

The European Union in Bosnia and Herzegovina



**Repairing
reconstructing
reconnecting**



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The European Union's pledge

Since the signing of the Dayton/Paris peace agreement, the European Union has been in the forefront of helping Bosnia-Herzegovina along the road to peace, democracy and a viable market economy. The European Union's involvement in all aspects of life in this emerging State represents a unique challenge. Europe's commitment covers three main areas:

- the repair of war damage and reconstruction
- the creation of an administration for a new State
- the double transition from a socialist regime with a controlled economy to a free market democracy

Giving peace a chance

The war following the disintegration of the ex-Yugoslav Federation was the first on European soil since the end of WWII. It caused immense suffering to its main victims, the civilian populations. Their plight touched the hearts of the people of the European Union, who suddenly saw the spectre of war re-emerge when they thought it had gone for good. The EU was far from insensitive to the tragedy unfolding on its doorstep, and welcomed 750,000 refugees from the war zones onto its territory. European solidarity in the form of a humanitarian operation on an unprecedented scale never ceased throughout the war.

The war left Bosnia-Herzegovina totally ravaged. More than half its population was displaced and more than 1.2 million citizens had to flee abroad. Once the peace accords had been signed, the complete destruction of infrastructures, high unemployment, huge numbers of displaced people and a worthless economy seriously threatened the region's stability. It became clear that if they were to be worth the paper they were written on, the peace accords had to be accompanied by an ambitious reconstruction programme. The EU immediately committed itself to donating one billion ECU to Bosnia-Herzegovina. Together with its Member States, the EU today is this new country's principal partner.

Paving the way to tomorrow's Europe

In terms of aid to Bosnia-Herzegovina, the EU is not content with simply carrying out emergency repairs - i.e. restoring conditions to what they were before the war. Most of the projects are long term investments with the aim of providing this new country with solid democratic foundations and a viable market economy. In the long term, conditions have to be such that Bosnia-Herzegovina can take its place in the construction of the future Europe. But the country can meet this challenge only if its three communities are reconciled. This is the reason why the EU is supporting projects that lead to dialogue between the two entities (The

Federation of Bosnia and Herzegovina (Croat-Bosniak*) and Republika Srpska) which make up the new state. The EU is also looking to mend the broken ties between the different republics of ex-Yugoslavia. The EU has unique experience to share with these new nations. It too was created gradually to guarantee peace and prosperity for its Member States.

By the scale of its interventions and the great diversity of its aid programmes, the European Union and the European Commission (EC) in particular have become indispensable partners with Bosnia-Herzegovina, despite the fact that the Dayton/Paris accords gave them no mandate. Nevertheless, the EU works very closely with the Office of the High Representative (OHR) in charge of supervising the implementation of the civil aspects of the accords, as well as with the other organisations such as the United Nations, the UN High Commissioner for Refugees (UNHCR), the NATO Stabilisation Force (SFOR) and the Organisation for Security and Co-operation in Europe (OSCE).

Bosnia-Herzegovina's place in Europe

A first: on 8 June 1998, at the Luxembourg Council, the European Union adopted a declaration on the Special Relations between the EU and Bosnia-Herzegovina. A momentous political gesture which confirms the special nature of the ties between the Member States and this new State (see the full Declaration on the special relations between the EU and Bosnia-Herzegovina on page 15).

* In September 1993, the Bosnian Muslim community officially abandoned the name "Muslim" (Musliman) in favour of the term Bosniak. The three communities of Bosnia-Herzegovina are Bosnian Croats, Bosnian Serbs and Bosniaks (Bosnian Muslims). The adjective "Bosnian" refers to the population of Bosnia-Herzegovina as a whole.

European Union support: the main areas

EU aid to Bosnia-Herzegovina is given in the form of grants with no obligation other than the political commitment of the beneficiary. It is important to emphasise this particular aspect of European aid for the following reasons: ➤

➤ control over the use of funds is much more complex when it is given as a grant rather than a loan to be repaid by the beneficiary. The Commission therefore has to monitor every stage of the aid implementation very closely and this may involve long drawn out procedures;

➤ the Commission may take decisions in the interests of Community taxpayers to prevent irregularities or misuse of funds in the various programmes;

➤ the Commission is bound to apply the principle of political conditionality very strictly. In no way is aid given to those who do not respect the terms of the Dayton/Paris peace agreement.

Co-ordinating international efforts

Hardly a week after the signature of the peace accords on December 21st and 22nd 1995, the European Commission, together with the World Bank organised the first donor conference. If international efforts were to be efficient, a frame of reference had to be created within which all actions could be co-ordinated. The evaluation of war damage undertaken by engineers from the International Management Group (created and supported by the EC) acts as a reference point for all donors.

The European Union set the ball rolling by announcing its 1 billion ECU contribution to the international reconstruction effort for the period 1996 to 1999. And the ball is still rolling. On the Commission's initiative, the major donors met again in Brussels in April 1996, July 1997 and in May 1998. More than 50 countries are taking an active part in the co-ordinated reconstruction effort in Bosnia.

The supervision of the implementation of the civil aspects of the Dayton/Paris agreement has been assigned to the Office of the High Representative (OHR). Nearly half of its running costs are funded by the Commission, in addition to the support given to specific projects the OHR undertakes such as co-ordinating international agencies.



Green light for economic recovery 4th donors conference

The fourth donors conference which was held in Brussels last May 7th and 8th, confirmed the commitment of the 48 countries and 30 international organisations which are the mainspring of the reconstruction effort, since the objective of 1.1 billion dollars has been exceeded (1.250 billion dollars have been pledged). "It's a real success" declared François Lamoureux, Deputy Director-General, European Commission DGIA. "The European Union, which provides 50% of the aid to Bosnia-Herzegovina, is satisfied with the overall improvement in the situation", stressed François Lamoureux, "but the EU is still concerned by the slowness with which the Dayton accords are being implemented, especially as regards the return of refugees, co-operation with the Court of The Hague and co-operation between the two Entities that make up the country".

The Conference opened with the announcement of the agreement concluded between the authorities of Bosnia-Herzegovina and the International Monetary Fund (IMF); this agreement means that at last measures can be envisaged with a view to reflation of the country's economy. It will now be possible to implement the programme of external aid in a macro-economic framework at national level, whereby the whole population of Bosnia-Herzegovina will benefit.

➤ "In our assistance effort, we are under a strict political conditionality of which the most important element is that those who comply with the letter and spirit of Dayton/Paris can count on our support" --Hans Van Den Broek, European Commissioner for External Relations, during a joint press conference with High Representative Carlos Westendorp in October 1997.

IMG's architects and engineers plan the reconstruction



The IMG offers considerable operational support to the international community. Its team of engineers and architects co-ordinates, supervises and assesses the reconstruction projects, where it attaches particular importance to the long-term financial feasibility of the projects. The know-how and responsibilities of IMG will be progressively transferred to the national and local authorities in Bosnia-Herzegovina.

The International Management Group (IMG) was created in 1993 with the support of the European Commission. It is today playing a leading role in the co-ordination of reconstruction activities.

