring them into line in the cause of Bosnia-Herzegovina.

Can you describe the kinds of pressures, specifically when you're talking about the international community, to bring about the conditions for free and fair elections and freedom of movement and removal of indicted war criminals?

Mr. *Atwood.* I can describe some of those pressures, and I cannot describe others of them. There is a great deal of diplomatic discussion and pressures that go on that wouldn't make any sense for me to talk about publicly. But believe me, we are seized with these questions. We want, in the case of war crimes themselves, to protect evidence. Despite a concern about mission creep initially, I can tell you that I think our military is playing a very positive role in attempting to protect areas where it's clear that human rights abuses and massacres occurred.

I can tell you that we continue to pressure, through the Yugoslav-Serb Government, about these issues, and that we're holding out full recognition there in exchange for complete adherence to the Dayton agreement. We will continue to try, through a whole series of means, to influence the situation.

I didn't want to let one comment go by that Congressman Moran, who's not here, mentioned. He mentioned something about the Serbian Orthodox Church. I don't agree with the comment he made. I do believe that the Serbian Orthodox Church has been cooperating with us and with Serbs from this country and people from that religion all over the world. We're seeking to bring together the three major religions to try to bring about reconciliation in that way as well. So there are positive things that we're attempting to use, as well as negative threats and the like.

If we think that we're going to have a perfect election, we're wrong. We're not going to have a perfect election. I believe that the minimal conditions will be met. We also cannot allow the good to become the victim of the perfect. I obviously feel very strongly that this must be a free and fair election and that we must move on from there to create a framework that we can build on for the future—a constitution that recognizes human rights and practices democracy in all of its forms. But it will not be perfect. I haven't found one yet that is. But the most important aspect of this is that we can find a way to maintain the peace after the IFOR troops have departed. It's important for us to get from here to there and keep our eye on that ball.

Mr. *Smith.* Yesterday the Subcommittee on International Operations and Human Rights, which I chair, had a hearing on the U.N. Convention on Torture and legislation that I introduced a full year ago to try to bring us into statutory compliance with it. One of the provisions would increase the U.S. contribution to the U.N. Voluntary Fund for Victims of Torture to $3 million. I'm grateful that you went from $500,000 to $1.5 million this year, and that is a help.

We heard from several people who treat victims of torture. They have established centers designed to care for the incredible needs of torture victims, especially those with post-traumatic stress syndrome and other psychological aftermath. In testimony prepared yesterday, I learned of a center in Zagreb.

First, what thought has been given to increasing even more the amount of contribution to the U.N. Voluntary Fund for Victims of Torture? Second, what are we doing to help these victims of torture, through centers such as the ones in Minnesota or Zagreb?

Questioner. Could you repeat the question?

Mr. *Smith.* With regard to the people who have suffered torture, what help is available, through the torture victim center in Zagreb and other sources, especially for those who are suffering from post-traumatic stress or psychological aftermath? Is help through those centers sufficient? Could we beef up our contribution to the U.N. Voluntary Fund for Victims of Torture?

Mr. *Atwood.* Before you came in, Congressman, I had a question similar to that. We have just increased our commitment, I believe, to the IRC for work with victims of torture. But I think that what we're talking about here is a State Department matter, is it not, Ted, from the international organizations bureau? So I will have to take that back and see on that question. I obviously consider it to be important. I've been there and seen the traumatized children. Anyone who's seen that has to be moved by it personally. And I know you've been committed to these kinds of things over the years. We'll do whatever we can to follow up on this.

I mentioned before the constraints that we have. We've got to be able to contribute to that international financing package, which means those activities which are scored as balance of payments. I'd like to get into the black box that scores these things. But humanitarian relief generally isn't scored as a balance-of-payments contribution to the Bosnian Government. That's part of the pressure that we have on our budget at this point. I will not bore you by mentioning the other pressures that are on our budget, which I think you're more familiar with than I am.

Questioner. Sara Manning with the Winston Foundation. I wondered if you would give us an update on the international police task force, which countries have committed officers, how many and how close is this to becoming operational?

Mr. *Atwood.* I'm not sure. I don't follow that closely, to tell you the truth. It's not part of my mandate. But Ted Morse over here, by the way, whom I keep looking at, should sit up on the end there, because he can answer some of these questions. He is AID's coordinator. I meant to introduce him at the beginning and forgot to, but I should never forget Ted Morse. He's been at AID since 1961, when the agency opened up.

