Post-Conflict Development in Bosnia and Herzegovina

The hindrances to local socio-economic development in Mostar

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This thesis examines the influencing factors on local socio – economic development in Mostar. Ten years after the civil war in Bosnia and Herzegovina's the local economy suffers still from the consequences of the end of war and due to the transition from a socialist to market economy. The thesis answers the question of the limiting factors of local socio-economic development through qualitative means.

23 structured interviews gave a broad insight into the local social and economic fabric of the city of Mostar, which were analysed and supported with additional literature. Different theoretical components supported the approach of the research question. Theories of transition, from war to peace, from socialist to market economy, as well as nation building and social capital approaches are discussed.

Structured interviews lead to the conclusion that the local development is hampered by four factors: economic, internal political, external political and social factors. Not only economic factors such as infrastructure, privatisation and infrastructure are missing, but also local political parties contribute to the limited development. Surprisingly, international organisations do not support the process of reconstruction, they, on the contrary, are also responsible for a lack of initiatives and local responsibility. Furthermore, and most importantly is the lack of social society that in needed for a healthy business environment. Still animosities and ethnic thinking block the necessary process of reconciliation.

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Abbrevations

BIRN	Balkan Investigative Reporting Network, Sarajevo
BSC	Business Service Centre, City Administration of the City of Mostar
DPA	Dayton Peace Accords
ESI	European Stability Initiative
EU	European Union
FBiH	Federation of Bosnia and Herzegovina
FDI	Foreign Direct Investment
FDM	Fabrika Durana Mostar (Bosniak), Tobacco Firm Mostar
GDP	Gross Domestic Product
GTZ	Gesellschaft für technische Zusammenarbeit (German), international cooperation for sustainable development
HDZ	Hrvatska Demokratska Zajednica (Croat), Croatian Democratic Union, Mostar
IFOR	Implementation Force
IMF	International Monetary Fund
KAS	Konrad Adenauer Stiftung (German), Konrad Adenauer Foundation
KfW	Kreditanstalt für Wiederaufbau (German), Bank for Reconstruction
LINK	Local Business Development Agency, Mostar
NATO	North Atlantic Treaty Organisation
NGO	Non Governmental Organisation
OHR	Office of High Representative
OSCE	Organisation for Security and Cooperation in Europe
PIC	Peace Implementation Council
Redah	Regional Development Agency Herzegovina, Mostar
RS	Republica Srpska – Serb Republic within the Bosnia and Herzegovina

RTV	Radio and Television Mostar
SDA	Stranke Demokratske Akcije (Bosniak), Party of Democratic Action, Mostar
SOE	State Owned Enterprises
UN	United Nations
UNDP	United Nations Development Programme
UNPROFOR	United Nations Protection Force
USSR	Union of Soviet Socialist Republics

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Therefore, the thesis itself is a result of many influences and reflect my personal and academic interest. I dedicate this thesis to my father Joachim Feigs.

1 Introduction

"There is actually no problem in
Bosnia and Herzegovina that is not in Mostar."

(Alexander Stuhler. Advisor to the Mayor in
Mostar, interview No.12, 2005[1])

The state of Bosnia and Herzegovina celebrated its tenth anniversary in November 2005. Even though the Dayton Peace Accords ended a terrible ethnic civil war in 1995, the socio-economic situation is still - ten years later - experiencing serious problems. A high rate of unemployment, the declining economy and sinking incomes are only a few elements of a complex and complicated, as well as stagnating socio-economic situation. Bosnia and Herzegovina is undergoing two major transitions at the same time. On the one hand there is the transition from war to peace; the process of recovery consists not only of the material reconstruction, but also of the reconstruction of administrative institutions, the reduction of ethnic tension and the restructuring of a civil society. On the other hand there is the process of transition from socialism to a market economy, which was postponed by the war during the 1990s. Still, problems of privatisation and administrative reforms are unresolved.

In order to summarise the socio-economic situation in 2005, some exemplary numbers draw a sobering picture. Officially, 42% of the population are unemployed; more than 40% of the population earn less than 250 €/month so that the already high risk of poverty is rising (UNDP 2005a, 15-28). Therefore, it is no surprise that more than 70% of the population between the ages of 18 and 35 years old would leave the country if they could, leading to a 'Brain Drain' and the lack of perspective of major parts of the society (*ibid*, 15-28). Even though the statistical data is related to the whole country, the situation at the local level is to some degree comparable.

Mostar is and was often described as a microcosm for Yugoslavia and Bosnia and Herzegovina in many ways (Bose 2002, 98). Nowadays, it also reflects the different problems and challenges of a socio-economic development for the whole state. The city does not only face economic hardship, but is also burdened by an ethnic division between Bosnians and Croats[2]. Furthermore, the international organisations' intervention in

[1] All interviews are marked by numbers regarding their chronologic order. For an detailed overview see Appendix 2.
[2] The questions of names, terms, etc. is discussed in 1.4.

Mostar's local governance is fundamentally steering political decisions. In addition, questions of civil society, ethnic tensions and nationalism are highly influential. Therefore, Mostar is "… a dramatic and illuminating example of the interplay of local and international forces shaping Bosnia's post-war transition in a context of deep division and chronic systemic crisis" as Bose analyses (2002, 98). Therefore, the capital of the Herzegovina region with its specific conditions, such as the ethnic division and its economic problems, was suitable for me to conduct research in. The central research question is consequently:

"What are the hindrances to local socio-economic development in Mostar?"

Personal interest and several trips to the Balkan region were the driving forces and the primary reason to conduct research in Bosnia and Herzegovina. The question itself is a result of deep experiences and personal contacts that came throughout my journeys between 2002 and 2005. As a result, the thesis reflects both strong personal interest and academic grounding. My research time in November 2005 gave me the opportunity to follow the research question through academic means and personal motivation. The thesis itself is therefore the result of experience, studies, and personal research.

1.1 Research questions

In order to answer the broader research question of the limiting factors for the socio-economic situation in Mostar, a number of sub-questions is required. Regarding the various influencing factors, four sub-questions helped to answer the main research question. Even though the term socio-economic development is broadly discussed, here I refer to a classic definition that includes growth and progress in a economic and social way (Watts 2000, 166-170). It is obvious that post-war socio-economic development includes more than just economic factors, as political and social factors play a very important role as well. Therefore, there is a need to approach the research question from different angles, both from the social and the political. The following sub-questions can be seen as tools for deconstructing the complex and complicated socio-economic structure of Mostar:

1. Are hard economic factors responsible for the current stage of development in Mostar?
2. How does the local political milieu contribute to its limited development?

3. To what extent are the international organisations fostering or hampering local development?
4. What is the role of civil society in the socio-economic development of Mostar?

Since the first question addresses economic aspects, such as reconstruction, international financial aid and the labour market, the ensuring questions, numbers 2 and 3, deal with the local government structure. Whereas the second one covers the internal, local political structures as factors for limited development, the third one asks to what extent the international community, their policies and intervention are responsible for the hampered local socio-economic development in Mostar. Since the first three questions cover economic and political aspects, the fourth sub-question focuses on the social aspects. The contribution to the civil society or its absence is discussed as well as elements of the quality of social capital. Even though a sheer endless chain of sub-questions would follow, I concentrate on these four as tools for answering the main research question of the limiting factors of socio-economic development. Consequently, I used qualitative interviews as a methodological means to gain deeper insight into the complex and overlapping structure of regional socio-economic development. When analysing the statistical data, it became obvious to me that qualitative research was needed in order to reveal the interconnections between the various reasons for hampered local development.

1.2 Structure of the thesis

The thesis itself is comprised of two main parts: the approach towards the research question and the analysis of the interviews as the core of the research. In order to approach the research question, an historical background, as well as a conceptual grounding is needed. Since the historical chapter, Chapter 2, concentrates on the broader background of the political development towards the civil war in ethnic and economic terms from the mid 1960s until the 1990s, the war itself and the international intervention as well as the Dayton Peace Accords (DPA) as the basis of today's state are discussed.

The theoretical chapter, Chapter 3, focuses on different approaches used to explain the socio-economic development. It is, therefore, based on literature, on concepts lent by human geography and political science. Due to the fact that there is no coherent post-conflict theory (Meier 2001) that describes socio-economic development on the local level including elements of the transition from socialism to a market economy, different theoretical concepts are provided. The economic transition from war to peace and the

transition from socialist to market economy contribute to the theoretical framework in the same way as the concepts of social capital and new institutionalist economies.

Furthermore, a conceptualisation of the role of international organisations in the context of nation and peace-building contributes to the understanding of socio-economic development in a post-conflict society. Finally, the theoretical chapter includes an application of the different components to the case of Mostar. Due to the high degree of complexity, there is a certain need to apply the components to the research region directly in order to see the links. This section aims to fill the gap between the theoretical approaches on the one hand and the applied field work on the other side.

The theoretical chapter is followed by a detailed description of the applied methodology, the fieldwork itself and a discussion of the methods used. Chapter 4 consists therefore of a general discussion on qualitative methodology and a description of the research time in the field itself. The general discussion addresses the advantages and disadvantages of qualitative methodology and structured interviews in particular, but also the epistemological grounding. Furthermore, Chapter 4 also outlines the period of field work, a description of the conduct of the interviews, as well as an overview of the interviewees' positions and institutions.

The core of the thesis is the analysis of the 23 interviews in relation to the research question. Regarding the analysis - Chapter 5 - there are four fields contributing to the hindrances to socio-economic development in Mostar:

1. hard economic factors
2. internal political factors
3. external political factors
4. social factors

The analysis connects the interview statements with the theoretical components and approaches. Therefore, the concepts discussed in the theoretical chapter are interwoven in the analysis. Chapter 5 provides the answer to the research question; it shows the interconnectedness of the four fields and marks the importance of civil society in the process of socio-economic development. It also tries to weigh the different fields regarding their influence and importance.

Furthermore, the thesis is illustrated with photos that give an impression of my own personal view of the situation in the city of Mostar. All pictures were taken by myself and can be interpreted as a subjective view.

1.3 Research region

The research region - the city of Mostar - exhibits the various elements of a multiethnic post-conflict society. Mostar is located in the western part of the Federation of Bosnia –Herzegovina (FBiH) (Figure 1) and is the capital of the historic region of Herzegovina (Scotto 2002, 103; Lovrenovic 1999). It is located along the river Neretva and is surrounded by hills up to 1800 meters high.

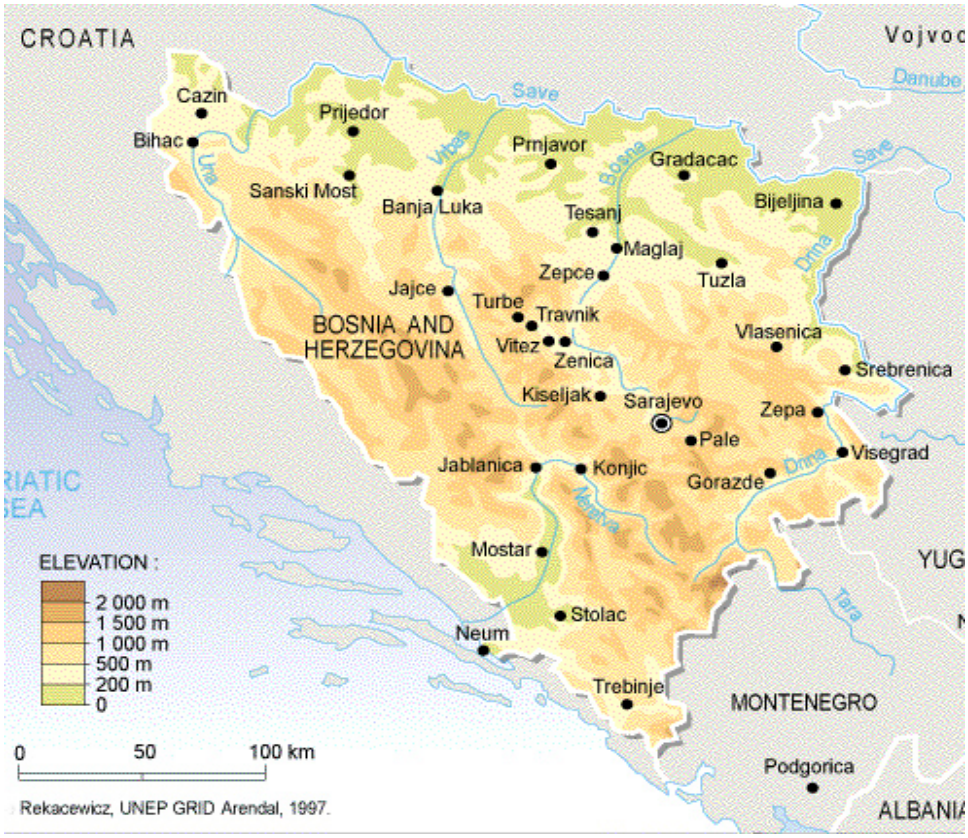

Figure 1: Bosnia and Herzegovina (Source: Mostar City Administration)

Besides physical geographic factors, the socio-economic fabric is of greater interest. Demographically, the estimated census in 2004 gave a number of 105,572 inhabitants (Federal Office of Statistics 2004). The number is also a result of the war between 1992 and 1995 with its direct and indirect consequences on the size of the city. It is estimated that more than 4000 people died during the war (Obradović 1996)[3]. The reasons for the change in the demographic composition are also due to domestic and international refugee migrations. However, it would require detailed research to examine the exact reasons for the consistency of population (UNHCR 2005). Figure 2, shown below, demonstrates the city's current population mixture in comparison to the pre-war situation.

[3] It is clear that these numbers can only be seen as estimates. Victims of the war are also the internally and externally deported people. They are estimated at 56,000 (Bjelakovic/ Strazzari 1999).

Figure 2: Demographic composition of Mostar. Source: (aggregated data, see footnote 4 and 5)

Year	Total	Bosniaks/Muslims	Croats	Serbs	Others	Yugoslavs
1991[4]	126628	43856	43037	23846	3121	12768
	100%	34,63%	33,99%	18,83%	2,46%	10,08%
2004[5]	105572	50078	50989	3648	857	
		47,43%	48,29%	3,45%	0,81%	

Thus, the figures indicate that the city is now almost equally divided between Croats and Bosniaks; politically speaking, a stalemate situation. Immediately after 1995 Serbs and 'Others' as categories lost their importance; earlier numbers of Serbs declined through ethnic cleansing and expulsion during the war (Bose 2001, 105). Yugoslavs as a statistical category does not exist after the collapse of the Yugoslav Federation; ethno-national awareness and a sense of belonging arose during the war. The concept of Yugoslavism vanished with the ethnic civil conflict (see Chapter 2).

Founded by the Ottoman Empire in 1566, the city of Mostar represents the Ottoman realm through its architecture in the same way that it shows the historic Croatian influence with the Franciscan monastery. Both ethnic groups, Croatian and Bosniak, do have strong historical roots in Mostar. So there is a sentimental, historical and ethnic interest in dominating the city, expressed through different ways, such as symbols of national belonging and architecture (Sells 2002, 309-312; Gromes, Moltmann and Schoch 2004, 11).

Before the war began in 1992, Mostar was well known for its cosmopolitan atmosphere, as a functioning multiethnic society, as a showpiece of Titoist ideology, of 'brotherhood and unity', as well as for its industrial and cultural importance (Bose 2002, 99). Due to the war and the horrors of ethnic cleansing, the ethnic balanced has changed fundamentally into a stalemate situation between Croats and Bosniaks: "the social fabric was turned upside down…", (Bose 2002, 106). Therefore, the city was divided into two sectors – West Mostar was dominated by Croats and East Mostar by Bosniaks. During the war, the front line divided the formally multicultural city entirely.

Besides the political situation, the regional economic structure was also partitioned into two territories; consequently, there was no shared economic space. Firms in the western part oriented towards Croatia, while firms of the Bosniak part traded exclusively with Bosniak partners. Even though a reform that created of a commonly administrated city took place in 2005, the lack of local development is expressed by the high rate of

[4] Aggregated numbers from the official census 1991, in Ivancović and Melčić 1999).
[5] Aggregated numbers from the Office of Statistical Data, Federal Office of Statistics (2004).

unemployment, the increase of poverty and stagnation of economic activities (UNDP 2005a). Therefore, Mostar can be seen as representative for Bosnia and Herzegovina in many ways. The lack of an efficient social system as well as missing economic perspectives are only two among many aspects that indicate a stagnating local development (UNDP 2005b). Although the inauguration of the old bridge in July 2004 can be interpreted as a major sign of recovery, local development, democratic stability, and the tension between the ethnic groups and their representatives are still visible today.

1.4 Terminology and epistemology

When discussing socio-economic development in a post-conflict situation several terms and phrases that are commonly used can be understood in different ways. Thus, the terminology must be clear in order to avoid misunderstandings in such a sensitive environment. Why and how undefined and set terms could lead to certain connotations is described by Said (1994) in general and Todorova in particular for the Balkans (1999). However, I define the most prominent ethnic groups and the different administrative levels of state as follows:

Bosnia and Herzegovina as a term refers to the state as the whole. It contains two entities, the Serb-dominated entity of the Serb Republic (RS) and the Federation of Bosnia and Herzegovina (FBiH). Even though the term federation could be understood as a federation between the RS and the FBiH, it only refers to the FBiH, which is dominated by Croats and Bosniaks. The definition is related to the Dayton Peace Accords, where the administrative bodies were formed and defined (DPA 2005).

Furthermore, there is a need to define the prominent ethnic groups living in Bosnia. I assume that all of them are ‘Bosnians’, but their sense of ethnic belonging differs fundamentally. The prefix ‘Bosnian’ is assumed because the my analysis is connected to Bosnia. When, for example, the term ‘Croats’ is mentioned, then the Bosnian Croats are meant. Already in the introduction, when names and categories were mentioned there was a need for definitions. In general, when speaking of ethnic groups, I refer to Scotto’s definition (2004, 46). He defines Croats - in a Bosnian context - as the ethnic group that lives in Bosnia, that is mainly Roman Catholic and has Croatian cultural roots and traditions (see also Sundhausen 2005, 389-393). Furthermore, Serbs are seen as an ethnic group mostly of the Orthodox Christian faith. They also have their own linguistic roots and traditions, although they might not differ much from some traditions of the Croatians (see

Bartl 2005, 607). When speaking of Bosniaks, the term is more complicated and has undergone fundamental changes during the last half century. Scotto explains the development of the term in detail (2004, 46–48). When I speak of Bosniaks, I mean the Muslim population with a Bosnian identity (Džaja 2005, 123). Due to concepts of nationhood, the term *Muslim* is not appropriate, therefore the term Bosniak is used. I am aware that there are wide discussions on identity and ethnic markers but they are issues beyond the scope of the research question; for a deeper insight into the concepts of ethnicity, nationhood and their definition, see Smith (1986, 1991), Schöpflin (2003) or Gellner (1997). However, concerning the research question a detailed explanation on identity, ethnic belonging and nationhood is not necessary.

Besides the definition of the terms, the clarification of my epistemological standpoint is an important issue for me. Due to the fact that "knowledge varies and depends on the context" (Baumann 2002, 79), my analysis of the limiting factors of the socio-economic development in Mostar belongs to a constructivist epistemological stance that is embedded in humanist geographical approaches. The discussion about a new understanding of cultural geography - the *new cultural geography* - covers the discussions about the epistemological grounding, the advantages and limitations of such a standpoint (see Werlen 2003; Massey 1999; Thrift 1999). Even though a constructivist stance neglects the existence of a single and universal truth and believes in a socially constructed environment of actors, certain phenomena are taken as facts for the decision makers (Krell 2000, 14).

For the Bosnian case, I wish to clarify that there is no doubt that war crimes and genocide happened during the 1990s, and a moderate constructivist standpoint does not question the existence of violence (Todorova 1999, 198). Nonetheless, both the theoretical approach and my applied methodology are deeply embedded in the humanist concepts of geography, where results are always bound to the context, time and place (Robinson 1998, 8). Therefore, the context could consist of the choice of actors, my own attitude towards the research topic as well as time and place. Thus, the results are influenced by subjectivity, perception and interpretation, but reflect the social reality of the interviewees (Audi 1998, 14). Although the results underline a subjective interpretation and personal perception, a critical and balanced way was ensured. Hence, social reality is taken as a reality that is constructed and relative, but all actors take such a constructed reality as if it would exist; they act and react on the assumption of their reality (Krell 2000, 242). These few remarks are rather standpoints that give the context in which the results of the thesis are based.

2 Political and Historical Background

"Without the history of war you cannot understand what happened in Mostar"

(Erich Rathfelder, interview No. 1, 2005)[6]

There is no understanding of the present without the past. This chapter is addressed to the political and historical backgrounds of Bosnia Herzegovina in the Yugoslavian and post-Yugoslavian context. The first section is an overview of the Yugoslavian form of socialism and the political radicalisation that lead to the civil war in which I focus mainly on economic as well as political aspects. The second section focuses on the war itself and provides a descriptive introduction rather than an explanation. For an explanation of the causes of the war from different perspectives see Woodward (1995), Silber and Little (1996), Donia and Fine (1994) or Magas (1993a). The final section gives insight into the Dayton Peace Agreement and its consequences for the post-war recovery. In order to understand the present-day situation, an overview of the political contexts and the legacies of war and socialist times is necessary. The role of the international community is especially important. The shift from active intervention in the open and violent conflict to the role of consultant after ten years of recovery influences the current situation.

2.1 Socialist Yugoslavia - ethnic balance and economic stability?

Yugoslavian socialism differed to a great extent from the forms of socialism in Eastern Europe under the supervision of the USSR. Caused by its special demographic and historical background, Yugoslavia's socialism had its individual "brand of socialism and its own microstructure" as Steinherr and Gros state (1996, 320). The fact that Yugoslavia freed itself from fascism by the end of the Second World War through the strong and identity-forming Partisan movement under the leadership of Josip Broz Tito led to the relative independence and low Soviet influence in the nation-building process of the country. Even though Tito was trained by USSR communists, the break with the Soviet form of socialism became evident in 1948 (Glenny 1999, 547). The independent stance of Yugoslavia was mainly feasible through a new, supra-ethnic and supranational

[6] All interviews were conducted in November 2005. The details of the interviewing process are described in Chapter 4.

Yugoslavian identity that derived from the Partisan movement and Tito's understanding of the multiethnic Yugoslavian society. Tito was able to strengthen Yugoslavian identity, the so-called 'Yugoslavism' (Malcolm 1994, 198), through the fight against external enemies, which suppressed animosities between the ethnic groups - mainly Croats and Serbs (Glenny 1999, 574). This identity was strong especially in Bosnia and Herzegovina: "In Bosnia, 891,800 declared themselves Yugoslavs, far more than in any other republic" (Donia and Fine 1994, 178).

The suppression of competing national demands was, in retrospective, only possible through a political system that was tailored to Tito himself. The cult of personality was a phenomenon in which Yugoslavia did not differ from the USSR. Glenny states that "…the entire political structure in Yugoslavia was dependent on Tito's belief in his own infallibility" (1999, 574). It is said that Tito's slogan was that the mass graves of the Second World War should be forgotten and ignored in order to form a common socialist identity (interview Mirsad Behram No.12, 2005; Donia and Fine 1994, 163). How fatal such politics of neglecting the past were, as shown by the nationalistic references of the fighting parties during the civil war between 1992 and 1995, when they used nationalist and historic symbols and stories in order to manipulate the people (Malcolm 1994, 217). After Tito's death in 1980 these nationalist demands occurred in an even more extreme way, as the history of the recent conflict showed. There were tensions between nationalist groups within Yugoslavia, but Tito's strict policy against national identities kept them under tight control (Glenny 1999, 625). Once the central authority became weaker, at first through the new constitution of 1974 and then accelerated by the centrifugal forces of nationalism, the soil for an open conflict was prepared (*ibid*, 625). Besides ethnic tensions, economic decline and the discrepancies between the republics fostered the breakdown of Yugoslavia.

After the Second World War, Yugoslavia - with its form of socialism - had open contacts between the West and the East, equally between North Atlantic Treaty Organization (NATO) member states and the states of the Warsaw Pact. Yugoslavia's openness to both the free markets and the command economies led to its fast economic growth after the Second World War. During the 1950s and 1960s it seemed that Yugoslavia would be the winner of the competition between the superpowers, especially in economic terms (Malcolm 1994, 2001). Its economic structure followed a middle way between a centrally-planned command economy and the liberal market economy of the Western states. "In the 1950s Yugoslavia was by far the best performer in the group of

socialist countries," as Steinherr and Gros conclude (1996, 324). One element of liberalisation was, for example, that worker's councils were making the decisions for their firms on a micro-scale. The principle of self-management, where the workers themselves had managed investments and production, innovation and trade, and the liberalisation of markets seemed to be successful concepts to realize the socialist society (Glenny 1999, 575; Donia and Fine 1994, 173). However, by the end of the 1970s the weak points of the system became apparent. Yugoslavia faced the major problem of underemployment, which can also be seen as a special characteristic of the Yugoslavian form of socialism[7]. The massive supply of labour led to an exodus of workers especially to Germany in the 1970s. Great parts of these, so-called 'guest- workers' were mostly from the poorer republics of the south: Bosnia-Herzegovina, Macedonia and Montenegro (Glenny 1999, 589). By the end of the 1970s these guest workers were sent back to Yugoslavia, so that the local labour markets were overburdened through waves of additional labour. This process accelerated the economic decline. In addition to the weak economic situation that was characterised by the return of 800,000 workers, the beginnings of hyperinflation and increasing foreign debts were putting pressure on the Yugoslavian economy. The years 1970-1990 were characterised by increasing hyperinflation and rocketing foreign debts. The increase in foreign debts can be seen as an attempt to meet the increasing demand for consumer goods (Morewood and Aldcroft 1995, 163). A consequence of the increasing foreign debts was the expansive monetary policy which led to hyperinflation. "By 1975 the Yugoslav government was proclaiming that 'inflation is enemy number one' in our socialist society and the struggle against it is a major political problem" (Aldcroft and Morewood 1995, 167). The discrepancies between the northern rich and growing republics: Slovenia, Serbia (without Kosovo) and Croatia and the poorer Bosnia-Herzegovina, Macedonia and Montenegro increased. The central organs did not find proper macro-economic tools to stabilize the situation. "Regional variations were aggravated by the growing inability of the Yugoslav economy to absorb the available labour supply," as Aldcroft and Morewood argue (1995, 172). Finally, the politics of the Yugoslav command economy were not able to solve the deteriorating economic situation by 1990 (Donia and Fine 1994, 165). However, the causes of the Yugoslavian collapse and its violent consequences are heterogeneous and the weighting of political, ethnic and economic elements differs. The description given here is an overview rather than a complete analysis of the complex economic processes. While the economic processes are only one side of the coin, the

[7] In the Soviet-influenced countries unemployment or underemployment was seen as an element of market economies. Without free markets there is no market for labour and, therefore, no unemployment is possible.

following section focuses on the radicalising national movements and the slide towards the period of civil war from 1992-1995 that can be seen as the other side that led to the disintegration of Yugoslavia.

2.1 The way to civil war in Yugoslavia

"The real origin of the Yugoslav conflict is the disintegration of governmental authority and the breakdown of a political and civil order."