IMG's 145 engineers and architects evaluate needs, establish priorities, inform donors and local authorities and facilitate the start up of projects by preparing documents, supervising sites and evaluating progress. IMG has built up an essential database for the co-ordination of activities of the

various donors in the reconstruction field, whether it be roads, bridges, houses, public buildings, water installations or telecommunications.

IMG engineers and architects supply essential information to donors and are a driving force behind various Task Forces established for each sector (housing, transport, water and sanitation, power and telecommunications). Relevant local authorities are represented in these task forces as are the main donors under the auspices of the OHR.

Reconstructing the city of Mostar



divided by a confrontation line between Croats and Bosniaks. The level of destruction was startling: more than 5,000 buildings destroyed, industry and infrastructures devastated, 2,000 people killed, 26,000 refugees or displaced persons.

Starting from the principle that peace could only be consolidated by considerable economic aid, the Commission drew up a vast reconstruction plan for the city. The work undertaken has made it possible to rebuild the basic infrastructures in key sectors, such as water supplies, electricity, public transport, telephone networks, as well as completely restoring the hospital and health centres, and repairing more than 6000 houses, 25 schools and 8 nursery schools, the rebuilding of the airport and six bridges, including those of Carinski (144 metres), Hasen Brkic (112.5 metres) and Aviator (133 metres).

The administration of the city of Mostar was entrusted to the European Union following the Washington agreement of 1994, which put an end to the conflict between Croats and Bosniaks. This is very much a unique experience for the EU, and a first in the framework of the Union's Common Foreign and Security Policy. The European Union administration of Mostar (EUAM) started on 23 July 1994, just after the end of the hostilities, in a city

The European Administration of Mostar has also invested in the socio-cultural sector, which was totally destroyed by the war. Families and children suffering from the trauma of their experiences have been able to obtain psychological help, and elderly people without resources were given support. Artistic exhibitions, concerts and sports competitions have been organised to help rebuild the social fabric torn apart by the war.

Repairing, rebuilding, reconnecting

ECHO: a safety net for the vulnerable

The Commission played an active part in Bosnia-Herzegovina since the very beginning of the war via its humanitarian office (ECHO, the European Community Humanitarian Office). It has supplied the means for a considerable number of humanitarian organisations to come to the aid of people who were displaced, besieged and cut off from basic resources. ECHO was the mainstay of the largest humanitarian operation ever mounted on the European continent.



Photo UNHCR

Two years and a half after the Dayton/Paris accords, a great number of people are still totally dependent on humanitarian aid in Bosnia-Herzegovina. These include displaced people who have not been able to return home and are still living in collective centres (schools, public buildings etc.); old people who have no pensions and the institutionalised such as orphans and the handicapped. The distribution of food and hygiene products remains fundamental as long as there is no social security. ECHO offers a lifeline to these populations and at the same time tries to establish structures, which can eventually become autonomous.

The humanitarian office also plays an important role in projects related to the return of refugees and displaced people (see p.6).

The essential aid programme

After the signature of the peace accords, in addition to the numerous urgent repair operations undertaken by ECHO, the Commission was the first to set up an essential aid programme. The task was to respond to the most urgent needs, to improve living conditions for the Bosnian population and to set in motion the transition between humanitarian aid and the international community's reconstruction programme.

The essential aid programme allowed Bosnia Herzegovina to import the products and equipment neces-



Photo S. Duquoc

sary to start the reconstruction process. Building materials, piping, seed, agricultural machinery, medical supplies, mine detectors, buses, trams, electrical equipment, coal and all sorts of other equipment and raw materials were brought in and distributed. Roads were re-opened, power stations were reconnected, public services started up again, the first houses were rebuilt, public transport resumed, telephone connections were re-established and schools were refurbished.

Although the programme worked well for the first few months, difficulties later arose in monitoring the distribution of all these materials. There was a risk that this might lead to irregularities. The Commission then reviewed the programme. The importation of goods and equipment was replaced by integrated programmes in the same sectors, but whose implementation could be closely monitored. Thus, irregularities were avoided and the interests of the European taxpayer protected.

Major reconstruction projects



Photo G. Pequeux

The Bosanski-Samac bridge, a major artery linking Bosnia-Herzegovina with Croatia will be reconstructed and enlarged by the European Commission. This is one of the largest engineering projects currently being undertaken in the country. Road and rail traffic will soon start again. This is a significant economic step forward for the region. The mayors of the two municipalities linked by the bridge have got the message. They met for the first time during a visit by the European Court of Auditors in February 1998, in order to show their support for the project.

During 1996, the Commission set in motion its "OBNOVA" programme. "Obnova" means reconstruction in Bosnian. Most of the major reconstruction programmes are long term investments. In addition to reconstruction work in the literal sense, the projects include training in management and sectorial strategy in order to make the different sectors economically viable and compatible with current practices in the EU. For example, the Commission supplies refuse lorries but also trains the appropriate authority in the wider problem of waste management.

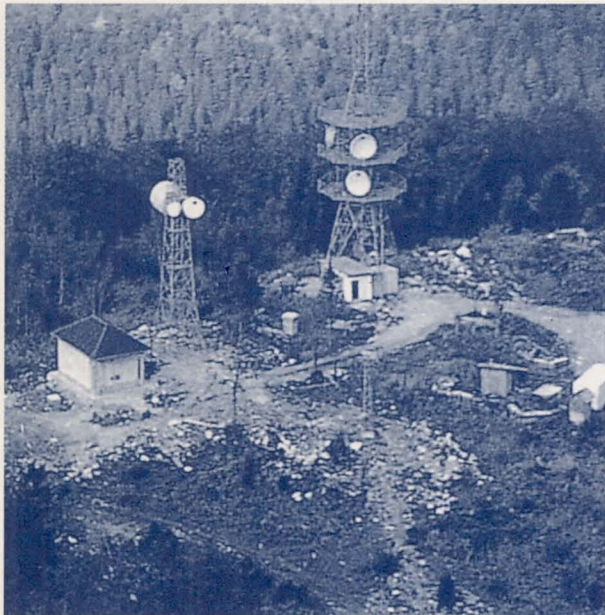
► Transport

The Commission has repaired many roads, bridges and railroads throughout the country. Three airports are being rebuilt: Sarajevo, Mostar and Banja Luka. One of the main objectives in this sector is to re-establish links between Bosnia-Herzegovina and its neighbours.

► Telecommunications

After four years of silence, the citizens of the two entities in Bosnia-Herzegovina can now speak to each other again. The reconnection of telephone links between the two entities became a reality in September 1997 thanks to work financed by the Commission. In addition to the repair and reinforcement of the network, the EC's assistance also allows operators to be trained in the commercial management of this public service.

Photo SFOR



After four years of silence, telephone links have been reconnected between the peoples of the Croat-Bosniak Federation and Republika Srpska.

► Energy

Energy is vital to re-establish normal living conditions, and allow factories and businesses to resume operations. The Commission has renewed installations at the major coal-fired and hydroelectric power stations. Power supplies are now more or less back to normal in most of the major towns and cities. Here too, reconstruction is not limited to simply repairing the pre-war installations. Assistance cannot be effective without the development of a viable energy resource management system.

