
Clinton Presidential Records Mandatory Declassification Review

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Brcko Reconstruction: Issues for the Deputies

Background:

We have, thanks to USAID, a compilation of reconstruction priorities for the Brcko area, drawn from existing data provided by donors and organizations operating in Bosnia. Housing is broadly regarded as the major need: both the repair of damaged housing and the construction of new. Brcko region housing estimates are \$364 million, of which \$310 million represents housing repairs and construction costs and \$54 million related infrastructure costs (sewage, district heating, etc.). These estimates are certainly overstated, given that they reflect the cost of restoring all pre-war housing to pre-war levels to accommodate the pre-war population. About \$50 million would be needed for other priority reconstruction needs, for transportation, utilities, agriculture, business, health and education.

We do not yet have a complete list of what donors are planning to fund, although we do have proposals from the World Bank and USAID. Major donors have been asked by Special Representative Sklar to provide this information. It is hoped that the Economic Task Force will meet soon in Sarajevo to devise an integrated implementation plan.

Brcko presents us with all of the usual obstacles to reconstruction, such as a badly damaged infrastructure and demining needs, as well as some new ones, such as security concerns, operating under RS law, and rebuilding housing and industry in a town that has been radically and brutally ethnically cleansed.

Transportation Sector:

Of all the sectors in need of reconstruction, this one is in the best shape. The World Bank and EU will fund an \$8 million project to repair the main east-west road (route Texas) through the Posavina corridor on RS territory with start-up projected for May/June 1997. The primary North-South route (Arizona), which intersects Texas west of Brcko is in relatively good condition. Other road repairs are relatively minor.

The railway bridge across the Sava, which was destroyed during the war, is being rebuilt by USAID at a cost of \$2.5 million. It will be completed this summer. Two smaller bridges on the rail line south of the city are scheduled to be repaired by July by an Italian military engineering unit, with materials and other costs being paid by USAID at a cost of \$2 million. An estimated \$2 million dollars worth of repairs are also needed on this line in Croatia. The NATO Command had originally committed to repair this Croatia segment, but it has not been undertaken. Therefore, we are approaching other

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potential donors, including NATO again, and the Government of Croatia to make sure that the railway through Brcko connects to the major rail junction at Vinkovci, in Croatia. We expect to have a funding plan by April 1, and target the complete repair of this line no later than the Fall of 1997.

Housing:

Until the Economic Task Force completes its work on Brcko, we will not know how much money might be available for housing repairs and construction of new housing. But it is a safe bet that this sector will have the greatest gap between needs and means. The World Bank is planning a \$4 million project starting in May, 1997 to repair 1,700 public apartments on the RS side. Co-financing is still needed (the WB plans to provide \$1.3 million). The UNHCR will continue its shelter repair program in the Brcko area, as in the rest of the country. However, neither it nor the World Bank will greatly increase the housing supply in Brcko through these projects. Rather, they will make some already occupied but miserable housing tolerable.

The U.S. is legislatively prohibited from constructing or repairing housing in Bosnia with its FY 1997 SEED funding, unless such repair or reconstruction is "directly related to the efforts of United States troops to promote peace" in Bosnia. The U.S. has earmarked \$10 million of our FY 97 UNHCR contribution for UNHCR's existing, country-wide shelter repair program. Additionally, USAID will fund approximately \$2.5 million in power repairs and \$500,000 in water system repairs in the Brcko area in FY 97, repairs that are closely related to making housing habitable. These funding decisions could change if other donors indicate interest in funding these sectors.

While we expect the European Union to make a significant contribution to repair housing in the Brcko area, most of their housing funding will go to areas where the large number of refugees in the EU can be settled. What EU funding there is for housing, therefore, will largely be spent on the Federation side where the need is greatest, but also where housing ownership questions are clear. In the city of Brcko, very few houses are occupied by their legal owners.

There will continue to be a severe housing shortage on both sides of the IEBL in the Brcko area for some time to come. This will exacerbate tensions in the area. With the arrival of IFOR in Brcko, a Private Property Commission was established with local representatives, as well as representatives from the OHR, IFOR, UNHCR, IPTF to deal with housing ownership questions. This group will need to be strengthened in order to deal with this complicated issue in an orderly fashion, perhaps through the establishment of links with the Dayton-mandated Property Commission which has begun issuing decisions.

