

~~CONFIDENTIAL~~DCI Interagency Balkan Task Force  
26 July 1994**Measures To Assist The Bosnian Federation**

The State paper presents a three part plan--based on three key assumptions--for providing support to the nascent Bosnian Federation. It is derived from a program suggested by Bosnian Prime Minister Silajdzic to Ambassador Redman and Secretary Christopher.

- Part 1: A \$50 million assistance program to encourage rebirth and integration of economic activity in Muslim and Croat areas.
- Part 2: A Review Commission for the Federation Constitution and Institutions. The commission would demonstrate support, evaluate current operations, and suggest improvements.
- Part 3: Additional, unspecified, support for a unified Federation military.

**Key assumptions include:**

- Health of the Federation is crucial to Muslim-Croat cooperation.
- Federation level officials support success of the union.
- Ethnic chauvinism at the local level is undercutting successful implementation.

In our view, the paper correctly identifies conflict at the local level as undermining the success of the Federation. It appropriately targets ten notional proposals for reconstruction and rehabilitation necessary to "jump start" the Federation.

- Primary focus is on reestablishing basic utilities infrastructure, small scale businesses, and light industries. Though costly, significant funding probably should be directed toward housing of refugees--a key concern for both ethnic groups in central Bosnia.
- The success or failure of the Federation will rest on ethnic cooperation. Investments should be targeted at the mixed ethnic cantons of central Bosnia where each side can be given a stake in the reconstruction effort and be forced to rely on the other.

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WHITE HOUSE SITUATION ROOM

(FR) 07.22: 94 16:21 NO. 1460051662 PAGE 6  
JUL 20, 1994CONFIDENTIAL

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MEASURES TO ASSIST THE BOSNIAN FEDERATION

The health of the Bosnian Federation is key to maintaining Muslim-Croat cooperation and thus to achieving a durable peace settlement that preserves Bosnia as a single union linking the Federation and Bosnian Serb communities. At the Federation level, the Federation seems to be taking hold and senior officials are cooperating reasonably well. At the cantonal and municipal levels, however, grass roots support is sorely lacking. Memories of pre-Washington Agreement fighting remain fresh; Croatian nationalist sentiment remains strong (witness the recent election of hardliners to lead the Bosnian Croat HDZ party); and the problems of refugees and displaced persons are fueling social and political tensions.

Both the Bosnian government and Bosnian Croat leadership are concerned about the problems the Federation is encountering at the grass roots level, and are anxious for our help. In discussions with both the Secretary and Ambassador Redman, Prime Minister Silajdzic has suggested two ways we can help. The first involves helping mobilize \$50 million in international assistance that would help defuse tensions and build support for the Federation by getting enterprises operating again and people back to work. The second entails creating an informal group of U.S. experts which could visit Bosnia, evaluate Federation institutions in operation, and recommend ways to make them work better.

\$50 Million Fund

As envisioned by Bosnian Prime Minister Silajdzic, the fund would be a flexible vehicle for channelling funds to assist small-scale local projects in covering restart-up costs. The emphasis would be on quick disbursement, early impact, and avoidance of major projects with extensive studies and long lead-times. Bureaucratic overhead would thus be kept to an absolute minimum and maximum reliance would be put on local human, government, and business expertise (which is substantial). The exact mechanism for providing funds remains to be determined. Options include: contributions to NGOs; contributions to international organizations; advance payment/reimbursement to the Bosnian government for work completed; letters of credit through commercial banks; and direct cash grants to the Federation. In channelling funds, we would want to keep in mind on broader interest in encouraging Bosnia's transition to a free-market economy.

Specific needs would be targeted. For example, a local factory might require generators, a cement factory a rock-crusher, or a roofing tile factory funds to cover miscellaneous expenses in a start-up phase. Where production activity is concerned, the emphasis (where appropriate and feasible) would be on areas such as construction materials that would naturally feed into rehabilitation/repair efforts. Silajdzic has suggested that ten or so projects be identified and has promised to provide a list of possible projects. (Our AID people on the ground will also coordinate locally to

REVIEW AUTHORITY: Robert Homme, Senior Reviewer

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C05916154

CONFIDENTIAL

CONFIDENTIAL

-2-

identify possible candidate projects.) Silajdzic envisions an additional \$20 million being provided for storage facilities for domestic produce and a stockpile of comestible items.