Urgent action: de-mining Bosnia-Herzegovina

The war may well be over. The material means for reconstruction may well have been mobilised. But as long as the country is infested by mines, it can never recover. The hidden enemy can strike for decades to come. Classic mine detectors are often unusable in Bosnia-Herzegovina because there are so many metal fragments in the destroyed areas. Most major reconstruction projects can not start until de-mining operations on the site have come to an end. The Commission is confronted with this potential threat in a number of projects such as the repair of the water supply system in Sarajevo, the Bosanski Samac bridge and the rebuilding of the Dobrinja suburb near Sarajevo airport.

The estimated presence of 3 million mines and the number of accidents reported (35 people killed or injured every month, 80% of mine victims are civilians according to the British Red Cross) are clear evidence of this particular scourge. Fields cannot be cultivated, many houses are inaccessible, refugees are afraid to return home. Given that Bosnia-Herzegovina will have to face up to this threat for decades to come, it is very important that local people are trained in de-mining. The Commission has trained teams of Bosnian de-miners who are working on the major reconstruction sites. The EU is also the main financial supporter of the UN Mine Action Centre which was handed over to the Bosnian authorities at the beginning of January 1998. In order to increase the pace of de-mining, the Commission has just signed civil defence support programmes with the two Bosnian entities.

Photo I. Brusselmans



Risky business: an EC trained Bosnian deminer at work

Encouraging the return of refugees and displaced persons

The war caused the displacement or exodus of half the population of Bosnia-Herzegovina, about 2 million people. At the height of the crisis, the European Union was sheltering more than 750,000 refugees from ex-Yugoslavia, the majority of whom were from Bosnia-Herzegovina. Peace and stability cannot be guaranteed until refugees (outside the country) and displaced persons (inside the country) can return home.

To date, for obvious political and security reasons, refugees have returned to regions where people of their own ethnic origin are in the majority. A huge challenge lies ahead: the return to regions where they will be in the minority. It was clear from the start of the Commission's activities that it would not be sufficient to simply repair roofs and houses for the refugees to return. They would only come back if there were guarantees of safety, employment prospects, health-care, schools for their children and quite simply the right to move about freely without hindrance from boundary lines or the risk of mine explosions.



Photo: C. Harwood

Involving people in the reconstruction of their own homes: NGOs are best placed to tackle the complex problem of displaced people.

An integrated approach

Although the improvement in infrastructures has contributed in a general way to encouraging the return of refugees, the rehabilitation and reconstruction of houses goes hand in hand with a whole series of measures to improve living conditions. This not only applies for returning refugees but also for the communities to which they are



Photo Reuters

For every family that goes back home, there is another that has to find a new roof

returning, so as to avoid tensions between the two groups. The Commission has therefore financed numerous housing projects together with the rebuilding of health centres and schools, and projects to revive small businesses. The Commission's privileged partners in this type of project are NGOs. Because of their good field knowledge and the direct contact they have with municipalities, they can identify the rightful owners of houses that are to be rebuilt. Through personal contacts with families, they prevent tensions by proposing solutions which benefit both returnees and host communities.

ECHO (The EC Humanitarian Office) and DG IA at the Commission have adopted a complementary approach for all projects aimed at encouraging the return; ECHO concentrates on displaced persons in rural areas while DG IA finances larger scale projects in urban areas. The two Commission services play an active role in the Return and Reconstruction Task Force run by the Office of the High Representative.

The return of refugees and displaced persons: see key figures on page 13.

1998: a crucial year

"Easy returns" are over. Those who were able to return to unoccupied or slightly damaged houses have already done so. Most who have yet to return come from areas where they will be in the minority and/or where their homes

"The return of refugees and displaced persons is at the very heart of the problems persisting in Bosnia and Herzegovina. It is both a hope, the hope of a return to normal life, and a threat, the threat of social tensions and unrest. It is thus our duty to work together on eliminating the threat and turning the growing hope into reality."

Herman De Lange, Principal Advisor to the European Commission, in charge of Reconstruction in Bosnia-Herzegovina, at the 4th Donor Conference, 7th and 8th May 1998 in Brussels.

are already occupied by other displaced families. Finding a solution is more and more complex. Displaced families have to be re-housed before refugees can be brought back. The owners of each house have to be properly identified. It has to be made clear whether families whose homes are to be rebuilt actually intend to live in them. Problems are solved almost on a case by case basis. That's why the NGO approach is the most efficient one. The Commission for Real Property Claims (CRPC), an institution created by Dayton and largely supported by the Commission assists the work of the NGOs by studying title deeds.

The Commission boosts efforts

For the return of refugees, 1998 will be crucial. The efforts of the international community to re-establish decent living conditions and get the economy back on its feet are beginning to bear fruit. Recent favourable political developments in Republika Srpska are encouraging. To give a boost to the return, at the end of January 1998, the Commission invited a large number of NGOs to submit proposals for projects focused on refugee return. Projects worth more than one hundred million ECU have just been approved. They will start very quickly so as to take advantage of the reconstruction season.



Photo EC

On 2 April 1998, Mr Günter Burghardt, Director General DGIA of the European Commission, visited Sarajevo to sign a first series of contracts with NGOs working on the return of refugees and displaced persons. From left to right, the Prime Minister of Republika Srpska, Mr Milorad Dodik, Mr Burghardt and the Prime Minister of the Federation of Bosnia and Herzegovina, Mr Edhem Bikacic.

The response was far greater than expected: not less than 200 projects were submitted. After due appraisal, 24 projects representing an amount of 65 million ECU were selected. The contracts were signed on 2 April 1998 in Sarajevo and the NGOs are already getting down to the task ahead. For example, Hilfswerk Austria is preparing the return of displaced persons in the North of Bosnia. Their return will result in 300 houses being freed up, which will enable refugees abroad to return home.

The need for loans

In the two and half years since the end of the war, the European Commission has repaired 13,000 homes, enabling 50,000 people to return to their homes. That is considerable, but it is far from being enough. The reconstruction efforts are continuing, but all the needs cannot be satisfied. That is why the Commission is in the process of setting up a system of reconstruction loans, which will be available on very favourable terms to those who want to borrow to rebuild their homes.

Building a new State

Bosnia-Herzegovina is a new State, with new institutions, new laws, new borders, a new electoral system. The European Commission is laying the groundwork to give the new state a solid basis to build on.

Drafting new laws

Specialist European lawyers are assisting their Bosnian counterparts to draft laws inspired by those in force in the EU. For example, laws on foreign trade, crucial for the country's economic revival. European and Bosnian lawyers are working together in a long term perspective to put in place the principles of a free economy. EC experts are currently working on laws governing the banking, legal and commercial systems.