There's no career person that I know of who knows more about our agency and its work than Ted Morse. But he also represents us on all the Bosnia inter-agency panels. I know one thing that's kind of interesting about Ted Morse, and that is that his brother

volunteered to be one of these police officers who has gone over to Bosnia. So maybe he can answer the question.

Mr. *Morse.* Just briefly, the numbers at the moment are about 13,000 of the expected 20,000. There's probably only another 5,000 in the pipeline from a total at the moment of 11 countries.

Questioner. They're operational now or getting close?

Mr. *Morse.* It is very operational. I was in Bosnia the last 2 weeks; I just returned over the weekend and visited many of the IPTFs. I will say this. To be effective, they need better communications, better translators, better transportation. But the monitors are very effective. I visited one group that was instrumental in taking the handover of 121 prisoners outside of Tuzla.

Questioner. [Off mike]—Foundation. I was wondering in the discussion of securing the peace of the Dayton accords if there's a factor of the equation that's missing, and that is Bosnia's very large and very powerful and not very democratic neighbor, Serbia and Montenegro, and in addition to the pressures that are being placed on Serbia, if there's any funding or strategy for positive measures that could be taken to try to promote democracy and political pluralism, particularly in regards to lifting of sanctions?

Mr. *Atwood.* Before I came into this job, it was mentioned before that I had worked at the National Democratic Institute. We did a lot of work before the war, and one might say, "Well, the work all failed because it all broke down into war." But I came to know many Serbs—Yugoslavs then—who were real democrats with a small 'd', who were really dedicated to it.

We have obviously worked very closely with Milosevic. Without Milosevic, I don't think we would have gotten the Dayton agreement. However, I can say that we're really concerned about the crackdown, the authoritarianism that seems to be manifesting itself in the Serb republic. It is a shame, because there are so many wonderful people there who would like to see pluralist political parties, non-ethnic political parties of various ideologies. I've seen all of them. I've seen some wonderful people in the free press who need to be encouraged. I think the international community and the United States should be doing democracy work in the Serb republic.

Questioner. Mr. Morse, my understanding was that there were 2,000 international police force. You said 20,000.

Mr. *Morse.* We're talking about from all the nations. If I said 20,000, that's wrong; the IPTF is 2,000. Twenty thousand is the U.S. in IFOR.

Questioner. Kim Green from the Salvation Army. We have a three-phase program in Republika Srpska right now—construction, heating, and agriculture. We've had great assistance from both the civil affairs units in the military and the military, the British military in our area. I was wondering if you can speak to this great potential source of help, the troops that have quite a bit of idle time in Bosnia and their being able to assist NGOs in Republika Srpska——

Mr. *Atwood.* Well, I think particularly—and the two congressmen can attest to this—there's been a good deal of concern on the part of our armed services committees here that they not get involved in mission creep. But nonetheless, within the context of the mission they have, which is to create a secure environment, they've done a good deal of work in the civil affairs area.

I was very impressed the other day to see the number of bridges that have been built, reconstructed in some cases. It helps reconciliation to have people not cut off because of a river that might block their way. I think they've contributed greatly, and I don't think that's mission creep at all. I think it's directly related to their mission, and I think they're prepared to do more, because part of their mission is to try to help prepare the country for this election, which can be a very traumatic event in the history of Bosnia as we proceed in the next year.

I think they've been forward-leaning. It depends, again, on the particular unit, whether it's a British or American or whatever, as to what it is they're capable of doing. But I think that we should feel very proud of the role that our military has played, and we obviously want to be working hand-in-glove with them. They have identified many projects for us, AID, to carry out. We'll have to look at them on a case-by-case basis. Some are appropriate and some are not, in light of the strategy that we've all agreed to.

Mr. *Smith.* I want to add one thing. Had it not been for the military, Operation Provide Comfort would not have saved so many Kurds. Many of us saw firsthand the tremendous effort they made. There is a block of members on both sides of the aisle who do not want to see the military undertaking a more humanitarian role. On the flip side, many of us feel there is a very worthwhile mission. You mentioned idle time. There is something to be said for using that time to save lives, especially when there are only so many NGOs and so many AID dollars to go around. You can maximize that effort. There is, I think, a wellspring of support, and I think Mr. Wolf shares the opinion of using the military for many of these things.

