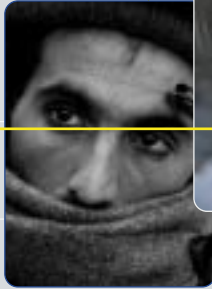


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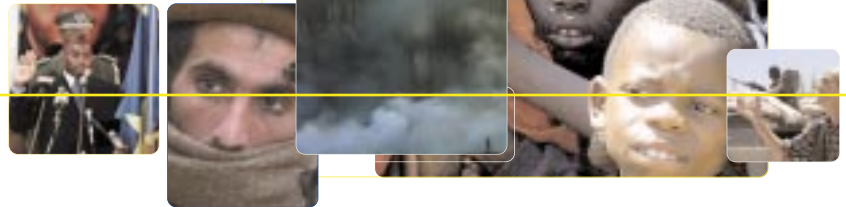
Chairman and Editor in Chief, US News and World Report

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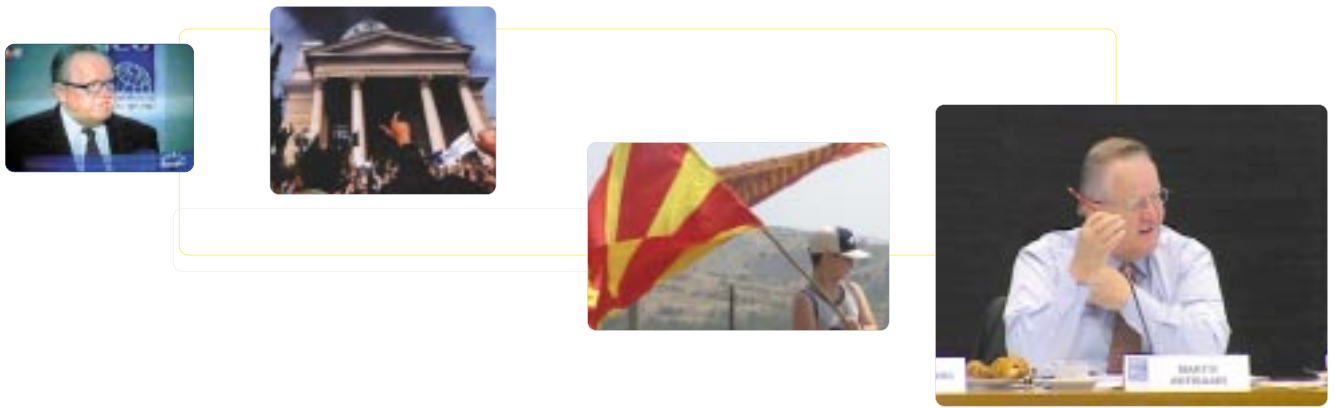
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From the Chair

In the past ten years, there has been growing acknowledgement that many conflicts are preventable and that deadly violence can be stopped with thoughtful political management. The popular term is 'preventive diplomacy'. However all the talk has not changed a basic reluctance on the part of governments to intervene before a crisis erupts. The international community is still in the habit of responding late to conflict, rather than taking early preventive action. One of the central challenges of the coming decade will have to be the development of a common understanding of how to intervene before a potential conflict breaks out. It is important to acknowledge the linkage between the level of development in a country or region, and the potential for conflict and instability. Instead of merely addressing the symptoms of conflict, methods must be developed to identify and tackle its root causes.

Few are untouched by the horror of 11 September. The appalling and tragic terrorist attacks in New York and Washington DC have reoriented our national and global priorities and they bring into sharp focus the challenges for the international community. The scale and scope of the acts, the targeting of innocent civilians across borders and the stateless nature of the organisers represent a security challenge the like of which the world has never seen. In response to 11 September, ICG launched a new program in the Middle East, strengthened its operations in Central Asia and developed a new project covering Pakistan and Afghanistan. ICG's goal is to help the international community to build sustainable defences against the terrorist threat to national and international security and stability – in particular by increasing the capacity and will of governments to act effectively internally, and to cooperate internationally.

However, while facing these new threats we should not forget other crisis and conflict areas. Not all the underlying sources of instability in South Eastern Europe, for example, have been resolved with the fall of Milosevic. Macedonia is only the last of the five former Yugoslav successor states to be racked by violent crisis. Other challenges include resolving the status of Montenegro and Kosovo in relation to Yugoslavia, and creating a self-sustaining state in Bosnia and Herzegovina.

ICG has grown rapidly, especially in the last two years. We now have field operations in over 20 countries across four continents extending from Indonesia to Colombia, along with advocacy offices in Brussels, Washington, New York and Paris. In just a few years ICG has established itself as a credible source of analysis, policy prescription and effective advocacy on a great many of the world's trouble spots. This growth in activity has been made possible by the increased support ICG has enjoyed and for this I would like to thank all those governments, foundations and individuals that have guaranteed the continuation of ICG's work. Finally, I would like to extend my appreciation to ICG's President Gareth Evans and the dedicated staff of the organisation for their excellent work.



Martti Ahtisaari

PRESIDENT MARTTI AHTISAARI
Chairman

Helsinki, 1 March 2002

Martti Ahtisaari served as President of Finland from 1994 to 2000. He was, among other roles, United Nations Commissioner for Namibia from 1977 to 1981, and the European Union's representative in the 1999 Kosovo peace talks. He has been Chairman of ICG since 1 March 2000.



From the President

The year 2001 was one of consolidation and significant further expansion for ICG. We extended our reach in Asia and Africa, commenced new programs in Latin America and the Middle East, increased our expenditure from under \$U.S.6 million to nearly \$U.S.7 million, and saw our core full-time staff growing from 55 to 75, representing between them 31 nationalities and speaking 38 languages. If the reaction from policy-makers is any guide, our visibility and effectiveness also expanded commensurately.

We produced 70 reports and briefing papers during the course of the year, up from 49 in 2000, on conflicts and crises – chronic, acute and looming – in over 20 countries and territories. Thousands of printed copies of these reports were distributed to policy makers and those who influence them around the world, and thousands more were sent out by email. There were half a million visits during the year to our website, www.crisisweb.org, with more than half a million reports downloaded from that site.

ICG's mission – what guides and sustains us in all this activity – is to prevent and contain deadly conflict: to do everything we can to persuade those capable of altering the course of events to adopt policies and act in ways that reduce tensions and meet grievances rather than causing them to fester and explode. We must learn from the horrors and mistakes of Somalia, Bosnia and Rwanda in order never, if humanly possible, to repeat them.