Supporting the electoral process

Given the very complex political context, the organisation and supervision of the elections in Bosnia-Herzegovina was assigned to the OSCE which has wide experience in the field. The EU gave substantial support to the OSCE to allow observers and supervisors to scrupulously monitor the process. The most recent municipal elections in September 1997 took place under a high level of surveillance. In 1996 and 1997, the EU supported the elections in Bosnia-Herzegovina with a contribution of 3 and 4.39 million ECUS respectively. During these two years, the elections were closely monitored: the means and materials made available by the EU enabled the presence of supervisors in nearly all voting stations. Regarding the elections in 1998, the EU has renewed its support for the OSCE with a contribution of 5 million ECUs, which will finance the EU supervisors as well as the OSCE/EU media centre. This centre will ensure the distribution of information relative to the elections at a national and international level.

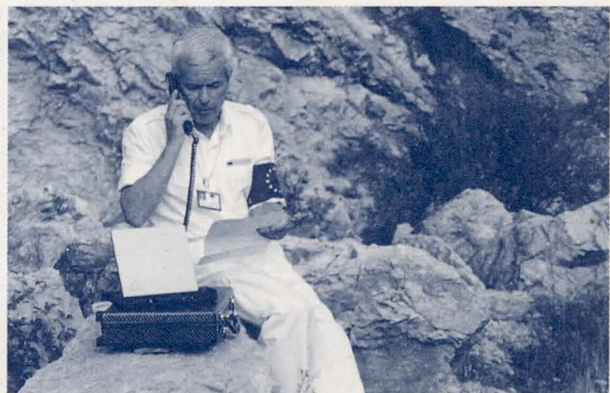


Photo ECMM

The "men in white" from the ECMM (European Community Monitoring Mission) travel the length and breadth of Bosnia-Herzegovina making reports on the political, military, economic, humanitarian and human rights situation. They are the EU's eyes and ears on the ground. They are unarmed, neutral and impartial. Through their local knowledge and their contacts they play an essential role in the observation of the electoral process as well as in the concrete application of the election results.

Customs: the new State's essential source of finance

For them to work, Bosnian State institutions must have financial resources. The ruined economy can not fill the country's coffers. Today the customs services represent the single biggest source of revenue for the Bosnian state. Officials from the European Commission Customs Administration and Fiscal Assistance Office (EC CAFAO) have done sterling work here. Having restored confidence between the Federation's two ethnic communities (Croats and Bosniaks), the EC CAFAO has managed to put in place an efficient and reliable customs service common to the two entities (the Croat-Bosniak Federation and Republika Srpska). The European customs officials assist and train their Bosnian counterparts. They build up systems which help detect and avoid fraud, of primary importance in a country undergoing transition. The objective is to apply customs procedures throughout Bosnia-Herzegovina which are modern, efficient and largely compatible with those of the European Union.

Making the new institutions work

The Dayton/Paris accords give a precise description of the Bosnian State's new institutions. To make them work, the EC is giving equipment, financial support as well as technical training to most of them.

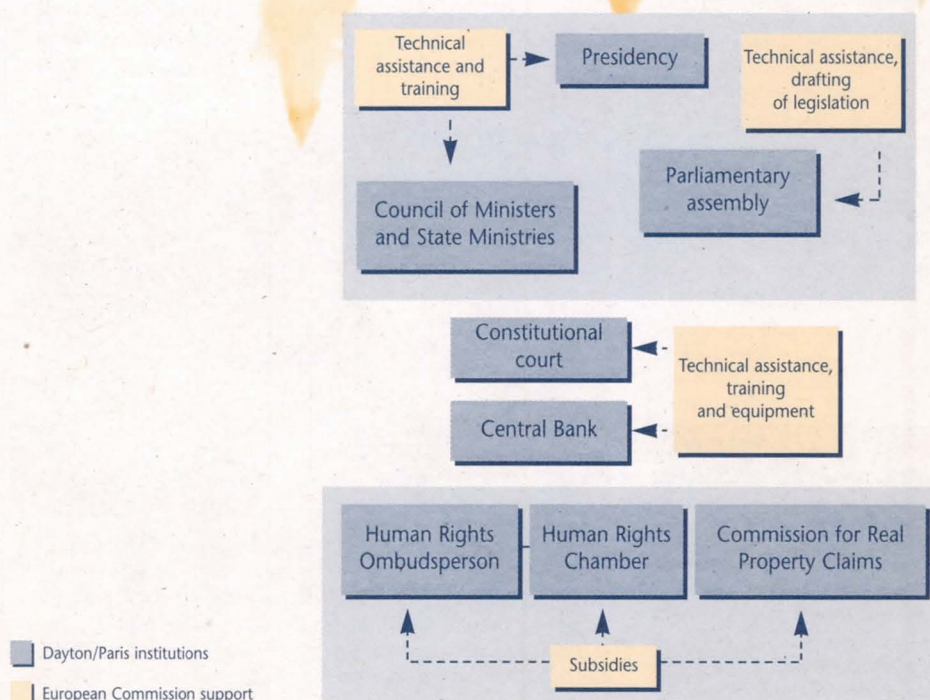
The Central Bank is up and running

Since June, Bosnia-Herzegovina has a new currency: the Convertible Mark, which, as its name indicates, has an exchange parity of 1/1 with the Deutsche Mark...

Up to now, 4 different currencies circulated in Bosnia-Herzegovina : the Croatian Kuna, the Yugoslav dinar, the Bosnian dinar and the Deutsche Mark. This new currency is issued by Bosnia-Herzegovina's brand new Central Bank which was set up on 11 August 1997. In accordance with the Dayton Accords, the Central Bank is an independent body that is common to the two Entities, and is sole responsible for monetary policy. The European Commission helped to set up this institution which is essential to the existence of Bosnia-Herzegovina as a State. The Commission entrusted the Belgian Bankers' Association (ABB) with the task of providing technical support and training the Central Bank's personnel. The ABB also organised the information campaign for the launching of the new currency by way of TV spots, leaflets, billboards and seminars. Apart from launching the new currency which is already a challenge in itself, the Central Bank has a major role to play in reconciling Bosnians with banks in general, as the latter are the key players in the transition to a market economy.



European Commission support to the institutions of Bosnia and Herzegovina



Towards a democracy and a market economy — a double transition

Boosting economy

The difficult political situation and the legal vacuum pending the approval and implementation of new laws has not allowed a large scale economic relaunch.

Nevertheless, the reconstruction programme stimulated the sectors associated with it. The Commission is also supporting a whole series of specific projects: support for SMEs, the establishment of credit systems, programmes aimed at bringing qualified Bosnians back home to work on reconstruction, the stimulation of commercial relations between Bosnian companies and companies from the Member States, the encouragement of foreign investment in Bosnia-Herzegovina, partnerships between chambers of commerce etc.



> Creating jobs

Returning refugees and displaced persons need to find work and reintegrate themselves into local life: the "village employment" programme allows them to do both. The European Commission takes on the wages of unskilled displaced persons or demobilised soldiers in municipalities, open to returning citizens. They are paid to clean up rivers, replant forests or carry out minor repairs to infrastructure. This has a direct, visible impact on host communities. This project managed by the United Nations Development Programme (UNDP) should employ a total of 142,000 people.