Mr. *Wolf.* Absolutely.

Questioner. [Off mike.]

Mr. *Atwood.* Well, I know some of the people that have been over doing surveys of the political scene and have identified parties. There is a good deal of hope that, at least at the local level, that multiethnic parties will do better than they will at the national level. I don't think it's possible to hope for too much in this first election except to launch a process that will lead to reconciliation and cross-ethnic integration.

Part of the equation has to be economic activity. I mean, right now these people are all living in enclaves—a Croat enclave, the Republika Srpska, Muslim villages, and the like. Because there is no economic activity, there's no reason for them to communicate with people across the river, in the case of Mostar, or across a few miles in other cases.

But when that economic activity resumes, I think things are going back to normal. But it's not going to be overnight. This has been a very traumatic experience. I think that to the extent that we can, through our housing programs, whatever programs, we should be always keeping in mind reconciliation, as Congressman Wolf mentioned. I mean, that ought to be one of the main purposes here.

I had an experience in the West Bank this year. The Republican Institute was sponsoring a polling organization, a Palestinian who'd been to Colombia. This fellow was very good, and he was taking polls. Last year, some 57 percent of the Palestinian people supported acts of violence against Israel. This year it's under 20 percent and falling, and it's fallen even further since the real attacks against Israel.

Why did that happen? Because people have come to depend on one another. There's more communication. There's more understanding that the peace process itself has something for me, something for the families and the individuals. My belief is that if you were

to poll the ethnic groups in Bosnia today, you'd probably have still a pretty high percentage of people saying, "I support acts of violence" against whatever the other ethnic group is.

But the peace process that's been put in place by Dayton and the economic activity and the political activity that is designed under Dayton is designed to lower those numbers over time. The security that our military is providing also does that. As people return to normalcy they say, "I have more of a stake in peace than I have in war." That's what's crucial about all of this. I really believe that we can succeed.

Maybe this is simplistic, but Tito held the Yugoslav republic together for all those years using the techniques of communism. I believe the techniques that are available to people who want to practice democracy are much more powerful than what Tito had available to him. Therefore, it's possible. We can do it.

I don't want to get emotional about this, but my wife and I a few weeks ago had occasion to go down to Kitty Hawk and see the Wright Brothers Museum and hear a great deal about their accomplishment. This is can-do Americanism. This is what I believe makes us a great nation. All of the talent we have, fine. We can match that with anyone, it seems to me. But it's this idea that there isn't any problem that can't be overcome. That's why our leadership in Bosnia is so crucial, it seems to me.

Questioner. Then you call it a year?

Mr. *Atwood.* Let me say, what I said we had to do in a year was to lay a foundation. But this is going to be a multi-year effort, and we've got to stay in there even after our military departs.

Questioner. Of course. Pieter DeGoojer with the Netherlands embassy. If I understand the information you distributed correctly, you have reserved for aid to the Republika Srpska $2 million out of the total that you have available. How does that relate to what you just said about the necessity to make sure that everybody has a stake in peace?

Mr. *Atwood.* Well, we're obviously leaving open our further aid—when we received the money from Congress—and we didn't argue with this—it was part of the legislation that we would spend 87.5 percent in the area controlled by American forces or in areas contiguous to it. That could include parts of Republika Srpska. We're obviously exploring this. We're probably going to be opening an office in Banja Luka. It's quite clear here that we want to be constructive and that we understand that the peace process won't hold unless we are working—and I mean the international community now—throughout Bosnia-Herzegovina, including the Republika Srpska.

We will not work with people who will not abide by the Dayton accords or who are war criminals. That's quite obvious. So I think that for this first year, what we're trying to do in the Republika Srpska, obviously, is to contribute to a better environment for the elections, which is why you have that $2 million listed. It's mostly for the democracy area. That's extremely important. We're keeping an open mind about this.

I might say that it's clear that many of the European countries are going to be investing a lot more money in the Republika Srpska. I think the overall international community's effort will assist the entire country of Bosnia-Herzegovina. Many of those countries will do the same thing our Congress wanted us to do, which is to concentrate their effort in the area where the IFOR forces are and the like.