Given our role in helping create the Federation and our interest in seeing it take root, we believe the United States can and should pursue this idea. Specifically, we should work with Silajdzic to develop immediately an agreed list of initial worthwhile projects, provide some modest start-up funding, and make private appeals to selected countries who would be most inclined to contribute. A notional list of projects as well as possible donor countries is attached.

#### Review Commission on Federation Constitution

The concept of the Review Commission is to create an informal body which would: 1) underscore our support for the Federation; 2) evaluate its operations, especially as they relate to the broader political context in Bosnia and the Federation; and 3) make suggestions as to what needs to be done to make it work more effectively and gain public support. Specifically, the commission would look at the implementation of the Federation Constitution, relations with other authorities in Federation territory (Bosnian government, Crost, and international authorities), and the functioning of the Federation government at all levels but particularly at the cantonal and municipal levels. This will probably involve efforts to link Federation institutions to reconstruction efforts. The commission would have four or five members, perhaps including the two State and UN lawyers who were heavily involved in drafting the Constitution, an AID expert in public administration, and an Embassy official. Given our prominent role in forging the Federation, we do not see any particular benefit in expanding the group to include other foreign members, at least at this stage.

Silajdzic would like to get the Review Commission to work as soon as possible. The Department agrees that the Commission concept is worth pursuing and envisions sending a team out in the first part of August to spend 4-5 days studying the workings of the Federation. A follow-up visit could take place next spring and any additional visits could be decided on an "as necessary" basis.

#### Support for Integrated Federation Military

Given the bitter fighting in Bosnia and the need to promote reconciliation among combatants and communities, a united and integrated military would play a key role in underpinning the Federation. Bosnian General Delic has spoken in detail about the obstacles faced in achieving the integration of often hostile forces. The U.S. should therefore explore ways to assist the integration effort. Design of a detailed assistance program could begin with recommendations from General Galvin, who is currently travelling in the region.

CONFIDENTIAL

CONFIDENTIAL

C05916154

WHITE HOUSE SITUATION ROOM

CONFIDENTIAL

FR 07.22. 94 10:21 NO. 1460051562 PAGE 3

**REHABILITATION/RECONSTRUCTION PROJECTS**

Funding estimates for the following are arbitrary by nature. Actual costs will depend upon a multitude of factors.

**PRODUCTION ENTERPRISES/LIGHT INDUSTRY****\$20 million**

It is critical that people get back to work and start earning income. Many local production enterprises, offering goods such as building materials, have been damaged in the war. Buildings must be repaired and equipment either repaired or replaced. Ideally, private corporate contributions from overseas will begin at some stage. Limited funds could be directed towards certain enterprises now (which could be identified by the Bosnian government) to get them back on their feet and into production.

**SALARIES FOR ESSENTIAL WORKERS****\$7.2 million**

Teachers and medical personnel, as well as technicians and engineers engaged in rehabilitation projects, are largely unpaid. To provide a basic wage (\$60/100 DM per month) for one year to 10,000 such persons would inject funds into the Bosnian economy. Close cooperation with the Bosnian government (to identify possible recipients and disburse funds) would be essential.

**EDUCATION****\$20 million**

Schools are a crucial element of normal society. These funds would help to get children back into classrooms by repairing school facilities (roofs, walls, toilets, paint) and providing both supplies and equipment (paper, chalk, desks, chairs, teaching aids).

**ELECTRICAL POWER****\$30 million**

Stabilization of electrical power is a crucial factor to restoring a semblance of normality. Funds would provide for purchase of equipment (trucks, cranes) and the repair of main transmission lines and local repairs (transformers, conductors, poles). Funds would also be provided for generator spare parts, fuel and lubricants.

**HEALTH****\$20 million**

Although the number of war-related patients has decreased, assistance is needed to re-establish a health care system. These funds would be used to repair equipment and ensure that stocks of essential medicines are adequate, to perform structural repairs to hospitals, clinics and other medical facilities, and to provide specialized plastic surgery and physical therapy programs.

**HOUSING REHABILITATION****\$10 million**

Rehabilitation of housing is inevitably a huge project. Depending upon local resources and the desires of the Bosnian government, any amount of money might be spent on repairs to private residences.