(Susan Woodward 1995, 15)

When asking about the reasons for the civil war in Bosnia within the process of the Yugoslavian collapse, several approaches are discussed (Woodward 1995; Bose 2002, Magas 1993a). However, it seems that ethnic nationalism played a decisive role. After Tito's death nationalism, especially that of the Croatian and Serbian peoples, was the accelerating force in the destruction of Yugoslavia. As described above, the national claims within the Yugoslav socialist state had never been unimportant. During the 1960s, for example, the Croat national movement was becoming stronger and cried out for better representation within the Yugoslavian state in terms of language and culture (Donia and Fine 1994, 182; Glenny 1999, 586). Also, the emergence of a Bosnian Muslim national identity during the 1960s was influential. During the first years of consolidation after the Second World War, there was no accepted Bosnian Muslim nation. This changed with the census of 1961 when, the Muslims had been ethnically accepted; but still without political power. Finally, in 1971, the Bosnian Muslims were fully accepted as a nation (Donia and Fine 1994, 184). Since then the Muslim people in Bosnia and Herzegovina have called themselves Bosniaks (Scotto 2004, 47). The term refers to a national identity that has been derived from a religious tradition. In the following the term Bosnikas always refers to the Muslim people in Bosnia and Herzegovina. In contrast, all peoples living in Bosnia and Herzegovina are called Bosnians.

In spite of this, Tito's approach towards occasional acts of nationalism, no matter which one (Croat, Serb, Muslim), was repressive (Glenny 1999, 593). With all means available he restricted the appearance of nationalism under Yugoslav socialism, knowing that such forces would destroy the idea of 'Yugoslavism' (Donia and Fine 1994, 180).

After Tito's death there was no authority that could adequately fill the gap and his followers were deeply rooted in their national identity. Along with the deteriorating economic situation and the political instability, various forms of nationalism came to the surface and led to the conflict in the 1990s.

These expressions of nationalism had been streamlined through a manipulation of the masses; exclusiveness and chauvinist nationalist elements were used to gain the masses' support, as Donia and Fine explain: "[i]n an environment of national rivalry aggravated by economic decline retaining popularity is a remarkable achievement for any leader" (1994, 190). Slobodan Milošević and Franjo Tudjman were the most prominent leaders of the post-socialist nationalist movements. In 1987 Slobodan Milošević came to power in the republic of Serbia and started to imploy Serbian nationalism, both within Serbia and at the Yugoslavian national level (*ibid*, 204). It was only possible to establish these strong nationalist claims in the context of greater republican independence and the weakening of the Yugoslavian socialist state (Magas 1993b). Milosevic's goal was to transform Yugoslavia into greater a Serbia (Woodward 1995, 134). However, not only in Serbia did nationalist movements came to power, and in Croatia radical nationalist forces also controlled politics (Donia and Fine 1994, 206). As soon as territorial demands and nationalist movements in Serbia, Croatia and also in to a lesser extent Slovenia were successful, the "[…] Yugoslav Federation was dead" (Glenny 1999, 638). Then at last, the "National equality, embodied in the slogan: 'brotherhood and unity'" and the idea of a Yugoslav identity was entirely destroyed (Donia and Fine 1994, 175). It is still an open question as to which aspect led to which cause, but Glenny (1999) and Woodward (1995) argue that the increase of radical nationalism is a consequence of the political breakdown and the economic decline of Yugoslavia and not vice versa. A different approach is followed by Magas, who emphasises Serbian nationalism as the element that turned the economic troubles into a civil war (1993b, 251).

The violent outcome of the processes described above depicts the situation in which Croatia and Slovenia voted for and declared independence in 1991. Then the question of national minorities and their rights, and the protection of the 'motherlands' became the starting point for the civil wars in Yugoslavia (Woodward 1995, 221). International acceptance of the republics' independence took place soon after the referenda, so that the ground for civil war was prepared (Donia and Fine 1994, 218, Glenny 1999, 637).

In Croatia the war started with the demands of ethnic Serbs in the region of Kraijna who saw their minority rights under threat, and the endless chain of territorial demands

based on majorities began to exacerbate the political instability (Malcolm 1995, 215). In April 1992 in Sarajevo a demonstration against war ended terribly when Serbian snipers killed peacefully-acting demonstrators. These snipers were part of Serbian Army's campaign to keep Bosnia within the rump Yugoslavia (Glenny 1999, 638). This was the start of the civil war in Bosnia and Herzegovina which was the result of the complex interconnection of religious, national, economic and political factors.

Two phases of the war can be distinguished when examining the case of the city of Mostar: a) the war against the Yugoslav Army under Serbian control, in which Bosniaks fought together with Croatian troops and b) the 'war within a war' in which Croatian troops fought against Bosniak troops. The Bosniak-Croat coalition against the Serbian controlled Yugoslavian Army was the starting point of hostilities in 1992; however, the larger and more important phase for Mostar was the war between Muslims and Croatians from 1993-1995, when the city was divided and each side was ethnically cleansed (Bose 2002, 96-98). Before the war, Mostar was well known for its Yugoslavian spirit that came from its ethnic heterogeneity. "Until 1992 Mostar was a charming microcosm of Bosnia and the former Yugoslavia - a captivating blend of south Slavic, Ottoman Turkish and Mediterranean cultural traditions with one of the most multinational population structures of any Bosnian or Yugoslav towns" (*ibid*, 98). During the war the ethnically mixed city was exclusively divided between the Bosniaks in the east and the Croatians in the west. Most of the Serbian population was expelled during the conflict (Scotto 2002, 105).When the symbol of Mostar, the old bridge, was destroyed in 1993 it became the symbol of the tragedy of the Balkan wars. In many other aspects Mostar also became symbolic for the Balkan war because most of the conflicts that could be seen on the national level, could also be seen in the war around Mostar. The "division of the town into rival enclaves refracts the fate of Bosnia as a whole" (Bose 2002, 98). House-to-house fighting was also representative and, as Rathfelder states in an interview, "during the war it was really hell in East Mostar. There were only contacts through the cellars. You couldn't go out. Everyone was killing [...]" (interview No.1, 2005[8]). When the Croatian and Bosniak conflicting actors agreed on peace in 1994 through international pressure, 4000-5000 people had been killed and 56,000 had been expelled from the Mostar region (Scotto 2004, 105)[9]. The central zone around the front line, the Boulevard street, was entirely devastated.

[8] German interviews are translated by me. For details of translation, see Chapter 4.
[9] The numbers of deaths differ in various sources. Due to population migrations in Mostar, it is a difficult to measure the casualties of the war.

Photo 1: Destruction and reconstruction. Former front line, Boulevard, Mostar (© author)

However, the applied tactics of ethnic cleansing and genocide, as well as the many kinds of war crimes that happened in Mostar could also be seen in the other parts of Bosnia (Human Rights Watch 2004). The massacre at Srebrenica in 1995 and the siege of Sarajevo from 1992-1995 are just two prominent crimes that stand for a terrible war between different ethnic groups steered by nationalistic leaders (Honing and Both 1997).

Without going into further detail about the changing frontiers and borders, single events and political negotiations, the role of international intervention should be briefly described because it still has a major impact on the current political situation. The role of the international community, especially the European Union (EU) within the complex process of Yugoslavia's disintegration is essential when describing the progress of the war and the development after it.

The EU and the United States of America (USA) accepted the independence of Slovenia, Croatia and Bosnia and Herzegovina in 1992, based on the Wilsonian Principle of national self-determination (Donia and Fine 1994, 214). Germany's early acceptance of the independence of Bosnia and Herzegovina is seen especially as an escalating factor in the war (Glenny 1999, 637; Donia and Fine 1994, 233). The acceptance of independence by the international community motivated Serbian regular and paramilitary troops to keep Bosnia under control because 'Rump Yugoslavia', or Greater Serbia, feared further loss of territory (Magas 1993a, 251). However, as soon as the political situation worsened, the

international community sent mediators who tried to negotiate a cease fire. In order to stop the ethnic cleansing and war crimes a United Nations Mission, by the name of the United Nations Protection Force (UNPROFOR), was formed to not only keep the negotiated cease fire in 1992, but also to fulfil a humanitarian mandate. Cyrus Vance, a US diplomat, announced that Serbs and Croats had agreed on peace. Peace was *de jure* on paper but *de facto* not existing; the UNPROFOR was not at all able to keep peace and to guarantee stability, because the war had just started (Donia and Fine 1994, 227). Finally, the Vance-Owen peace plan failed because of a lack of support by the ethnic groups (Bose 2002, 168). The UNPROFOR's mandate was weak and had assumed that there would be at least a ceasefire, which was in fact not the case (Woodward 1995, 200). Due to an inappropriate UN mandate and a lack of co-ordination between UNPROFOR and NATO, the massacre in Srebrenica in 1995 was easily carried out by Serb paratroops. "[T]he peacekeepers on the ground, preliminarily trained for humanitarian missions, were ill-equipped to respond" as Pilch and Derdzinski argue (2004, 104). It was often the case that the peacekeepers themselves could be targeted by the conflicting parties; the massacres in Srebrenica and Goražde are only the most prominent and terrible cases of such attacks (Honing and Both 1997).

The role of international intervention embraced several elements. While the UNPROFOR troops were trying to keep the frequently agreed, but not recognised ceasefires between the conflicting actors, UN trade sanctions were placed on Serbia in 1992. The most ambiguous, but also the most successful, form of intervention was the North Atlantic Treaty Organization's (NATO) air strikes against Serbian artillery in Bosnia and against infrastructure in Serbia itself in 1995 (Crnobrnja 1996, 27). In sum, international intervention had two faces as Pilch and Derdzinski argue, "as UN intervention in the Bosnian conflict began as non-forcible humanitarian intervention, but shifted in 1995 to an enforcement action," (2004, 112). All criticism aside, it should be appreciated that international intervention helped to limit the scope of the conflict (*ibid,* 112). Under the pressure of NATO air strikes it was possible to force the three conflicting actors – Serbs, Croats and Bosniaks – to sign the Dayton Peace Agreement in 1995. It has to be stated that all the conflict's actors - Serbs, Croats and Bosniaks - had not given up fighting and, therefore, they were fully accepted as actors also in the post-war period, which meant that the question of responsibility was not discussed and the reconciliation process was blocked from the beginning (*ibid,* 113). A closer look at international intervention during the years of conflict is important when speaking of the responsibility

that it took and the image that it has, in particular for the period of restructuring after the war.

Finally, the General Framework Agreement of Peace as part of the Dayton Peace Accords (DPA) in 1995 ended the war in Bosnia and Herzegovina, in which approximately 250,000 people were killed and two million people had fled (Scotto 2004, 59). The DPA also ended open violence; therefore it was the basis for a structural peace (Galtung 1982) and, at the same time, it is a precondition for any further social, economic and political development. In the following I reveal some specifics of the DPA, in particular the influence of the international community tied to the constitution through the DPA.

2.2 The Dayton Peace Accords - the basis of post-war recovery?

The Dayton Peace Accords is not only the peace agreement between the conflict actors but also the formal acceptance of a Bosnian-Herzegovinan state (Bose 2002, 2). When the DPA were signed in 1995 by the three leaders of the former enemies including: Franjo Tudjman for the Croats, Slobodan Milošević for the Serbs and Alija Izetbegović for the Bosniaks, it has to be recognised that the peace treaty was produced by external forces was a product of Western diplomats and politicians. Bosnia and Herzegovina became a formal and accepted political unit under the Dayton Peace treaty and therefore it is a "state by international design and of international design" (*ibid,* 2002, 60). This means that it is a compromise between the former conflicting actors and it accepts the demographic and ethnic composition after three years of ethnic cleansing and expulsion (Almond 1999, 450). With signing the peace treaty the homogenous composition of ethnic groups that was a result of war crimes was internationally ratified. Although, a confirmation of the ethnic composition in 1995 caused major problems, such as the resettlement of returnees or the question of property rights, the DPA ended at least the ongoing ethnic cleansing and expulsion. However, the conflict situation for the international community did not leave many possibilities for solving the problem. The "[…]Yugoslav drama moved on a new stage, one of reconstruction and reconciliation rather than destruction and confrontation," as Crnobrnja states (1996, 266).

However, the DPA entail several elements for the regulation of public and private life. Furthermore, the General Framework of the DPA ensures all democratic elements. This includes strong protection for minorities that are guaranteed through the constitution (General Framework Agreement 1995, Article I-XI). On a political level, it structures the

artificially-formed state into two politically almost independent entities: the Republika Srpska (RS) and the Federation of Bosnia and Herzegovina (FBiH). When forming the territories of the entities, the status of fighting in 1995 was taken as a base to draw the map (Bose 2002, 60). The proportion of Bosnia and Herzegovina divided between FBiH and RS was 51:49. While the RS is dominated by Serbs, the FBiH is a coalition between Croatians and Bosniaks who were able to agree on a separate peace before it came to the DPA in late 1995 (*ibid*, 61). The executive power of the state is based mainly on the entity level; very few political fields such as foreign affairs or currency are regulated on the national level. Hence, Bosnia and Herzegovina as a state is rather weak; the entities, divided by ethnicity are rather strong. Therefore the international community is keeping the state together through external pressure (Ó Tuathail 2006). Moreover, joint institutions are the expression of the international community to form a joint state, therefore, the "state institutions of Bosnia and Herzegovina function more like international conferences than organs of state," as Haris Silajdzić, a member of the Muslim dominated SDA (Party for Democratic Action), states (in Bose 2002, 26). In the joint institutions, a balance of ethnic groups is an essential priority. The president, for example, is changed every three months according ethnicity – in order to guarantee the ethnic balance.

The DPA also ensure that all democratic structures of the new state of Bosnia and Herzegovina are under the international control of the Office of High Representative (OHR). Officially it is "the final authority in theatre regarding interpretation of this Agreement on the civilian implementation of the peace settlement" (DPA, 1995 Art I, Para 2). It has, therefore, the power to steer the reforms towards democratic development without being itself democratically legitimised. The term 'steering' means that the High Representative is able to impose laws and to dismiss officials at every level of administration when they do not fulfil the democratic principles; they are backed by the mandate of the 'Bonn Powers', additional rights given by a conference in Bonn in 1997 (PIC 1997). The 'Bonn-Powers' had been the answer to the lack of progress in democratisation. Many local authorities had not been able or willing to implement reforms. Therefore, the 'Bonn-Powers' are an enlarged political instrument to steer the process of democratisation. However, the role of the OHR was often criticised because it led to a lack of responsibility and a lack of initiatives by local politicians (Knaus and Martin 2003). The element of international control in the DPA is also important when speaking about the role of the international community in the later years of restructuring and recovery. When the 'Bonn-Powers' were given to the OHR, its active involvement in national and local politics

was massive and influential. There was open criticism of the strong political involvement of the OHR regarding the phenomenon of ownership. Cox and Knaus argue that the increasing use of the Bonn-Powers after 1997 led to the passiveness of local authorities in the democratisation process (2003, 8). The intervention of the OHR at the local level was especially strong in Mostar. Even after the DPA, the city was still ethnically divided and administrated by six municipalities, which were independent from each other and were ruled by the ethnic parties. Instead of guiding local authorities towards peaceful reforms on reunifying the city the OHR, after negotiations failed between the local political parties on the reunification of the city a new status of a reunited city administration was imposed by the OHR. This shows that the role of international engagement in the peace process has changed and does not necessarily have a positive outcome (Knaus and Martin 2003). The undemocratic means that the OHR has - the executive, legislative, and juridical power in one hand, "[…] may justly be pronounced the very definition of tyranny" (Madison in Knaus and Martin 2003, 73).

Besides the influence of the international community, the local political scene in Mostar is dominated by the two parties representing different ethnic groups. The HDZ (Croatian Democratic Party) and the SDA (Socialist Democratic Action – representing the Bosniaks) had both been founded in 1990; they were both actively involved in conflict. Furthermore, they represent nationalist stances and are both integrated into the local business and media (Scotto 2004, 106). While the HDZ was heavily supported by the HDZ in Croatia and claimed the independence of Herceg-Bosna as an independent Croatian republic, the SDA had no direct support from other states. The radicalisation of these nationalist parties was also expressed through a strong connection to military forces (*ibid*, 108). However, the programmes of the parties changed during the years of recovery. During and shortly after the conflict both represented radical and, to a certain extent, non-democratic stances. Once the hard-liners had been dismissed by the OHR in 2000 the structures became increasingly more democratic (Bose 2002, 129). Especially the Croatian political representation of the HDZ had massive informal structures that had been supported by the Croatian government until 2003 when these structures were cut off by the OHR. Until 2003 the political situation was entirely divided between the HDZ, which was ruling its municipalities and the SDA, which was controlling the eastern districts. In that sense the "[…] war has continued with other means" (Mirsad Behram interview No. 12, 2005).

A precondition for the reunification of the city was the democratisation process within the ruling parties. There is a visible trend towards more democratic and liberal programmes due to the fact that younger elites took power and war-experienced politicians were discredited for not solving the current problems for the people (Jenichen 2004, 16). After the reunification of the city administration the will to co-operate has increased over the last few years and the internal structures of the parties have changed. However, there are still fields of politics that are far from being successful. In particular the cultural and education issues are problematic to agree upon (Bose 2002, 136).

This chapter tried to focus on the political and economic backgrounds that led to the current situation in Bosnia and Herzegovina and, in particular, in Mostar. The roots of the conflict derive mostly from the socialist state, economic decline and increasing nationalist politics that resulted in the civil war. Besides the description of the socialist past, I outlined the civil war itself with an emphasis on the role of international intervention. Moreover, the DPA and their consequences are discussed as well as the political scene in Mostar itself.

3 Concepts of Local Development and Peace-Building in Mostar

"*As far as starting points for economic transitions go, it is difficult to imagine a more difficult position than the one in which Bosnia found itself in late 1995.*"

(Timothy Donais 2002)

In order to approach the research question, "What are the hindrances to socio-economic development in Mostar?" on a theoretical level, I have to deconstruct the complex and multi-layered post-war reconstruction process of local development in Mostar. Therefore, I focus on two main processes: local economic development in transitions and post-war reconstruction. The complexity of the situation in Mostar is made more potent by the post-conflict layer so that a comprehensive approach, in which different components are discussed, seems necessary in order to explain the ongoing processes adequately. In contrast, a neo-classic and substantive, rather than static, approach to local development would reduce the understanding of the situation (Bathelt and Glückler 2005, 1546; Stiglitz and Hoff 2001, 396). The latter, post-conflict aspect deals mainly with political, ethnic, national and conflict oriented approaches of nation and peace-building, whereas the former covers three different parallel aspects of local development, such as the transitions from war to peace, from socialist to market economy and an insight is given into the geographic concepts of social capital and institutional approaches. This chapter provides several components that play a part in the different processes of development in Mostar, and therefore it cannot be seen as an exhaustive, explanatory one. The lack of coherent approaches that would combine these different aspects, as Meier and Stiglitz (2001), Collier and Hoeffler (2000) and others (Deininger 2003; Hartzell and Hoddie 2003; Harztell, Hoddie and Rothchild 2001) remark, have required the provision of several influencing components.

When approaching the puzzle of development in post-conflict situations, as in Mostar, a structural theoretical approach is required. Many authors focus on nationalism and ethnic tensions that are in a sense addressing the roots and causes of the Yugoslavian catastrophe (1992-1995), rather than focusing on the post-conflict developments. However, one cannot ignore the components of ethnic, religious and national tensions in the context of peace-building (e.g. Campbell 1998; Mojzes 1999; Chandler 2000; Bougarel 2003). In

my theoretical approach priority is given to a structural, economic and institutional approach to building peace, rather than to individual perspectives of nationalism, identity and ethnic conflict (Flint 2005, 15), but linkages to nationalist and ethnic conflicts are touched upon. Even though the different components are provided separately, there is a high degree of interconnectedness between all components.

Therefore, a combination of economic and local transition approaches and the components of post-conflict developments will be discussed in this chapter. In the final section of this chapter introductory aspects of the concrete situation of local development in Mostar, as well as in Bosnia and Herzegovina will be provided in order to illustrate the applied theoretical aspects.

3.1.1 Theoretical issues of development – overlapping processes of transition

The following focuses on two aspects of transition and, additionally, on concepts of institutional and social capital that function within these transitions. Theories of transition from war to peace belong to the field of political science and international relations (Collier, Hoeffler and Pattillo 2001; Caplan 2004), whereas the shift from a socialist economy to a market economy is discussed in both macro-economics and economic geography (Gros and Steinherr 1996; de Melo, Denizer and Gelb 1996; Smith and Pickles 1998; Smith and Swain 1998). Furthermore, the debate on the functions of institutions is widely discussed in economic geography (Putnam 1993; Amin and Thrift 1994; Bathelt and Glückler 2003, 2005).

3.1.2 From war to peace - an economic perspective

There are three main aspects in situations of civil war-torn societies, such as Bosnia, that need to be described and which make these situations difficult to analyse. Since the war was fought on the country's territory the industrial and transport infrastructure has been devastated, the administration of the state is likely to have deteriorated and civil society has also been affected by the war situation (Collier 1999, 168). In this section I focus on the economic consequences, rather than on the effects on civil society, so as Collier states, "civil war is a sufficiently devastating phenomenon that is likely to have large effects on both the level and the composition of economic activity" (*ibid,* 168).

When examining conflict and post-conflict economic situations four main aspects are discussed in the literature (Deininger 2003; Collier 1999). First, there is the destruction of private and public physical capital, such as roads, bridges and factories. Then, the social disorder and the destruction of social capital, such as trust and stability, which is also connected to the third aspect, which is insecurity that leads to a lack of investment and a rise of transaction costs. Finally, there are the government expenditures that are spent on political stabilisation instead of being invested in the knowledge-building sectors such as education and research (Deininger 2003, 583).

A decline in production of the non-military sector, caused by the destruction of physical capital, is probably the major reason for a post-conflict deteriorated economy. Aside from the destruction of the production capacities, the flight of capital is another catalyst for a decrease in the economy on every scale from national to local levels (Collier 1999, 173; Collier, Hoeffler and Pattilio 2001). During conflict years the costs for transport and transactions are extraordinarily high; this is caused by the lack of infrastructure and legal security. This means, for example, that property rights and contracts are not legally ensured. The deterioration of civil society and the expatriation of human capital also diminish the future perspectives for economic recovery to a certain extent (Deininger 2003, 583). Furthermore, the lack of public security raises the costs for economic action and also leads to less investment (Collier 1999, 178; Deininger 2003, 580).

Moreover, certain capital-intensive sectors, such as infrastructure, manufacturing and production face the most problems. These war-vulnerable sectors are therefore the most heavily burdened ones when peace is consolidated (Collier 1999, 179). Not only on the suppliers' side were the consequences of war fundamental, but also the demand for products decreased fundamentally because savings were spent and income was not generated during the years of conflict making poverty widespread (*ibid,* 169). Decreased demand has a similar effect on the economy as the flight of capital: the capital stock is marginal, also for urgently needed investments. Thus, civil wars have a heavy impact on both the level of the economy and the composition of factors of production.

Therefore, the phase after the onset of peace is often characterised and burdened by the problems mentioned above, but peace has mainly positive outcomes. First, a situation of peace creates greater stability for economic activities so that transactions costs decrease through an ensured legal framework. Second, the stabilisation of the political situation could lead to more sustainable economic growth. However, it is not at all a guarantee that there will be dividends from peace because distrust between the conflict's actors or the

expectation of a new conflict could be seen as reasons for the reserved development of the economy (Collier 1999, 182). The actors' attitudes in the post-conflict phase is called 'pre-cautionary strategy', as Deininger has emphasised (2003, 593). Once peace is settled and the economic actors gain trust, the likelihood that the most important sectors of production and infrastructure will experience rapid growth is greater (Collier 1999, 182). It is even more likely that these sectors will grow faster than others, such as agriculture or the service sector, when international financial aid supports this process. Then, as Collier and Hoeffler describe (2002, 2, 3-6), the phenomenon of supra-normal growth can occur: "[t]ypically, opportunities for recovery enable a phase when growth is supra-normal. The need to restore infrastructure, juxtaposed against the collapse of revenue, tend to make aid unusually productive" (*ibid*, 2). After some years of post-conflict development, the supra-normal growth will adapt to a pre-conflict level (*ibid,* 9). A critical remark is given by Collier and Hoeffler on how efficient external, international programmes are concerning the reduction of poverty, as part of comprehensive strategies to provide support within the transition from war to peace: as "[t]he reduction in poverty depends upon the extent of poverty and upon the distribution of income" (*ibid*, 2). It is also clear that international financial intervention distorts local markets; it can happen that international aid diminishes local returns (*ibid,* 2). The social effects of international intervention in various forms within the process of peace-building will be discussed in section 3.2.1. Furthermore, the growth rates of the production sector are very high during the first years of post-conflict period caused by the fact that the starting level is so low (Stojanov 2003, 69); immense growth rates of Gross Domestic Product (GDP) are also a result of heavy international aid.

Whereas production, especially industrial capacity, is likely to grow faster than other sectors, the will to start business of small and medium-size in the advanced post-conflict phase is rather reduced. The more intensive the conflict was the lower the investments and the lower the intensity of businesses start-ups that are crucial for broader economic growth (Deininger 2003, 580). Often it is noticed that there is a peak in small-scale business activities right after the war that, however, is not sustainable. This also shows the urgent need for everyday goods right after a war has ended; therefore, trade is the sector that might experience the peak of start-ups (*ibid*, 601).

Another important outcome in war-torn societies is a persistence of corruption and a informal economy, which can be seen as a result of a lack of public order and legal framework, as well as the absence of common state executive organs such as police (Tirole 1996; Collier and Hoeffler 2002, 2). Deininger sums up the lack of functioning

administration as, "[s]tate failure or weakness, often brought about by civil unrest, can be an important impediment to social and economic development" (Deininger 2003, 597, see also Bradshaw and Stenning 1999, 102). The existence of strong shadow economic activities, or the 'informal sector' as it is also called, is rooted primarily in the war economies that emerge when a collapse of the state takes place, or if the state is overextended or the burden of bureaucracy is an obstacle for development (Pugh 2004, 53). Both can be applied to Bosnia and Herzegovina (Krastev 2003, 2); first during the war when opportunities for trafficking and black market enterprises opened up, and then when the international community imposed, in order to balance ethnic and national demands, a relatively complex structure of administration from municipal over cantonal and entity level to the national level via the Dayton Peace Accords (DPA 1995 Annex 4, Krastev 2003, 3). Among other minor aspects, such as international trade sanctions, a missing or overextended state administration allows the black market and the shadow economy to flourish.

On the one hand a high degree of shadow economic activity has a negative impact on stability and democratisation as Pugh emphasises, "[p]olitically, it is portrayed as a threat to transparency and accountability, and thus a threat to the promotion and sustainability of democratic state building" (2004, 53). The flip-side is the social function of the shadow economy, which serves as a coping and survival strategy for the poorer strata of society that suffer most from state and market failure. Hence Pugh further highlights this aspect, when he states that "[i]n this context, the shadow labour market acts as a survival mechanism, enabling people to exist at, or just above, the general poverty level" (*ibid*, 57). The phenomenon of the informal economy, which is heavily connected to social networks, is often divided along national and ethnic lines in the context of clientele and patrimony. Such a 'mafia welfare' structure is persistent also after the onset of peace. In Bosnia and Herzegovina, "the entrepreneurs adapted well to the post-conflict period and international intervention" (*ibid,* 55). When mafia structures substitute missing or collapsing state functions then it fills in the gap, but it also weakens the democratic structure through a lack of transparency and democratic equality. These phenomena that occur in post-conflict situations also lead to imperfections in a common market through its fragmentation of society, so that transaction costs rise and development is blocked (*ibid,* 57). Not only in post-conflict situations have informal institutions occurred, but also in post-socialist structures, in which the central authority is weak.

3.1.3 From socialist to market economy

Parallel to the transition from conflict to peace, the former Yugoslavian countries also face a second, however not less essential transition, from a socialist to market economy (Stojanov 2003, 67; Zilić 2003, 2). Even though many aspects of the transition from a socialist to market economy had been overtaken by the period of conflict, certain economic transition aspects are still influential, particularly when it comes to the sustainable development of the production sector and public administration. The outcome of the transition period from planned to market economy in the long run should be a "[…] positive supply stock, raising the efficiency of resource allocation and creating a burst of economic growth as well as increasing the "utility" of output" (de Melo, Denizer and Gelb 1996, 17). However, the change from socialist to market economy should not be seen as a one way transition, it is rather a complex and complicated change in economy, politics and the social field (Smith and Pickles 1998, 2).