Questioner. Will the United States be training the Bosnian troops before they leave or before the U.S. troops withdraw?

Mr. *Atwood.* Well, it's an important part of what we wish to do. Part of the Dayton agreement is that there would be a balance of forces here so that when we leave, there will be stability. What that requires, in the case of the Serb troops and some of the Croat troops, is that they'll have to downsize their military. In the case of the Muslim troops, there'll be a slight upsizing that will be necessary, and training as well, so that we can try to maintain some stability.

We're obviously holding out on our desire to equip and train until the Bosnian Government fully complies with the requirements levied by our law that all operational relationships with the Iranians and the like are stopped. We have to certify by June 15 to use the second tranche of our economic reconstruction money, that indeed that has happened. I can tell you that we feel confident because we've been putting a lot of pressure on and we've been having good discussions with the Bosnian Government that we're going to be able to meet and I hope even exceed the legal requirements by June 15.

Mr. *Smith.* Mr. Atwood, on the issue of refugees, do we have an accurate count of how many people want to resettle as opposed to be repatriated? And of the $70 million—I know this is also under the PRM [U.S. State Department's Bureau of Population, Refugees and Migration], but who's taking the lead on that? Is it AID?

Mr. *Atwood.* Well, the PRM is working with UNHCR on these issues, for the most part. But we're talking now about the approximately 900,000 refugees who are now in European countries, I assume. There are about 800,000 that are in the immediate area. I'm not sure. Ted, do you have an answer on that? We're attempting to contact all of those individuals in the context of the elections, obviously.

Mr. *Morse.* UNHCR has been running some surveys outside to find out who would move back now, who would resettle, who would repatriate, into what areas, under what conditions. They're not ready to release that information at this time. They want to scrub it a bit more.

Mr. *Smith.* There have been complaints that, before our people get to see them, UNHCR must first make that referral. Some people might find resettlement here an option and yet never get the opportunity to apply. I want to raise this issue again. Somehow we need to pierce the wall so that we can determine whether there are people who may be of real interest to us. They just simply cannot go back to their old home, but the mindset of UNHCR all over the world increasingly seems to be repatriate, repatriate, repatriate rather than resettle. Sometimes that is the right course. Obviously there are other times when it isn't.

Could I ask one other question on child survival, are the immunization rates up to snuff? So many kids missed out on their vaccinations during those years.

Mr. *Atwood.* Well, thanks in part to the two congressmen here and to Congressman Tony Hall, we announced several months ago a program to provide additional money to UNICEF for immunizations. That program is going forward. UNICEF is on the ground. I believe we're going to make even more money available under that program shortly. So that's obviously extremely important because of the lack of that kind of assistance for children during the war years. The whole purpose of the plan is to make sure every child in Bosnia is immunized over the next year.

Mr. *Wolf.* Brian, one last one on land mines, which are everywhere. What's going on with regard to land mines?

Mr. *Atwood.* Well, there is an international effort there. We're putting, I believe, $5 million into the clearance of land mines. To the extent that it relates and endangers our own military, they're engaged to some extent in it as well. It's a serious problem, but the parties have helped us, as they are required to do under Dayton, by identifying where those land minefields are.

We're able to isolate the problem to a larger extent than we thought when we first went in. But that means agricultural production is going to be down. You can't really continue to develop the country until those land mines are cleared. So we're working on it. If Ted has anything more he wants to add——

Mr. *Morse.* Just a note of some fact, Mr. Congressman. A demining coordination center is now operating in Sarajevo, and the three different militaries have turned over maps to our IFOR, and those are being computerized. There is a coordinated effort to move ahead quickly on a priority basis where people have to resettle, where you have to repair the electrical and the water lines. They have a very good plan, but it is going to be a horrendous task for a long time.

Mr. *Smith.* Any other questions?

Questioner. Mr. Atwood, you mentioned earlier about the infrastructure and construction industry. I'm a representative of a U.S. contractor. We've done considerable work over there. Several years ago we renovated the embassy of the Government of Yugoslavia. We've done work in four republics and—[inaudible]—housing factory in—[inaudible]—build houses and using the people that we're training in the local area to construct these houses. In view of this large amount of honeycombed infrastructure, how can we in the construction industry help you?