> Kick-starting small businesses

One example is the "employment scheme" run by the "Mission Locale de Strasbourg" in the Sarajevo and Banja Luka regions. The idea is simple: the salaries of workers that a business wants to take on are paid over a short period. Material and equipment can also be funded to a tune of up to ECU 10,000. Up to now success stories include hairdressing salons, bee-keeping, wood cutting, bakeries, to name just a few. To date, 80% of the people paid through the employment grants have found permanent jobs at the end of the support period.

> Encouraging foreign investment

On the Commission's initiative, a 10 million ECU insurance fund has been created to stimulate foreign investment in Bosnia-Herzegovina. Managed by the Multilateral Investment Guarantee Agency (MIGA), this fund is designed to cover the political risk involved in investment in this new country (mainly renewed hostilities and misgovernance).

> Encouraging industrial development

Via its industrial development programme, the European Commission is mobilising the European private sector to stimulate its interest in the emerging market in Bosnia-Herzegovina. The aim is to reinforce the relations between Bosnian and European companies, and to provide technical assistance to Bosnian industrial firms in promising sectors such as the wood industry. The programme includes different aspects: the partnership between European and Bosnian Chambers of Commerce, increasing awareness amongst Bosnian entrepreneurs of the opportunities created by donors' aid programmes, assistance to the restructuring of the wood sector and technical assistance for women entrepreneurs in Bosnia-Herzegovina.

> Providing access to credit

Credit and micro-credit systems can break the vicious circle that lead to unemployment and poverty. As long as there are no provisions for credit, the economy cannot develop. The European Commission is contributing to the creation of a new Bosnian commercial institution specialising in this type of credit (DM10,000 to DM50,000). In addition to the urgency of giving Bosnian entrepreneurs the means to start their own businesses, the project is designed to prove to local banks that this kind of financial activity can be profitable.

> Reviving agriculture

No less than 70% of the tractors in Bosnia-Herzegovina were destroyed during the war. To encourage people to return to rural areas and restart agricultural production, the Commission supplied machinery, seed and fertilisers to returning farmers. In parallel, the delivery of 560 Simmenthal heifers at the end of 1997 regenerated livestock numbers. To make the activities of Bosnian farmers autonomous and profitable, the Commission gives them technical assistance in developing an agricultural policy in line with the rules of a market economy.



Preparing Bosnian society for democracy

> Educating voters

"Cast your vote according to your conscience." "Find out what the different candidates are proposing." "Do not let yourself be influenced by others." These were just some of the slogans used in a wide-ranging awareness campaign promoting the importance of voting for the future of the country. The voter education campaign was organised by the OSCE with the Commission's support. Particular efforts were made to reach young people via TV commercials, radio ads and posters produced by young Bosnian artists from both entities.



> Supporting independent media

Everyone agrees that the media was a catalyst to the outbreak of hostilities in Bosnia-Herzegovina. Yet now, numerous initiatives to create free and independent media are flourishing. Considering that freedom of the media plays a crucial role in the process of democratisation, the EC has since 1994 developed a programme of assistance to independent media in the countries of former Yugoslavia. In its choice of media, the EC has opted for those that seek to foster understanding, trust and cooperation between the different communities in Bosnia and Herzegovina. The projects supported range from a journalism school in Sarajevo, to the setting up of an independent print house in Banja Luka and the purchase of paper and computer equipment for magazines. In order to allow as many people as possible to have access to independent sources of information before the elections in September 1996, the Commission made a substantial financial contribution to the independent OBN/TVIN television network, which covers a great part of Bosnia-Herzegovina.

> Giving civil society a voice

In order to help recreate a civil society in this ravaged country, the European Commission in the framework of the European initiative for Democracy and the protection of Human rights, supports a large number of small projects aimed at breathing new life and energy into Bosnia Herzegovina's associative life, e.g. women's associations, associations promoting dialogue between the communities, and cultural initiatives. The Commission is also involved in the creation of the legal framework for Bosnian NGOs to develop their activities.

> Reconnecting universities

The TEMPUS inter-university co-operation programme has now encouraged five universities representing the three Bosnian communities to work together. They decided to combine their efforts to overcome war damage and to improve the level of their teaching. The exchange programme's goal is to promote a new dialogue between the different communities and to modernise the Bosnian university system so that it is compatible with standards in the rest of Europe.

> Defending human rights

Victims of human rights abuse can register a complaint with the human rights Ombudsperson - an institution created by the Dayton/Paris peace agreement and mainly financed by the Commission. This institution investigates and publishes its findings. For example, in 1996 the General Hospital at Brcko decided not to admit patients coming from the B-H Federation. The Ombudsperson recommended that this decision be overturned. The authorities complied with the recommendation.

In the framework of the European initiative for democracy and human rights, the European Commission supports several non-governmental organisations who dedicate their work to the protection of human rights.

> Instilling respect for property rights

The Commission for real property claims (CRPC) created by the Dayton/Paris accords and financed by the European Commission has an enormous job to do. Its task is to verify property rights and determine the rightful ownership that existed before the war. The task is hugely complicated as many official documents have disappeared. The CRPC gathers all the information in a data base, delivers title deeds in resolved cases, and helps organisations in charge of rebuilding homes to identify the legal owners.



To encourage press freedom and pluralism, the EC supports independent media in Bosnia and Herzegovina

The European Parliament's actions in favour of Bosnia-Herzegovina

"Bosnia and Herzegovina is a European State. Those things which it most needs in the medium term – the freeing of trade, the re-establishment of infrastructure links, the adoption of a free market system – are areas of European Union competence and expertise. Above all, the Union was itself created to enable former enemies to live in peace with each other. Lessons learnt on the Rhine need to be extended to the Danube and the Sava."

Tom Spencer, Member of the European Parliament

This declaration of Tom Spencer, MEP, at the end of the ad hoc Parliamentary delegation's mission to Bosnia-Herzegovina in February 1998, sums up perfectly the general philosophy underlying the European commitment to this new State, and demonstrates the importance that MEPs attach to the implementation of the reconstruction programme financed by the European Union. During regular fact-finding visits to Bosnia and Herzegovina by MEPs or ad hoc delegations as in February 1998, the Parliament examines carefully the financial, administrative and political challenges facing the European Union in the framework of its efforts to help the people of Bosnia-Herzegovina. During the ad-hoc Delegation's mission in February 1998, the Parliament criticised the delay in the implementation of the Commission's programme on the ground. The Parliament actively supported the amendment of the regulations proposed by the Commission to speed up and improve the implementation of Community aid programmes (see below).

This interest manifested by the European Parliament for the reconstruction of Bosnia-Herzegovina is on-going. As soon as the first peace agreements were signed, the European

Parliament demonstrated this interest when, in the autumn of 1995 at the time of voting its 1996 budget, it approved an additional budget of 100 million ECU for aid to Bosnia-Herzegovina.



A European Parliament ad hoc delegation visited Bosnia-Herzegovina in February 1998. As part of the Delegation was, Doris Pack MEP, Edith Muller MEP, Wilmya Zimmermann MEP, Tom Spencer MEP, Jean-Antoine Giansily MEP and Konrad Schwaiger MEP

➤ Support for the electoral process

The European Parliament participated actively in the supervision of the elections in Bosnia-Herzegovina: MEPs were present in the polling stations during the different electoral phases laid down in the Dayton/Paris accords. A Parliamentary delegation will return there for the crucial elections to be held in September 1998.