Already during the last years of communism the Yugoslavian economy had declined (Pugh 2004, 53); purchasing power fell, the unemployment rate was already up to 20%, and the number of people that lived below the poverty line was up to 60%. Against the trends of the late 1970s and 1980s, the Yugoslavian economy became more and more fragmented in republic-based economies that differed fundamentally from each other (Aldcroft and Morewood 1996, 172). Urgently needed reforms to control hyperinflation, the overburdening of foreign debts and the modernisation of the production sector were postponed (*ibid,* 173). Contradictory to other socialist countries in Eastern Europe, Yugoslavia has had variations within its planned economy. Self-government of firms and the distribution of economic decisions to the republic level were some variations among others that had led to a relatively successful economy during the 1950s and 1960s. As Gros and Steinherr describe, "[s]elf-government accelerated the growth of output and the technical progress beyond anything known before, while preserving fast development expansion" (1996, 324). After the period of success, Yugoslavia was not able to cope with the resulting problems from a centralised economy, such as hyperinflation, stagnation in productivity and reform of macroeconomic policies. These figures and concrete examples should function as an introduction to the more general theoretical approach to the transition from socialist, planned economy to the regimes of capitalism and should also explain the reasons for the economic shift that already occurred before the collapse of the Yugoslavian state.

In geography, the transition or transformation from a socialist to market economy, as Bradshaw and Stenning (1999) and Stenning (1997, 148) call the process of fundamental change, includes the aim to modernise, privatise and to liberalise socialist structures in order to adapt to western markets (Rautio 2003, 28).

Though Bradshaw and Stenning point out four main pillars of transition, including liberalisation, stabilisation, privatisation and internationalisation - (Bradshaw and Stenning 1999, 100; Bradshaw 2005, 7), in this section I focus on three particular aspects: privatisation, modernisation and the role of state institutions within the interplay of the four pillars. These are essential when it comes to an economic transition and in post-conflict spaces such as Bosnia; it should therefore demonstrate how important the socialist legacy still is after the collapse of economic activity during the civil war.

Privatisation as a key aspect of transition is generally seen as a mechanism for freeing productive capacities from inefficient state ownership (Donais 2002, 2). Gros and Steinherr state that "[p]rivate ownership is necessary to achieve separation of political and economic decisions and in this separation lies the scope for efficiency and stability gains" (1996, 182). Within the process of liberalisation, privatisation leads to a basis for recovery and growth. However, only a fair, democratic and transparent process of privatisation can provide the ground for sustainable economic growth. When the privatisation process is not guided by a functioning state policy, further problems and long-lasting limitations to growth emerge because the informal sector then tends to take responsibility for an illegal privatisation as mentioned above (Donais 2002, 3). Hence, an efficient central state is needed to undergo the process of privatisation, contrary to the relatively weak position of central authority in Bosnia through the Dayton Peace Accords, as Stojanov emphasises (2003, 70). There are two diametrically opposed policies on privatisation process within the process of transition: shock therapy or 'big bang', which means a heavy and comprehensive, but quick change within the context of liberalisation, or a gradual approach that emphasises a smoother shift in order to avoid an economic collapse in the short run (Gros and Steinherr 1996; Kornai 1997; Rautio 2003, 62; Bradshaw 2005, 7).

However, a sustainable privatisation process is the basis for a market economy and therefore efficiency. Only competition between privately-owned enterprises leads to a higher degree of growth and innovation; assuming that the process is transparent and the legal framework is stable. It is therefore a pillar for a market economy that prices reflect real values and supply is ensured through competition, as Stenning underlines (1997, 149). If that is not the case, then an uncoordinated process that has opposite consequences takes

place, as Donais concludes: "[…] in an institutional vacuum privatisation can and has led to stagnation and de-capitalisation rather than to a better financial result and increased efficiency" (2002, 5). Thus, without an institutional framework the privatisation process leads to counterproductive consequences. The framework includes the rule of law, well regulated capital markets, an efficient tax system and an efficient banking system. Then, as a consequence of a missing institutional framework, the inflows of foreign capital will be missing that initially were expected to compensate for the lack of local capital (*ibid,* 2002, 8). Foreign Direct Investments (FDI) can exclusively flow in when the privatisation process has been successful. As Bradshaw states, "privatisation has been crucial to the attraction of FDI, as it has provided an opportunity for foreign companies to obtain equity ownership, and often control, of SOEs [State-owned enterprises]" (2005, 7). Additionally, some surrounding elements for the privatisation process are discussed as being important, such as speed or the establishment of a competitive environment (Koldko 1999, 115, in Donais 2002, 5). Not only the question about the conditions of privatisation is important, but also how and what kinds of methods will the process undergo. The question emerges how to find buyers for state-owned enterprises. One strategy is through vouchers, which have been given to the general population and can then be converted to shares of a privatised firm (Gros and Steinherr 1996 172). On the one hand the advantage of this strategy is that it is relatively quick so that financial capacities are available from modernisation (Donais 2002, 8; see Smith and Pickles 1998). On the other hand when the general population is facing income scarcity the procedure is doomed not to meet its expected outcomes and the likelihood for wealthy 'mafia structures' to gain great shares is high (Lock 2005).

Applied to multiethnic societies in post-war situations the privatisation process has not only technical, but also political consequences. For example, if one ethnicity dominates within the process, as Donais further describes the case for Bosnia where enterprises are privatised along ethnic or national lines (2002, 5), then an imbalance with deteriorating political problems occurs. Referring also to a conflict situation, the process of privatisation partially occurred during the war years, as Pugh describes in the Bosnian case (2004, 54). This kind of privatisation fails its aims in the context of transition, because the legal framework leads to uncertain property claims.

The modernisation and restructuring processes of enterprises is a further important aspect within the transition (Bradshaw and Stenning 1999, 101). Within the process of liberalisation, "[t]he need to pay attention to prices and costs demands a restructuring of

capacity" (Stenning 1997, 149). Industrial reorganisation also includes the restructuring of the management level. Not only the adoption of a new economic regime of production factors such as labour, capital and land, but the adoption of controlling aspects is also important (Rautio 2003, 26). Most transition countries had to face major decline in industrial production and GDP when opening their markets to international products (Gorzelak 1996, 9; Pickles 1998, 186). Through the planned and centralised command economy the emphasis of production had been on quantities rather than on qualities, so that product and process innovation was often neglected (Smith and Swaine 1998, 35). When markets are opened to international products the lack of standards become visible and the need for modernisation becomes essential. In various post-socialist countries a decline in machinery and management caused a major drop in GDP, mass unemployment and, in the long run, poverty and inequality (Pickles 1998, 186; Smith and Pickles 1998, 7). While enterprises from established free markets internationally lead the sectors, enterprises in transition countries are additionally burdened by the pressure of modernisation that might be a difficulty in a hostile business environment (Rautio 2003, 63). Additionally, the cutbacks in state subsidies from the former socialist period have to be compensated (Bradshaw 2005, 7). Bradshaw and Stenning further emphasise the role of trade within the transition, "[w]ith the collapse of centrally-orchestrated trade, enterprises have had to find new sources of supply in the local economy" (1999, 102).

During periods when enterprises of transition countries lag behind their international competitors the 'technology gap' often grows (Meier 2001, 20). The modernisation process on a physical level is one side of the coin; the adoption of new working regimes by labour is the other. The lack of skilled labour at every level of an enterprise is often the reason for the collapse of production and management (Pickles 1998, 187). It is a time taking process to change the attitude of labour towards the capitalist working regime - profit-maximising behaviour, along with entrepreneurship and ownership, is often missing, but at the same time demanded from the new capitalist regime (*ibid*).

Within the process of transition state institutions that regulate and steer the economic processes have a key role in macroeconomic stabilisation (Stenning 1997, 149). Therefore, I summarise their functions and their role in this section, but they cannot be seen as exhaustive. Regulatory theories give a comprehensive insight into detailed functions of the state (see Smith and Swain 1998, 27-32).

Economic activities in a command system depended on the strong and comprehensive role of the state. Pickles (2002, 175) describes the role of the state as

overburdened by bureaucracy, oriented towards ideological aims rather than oriented towards demand, which is the principle in a free market economy. When it comes to the transition, then, effective state institutions become major players in steering and controlling the processes of liberalisation and privatisation on every level of scale (Rautio 2003, 62-63). According to regulatory theories, the state has the function to stabilise "relations between production and consumption through an efficient allocation of social product between reinvestment, profit and consumption" (Smith and Swain 1998, 28). Tools such as cutbacks in subsidies, fiscal policy control and the provision of the legal framework are essential to fulfil the goal of transition and to reach macroeconomic stability (Stenning 1997, 149).

However, in most cases state institutions have not been pillars and cornerstones of the transition; they are, by contrast, rather limiting factors in themselves. As Pickles says, "[a] weak state is unable adequately to monitor these activities and is too weak to force reorganisation within the enterprise" (1998, 189; see also Smith and Swain 1998, 39). State institutions have to be prepared for the new shift towards a market economy, but they are in fact, and on the contrary, not able to adopt new market mechanisms (Gros and Steinherr 1996, 154). Hence, state institutions play not only a particular role in the privatisation process as I describe above, but they are also important to ensure a legal framework, fiscal and monetary stabilisation and a social net so that the process of modernisation can take place, in other words macroeconomic stabilisation (*ibid*, 174). But if macroeconomic stability cannot be provided, not only the privatisation process is blocked, but also the potential for domestic and foreign investments are hindered, as Gros and Steinherr conclude (1996, 196). In many cases of transition countries the collapsing state institutions had been supported by and consulted international organisations, such as the World Bank and IMF (Stenning 1997, 150). Their role in local development and the intervention into local economic activities is given below. The collapse of the state administration and institutions was devastating, especially in war-torn societies, so that the transition took place in anarchical conditions and the implementation of reform policies was impossible (Bradshaw and Stenning 1999, 102).

Referring to transition as a complex and fundamental change in economics, politics and social sectors, "[...]the success of transformation or transition towards market economy is dependent on the social, cultural, political and economic contexts of the region" (Bradshaw and Stenning 1999, 105). Therefore, the following section deals with social capital and institutions within the concepts of local development.

3.1.4 Institutional and social aspects of local economic development

"[…]knowledge is the most powerful engine of production […]"

(Alfred Marshall 1890: The Principles of Economics, London)

"The most important determinant of actions is one's environment […]"

(Josef Stiglitz and Carla Hoff 2001, 427)

As local development is defined, it is more than growth and change, but also freedom, security, stability and sustainability (Meier 2001, 24; UN 2000; UNDP 2005, 17). Rather, it can be seen as a 'comprehensive development' or 'human development', which means that one has to "go beyond narrow economic objectives to larger social and political goals" (Basu 2001, 61). Not only labour, capital and land and infrastructure, as the classic tradition of economics assumes, but also institutional policies, social, cultural and human capital play an essential role (Pilon and DeBresson 2003, 19). In the previous sections I tried to describe essential aspects of the transitions from war to peace and from a socialist to market economy. In both, social capital and institutions, formal and informal play an essential role in how the transitions are undertaken; they are therefore part of the success or part of the failure of economic activity at the local level. The German geographers Bathelt and Glückler define social capital as follows: "[s]ocial capital is thus constituted in the very relation between the actors involved, and is a result of ongoing social practices" (2005, 1555). Besides social capital and institutions, geographic scale, or the 'local', is at the centre of examination (Amin and Thrift 1994, Putnam 1993).

Therefore, a relational conceptualisation is needed to explain local socio-economic development. Bathelt and Glückler (2003; 2005) created a concept where "[e]conomic action is viewed as social action which is contextual in that it is always related to other actors and a shared institutional environment" (2005, 1545); also, Amin and Thrift emphasise the human activity behind economic processes (1994, 4). Furthermore, the relational approach is not only a new perspective focused more on human action; it is also a fundamental criticism of the neoclassical tradition of local development (Meier 2001, 21). Stiglitz and Hoff conclude the criticism as follows: "[a]nd in leaving out the institutions, history, and distributional considerations, neoclassical economies leave out the heart of development economies" (2001, 390).

The role of social capital, institutions and knowledge is widely discussed (Amin and Thrift 1994; Bathelt and Glückler 2005). Therefore, I will focus on some important aspects, such as knowledge and institutions, for a post-conflict situation in which social capital can be identified with a functioning civil society (Barnes 2001, 99). When giving an insight to these approaches of local development they mostly explain successful local development such as in 'Third Italy' or Silicon Valley (Putnam 1993); in the Bosnian case of Mostar, however, the absence of functioning institutions and missing social capital contribute to the stagnation or recession of local development.

Knowledge can be seen as part of social capital and would be therefore one key factor that is essential for successful local development as Meier emphasises (2001, 20). As Meier points out, it can be used repeatedly at no additional cost (*ibid*, 20). If the employees of firms and administrations are skilled, there is a greater chance for process and product innovation. Also Amin and Thrift suggest, "it seems clear that the production and, later, distribution and exchange of knowledge is a crucial element of the global and the local economic system on a scale that was never the case before" (1994, 3). They further state that through innovation caused by the existence of knowledge a production factor is created (*ibid*). Thus, human capital has some spill-over effects also on investments and, in the long run, on growth and productivity (Meier 2001, 20). Moreover, knowledge as a resource creates the capacity of the region to enhance innovative activities (Pilon and DeBresson 2003, 18). Difficulties occur when a certain stage of knowledge, for example skilled labour, has to be kept and improved. Then, the important process of 'continuous improvement' has to be ensured through institutions of education (Meier 2001, 20). A regulation of knowledge through labour market policies is consequently needed as Peck argues (1994, 149). On the contrary, if regulation policies do not exist or miss their aims, the lack of skilled labour or skill formation and therefore knowledge might either be caused by a massive exodus of skilled workers (especially for advanced positions that control, steer, and decide economic activities) or it can also be caused by the absence of education capacities, so that the skilled labour force cannot be reproduced (*ibid*, 162).

Another aspect of social capital is informal institutions. A definition is given by Meier when he says that "[…] social capital as the internal social and cultural coherence of society, the norms and values that govern interactions among people, and the institutions in which they are embedded" (2001, 29). It also includes trust, social networks, and co-operation that can only have a positive outcome when the conditions of civil society are anchored (Collier 1999). Pilon and DeBresson illustrate the effect of social capital as

follows: "[l]ocal traditions, local value systems, common language and human capital seem to represent the sources of dynamism of the Third Italy [*sic*] which is characterized by both cooperation and competition" (2003, 19). The concept of institutions, as one value of social capital, explains the effects of the economic activities on the one hand, but they are also a product of successful local economic development, described by Bathelt and Glückler as relational functioning in the sense of interaction (2005, 1546), so that it also pre-structures social behaviour.

As described in the transition from war to peace, institutions do not necessarily have positive outcomes for local economic development. When informal and illegal institutions such as 'mafia-structures' occur then they might block or even undermine the formal, public and legal institutions. Stigliz and Hoff suggest that, "[w]ith endogenous institutions, developing countries may be caught in a vicious circle in which low levels of market development result in high levels of information imperfections and these information imperfections themselves give rise to institutions – for example, informal, personalized networks of relationships – that impede the development of markets" (2002, 400). There again is interplay between weak formal state institutions and the response of informal personalised institutions (Krastev 2003, 1). If state institutions and conditions of civil society are not ensured, then the risk that informal, personalised, asymmetric institutions emerge is more likely. Once they exist they again weaken the needed conditions for democratic, sustainable development (Pilon and DeBresson 2003, 17-20). As a reminder of the conflict situations, a collapse of the state can be a consequence of informal networks, additionally of the aspects that Deiniger points out, such as "[l]ack of human capital, presence of taxable and immobile wealth, infrastructure access, and to some extent ethnic fractionalization, emerge as the main factors contributing to higher level of civil strife" (2003, 580). Therefore the understanding of the positive outcome of 'institutional thickness' that Amin and Thrift (1994) and also Bathelt and Glückler (2005, 1556) highlight, can be questioned when it comes to conflict or post-conflict situations. They emphasise, however, that their understanding assumes four aspects; institutional persistence, commonly shared knowledge, flexibility and innovative capacity (Amin and Thrift 1994, 16). Yet any way it functions as an engine for decision-making processes (Rautio 2003, 74). When negative informal personalised institutions of paternalism occur, then development is hindered as Stiglitz and Hoff explain: "[m]ore generally, a fundamental obstacle to economic development in all states, not only dictatorships, can be posed by groups whose political power is threatened by progress" (2001, 425).

Another important aspect is the role of formalised institutions within local development. Here, the focus is rather on formalised institutions that can provide co-ordination and policy services and which underline the structure of local development rather than on informal institutions, like conventions, common behaviour and self-imposed norms, as described above. In new institutional economics the role is widely discussed (Meier 2001, 22). A properly functioning institution, such as a city administration, uses its role to generate and co-ordinate development priorities, which results in a friendly environment for local business development. Theoretically, it is the co-ordination of externalities that lead to further capital accumulation (*ibid*, 22, 34) and an increase of local development (Brenner and Fornahl 2003, 4-5). Hence it is necessary to treat the formalised institution, in our example the city administration - "as an integral element of the economic system", as Meier says (2001, 34), so that "the general principal is that government action can facilitate private sector coordination" (*ibid, 34*).

However, the intensity of a formal institution's intervention in local development is illogically discussed. The function of such institutions is the provision of a legal framework in which stabilisation, liberalisation, deregulation and privatisation can be co-ordinated (*ibid*, 23), as I highlighted above. An over-extension of state structure might have also negative outcomes (*ibid*, 34). The question then emerges how to 'get the institutions and organisations right' to achieve those functions (*ibid,* 27). Institutions mean state institutions on every level, such as national ministries for economics and also city administrations that regulate development on a local level. How much they contribute to development and growth, assuming that they are well functioning, Stiglitz and Hoff argue that "[t]he ability of government to act as an agent of development may depend on the strength of democratic forces and on the extent to which voters are divided along class or ethnic lines" (2001, 400).

These institutions can be characterised as internal formalised institutions whereas international organisations are external formalised institutions that also have a massive impact on development on each scale, especially in the context of a peace-building situation. Among other effects, an intervention of international organisations in post-conflict situations that often functions as a support for the governmental institution can be seen as an external factor that influences the market and socio-economic development situation in a comparable way as internal institutions. However, international organisations also have the aim to reduce the risk of further conflict. Therefore, an intervention through international aid has a stabilising character in terms of peace-building (Collier and Hoeffler

2002, 2). These tools for peace-building and recovery are through aid itself, active policy intervention and policy support interaction (*ibid*, 6). The question of how much international aid a post-war situation can absorb is examined by Collier and Hoeffler (*ibid*, 7). The functions and consequences of international intervention in the context of peace building will be the aim of the following section.

When connecting the discussed aspects of social capital, such as knowledge, informal and formal institutions, then the effects take place on the local level, in the form of personal relationships, co-ordination and commonly-shared norms (Bathelt and Glückler 2005, 1555; Rautio 2003, 75; Amin 2002). Even though the trend of globalisation could lead to the assumption that places are exchangeable, the local matters, as Amin and Thrift (1994) and Massey (1995) discuss. How much 'geography matters' and cultural differences count is highlighted by the economist Meier when he remarks that "even though there is a set of basic economic principles, their particular application to any one country will depend on the economic structure, institutions, political regime, administrative capacity, culture, and history of the particular country" (2001, 39). Even though he refers to a country, the same can be applied to the local level as Amin and Thrift underline, when they point out that "[…] local diversity, both within and between places remains" (1994, 7). Closely connected to the question of location is the influence of hierarchy and power, a major discussion within human geography (see e.g. Paasi 2002; Massey 1999). Therefore, economic development is embedded in the diversity of cultural and social relations of locations (Amin and Thrift 1994, 16). However, the literature discusses the importance of the concept of 'embeddedness' and its consequences critically. The concept could be over-territorialised as Hess (2004) and Glückler (2001) argue. A further detailed explanation would, however, exceed the research question.

3.2 Concepts of peace-building

"Peace agreements […] do not in themselves end wars or bring about lasting peace. In most cases, prewar continuities and the war mentality jeopardize the prospects of a consolidated peace and postwar reconciliation."

(David Francis 2000, 357)

This section is addressed to the theories of peace-building, developed in political science and diplomacy. First, a general overview of international intervention is given, while the second section applies the theoretical components to Bosnia and Herzegovina and to Mostar in particular. It seems necessary to apply these approaches in order to understand the post-conflict processes in Bosnia and Herzegovina.

3.2.1 Peace-building and reconciliation

Among the economic aspects and processes that have been described above, peace and nation-building are the second main part of the theoretical conceptualisation, which contributes to post-conflict development in Bosnia and Herzegovina and specifically Mostar. Whereas the role of international organisations concerning economic development has been touched upon in the previous sections, their role in the social sector, namely in the formation of civil society, seen as social capital, is discussed.

Peace-building is defined as "[…] strategies [that are] designed to promote a secure and stable lasting peace in which the basic human needs of populations are met and violent conflicts do not recur" (Lambourne 2004, 3). This also includes 'practical implementation of reconstruction on all fronts', which are political, social and humanitarian objectives (Iribarnegaray 2002, 8). This section addresses political and ethnic peace and stability in post-conflict situations, seen as a precondition of socio-economic development; it is therefore not exclusively separated from post-conflict economic development (Lambourne 2004, 4). Peace-building is also understood as the phase that continues the phase of peace-keeping, right after the conflict has stopped and a formal peace treaty is signed. However, a formal peace treaty does not necessarily mean the absence of structural violence as Galtung (1982) defines the absence of sources of violence that can lead to conflict situations. A precondition for sustainable peace – the absence of structural violence - includes the process of reconciliation and co-operation between the hostile conflict actors.

In societies that are war-torn by civil and ethnic conflicts, an external actor or third party, namely the international community in the form of the UN, NATO, EU, or some other body, seems to be a necessary tool to stabilise the situation and to implement a basis for sustainable peace and development (Lambourne 2004, 2; Caplan 2004, 53). When a war is long-lasting and society is fractured, as is the case in Bosnia, then external support is needed to form the pillars for civil society, especially through the process of reconciliation (Lederach 2004, xvi, 17). The peace-building task of reconciliation and the establishment of civil society is challenging when a divided society consists of several ethnically and nationally divided groups where clear majorities do not exist (Schneckener 2002).

Hence it is the function of international organisations to provide 'negative peace' through military a presence, co-ordination of humanitarian aid, reconstruction of infrastructure and performance of basic civilian administrative functions (Iribarnegaray 2002, 5). These hard issues are not given here (see e.g. Zartmann and Rasmussen 1997; Lederach and Jenner 2002). Instead, the focus is on aspects of civil society and reconciliation, understood as the "[…] building of relationships between antagonists" (Lederach 2004, 34), in which international actors are involved.

In order to establish the basics of civil society, there is a need to reconcile the hostile actors of the war. Revealing the painful past in sensitive post-conflict situations can deepen the divide between the conflicting actors (Lederach 2004, 31). And yet, reconciliation is a necessary base for sustainable peace and further development.This process is seen as a tightrope by Iribarnegaray and it is "[…] an undertaking to avoid the harmful acts of the past and build a new relationship built on trust and respect is another step which is normally seen as essential to the reconciliation process" (2002, 8). It is the centrepiece of peace-building as Lederach argues (2004, 24). Without a civil society economic, political and social development seems to be impossible, as Lambourne emphasises when he states that "[t]here will be no peace and stable democracy in war-torn societies without truth, justice and reconciliation" (2004, 20). The international community, as an external force, is asked to create the basis for the development of civil society, but often the mechanisms fail to respond to the very complex situations of deeply-divided societies (Lederach 2004, 18). The applied mechanisms and tools are lacking in terms of the conflict situation; they are mostly addressed to development, humanitarian needs or the level of diplomacy (*ibid*, 24). Several factors contribute to the lack of tools, such as reconciliation assistance, which does not have direct financial outcomes, and the fact that development is not teleological and its efficiency is difficult to evaluate (Jenichen 2004, 6).

The task is to tackle and solve the war-caused traumas in society that are "locked in long-standing cycles of hostile interaction" (Lederach 2004, 23). Fear is the mechanism that keeps up the dynamic of division through nationalism. The core question is how to initiate the reconciliation process and to sustain it; it includes a handling of the painful past combined with positive future perspectives (*ibid*, 27, 31). Four main aspects play an important role within the reconciliation process: truth, mercy, justice and peace (*ibid*, 29; Lambourne 2004, 4). Truth about certain incidences coupled with mercy contributes in the same way as justice and peace, which are connected to a functioning judiciary and the absence of violence (Lederach 2004, 30). Therefore, "reconciliation must be proactive in seeking to create an encounter where people can focus on their relationship and share their perceptions, feelings, and experiences with one another, with the goal of creating new perceptions and a new shared experience," as Lederach concludes (2004, 30). However, the question occurs of how to tackle the enormous peace-building task, when the activities reach from local face-to-face activities, over dialogue groups to national debates about the painful past (*ibid*, 32; Schneckener 2002). Additionally, for such direct approaches for reconciliation, the creation and guidance of a democratic political representative system is often a tool. Concretely, the fields of action are dealing with democratisation, human rights, and education (Jenichen 2004, 6). Here, various actors are necessary to tackle the problem, such as non-governmental organisations as well as multilateral agencies such as the UN or EU. Although they can provide comprehensive support, they cannot force individuals to take part in the programmes and workshops. If a forced reconciliation process is imposed, a counter-effect could be the result, thus questioning the effect of peace-building (Jenichen 2004, 5). 'Can democracy be implemented through non-democratic means?' is a fundamental question that points in this direction and should be discussed when intervening internationally.

It also seems necessary to involve various actors such as bilateral or multilateral governmental organisations and non-governmental organisations (NGOs), but this also causes problems of co-ordination and co-operation. According to different self-conceptions and mandates, NGOs and governmental organisations tend to follow different approaches to the formation of civil society (Jenichen 2004, 6). If such co-operation and co-ordination structures are missing, the international actors loose credibility and initiatives might have different outcomes, in which the hostile, often radical nationalist attitudes remain (Lederach 2004, 33; Lambourne 2004, 19). Schwarz-Schilling, the current High

Representative of Bosnia and Herzegovina[10], criticised the lack of common strategies in the case of Bosnia, which partially led to catastrophic outcomes in terms ofpolitical decisions (2003, 3). Under these conditions, such structures, often called 'war constituencies', remain and, consequently, undermine the sustainable and positive peace process. In the case when initiatives of international actors fail to build up a civil society, the external support that is often the only mediating institution is lost and the power structures of 'war constituencies' become stronger so that the aims of a democratic society are at risk. Specifically, it could mean, for example, that radical nationalists block important decisions caused by catalysing mutual blocking strategies (Schneckener 2002). These 'pathologies' of mutual blocking occur especially in ethically-divided societies (*ibid*).