Employment:

Another difficult issue with regard to Brcko reconstruction is the generation of employment. Seven enterprises in Brcko have received 4 million DM in loans from non-U.S. donors already, but the needs survey identified a number of medium and large firms which appear to be viable loan candidates from a business point of view. \$500,000 from Italy is now available for micro-loans (limit of DM \$10,000) for the smallest, family-run businesses. USAID is prepared to lend money to medium-sized firms through its Bosnia Reconstruction Finance Facility. With carryover from FY 96, USAID has close to \$100 million it can lend in Bosnia-Herzegovina under this proposal. However, candidates must be economically viable, willing to employ a multi-ethnic workforce, and pledged to privatize as soon as legal conditions permit. Lending in Brcko will be a slow process, if we apply the same modest standards of equality and justice as we do in the Federation. The RS privatization law is flawed, according to USAID, and what industry has been privatized has been turned over to the party (SDS) faithful. Additionally, USAID will have to identify RS banks through which these loans can be made.

The EBRD, which is prepared to lend on a larger scale (USAID generally limits BRFF loans to 1 million DM), has found the privatization law to be a barrier to any loans in the RS.

Issues for the Deputies:

USG programs in Brcko are currently limited by legislation and policy.

-- Housing: State's FY 97 appropriation bill prohibits the expenditure of SEED funds for housing construction or repair "unless directly related to the efforts of the United States troops to promote peace."

-- Conditionality: the conditionality policy adopted by the DC in December of 1996 links delivery of USG assistance to the RS to the implementation of Dayton provisions.

1. Does the Arbitral decision for Brcko mean that the conditionality for economic assistance which we apply to the RS does not apply to the Brcko area?

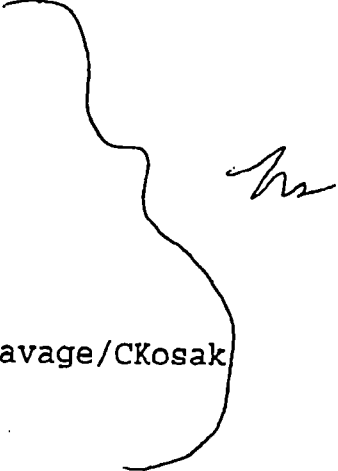
2. Does the Administration want to continue to comply with the current legislative prohibition against housing repair with 1997 SEED funds with regard to Brcko? Or, does it want to seek the implied housing waiver in the FY 1997 SEED Appropriation ("unless directly related to the efforts of United States troops to promote peace") for the Brcko region? This waiver approach would have to be supported by General Meigs.

3. Do we want to push the Europeans and IFIs to come up with funds for housing repairs and new construction in the Brcko area? Do we push them to do more enterprise reconstruction in the Brcko area given the absence of clear enterprise titles and a workable RS privatization law?

4. In the area of private sector reconstruction finance, should we apply the same loan standards we apply in the Federation? Or, in order to jump-start the revitalization of Brcko, do we lower requirements for willingness to hire a multi-ethnic workforce, a formal agreement with RS banking authorities, and privatization requirements? Will we lend to enterprises that are state (RS) owned?

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BRCKO TRANSIT POLICE FORCE
Strategy for Implementation

This paper reviews the role and implementation strategy for an expanded IPTF presence in Brcko if a coalition of the willing Brcko Transit Police Force is not fielded or deployed.

I. CURRENT STATUS: Acting IPTF Commissioner Bob Wasserman has assigned 165 personnel to the IPTF Brcko district: approximately 65 of these monitors are deployed to the IPTF station in Brcko town, the remainder are based at stations in Orasje and Bijeljina (IPTF Brcko District Headquarters). The IPTF has diverted resources for this mission temporarily from elsewhere in Bosnia within its force ceiling of 1,721 monitors. If we made the IPTF solely responsible for promoting both public security and freedom of movement in Brcko, Bob Wasserman would assign more than 200 personnel to the Brcko area permanently.

The IPTF has requested that its force ceiling be lifted to allow it to backfill the 200 positions in the Federation and RS vacated by personnel assigned to Brcko. A UN Security Council resolution and Congressional notification would be required to increase the IPTF force ceiling beyond 1,721 to 1,921. This paper proposes that we postpone a decision on whether to support an increase in the IPTF ceiling for Brcko until just before the March 5 Brcko Implementation Conference, at which time we expect to have a better sense of likely European contributions.

II. ROLE OF THE IPTF IN BRCKO: The Brcko arbitral decision calls for an international police force to provide services with two principle objectives in mind: to promote freedom of movement and help ensure that the relevant authorities undertake normal democratic policing functions.