Mr. *Atwood.* I'm sure that with that profile that you just have given me that you must be one of the nine companies bidding on our request for proposal for the municipal infrastructure program. [Laughter.] If you're not, then you shouldn't be here today. You should be out getting that paper work done. [Laughter.]

But I have to tell you that in two cases of those companies, the two CEOs were on Ron Brown's plane when they went into Bosnia— very sad. But the companies are bidding on this program, and I'm hopeful that the right company will win. We have a very transparent, open, and fair system, right? And I'm sure all eight others will—no, never mind—[laughter]—will be very big fans of AID, as they always have been.

Yes, sir?

Questioner. One of the elements of the AID program there is helping the transition of troops from the Bosnian armies. I can see where that's going to work with the Bosnian forces—[inaudible]—will be focused. Does any money need to be directed to the area of Republika Srpska? They are going to have to demobilize substantial forces to be in compliance with the Dayton accord. I understand—[inaudible]—federation has a two-to-one ratio over the Republika Srpska. So are we going to fund demobilization of Republika Srpska forces?

Mr. *Atwood.* Well, I mentioned before, in answer to the person from the embassy of the Netherlands' question, that most of our money is being concentrated on the American zone. However, you know, there is——

Questioner. The American zone does straddle——

Mr. *Atwood*. The border.

Questioner.—Bosnia and Republika Srpska——

Mr. *Atwood*. That's right. That's right. No, I'm aware of that. Let me just say this, that this is an issue that the international community, in particular Carl Bildt's office, is seized with. We want this to be a well-coordinated effort. We've got to deal with demobilized soldiers. We don't want them to hide their weapons and go back to war as soon as IFOR leaves. We've got to try to create jobs for them. That's an understanding that when I went to the implementation conference in London, we talked about this.

There is a pretty well-coordinated plan to try to bring about this reconstruction in a sensible way. Soldiers who have been demobilized are an important part of it. I wish we could contribute to all aspects of this, but the United States just can't. I think we're playing an important role. As I like to say, we let the Europeans lead, and we hope that they'll take that up. We're very much in the back seat, hoping that we can influence the way this turns out.

Mr. *Smith*. Thank you very much.

Mr. *Atwood*. Thank you.

[Whereupon at 3:36 p.m., the Commission adjourned.]

FY 96 USG-FUNDED ECONOMIC DEVELOPMENT AND HUMANITARIAN ASSISTANCE FOR BOSNIA-HERZEGOVINA

Prepared by United States Agency for International Development
May 9, 1996

FY 96 USG-FUNDED ECONOMIC DEVELOPMENT AND HUMANITARIAN ASSISTANCE FOR BOSNIA-HERZEGOVINA

BACKGROUND Under the agreement brokered by the United States that resulted in the Dayton Peace Accords, the U.S. committed troops to a multinational force in Bosnia and Herzegovina and pledged U.S. assistance in a multinational civilian peace implementation program. With the signing of the Peace Accords in Paris in December 1995, the international community assumed a responsibility to help rebuild war-torn Bosnia and promote economic and democratic initiatives for maintaining the peace once IFOR leaves the country.

The Bosnian people, the United States, and our allies have begun the challenging task of securing a lasting peace. In order to cement the peace process, it is imperative that people experience the tangible benefits of economic growth and reconstruction and participate directly in the building of a democratic society. The success of the peace process will be measured, in part, through the economic recovery of Bosnia and Herzegovina and the institutionalization of democracy. Therefore, the United States foreign assistance program in Bosnia seeks a stable post-war Bosnia-Herzegovina with strong Federation institutions, a recovering, functioning free-market economy, and democratic governance.

In FY 96, the USG plans to provide $410,000,000* for economic development and humanitarian assistance in Bosnia.

A. **USAID HUMANITARIAN ASSISTANCE - $162,000,000**

Since 1991, the United States Government has provided about $1 billion in humanitarian assistance to relieve the suffering caused by the conflict and massive population displacement.

TOTAL USG HUMANITARIAN ASSISTANCE TO DATE
(Includes approximately $310m in Department of Defense funds for transportation of humanitarian assistance supplies, etc.)