Among the problems through a lack of co-ordination is a financial risk that particularly occurs through the difficulty of evaluating of civil society projects (Jenichen 2004, 8). Moreover, when international organisations enter the scene, the existing balance of power can be weakened and the international actors themselves can lose their ability to enhance the democratisation process if they get entangled in the local, informal and ethnically-divided power structures (Gromes, Moltmann and Schoch 2004, 10-12). Asymmetrically-distributed financial aid from the World Bank for reconstruction in Mostar is just one example. Another example is international support for local firms that had been involved in war crimes in order to enhance local economic development, such as the case of 'Aluminij Mostar'. The ability to enhance the democratisation processes also depends on the mandate of the peace-building, which might be too weak or too strong, both of which are seen in Bosnia as Caplan explains (2004, 54). Thus, "international assistance in post-conflict reconstruction should seek to support civic associations undertaking activities on a crosscutting basis –so that civil society does not serve to reify ethnic and factional identifications" (Barns 2001, 15). It is also clear that international agents act politically; they introduce their own concepts of peace-building and their aid might be bound to internationally-imposed conditions (Caplan 2004, 53). Asymmetries of power are not necessarily negative, as Bathelt and Glückler conclude, for the concept of social capital: "[p]ower asymmetries create a sort of hierarchy and dominance within a network which helps to settle conflicts between actors and to speed up decision-making processes" (2005, 1553). However, the strategies to establish sustainable peace undergo a shift towards long-term strategies that also include balance of power relations, as Lambourne emphasises

[10] The function of the High Representative as the representative of the international community is discussed in Chapter 2.

(2004, 5). The noticeable trend of decreasing financial and strategic support after years of international initiatives is still a hindrance to the sustainable build-up of civil society. Collier and Hoeffler argue how important it is to build-up social capital when they say that "[…] we find that among policies the key priorities for improvement, relative to an otherwise similar society without a history of recent conflict, should be social policies first […]" (2002, 13).

Finally, the described approach of reconciliation and civil society within the concept of peace-building should not be seen as isolated from socio-economic recovery and restructuring in post-conflict situations. Therefore, the process of peace-building is rather a long-term strategy after peace has been signed, concurrent with the aims of development and economic co-operation (Lambourne 2004, 29). The process of civil society is tenacious, time-demanding and not necessarily a successful undertaking. As Gromes, Moltmann and Schoch highlight: "[t]here is no 'instant' democratisation in ethnically-fragmented post-war societies" (2004, IV). There is a sensitive interplay between various aspects of peace-building, such as the guidance of economic transitions, the formation of civil society, and the establishment of political stability (Lambourne 2004, 7; Leberach 1999, 32). These interdependencies should be taken into account when applying the different theoretical parts to Mostar.

3.2.2 Phases of post war development in Bosnia and Herzegovina and Mostar

In this section I combine the aspects of the transition from a wartime to a peacetime economy, from a socialist to a market economy, the concepts of institutional and social capital approaches and the process of peace-building in order to apply them to Bosnia and Mostar. This does not claim to fully describe or represent the analysis of my research question. It functions as a 'connector' to the above-mentioned theoretical discussion in order to demonstrate the intertwining of these transitions. One cannot understand the development of Mostar if avoiding the national process of transition and state formation, which is the reason to provide examples from both the national and the local levels.

Post-conflict development in Bosnia can be divided into two phases that are overlapping in a sense and cannot be seen as exclusive of each other. The first phase is that of 1995-2000, when security issues were the priority and the aspect of stabilisation demanded a comprehensive intervention by external international organisations. During this period the physical reconstruction of factories, infrastructure and houses was the focus.

The second phase occurred in2000-2006, when international intervention shifted its focus to sustainable development, including aspects of capacity building, administrative and economic reform, the building of civil society, as well as structural transition from a socialist to a market economy. Certainly, the shift was gradual; however most programmes launched after 2000 were addressed towards reforms and capacity building. This latter phase can be seen as development and co-operation. This section, therefore, is addressed to these two phases with a special emphasis on the role of international agencies, especially the 'Office of the High Representative' (OHR).

After the peace treaty had been signed, the international community mandated the OHR to monitor the ongoing processes demanded by the Dayton Peace Accords, which were signed in 1995 and incorporates the state of Bosnia and Herzegovina with a constitution (Caplan 2004, 55). The new-born state was designed by international agencies and is in its form not comparable to any other state (Bose 2002, 60), because it combines post-socialist and post-conflict elements. According to Donais, "[…] both a post-conflict and a post-socialist state, Bosnia is in many ways a *sui generis* case of post socialist transition" (2002, 1). Even though the DPA can be criticised, "peace was still peace," as Cohen describes the value of peace after the devastating war (1998, 465).

The function of the OHR was primarily to monitor the conditions of the Dayton Peace Accords with the assistance of the Implementation Force (IFOR) troops, who had to guarantee safety and stability. The fact that the peace accord were signed by three conflicting parties, the Croats, the Serbs and the Bosniaks, meant that they were still in power (Schwarz-Schilling 2003, 1); thus informal and nationalist networks or, in a theoretical sense, institutions were legitimate rulers even after the peace. The position of the OHR was therefore restricted since "[…] the functions of the High Representative were extremely limited initially in relation [to] both the local parties and to other international agents active on the ground" (Caplan 2004, 55). After two years in 1997, the mandate of the OHR was strengthened due in response to the increase of non-democratic institutions, especially in the Croatian shadow entity of Herceg-Bosna and in the Republika Srpska. The so-called, 'Bonn-Powers'[11] gave extraordinary authority to the OHR to rule beyond democratic principles in cases when the local authorities were unable to agree on reforms, as was the case in Mostar (*ibid*, 57). The High Representative used his powers to dismiss local officials and to impose national laws increasingly over the years. All in all, the weak mandate at the beginning of the peace-building process was replaced by a diametrically-

[11] The 'Bonn-Powers' as the extension of the OHR mandate is described in Chapter 2.

opposed mandate of power after 1997. The international High Representative became a player in national and local politics, heavily-involved and responsible for the current situation. While the OHR's role was necessary for the stabilisation process, at the same time it should also be criticised (Bose 2002, 9; Knaus and Cox 2003). The task of peace-building was extraordinarily demanding because of the parallel ongoing processes described above. Especially in Mostar in 1995-1997, the early stages to establish peace and stabilisation in the ethnically-divided city was a heavy burden for the international community, as demonstrated by the EU's representative Koschnick's mission (Koschnick and Schneider 1996). Until 2005 the city remained governed by six ethnically-separated municipalities, until the reform to unify the different administrations was imposed by the High Representative (City of Mostar, Recommendation 2003). During the fist two years of the first phase of peace-building and through the legitimisation of the former conflicting parties as political actors in the post-war period, the informal oligarchic networks increased and continued the nationalist and secessionist demands of the wartime (Bose 2002, 25). Czaplinski also states that, "[n]etworks that have developed in wartime tend to persist in the post-war environment" (2003, 2). The Croatian nationalist parallel state of Herceg Bosna, backed by Croatia and financed through the Hercegovaška Banka, is one such example (Caplan 2004, 55; Bose 2002, 28). A further outcome of these networks is that economic inequalities lead to hindrances to development, as Pugh illustrated in Bosnia (2004, 55-56).

During the later stage, when the 'Bonn-Powers' were used frequently to enforce local decisions and reforms, the so-called 'dependency syndrome' occurred. Petritsch, the former High Representative, states that "[l]ocal parties begin to rely opportunistically on the political intervention of the High Representative, especially when it comes to unpopular measures" (2000, 301). This dependency syndrome led to the situation in which ethno-nationalist goals were defended and compromises avoided (Caplan 2004, 59; Knaus and Cox 2003, 19). One example of this was the dismissal of several hard-core nationalist Croatian officials in Mostar who, in 2000, were proud to be dismissed because it demonstrated their nationalistic credibilities (Bose 2002, 129). A further aspect of this dependency syndrome is that the people themselves do not experience democratic practices, thus limiting progress in the construction of civil society (Caplan 2004, 59). In such a situation social capital is destroyed before it is built (Stiglitz and Hoff 2001, 398). When political democratic procedures are failing and when social capital and institutions

of civil society are missing, the basis for further development is uncertain (Bathelt and Glückler 2005, 1553 -1555).

However, assistance within the complex post-conflict situation, such as international support in different forms, seemed necessary. Caplan argues that "[…] on the other hand, in the absence of intervention by the High Representative, it is unlikely that the local parties would adopt many of the measures, necessary to enable Bosnia to make the transformation from a donor dependent economy to a self sustaining one" (2004, 61).

Among the political and social factors of the first phase of peace-building, the financial aid to transform the war economy to a peace economy was significantly higher and more effective than in the second phase (2000-2006), due to the fresh wounds of the war and greater international attention with more than two billion Euros from EU funds being donated (Hall 2005, 201). The consequences of the shift from a war to a peace economy were therefore more visible, or at least the increasing and supra-normal economic development raised expectations for a better and enhanced recovery (Büschenfeld 1999, 35-37). Bose highlights the differences between the first phase of reconstruction and the second phase of development when he states that "[t]he reconstruction of war damaged buildings and utilities, and the revival of a portion of service sector however masks the painful reality that the local economy remains largely a guttered wreck, characterized by massive unemployment as in Bosnia and Herzegovina as a whole" (2002, 108).

The second phase is therefore characterised by the shift from the primary peace-building tasks to maintenance and development tasks, such as fundamental administrative reforms and policies towards self-government, a self-sustainable economy and the consolidation of the state (Wnendt 2003, 2). Bose calls the first phase of reconstruction superficial rather than structural because it does not lead to a reformed and or sustainable economy (2002, 108). The legacy of socialist political and economic organisation is especially noticeable when reforming fundamental economic and administrative structures (Scotto 2004, 63). However, the processes also overlap with the consequences of the conflict itself, such as the privatisation process demonstrates (Donais 2002, 5). The privatisation process was in some cases undertaken during the absence of law during the conflict, as exemplified by the aluminium factory in Mostar (Pugh 2004, 53). Urgent problems of low GDP growth, unemployment and poverty are outcomes of the fundamental changes that are addressed within the second phase (World Bank 2002, 3-11; Bose 2002, 272).

When international donors' cutbacks are visible the actual situation with the national and local economies is revealed and often leads to a decline of economic activities and, therefore, frustration and passiveness (Bose 2002, 112). By contrast, long-lasting external financial support might lead to dependencies also at the political level (Czaplinski 2003, 4). Even though the security situation in Mostar improved significantly during the first years the structural problems and the needed reforms were not at all tackled (Bose 2002, 131). For example, before 1997 different car number plates made it obvious who was crossing the line of division. The introduction of common plates for all ethnic groups increased the security for people crossing the border line (*ibid,* 111). However, Mostar faces serious challenges to privatisation; in several cases former industrial enterprises have not been privatised due to the political environment, the obsolete legal framework and the poor infrastructure (Selma Karavdić, interview No. 16, 2005; Admira Čustović, interview No. 19, 2005). Such economic challenges maintain the soil for extreme nationalist positions (Czaplinski 2003, 3).

The aim of this chapter was to provide theoretical components in order to understand the different and entangled processes of the local socio-economic development in Mostar. Not only the transition from war to peace, but also the transition from a socialist economy to a market economy and the importance of institutions - formal and informal - were discussed. Additionally, the role of the international community and the function of international aid were highlighted. The problems are overlapping so that cause and effect are not clearly visible. How these effects are interwoven indicates 'ethnically-cleansed economies under transition' as mentioned by Bose (2002, 132). It is difficult to separate the ongoing processes from each other. However, in my analysis inChapter 5, I try to draw a clearer picture of the present-day situation. The next chapter, however, describes the methodology in theory and my fieldwork in practice.

4 Methodological Basis and Field Work

In this chapter a theoretical as well as practical introduction to the methodology used will be given. The first section explains the reasons for choosing qualitative methods for my research and gives theoretical remarks on the applied methodology. While the first section focuses more on theoretical aspects, the second and third sections address my fieldwork as well as the analysis of the data. The third section's emphasis is on the selection and description of the interviewees.

4.1 Qualitative methodology – primary data collection

The research question, "What are the hindrances to local socio-economic development in Mostar?" is rather broad and implicitly shows the missing scientific basis for more detailed questions. I was facing virgin soil when I tried to find answers, and it was only through an intensive literature review and field research that was gathered on travels and excursions over the years 2002-2005 that it became apparent that in a post-war situation, such as Mostar is in, different layers of social, institutional and political factors play an essential part in local development rather than exclusively economic aspects. Stiglitz and Hoff state that, "the most important determinant of actions is one's environment, including the particular institutions in that environment" (2001, 427).

Therefore, qualitative methodology seemed to be the best tool to approach the research question. The choice of semi-structured interviews leads to various advantages in such complex and interwoven socio-economic contexts, when most of the aspects have not been clarified through literature research. This leads to a better understanding of the social context, or the local actor's interplay (Robinson 1998, 409). The aim of qualitative methodology is that it should reveal the reality as the interviewees and decision-makers see and experience it. Furthermore, the elaboration of the subjective experiences of everyday life and the structure within their positions can be covered by qualitative methodology (Cropley 2002, 40), or as Robinson expresses it, "[…] qualitative or interpretative methods generally operate on the basis that the 'natural' order of reality is seen, conceived of and understood in different ways by different groups and individuals" (1998, 408). Valentine emphasises another advantage of semi-structured interviews as follows: "one […] strength of this approach is that it allows respondents to raise issues that the interviewer may not

have anticipated" (1997, 111). So, with the technique of interviews I tried to cover the missing links between the different scenes of local development. Rather than standardized interview questions, semi-structured or a so-called interview guide approach gives the opportunity to step outside categories and fixed, pre-formulated answers, so that space for unexpected answers and aspects is given (Kitchen and Tate 2000, 213). This free-form of interviewing allowed me to go into detail about the interviewees' position or knowledge. However, the risk to omit questions of interest when using free-form interviews is higher than using standardised interviews (*ibid*, 214). Another risk is that the environment in which the interview is taken may not be suitable, which can mean that the time, location and mood or either interviewer or interviewee can influence the results and the flow of the interview (*ibid*, 215-16). In some cases it seems difficult to avoid bias through questioning, which can lead to disposed answers that are not voluntarily given (Kitchen and Tate 2000, 217).

A further reason to choose qualitative methods was also that the official statistical data provided by the Federal Office of Statistics of the Federation of Bosnia and Herzegovina (e.g. Statistical Yearbook 2005), as well as the data from others such as the United Nations Development Programme (UNDP) (e.g. 2005a), was either questionable, opened up more questions than answers or was not representative. As Vanesa Galić[12] from the Nansen Dialogue Centre told me, "Statistics is one thing here, reality is another thing" (interview, No. 20, 2005)[13]. Olaf Zymelka, the director of the office of the Bank for Reconstruction in Sarajevo (KfW) remarked, "there are no reliable statistical numbers in Bosnia; there is also no reliable statistical office" (interview No. 2, 2005). Others, like Selma Karavdić, project manager in the German Agency for Technical Cooperation (GTZ), agreed with these statements (interview No. 16, 2005).

When using qualitative methods the epistemological base has to be mentioned. The development and acceptance of qualitative methodology occurred within the context of criticism of qualitative approaches; its underpinning epistemology is positivist (Robinson 1998, 7-11). During the 1970s the 'quantitative revolution' was especially criticized because of its misleading stance in describing or explaining social processes. Robinson points out that "[…] the positivist philosophy which formed the springboard for the use of quantitative methods was actually unsuitable for the subject matter that was of the greatest importance in helping to understand the economic and social change" (1998, 8). Since then

[12] All interviewees gave me permission to quote them as well as to mention their names.
[13] All interviews are sorted in chronological order. Therefore see Appendix 1

qualitative methods have gained greater use in human geography in order to explain social contexts and interaction. In this respect qualitative methods belong to a rather humanistic or, to some extent, post-modern approach. The central assumption is "…to document the world from the point of view of the people studied" (Hammersley 1992, 165, in Crang 1997, 190). Here, among other aspects, the rejection of a single reality is assumed and the social context is seen as the space of relations as Thrift (1999, 310) emphasises. Thrift explains that social reality is constructed by the actors and their interactions; it does not exist as an objective value. This understanding therefore rejects a single and universal reality. Especially in war, or post-war situations the realities vary greatly as mentioned in Guytisolo's book *Landscapes of war – From Sarajevo to Chechnya* (2000).

Without going deeper into the philosophical discussion about mushrooming 'isms' (see Crang 1997, 184), qualitative methodology also has its limitations. It is neither representative in a quantitative manner, nor does it fulfil the means of repetition of method or objectivity (Valentine 1997, 111). So, once more all findings and analysis of the interviews are bound to place, time and subjective selection. That means that the results of the interviews cannot be repeated or the expressions cannot be expected to be the same if repetition would be undertaken. Therefore transparency should lead to inter-subjective reliability (Crang 1997, 188).

However, the overall aim of qualitative methodology is to reveal a greater understanding of the social actors' interplay, as Robinson points out (1998, 410). Even though the qualitative approach has the above-mentioned constraints, it was obvious that only the tools of qualitative methodology were able to elaborate the structures of and hindrances to local socio-economic development through the examination of the different actors in Mostar. Robinson (1998, 409) sums up the aim of qualitative methodology as follows: "In particular, qualitative methods are best used for problems requiring depth of insight and understanding, especially when dealing with explanatory concepts."

4.2 Fieldwork in Mostar and Sarajevo

The period of fieldwork took place from 20 November to 3 December 2005. During this time I conducted qualitative, semi-structured interviews among experts both in Sarajevo and Mostar, but mainly in Mostar. I had the opportunity to conduct 23 interviews with local authorities as well as employees from various international organisations. In the

following section the description of the fieldwork itself, as well as the interview partners, is given.

4.2.1 Description of fieldwork and analysis of the material

Through my previous travels and contacts within the research region over the years 2002-2005 I was able to structure the relatively short period of research time beforehand. I prepared the interview questions before I started the fieldwork, which meant that it was necessary to contact the interview partner beforehand, as well as to formulate a guideline for the interviews. The process was guided by an intensive research period in literature as well as informative conversations with members of the 'Südosteuropagesellschaft'[14]. This helped to formulate adequate questions that I sent the interviewees when I contacted them. I chose the interview partners through different channels such as personal contacts, internet research, and acting organisations in the field. I tried to confirm the interviewees either by email contact or through direct phone calls. I did not know any of them from my previous trips, but the institutions where they are employed were familiar to me.

Furthermore, due to the limited time of two weeks at the end of 2005, the whole period was divided into two parts: the first half was planned with interviews and appointments as previously arranged, while the second half was available for spontaneous contacts. These spontaneous contacts came through snowball sampling (see e.g. Valentine 1997, 116), which meant that I asked all interview partners for further contact names. This known method of finding interview partners was well accepted and also convenient for me. No major problems occurred in finding the interviewees.

Sixteen interviews were conducted in Mostar itself, and seven in Sarajevo, where many international organisations have their headquarters. Eighteen persons were local employees – mainly from the 'ex-Yugoslavian' countries, while only 5 were foreign nationals. This gave me the opportunity to hear expert opinions, but it also limited the findings because some 'local' interviewees were not eager to talk about sensitive topics. However, the avoidance of sensitive topics was mainly overcome through 'diplomatic' answers. Whenever I got the impression that the conversation turned to a 'hot topic', I avoided pursuing it. In post-war situations, probably more than in peaceful societies, ethical standards have to be ensured (Cropley 2002, 84-85). Fortunately, I got the

[14] Südosteuropagesellschaft (Association for South East Europe) represents German-speaking academics and people in public life who are interested and connected to South East Europe.

impression that people felt either comfortable when speaking about the war and personal experience or they avoided such topics.

The fact that the interviews were conducted either in English or in German underlined my position as an outsider (Buttimer 1979). A translator was needed only in two cases. In contrast to prior concerns about the language, no major linguistic complications occurred. Almost all interviewees were willing to speak in either English or German. The fact that many of the interviewees had international experiences supported the foreign language use during the interviews. Among all of the interviews there was only one case where I was not allowed to record it; in all other cases recording was explicitly allowed. Unfortunately in two cases technical difficulties led to the fact that notes were relied upon afterwards. The duration of the interviews was from 21 mins to 1h 40 mins. On average an interview took about an hour (see Appendix 1).

While conducting the interviews, the questions developed from the first interview to the latter ones. I did not follow a strict sequence of questions; in contrast I tried to adapt to the interviewees' answers, so that there was no fixed guideline to the questions. The conduct of the interviews was that of a conversation, rather than that of an interrogation, which is characteristic of semi-structured interviews (Valentine 1997, 111). Therefore, they were flexible and dynamic (Robinson 1998, 411). On the one hand, this method led to a better flow of interview, yet on the other hand the risk to skip a detailed question increased. Paying attention to the flow leads also to one of the advantages of qualitative methodology: revealing new, unformulated aspects. However, while the core questions concerning local socio-economic development in such fields as economics, politics and society were asked in different orders, I attempted to keep the original checklist of questions. All interviews started after I had introduced myself, then followed with rather general questions about local development and ended by asking for a personal estimation of future perspectives (see Appendix 2); Cropley 2002, 105; Kitchen and Tate 2000, 216). This procedure formed a framework for the interview that created a friendlier environment to gain the respondents' trust (Robinson 1998, 415).

The outcome of the interviews also depended on the individual situation involving the interviewee and researcher (Cropley 2002, 63). Not only the personal appearance of interviewee and researcher, but also the location, time and individual preferences implicitly played an important role in the results and statements, without being explicitly expressed. Hence, the interaction between the interviewee and me was affected by identity and personality (Robinson 1998, 414, 416; Valentine 1997, 113). All in all, I got the

impression that being a student, not connected to an organization, institution or party, nor from one of the local national groups helped to gain trust. Thus, the 'power relationship', as Robinson calls it, did not seem to be a key factor (1998, 416). Within this 'outsider' position, advantages exceeded the disadvantages of not being involved in the society or being able to speak the local language[15]. Only by speaking perfect Bosnian or Croatian, knowing all linguistic differences and intricacies, would I have been able to get different information. Poorly-spoken local languages might have caused the contrary. In almost all cases the office was the chosen location of the interviews; only in two cases were interviews conducted in private environments. The interviewees were from all age groups, the youngest being around 20 and the oldest up to 60. Personal backgrounds were not explicitly asked, but some of them had personal war experiences, as they told me.

Aside from any technical difficulties experienced during the interview, personal impressions from different sources, experience from previous travels between 2002-2005, knowledge from literature and previous discussions in the run-up to the thesis, and finally the impressions and experiences of the fieldwork itself, all influenced the findings from the interviews. Hence, reflexivity and the awareness of subjectivity are essential for all of the results (Robinson 1998, 409).

Generally, the number and quality of the interviews were satisfying even though the time was limited and the selection of people was subjective. However, all participants showed interest in the topic and the attention to it by a student. After conducting all interviews, the phase of transcribing, structuring and analysing the material took place. Therefore, I selected six key interviews from different fields (city administration, journalism, business, international organisations and local parties) and transcribed them completely. The remaining fifteen interviews I transcribed partially in order to extract the important text passages, so that only the essential substance of the interview was transcribed (Crang 1997, 185). Even though the transcription of the data was time consuming, it also provided the means to relive the conversations as Robinson emphasises (1998, 426) and Crang describes with the term 're-familiarization' (1997, 185). However, "[...] the transcription process is itself part of the analytical process," as Clayman and Gill summarise (2004, 593). Through this procedure a selection of text passages were identified, and can already be seen as part of the interpretation (Robinson 1998, 430). Through the impressions and the transcription a classification and categorisation into four fields that limit local socio-economic development was carried out:

[15] Languages in the Bosnian post-war situation play an important role. They signal belonging to a certain group (Scotto 2004, 47).

1. hard economic factors
2. internal political factors
3. external political factors
4. social factors

While categorisation of the data is a helpful tool to structure the material, it also contains subjective and, therefore, selective interpretation. That means that under other circumstances another researcher could have marked different text passages (Crange 1997, 189). The procedure of conducting interviews, transcribing and categorising is a triple selection (Clayman and Gill 2004, 593; Cropley 2002, 156). After forming the above mentioned categories, I marked the interviews according to the most important text passage, in order to compare the responses (Crang 1997, 186). It was not possible in all cases to categorise in an exclusive manner, so some text passages belonged to two or even three of the identified fields. The repetitive procedure of categorising text is a back and forth process, so it can be seen as an 'analytic induction' rather than 'enumerative' testing (*ibid*, 188). Some indirectly-related facts that were mentioned I highlighted additionally in order to include interesting aspects that I interpreted as links to the research. Finally, in the analysis of the dissertation I will integrate the statements into the theoretical context that was given in Chapter 3. I provide all quotations in English, even though some of them were recorded in German and translated by myself. For this translation, content and context were more important than a word-by-word translation. Since qualitative methodology addresses the understanding of people's environment, the content rather than the exact word-by-word translation is important. Due to the fact that some interviewees made some linguistic mistakes in English and German, some editing has been made: this . changes neither the content nor the context, but rather improves sentence flow and comprehension.

4.2.2 Interviewees and institutions

The choice of the interviewees and their institutional affiliation is discussed in this section. As mentioned above, the period of fieldwork was divided into two parts; the first week was organised and the second week was spontaneous. This meant that on the one hand basic and comprehensive fields of importance were covered while new actors and new perspectives could be explored. The following figure 3 shows the organisations, persons and representative fields from the interviews:

Figure 3: Interviewees, positions, fields

Organisation	Person	Fields
KfW (Bank for Reconstruction)	Olaf Zymelka	international organisations
UNDP (United Nations Development Programme)	Eldar Sarajlić, Richard Marshall, Lynne O'Donoghue	
World Bank (Bank for Reconstruction and Rehabilitation)	Vesna Frančić	
OSCE (Organisation for Security and Cooperation in Europe)	Richard Medić	
OSCE (Organisation for Security and Cooperation in Europe)	Katrin Hett	
OHR (Office of High Representative)	Sanela Tunović	
Nansen Dialogue Centre (Youth and educational work)	Vanesa Galić	
GTZ (German Agency for Technical Cooperation)	Selma Karavdić-Gaab	
GTZ (German Agency for Technical Cooperation)	Rubeena Esmail-Arndt	
KAS (Konrad Adenauer Foundation for politics	Ivana Marić	
City Administration (Planning department)	Alexander Stuhler	city administration
City Administration (Business Service Centre)	Admira Čustović	
City Administration (City Council)	Mustafa Alendar	
LINK (Business development agency)	Mihalia Bektaš	local development agencies
Redah (Regional development Agency Herzegovina)	Ivan Jurij	
Tourism Agency Herzegovina	Mia Sarić	
FDM (Tobbaco Firm Mostar)	Bakir Pekušić	business
HDZ (Croat Peoples Party)	Damir Džeba	politics
Džemal Bjelic University Mostar (Bosniak University)	Osman Pajić	educational institutions
Student from Mostar	Muhammid Velagić	
Pavarotti Centre (Common Cultural Centre)	Mili Tiru	
RTV Mostar (Radio and Television Mostar)	Mirsad Behram	media
Foreign Journalist (Tageszeitung)	Erich Rathfelder	

Overall, the table shows seven groups of local actors that are involved in local development in various ways, including international organisations, city administration, local development agencies, business, politics, educational institutions and the media. International organisations are well represented, in contrast to local firms and political parties who are not. An important local firm 'Aluminij' denied me an interview; other political parties did not answer the request for an interview for reasons that are not apparent. Therefore, the selection of interviewees is limited and has its emphasis on international organisations. However, the fact that most of the respondents were local people with Yugoslavian, if not Bosnian,[16] background gave a more balanced insight. Even though some names of the interviewees might signal an apparent ethnic belonging, often the opposite was true. Hence, clear ethnic identification due to names was not possible. Among all interviewees, the representatives of the media were especially supportive because their experience and expertise go back to the beginning of the conflict in 1991, giving them both historical background and broad local knowledge.

The six key interviews that were fully transcribed were those ofErich Rathfelder, Mirsad Behram, Olaf Zymelka, Bakir Pekučić, Damir Džeba and Admira Čustarić. These people have the function of 'gatekeepers' as Valentine emphasises (1997, 116). As 'gatekeepers' they had both expert knowledge and the position that facilitated further contacts. Through this kind of recruiting it was possible to have access to appropriate persons in relevant institutions (*ibid,*). Whenever the recruitment of interviewees were recruited through snowballing, I got the impression that trust existed due to the gatekeeper's reputation. The selection of interviewees was rather connected to the institutions than to individuals, although personal information about their experiences was helpful.