1998 : The Commission improves its action

On 20 April 1998, the Council of Ministers adopted important amendments to the regulations (1628/96) for the reconstruction programme. These amendments had been proposed in recent months by the Commission in order to improve the effectiveness of its aid programmes and to take greater account of the complex political realities in Bosnia-Herzegovina. These new regulations have now entered into force, and the management of a large part of the programme has been decentralised to the European Commission's Representation in Sarajevo, where the Commission's new Representative, Mr Hansjörg Kretschmer, will have greater responsibilities regarding decision-making locally and co-ordinating actions with other donors.

➤ Decentralisation

A new decentralised structure has been set up with more personnel in the field and a new technical assistance office to reinforce the management capacity of the Commission's programmes. Henceforth the Representation in Sarajevo has more responsibility in the preparation and development of projects, the signature of contracts, the follow up and payments. It now operates along similar lines to other bilateral donors, such as USAID for example.

➤ Direct co-operation with local authorities

The Commission proposed modifying the rule that until now, obliged it to sign agreements with the Bosnian state's central authorities. The Commission is now able to sign contracts directly with the authorities in the entities, cantons and municipalities.

➤ Improving regulations

The decision-making process has been simplified. The new regulations allow contracts of up to 3 million ECU to be signed directly with implementing organisations. To speed up the implementation of programmes and increase their effectiveness, the EC has proposed simplifying the decision-making process. New regulations allow contracts of up to 3 million ECU to be signed directly with implementing organisations. Contracts for amounts between 3 and 10 million ECU will be awarded following restricted tenders. This will save 4 months in their preparation, publication and evaluation.

IN SHORT...

European Commission aid to Bosnia and Herzegovina



Humanitarian aid

During the war, ECHO (the European Community Humanitarian Office) was the only source of Community aid to the former Yugoslavia. **Since 1992, ECHO has channelled ECU 1.5 billion to the countries of the former Yugoslavia, of which the largest part went to Bosnia and Herzegovina.** The signature of the peace accords caused emergency humanitarian aid to reduce gradually in favour of operations designed to rehabilitate social infrastructures and housing.

ECHO humanitarian aid for the former Yugoslavia

1992:	276.9	million ECU
1993:	395	million ECU
1994:	269.3	million ECU
1995:	234.6	million ECU
1996:	187	million ECU
1997:	132.9	million ECU

Total: 1495.7 million ECU

Forecast for 1998: 81 million ECU
(of which 64 million ECU for BiH)

Reconstruction

During the first donors conference in December 1995, **the Commission announced ECU 1 billion of Community aid for the four years of reconstruction (1996-1999)** not including humanitarian aid and support to the peace implementation and democratisation process. In 1996 and 1997, the Commission already allocated half of this amount.



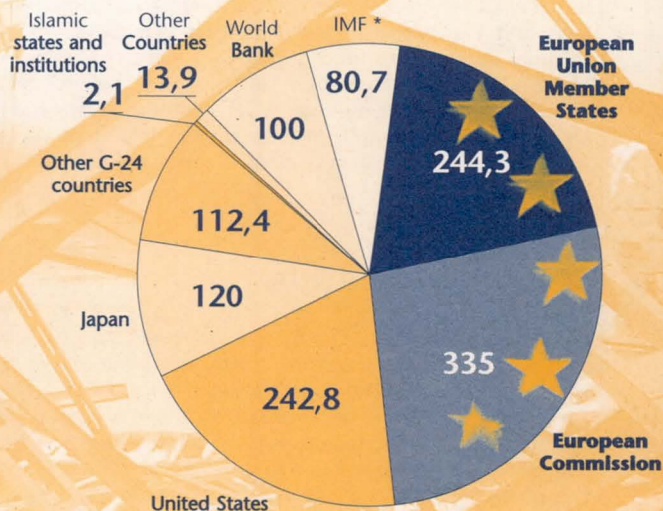
Although Europe is involved in all aspects of reconstruction, many projects are not yet visible because of the long term nature of the work.

The European Union in Bosnia and Herzegovina

1998 pledges for Bosnia and Herzegovina

Fourth donors' conference

Pledges in US\$ Millions



Total: 1251,2 US\$ for 1998

* International Monetary Fund

To summarize:

1995 : the year of the Dayton/Paris accords

- ECHO (humanitarian aid): ECU 150 million for Bosnia and Herzegovina
- CFSP: ECU 60 million for the reconstruction of Mostar ECU 10 million for peace implementation (Office of the High Representative)
- Other actions in the field of democratisation

1996 : consolidating peace providing essential aid

Since 1996, the main EC instruments for reconstruction in Bosnia and Herzegovina are the Phare and Obnova programmes. Apart from Bosnia and Herzegovina, Obnova also covers reconstruction projects in Eastern Slavonia (Croatia).

Programme	Commitments
Obnova 1996	97.9 million ECU
Phare 1996	141.2 million ECU
Other budget lines*	65.4 million ECU
TOTAL 1996	304.5 million ECU

1997 : the year of reconstruction

Programme	Commitments
Obnova 1997	142.6 million ECU
Phare 1997	73 million ECU
Other budget lines*	47.2 million ECU
TOTAL 1997	262.9 million ECU

1998 : the refugee return

In order to streamline procedures, the Commission has for 1998 regrouped the main budget lines into "Reconstruction" programme (Obnova). The following priorities have been retained for the distribution of a global amount of 220 millions of ECU.

Areas	Commitments
Support to institutions, notably those created by Dayton	35.32 million ECU
Return of refugees and displaced	106.75 million ECU
Education / Tempus	1.5 million ECU
Agriculture and forestry	28 million ECU
Microprojects for economic regeneration	8 million ECU
Infrastructures	17 million ECU
Administrative structures	6.5 million ECU
CAFAO (customs) and return of refugees in Croatia	17 million ECU
TOTAL 1998	220.07 million ECU

* Other budget lines include: de-mining, CFSP (peace implementation, elections, reconstruction of Mostar), customs (EC CAFAO), assistance to torture victims, support for democracy and human rights, etc. ECHO's humanitarian aid is not included in the tables for 1996, 1997 and 1998. For ECHO see p.12.