FY91	$1,000,000
FY92	47,362,239
FY93	343,841,260
FY94	387,869,602
FY95	182,428,753
FY96 (to date)	88,012,740
TOTAL	$1,050,514,594

USAID will continue emergency and transition aid during CYs 1996 and 1997. In FY 96, the USG will provide $60m for food assistance, including foodstuffs such as wheat flour, vegetable oil, cornmeal, beans, and rice; $70m for refugee assistance and resettlement aid; and $32m for disaster assistance including: materials for temporary emergency shelter, clothing, fuel, and other critical items for survival until the recovery activities take hold.

B. **TRANSITION AND RECOVERY ASSISTANCE - $248,000,000**

With $198,000,000 in FY 96 Emergency Supplemental Funding, coupled with an additional $50,000,000 in FY 96 **Support for Eastern European Democracy Act (SEED)** resources, the United States Government, through USAID, is instituting a major economic reconstruction and democratic revitalization program for Bosnia.

B.1 **USAID ECONOMIC REVITALIZATION AND RECONSTRUCTION - $165,500,000**

($000s)	SEED	SUPPLEMENTAL
Reconstruction Finance	3,000	65,000
Debt Reductions/Arrears		3,000
Gorazde Road		3,000
Municipal Infrastructure	4,000	70,000
Infrastructure Finance	2,000	
Emergency Shelter	**12,500	
UNICEF/Education		1,000
Reserved for Republic of Srpska		2,000
Total	21,500	144,000

The International Financial Institutions such as IBRD and EBRD, will finance an economic structural adjustment program to assist in the economic recovery effort. To support this adjustment program, the USG will help meet Bosnia's priority needs for external financing through grants to the GOBH, with the equivalent DM, and later local currency, which will be used to help finance the repair of Bosnia's devastated physical infrastructure and to provide loans, at non-concessional rates, to local enterprises to help jump-start the economy.

The **Municipal Infrastructure and Services** (MIS) Program will finance the reconstruction of community infrastructure to support the return of displaced persons and demobilized soldiers to their homes and to promote economic recovery. Grant financing will be made available primarily in the U.S. sector of the peacekeeping Implementation Force (IFOR) and Sarajevo to reconstruct services including water, sewer, electric power, transportation, communication, and local community facilities such as schools and health centers. Projects are expected to have an average cost of $1.5 million. The Emergency Shelter Repair Program, complementing the MIS activities, will finance 2500 units this construction season. The Program's objective in contributing to the successful implementation of the Dayton Peace Accords is to help stabilize Bosnian communities damaged by the war, generate employment, and create the basis for a return to normal civilian life conducive to permanent peace. The program will maintain strict program and financial accountability through a concurrent audit mechanism.

Reconstruction finance under the **Bosnian Reconstruction Finance Facility** (BRFF) program will provide quick disbursing loans to support resumption of economic activity and creation of market-oriented employment opportunities for demobilized troops and civilians alike. The resumption of economic activity, in the form of new economic enterprises, will help the people acquire a stake in a lasting economic recovery and a lasting peace.

A U.S. Operating Management Unit (OMU), fully staffed by experienced U.S. bankers, will make loans on a non-concessional basis with full USG monitoring, concurrent auditing, and oversight, with repayments to be used for further lending under the program.

Some funds are reserved to start work in the Republic of Srpska ($2m) and to support UNICEF's ($1m) education recovery work in Bosnia.

B.2 **ECONOMIC TRANSFORMATION AND DEMOCRATIC REFORMS - $31,000,000**

Bosnia faces all the reform issues faced by the other countries in the region in addition to the distrust left by the war. The priority task facing Bosnia-Herzegovina is the revitalization of the economy to create jobs and income, while building the framework for a private sector market economy. At the same time, the United States is helping to build strong, enduring democratic institutions in a just and multi-ethnic society.

-- ECONOMIC STABILIZATION - **$17,500,000**

	($000)
Privatization	(5,000)
Financial Sector	(4,500)
Enterprise Restructuring	(2,000)
Fiscal/Tax Reform/Customs	(3,500)
Finance/Technical Assistance	(2,500)

Economic Stabilization will help finance the reactivation of production and rapid expansion of employment within a growing private-sector led economy. USAID technical assistance will help reform the economic system within the post-war rebuilding process.

Macroeconomic assistance will focus on helping the Bosnian government to make the transition to the National Currency Board, stabilizing the economy, and ensuring that the external assistance is provided within a sound macroeconomic framework with sound monetary and fiscal management. The United States Department of the Treasury will provide advisors to help with these tasks and help the government manage its external debt.