The IPTF, under its current configuration and rules of engagement, is capable of assisting the High Representative in implementing these aspects of the agreement within its current mandate and perhaps with a modest increase in size.

In addition, the IPTF will be expected to assist in the implementation of other aspects of the Brcko arbitral decision including the return of refugees and the conduct of free and fair elections. However, the limitations of the IPTF in regards to these functions must be clearly understood. The IPTF can help monitor the return of refugees and the conduct of fair elections but does not have the mandate nor the capability for enforcement actions or "guaranteeing" security -- nor is it likely that any international consensus can be reached to increase its mandate or capability to do so.

The success of the IPTF in any of the above-mentioned efforts is dependent on the success of the Brcko Supervisor to manage an integrated implementation strategy.

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III. IMMEDIATE NEXT STEPS: The strategic importance of Brcko warrants extraordinary efforts by the IPTF and all other components of the international effort in Bosnia. The IPTF can step up its efforts to help assist by "surging" the Brcko area with police monitoring and training in the following ways:

- Increase the number of police monitors for Brcko and its vicinity by reassigning officers from lower priority areas to be determined by the IPTF leadership.
- Increase the level of patrolling on transit routes to maximize freedom of movement; "flood" key routes with IPTF and local police presence.
- Provide police monitors to accompany local Brcko police on their patrols to ensure compliance with democratic policing.
- Assure a high percentage of "quality" monitors are assigned, particularly Americans, Europeans and capable Latin Americans.
- Assign a well-qualified and proven American police monitor to run the IPTF station in Brcko.
- Shift some existing police training and equipment resources from other areas to Brcko.
- Continue (and strengthen as required) the relationship between military and IPTF forces in the region, modeled on the levels of cooperation experienced during last year's election period.

A. Monitor Recruitment:

U.S.: Virtually the entire IPTF force will be rotating out on a gradual basis over the next six months to be replaced by new monitors (note: some contingents deploy for six months but most are serving one-year assignments). The USG contractor, DynCorp, already has begun to search for high-quality U.S. monitors for the IPTF to replace those monitors whose one-year assignments will soon expire. We are ensuring that they expand this search and work even more aggressively to find appropriate U.S. officers. The UN has stated that no country's contingent can exceed 10% of the total force -- we have reached the 10% mark for the current force ceiling (173 monitors out of a total of 1,721). Thus, the UN might assert that we could only contribute 10% of the additional monitors required beyond 1,721. However, as this is a policy the UN has applied to no other civilian police operation to date, we will protest such a decision, stressing the importance of the Brcko mission.

Conceivably, if the Europeans refuse to provide additional monitors to the IPTF, we could request that all U.S. monitors be deployed to Brcko. It is not clear that the UN would accede to such a request, although it did permit France to locate all of its monitors within the French SFOR sector. Such a decision would have a negative impact on our efforts elsewhere in Bosnia-Herzegovina. It also would be seen as the U.S. accepting responsibility for the Brcko problem and put our credibility on the line should problems arise there.

European and other: Our requests (made as recently as November/December through Presidential and Secretary of State/Defense letters) to key Europeans/others for additional monitors for the IPTF largely have fallen on deaf ears (see attached chart on engagement). We will need to use strong-arm tactics to convince them to provide additional police monitors for Brcko. In particular, we should make clear that our willingness to provide additional monitors is contingent on increased contributions from our allies.

To ensure that any increase in the IPTF's force ceiling is filled with highly qualified monitors, we should inform the Europeans/others that we will assent to an increase to 1,921 only if they commit to join us in providing the additional 200 personnel. Such a tactic could provide us some leverage with the Europeans and help ensure that we add not just 200 warm bodies to the force, but rather install 200 highly qualified personnel. Thus, we should postpone a decision on whether to increase the IPTF's ceiling to 1,921 until we have a better sense of the European's willingness to contribute resources.

Secretary Albright is pressing for participation during her current trip to Europe. A letter from the Secretary to all potential contributors should be dispatched on or around February 24, seeking firm commitments to increase IPTF contingents prior to the March 5 Implementation Conference. On this timetable, we could determine the final USG position on whether to assent to a 200-person increase in the IPTF ceiling for Brcko prior to the Implementation Conference.