Refugees & displaced persons : Key figures

- 75 percent of refugees (550,000 to 610,000) still abroad - and only 190,000 refugees have returned.
- 88 percent of refugees in only three host countries: Federal Republic of Yugoslavia (40 percent of refugees), Germany (35 percent), and Croatia (13 percent).
- 85 percent of displaced persons (950,000) are still displaced - only 220,000 have returned.
- 93 percent of 1997 returns were to majority areas - and there were only 10,000 "minority returns" in 1997
- About 600,000 refugees are still abroad (with refugee status), of which 250,000 are Serbs (mostly in the Federal Republic of Yugoslavia), 250,000 are Bosniacs (mostly in Germany and other Western countries, such as Austria and Sweden) and 100,000 are Croats (mostly in Croatia). A large number of those currently in Germany are expected to be repatriated in 1998.
- Displaced persons still account for about a quarter of the population (29 percent in Republika Srpska, 22 percent in the Federation).
- In addition, there are about 40,000 refugees from Croatia in Republika Srpska (ethnic Serbs from Kordun, Lika and parts of Dalmatia, as well as Slavonia (former UNPA areas). Effective minority return in Republika Srpska is clearly linked to their return to Croatia, for both political and practical reasons.
- The trickle of minority returns did not increase in the first months of 1998, except to the Brcko Zone of Separation* (ZoS), where 315 more families had returned by 24 April.
- Elsewhere, according to UNHCR, there were a total of 673 minority returns in January and February 1998: 12 to Republika Srpska outside of the Zone of Separation (ZoS) and 661 to the Federation. 345 Serbs returned to the Federation, including 217 to Sarajevo and 100 to Drvar, 98 Bosniacs returned to Croat majority areas and 218 Croats returned to Bosniac majority areas.
- As a consequence, overwhelming ethnic majorities exist in most of Bosnia, with only a handful of areas containing minority populations greater than 10 percent (about 13 percent in the Tuzla and Sarajevo cantons).
- By the start of 1998, most of the estimated 612,000 remaining refugees and 816,000 internally displaced persons would be in the minority if they returned to their pre-war homes. As UNHCR pointed out in the summer of 1997: "Those persons who could easily identify solutions for themselves on return have already done so." Thus, whatever returns take place in 1998 will be either "minority returns" or relocations.

Source : RRTF, Return and Reconstruction Task Force International Crisis Group (ICG).



* The Zone of Separation (ZoS) is a 4 km-wide strip between the two Entities of Bosnia and Herzegovina.

The European Union's regional approach

At their meeting of 29 April 1997, the EU Foreign Ministers agreed to adopt a coherent and transparent policy towards south-eastern Europe. It is directed at four of the successor republics of former Yugoslavia (Croatia, Bosnia and Herzegovina, FRY, and FYROM) as well as Albania. The policy lays out clear conditions that these countries must fulfil in order to qualify for trade, aid and deepening of relations with the EU. It aims to improve political stability as well as economic development and relations in the region. An important element of this conditionality is the readiness of these countries to engage in cross-border co-operation with their neighbours. This overall EU policy is known as the "regional approach".

Commitment to Dayton/Paris: a prerequisite

The Commission applies the principle of political conditionality very strictly. Aid can in no way benefit those who do not comply with the provisions of the Dayton peace accords. This principle was rigorously applied in July 1997 when after consultation with the High Representative, the Commission decided to freeze part of its programmes in Republika Srpska (RS). When the new "pro- Dayton" government was appointed at the beginning of this year in RS, the Commission immediately freed up part of the frozen funds in order to allow the new government to start working. The European Commission did however continue to supply humanitarian aid to the vulnerable in Republika Srpska.

Inauguration serves as political gesture



Numerous officials were present at the inauguration of the health centre (dom zdravlja) of Rogatica, in Republika Srpska, on 11 June 1998. This centre was rebuilt with the help of ECHO (European Community Humanitarian Office) and the Portuguese Government. ECHO will continue to support this centre by supplying essential medicine.

For the first time, a very official inauguration ceremony was held in this part of the country, with High Representative Carlos Westendorp and Milorad Dodik,

Encouraging perspectives

1998 began more auspiciously in Bosnia-Herzegovina. Following the nomination of a new moderate government on 26.1.1998 in Republika Srpska, the tension between the two Entities abated, and the reconstruction programmes, hitherto frozen in that part of the country, were able to get under way.

A moderate government in Republika Srpska

Following the nomination of a new, moderate government in Republika Srpska on January 26th, tensions should diminish between the two entities. Reconstruction programmes, frozen until now in this part of the country, will be able to start up again. The attitude of the new government should ease the complex situation of displaced populations, allowing Bosniaks and Croats from Republika Srpska to go back to their own homes.

Reinforced power for the High Representative

Following the Peace Implementation Council meeting in Bonn in December 1997, High Representative Carlos Westendorp's powers have been reinforced. Since then, for example, laws on citizenship, car license plates, currency and the national flag have been adopted.

A continued military presence

The decision taken in December 1997 by NATO ministers ensures the continuation of a military presence in Bosnia-Herzegovina when the SFOR mandate expires at the end of June 1998. This is a clear sign of the international community's long term commitment to ensure that all aspects of the Dayton/Paris peace accords are respected.

All these elements should give added momentum to the reconstruction activities and at the same time encourage more refugees and displaced persons to return home.

➤ From left to right : Milorad Dodik, Prime Minister of Republika Srpska, Carlos Westendorp, High Representative and Antonio Tanager Correa, Ambassador of the Portuguese Republic to BiH.

the Prime Minister of Republika Srpska. This gesture was intended to highlight the determination of the international community to start a series of rebuilding projects in Republika Srpska. It should be stressed that the restoration of the health center does not mark the beginning of ECHO's aid effort in the region. ECHO was present in the area since the beginning of the crisis.

The rehabilitation of this health centre will benefit 18,000 inhabitants in the region of Rogatica, including 8,000 displaced persons, mainly Serbs from Sarajevo.

Bosnia and Herzegovina's place in Europe

8 June 1998 : Declaration on Special Relations between EU and BiH

On the occasion of its first meeting with the Foreign Minister of Bosnia and Herzegovina, accompanied by the Deputy Foreign Ministers, the Council of the European Union welcomed the progress in Bosnia and Herzegovina that made such a visit possible and reaffirmed its commitment to a sovereign, united and independent Bosnia and Herzegovina. The Council issued a Declaration on Bosnia and Herzegovina's place in Europe, on the basis of the London Peace Implementation Council (PIC) Conclusions of December 1995 and subsequent such meetings and with a view to the Steering Board meeting at ministerial level on 9 June 1998, as well as on the basis of the EU's Regional Approach, as defined by the Council conclusions of February 1996 and April 1997.

EU Declaration on Bosnia and Herzegovina

1. The EU believes that Bosnia and Herzegovina (BiH) has started on a path leading to closer integration with Europe and European structures. The elections in September offer you, the Bosnian people, a key opportunity to take this process further: to shape your own destiny by building a new Bosnia and Herzegovina and establishing democracy in your country and your communities. You can seize this opportunity by choosing leaders who will pursue the future you want for yourselves and your children; and who will manage your country's affairs honestly and responsibly.

2. The EU will continue to help you if you help yourselves and accept your responsibilities under the Dayton/Paris Agreement to build a peaceful, democratic and open nation, where religious and cultural differences no longer divide communities, but are respected and tolerated. This is the way for Bosnia and Herzegovina to find her future in the family of European nations and confirm her European perspective, and for you, her people, to find peace and prosperity.

Europe and Bosnia and Herzegovina: Unity with Diversity

3. The EU confirms that Bosnia and Herzegovina belongs in Europe. Its Regional Approach sets out the conditions Bosnia and Herzegovina, as well as other countries in the region, must meet in pursuing their aspirations to participate in European structures. The conditions for Bosnia and Herzegovina are starting to be met.