Technical support to the Bank of Bosnia-Herzegovina, the Ministry of Finance, and other Federation institutions will address critical fiscal and monetary policy issues including tax policy and administration, budget and expenditure management, and rationalization and modernization of the customs operations. U.S. Treasury-financed advisors will help formulate a Federation

Budget Law, set up a budget department at the Ministry of Finance, and help establish expenditure policies and control mechanisms. The establishment of a Federation Customs Agency (FCA) is mandated by the Dayton Peace Agreement. USG assistance will help create a unified plan for the fragmented customs operations in Bosnia and create a modern FCA.

Debt relief ($3m), managed by the Department of the Treasury in conjunction with other donors, will help generate up to $500,000,000 in debt relief for Bosnia. Technical assistance to the banking and private sectors will accelerate privatization of state-owned enterprises, and the private market-oriented banking sector and establish strong prudential bank supervision. In the legal area, the USG will help develop the legal and regulatory framework to support viable economic and commercial relations.

-- DEMOCRATIC REFORMS - **$13,500,000**

	($000s)
Media	(1,200)
Elections/Political Process	(2,500)
OSCE (elections)	(8,000)
Public Administration	(800)
Judicial Reform	(1,000)

The democratic reform agenda supports the growth of an open media, free elections, responsive government, and a fair judiciary. The media, particularly state-controlled television, often played an incendiary role in the period leading up to the civil war and could continue to play a detrimental role during the peace initiative. The best antidote will be creating a variety of outlets so that no one viewpoint predominates. USAID will provide training and small grants to promote independent election-related information to voters and will help develop a commercially-viable, professional, and independent media.

The Organization for Security and Cooperation in Europe (OSCE) is responsible for administering the elections in Bosnia, with $8m in direct financial support from the Supplemental, with resources in the annual USG contribution to OSCE, and other donor funding. USAID will also help foster an atmosphere for free elections open to all candidates including election-related assistance through U.S. NGOs should such help be needed.

Rebuilding and strengthening government structures linking municipalities and cantons with the Federation is an urgent priority for the reconstruction program. Public Administration technical assistance will help local and federation governmental entities to manage budgets, develop transparent procurement systems, and deliver services responsive to community needs.

Building a professional, ethnically neutral judicial system is an essential counterpart to an effective civilian police force and basic building block for a viable democracy.

B.3 **POLICE TRAINING AND MONITORS** - **$41,000,000**

$38,000,000 Supplemental
$ 3,000,000 SEED

Pursuant to the Dayton Accords, the United Nations has created an International Police Task Force (IPTF) to monitor, advise, and provide training for local law enforcement personnel in Bosnia-Herzegovina. The development of this local police capability is critical to the overall success of the peace effort and U.S. policy in Bosnia. The IPTF will ensure the timely departure of IFOR and create the stability required for returning displaced persons and holding of free elections. The USG has pledged 200 police monitors in Bosnia and in Eastern Slavonia. $21 million will help finance salaries and equipment of this U.S. monitoring contingent and $20 million will fund transitional training for select law enforcement officials.

B.4 ***DEMINING*** - ***$5,000,000***

The estimated 3-6 million land mines in Bosnia-Herzegovina pose a threat to IFOR, peace efforts, and economic recovery. Five million dollars, in addition to $3.5 million in other U.S. funds, will be used with other donor demining support, to establish in Sarajevo a Mine Action Center combining an information clearinghouse and training center focused on demining.

B.5 **OPERATING EXPENSES AND ADMINISTRATION** - **$5,500,000**

$3,000,000 Supplemental
$2,500,000 SEED

An estimated $5.5m will be used for implementation costs for the FY 96 Bosnia program.