Customs Monitors: The EU Customs Union currently runs a customs monitoring/advising/training program in Bosnia-Herzegovina. Over the past year, the Customs Union has worked with customs officials and the Finance Ministry officials from all 3 parties and is developing common customs laws, policies and procedures. AID has contributed to Customs Union training programs. The Customs Union stands ready to send advisors to Brcko to work at the port and railroad as soon as both become operational -- we might be asked to contribute 5 Customs officers. Customs Union officials advise that RS customs officials are well trained and professional and that they have encountered few instances of RS customs officials using their authorities to obstruct freedom of movement. Rather than create a new set of customs monitors, we should support the engagement of EU Customs Union officials in Brcko once the port and railroad become operational.

B. Training: Like police throughout Bosnia-Herzegovina, the local police in Brcko are in need of training and equipment (including uniforms). We should provide assistance to the Brcko police as part of our police training/equipment program (assuming RS cooperation with the IPTF including vetting personnel for human rights and other crimes) and urge our allies to do the same. The RS authorities have not yet concluded a Petersberg-type agreement on police restructuring with the IPTF and have a spotty record of cooperating with the IPTF.

IV. STEPS TO INCREASE THE IPTF CEILING FOR BRCKO:

A. Funding:

U.S. Share of UN-Assessed Operational Costs: The U.S. pays 25% of operational costs for UN peacekeeping missions. The funds to pay our assessment are drawn from the CIPA account and cannot legally be drawn from anywhere else. While we have budgeted to pay our FY97 and FY98 assessed costs for a 1,721-person IPTF, we estimate the annual U.S. cost of each additional 100 monitors to be in the range of \$3-4 million depending on their equipment and op tempo. Thus, financing an increase in the force ceiling will necessitate taking money away from other peacekeeping operations. State is recommending to the Secretary that if we proceed with an increase in the IPTF ceiling for Brcko, we offset the \$5 million cost which would cover an increase to 1,921 by reducing expected costs in UNTAES. This will cover anticipated assessments through the end of calendar year 1997, assuming that the expanded force would not be in place until early May. This step will reduce the UNTAES CIPA allocation, effectively limiting any UNTAES follow-on force.

U.S. Monitors: We had budgeted for FY97 and FY98 to increase our contingent of IPTF monitors by up to 40-50 officers. No additional voluntary funds for monitors would be required.

Logistics: The UN has provided inadequate logistics support to the 1,721 monitors currently serving in IPTF. Expanding the IPTF's activities in Brcko will result in even greater logistics demands. We should encourage our allies to provide direct voluntary logistical support (radios, funding for interpreters, vehicles, spare parts and maintenance). In particular, we should urge the Japanese, who contributed \$1.7 million to the UN Trust Fund for IPTF vehicles in March 1996 but are not providing monitors to the IPTF, to provide 100-200 4x4 vehicles. In the short term, we will urge the IPTF to divert resources from elsewhere in Bosnia as appropriate and urge SFOR to provide assistance within its capabilities.

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B. UNSC Resolution: The UN Secretary General set the stage for a future request to increase the IPTF's ceiling in his December 1996 report to the Security Council on the IPTF. A request for a modest increase in the ceiling, particularly when tied to a demonstrated need such as the importance of Brcko, is not likely to spark major opposition. We will draft a UNSCR to be circulated in New York once we have ascertained that the Europeans/others will provide personnel.

C. Congressional Notification: Increasing the size of the IPTF will require formal 15-day prior notification to Congress. The Congress must be notified before we circulate a draft Security Council resolution in New York. Congress has been very critical of the IPTF's effectiveness and the UN's management of the IPTF in the past. Congressional notification would be accompanied by briefings on the Brcko mission by INL, IO and EUR officials. It will be important to demonstrate to the Congress that countries with strong democratic policing traditions and highly qualified personnel will provide most of the additional police personnel. We also will have to explain how bills for the expanded IPTF will be covered.

V. ADDITIONAL IPTF REQUEST: On top of the additional 200 monitors it says it needs to perform one-on-one monitoring of RS police in Brcko, the IPTF seeks another 200 monitors to provide more training, technical advice, and conduct investigations into alleged police human rights abuses throughout Bosnia. This would mean an increase in the IPTF force ceiling to 2,121 monitors, assuming we agree to an increase to 1,921 for Brcko.

The USG, as it has done consistently in the past, should oppose IPTF's requests for additional monitors (perhaps with the exception of the Brcko operation). It is unlikely that a highly critical Congress would support such an increase, particularly when the quality of IPTF personnel remains mixed and the UN/IPTF has not demonstrated that it needs additional resources.