4. At the moment, with the active engagement of the High Representative, Carlos Westendorp, the necessary building-blocks of a modern nation are being put in place: central

institutions and instruments such as a common currency are being consolidated; the rule of law is taking hold; progress is being made towards a free media; municipal election results, with one notable exception, have been implemented; freedom of movement and the right of return are becoming a reality and co-operation with the International Criminal Tribunal in the Hague is at last gathering momentum. There is now real hope that BiH's divided past can be succeeded by a shared future. The September elections offer a key opportunity to reconcile her communities and construct a new civil society, and for her leaders as a result to assume their full responsibilities to govern.

5. The EU looks forward to the pace of peace implementation increasing in 1998 and calls on all the Bosnian authorities to make BiH a fully-functioning democratic and multi-ethnic state on equal terms with her neighbours, and to develop active and effective political and economic co-operation between the BiH State and the two Entities. Good governance and the principles of transparency and fairness must become habitual practice. Leaders must be properly accountable to their communities.

6. Before the September elections, Bosnia and Herzegovina needs to establish the structures for self-sustaining and irrevocable peace, through accelerated implementation of the Dayton/Paris Agreement, so that all her people can share in the benefits. In particular, State and Entity political and administrative institutions must discharge their responsibilities effectively. Security for BiH's people must be enhanced through further confidence-building measures in the military sphere and full police restructuring and reform.

7. The European Union looks to BiH's leaders to conduct the election campaign in a fair and open manner and to set their sights by the standards of the best European practice.

8. The rights, freedoms and democratic safeguards that most other countries in Europe take for granted must become second nature for Bosnia and Herzegovina's people too. Respect for universal human rights and the rule of law, based on a properly functioning judicial system, must prevail. A free, independent and open media is crucial for building a democratic future.

9. The vital process of reconciliation must be consolidated. All indicted remaining at large must come before the Hague Tribunal: as long as they remain beyond the reach of justice they prevent a nationwide sense of security and undermine Bosnia and Herzegovina's efforts to leave her past behind.

10. The EU looks for substantial progress, in this year of refugee return, in getting displaced persons and refugees safely back to their homes. It calls on the Bosnian authorities to implement rapidly the commitments arising from the Refugee Return Conferences at Sarajevo and Banja Luka, and to remove all obstacles to return.

11. Recent European experience shows that diversity does not preclude unity. Bosnia and Herzegovina's ethnic diversity should be seen as a potential source of strength.

Bosnia and Herzegovina's Relations with her Neighbours

12. Close and cooperative relations between Bosnia and Herzegovina and her neighbours are essential for peace and stability in the region, and to enable democracy and prosperity to take hold. But these relations must also uphold Bosnia and Herzegovina's independence, sovereignty and unity within her current borders. There is no place in the European family for ambitions to establish "Greater Serbia" or "Greater Croatia".

13. The EU reiterates the requirement in the Regional Approach for FRY and Croatia to uphold all aspects of the Dayton Agreement. Action is needed urgently on all-way refugee return and to bring special relations into line with the Bosnia and Herzegovina Constitution. The EU's relations with FRY and Croatia will reflect these factors, and the general readiness of these two countries to use their influence constructively to help Bosnia and Herzegovina take her place in Europe.

Economic Transformation

14. Overcoming the effects on Bosnia's economy of the former managed economic system and of the war is not easy. But establishment of a market economy is the best way to bring prosperity to BiH and her people. The recent economic successes of many countries in central Europe show what can be achieved. So economic reform and development, on the basis of the recent agreement with the IMF, are urgently needed, as is action to tackle corruption. Cooperation with international financial institutions, notably the World Bank and the EBRD, will be increasingly important. If the appropriate conditions are met, the EU will progressively cooperate with BiH on economic reform.

15. The international community cannot do all this for Bosnia and Herzegovina. To attract investment and create growth and jobs, Bosnians themselves, Government and Assembly, at State and Entity level, must take action. Fair and comprehensive laws on privatisation and property are needed, to be underpinned by a functioning and non-discriminatory legal system. Transparency is needed in the privatisation process. Chambers of Commerce have a role too, in promoting foreign trade and good business practices. These steps will enable the economy to grow and flourish.

The EU's Contribution

16. The Regional Approach sets out ways by which, if Bosnia and Herzegovina meets the conditions set out in it, the EU will be ready to make its relations with her closer and more intense. But the relationship has other elements too.

17. The EU will remain the major single donor in Bosnia and Herzegovina, as confirmed once again at the Brussels Donors Conference last month. By 1999 it will have spent in BiH 1 billion ECU in reconstruction and technical assistance, as well as a further 1 billion ECU in humanitarian aid. Provided BiH remains on track with the IMF, the EU's aid programme will be extended to include macro-financial assistance. It is helping BiH to begin the transition to a market economy, a precondition for a cooperation agreement on the lines of those with other countries in the region.

18. Moreover, the EU will encourage efforts to build a democratic society and extend political pluralism, including establishing multi-ethnic parties. This will help Bosnia and Herzegovina to meet rapidly the standards for Council of Europe membership. The EU as well as Member States bilaterally will promote exchanges in governmental and non-governmental fields. The Council invites the European Parliament to consider enhancing its own contacts with Bosnia and Herzegovina.

EU/Bosnia and Herzegovina Consultative Task Force

19. In the unique circumstances prevailing in Bosnia and Herzegovina following the Dayton/Paris Agreement, the EU also proposes to create with BiH a joint Consultative Task Force. Its purpose will be to help BiH establish a fully-functioning state and develop means of meeting some of the technical prerequisites to closer cooperation with the Union, in particular with the aim of assisting Bosnia and Herzegovina prepare for possible contractual relations with the EU in the future. The EU is pleased that the authorities of Bosnia and Herzegovina, including at Entity level, have agreed to this proposal.

20. The Consultative Task Force will be a practical, working body at expert level, bringing together EU experts to work with the Bosnian authorities at State and Entity level on a range of technical issues. Taking account of the Dayton/Paris Agreement, as well as relevant UN Security Council resolutions, it will liaise as appropriate with the High Representative and other bodies, such as the IMG, to ensure that its work adds value to activities that are already under way, as well as those to be carried out in the future.

21. The Presidency and Commission will represent the EU in the Consultative Task Force. The first meeting will take place in Brussels on 10 June and thereafter in Sarajevo. The Consultative Task Force will submit its findings and recommendations to the appropriate Bosnian authorities."

A small glossary

Phare: the Phare programme is a European Union initiative which supports the development of a larger democratic family of nations within a prosperous and stable Europe.

Obnova: Obnova means "reconstruction" in the Bosnian language. Obnova is an EC initiative for reconstruction and rehabilitation in the former Yugoslavia.

ECHO: European Community Humanitarian Office.

CFSP: Common Foreign and Security Policy.



Bosnia Herzegovina is made up of two entities: the Federation of Bosnia and Herzegovina (Croat-Bosniak) and Republika Srpska. The population of Bosnia and Herzegovina is made up of three communities: the Bosniaks (Bosnian Muslims), the Bosnian Croats and the Bosnian Serbs.

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