In this chapter I described both the theoretical base of qualitative methodology and the practical outcome of my research in Sarajevo and Mostar. It showed the reasons for the choice of qualitative methods, its advantages and its disadvantages. In the section on fieldwork I described the structure of the interviews and the interviewees. The following chapter contains the core findings of the conducted interviews, namely the analysis of socio-economic development in Mostar.

[16] In this case, the term 'Bosnian' refers to the area of Bosnia and Herzegovina as a Republic of Yugoslavia. Due to the fact that names do not necessarily give a certain ethnic or national background, the reference can just be in geographical terms

5 Analysis: the Hindrances to Socio-Economic Development in Mostar

This chapter contains the core of my research that addresses. It tries to answer the research question, "What are the hindrances to socio-economic development in Mostar?", in four steps. The interviews lead to the following four main types of hindrances: a) hard economic factors, b) internal political factors, c) external political factors and, d) social factors. The following provides the analysis of the 23 interviews supported byadditional literature. Even though additional material is included in the analysis the main focus is on the statements of the local respondents. In a subjective epistemology it is important to reveal the social and subjective reality; how actors, such as business people, regional planners and advisors evaluate the local socio-economic situation in Mostar. The aim of this chapter is to show how local authorities understand the processes of local development and where they see the main hindrances. Furthermore, the theoretical components of Chapter 3 will be applied and the statements of the interviewees are set into the context of the theoretical approaches.

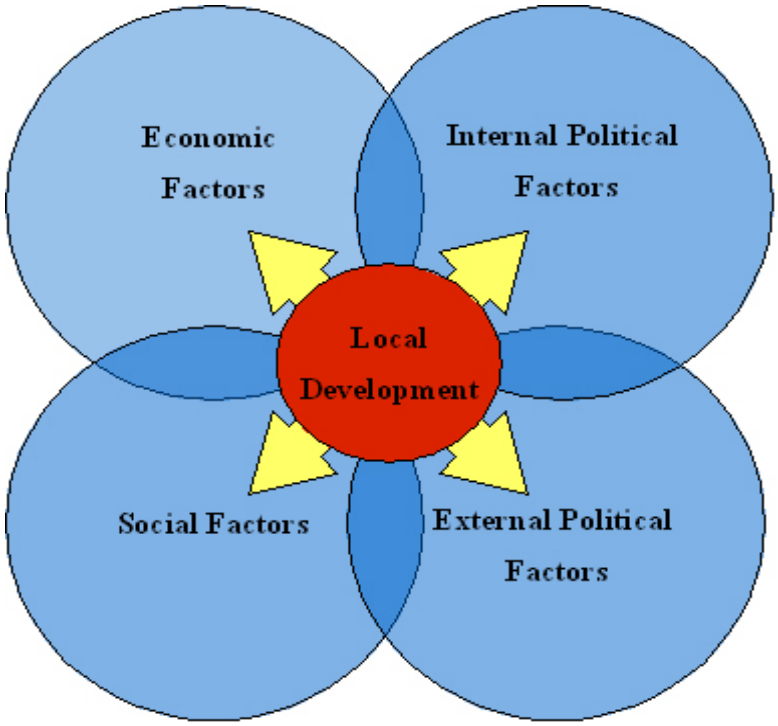

Figure 4: Local development: interconnectedness of the limiting factors

In order to give an overview of the interconnection of these four fields as I perceive them, I provide the above Figure 4, though Chapter 6 will go into further detail and is at the same time the summary of my findings. The different fields are difficult to separate

because there is a high degree of interconnectedness. Each field has an essential influence on the others – they are highly interdependent. Local socio-economic development is influenced by all of them.

At first glance the most visible damage to local development is the destroyed buildings and the devastated areas, but beside the hard economic factors local development also includes politics and society. Bose says that "[t]he reconstruction of war damaged buildings and utilities, and the revival of a portion of service sector however masks the painful reality that the local economy remains largely a guttered wreck, characterized by massive unemployment as in Bosnia and Herzegovina as a whole" and indicates that sustainable development includes all four fields (2002,108).

5.1 Hard economic factors

This section focuses on classical economic factors of development. Therefore, it contains three aspects: a) the infrastructure, b) privatisation and investment, and c) labour market and 'brain drain'.

5.1.1 Infrastructure and material reconstruction

"So the major economic infrastructure and facilities in Bosnia Herzegovina and in Mostar especially were destroyed during the war."

(Osman Paijć –Professor of economics, interview No. 5, 2005)

Infrastructure is one of the most important assumptions of local economic development; especially in Mostar, a heavily-damaged city, the question occurs if infrastructure is still missing after 10 years of reconstruction. Infrastructure is defined as the physical and material capacities, mainly roads, buildings, electricity, water, etc., or as the underlying structure of services and amenities needed to facilitate directly productive activity (Lee 2000, 394). Infrastructure is also the most visible aspect when speaking about the destruction of capacities, which was a major problem in Mostar. Mostar was, along with Sarajevo and Banja Luka, one of the main industrial centres in pre-war Bosnia and

Herzegovina. Mostar had been an important location for the metal and electronic industries, as well as for energy generation during socialist times (Bose 2002, 133).

With the destruction of the industrial capacities and infrastructure during the war Mostar's regional economy was missing those capacities of production; it "…was left without the pillars of economy", as Osman Pajić says (interview No. 5, 2005). Especially the World Bank and the International Monetary Fund (IMF) were funding the reconstruction process during the years 1997-2003 in order to provide the basic infrastructure for production, transport and water supply – the most urgent issues. For example, the World Bank financed a project for water supply and sanitation for the city with US$ 12 million; the project ended in 2004 (World Bank 2004a, 38; World Bank 2004b, 48). The first period of international reconstruction, from 1995-2000, was characterised by heavy investments into infrastructure and material restructuring. Vesna Frančić, operations officer for the World Bank in Mostar, describes the change of international support as follows:

> [w]e started our initiatives with financing and different reconstructing processes; you couldn't do much with economic development and growth immediately after the war. In 1996 people didn't have any places to live in, water and electricity were cut. All bridges were destroyed and all roads were exactly the same - destroyed. So this was in fact the first support and assistance from the bank (interview No. 4, 2005).

Most of the projects on restructuring and rebuilding the physical capacities have been phased out over the last years because the main capacities have been reconstructed. The trend of international support went from reconstruction projects to administrative reform projects, as Frančić further emphasises; "[a]fter we finished our portfolio of the emergency reconstruction recovery we focused more on the reforms. …With all these reforms, you help them to make their economy sustainable; to be less dependent on the foreign aid…" (interview No. 4, 2005). Whether or not the dependency on foreign aid and the international community has been reduced will be discussed in section 5.3, which the focuses in the change of political involvement.

Officially, the Regional Economic Development Strategy (Redah) estimates that the conditions of the traffic infrastructure in Mostar are above average for Bosnia and Herzegovina in general; "the city of Mostar has at its disposal the best established and developed infrastructure" in the region (Redah 2004, 36). Even though its infrastructure is estimated as being better than in other parts of the region it is still far below European standards (*ibid*, 36). The most important road for Mostar is the M17 that connects Mostar with Croatia to the west and Sarajevo to the east; it is the main east-west connection for Bosnia and Herzegovina. Due to the fact that the volume of traffic is high and the road is

not large enough for intensive use, the transport costs are relatively high (*ibid*, 24). The inequality regarding traffic infrastructure between Croatia and Bosnia is immense, so much so that it is also seen as a limiting factor. Mehila Bektaš, from the local business development agency LINK agrees on the estimation of the road infrastructure in the Redah report; "[…] we need more roads with a higher quality," (interview No. 10, 2005). This is one of the physical problems for her customers, small and medium-sized businesses, thatc blocks sustainable development. Also, Admira Čustarić from the Business Service Centre (BSC), the municipal agency for business development, says that better traffic infrastructure would be helpful, especially a faster highway connecting Croatia with Bosnia and Herzegovina (interview No. 18, 2005). There is a plan for a faster trans-national highway, the so-called C5 corridor, in the context of European transport corridors that should replace the M17, but foreign investments are missing (Pan Eurostar 2006, 78). Such a high speed connection between Croatia, Sarajevo and further to the east would boost the regional economy (Theiss 2005). There is potential for economic development if Mostar would be integrated into the European network of transport corridors.

Aside from the road infrastructure, Mostar has potential for air traffic due to the fact that the airport has been reconstructed by the international community and will connect Mostar to the international airports in the Balkan region (Redah 2004, 40). When focusing on the industrial infrastructure major difficulties appear. "[A] number of pre-war build premises and industrial zones with the necessary infrastructure lie unused after the war," as mentioned in the Redah report (*ibid,* 44). Also Osman Paijić, professor of economics at the Džemal Beljić University of Mostar, emphasises that "these major infrastructures, capacities and facilities were the basis of the economy in our country […]" (interview No. 5, 2005). He further mentions that the international community did not tailor their programmes to these "[…] pillars of the local economy […]"; they were not, as he argues,

> […] interested to invest in the big economic infrastructure because they were in the ownership of the state […] they invested in small and medium-sized enterprises. What we need is a proper economic policy and on the other side the reconstructing of the economic capacities and infrastructure is really what would contribute to the development of our country […](interview No. 5, 2005).

Among the interviewees he was the only one who stressed the limiting influence of reconstruction and production capacities on local development. However, the topic of privatisation and modernisation seems more important. It is discussed in the next section (5.1.2) and it is also connected to the modernisation of production capacities.

Even though the material damage might be the most visible hindrance, the current situation has improved recently and the basic "[…] infrastructure has been fixed

throughout the city," as Sanela Tunović from the OHR says (interview No. 9, 2005). A representative from the business sector, the director of the local Tobacco Firm FDM, Bakir Pekušić agrees with this picture; "we have everything here […] there is not a big problem with infrastructure. We have a highway to Split, we have an airport" (interview No. 8, 2005). Sanela Tunović further describes the situation positively: "[…]the new airport is connected, yes there is much foreign investment coming to town, yes there are many new jobs, the city infrastructure has been improved […] the buildings are also fixed […] but there is still a lot of things to be done" (interview No. 9, 2005). Even though the physical infrastructure does not yet meet European standards, it was not perceived as the most limiting factor for local economic development in general. Muhamid Velagić, student of economics from Mostar, summarises the infrastructure as, "[i]t might be the main physical problem. It is not worth talking about it. If we would have the entire infrastructure, we [would] have other main problems" (interview No 14, 2005).

Photo 2: Recovery: traffic infrastructure financed by the international community; Mostar and former front line (© author)

The infrastructure is to some extent a limiting factor for local socio-economic development but it seems that the basic traffic infrastructure has been provided. This refers to the theoretical approach that describes the shift from physical reconstruction to administrative reform. Especially in the period directly after the war reconstruction of infrastructure plays an important role (Deininger 2003, 583). The Bank for Reconstruction

KfW concludes that "[…] today, almost ten years after [the war], the direct physical destructions have been removed […]" (KfW 2005, 1). Once the basic infrastructure is provided, the essential aspects of sustainable development are public reform and the attraction of foreign direct investment. Olaf Zymelka, director of the KfW describes the shift as "[s]lowly, one changes from development aid to economic co-operation […] that is also realised in the country, but very slowly" (interview No. 2, 2005). The statements of the representative of business, for whom infrastructure does not play such an important role, stand in stark contrast to the official report of the Regional Development Agency (Redah) in which the lack of infrastructure has priority. Surprisingly, the analysis of the interviews resulted in a mixed picture, where infrastructure and reconstruction were not mentioned to be a fundamental hindrance, but had some importance. The following section is addressed to privatisation and investments, which is entangled with infrastructure and reconstruction. This supports the theoretical approach of Collier, who emphasises the civil and administrative aspects, rather than the mere reconstruction of the destroyed physical environment (1999). However, the physical preconditions have an important impact.

5.1.2 Privatisation process and FDI

"We need money to invest,
that is it what we need.
To move something, to start something."

(Mirsad Behram, Journalist, interview No. 12, 2005)

Directly connected with the reconstruction of infrastructure is the aspect of privatisation and the question of foreign direct investment (FDI). As described in Chapter 3, Mostar is undergoing the postponed process of privatisation and modernisation in the context of transition from a socialist to market economy. The war impeded the phase of controlled privatisation (Pugh 2004, 53). Mostar is also facing the problem of a lack of investors and un-privatised state-owned factories. The German Development Agency GTZ was tasked with the privatisation process in Mostar. Selma Karavdić described the function of the GTZ finding investors: "[…] our task was to create the connection between the Western European market and the local firms. We tried to make the firms as attractive as possible in order to find investors". She continues that "[…] we tried everything, but it was not possible to sell the company – the whole story [the production of the firm] was a out of

date" (interview No. 16, 2005). There are two main problems with privatisation in Mostar: a) corruption and b) modernisation.

Rathfelder, a journalist from Sarajevo, as well as Olaf Zymelka, the director of the Bank for Reconstruction KfW, emphasise the national problem of corruption; privatisation would be politically motivated, "18 state-owned firms out of 108 strategic companies had been privatised. Privatisation always takes place under corruption; the polite formula would be politically motivated" as Zymelka says (interview No. 2, 2005). He also remarks that there would be many 'hidden agendas' and the interest to modernise and privatise is very low due to the fact that socialist elites are still in control of the firms (interview No. 2, 2005). From Zymelka's economist point of view, "[…] nothing happened after the war, the business is still crusted and […] people do not want to change, because they can get bribes, even though the country in general is suffering. In my opinion the country hasn't reached the transition period yet" (interview No. 2, 2005). In the beginning of the peace period privatisation was not controlled, so that until 2000, when Wolfgang Petrisch became High Representative, the shares of the profitable companies had been given to powerful members of the national parties (Rathfelder, interview No. 1, 2005). The Aluminium factory 'Aluminij' in Mostar, under the direction of the war-time mayor Brajković, is such an example, in which the privatisation process underwent neither a transparent nor a democratic procedure. Ivana Marić, from the Kondrad Adenauer Foundation for politics KAS, hints at the case of Aluminij: "That is still a problem with Aluminij; no one exactly knows how the privatisation process came. It was not clear if it underwent a transparent procedure. Brajković has strong ties to the HDZ" (interview No. 3, 2005). Even the HDZ secretary of youth, Damir Džeba, admits that, "I do not know how this famous director Brajković got the money to get the factory again on its feet" (interview No. 18, 2005). Mirsad Behram, a journalist from RTV explains the informal and uncontrolled process of privatisation for the aluminium factory as follows; "[t]he director of that factory, ten years ago, said […] it is hard to translate, his rude word in Balkan. His literal translation is: during the war, who took what, it belongs to him - if you get the sense of it" (interview No. 12, 2005). This suggests evidence of the uncontrolled privatisation, which causes economic difficulties such as described theoretically in Chapter 3. When speaking about transparent means of privatisation the informal networks and institutions play an important role. As discussed in the institutional approach, the outcome of informal networks are neither sustainable, nor democratic and therefore a hindrance to local socio-economic development (Krastev 2003; Deininger 2003; Stiglitz and Hoff 2001).

Another example of a difficult privatisation process that derives from the problem of modernisation is the Tobacco Firm Mostar, FDM. It is a fully state-owned firm and, besides the mentioned aluminium firm, the only producing industrial site in Mostar after the war. Bakir Pekušić, the director of FDM, explains the unsolved problem of the privatisation of this firm; "…privatisation is still a problem. This firm is still not yet privatised. This year we tried to privatise the firm but it was not possible because it is not transparent. State and government are still corrupt. In Bosnia the disorientation of privatisation is still huge […]" (interview No. 8, 2005). Due to missing modernisation processes the attractiveness to invest in state owned firms is rather low. Additionally, the pressure of international markets and the process of global competitiveness are worsening the situation. Bosnia and Herzegovina signed a free trade agreement with its neighbours in order to lower transport costs (BCR 2005, no. 575). Even though it might reduce transport costs, it opens the market to international products without protection for domestic production. The pressure of prices is immense as Pekušić notes; "[a] problem for this company is the competition. The foreign competitors have the better chances to sell on the Bosnian market […]" (interview No. 8, 2005).

Furthermore, the legal environment to privatise state firms is imperfect. If the legal situation is unsolved and property rights are neither ensured nor clarified, a precondition for the privatisation process is rather limited. Damir Džeba from the HDZ emphasises the absence of legal security, "[…] so nobody is so crazy to invest a lot of money in a country which is not reformed and, let's say, set up as a normal state" (interview No. 18, 2005). Mehila Bektaš from the local business development agency LINK agrees by saying that property rights are is not clear sometimes (interview No. 10, 2005). This lack of legal security and the image of the region is an additional barrier to FDI. On the theoretical level the lack of legal security and government control of the privatisation process is considered to limit efficient growth (Stenning 1997, 7). In concrete terms, however, most of the firms did not find any investor because "[…] the firms have not been attractive enough," as Selma Karavdić says (interview No. 16, 2005). Ivan Jurj, the director of the Regional Development Agency Redah, also sees the problem of modernisation as one of the most important aspects in missing FDI (interview No. 20, 2005). Privatisation is the precondition for economic growth, regional development and FDI interest, as explained in chapter 3(Bradshaw 2005, 7).

However, when investors can be found for the former state-owned companies, it is often difficult to find sustainable investments. Admira Čustorić from the BSC, the

municipal business agency, explains the process of privatisation from an advisory view: "[a]most every enterprise that was privatised went bankrupt. They [the investors] buy the firm and promise a lot, they take the loans of the national banks - for good conditions – and then they disappear. The duties [investments] are never fulfilled […]" (interview No. 19, 2005). Not only external criminal activities, as described above, take place but also the atmosphere created by local politicians is rather hostile to investments, as Mirsad Behram says, "[s]o, meanwhile local politicians, I mean, create environment for investments, it is too politically unstable. The economic situation is worsening, bad, it is getting worse and worse every day" (interview No. 12, 2005).

The picture in Mostar concerning privatisation represents the national one. When comparing the direct investment in Bosnia and Herzegovina to Croatia, the former has less then 15% of the direct investments that Croatia receives (KfW 2005, 5). However, there is one sector that attracts FDI; the banking sector is almost the only example of a successful privatisation process. Due to the strict fiscal policy of Bosnia and Herzegovina, the banking sector was rapidly privatised and even Mostar benefited from it (Sanela Tunović, interview No. 9, 2005). Mehila Bektaš, from LINK adds,

> [w]e have very many foreign banks, we have very few local banks and they are really weak. The banking sector has the highest foreign investment rates in Bosnia and Herzegovina. Local politicians, they do not provide any support to foreign investors. And also with the legal and tax system […] (interview No. 10, 2005).

The aspect of privatisation might be the most complex one when examining the limitations of local socio-economic development because many different reasons for the lagging privatisation process and the lack of investments can be mentioned. Mainly problems of the socialist legacy are visible, such as the lack of modernisation and the inefficiency of production, but these difficulties were aggravated by the war (Stenning 1997; Donais 2002; Bradshaw 2005; Collier 1999). Informal networks, the absence of the state and legal framework and a bad image of the region lead to the fact that the privatisation process in Mostar is facing major difficulties. The image of the region also has an effect on the willingness to invest says Admira Čustorić: "I believe that there is not at all a risk of war anymore. Capital or investment is safe. Actually the investors from Germany, for example, should not be afraid - they can invest" (interview No. 19, 2005). There is another interesting aspect in this, as the massive donations and financial aid from the beginning of the peace period have lead to a trend that modernisation and competitiveness have been neglected. Tunović, from the OHR, refers to it, "[b]asically there was no investment but a lot of donations and that is very difficult from my

perspective at least […]" (interview No. 9, 2005). She is referring to the dependency syndrome that Schwarz-Schilling also mentioned (2003), when international financial aid is the main income for the country, but does not create sustainable growth. However, international financial aid avoided a massive decline of production capacities in the beginning of the peace process. This was necessary to guarantee a minimum standard of living, but negatively affected the privatisation process.

Privatisation and the transition from the socialist to market economy also have a human aspect. The postponed process of privatisation and the lack of FDI are linked to labour. The following section concentrates on the problems concerning the labour market.

5.1.3 Labour market and brain drain

"We are missing one generation. That is a vacuum"

(Bakir Pekušić, Director of FDM, interview No. 8, 2005)

Another important aspect when speaking about local socio-economic development is the labour factor. The analysis of the interviews showed that there is a paradoxical situation: on the one hand Mostar faces a huge problem of unemployment and on the other hand skilled labour is missing. Positions in firms and in the administration could not be occupied properly because experienced and skilled labour could not be found. 'Brain drain' is often mentioned to be the reason why skilled labour is missing.

The rate of unemployment is officially above 40% for the whole country (UNDP 2004, 18). Several sources claim Mostar is at the same level (Federal Office of Statistics 2005; KfW 2005; Redah 2005). Even though the official statistics can be questioned, the fact that several sources draw the same picture gives confidence, though the difficulty in measuring the rate of unemployment should be taken into account. Additionally, different definitions of unemployment lead to descrepencies. There are many people that are registered as being unemployed while working in family businesses, on the one hand, and on the other hand many people in state-owned companies are listed as employed but are not physically working and often live abroad. Olaf Zymelka, from the KfW, explains the situation:

> […] the real rate of unemployment is up to 15 or 20 %, the rest is working in the so called 'grey economy'. […] That is a whole parallel structure. However, perhaps the official 40% is not unrealistic because [...] we have a huge number of ghost workers

> that are registered as being employed in state companies but they have not gone to work for five or six years. These state companies are overstaffed. If you would dismiss those ghost workers we would be up to the 40% (interview No.2, 2005).

The latest numbers of the UNDP show that the problem of unemployment has been growing in recent years (2005, 17). The growth of unemployment is also connected to the fact that the phase of reconstruction and foreign donations is ending so that less money is invested and the supra-natural growth is corrected (Rathfelder, interview No.1, 2005; Collier 1999). However, the problem of unemployment is only one side of the coin; the quality of labour is the other.

The change from a socialist to market-oriented working regime was overtaken by the conflict during the 1990s. Skilled labour, especially engineers and technicians, and most of the workers with higher education and,

> […] university diplomas went during the war to live in countries like the US or Western Europe and never came back after the war. This problem is really a big problem especially in our universities. This phenomenon happened especially during 1991-1995 but also it also happens today. Many people are going to live somewhere else (Osman Pajić, interview No. 5, 2005).

The emigration of skilled labour, so-called 'brain drain', is still a problem today. Knowledge cannot be generated if skilled labour is missing and, therefore, institutions for local development cannot be created (Amin and Thrift 1994). The consequences of missing skilled labour and knowledge are a lack of innovation and initiatives as the approaches of Amin and Thrift (1994) as well as Meier (2001) suggest.

Those people who stayed during the war, were out of work for years and often could not find a place under the new regimes of the new market economy. Ivan Jurij, from Redah, says that

> [w]e have a lot of people in mid-age who are not skilled to be employed in high-tech sectors. We have to retrain them to be ready to work with the sophisticated techniques… A lot of people in their 40s have their experience from before the war. Things changed during this 15 year period (interview No. 20, 2005).

Rubeena Esmail-Arndt from the GTZ refers to the unchanged thinking of the elites that are still in power of the state institutions when she says that "[…] many employees are the same as fifteen years ago […] they have not realised that the capitalist forms of working are different [...] they do not know what to do, if they have realised the new working related requirements […] and there is no opportunities to improve their skills […]" (interview No. 15, 2005).

The structures within the state institutions that are still ruled by the socialist elite tend to resist reforms. "There are lots of employees between 40 and 50 years old that keep the

system running. They do not want to recruit young and qualified people. If they [the state employees] are not replaced by qualified people it is difficult to generate new jobs […]" (Katrin Hett, interview No. 7, 2005). Muhamid Velagić from Mostar reflects on his own experience by giving an example of the elite-enforced hurdles that block the positions for qualified young people, "[b]ut if you bring in somebody who is qualified where would your own position be […] if you are an engineer and I [give] […] you a job, after a while you will advise me and take my position. Believe me there are so many people sitting in those positions and have absolutely no skills for them" (interview No. 14, 2005).

What the socialist legacy is in terms of human resources becomes clear when drawing a picture from these statements. Entrepreneurialism and ownership are just two of the many aspects that reflect the change in working regime that are difficult to adopt (Pickles 1998, 187). Ivan Jurij, from Redah expresses that "[y]ou have to keep in mind that most of the human resources are out of date" (interview No. 21, 2005). Not only are labour skills of the socialist legacy unsatisfactory, but education standards are also low. How a lack of skilled labour affects the growing tourist sector is described by Mia Sarić, from the Toursist Board of Herzegovina: "when the tourists are coming but not to their own restaurant they [the unskilled owners] wonder why... When you go to the restaurants you can see […] [that] the waiters, they do not know how to behave or to provide proper service. That is a problem, that is a huge problem" (interview No. 17, 2005). This indicates how difficult it is to adapt to the new working environment by people by the older generation.

However, unskilled labour does not only derive from the socialist employment, it is also the outcome of a lack of education. Mehila Bektaš from LINK illustrates the effects of unskilled labour by giving an example from her customers: "[w]hen our members [local business] are in a phase that they employ members of the family they do not care about skills, and then they grow to a particular level and need skilled people…then they need qualified people" (interview No. 10, 2005). The lack of qualified people is obvious in various fields. In particular public institutions, such as the city administration, is skilled labour missing as Katrin Hett, OSCE official responsible for reforming the city administration says, "all in all the personnel was not qualified enough. Even though they have the university degree, it does not mean that they have the skills […] so in many cases we had to recruit from outside" (interview No. 6, 2005).

These examples show that the situation in Mostar, and in Bosnia and Herzegovina, regarding the labour market is quite difficult. The trend of emigration is continuing after

the onset of peace. Many individuals, especially young people, see their future abroad. The fact that half of the people have lived abroad during the war - mostly as refugees - raises the perspective to leave the country for many (UNDP 2003, 25). Many of them have been educated in Germany, Austria or Italy and lived there for years. After locals came back to Mostar, the desire to move back to their previous residence arose when they could not find work. Vanesa Galić, a student from Mostar working for the Nansen Dialogue Centre, says that "[t]he problem is that many well-educated people go abroad because they do not have the opportunity to work. Even if you have all those skills you might not have the opportunity to show those skills" (interview No. 20, 2005). In a nation-wide survey carried out by the UNDP, over 60% of people between the ages of 18 and 35 agreed that they would leave the country when given a chance (2004, 65). Mihila Bektaš states that "[m]ost people, young people, if they have the opportunity to go abroad, they decide, ok I am going" (interview No. 10, 2005). Richard Medić, press officer from the OSCE office in Mostar, also says that "[t]he youth that the country needs is going abroad" (interview No. 6, 2005).

Local development is especially hindered when on the one hand unskilled labour is still having their positions and young people –the lost generation - (Pekušić interview No. 8, 2005) are without any future job perspective. Another problem concerning youth is that - even if they have a university diploma, they do not have the experience needed for certain jobs, as Damir Džeba, the HDZ secretary of youth, explains: "[i]t is not enough to have education, you must have the experience and […] how can a student, who just has his Diploma or Master's degree, how can he have five years of experience?" (interview No. 18, 2005). Sanela Tunović from the OHR gives an example why young people leave the country by saying that "[…] some people think it is better to wash glasses in Germany than in Bosnia. […] the grass is greener on the other side […] yes, there is a lot of brain drain (interview No. 9, 2005).