We try to discharge that mission in three ways. We put experts on the ground in crisis situations to analyse what is going on and why. We develop policy prescriptions in consultation with our Board members, who between them command an enormous wealth of knowledge and experience. And we advocate the appropriate policy responses, both directly to policy makers and through the media and other sources of influence.

Measuring outcomes, as distinct from outputs, is a difficult business when one is engaged in conflict prevention. When prevention succeeds, and violence does not erupt, practically nobody notices. Preventing the outbreak of violence, or even the escalation or recurrence of a conflict already visible, simply doesn't capture the kind of attention that goes with successful conflict resolution.

Often we can claim no more than that ICG has contributed to the better understanding of dangerous situations, and has contributed ideas and proposals that have been taken seriously, even if not immediately embraced.

But the continuing and growing support of so many governments, and the major increases in funding from foundations and individuals, is evidence in itself that ICG is making a contribution that matters, helping the world become a saner and more civilised place. All of us at ICG are deeply grateful to our donors – old and new, public and private – for their great generosity, and even greater commitment to the cause of peace.

There is more that we can and will do in 2002 to further develop and strengthen ICG's impact. Our primary task this year is to bring to full maturity and production the many projects commenced over the last two years and to intensify our advocacy both with senior policy makers and through the world's media. In less than seven years, a marvellous team of experienced, wise and enthusiastic men and women have brought ICG a very long way. We all hope that this year will be one in which our visibility and impact – significant though it is at the moment, and proud as we are of what we have achieved – takes a further quantum leap forward.

HON GARETH EVANS AO QC
President and Chief Executive

Brussels, 1 March 2002



*Gareth Evans served as Australian Foreign Minister from 1988 to 1996.
He has been President of ICG since 10 January 2000.*



ICG's Mission

ICG was established by a group of prominent international citizens and foreign policy specialists in 1995, who were appalled by the international community's failure to act effectively in response to the crises in Somalia, Bosnia and Rwanda. Their aim was to create a new organisation – wholly independent of any government – which would help governments, international organisations and the world community at large prevent deadly conflict or at least contain it within the narrowest possible bounds.

Our goal is to persuade those capable of altering the course of events to act in ways that reduce tensions and meet grievances, rather than letting them fester and explode.

ICG's approach has three basic elements:

Expert field research and analysis: ICG's credibility is founded on its field-based research. Teams of ICG analysts are permanently based in many of the world's trouble spots – where there is concern about the possible outbreak of conflict, its escalation, or its recurrence.

Their main task is to find out what is happening and why. They identify the underlying political, social and economic factors creating the conditions for conflict as well as the more immediate causes of tension. They find the people that matter, and discover what or who influences them. They study the factors outside the country that may be contributing to the conflict. And they consider the actual and potential role for other countries and international organisations to help defuse the crisis. That knowledge then has to be converted into succinct, timely and readable reports and briefing papers.

Practical, imaginative, policy prescription: ICG's role is not merely to understand conflict but to prevent it. That means identifying the levers that can be pulled and those who can pull them. There are many different tools in the conflict prevention toolbox: diplomatic and political; legal; financial and economic; and ultimately, military.

Some of these tools are applicable in-country, requiring action by the national government or local actors; others require the commitment of other governments or international organisations to be effective. Some need to be applied in the short-term; for others the lead time is longer. Some will be within the current market place of received ideas; others will be over the horizon, too far away for many to be able or willing to reach but nonetheless the right way forward.

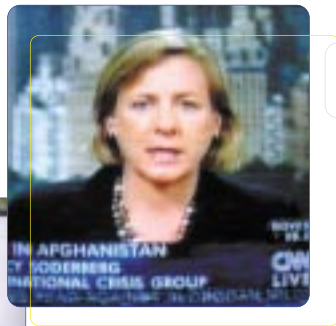
But in every case the need is the same: to identify policy responses that are within the capacity of policy makers to apply and that, if applied, will help to prevent or contain deadly conflict.

Effective, high-level advocacy: Identifying the problem and the appropriate response is still only part of the story. Often the risk of conflict will be known and the policies that need to be applied to minimise that risk will also be reasonably well understood. The missing ingredient will be the 'political will' to take the necessary action.

ICG's task is not to lament the absence of political will, but to work out how to mobilise it. That means persuading policy makers directly or through others who influence them, not least the media. That in turn means having the right arguments – moral, political, legal or financial. And it means having the ability to effectively deploy those arguments, rationally or emotionally as the case may require, with people of the right credibility and capacity.

"[Your] reports are extremely valuable for the 'out of the box' perspective which they offer to decision makers who are otherwise constrained by the necessities of existing policy."

Kofi Annan, UN Secretary General, 7 May 2001



ICG's Method

How does ICG implement its mission? What did the organisation do in 2001 that added value to the international effort to prevent and contain deadly conflict?

Operating in the Field

The basic criteria applied to commencing and continuing a field project are the degree of risk of conflict, our available resources and – above all – whether we can add value to international understanding and response. ICG's Board, on the recommendation of the President, makes these decisions.

Field analysts are recruited from the ranks of former diplomats, journalists, non-government organisations and academics. They are fluent in local languages and are often leading experts in their fields. The information they gather comes from government and opposition sources, public servants, military and paramilitary leaders, municipal officials, academics, journalists and leaders of civil society.

In drafting reports and briefing papers, ICG field analysts work with headquarters-based regional program directors on the direction of research, editing and initial policy formulation. A small research team in Brussels also provides input, especially on EU and NATO developments, while ICG Washington and New York assist with U.S. and UN perspectives.

The 11 September 2001 attacks on the United States set new challenges for foreign policy all around the world and ICG immediately moved to reflect this in its operational priorities. Within weeks ICG established a Global Terrorism Project, appointing new analysts to cover Afghanistan, Pakistan and the Middle East, producing five reports and briefing papers on this theme by December.

Determining Policy

The policy prescriptions attached to nearly all ICG reports are settled by the President on the basis of inputs from field staff, program directors, Board members, and consultation with a wide variety of governments, intergovernmental organisations, academic specialists, think-tanks and other NGOs. The object is always to produce recommendations that are relevant, dispassionate, candid, sharply focused and capable of practical implementation, even if beyond current limits of political acceptability.

