

Précis

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Post-Conflict Reconstruction: Bosnia & Herzegovina Case Study Summary

THE CONFLICT IN BOSNIA AND HERZEGOVINA resulted in 250,000 deaths, massive internal displacement, and the exodus of one million refugees. The agreement in Dayton was reached only after the US and other key participants exerted substantial pressure on the three parties (Serbs, Croats, and Bosniacs). The agreement contains intentional ambiguities on many points, and avoids partition by calling for the three parties to participate in a highly decentralized relationship. It lays out a structure that combines two entities—the Muslim-Croat “Federation of Bosnia and Herzegovina” and the Serb “Republika Srpska” (RS) under the aegis of an unusually weak state. While the agreement calls for a major international aid effort for post-war reconstruction, it poses difficult problems for the reconstruction process and for the Bank and other agencies setting out to create economic and social conditions conducive to a sustainable peace.

The Bank’s response to post-conflict needs in Bosnia and Herzegovina (BiH) was early and comprehensive. Its role in reconstruction and economic recovery is widely perceived to have been successful by BiH authorities, other donors, NGOs, and beneficiaries. The Bank’s non-lending activities, including providing a framework for reconstruction and guidance to donors, are generally appreciated. There

is widespread recognition that Bank-supported projects were implemented quickly. Other elements of success include: a wide dispersion of benefits, both geographically and to a broad range of beneficiaries; involvement of stakeholders; an early and balanced inclusion of social sector projects to rebuild human and social capital; and a contribution to local implementation capacity. BiH authorities particu-





larly appreciated the sense of ownership afforded them by Bank projects.

Bank Re-entry

Yugoslavia had taken a steady borrower of the Bank since 1949, until lending ceased in 1991 with the breakup of the country. Bank planning for reconstruction began as soon as senior management expected that a peace agreement would be reached, and that the Bank would be a part of an integrated international effort.

The peace implementation agenda dictated a severely compressed timetable for launching reconstruction efforts. The Bank was able to adhere to this timetable because of the availability of planning resources; the catalytic role played by the Netherlands' ED; the strong and visible support from the Bank's President; the Bank taking the lead role in coordinating the planning work; coordination with other actors; and the dedication of Bank staff.

The Bank developed a two-track assistance strategy; the first was a wave of emergency projects to help kick-start the reconstruction effort without waiting for financial normalization and membership in the Bank. The sixteen emergency projects in this wave address all major infrastructure and social sectors. A full-scale assistance program followed, including clearing of arrears to the Bank and formalizing membership; development and implementation of a full-scale medium-term assistance strategy to support BiH's systemic reform program; and a continuation of support, in conjunction with other do-

nors, to the reconstruction program for BiH.

Results on the Ground

The benefits of Bank-assisted projects to date are being felt throughout the Federation, and are increasingly reaching Republika Srpska. The range of benefits has been delivered quickly to a diverse set of beneficiaries, while involving stakeholders and building local implementation capacity. At this stage the projects cannot be evaluated for sustainability or institutional development.

Rebuilding the Economy

Despite obstacles arising from the problems of economic governance and from various fail-

ures of the parties to adhere to major provisions of the Dayton agreement, the first year and a half of peace have seen substantial economic recovery. The Bank has played a central role in mobilizing and applying external resources critical to this recovery. The BiH experience demonstrates the importance of incorporating into a peace accord economic management provisions that are likely to enhance the economic recovery process.

Major road and bridge repair has enabled traffic to resume. Much electric power has been restored. Production and commerce are recovering, although the manufacturing sector in late 1996 was still operating at only 10 percent of its pre-war level. Between the Bank's balance of payments support and the sectoral infusions by the Bank and other donors, both import capacity and the demand for local goods and services have been recovering rapidly, especially in the Federation. Unemployment has fallen, but is commonly believed to remain very high (estimated at 50 percent in early 1997, with higher levels in the RS and the Mostar areas). Although progress in privatization has been too slow to draw foreign investment into the large enterprise sector, small and medium-scale local firms have responded well to opportunities created by the reconstruction effort. A substantial number of schools and hospitals has been reconstructed.