CONFIDENTIAL

C05916154

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WHITE HOUSE SITUATION ROOM

(FR) 07.22. 94 16:21 NO. 1460051662 PAGE 9

REHABILITATION/RECONSTRUCTION PROJECTS

-2-

4

**ROADS, BRIDGES AND RAILS****\$35 million**

Roads, bridges and rails have been destroyed, mined and damaged throughout the territory of the Federation. The route between Sarajevo and the Adriatic coast (through Mostar) is of particular importance to the stability of the Bosnian Federation. These funds would be used to repair and rebuild roads, bridges and rails, and to provide necessary maintenance equipment.

**SOLID WASTE COLLECTION****\$7 million**

Solid waste is a vital health care issue which adds to social pressures on the Bosnian people. Funds would provide fuel for garbage transport, vehicle repairs and service and trash dumpster repairs.

**TELECOMMUNICATIONS****\$8 million**

Damage to telephone lines and cables has cut off the access of Bosnia's people to the world and to each other. These funds would be used to repair cables, lines and ground stations, and to restore priority lines (fire, hospital, police).

**WATER SUPPLY****\$5 million**

Water is a critical health and social need, particularly for those in urban areas. Water supplies are subject to damaged wells, pumps and pipes. These funds would be used to repair Sarajevo's water distribution network.

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C05916154

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WHITE HOUSE SITUATION ROOM

(FR) 07.22. '94 16:21 NO. 1460051662 PAGE 10

POTENTIAL ISLAMIC DONOR NATIONS\*

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Algeria  
Bahrein  
Brunei  
Egypt  
Indonesia  
Jordan  
Kuwait  
Lebanon  
Malaysia  
Morocco  
Oman  
Pakistan  
Qatar  
Saudi Arabia  
Tunisia  
Turkey  
United Arab Emirates

(Although not all of these have resources to offer, it may be  
politic to approach them; NEA call.)

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C05916154

CONFIDENTIAL

WHITE HOUSE SITUATION ROOM

(FR) 07.22. '94 16:21 NO. 1460051662 PAGE 5

CONFIDENTIAL

-2-

1. A primarily pay-your-own-way-operation, with some modifications -- a mini Hybrid. Although each contributor to the NATO operation would pay most of its own way, we could, through talks with our Allies and the international staff, work to expand to the extent possible the proportion of the NATO operation that can be funded using NATO budget shares, with the understanding that the entire operation cannot be funded this way, but that some savings may be possible. Expanding the definition of common expenses should bring this option closer into line with the net cost to the U.S. of other options. (But recall that elements of UNPROFOR are likely to remain on the ground, especially in Macedonia and Croatia, and that some of the costs of peace implementation would also continue to be met through the UN). The advantages of this approach are that it would require the smallest initial supplemental -- since our UN assessment would be smaller -- and it would deal with the argument that if the UN pays for the operation, it should have a greater degree of control over it.

2. Fund the operation under the UN scale -- as our Allies want. With the large estimated reimbursement to the U.S., the net cost is within the range of other practical options. It would also simplify funding non-NATO participants in the NATO operation.

In return for accepting our Allies' strongly preferred approach, we could also take the position that if the U.S. is to provide a major portion of the peace implementation force, we cannot be expected to bear more than 25% of the costs of the entire operation. We could offer to work with our Allies to find a formula to limit our contribution to 25% of the cost, perhaps by having the Allies pay a fixed percentage of our costs so that our de facto assessment under the UN scale, supplemented by a voluntary fund, would be in the area of 25%.

Under the current UN scale of assessments for peacekeeping, the net U.S. cost of a 50,000 troop peace implementation force would be about \$1.1 Billion for FY 95. Reducing the U.S. share to 25% would reduce these costs by over a sixth, to just over \$900 million (compared to \$800 million under the "Hybrid Option," which we regard as unworkable, and \$1.6 billion if we pay our own way).

Limiting our share to 25% also achieves a major goal that the Congress has set, and may be a precedent for future operations. Under these circumstances, we could make a solid case on the Hill for funding.

There are downsides -- there will be strong opposition to picking up part of our costs, we will be accused by our Allies of coming to them with our hands out after they have borne the costs of being on the ground in Bosnia for years now, and the UN may argue for more control. These arguments can be overcome only if we are willing to make a major troop contribution and to press this issue at the highest levels.

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