Addressing the underlying causes of conflict in Central and South Asia and the Middle East became a new focus of ICG's policy agenda after 11 September. We have urged the international community, in its initial focus on destroying terrorist networks and those harbouring them, not to ignore explosive regional mixes of ethnic tension, corruption, poor governance and poverty, all of which help to breed extremism.

Advocating Action

Effective advocacy means disseminating the product as widely and effectively as possible, making sure that policy makers hear the message and then persuading them to take action.

During 2001 ICG disseminated its reports and briefing papers in three ways:

- By direct mail of printed reports to some 2,000 senior policy makers and opinion leaders, and another 1,000 subscribers;
- By email notification or attachment of reports and briefing papers to nearly 2,000 other policy makers and opinion leaders, and another 7,500 website and other subscribers;
- Through our website www.crisisweb.org, which now averages 50,000 visitors every month, and from which 526,000 copies of ICG reports and briefing papers were downloaded in 2001.

To ensure policy makers hear our message, ICG tries as often as possible to hold face to face briefings with ministers, officials, legislators and UN/EU/World Bank/NATO personnel. These discussions are held locally and in major capitals by the president, vice presidents, program directors and analysts. Board members themselves – an extraordinary talent pool – are also increasingly involved in advocacy of this direct kind.

The opening of our advocacy office in New York has significantly improved ICG's access and effectiveness in UN circles, as has our new Paris office with European governments – its focus on government relations and fundraising. ICG offices receive a regular flow of senior political and official visitors, and conducted a series of well-attended seminars and roundtables during the year. Both field staff and senior management are regularly invited to speak at seminars and conferences around the world.

Media exposure is important for ICG's effectiveness, though often not easy to achieve given our organisational focus on longer-term prevention of conflict, rather than just reaction to current events. In-house media monitoring demonstrates a significant rise in coverage of ICG reports and policy ideas in major international print and electronic media, with tracked mentions more than doubling to 734 in 2001, and 50 op-ed pieces published. Many more mentions of ICG occur in local language media, as a result of briefings and commentary from our field staff.

"You always make a good, balanced contribution to these issues and I much value the efforts."

Lord Robertson, NATO Secretary General, 29 November 2001



ICG's Operations

ICG New York

Established in January 2001 to coordinate ICG advocacy with the UN Secretariat and diplomatic community, improve access to the media and the New York philanthropic community and provide policy input.

ICG Washington

Established in 1997 to spearhead advocacy with the administration, Capitol Hill, and U.S. media, and provide policy input to Brussels and the field.

Colombia

Established in 2001, this project aims to develop a policy agenda to help end the internal conflict in Colombia and to contain its impact on neighbouring countries.

ICG Paris

Established in January 2001 to coordinate fundraising with governments and major foundations, and to provide a further platform for advocacy in Europe.

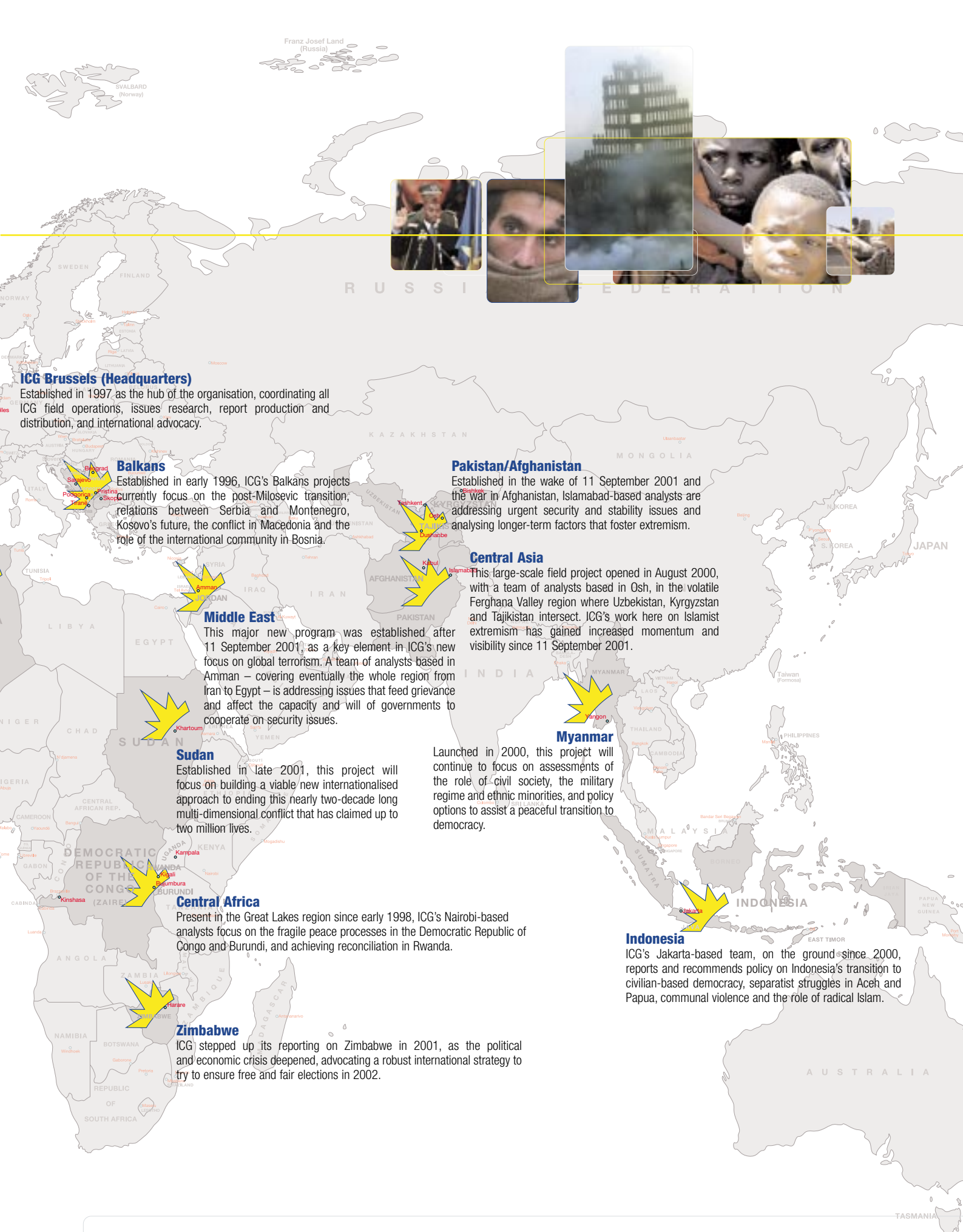
Algeria

Initially established in 1998, project activities resumed in mid-2000, with analysis focusing on the need for political liberalisation and resumption of a democratic dialogue.