Tobacco-firm director Bakir Pekušić highlights the situation of well-educated people who have left the country from the business point of view: "I do not know why, but the Bosnian educated elites, who had visited higher education institutions mainly emigrated. We need those people, but they are happy abroad. They have houses and cars and everything […] and they do not want to come back because we still have a bad situation here […]" (interview No. 8, 2005). Admira Čustović also agrees with this idea when saying that the emigrants have had a good life for years, "[…] and now, time passed by [...] the people found a job [abroad] [...] the kids are integrated there and that is the problem"

(interview No. 19, 2005). After so many years the emigrants and former refugees have lost their ties to their homeland on the one hand, and have a better life on the other, which makes it difficult to attract skilled labour. This makes it clear that the lack of skilled labour and the bad economic situation are corresponding factors that support each other. Detailed reasons of why local youth does not see their prospects in Mostar and how this is affecting entrepreneurship is discussed in Chapter 5.4.

However, the picture is even more diverse. Even though on the administration and management level there is missing skilled labour, some, like Admira Čustrorić from the BSC, say that there is potential because many technicians and workers from the former industrial complexes are well-educated in their field: "we have good milling machine operators […] due to the low wages it would be a potential […] the quality of work is there, the workers are there. Actually the investors from Germany, for example, should not be afraid, they can invest" (interview No. 19, 2005). The journalist Erich Rathfelder says that "[…] earlier there was a factory for helicopter production and aircraft construction, therefore, there are highly qualified workers" (interview No. 1, 2005). Even though in those sectors of the labour market the potentials are better, the overall picture is rather problematic.

I have created Figure 5 to show, on a theoretical level, how the labour market affects the local socio-economic development, which leads to the deterioration. It also summarises the interconnectedness of the above discussed aspects of the labour market: unemployment, lack of skilled labour and brain drain. It neither explains the complexity of the labour market overall nor the weighting of individual factors. Yet, it should demonstrate how the mentioned elements are interrelated.

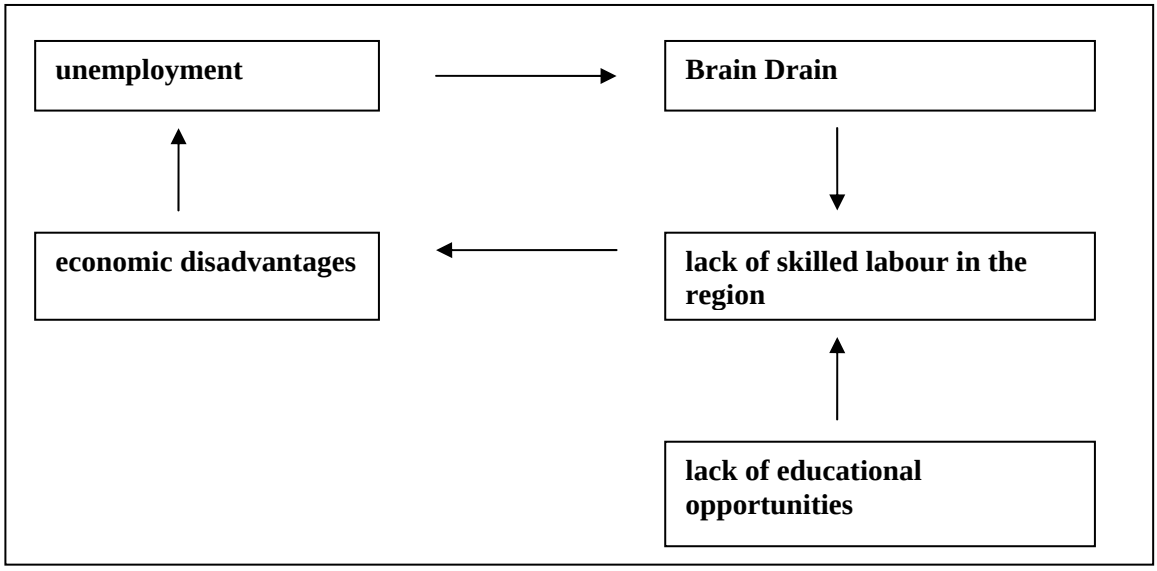

Figure 5: Labour market circle

Through the analysis of the interview material it became clear that the labour market has an important impact on local socio-economic development. The quality of human resources especially in higher positions is often inappropriate. While the elites are still in control of the decision-making positions, the young and skilled labour remain without job opportunities.

5.2 Internal political factors

"I think as long as these nationalistic parties hold the power, have the authority, I do not see that any significant progress will happen, in Mostar but also in all of Bosnia and Herzegovina."

(Osaman Paijć interview No. 5, 2005)

The next field that that has a negative effect on socio-economic development is that of internal political factors. I define internal political factors as the interplay of local parties; therein the parties and the linkages between business and politics play a certain role. This section describes the main political actors, their legitimisation and the decision-making processes on local topics.

5.2.1 Political parties

The political scene in Mostar is dominated mainly by two parties. Predominately, the HDZ represents the Croat community and the SDA represents the Muslim community (Scotto 2004, 106). Both parties have their origins in the early 1990s and had been active during the war, as described previously. By being accepted in the DPA, they are legitimate political forces even though their wartime histories have not yet been reconciled. The parties connections to war veterans and war criminals as well as to the powerful elites from war times is or was tight (Schmidt 2004, 3). Even though they have undergone a major shift away from radical positions to more democratic positions, the orientation and the electorate are ethno-national. Ivana Marić, from the Konrad Adenauer Stiftung (KAS) says that "[...] they are still nationally oriented but they open up to other ethnic groups slowly. This is also the case for Mostar" (interview No. 3, 2005). A UNDP survey on ethnic

tensions and politics, however, shows a different picture; the majority of people voted for the nationalist parties (2004). Still, the HDZ and SDA are the major parties that are the most important policy makers at the local level. Even though the nationalist parties are powerful, it does not explain why voters continue to vote for them. The mechanisms of nationalist ideology and how to attract the voters will be discussed in Chapter 5.2.2.

In Mostar itself, nationalist parties are the main actors when it comes to local socio-economic decision-making processes. Olaf Zymelk states that the local decision-makers are the City of Mostar, as well as the ruling HDZ and SDA parties (interview No. 2, 2005). "The political is the ethnic" he says and refers to the fact that the parties do not have their own economic programmes or democratic ideologies; they legitimise their position from an ethnic point of view (Olaf Zymelka, interview No. 2, 2005). The purpose of the parties is to maintain ethnic interests. Thus, the ordinary spectrum of left and right cannot be applied here (Bojkov 2003, 51). Ethnic representation through the parties was and still is influential and powerful. Especially since the connections between politics and business are dose, Vesna Frančić from the World Bank says that "[…] you can maybe not even draw the line between the political and economic players. In so many faces they are mixed. And they go like merging and overlaying each other" (interview No. 3, 2005).

When business and local politics are intertwined, the division of power is weakened and the risk of informal networks is high. The interconnectedness of politics and business often causes problems in terms of absent transparent and democratic procedures. Katrin Hett from the OSCE emphasises that "[…] the networking takes place where certain persons from politics and certain persons from firms co-operate […] this is the way how networks are created" (interview No. 7, 2005).

Not only is the connection between business and politics strong and non-transparent, but hard-line former militias also exert a fundamental influence on society (Schmidt 2004, 4). Certainly, to examine the informal networks is challenging and would exceed the research question. However, these networks, or informal institutions, lead to non-transparent and undemocratic procedures and decisions (UNDP 2005c, 6). Moreover, the 'hidden agendas' of those businessmen who are involved in politics are supported by the political parties. As Muhamid Velagić states, "[…] this is all up to someone's interest [...] everything is connected, the director of this, the director of that, the co-ordinator of that […]. Wherever you go, to the top or to the bottom, you get to the same people" (interview No. 14, 2005). Mirsad Behram also agrees on the interconnectedness between politics and business: "[…] politicians are responsible, they are the ones who have influence within the

companies" (interview No. 12, 2003). He refers to the non-transparent privatisation process that often took place in an ethnically and politically-motivated way (Rathfelder, interview No. 1, 2005; Hett, interview No. 7, 2005).

The representation of an individual's interests does not lead to problem-solving policies. Neither of the parties have a programme tailored to the local economic problems of Mostar. "[T]he main problem is the lack of co-ordination between the leading political parties, so they always are protecting their own personal, private interests or the interests of their parties instead of working towards improvement for all people" as Osman Paijć explains (interview No. 5, 2005). This suggests that local politics serve merely the self-interest of the powerful rather than that of society (Bojkov 2003, 52). Local issues and programme proposals are not of interest when the political elite does not feel the need to represent non-ethnic parts of society (Zymelka, interview No. 2, 2005). Rather, they are interested in the maintenance of their power. Strong connections between local politics and business help them to stay in power. Individualistic and egoistic aims dominate the political scene so that a sustainable solution towards peace and development are difficult to reach (Bojkov 2003, 52).

Even though the programmes of the parties have opened towards more democratic principles, legitimisation is still nationalist rather than society based. Mehila Bektaš from LINK says that the "[e]conomy is not important to the politicians", which also expresses a certain distrust in the ability of local politicians to solve problems. I asked the HDZ general secretary of youth, Damir Džeba, if they would have a programme or strategy for local development - how to enhance the business – and he answered that "[b]ecause of the constitutional changes next year, we are only concentrating on constitutional changes" (interview No. 18, 2005). This shows that national or ethnic topics still dominate at the local level. The hierarchy of priorities therefore block necessary decisions at the local level. The decision making-process, however, will be discussed in Chapter 5.2.3. Moreover, the OCSE evaluation report on the municipal elections in 2004 in Bosnia and Herzegovina emphasises that "[…] ethnicity – rather than local issues – was the main underlying issue of the campaign" (2004, 1). These were the first elections for the unified city of Mostar and, therefore, the parties feared to loose power in their districts because of the abolishment of the former six municipalities. Rubeena Esamil-Arndt explains the situation in Mostar as follows; "[…] the political parties do not want that [the unification] because they can live well with the division" (interview No. 15, 2005).

When drawing conclusions about the current political scene in Mostar we can see that ethnic representation dominates rather than politically or economically-oriented programmes. The interest to stay in power, to be elected by one's own ethnic constituency and the inability to start the reconciliation process are characteristic features of the local political scene (Bojkov 2003). A lack of ownership and responsibility for the problems of the municipality are the fatal consequences. Sanela Tunović from the OHR states that "ownership is really important and you sometimes have the feeling that people want to avoid the responsibility of making a decision" (interview No. 9, 2005). Whereas ownership and responsibility as elements of the civil society will be discussed in 5.4, the following section focuses on nationalist politics and its consequences for Mostar.

5.2.2 Nationalist politics

"Ethnic nationalism remains
the principal underlying issue
in politics in Bosnia and Herzegovina"

(OSCE 2004, 4)

The programmes of the HDZ and SDA as the ruling parties are still oriented towards ethnic and nationalist topics. Instead of through pragmatic local issues they attract voters by ethnic slogans and rhetoric (OSCE 2004). Fear is created by manipulated narratives from the wartime, so that each ethnicity is represented by its own party and each party represents one ethnic group. Chauvinist and exclusionary campaigns dominated the municipal elections in 2004. In an environment that also still IS characterised by the collective memory of the war, it is an easy way to attract voters with nationalistic slogans. The reproduction and persistence of a party's identity is therefore easily done (Rathfelder, interview No. 1, 2005). Ratherfelder states that "for them [the authorities] nationalism is a label in order to advance their interests" (interview No. 1, 2005).

Due to the ethno-nationalist legitimisation of the parties there is often no pragmatic alternative for the voter; as Ivana Marić says, "[…] why should a Croat vote for the SDA, if there is already a party of the Croats […] that is a problem" (interview No. 3, 2005). Rubeena Esmail-Arndt describes how the nationalist rhetoric is producing fear, "I mean they always stoke fear that is not based on facts. The people do not have negative experiences […] but what happened ten years ago is raised " (interview No. 15, 2005).

The mechanisms of creating fear are examined by Smith, who states that insecurity and elite manipulation are in close relation (2006, 8). If the political situation is insecure and the collective memory of a recent war is still vivid, then the political elites use the mechanism of fear to stay in power. The voters are receptive to this manipulation in a politically, economically and socially-insecure environment (*ibid*). Thus, elite manipulation serves its self-interest rather than real ethno-nationalist demands. Muhamid Velagić also comments on the situation of the political elite: "[i]f you can make people afraid, if the people have fear you can do whatever you want. Control leads to fear and fear leads to nationalism" (interview No. 14, 2005).

There is evidence of the self-interest of the politicians to stay in power at the national level, where nationalist parties form coalitions regardless of ethnic belonging (Bojkov 2003, 51). At the national level ethnic identity is less strong when it comes to coalition building. Thus, this picture seems paradoxical, but fits into the scheme of self-interest and the egoistic individualism of the political elites. Katrin Het of the OSCE says that "[…] on the one hand the nationalist parties understand each other, indeed they form coalitions, but on the other hand it seems absurd when they say that they cannot work with the Serbs or the Croats […]" and she continues that "[…] the reason if or if not religiousness appears is rhetoric […] it is not so that it matters in public or in the streets" (interview No. 7, 2005).

When the elites produce fear, their rhetoric is based on ethnicity because the people's foundation of identity is ethnicity with features such as language, culture and tradition (Smith 2006, 13). "Everybody needs identity, but every identity is lost after what has happened here", says Muhamid Velagić from Mostar (interview No.14, 2005). Often the elites, as in the case in Mostar, are war veterans or individuals that had been influential during the wartimes. Pekušić, the director of the tobacco firm, refers to the fact that the politicians of the wartime are still powerful and willing to co-operate: "it does not work with our politicians. That is a war generation […] they are made of concrete. They only came to power because there was no one else. The best people left" (interview No. 8, 2005).

Photo 3: Nationalist rhetoric. Mostar, western part (© author).

The political leaders mostly produce fear in order to stay in power and to avoid prosecution for their war crimes (Smith 2006, 14). Mili Tiru, from the Pavarotti Cultural Centre underlines Smith's approach of elite manipulation by saying that, "politicians […] are mostly talking about the past": he further continues that "[t]he people are afraid and they vote for their own national parties because politicians are keeping them afraid […]The fear is left as the last resort, [to vote for the party] […] they vote based on fear. And then they vote for their own nationalities and it goes on like that" (interview No. 13, 2005). The situation in Mostar as an ethically-divided city is problematic because insecurity and fear are mutual forces that stimulate and support nationalist stances. "Because one side always fears the other side. If the national simpered on the other side, then we have to go for our nationalist," as Richard Medić, OCSE Press officer remarks (interview No. 6, 2005). I represent such a circle of ongoing nationalism in the below Figure 6.

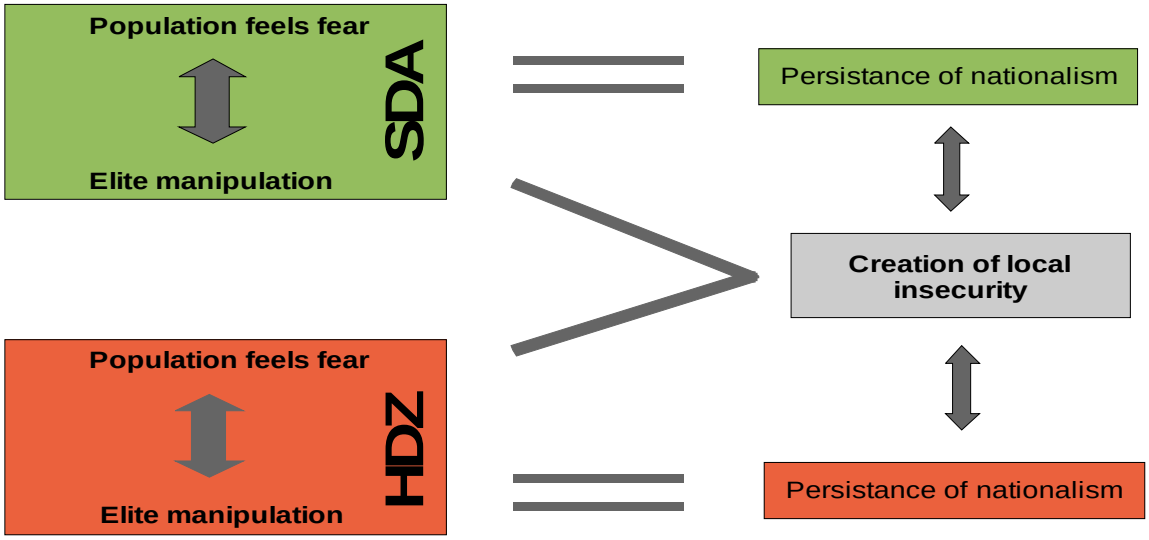

Figure 6: The persistence of nationalism and creation of instability

Each of the ruling parties in Mostar has an interest to hold onto their power. This trend is rooted in the fact that the parties create fear so that the environment becomes threatening to the other. In sum this model has two driving forces: a) that fear leads to manipulation and this leads to fear within a party, and b) that the fear, produced by the other, is creating an environment of fear (Smith 2006, 13). Mirsad Behram, the journalist with Mostar's radio and television channel RTV with personal war experience, describes the situation of instability for Mostar as follows: "[i]t is the same now, you have unstable political environment, it produces a bad economy, a bad economy produces poor people, poor people vulnerable to manipulation, and they vote for politicians that make again an unstable political situation. And it goes round and round […]" (interview No. 12, 2005).

These mutual strategies of fear, as described by Schneckener (2002), also lead to an inefficient slowdown of the decision-making process; they lead to a blocking of political decisions. When these mechanisms of ongoing nationalist rhetoric persist, a hostile environment is produced. In such an environment the positive outcomes of social capital – regional economic growth - cannot be produced (Amin and Thrift 1994; Pilon and DeBresson 2003). Furthermore, the tool to control the masses is the media. If the political forces control the media, public opinion is formed to suit their desire. As Richard Medić also remarks for Mostar, "political parties more or less control the media here" (interview No. 6, 2005).

Through the interconnectedness of business, politics and the media, the tools to create fear and the demand for nationalism are rather powerful. This also tends to be an

ongoing process of controlling the people as Mirsad Behram notes, "I am giving you just an example of an entrenched circle. On the top you have hard-liners that control the media, the media create the mind of the people, the people vote for those hard-liners" (interview No. 12, 2005). If those structures of the powerful elites that control business and the media through political means persist through individuals or broader support remains unclear. Although Rathfelder remarks that "[…] you can cut off the heads of the Hydra but it will still exist" (interview No. 1, 2005). Most of the interviewees emphasise that the nationalistic environment is created by both persons and structure (Frančić, interview No. 4, 2005; Behram, interview No. 12, 2005).

However, the political situation has changed slightly during the last years, as the crusted party structures have become weaker. "Politically speaking I think the situation has changed a little bit in a good direction," as Mirsad Behram says (interview No. 12, 2005). The trend of persisting nationalist policies was reversed by international intervention in the form of the OHR, when Croat informal power structures were removed (Rathfelder, interview No. 1, 2005; Schmidt 2004). When looking at voters the nationalist picture is different than at the party level. The strong and proactive support of voters for their nationalist parties has become weaker in general, although the last municipal elections in 2004 in Mostar showed that these parties are still powerful (Federal Office of Statistics 2004, 131): both the SDA and HDZ won a high percentage of votes.

However, the motivation of the people has changed. About 60% do not feel represented at all, as a survey of the UNDP shows (2005b, 53). Damir Džeba explains that "[…] they are fed up of politics because lots with […] people in Bosnia and Herzegovina do not see the point to vote – why? So they voted […] and the international community made all the decisions" (interview No. 18, 2005). This quote expresses the frustration about the unchanged situations and the tense relations with international organisations over local politics. The voters do not see any local development and therefore the political will to vote is weak and the turnout is lower (Bojkov 2003, 45). Džeba's remark on the international community's imposition of policies is evidence of interventional politics. The intervention is often seen as a consequence of blocked reforms, caused by nationalist stances and disinterest in local politics. A detailed insight on the policies of international organisations is provided in Chapter 5.3.

Another reaction to the political situation is the drop in voter turnout as a general trend. Only 46 % of voters cast ballots in the municipal elections of 2004, when the newly unified city council was elected (OSCE 2004, 1). Mili Tiru complains about local

politicians: "[…] national parties have to go away from the scene. They were ruling parties during the war and even now […] Of course that is the biggest problem we face, political separations, nationalist separation should be faced. The people are the ones that suffer" (interview No. 13, 2005). This shows the frustration and the dissatisfaction of citizens with the poor performance of local political parties (UNDP 2005c, 63).

In sum, it is a complex picture of nationalist policies. It seems that nationalist rhetoric often functions as a label for the self-interest of the political elites rather than the claim for ethnic autonomy in a co-operative way. The masses do not support these nationalist stances proactively, but by voting for them these politics persist. It is difficult to estimate the potential of exclusive nationalism in the society, but in politics these stances create business and lead to a hostile environment. How the decisions are blocked and what kinds of decisions are blocked in the new platform of the common city administration is debated in the following section.

5.2.3 Decision-making procedure

"War has not been over!
The war has continued with other means."

(Mirsad Behram - Journalist, interview No. 12, 2005)

The pace of the decision-making process of the two parties is influencing local economic development. The recently reunified city administration of Mostar and the city council are common democratic platforms that make decisions of the city as a whole. But it also gives a common forum for the opposing parties the SDA and HDZ to debate communal issues. The more parties that are involved in the decision making process the slower the pace of the decisions. Even though the decisions might not be quickly made, the solutions that are reached by all parties, are more sustainable. As Alexander Stuhler from the city administration says: "democracy is no luxury – a balance of the nationalities will also ensure the acceptance of the decisions" (interview No. 11, 2005). Within the city council, the local parties have to make the decisions on local economic development.

However, the newly-formed forum for common democratic practice is only one side of the coin. Often the trend is towards a slow decision-making process visibly affected by nationalist claims. How the nationalist parties block some decisions and act is debated here. As described in the previous section, nationalist issues still dominate politics, rather

than local issues. The question of ethnic equality is, for example, a high priority of the HDZ and therefore local topics are not discussed. When asked if his party had a local economic development strategy, Damir Džeba of the HDZ replied that "[…] we have other priorities. We must first set up this country as a normal country […]" (interview No. 18, 2005). This illustrates how national topics, such as the debate on a new constitution and the equality of Croats, dominate local policies, rather than local topics such as infrastructure and business development.

The official party platforms also do not address local topics or economic topics at all (SDA 2005; HDZ 2005). Even though economic and business issues could be neutral, the ethnic parties do not co-operate either because more fundamental problems are not solved or they make an ethnic or a nationalistic topic out of this. Hence, if national politics also dominate at the local level, progressive programmes for the city of Mostar are neglected. The pace of how needed and originally non-ethnic reforms are decided is rather slow because of self-interest and blocking strategies that lead to disagreement. Richard Medić from the OSCE sees the self-interest of the nationalist parties that lead to a deceleration of the decision-making process: "[a] lot of these decisions are manipulated and they are just illusory in a sense that it suits the national parties […]" (interview No. 6, 2005).

The mutual fear felt by the two ethnic groups often leads to the dilemma in which no political party is willing to co-operate with the other. Especially when it comes to cultural and education issues in the context of the reunification of the city good will between the parties is needed as, the resistance to agree is too strong (Galić, interview No. 20, 2005). Mirsad Behram describes an example of the reality for culture: "[i]f there is good will, they would say this is for everybody [the cultural institution]. And that sign of good will would open hearts on the other side. It would be much easier to resolve everything" (interview No. 12, 2005). Alexander Stuhler, from the city administration, emphasis how much any decision within the city council depends on good will; "[i]f there is no will nothing happens" (interview No. 11, 2005).

Additionally, the party structure in the city council supports the blocking mechanism. Two largely conflicting parties rule the city council so that co-operation is likely to be difficult. A vivid example of such mutual blocking strategies is the disagreement on the new status of the city. Due to the fact that the politicians were not able to agree on the new status – proposed and discussed in 2003 - reunification was imposed by the OHR. When Mili Tiru says that "[w]hatever they do [the parties], they do it because OHR said it" (interview No. 13, 2005), he refers to the political intransigence of local parties that is

only given up when external pressure forces it. Since such a 'log-jam' situation concerning certain issues exists, the only solution might be external intervention by the international community through the OHR that uses the non-democratic Bonn-Powers in order to impose a decision (Bojkov 2004, 58).

The disagreements concerning various cultural and educational issues also consequentially leads to opposing positions when it comes to other, more technical topics such as infrastructure or city planning. Osman Paijć, a professor of economics, complains about the situation concerning technical problems that are non-ethnic but remain unsolved: "[…] the main problem is the lack of co-ordination between the leading political parties, so they are always protecting their own personal, private interests or interests of their parties instead of working towards improvement for all people" (interview No. 5, 2005).

Every decision refers in some way to national questions. As Damir Džeba says, "[a]lways if you look to the economy, agriculture, politics, infrastructure, you have always in the back [ethnic] problems" (interview No. 18, 2005). Also Vanesa Galić explains that the political power of the parties is far-reaching; "[i]t is true the political issue is very important in every segment of our life. Even when it comes to the schooling system, even if it comes to the economic system, or if it comes to any system – they are very powerful" (interview No. 20, 2005).

However, the power of the political parties has another face, as well. As Richard Medić says,

> Once the political will is there, the door is open. If there is political will, things go very quickly here, bureaucracy is suddenly reduced - so it can be a positive thing, but it depends whether you put on the right politics or the right politicians in power. So it [the power of the political authorities] is a double-edged sword […] (interview No. 6, 2005).

Due to the fact that politicians political power is far-reaching, decisions can be directly made or at least the pace to agree on reforms can accelerate. Rubeena Esmail-Arndt also agrees with this: "[…] the encrustation in this country can be broken, if the leading person wants. If there are signals of the leaders, the others will follow straight […]" (interview No. 15, 2005).

This picture fits with the elite manipulation, controlling the masses for self-interest and staying in power (Smith 2006). When examining recent developments, then it becomes clear that the blocking strategies become less evident. Since the city administration is reunified, there is a better chance for co-operation. Even though one could see this as a new area for conflict, there is improvement visible - mostly concerning practical issues - as Mustafa Alender from the city administration says:

> [n]o, there was no blocking concerning practical laws and decisions [...] that went ok. If it comes to political or cultural questions then we sometimes argue, then we have an arguement between the parties and the city. But it happens with democratic means: dialogue […] within a democratic environment […] (interview No. 22, 2005).

However, still today, even if the situation has improved to a certain extent, Olaf Zymelka says that "the war continues in people's heads" (interview No. 2, 2005). This statement echos Mirsad Behram's words on page 77 who says that the "war has not been over! The war has continued with other means" (interview No. 12, 2005), thus challenges the degree of improvement.

Overall, local political actors have a fundamental influence on the decision-making process, on the ability to launch strategies and reforms for local development. If there is a political will to agree, then there is a way to do it as noted by Alexander Stuhler (interview No. 11, 2005). But if the issue does not fit into the local parties' field of interest, then necessary decisions are blocked while the economic situation worsens and the people's will to participate in local politics declins. As showed in Figure 5, there is a tendency to create a vicious circle of fear and insecurity that ensures the power of the nationalist parties (Smith 2006). In other words, "[b]y having an unstable political environment, it draws out the fact that you have a bad economy and then it goes vice versa. Bad economy makes people vulnerable to manipulation. And then you enter an entrenched circle from which there is no way out, unfortunately," as Mirsad Behram explains (interview No. 12, 2005). When these political decision makers do not take responsibility for local issues then ordinary people suffer with the unsolved problems, as Vanesa Galić says:

> It is blocking many things in political life not only in Mostar, also in the whole of Bosnia and Herzegovina. They are living just for their interest […] The problem is that still it is a very complicated situation in the town, we have so many other problems to solve and people are under pressure because of the economic situation and political situation (interview No. 20, 2005).