SUB-TOTAL FOR FY 96 SUPPLEMENTAL	**$198,000,000**
SUB-TOTAL FOR FY 96 SEED	**50,000,000**
SUB-TOTAL FOR FY 96 HUMANITARIAN	**162,000,000**
TOTAL	**$410,000,000**

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* $410,000,000 in FY 96 resources are from the following sources:
  - -- FY 96 Supplemental
  - -- FY 96 SEED (Support for Eastern European Democracy Act)
  - -- FY 96 MRA (Migration and Refugee Assistance)
  - -- FY IDA (International Disaster Assistance)
  - -- FY 96 PL 480

** Another $12.5 million in disaster assistance funds this $25 million Emergency Shelter Repair Program.

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

FACT SHEET

WASHINGTON, DC 20523

USAID'S BOSNIA EMERGENCY SHELTER REPAIR PROGRAM

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or Ann Kittlaus, Washington 202.647.4274

- On Monday, 24 March 1996, First Lady Hillary Clinton announced the $25 million Emergency Shelter Repair Program for Bosnia during her visit to the Tuzla Air Force Base.

- The project funded by the United States Agency for International Development (USAID), the independent aid agency of the U.S. government, will begin in Bosnia without delay targeted for completion by the fall of 1996. Grants will be announced in the first week of May.

- The immediate focus of the U.S. Government's support for the national reconciliation objective outlined in the Dayton Peace Agreement, is to initiate and accelerate the return of Bosnian displaced families and refugees to their homes in war affected areas through civilian and economic recovery programs.

- USAID will channel the money for the Emergency Shelter Repair program through non-government and private relief agencies on the ground in Bosnia in concert with local suppliers and builders providing an estimated 2,000 jobs for Bosnians including decommissioned soldiers.

- This program will provide basic emergency repairs of single family houses for approximately 2,500 families (12,500 people) living in villages in or contiguous to the U.S. area of responsibility of NATO's Implementation Force (IFOR). Emergency repairs will be made to houses that have been badly damaged, but are still structurally sound.

- The Emergency Shelter Repair Program will accelerate the return of displaced families from temporary places of refuge in towns and municipalities to their own homes where they can resume or undertake agricultural and other productive activities.

- The repairs will bring the houses to minimal standards of habitability, with up to two insulated rooms. Houses will be repaired only for families who can prove pre-1991 ownership.

- The United States has contributed over $1 billion to humanitarian relief efforts in the former Yugoslavia since 1991. The United States Agency for International Development (USAID) -- the independent aid agency of the U.S. government -- has delivered this aid, primarily through grants to group of non governmental organizations (NGO's) on the ground in Bosnia.

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EMBARGOED FOR RELEASE:
1 MAY 1996, WEDNESDAY

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

USAID'S BOSNIA EMERGENCY SHELTER REPAIR PROGRAM

Fact Sheet

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- The $25 million Emergency Shelter Repair Program is funded by the United States Agency for International Development (USAID), an independent agency of the U.S. government responsible for delivering U.S. humanitarian and development assistance.

- The USAID Emergency Shelter Repair Program targets approximately 44 villages in Bosnia -- villages largely in, or contiguous to, the U.S. area of responsibility of NATO's Implementation Force (IFOR) -- for limited emergency repairs to homes. The USAID Emergency Shelter Repair program is targeted for *completion* by the fall of 1996.

- The USAID Emergency Shelter Repair Program is designed to help 2,500 families (approximately 12,500 people) return to their native villages and begin taking control of their own lives while encouraging other people to eventually return home. The program will generate over 2,000 jobs for Bosnians -- including decommissioned soldiers. It is shelter and jobs that are consistently listed by Bosnians as two of their most pressing needs. The areas that will be targeted include villages around Tuzla, Bihac, Gorazde, Jajce, Maglaj, Donji Vakuf, Gornji Vakuf and other locations.

- The USAID Emergency Shelter Repair Program will target roughly 50 homes in each of these villages. The program will not build new houses or fully reconstruct damaged structures. Emergency repairs will be made to houses that have been badly damaged, but are still structurally sound, i.e. badly damaged or without a roof, windows, or doors. The program will help fix up to two rooms in each of these houses ensuring rooms are weatherized to withstand the bitter Bosnian winters.

- Actual construction will be carried out by eight non-governmental organizations given USAID grants through the program which include: Action Internationale Contre la Faim France, CARE International, Catholic Relief Services, Equilibre, International Rescue Committee, Mercy Corp Internationa/Scottish European Aid,United Methodist Committee on Relief, and World Vision. These organizations will implement the emergency shelter repair program using local contractors and construction workers.

This is a U.S. Government publication produced by the
Commission on Security and Cooperation in Europe (CSCE).

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