West Africa

Sierra Leone field office opened in 2001, the location of ICG's first field project in 1995. The focus in 2002 will broaden to Liberia, Guinea and other areas of concern in the region.





ICG Brussels (Headquarters)

Established in 1997 as the hub of the organisation, coordinating all ICG field operations, issues research, report production and distribution, and international advocacy.

Balkans

Established in early 1996, ICG's Balkans projects currently focus on the post-Milosevic transition, relations between Serbia and Montenegro, Kosovo's future, the conflict in Macedonia and the role of the international community in Bosnia.

Pakistan/Afghanistan

Established in the wake of 11 September 2001 and the war in Afghanistan, Islamabad-based analysts are addressing urgent security and stability issues and analysing longer-term factors that foster extremism.

Central Asia

This large-scale field project opened in August 2000, with a team of analysts based in Osh, in the volatile Ferghana Valley region where Uzbekistan, Kyrgyzstan and Tajikistan intersect. ICG's work here on Islamist extremism has gained increased momentum and visibility since 11 September 2001.

Middle East

This major new program was established after 11 September 2001 as a key element in ICG's new focus on global terrorism. A team of analysts based in Amman – covering eventually the whole region from Iran to Egypt – is addressing issues that feed grievance and affect the capacity and will of governments to cooperate on security issues.

Sudan

Established in late 2001, this project will focus on building a viable new internationalised approach to ending this nearly two-decade long multi-dimensional conflict that has claimed up to two million lives.

Central Africa

Present in the Great Lakes region since early 1998, ICG's Nairobi-based analysts focus on the fragile peace processes in the Democratic Republic of Congo and Burundi, and achieving reconciliation in Rwanda.

Zimbabwe

ICG stepped up its reporting on Zimbabwe in 2001, as the political and economic crisis deepened, advocating a robust international strategy to try to ensure free and fair elections in 2002.

Myanmar

Launched in 2000, this project will continue to focus on assessments of the role of civil society, the military regime and ethnic minorities, and policy options to assist a peaceful transition to democracy.

Indonesia

ICG's Jakarta-based team, on the ground since 2000, reports and recommends policy on Indonesia's transition to civilian-based democracy, separatist struggles in Aceh and Papua, communal violence and the role of radical Islam.

"I can honestly say... that there is no other think-tank whose product I read more regularly or with more enthusiasm than the ICG."

Chris Patten, EU External Affairs Commissioner, 10 July 2001



ICG in Africa

Central Africa

Democratic Republic of Congo

The assassination of Laurent Kabila on 16 January 2001 and the appointment of his son Joseph to succeed him as DRC President was a brutal transition, but it ultimately reinvigorated the stalled Lusaka peace process. The new president agreed to the deployment of a UN observer mission (MONUC) to oversee the disengagement of forces, and he approved the appointment of Sir Ketumile Masire as facilitator of an Inter-Congolese dialogue. The first session of the dialogue, held in Addis Ababa in October 2001, was symbolically important, but unsuccessful. Political progress in DRC has been severely restricted by the influence and interests of foreign powers and the ongoing presence of their troops.

After two regional wars, the task of reconstruction in the Congo is daunting. The foreign powers and their Congolese allies do not favour the creation of a strong, independent, democratic state. There are also deep divisions among Kinshasa's elite over whether to accept a power-sharing deal with rebel groups in order to secure the withdrawal of all foreign forces. Many of the rebel groups are foreign-armed and used as proxy forces, which has contributed to ongoing violence in eastern Congo between the Rwandan army, Rwandan/Burundian Hutu groups and Congolese Mai Mai.

In March 2001, two months after Joseph Kabila took power, ICG published *From Kabila to Kabila*, a reassessment of the peace process and of the challenges faced by the new president. In June, in the midst of renewed fighting in eastern Congo, ICG urged international action in a briefing paper, *Disarmament in the Congo: Investing in Conflict Prevention*. Following the first unsuccessful attempt at political dialogue in Addis Ababa in October 2001, *The Inter-Congolese Dialogue: Political Negotiation or Game of Bluff?* analysed the reasons for failure and mapped a diplomatic strategy to assist the political process. In December, ahead of a major World Bank and donors meeting, *Disarmament in the Congo: Jump-starting DDRRR to Prevent Further War* urged more action on disarmament, demobilisation, repatriation, reintegration and resettlement.

Important recommendations made during the year included creation of a personal ongoing mediation role for the UN Secretary General between Rwanda and the DRC and the appointment of a special envoy for DDRRR;

the appointment of a support team for Masire; initiation of shuttle diplomacy between key actors ahead of the next Inter-Congolese dialogue; dialogue and reconciliation efforts for the Kivu and Ituri problems; and giving the UN mission (MONUC) the technical, human and financial resources it needs to monitor the re-supply of the Hutu armed groups by the DRC on a permanent basis.

ICG enjoys access at the highest level in the DRC and its expertise is widely recognised by the governments involved in the peace process, regionally and at the UN, as well as among the combatants and the facilitation team. A major ICG recommendation adopted during 2001 was provision by the UN Secretary General of a special envoy to assist the Inter-Congolese dialogue process.

Burundi

Burundi's peace process received a significant boost on 23 July 2001 with the signing of an agreement on a three-year transitional government with a rotating presidency. The transition government was formally established on schedule 100 days later, on 1 November 2001, and donors quickly made pledges to resume structural aid. However there is still no formal cease-fire between government forces and Hutu rebels. Nelson Mandela, who had been the facilitator of the peace process, officially stepped down, asking South African Vice President Zuma and President Bongo of Gabon to conduct the cease-fire negotiations.

ICG published *Burundi: Breaking The Deadlock* in May 2001, which proposed a set of recommendations to break the impasse in the peace process. *One Hundred Days To Put The Peace Process Back On Track*, published in August 2001, aimed to mobilise the international donor community after the signing of the transition agreement.

The facilitation team and the donor community have adopted many of ICG's recommendations in 2001. They include:

- adopting a rotating presidency for the transition period;
- demanding greater leadership of the key players in negotiating the transition government;
- the formal resumption of structural aid to Burundi;
- clarifying mediation responsibilities between President Bongo and Vice President Zuma; and
- maintaining pressure on the DRC government to stop supporting armed groups.