Rebuilding Human and Social Capital

The Bank-supported BiH program shows an early and balanced inclusion of social sectors. Findings in the edu-

cation and health sectors so far include:

- education is not likely to contribute fully to reconciliation for some time, because of continuing sensitivities;
- evenhandedness in addressing needs throughout the country is critical;
- investment programs designed by the entity governments are an appropriate framework for maximizing the effectiveness of donor contributions. These programs facilitate donor coordination and fund raising;
- support to ministries in both entities will be necessary to ensure the transition from post-war emergency to sustainable sector development; and
- substantial sector restructuring and reform are required to ensure the sustainability of efforts made to date.

The employment-generation experience has been positive; however, there is a need for better information on job opportunities. Successful experience with microcredit and employment-generation in the BiH program indicates that the Bank may have a comparative advantage in helping the government work with intermediaries at the local level in ways that result in effective and efficient assistance to individuals. Despite the difficult conditions (changing political and administrative structure, high turnover) the first year showed progress in institution-building.

The Bank's Institutional Arrangements

In BiH, the Bank adapted its institutional processes to the volatile post-conflict context, adopting streamlined procedures; flexible financing; willingness to help inexperienced local authorities with much of the initial preparation; and simplified procurement procedures, all of which allowed for quick and effective responses to urgent reconstruction needs.

The rapid and successful implementation of Bank efforts has been made possible by the high level of experience and dedication on the part of staff; the strong senior management support; the establishment of good working relationships with other partners; and the use of effective outreach efforts.

The special attention within the Bank contributed to the overall quality of the program. A highly-skilled country director was appointed solely for BiH. Her commitment to the process, and attention to speed and quality of work was important in meeting the compressed timetable for project processing. The resident representative's ability to deal with differing perspectives and work with all involved parties in the resolution of issues is very much appreciated by the govern-

ment, donors and other agencies. Although it has been difficult to maintain the necessary separation between reconstruction and politics, Bank staff have been sensitive to this and have tried to bring the parties together within the framework of the governance institutions and sectoral implementation mechanisms that are the natural areas for Bank activity.

At the request of the Bank, BiH authorities appointed a Project Implementation Unit (PIU) director for each Bank project. This sped the implementation process, made it less expensive (because of the lower costs of local staff), and allowed authorities to gain implementation capacity.

Demining

BiH saw the implementation of the Bank's first stand-alone Landmine Clearance Project. Although the project provided valuable experience, it is not an area of Bank comparative advantage. The subject has major technical and military aspects that are not within the Bank's competence. Bank focus should remain on indirect, non-clearance activities, such as coordination, information and mine awareness, training and institution-building.

Repatriation

Although the Bank has not been involved directly in resettling people, the demobilization and local initiatives projects address a main constraint facing returning refugees and displaced people, namely, lack of employment and other opportunities for income-generation. With UNHCR as the lead agency, there is no compelling reason for the Bank to become more centrally involved.

The Next Phase

The Bank's work in putting together the reconstruction and recovery framework is appreciated by the government and the international community. There seems to be strong support for the Bank to drive policy work in the next phase. However, the Bank needs to ensure that it works with partners, even where it has the lead role. A problematic aspect, which occurs frequently in emergency assistance, has been the continuing tendency of some donors to work independently in project selection, priority setting, and procurement methods. However, with those cautions in mind, the Bank's relationship with NGOs and other partners in BiH is very good, and there are promising precedents for future work.

Working in post-conflict countries requires adequate budget, strong senior management support, streamlined procedures, and experienced and dedicated staff. All those factors were present in the BiH recovery efforts. For the most part, the Bank has delivered an effective

“first wave” of reconstruction projects to the country. But as reconstruction continues, the Bank will have to

focus less on “bricks and mortar” and more on sustainability and transition issues.

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“The World Bank’s Experience in Post-Conflict Reconstruction: Bosnia and Herzegovina Case Study,” by Alcira Kreimer et al., Report No. 17769, May 4, 1998. Available to Bank Executive Directors and staff from the Internal Documents Unit and from regional information service centers, and to the public from the World Bank InfoShop:
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