These political procedures have essential outcomes for civil society in terms of responsibility and ownership. Especially here, the international community feels responsible to solve the log-jam situations by imposing reforms and decisions. The following section debates the role of the international community in local socio-economic development.

5.3 External political factors

This section discusses the role of international organisations in Mostar. The OHR, as the most embedded organisation in Mostar's local politics, plays an important role. Additionally, the functioning of the newly-introduced city administration as a possible obstacle to local socio-economic development is debated here. The entanglement of certain aspects, such as internal political aspects or the economic factors is obvious; hence it is difficult to separate the factors precisely. This section refers to the theoretical approaches of section 3.2.1, in which the overall function of international intervention in post-conflict situations is discussed.

5.3.1 Intervention and the role of international organisations

"[…]they are part of the problem,
and not part of the solution."

(Mirsad Behram, Journalist, interview No.12, 2005)

The role of the international community in Mostar is varied. Interviewees see both the financial support and the ambiguous interference in local politics. Vanesa Galić remarks that "[p]eople are divided when it comes to them because they think that they have done lots of activities in a way that they wanted to have them […] so, many opinions are divided when it comes to that" (interview No. 20, 2005). Hence, this section focuses on the political role that the international organisations play. As the previous section 3.2.1 revealed the reason for the intervention in the political decision-making process at the local level, the further consequences of international intervention are discussed here. Therefore, it is necessary to distinguish between multilateral and governmental organisations on the one hand, and non-governmental organisations on the other. Representatives of the former are the OHR, World Bank and UNDP, the latter are represented by the Nansen Dialogue Centre and GTZ. All play an important role in different ways in local social development.

Concerning local socio-economic development and political decisions in Mostar, the OHR plays the most active role – this section will focus on their work. As already described in the previous chapters, it is this international organisation's mandate to supervise the local political scene and to intervene if the local authorities cannot come to a

decision due to mutual blocking strategies (Schneckener 2002; Caplan 2004). There has been major criticism of the work of the state-sponsored international organisations in terms of on their political intervention, how they act and with which means they interfere (Kanus and Cox 2003). Often criticism emphasises that reforms are externally imposed by the OHR, but not fully followed through to a reasonable solution. Osman Pajić complains about the international organisations' policies:

> even if they [the international organisations] get involved in solving different problems in our society, they are not involved until the end of the solution of the problem…so they begin to think and they start these reforms, for example in the city administration, where a lot of people will be redundant […]so they will lose their jobs, so [that] the internationals have started this process but in the end it will be the responsibility of the city administration to solve this problem for these people who will be out of the jobs […]. I wanted to say that formally they start a lot of things but […] in real life we do not feel any progress. They […] make sometimes big promises but achieve little (interview No. 5, 2005).

Pajić refers in his statement to the imposition of the reformed city administration that had been performed by the international team recruited by the OHR. The OHR plays an important role in the local socio-economic interplay in Mostar. As Sanela Tunović underlines, the OHR is very active in the decision-making process (interview No. 9 2005). The most prominent example of OHR intervention was the imposition of the new status of the city, that reunified the city administrations, so that almost all decisions in the newly reunited administration are supported or guided by the OHR. Admira Čustović, from the city administration explains what Paijć means when saying that the reforms are not properly guided:

> For example, the OHR had employed the German – his name is Mr. Winterstein […] he and his team had worked out the new statute of the city. They introduced it and then they had left. Actually he should be here, when the statute is implemented […] they [the international organisations] should have taken more responsibility after the war […] They had been here but interfered somehow, then they had withdrawn […]that does not work out […] that is not at all consequent (interview No. 19, 2005).

Also, in concrete political decisions where a consensus between the local political actors (see 5.2) cannot be found, the interference of the OHR is rigorous. As Tunović emphasises, "[t]he OHR will not tolerate any obstacles and we have mechanisms to insure that there are no obstacles, if we come to the obstacles" (interview No. 9, 2005). Due to the fact that the OHR represents the international community, it has to justify its activities and is interested in quick and efficient solutions (Bose 2002, 275). In a sense the OHR is in a log-jam situation, or a so-called 'lose-lose' situation. On the one hand it is responsible to make processes work under pressure from the international community, in other words to interfere in local political decision-making. On the other hand the more they interfere, the

more they rule through non-democratic means and do not enhance local responsibility or ownership (Zymelka, interview No. 2, 2005). The consequences of the mandate of rigorous use of the Bonn-Powers have been discussed in the theoretical chapter using the concept of Caplan (2004) and Czaplinski (2003) (see also Knaus and Cox 2004).

Often the hasty results are not sustainable because the higher degree of interference in local political decision-making throufg non-democratic means leads a lack of responsibility and ownership of the local authorities (Schwarz-Schilling 2003). Zymelka explains the further consequences of interference: "if he [the High Representative] makes something, he takes the responsibility away from the Bosnians. The political elite does not have political responsibility at all here in the country […]" (interview No. 2, 2005). Furthermore Ivana Marić from the KAS states that the role of the OHR regarding political intervention "[…] was mainly not that good. They did something because they had to, but there was never a real partnership. It was always a top-down approach and they [local authorities] have never said something" (interview No. 3 2005). The same impression is shared by Damir Džeba who says that the

> international community is making moves but never takes responsibility for their actions. They are always making decisions and certain moves to certain directions, but if something goes wrong local politicians are responsible because they want to implement what we have in mind. So they never question themselves if the project was good (interview No. 18, 2005).

What is seen in Mostar is also the case for Bosnia and Herzegovina; there is a strong criticism of the lack of accountability of the international community and of its ignorance of needed reforms (Scotto 2004, 86). These critical aspects at the micro-level fit to the overall picture that has been described in section 2.2.3.

Some interviewees see the reason for a high degree of interference by international organisations as based on structural elements. Rubeena Esmail-Arndt complains that the results are short-sighted and that decisions are made by non-specialistswithin the organisations:

> their [international organisations] people come for six months, their contracts last only for six months, often they are either very young or really old and they do not know where to put them. The younger ones do not have the experience, they often use their mission as a spring-broad, which means they need success […] but success [in the post war development context] is sustainability, but this does not matter to them, it is more important that they make success (interview No. 15, 2005).

Due to the very short contracts the background knowledge of staff of international organisations is limited. It seems that the short-sighted success is contradictory to the sustainable development of the country. Also, Rathfelder says that "[…] many

internationals do not understand [the background], they just know their time […] and then they make mistakes, because they have illusions – they often miss the human aspect" (interview No.1, 2005).

Another argument is that the missing background knowledge leads to unbalanced decisions. Often the international organisations favour one ethnic side, because of missing local expertise. Existing local informal networks are underestimated, so that certain international policies favour one ethnic party. Katrin Hett from the OSCE explains this discussion:

> you get the feeling that the internationals are not very effective. They are in the country for quite a short time and they do not know the backgrounds, but they think they could do all better. On the other side you have very clever locals who exactly know what they do and what they want […] So it easily can happen that they play with the internationals and in the past it happened often. It is clear that the influence of the international community had suffered, so that the positive impetus had turned upside down (interview No. 7, 2005).

The unbalanced policies of the OHR and other international organisations (e.g. World Bank - asymmetric financial support was discussed earlier) and their high degree of interference lead to a lack of responsibility and ownership on the one hand, and the persistence of informal structures on the other. In Mostar, as in the whole country, the 'dependency syndrome' is hampering sustainable socio-economic development (Schwarz-Schilling 2003). The imbalance causes major difficulties as Mirsad Behram explains: "[i]n my experience as a journalist, instead of following strict rules, […] they are juggling with the sides. Sometimes cheating to one side, sometimes cheating with some other side instead of following the strict rules proclaimed by themselves" (interview No. 12, 2005).

It seems interesting that the perspective from within the international organisations is completely different than that from outside. Both interviewees from the World Bank and the OHR estimated the work of their institution as very successful. So Vesna Frančic says:

> We never supported, through any of our programmes, either the eastern or western part of the city [asymmetrically]. We never supported any of the six municipalities which existed in the past. So we always focused on the whole city, so that the whole city could benefit […] I think our approach towards central government and city authorities and institutions were very much welcomed in Mostar […] And it was proved as a very successful and appropriate approach to Mostar. I guess we contributed a lot to regain the trust between all groups (interview No. 4, 2005).

This estimation of international organisations' performance is different from others (Esmail-Arndt, interview No. 15, 2005; Pajić, interview No. 5, 2005). When criticism has not been incorporated into the programmes of the international organisations, then their attitude towards reforms is also a limiting factor to the socio-economic development. However, since the position of the High Representative – as head of the OHR - changed in

2006, the newly-launched reforms aim to solve the problem of the 'lose-lose' situation. The new High Representative, Schwarz-Schilling, realised that the 'dependency syndrome' had to be abolished (2003). Mustafa Alendar from the new city administration proposes that the orientation of international support should be changed. The thinking of the international organisations is still bound to the context of the DPA and not towards sustainable reforms and capacity building. He says "[...] that we do not need support in the process of reconstruction […] but we need help concerning problems of cultural issues but the OHR does not help us there […] we would like them to consult us in our reform processes" (interview No. 22, 2005).

Photo 4: Comment on imbalanced financial distribution of the IMF, western Mostar (© author)

Even though the role of international organisations is ambiguous, their contribution towards local development is also obvious. The financial support was estimated to be more than 2 billion Euros for the whole country (Hall 2005, 201). Their interference in local political decisions is often caused by local authorities, who are following their own or nationalist interests and are not willing to agree by consensus. However, because the OHR is so heavily involved in the decision-making process, there is a trend towards opposition between the political parties and the OHR (ESI 2001). This weakens the actual goal of democratisation and hampers sustainable development. In that sense the OHR with its current policies can be seen as part of the problem and not part of the solution of the

complex local socio-economic development,as Mirsad Behram says (interview No. 12, 2005).

Only a reformed mandate towards more ownership and responsibility could contribute to sustainable socio-economic development (Scotto 2004, 86). However, all interviewees agreed on the necessity of the international organisations to be engaged in supporting local development. Even though "many people are not satisfied with many decisions…they [international organisations] make many processes go faster […]" (Galić, interview No. 20, 2005). Therefore, a complete withdrawal would have serious negative consequences (Behram, interview No. 12, 2005; Džeba, interview No. 18, 2005).

5.3.2 City administration – functioning and bureaucracy

"And the city administration has a problem
in implementing and the people are suffering
and the situation is getting worse day by day"

(Mili Tiru, Pavarotti Centre Mostar, interview No. 13, 2005)

Besides the economic factors, political parties and the direct involvement of international organisations, the city administration is yet another element influencing the progress of local development; and is therefore part of the local governance structure. Since the new statute of the city of Mostar was imposed in 2005, debates about its work and functions arose. This section on the city administration is not explicitly connected to the external factors, but since it is imposed by and structured through the international community it is located in this section. However, there are obviously also strong ties to internal political factors (5.2.3), as well as to the labour market (5.1.3).

Due to the fact that the restructuring process of the city administration from six to one took longer than planned, many interviewees see this dysfunction as a barrier to local socio-economic development. Even members of the city administration, like the advisor to the mayor, Alexander Stuhler, state that the process of reform, "[…] took longer than expected" (interview No. 11, 2005). The process of reunification and restructuring included abolishing of administrative structures and a reduction in the workforce. Due to resistance by released employees and the resistance by the nationalist parties, the process has been prolonged and positive outcomes hardly are visible. The degree of resistance by

nationalist parties increases when the decisions concerning the reform were imposed by the international organisations.

Ivana Marić remarks that "[…] the city administration has existed since a year, but it does not function. If the OHR brings the best solution, it is the worst for us because we have not done it ourselves - and that is the problem. Then things take a long time […]" (interview No. 3, 2005). How long the process of restructuring takes is described by Mirsad Behram who says that, "[…] in my point of view the city administration serves for itself. It is only for some people to get employment within the administration and nothing else. They are still serving themselves. According to Ashdown's [High Representative] decision they should have fired like 200 people…" (interview No. 12, 2005). He refers to the problematic policies of staff recruitment. There had been serious difficulties to find experienced and skilled personnel for the new city administration as Admira Čustović from the city administration reports (interview No. 19, 2005).

This situation seems paradox when on the one hand 200 people had to be released and the new positions could not be filled. This paradox of the labour market is discussed in 5.1.3. However, when it comes to the functioning of the city administration it has major impacts on a prolonged reconstruction. Katrin Hett of the OSCE and responsible for the supervision of the newly-reunited city administration explains the process:

> What still takes place is the process of restructuring. Some people have to be released and the departments have to be re-settled. And that takes time. We had 670 employees last year and we need only 400 that need to be recruited […] it does not function especially well yet […] because the restructuring also of the personnel has not yet been implemented, the people sit in their offices and say that they do not know if they will still have the job next year and then they do nothing […] (interview No. 7, 2005).

Additionally to the process of restructuring and recruitment, there is a problem of bureaucracy which has a negative effect on local economic development. Vanesa Galić complains about the bureaucratic burden: "[w]hen you want to open a firm you have to fill in so many forms and so on, you have to go to many offices and you have to finish many administrative steps. Bureaucracy is very complicated here […]" (interview No. 20, 2005, see Tiru, interview No. 13, 2005).

The reasons for limiting the bureaucratic burden are often rooted in the ethnic principle, which was implemented by the international community in order to balance ethnic demands, as Hadziahmetović carries out in his analysis (2005). The very complicated and complex mechanisms to balance the ethnic composition in the city administration also lead to delays through bureaucracy. Even though the new city administration tries to reduce bureaucracy, the outcomes are still not satisfying as Paijć

says: "[s]o, in my personal opinion, regardless of the fact that there has been a reunification of the city administration, there hasn't been any significant economic progress or growth; not only in the economy, also in general of the social development of the city […]" (interview No. 5, 2005).

Although there is fundamental criticism on the performance of the restructuring process, most of the interviewees agreed on the necessity of a common and reunified city administration. Alexander Stuhler says that "[…] a unified city needs a unified city administration whatever it costs!" (interview No. 11, 2005). Also Muhammid Velagić states that "[…] it has to work, there are no other ways, there has to be one united city administration. I was so happy when I heard that there will be a united city administration" (interview No. 14, 2005).

When examining the limiting factors of socio-economic development in Mostar, the temporary inefficient performance of the city administration contributes to it to a certain extent. In contrast to the negative aspects such as bureaucracy, ethnic balance and the lack of skilled labour, the step to reunite the city administration was needed. Alexander Stuhler explains that an ethnic balance is needed because "[…] a completely rational institution could not do the job for Mostar [...] because democracy is no luxury - a balance of nationalities will also ensure the acceptance of the decision" (interview No. 11, 2005) in order to agree on sustainable decisions. Otherwise nationalist political forces would fade away from the official political scene and would gain more informal power. Stuhler is sure that "…the artificial balance will be reduced in a few years, [and] then rational arguments will matter" and development will improve (*ibid,* 2005). International supervision is therefore necessary to ensure the acceptance of a joint platform for the city's matters.

As discussed in the previous section, many decisions are made under high pressure from the OHR. Mustafa Alender from the city council confirms that much pressure is used to force certain decisions, but also that the OHR "would like to get things in their sense [...] what they do is command decision-making regarding their plans […] earlier the international community had been part of the solution, now they are part of the problem […]" (interview No. 22, 2005) Even though the function and the interference are mentioned in this section again, it plays a fundamental role in the functioning of the city administration. Olaf Zymelka formulates the functioning of the city administration under international influence in simple words: "[t]he principle of consensus [i.e. the reunification of the city administration] was implemented by Mr. Ashdown [High Representative]

because there was no consensus on it in Mostar. There is no functioning without pressure – simple formula" (interview No. 2, 2005).

Mili Tiru also agrees that there is high pressure from the OHR: "[w]hatever is happening in the city administration, it is initiated by the office of High Representative. Whatever they say to do, they do it because the OHR said it" (interview No. 13, 2005). Even though both positions, Zymelka and Tiru, might be a simplification, their explicitness shows how influential the OHR is. The illustration given by Zymelka makes clear how difficult it is for the city administration to act properly; "[t]hey are really in a sandwich-position – from the bottom the society is demanding action, from the top the OHR and the international community is increasing the pressure" (interview No. 2, 2005).

In addition to the previous difficulties, some interviews mentioned the problematic financial situation of the city that burdens the efficiency and functioning of the city administration in the long run (Stuhler, interview No. 11, 2005; Galić, interview No. 20, 2005; Frančić, interview No. 4, 2005). In the near future all Bosnia and Herzegovinan municipalities will have to challenge changed budgets that are expected to cause trouble, especially when the Value Added Tax will have a fundamental impact on macro-economic stability (BIRN 2006, No.17).

When examining the external forces that are responsible for the hampered local development, the role of the international community in the form of the OHR contributes more to it than the newly-reformed city administration. The role of the international community is ambiguous, especially during the last years when internal reforms have not been implemented and policies oriented towards the DPA are still actual. Mustafa Alendar formulates precisely this when he says that "[…] the international community thinks still in the sense of Dayton, but Bosnia [nowadays has changed] more European like, here […]" (interview 2005, no. 22). The current policies of the OHR are therefore not anymore addressed to the current problems and hence create a limiting factor to local development.

5.4 Social factors

The fourth limiting field that needs to be addressed is that of social factors. Elements of civil society and its institutions of education are important for local socio-economic development. Since every economic activity is a human activity, the quality of society matters. A certain degree of security is needed to start economic activities; if mechanisms

of mutual trust are missing economic activities and initiatives are limited. Hence, reconciliation and the build-up of a civil society might be the most important pillars of development. Finally, the elements of civil society are the most important when it comes to questions of sustainable local development. Only when the civil society is stable, can sustainable development take place. Especially in Mostar the process of reconciliation, as a precondition of civil society, has been a problematic experience.

5.4.1 Civil society and reconciliation

"Of course it takes time, you cannot expect that the people love each other."

(Damir Džeba, politician, interview No. 18, 2005)

As discussed in the theoretical chapter, the process of reconciliation is essential for sustainable development as Lederach developed in his approach (2004). Only when war crimes and atrocities between the conflict actors are reconciled and an environment of stability and security is ensured can the stage of absent structural violence be reached (Galtung 1982). Then nationalist rhetoric and propaganda as instruments of mass control are ineffective. In Mostar there is still a need to improve the process of reconciliation, as Rubeena Esmail-Arndt says: "[t]here is a need for open and frank discussions […]" (interview No. 15, 2005). According to Mirsad Behram, "[…] there are still cases in which people, who are and were responsible for atrocities are not on trial for that – for instance we had like concentration camps and nobody has been charged for that - which, I guess, burdens the process of reconciliation" (interview No. 12, 2005).

That the wounds of war are still fresh and individual and collective memories are still influential is obvious. The process of reconciliation is especially difficult in post-conflict civil war societies where the lines of conflict divide the cities, such as Mostar (Gromes, Moltmann and Schoch 2004, 10-12). Erich Rathfelder, a journalist in Bosnia since 1991, illustrates the deeply-rooted experiences when he reports how it was during the war and that,

> East Mostar […] there are 5000 dead and 5000 dead are 5000 dead - you cannot discuss this. The war was really the hell in East Mostar. There were only connections through the basements. You had to be careful because of the snipers […] I was there with seven other journalists, four are dead – three Italians and one Dutch […] it is so

> that every family has actually lost someone. It is not easy to do the first steps. Besides the nationalism there is still the collective memory […]" (interview No. 1, 2005).

Even people who were absent during the war, such as Muhammid Velagić, a student from Mostar, feels affected by the period of conflict. Certain space images produced through the period of war and the personal connection to people's experiences are heavily influential on thoughts and actions. He tells of his feelings when he returned home and crossed the front zone:

> you are really happy to see your parents, your friends, just to drink a coffee and then you go through the Boulevard street [former front line] and you see all that, and you realise that you live in a city where hatred controls everything […] I cannot describe the feeling, when you feel that 50 meters away from your house there was a kind of Auschwitz […] that you live in a city where thousands and thousands of people died for nothing […] but, you really have to cross the border to get to know the other - it does not work in an other way (interview No. 14, 2005).

These are just two examples how vivid individual and collective memory affects people's perceptions and actions. On an individual, as well as on a collective level, strong negative experiences distort rational behaviour, as has been discussed in the theoretical chapter (Jenichen 2004; Lederach 2004). That a process of reconciliation has to take place is seen by many interviewees (Esmail-Arndt, interview No. 15, 2005; Rathfelder, interview No. 1, 2005). However there are strong opponents who are not interested in a reconciled past; the nationalist parties' local power would be diminished if the process of reconciliation is successful, as discussed in 5.2.2. This makes it difficult to work on the process consistently (Smith 2006).

Within the approach of reconciliation, as Lederach (2004) examines, it is essential to individualise the war crimes. By contrast, collective guilt would lead to an environment of fear that can be used by nationalist forces. Consequences of fear and instability produced and used by nationalist forces are discussed in 5.2.2. "Victims and committers differ: Victims will know the truth, what happened and are satisfied when the events are investigated. And the committers still try to make ideologies, how they can escape [accountability] in order not to face the truth […] ", as Rathfelder analyses (interview No. 1, 2005).

Individualisation of the war crimes helps to reconcile and give people the sense that these crimes are avenged. Damir Džeba sees the process of individualisation within the process of reconciliation as essential for the social development of the society:

> you cannot leave it behind, because you have a lot of war crimes they must be individualised and if you do not have individual crimes – [where] each crime has its own name and surname - so you must find out who committed. Otherwise, if you do not solve the war crime cases, the guilt will be on all people […] (interview No. 18, 2005).

Common guilt that includes and is addressed to one ethnicity would prepare the ground for nationalist stances and instability. When the wounds of war are still fresh, it is clear that the process takes time, as Gromes, Moltmann and Schoch explain (2004, iv). Furthermore, it cannot be expected that the first impulse comes directly from the people themselves. The function of international organisations and NGOs is therefore to start and enhance the process towards sustainable peace and development. In post-civil war contexts, such as in Mostar, external impulses are essential to launch the process of reconciliation as part of the peace-building process (Lambourne 2004, 20). Professional programmes are needed to discuss the past and to bring people together. However, not only well addressed programmes are needed; direct contact with the 'other' on an individual basis and joint activities are essential. From a very personal point of view Muhammid Velagić reports that

> it is not that important what these organisations do in detail, but they must bring the people together. That they drink coffee together, that is important […] that they think about things that cross the borders […] you would not remember the certain projects, but you would remember the people you met and you drank beer with […] it is important that the people realise that there is no enemy behind the border […]" (interview No. 14, 2005).

For most people it is clear that a process of reconciliation has to take place actively and immediately. There is no alternative to develop the local economy first in order to get the people together when their personal economic situation has improved. That the concept 'first economy then sustainable peace' is failing was demonstrated by Tito's way of dealing with the past. Muhammid Velagić summarises the past failure of a missed reconciliation process:" [t]he only way is to put it [the war crimes] to the judge and make it an individual crime. The way is not to forget it, it is to analyse it. If there is no justice there is no hope, if there is no hope there is fear, if there is fear you can control [the people] and so on" (interview no. 14, 2005).

Regarding the process of reconciliation, a remarkable aspect concerning the demography of the city can be derived from the analysis of the interviews. The willingness of citizens that were living in the city for decades to co-operate and work together on the past is much higher than between those citizens that came to the city in the context of the war as migrants and refugees. A Yugoslavian background, with a lived multiethnic experience, seems to enhance the process of reconciliation. If such a background or positive multiethnic experience is missing, the process is more difficult. Admira Čustarić, from the BSC Mostar and local that has long-lasting family roots in Mostar the says that

> the people understand each other, it does not matter if they are older or younger, if they are Croat or Bosniak or Serb. It very much depends if the people have lived in

> Mostar before the war […] the others do not get along so well. The old Mostarians and the new ones that came later […] We think that those people have destroyed everything. Through the war the buildings have been destroyed and the mentality of the people […] Their mentality is really different from the people who have been born here. The people that came here do not change […]" (interview No. 19, 2005).

This shows that the process of reconciliation has multiple layers: at first there has to be a process of reconciliation among the ethnic groups, but also between the former locals and new citizens. Due to the massive demographic movements during the war, the pre-war social fabric of the city has entirely changed (Bose 2002, 37, 106; Scotto 2004, 103-104). On the one hand the differences between 'old Mostarians' and the new ones complicates the process of reconciliation with one more aspect. On the other there is potential for the former citizens to enhance the process of reconciliation actively by themselves because they might be more willing to co-operate and foster local socio-economic development.

Overall the process of reconciliation needs to be improved urgently. Even though several NGOs work on the process, which helps to accelerate the democratisation process, the efforts are not satisfactory (Scotto 2004, 123-199). Additionally, there is a serious problem of effectiveness due to the fact that reconciliation is difficult to measure and international organisations are reducing their support for reconciliation and democratisation (Esamil-Arndt, interview No. 15, 2005; Jenichen 2004, 6). Furthermore, many local people do not see a direct outcome from the externally-launched reconciliation process; this also leads to a lack of ownership and accountability resulting in passiveness. However, reconciliation is the assumption for a sustainable civil society and, therefore, for continuous democratic development. After ten years of peace building there is visible progress, but the process is slowing down and is still a major reason for hampered local development (Mirsad Behram, interview No. 12, 2005).

5.4.2 Passiveness, education system and youth

"What we miss is a civil society that questions
– only a civil society could change things
and that is the crux; they are passive"

(Katrin Hett, interview No. 7, 2005)

Along with the important aspect of reconciliation, the aspect of passiveness is important. Both are pillars of a civil society in which socio-economic development can

take place. Theoretically, the concepts of social capital include civil society. These approaches are discussed in 3.1.3 where the importance of social capital in the context of local development is debated (Collier and Hoeffler 2001, 13). This section on passiveness, education and youth tries to answer the question why important impulses for new initiatives are missing, where they are rooted and who is passive in Mostar. The quality of civil society and the success of socio-economic development also depend on, besides the discussed aspects, the overall attitude of the people to start initiatives; this can be in the business sector or volunteer projects, in arts or in tourism initiatives. Overall, the assumption for successful development is connected to the activity of people.

When we go back to the research question, 'What are the limiting factors to local socio-economic development in Mostar?', the passiveness of the people can be seen as one important factor. Even though it is difficult to estimate, many interviewees see passiveness as an important limiting factor. In that sense passiveness could be defined as the absence of social capital (see section 3.1.3). The fact that passiveness is an element present in society is described by Vanesa Galić from the Nansen Dialogue Centre: "[t]he problem is that people are passive – it is a consequence of war. People are tired of everything, the economic situation is very bad" (interview No. 20, 2005). She mentions the war as the main source of why people are passive. Personal experiences of the war and, subsequently, the insecurity felt are one important aspect of passiveness. The section on reconciliation refers to these processes (see section 5.4.1).

In addition to the war experiences and an insecure environment that is created by the nationalist parties (see section 5.2.2), the socialist legacy plays an important role. As discussed in the section on the labour market (5.1.3), the socialist legacy in terms of working regimes and attitudes still exists. Katrin Hett emphasises the aspect of a 'taker' mentality, that the development is hampered, "because the mentality was used to take and not to think about it" (interview No. 7, 2005). Sanela Tunović remarks that there were, "[…] 50 years of socialism, it takes a while it is a few generations" to change it (interview No. 9, 2005). Also Olaf Zymelka says that the passiveness "is up to a taker's mentality. You must not only look to 1995, you should also look to the time before. During Tito's times there was a taker's mentality - everybody was served […] Now, it is really difficult to change the people towards more ownership […]" (interview No. 2, 2005). Theoretically, human resources in the transition from socialist to market economy are conceptualised by Stenning and Bradshaw (1999) or Steinherr and Gros (1996) as discussed in 3.1.2.