"I share your view that it is important to foster responsible leadership in Africa at the national and regional levels if there is to be significant advancement in conflict resolution. My discussions in Africa covered those areas of greatest concern to you and the ICG."

Colin Powell, U.S. Secretary of State, 4 June 2001



Rwanda

Rwanda is finally approaching the end of its extended transition from military rule to democracy. In 2001, the Rwandan Patriotic Front government organised district elections, promoted decentralisation and reorganisation of administrative structures, began the process of writing a new constitution and adopted a new flag. However, Rwanda's continued military presence in the DRC has maintained the focus on external security, restricting reform of internal politics. Serious tensions have also developed with Uganda, leading to increased violence in eastern Congo where both countries have political and economic interests. The Uganda-Rwanda conflict is a major obstacle to a peace deal in the DRC.

ICG published a major report in June 2001 on the International Criminal Tribunal for Rwanda, *The ICTR: Justice Delayed*, which pointed out that the ICTR had handed down pitifully few verdicts despite its large budget and staff. The report was widely discussed at the UN and among donor countries, leading to the setting of a deadline for investigations. More trials are to be held in Kigali, rather than Arusha, and the registrar has asked for more judges. Similarly, with the help of ICG's analysis, many donor countries have now started looking at governance issues in Rwanda from a new perspective. *'Consensual Democracy' in Post Genocide Rwanda: Evaluating the March 2001 District Elections*, published in October 2001, was the first in a series of ICG reports on Rwanda's political reconstruction as it emerges from the horrors of the 1994 genocide. *Rwanda/Uganda: A Dangerous War of Nerves*, released in December 2001, assessed the reasons for the deterioration in relations between these former allies and analysed recent mediation efforts.

Sierra Leone

Sierra Leone ended 2001 with a new sense of optimism following the successful disarmament of over 46,000 fighters from the Revolutionary United Front (RUF) and the Civil Defence Forces (CDF). The UN peacekeeping mission (UNAMSIL) – in 2001 the largest UN deployment in the world – has extended its authority throughout the country, including the far eastern RUF stronghold of Kailahun. State security forces have deployed throughout Sierra Leone, although there are still concerns about the capacity of the police to tackle law and order issues.

These events have left the international community and the government feeling upbeat and confident about holding elections in early 2002. But there are a number of risks with this strategy that prompt concerns about the timing of the vote. Key among the worries of ordinary citizens is whether the war has really been won. Although the RUF is gradually losing strength as a military force inside the country, many seasoned fighters are leaving to take up lucrative mercenary jobs with Charles Taylor, the president of Liberia, who has always been the RUF's godfather. The resumption of conflict between Liberian dissident and government forces, which spread to the borders of Sierra Leone toward the end of 2001, means that the main security threat in the lead up to elections may well come from outside the country.

ICG established a field office in Sierra Leone in August 2001, although analysis and reporting had been conducted throughout the year with reports all focused on security issues. *Sierra Leone: Time for a New Military and Political Strategy*, published in April 2001, called for a much tougher approach to the RUF. *Sierra Leone: Managing Uncertainty* in October 2001 and a briefing paper in December, *Sierra Leone: Ripe for Elections?*, emphasised the need to put 'security first' before holding elections.

Among the measures advocated by ICG in 2001 – and since wholly or partly implemented – were the following:

- *targeted sanctions on Charles Taylor's regime in Liberia such as visa restrictions and freezing of bank accounts and overseas assets to persuade him to end support for the RUF;*
- *a tougher mandate for UNAMSIL to occupy and protect areas throughout the country and harmonise its objectives with the UK and West African governments;*
- *adequate funding to enable the Special Court established under UN Security Council Resolution 1315 of August 2000 to begin investigation and prosecution of those responsible for war crimes; and*
- *pressure on the RUF and other armed parties to undergo a much more stringent disarmament process, including cordon and search operations led by the Sierra Leone Police (SLP) with UNAMSIL's strong and visible backup, to genuinely degrade their capacity to make war.*



Zimbabwe

The political and economic situation deteriorated rapidly in Zimbabwe in 2001 as President Mugabe escalated the use of state-sponsored violence ahead of the 2002 presidential election. The crisis has also seriously affected neighbouring countries with refugees fleeing across borders, loss of exports and defaults on payments.

ICG provided detailed reporting of the political and economic situation, calling on the international community to put pressure on the ruling party as a matter of urgency. In *Zimbabwe in Crisis: Finding a Way Forward*, in July 2001, ICG advocated the imposition of targeted sanctions against the ZANU-PF leadership. This remained a central policy recommendation in subsequent reports and articles, which brought this issue to the forefront of policy makers' attention and was eventually implemented by the EU and U.S. in February 2002. *Zimbabwe: Time for International Action*, published in October 2001, concluded that the chances of free and fair elections were diminishing rapidly and that President Mugabe had failed to honour promises made to Commonwealth and SADC representatives to uphold the rule of law. ICG also worked with the U.S. and other donors on innovative aid programs to support civil society and democracy.

Sudan

Sudan has been at war over religion, ethnicity, land and resources for more than eighteen years. Up to two million people have died. Slavery, brutality and corruption bring misery to millions more. Neighbouring states have undercut each other's mediation initiatives. However, the 11 September 2001 attacks drew pledges from the government of Sudan that it has renounced links to terrorist organisations. U.S., Norwegian and EU, especially British, diplomatic efforts to resolve this long running and intractable conflict have increased, and the appointment by Washington of a Special Envoy was particularly encouraging.

ICG established its Sudan project in late 2001 and published a book-length report on the background to the war in early 2002. *God, Oil and Country: Changing the Logic of War in Sudan* provides a detailed agenda for addressing the issues of civil war, oil resources, human rights abuses, religion and self-determination. It pays particular attention to Sudan's involvement with international terrorists, including hosting Osama bin Laden, and how those relationships have been affected by the 11 September terrorist attacks.

Algeria

Popular discontent rose visibly in Algeria in 2001. Mass demonstrations by Berbers in the Kabylia region spread to the capital in the first half of the year, culminating in a march by 200,000 people in Algiers at the end of June. However the demonstrations were not, this time, because of Islamist-inspired violence, but directed against *hogra* – the neglect or contempt with which Algeria's rulers respond to the growing needs of the population. Unemployment, overcrowding and poverty are now potent political forces.

The Civil Concord: A Peace Initiative Wasted, published originally in French in July 2001, examined the failure of the 1999 Civil Concord Law to end the civil war between the Algerian army and Islamist guerrillas. The report found no sign that the military regime is prepared to implement political change. *Algeria's Economy: The Vicious Circle of Oil and Violence* examined, in October 2001, how the ruling elite have engineered their own enrichment. The report argued that there is a growing realisation among ordinary Algerians that violence has actually bolstered the concentration of power in the hands of the military elite. It called on the IMF, World Bank and EU to persist with demands for genuine economic reform, but concluded that the elite, living comfortably on oil revenues, was at present almost immune to outside pressure.

"I share your view that international agency cooperation is crucial to the peace process, and it will be particularly important to maintain close links with the U.S. as you have recognised"

Clare Short, British Secretary of State for International Development, on *God, Oil and Country: Changing the Logic of War in Sudan*



Into 2002 in Africa

In the year ahead ICG will continue to give a high and growing priority to its Africa reporting, remaining strongly committed to its projects in Central Africa, Zimbabwe and Sudan, while transforming the Sierra Leone project into a more broadly focused West African operation and commencing a new project in Somalia. From 2002, Algeria will be part of the new Middle East program. An indicative list follows of reporting priorities for each project, as they had evolved in early 2002:

Central Africa

Democratic Republic of Congo

- Inter-Congolese dialogue and second track diplomacy
- Disarmament (DDRRR) process
- Conflict in the Kivus and Ituri
- Security sector reform

Burundi

- Challenges of negotiating a cease-fire and security sector reform
- Monitoring the Arusha agreement and the performance of the transitional government
- Justice and reconciliation
- Institution building

Rwanda

- Disarmament and demobilisation of armed groups
- Political reform and progress on a new constitution
- Update on the International Criminal Tribunal for Rwanda
- Gacaca (local law) trials

Zimbabwe

- 2002 presidential election and post-election environment
- Regional impact of Zimbabwe's crisis

West Africa

- Sierra Leone election, with emphasis on security issues
- Regional security, with particular focus on Liberia and Guinea

Sudan

- Monitor international peace efforts including need to develop a unified approach and to push the warring factions to negotiate on the substance of their grievances rather than play mediators off against each other

Algeria

- Impact of the 11 September 2001 attacks on Algerian governance
- Re-emergence of the Berber opposition
- Renewal of the National Assembly in 2001
- Evaluation of the 2001 EU-Algeria Association Agreement
- The military in Algeria: who's who, and its political and economic role
- Democratic opposition and civil society in Algeria

“As head of the recent United Nations Security Council Mission to the Great Lakes... I know I speak for everyone when I say they are the best materials I have seen on Burundi and the Congo... It is rare that an outside group can have such a direct impact on policymaking. ICG has done so repeatedly, consistently, and brilliantly.”

Jean-David Levitte, Permanent Representative of France to the UN, 22 June 2001



ICG in Asia

Central Asia

The Central Asian nations – Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan – were thrown into the international spotlight after 11 September 2001 due to both fears for the region's stability and the need for their support in the fight against terrorism. Uzbekistan allowed U.S. forces to use its bases, and Tajikistan became an important route for aid to Afghanistan. The war initially unsettled the five countries, three of which border Afghanistan, but the fall of the Taliban and the prospects for a more stable government in Kabul boosted hopes for peace in the region. However all the Central Asian nations still face serious home grown problems with border tensions, disputes over resources, ethnic and religious differences, corruption, drug trafficking and weak economies.

ICG's team of five analysts based in Osh, Kyrgyzstan, produced eight reports and a briefing paper during the year that analysed the major risks across the region and made policy recommendations on how the countries and the international community should respond. Particularly before the 11 September events directed a spotlight on the region, ICG played a vital role in providing information on a little-studied group of states that have only existed in their current form for a decade. Three papers on the nations around the Ferghana Valley outlined the major political and economic difficulties facing the region (*Uzbekistan at Ten: Repression and Instability* in August 2001, *Kyrgyzstan at Ten: Trouble in the Island of Democracy* also in August, and *Tajikistan: An Uncertain Peace*, in December). Rising authoritarianism, religious intolerance and judicial abuses have added to problems caused by poverty and corruption.

A common concern about the region, the threat of religious extremism, was assessed in *Islamist Mobilisation and Regional Security*, published in March 2001. The report concluded that while the Taliban regime in Afghanistan was a security threat because it offered safe haven to extremist groups, many of the tensions over religion in Central Asia are a result of domestic economic failure and repression (*Incubators of Conflict: Central Asia's Localised Poverty and Social Unrest*, June 2001). Even with the removal of the Taliban, these issues remain of concern, particularly in Uzbekistan where the government's heavy hand has stirred up resentment among moderate Muslims.

ICG tackled a range of issues linked to terrorism in the region (*Central Asian Perspectives on 11 September and the Afghan Crisis*, published in September) and looked at drug production and trafficking (*Central Asia: Drugs and Conflict*, November 2001), which centre on Afghanistan but have had a dramatic influence across the region, including rapidly rising levels of abuse.

ICG organised policy seminars on Central Asia in Berlin, London, Paris, Brussels, Washington DC and New York and stepped up advocacy around the world to urge donor nations to take a regional policy perspective. No single nation or institution can deal with the web of problems that afflict a mostly neglected area; instead it must be approached in terms of a new coalition committed to expending far greater diplomatic and economic resources in order to bring stability to the region. There were indications that some elements of this message – more important than ever post-11 September – were gaining wider appreciation at least in the international community but there has as yet been less responsiveness from governments in the region with respect to many of ICG's recommendations for domestic reforms.

ICG recommendations in 2001 that were wholly or partly adopted included:

- increased aid in certain areas, including new projects in at-risk localities outside capital cities;
- pressure and incentives from external governments and financial institutions for economic reform in Uzbekistan; and
- a new focus on drug trafficking, with U.S. involvement and a wider role for UN agencies.

“...recent ICG reports on the reconstruction of Afghanistan and on the issue of drugs and conflict in Central Asia... provide useful insights, that will be incorporated into our political analysis of the Central Asian region.”

Louis Michel, Deputy Prime Minister and Minister of Foreign Affairs, Belgium, 7 December 2001.



Pakistan/Afghanistan

Following the 11 September terrorist attacks, ICG opened a new project based in Islamabad to provide analysis and policy ideas on Pakistan and Afghanistan. The U.S.-led military campaign in Afghanistan, removal of the Taliban and the establishment of an interim government under the Bonn Agreement bode well but peace is likely to be fragile and difficult to maintain. Pakistan is also under considerable pressure, due to the presence of Islamist radicals at home and a tense relationship with India.