Photo 5: Build-up of civil society? (© author)

Another reason for the passiveness of the people can be seen in the intervention of international organisations. The so called 'dependency syndrome', as Schwarz-Schilling (2003) defines it leads, for example, to the low participation of people in political decisions, as discussed in 5.3.1. The low turnouts in national and municipal elections - launched by international organisations - are only one way how such non-interest is expressed. Ivana Marić says that "[…] less and less people go for elections because we had at least eight elections during the last ten years. There are always elections and the people do not see any change. Keep in mind we had the one-party system for a long while. They are not used to decide on their own […]" (interview No. 3, 2005). The communist party system is described in section 2.1 (Donia and Fine 1994; Glenny 1999).

A third cause of this passiveness is the missing perspective that derives from the stagnation of the local economy and the raised expectations from the pre-war economic situation. Ivan Jurij, from the regional development agency Redah, remarks that "[i]t is true that people are passive because nothing is moving forward which is visible […]" (interview No. 21, 2005). After the first phase of fast material recovery in which financial support was extraordinarily strong, the phase of stagnation and recession is absorbing positive future perspectives and results in passiveness and resignation (Collier and Hoeffler 2001, 2; Büschenfeld 1999, 35-37).

Damir Džeba explains from where the passive attitude and the lack of perspective comes:

> [i]f the politicians, the internationals, [and] the state department do not have the answer for the country, who will have? [...] and then you have the passive role of young people. They cannot see the future of the country. If you cannot see the future of the country and you are the part of it, then there is no future for you. And that is the way of thinking (interview No. 18, 2005).

The relatively high standard of living in Yugoslavia during pre-war times (see section 3.1.2) and the functioning of the multiethnic society pre-determines people's expectations for more prosperity. Mirsad Behram refers to this:

> Why shouldn't I have high expectations? We had 200,000 times better life in […] communism than right now, so why shouldn't I be demanding more? It is natural, before the war, we were in front of the Czech Republic, Slovakia, Poland, Hungary, Bulgaria, Romania, Eastern Germany, Russia I mean, Soviet Union, all these countries, now we are fighting to survive. It is ten years ago. So why shouldn't I be so demanding […] tell me one reason, why not? (interview No. 12, 2005).

The expectations are based on the pre-war experience, when the multiethnic society was functioning. Admira Čustarić says that "we had been rich, we had been rich because we lived in such a multiethnic society" (interview No. 19, 2005). High living standards and the functioning of a culturally-rich society combined with the slow process of development are also seen to be responsible for the current passiveness. These four elements that contribute to passiveness in general; civil war, socialist legacy, dependency on international organisations and the high living standard of the pre-war times are directly interconnected. It remains open to which aspect dominates.

When referring back to the question who is most effected by passiveness, the youth as the future generation is facing the especially difficult problems of no perspectives that were mentioned. Ivan Jurij, as well as other interviewees (Galić, interview No. 20; Medić, interview No. 7; or Hett No. 6, 2005), sees passiveness especially among youngsters: "[t]he problem with young people is that we are passive - there are no initiatives from young people or those initiatives are not strong enough" (Jurij interview No. 21, 2005). Furthermore, Rubeena Esmail-Arndt, from the GTZ unit for civil society, emphasises the missing perspective as a reason for the youth's passiveness: "The problem is that there are no perspectives especially for the youth. The worst is actually that they are drawn into it [nationalism], so that it [the conflict] could happen again [...]" (interview No. 15, 2005).

The missing perspective and the school system are often mentioned in connection with the problems of the passiveness of the youth. Mili Tiru explains the effects of missing perspectives through the lack of economic development: "[w]hat they face is a very

difficult situation and those who finish secondary education usually do not have financial assistance to go to university. The employment rate is very low and job opportunities are also very rare […]" (interview No. 13, 2005). Such a situation in which perspectives are rare and the overall economic situation does not support a more optimistic view could create fertile soil for nationalism to grow.

Vesna Frančić reveals the connection between economic development and nationalism in a diplomatic way, by emphasising that "[…] if we create better opportunities in particular for young people to start with some serious work less and less they will have time to look at the other things. Probably yes, the richer you are the less you look at other issues [nationalistic parties]" (interview No. 4, 2005). Esmail-Arndt also reports from her experience with youth work, that youth are vulnerable to nationalistic views: "[...]it's the mid-20s! I find them very hardened and I do not see them as the ones for the country's future […]" (interview No. 15, 2005).

The situation for youth to be active and to start interethnic initiatives is also especially difficult because of the educational situation. Due to the multiple ethnic groups, there are different school curricula - especially history and language is directed towards one's own ethnicity – and they are often influenced by local politics. In concrete terms, this means that Bosnian Croat students learn Croatian history and respectively Bosniak students learn a different version of history though they are living in the same city. Vanesa Galić says that "[…] the political system is very involved in the schooling system here […] Schools are divided not only physically but also by curricula; we have Bosniak schools and Croatian schools […]" (interview No. 20, 2005). Through the divided school curricula the opportunity for a multiethnic experience is missing (Medić, interview No. 6, 2005; Open Society Fund Bosnia and Herzegovina 2002, 13). Young students will not get the experience of getting to know each other, of diminishing their fear of the other.

Mili Tiru also voices his concerns about a divided schooling system that is influenced by the nationalists: "[t]here is danger to poison the youth […] we have to talk about nationalism because if the young people get to be nationalists […] then it will be pretty difficult to change the situation ever. It is an ideal situation for such a tendency […]" (interview No. 13, 2005). There are several projects that try to close the gap between the different schooling systems but to merge educational institutions seems to be very difficult. For example Richard Medić, an OSCE officer, reports that

> The OSCE is planning to unify the curricula to give the Bosniak, Croat students the opportunity to study side by side but there is a lot of resistance to that, particularly from Croats who feared, I guess, the extinguishment of their language, culture – some kind of pre-war neo-nostalgic culture and because of that the international community,

> so the OSCE decided that it really wasn't worth trying to take blood out of the stones, so to speak […]The main thing that stops development and why it is always two steps forward and one step back is in my opinion fear […]" (interview No. 6, 2005).

There is a certain threat that through the divided educational systems, either schools or universities, the nationalistic views will be fostered so that sustainable socio-economic development will be further hampered. How important multiethnic experiences are is described by Čustarić, who has grown up in a peaceful and multiethnic environment:

> The little kids have to learn to live together […] For us it was easy because we know how it is to live together, because we went together to school we had lots of interethnic marriages […] and now all of a sudden, everything is swept away and they have to learn again, what we still know. There is no reason to have a Croat kindergarten or a Bosniak kindergarten […] for example we cannot have three different kinds of history in school – there has to be one […]" (interview No. 19, 2005).

Thus, it seems that a common experience and a supra-ethnic education are needed to build up a civil society where the mechanisms of trust are functioning and economic development can take place. Passiveness and ethnic education - especially among youth who are seen as the future generation that is responsible for development - are two important aspects that limit socio-economic development. There remains a certain threat that nationalism manipulates the students who are supposed to develop the city.

A functioning civil society is the cornerstone and, at the same time, the most challenging element for successful post-war recovery. Therefore, the process of reconciliation is important along with an active society. A functioning school system is one important institution that could improve civil society. If people are too passive and if entrepreneurship is missing, local economic development is restricted, as is the case in Mostar. When estimating the importance of social factors contributing to the local development it might play the most important role, at least it is more important than the material reconstruction.

After the analysis of the four elements that are blocking the socio-economic development in Mostar, a summary is needed in order to illustrate the interconnectedness. A summary is given in the following Chapter 6, in which also the Figure 7 shows the connection between hard economic, internal political, external political and social factors. The Figure 7 is an extended version of Figure 6, that is giving an overview over the limiting factors of local development in the beginning of this Chapter 5.

6 Conclusions and Further Research

The final chapter of this thesis addresses three aspects. At first a short summary of the procedure of approaching the research question and the theoretical framework of the ongoing processes in local socio-economic development is provided. The second part draws conclusions from the previous analysis of the factors that limit socio-economic development in Mostar. Finally, open questions and further research is considered with an outlook to what additional research could be conducted as well as the application of different possible methods concerning the same research question. This thesis in general and the analysis and summary in particular were centred around the research question:

"What are the hindrances to local socio-economic development in Mostar?"

This thesis also addressed the following sub-questions:

1. Are hard economic factors responsible for the stage of development in Mostar?
2. How does the local political milieu contribute to the limited development?
3. To what extent are international organisations fostering or hampering local development?
4. What is the role of civil society in the socio-economic development in Mostar?

The function of the sub-questions was to make the complex research question more concrete. The general question was broken down by addressing hard economic factors, internal and external political processes, as well as the role of civil society.

6.1 Approaching development in Mostar

The thesis answered the research questions with a set of approaches. At first, an introduction to the location was provided and then theoretical components were used to discover the overlapping processes. A chapter on methodology lent insight to the qualitative methods used and it also revealed the advantages and disadvantages of the methodology. However, it is the analysis and the examination of four fields that is the core of the thesis.

Mostar's current socio-economic development undergoes several processes. There is the shift from socialism to a market economy and from war to peace. Consequently, there is the postponed transition from a socialist to market economy and the process of conflict recovery.

Within the process of transition from a socialist to market economy not only privatisation and modernisation play an important role, but the quality of human resources as explained in the theoretical part is also important. Mostar is facing various problems concerning the privatisation process as well as the education of employees; both are important aspects in local development. Concepts of transition are explained in order to give insight into the complexity of processes.

The transition from war to peace is characterised by different aspects. On the one hand there is the material reconstruction and the build-up of administration; on the other hand there is the aspect of civil society development. In a multiethnic environment that has experienced a civil war, security and civil society are the foundations of any kinds of development that are to occur. In addition, the role of the international organisations within the process of post-war development has been discussed broadly as one component in the theoretical part. When examining the role of external intervention, political and historic background is necessary to understand the current position of actors, such as the OHR or the World Bank. Especially when discussing the role of civil society and social capital, the role of international intervention and engagement is necessary to examine.

In order to answer the above mentioned sub-questions, a qualitative methodology was used to explore the reasons for the hampered local socio-economic development in Mostar ten years after the conflict. The analysis of 23 locally-conducted interviews led to these answers.

6.2 Conclusions

My research has concluded that four types of factors act as hindrances to local socio-economic development in Mostar: 1) hard economic factors, 2) internal political factors, 3) external political factors, and 4) social factors. These four fields were established through the analysis of the interviews. Even though all of the interviewees mentioned all of these fields as being important, the individual importance of each factor is different.

The first field – hard economic factors - deals with the material reconstruction of the war-torn economy and business milieu, the process of privatisation in the context of transition and, finally, the quality of human resources and the demands and consequences of the labour market. The process of material reconstruction also includes the support and intervention of international aid organisations. During the first years after the conflict, these material (infrastructure) improvements were more important to local development

than the build-up of functioning administration capacities. Some interviewees mentioned the missing physical infrastructure to be an aspect that is somewhat responsible for the hampered local development, but in general the process of material recovery is almost complete and therefore not the most important limiting factor.

More important is the uncompleted and postponed process of privatisation. Many state-owned firms could not be privatised because of inefficiency or a lack of external investors. Also, non-transparent connections and informal networks are hampering the process of privatisation. Due to the low investment rate from domestic investors, foreign investment is needed for successful development. However, foreign investors are often difficult to find because the legal situation is unclear and the local industrial potential is low. Inefficient firms and a bad local image contribute to the difficulty for attracting foreign direct investments as well. Especially in a war-torn society that lacks domestic potential, foreign direct investment is needed to stimulate the local development.

When examining the labour market then, the changes of working regimes and the lack of skilled labour have a negative impact on local development. There is a serious lack of skilled labour especially, for example, in the city administration, but also in state-owned firms. On the contrary, the rate of unemployed people is very high and the emigration of young and highly-educated, and therefore of the potential labour force, is a response to the situation. So there are two opposite trends that have a limiting outcome: the lack of skilled labour and the enormous rate of unemployment.

The second field that plays a role in local social development in Mostar is the field of internal political factors, as part of the local governance structure. The focus of this field was problematic to study because local parties are nationalist and ethnically-defined. The local political scene in Mostar represents the ethnic composition of the city after the conflict. Each party, the HDZ or SDA, is ethnically-defined and tend to represent nationalist positions. Those positions can hamper the decision making process in the new city administration. Especially cultural or minority rights issues are often responsible for blocking strategies that affect other issues, which are frequently neutral.

Often the parties cannot agree on strategies for the entire city's development because too many sensitive issues are unsolved. The unsolved problems at the local level and the mutual blocking strategies are often the reason for international organisations, in the form of the OHR, to intervene in order to ensure that urgent problems are solved. There is also a tendency to keep up the nationalist stances of each party. Personal gain and an insecure environment create fertile soil for the persistence of nationalism. Nationalist policies tend

to address historic issues rather than address local development issues. These radical national stances also block the process of reconciliation, which affect the build-up of civil society.

Overall, the political division along ethnic lines does not allow the occurrence of economically-oriented parties, which could solve the lack of development strategies. In general, political participation is decreasing and the people's interest in nationalist local politics is decreasing. Even though the people's interest in local politics is decreasing, the political parties are still very powerful with close and often informal connections to the business scene.

The third field is the impact of external political factors, namely the role of international organisations in Mostar. They are heavily involved in local politics and can be seen as an independent, third political actor besides the two locally-anchored parties. There is a high degree of fundamental criticism of international intervention in local politics. The OHR's mandate to intervene in local politics when a consensus in local politics cannot be reached is frequently applied and unacceptable to most politicians and residents. Therefore, the OHR's deep involvement in the local governance does not support the process of democratisation and political participation. Its external action by authoritative and non-democratic means often causes dissatisfaction and mistrust among politicians and citizens.

Through this high degree of intervention in local politics the people's sense of responsibility and public participation is not at all fostered; on the contrary, people's willingness to participate in democratic procedure is decreasing through increasing external interference. Such a high degree of intervention can be seen as responsible for the so called 'dependency syndrome'. This occurs when local authorities rely on the OHR's intervention, instead of focusing on strategies that solve the technical and political problems of the city. The city administration of Mostar is an especially good example of how rigorous international organisations use the tool of quick decision-making process without democratic means. Whenever it comes to 'hot topics', such as cultural issues, international organisations tend to implement the reform without the support of the local political actors because it would take too much time to find a consensus. In addition to the consequences of the high degree of intervention, the unbalanced policies that are addressed towards one of the ethnic groups often cause more problems than solutions. The analysis of the interviews leads to the conclusion that external political factors are contribute to a high degree to stagnating local development.

The fourth and most important field that could be determined is the one of social factors in the context of local socio-economic development. Most importantly, there is a serious lack of civil society in Mostar among the ethnic groups, which is needed so that rational rather than ethnic decisions for economic activities can be made. This lack is responsible for the missing mechanisms of trust and positive outcomes of social capital; therefore, the preconditions for economic development are missing.

Often war experiences and feelings of fear directed towards the other ethnic group are still deeply rooted in the people's actions. Distrust of the 'others', frustration about the stagnating economic development and a lack of perspectives are often mentioned to be at the heart of absent ideas and initiatives. Especially among youngsters, ethnic division through divided education systems leads to distrust and the potential for nationalism.

Due to the lack of civil society there is also a lack of positive social capital. Positive social capital can be defined as interethnic and democratic. The so-called 'Mostar-spirit' that existed during Yugoslavian times was responsible for a special atmosphere in Mostar in which business and economic actions could take place. It is now replaced by a lack of perspective and a persistence of distrust against the other ethnic group. A surprising aspect that was revealed in this study is the fact that not only does distrust between ethnic groups hamper the development of economic activities, but likewise does the distrust between the 'old Mostarians' and recent arrivals. During the war the demographic composition of Mostar was radically changed through massive refugee movements and ethnic cleansing. Therefore, distrust within each ethnic group between the 'new' and the 'old' residents was created and is often mentioned to be an additional cause for the lack of a civil society. Without any external support reconciliation and the build-up of civil society seems to be doomed to fail. Furthermore, there is a certain gap between the decreasing international support and the urgent need for reconciliation programmes.

Even though these four fields are responsible for the stagnation in socio-economic development, it seems that the aspects of civil society and the role of international organisations are the most important. If these aspects were to see positive development, then the ground would be prepared for changes in local politics. When there is a functioning civil society there will also be a shift towards less nationalistic stances in local politics. However, there is a high degree of interconnectedness among all four factors: economic, internal political, external political and social factors; Figure 7 shows how they are related. Every single field of factors contributes to local development and is

interconnected to the others. It seems impossible to explain a certain phenomenon of development by simply one single factor.

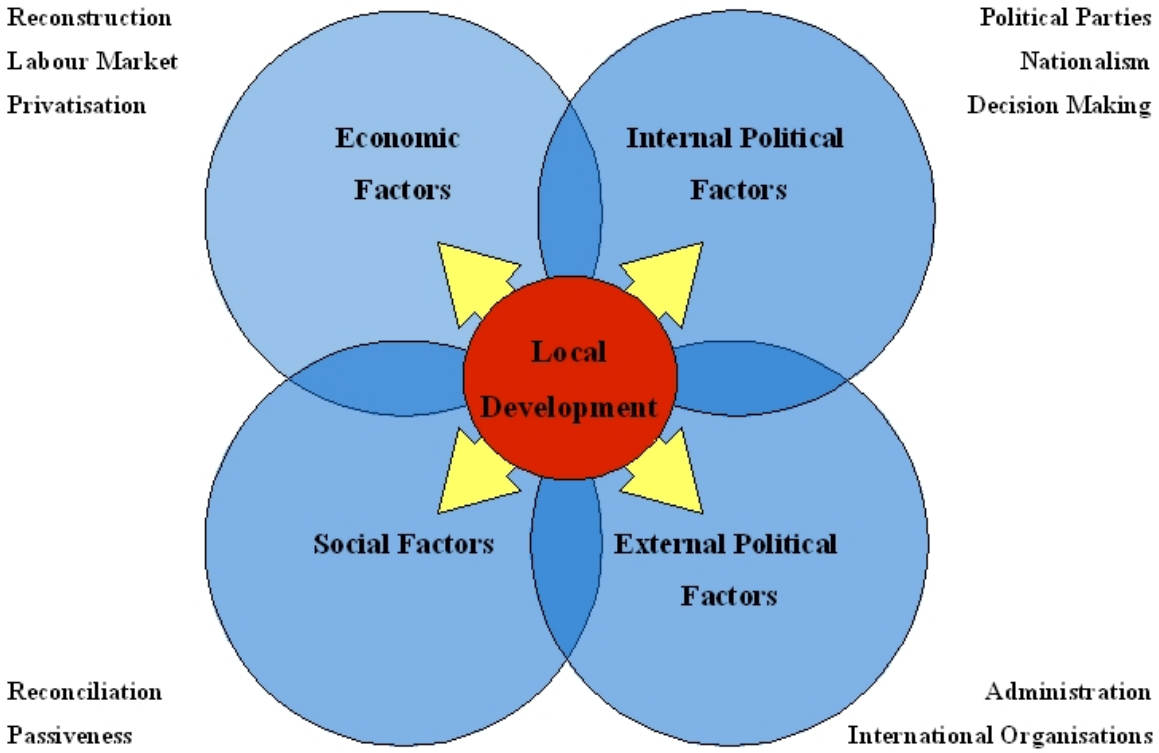

Figure 7: Interconnected factors of local socio-economic development, detailed display

Local post-conflict socio-economic development is a dense fabric of intertwined factors; economic, internal and external political, as well as social factors are responsible for the success or failure of local development. This figure also shows the detailed attributes that were examined in the case of Mostar in the analysis of 23 interviews and additional literature. Furthermore, the applied qualitative methodology is not well designed to weigh the different fields, but the quality and the quantity of the answers led to the conclusion that in a post-war situation, such as in Mostar, the aspect of civil society is the most fundamental for every development strategy.

6.3 Further research and discussion

During my fieldwork and the writing process several questions arose. There are questions concerning the methodology connected to the same research question and there are also new questions raised concerning new topics. One could either examine the same question through different means or follow the new questions that arose.

Regarding methodological approaches targeting the same research question, the advantages and disadvantages of qualitative applied methodologies ask for further, maybe quantitative research. Even though it was necessary to investigate the field with qualitative means first in order to know which kind of factors are important, a quantitative methodology could clarify questions concerning the importance and priorities of the four fields used in this work in detail. This can be a tool to examine the research question with other means for a deeper and properly-based insight into the overlapping and intertwined processes. Consequently, such an application of quantitative methods would lead to statistical rather than analytical generalisations (Yin 1994).

Regarding the newly-raised questions, there is a much broader variety possible. I focus on the personally-interesting issues connected to lack of social capital that are worth examining in detail. As described above, there is a lack of positive, or bridging, social capital the role of which is worth investigating for post-conflict situations in particular (Pickering 2006). Questions, such as: 'How can bridging social capital be created?' or 'What is the role of social capital at an individual and at a collective/ethnic level?' are just two of many questions that occurred during my research. These research questions ask for different methods. A combined methodology, such as participant observation and interviews or questionnaires could be used to answer these issues.

In addition, it would also be interesting to compare the findings of Mostar with similar cases in Bosnia or in other post-conflict areas in the Balkans in order to derive theoretical findings on local post-conflict development in general. Tuzla in Bosnia and Herzegovina or Mitrovica in Kosovo would both suita further comparison due to their ethnically-divided city structures and similar problems of local socio-economic development. For me, there has always been the question of whether these findings can be transferred to other cities and other countries- further research would help to confirm this and would be in my field of interest.

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8 Appendices

The appendices contain:

a) **Appendix 1: Detailed list of interviews, interviews, and positions**

b) **Appendix 2: Standardised form of an interview**

c) **CD: it contains all original material (audio files and transcribed interviews)**

8 Appendices

Appendix 1: Detailed list of interviews, interviews, and positions

	Institution/ Function	Person(s)	Location	Date	Language	Length of interview[1]
1	Journalist	Erich Rathfelder	Sarajevo	20.11.05	German	1:40 min
2	KfW (Bank for Reconstruction)	Olaf Zymelka	Sarajevo	21.11.05	German	0:53 min
3	UNDP (United Nations Development Programme)	Eldar Sarajlić, Richard Marshall, Lynne O'Donoghue	Sarajevo	21.11.05	English	notes = 35 min[2]
4	World Bank	Vesna Frančić	Sarajevo	22.11.05	English	0:44 min
5	KAS (Konrad Adenauer Foundation)	Ivana Marić	Mostar	22.11.05	German	0:51 min
6	Dzemal Bjelić University Mostar	Osman Pajić	Mostar	23.11.05	English transl. Bosniak	0:59 min
7	OSCE (Organisation for Security and Cooperation in Europe)	Richard Medić	Mostar	23.11.05	English	0:45 min

8	OSCE (Organisation for Security and Cooperation in Europe)	Katrin Hett	Mostar	23.11.05	English	0:59 min + notes =1:25 min[3]
9	FDM (Tobacco Firm Mostar)	Bakir Pekušić	Mostar	24.11.05	German	0:54 min
10	OHR (Office of the High Representative)	Sanela Tunović	Mostar	24.11.05	English	0:45 min
11	LINK (Business development agency)	Mihalia Bektaš	Mostar	24.11.05	English	0.44 min
12	City Administration, Department for Urban Planning	Alexander Stuhler	Mostar	24.11.05	English	0:21 min + notes = 1:05[4] min
13	RTV Mostar (Radio and Television Mostar)	Mirsad Behram	Mostar	25.11.05	English	0:55 min
14	Pavarotti Centre (Common Cultural Center)	Mili Tiru	Mostar	26.11.05	English transl. Bosniak	1:02 min
15	Student	Muhammid Velagić	Sarajevo	27.11.05	German	1:01 min
16	GTZ (German Agency for technical cooperation)	Selma Karavdić-Gaab	Sarajevo	28.11.05	German	1:02 min
17	GTZ (German Agency for Technical Cooperation)	Rubeena Esmail-Arndt	Sarajevo	28.11.05	German	0:59 min

18	City Administration BSC (Business Service Centre)	Admira Čustarić	Mostar	29.11.05	German	1:10 min
19	HDZ (Croat People's Party)	Damir Džeba	Mostar	29.11.05	English	1:05 min
20	Tourism Agency Herzegovina	Mia Šarić	Mostar	29.11.05	English	0:53 min
21	Redah (Regional Development Agency Herzegovina)	Ivan Jurilj	Mostar	30.11.05	English	0:54 min
22	Nansen Dialogue Centre	Vanesa Galić	Mostar	30.11.05	English	1:02 min
23	City Administration, City Council	Mustafa Alendar	Mostar	01.12.005	German	0:21 min

Total: 01 interview failed (UNDP) total hours ca. 21h: 30 min
22 interviews can be seen as successful
09 interviews in German
14 interviews in English, (incl. two translated interviews)
16 interviews in Mostar
07 interviews in Sarajevo

[1] Time of recorded interview, it does not cover the whole conversation
[2] It was not allowed to record, and as the interviewees were not been prepared, the interview can be seen as a failure
[3] Technical difficulties lead to an interruption of the interview, notes became necessary
[4] see footnote 3

Appendix 2: Standardised form of an interview

1. **Introduction**
   a. Introduction of me and my intention
   b. general questions on the functions and tasks of the institution/ firm/ organisation
   c. Detailed sub-questions on their tasks and challanges

2. **General discussion about the branch of business**
   a. How is the climate of the branch?
   b. Are the individual conditions representatives of the whole branch?
   c. Are local governance structures affecting your actions

3. **Personal questions about society and living conditions**
   a. What is your personal estimation of the socio-economic situation?
   b. What is your impression of the quality of society?
   c. (What is abuot the some parts of the society?- differences in the different strata of society?)
   d. Do you have personal experience with socio-economic development?

Attached there are two examples of structured interviews that are examples of how broad the questions were. Each interview differed, the types of questions differed as well as the order. In addition, the structure was often not followed and newly-occurring questions were introduced.

Example 1 International Organisations

Interview partner: Kfw, Worldbank, Gtz, OHR

1. **Current stage of local development**
   a. How would you estimate the overall economic situation for the region of Mostar?
   b. How would you describe the state of public administration and local governance?
   c. What is the stage of forthcoming in building civil society?

2. **Challenges of local development**
   a. What are the main challenges concerning local development, where are the main problems?
   b. Which factors/ variables are most important for local development?
   c. Who are the main actors in local development and how do they cooperate?
   d. Is ethno-nationalism an influencing factor in sustainable local development?
   e. If yes, how does it appear? In what kind of fields (politics, business, (civil) society)?
   f. Is there a different pace of local development for the different (ethnic) groups?
   g. What kind of role does the memory of war still play?

3. **Your organisation**
   a. How does your organisation influence local development?
   b. What are the main challenges to your work?
   c. Which actors do cooperate most and which do not?
   d. Is there a correlation between institution and the degree of cooperation?
   e. What is your personal opinion of the future of local development in Mostar?

Example 2 Firms

Interview partner: Tobacco Firm Mostar

1. Current economic situation

a. How would you estimate the overall economic situation for the region of Mostar?
b. How would you describe your own economic situation after 2000?
c. Is there an increasing future perspective?

2. Challenges of business

d. What are the most important challenges to overcome the current problems?
e. Are local governance and the political situation limiting factors to regional development?
f. How do you value the work of the international organisations?
g. Is there a lack of skilled labour?
h. Do you have to face a lack of infrastructure that hinders your business?
i. Are the material damages of war still important to you?
j. Would you say that it is more difficult for a firm from BiH to do business than from somewhere else? Is there a certain image of the region?

3. Your business

k. Where do you sell the goods mainly? Who is the main purchaser?
l. How is the personnel structure of the firm? Where do the employees come from?
m. Did you have any problems concerning teamwork caused by ethnic tensions? Do you invest in the region? Where mostly?