The new project produced two reports on Afghanistan in November 2001 in conjunction with the Central Asia Project (*Afghanistan and Central Asia: Priorities for Reconstruction and Development* and *Central Asian Perspectives on 11 September and the Afghan Crisis*). The Pakistan/Afghanistan Project will address the urgent security and stability issues arising from the military campaign and the installation of a new government in Kabul, as well contributing to ICG's Global Terrorism Project by analysing longer-term political and security problems, especially those that foster extremism.

Among the recommendations that ICG has made to date, and which have been generally embraced by the international community although more remains to be done, have been strong pleas for the extension of assistance beyond present levels, especially in areas of education, health, poverty alleviation and legal reform.

Indonesia

The crisis that led to the removal from office of President Abdurrahman Wahid dominated Indonesian politics in 2001. Wahid's refusal to address charges of corruption made by the parliament angered the opposition and eventually led to his replacement by Megawati Soekarnoputri in August. Once again Indonesia saw a wave of optimism surround a new leader followed rapidly by a rising sense of disappointment as Megawati failed to make headway against economic problems, corruption and violence. Laws granting greater autonomy to the provinces of Aceh and Papua were passed but did little to assuage the separatist sentiments there. Ethnic and communal violence flared elsewhere, including on Kalimantan and Maluku, but no upsurge in Islamist extremism in response to the U.S. military campaign in Afghanistan materialised.

ICG's team of three analysts in Jakarta published nine reports and five briefing papers during the year, covering the major areas of conflict and the most pressing reform issues. ICG closely followed the political crisis leading up to Wahid's ouster in three briefing papers that analysed the constitutional issues and assessed the risks for wider instability (*Indonesia's Presidential Crisis* in February 2001, *Indonesia's Presidential Crisis: The Second Round* in May 2001, and *The Megawati Presidency* in September 2001). In response to the terrorist attacks on 11 September, ICG produced a briefing paper on Islamist extremism and violence that assessed speculation of links between al-Qaeda and Indonesian groups (*Indonesia: Violence and Radical Muslims*, October 2001).

There was little improvement in the situation in Aceh, where a guerrilla movement, GAM, has been fighting for independence for decades. An autonomy law aimed at granting the province more control over its resources failed to stem the conflict. In June 2001 ICG examined the autonomy issue (*Aceh: Can Autonomy Stem the Conflict?*) and the implications of continued military action (*Aceh: Why Military Force Won't Bring Lasting Peace*).

"[ICG] reports on Indonesia are valuable resources for shaping policy responses... Thank you for the consistently well targeted and timely series of reports."

Alexander Downer, Minister for Foreign Affairs, Australia, 7 March 2001



Myanmar

The military rulers of Myanmar took some very tentative steps in 2001 towards negotiating a settlement with the opposition National League for Democracy (NLD). Talks between members of the State Peace and Development Council (SPDC) and NLD leader Aung San Suu Kyi resulted in the release of some political prisoners and the re-opening of NLD offices. Despite the efforts of UN Special Envoy Razali Ismail to nudge both sides together, progress was painfully slow.

The military remains firmly in power and there are few signs that it is willing to make anything other than cosmetic changes. On the other hand economic problems and international pressure are keenly felt in Yangon. The economy, suffering from decades of mismanagement, faltered further and suffered energy and foreign exchange crunches. Ethnic conflicts continued and drugs became an increasing problem, particularly the export of amphetamines to neighbouring Thailand.

ICG began its Myanmar project by producing a series of reports that outlined the current situation and offered recommendations for a new international policy approach. The first looked at ways in which civil society, currently extremely weak and tightly controlled by the SPDC, might be mobilised to support a peaceful and negotiated transition to democracy (*Myanmar: The Role of Civil Society*, December 2001). The second examined the military's mindset in its relations with the outside world and why policies advocated by the West to isolate the country have had such little success (*Myanmar: The Military Regime's View of the World*, December 2001). Further reports, with more sharply focused recommendations, will follow in 2002.

Military and police reforms were identified as key problems that must be resolved if Indonesia is to achieve any measure of stability. ICG recommended ways to structure a national police force (*Indonesia: National Police Reform*, February 2001) and to create a professional, effective military (*Indonesia: Next Steps in Military Reform*, October 2001). Although the military refrained from attempting to play a significant role in the political crisis of 2001, it also failed to enact vital budgetary and doctrinal reforms and to tackle the culture of impunity and continuing human rights abuses (*Indonesia: Impunity versus Accountability for Gross Human Rights Violations*, February 2001). Analysing the relationship between the U.S. and the Indonesian military, ICG concluded that Washington should not resume assistance until the military implements further reforms (*Indonesian-U.S. Military Ties*, July 2001).

Communal violence struck in Kalimantan where the local Dayak population massacred hundreds of immigrants from Madura in a conflict worsened by the corruption and incompetence of the security forces (*Communal Violence in Indonesia: Lessons from Kalimantan*, June 2001). Papua won a measure of local control under a special autonomy law but tensions remain high, particularly after the murder of independence leader Theys Eluay (*Indonesia: Ending Repression in Irian Jaya*, September 2001).

There were few signs of improvement in Indonesia's economy, and little headway made in tackling corruption or the country's massive debt (*Bad Debt: The Politics of Financial Reform in Indonesia*, March 2001). Indeed new problems emerged that create increasing risks for conflict, particularly the illegal extraction of resources (*Indonesia: Natural Resources and Law Enforcement*, December 2001).

ICG held numerous high-level advocacy meetings with top government and military officials urging here, and at policy seminars, a wide range of measures aimed at reducing violent conflict in Indonesia and establishing a more stable democracy. A number of specific recommendations in our reports and briefing papers have been adopted in whole or part – for example, accession to the International Covenant on Civil and Political Rights.

Most of ICG's recommendations have been directed toward achieving fundamental long-term institutional change – including to the military, police and judicial systems – for which there are at the moment only small internal constituencies, and on which there has been negligible movement. But it is important that the reform constituencies be reinforced with evidence and argument, and externally supported, and ICG's analysis and advocacy continues to be focused accordingly.



Into 2002 in Asia

ICG will consolidate and further develop its current operations in Central Asia, Pakistan and Afghanistan, Myanmar and Indonesia at a similar high intensity in 2002. Among the specific issues on which ICG is likely to be reporting are:

Central Asia

- Aid and conflict prevention
- The role of the OSCE in Central Asia
- Water and conflict
- Security sector reform in Central Asia
- Economic problems and instability
- Corruption

Indonesia

- Islamist militancy and its international links
- The impact of regional autonomy laws on governance and conflict
- Progress in military and police reform
- The impact of militias and other violent groups
- The role of mining in conflict

Myanmar

- Humanitarian aid
- Ethnic minority concerns
- Role of military enterprises
- Future of the military
- Refugee returns

Pakistan/Afghanistan

- Ways to add ballast to the Bonn Agreement
- Setting up a new military in Afghanistan
- Future models of government in Kabul
- The Pashtuns after the Taliban
- Refugee returns
- Future of the educational madrassas in Pakistan
- Building institutions in Pakistan
- Future of Islamist groups in Pakistan
- Islamist influence on the law

“As always, your reports are timely, topical and succinctly produced... Please be assured of my Department’s continuing interest in and appreciation of your work.”

Jean-Marie Guéhenno, UN Under-Secretary General for Peacekeeping Operations, 30 May 2001

“I believe the work that your group is doing is exceptionally important.”

John Bruton, former Taoiseach (Prime Minister), Republic of Ireland, 10 December 2001

“I am impressed how quickly you have galvanized some thoughts on how ICG could contribute with its expertise in the international response to terrorism; be sure that I will share your ideas with colleagues in the house.”

Louise Fréchette, UN Deputy Secretary General, 4 October 2001



ICG in the Balkans

ICG's Balkans Program covers all the countries and entities of the so-called 'Western Balkans': Albania, Bosnia and Herzegovina, Croatia, Macedonia, Montenegro, Kosovo and Serbia. In practice, resources are concentrated where political and security problems present significant challenges to the international community. Hence, our project offices are in Bosnia (Sarajevo), Kosovo (Pristina), Macedonia (Skopje) and Serbia (Belgrade).

ICG's Balkans Program produced two regional reports during the year. *After Milosevic: A Practical Agenda for Lasting Balkans Peace*, released in April, is a comprehensive 350-page analysis of policy dilemmas, with detailed recommendations addressed mainly to the international community. By the end of the year, the report had been accessed some 30,500 times on the ICG website. This was on top of over 4,000 paperback copies distributed to our Balkans mailing list and through our advocacy offices.

Bin Laden and the Balkans: The Politics of Anti-Terrorism examined the potential for Islamist terrorism in the region following the 11 September atrocities. The report concluded that the international community should monitor Islamist organisations in Bosnia and Kosovo closely but not allow anti-Muslim propaganda in Serbia, Macedonia and Bosnia's Republika Srpska to distract it from its core task of building long term stability.

Although the situation in Croatia does not require a specific ICG project, the government's continuing difficulties in cooperating with The Hague Tribunal were analysed in a briefing paper, *Croatia: Facing Up to War Crimes*.

Albania

ICG's annual 'state of the nation' report, published in May 2001, focused on Albania's relations with its Balkan neighbours. The Tirana government has sought to convince the international community that it opposes ethnic Albanian irredentism. At the same time, the government has to protect itself against accusations of selling out 'the national question'. The challenge for Tirana is to build stronger ties with regional neighbours while pressing those same neighbours to improve the human rights of their Albanian communities.

In a briefing paper, *Albania's Parliamentary Elections 2001*, published in August, ICG concurred with international assessments that the first round of the June/July elections had generally been free and fair but concluded that the all too familiar unscrupulous practices in the ensuing rounds indicated that the roots of democratic practices were still quite shallow.

Recommendations made by ICG in 2001 and adopted – wholly or in part – included:

- *Strengthening of cooperation between Albania's neighbours and the administrators of Kosovo on border monitoring and the trafficking of people, drugs and weapons through Albania.*
- *Provision of logistical and communications equipment to border police by the international community. Recruitment of Albanian police from non-border districts for border control.*
- *Extension and intensification of projects to reclaim weapons looted during the anarchy of 1997.*

Bosnia and Herzegovina

The slow progress of political and economic reform means Bosnia is still an international dependency more than six years after Dayton.

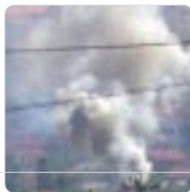
When the hardline Croat leadership seceded from state structures, ICG responded swiftly with a report (*Turning Strife to Advantage: A Blueprint to Integrate the Croats in Bosnia and Herzegovina*, March 2001) which argued that the crisis offered an opportunity 'to strike a strong blow for Dayton implementation'. Substantial elements of ICG's strategy for outflanking the secessionist leaders were successfully implemented by the international community.

ICG argued (in *No Early Exit: NATO's Continuing Challenge in Bosnia*, May 2001) that the Bush Administration-led 'apparent rush' to reduce international troop-levels 'flies in the face of needs on the ground'. The report defined benchmarks for assessing the international military mission and helped prevent premature additional drawdowns.

In *Bosnia's Precarious Economy: Still Not Open for Business* (August 2001), ICG analysed the bleak economic realities that keep Bosnia dependent on international aid and criminality. The Bosnia Project's other major report in 2001 was *The Wages of Sin: Confronting Bosnia's Republika Srpska* (October 2001).

"Some of the best advice and analysis of the year's Balkan troubles, in and around Serbia especially, will come from specialists like the International Crisis Group, whose reports fly ever thicker and quicker through the ether."

Adam Roberts, *The Economist*, 'The World in 2001'



This report – perhaps the best informed analysis yet published of the RS – examined the inner workings of the power system in, and international policy towards, Bosnia's Serb-controlled entity, showing that the RS has been saved from bankruptcy by international budget support and soft loans even while its leaders flout their international obligations. Both reports stimulated intense interest in local and international policy circles.

Finally, *Bosnia: Reshaping the International Machinery* (November 2001) proposed to improve the mechanisms for policy-making and coordination in Bosnia by reconfiguring the international community's responsibilities according to function. It appeared in a timely fashion to influence an ongoing debate among governments and international organisations.

Measures advocated during 2001 and at least partly adopted included:

- *Reform of the Dayton framework to strengthen central institutions and erode the factions opposed to the development of a democratic, integrated state.*
- *Full implementation of the Constitutional Court decision on Bosnia's constituent peoples, in particular in relation to voting rules and governing structures.*
- *Resistance by NATO Council of Ministers to calls for force reductions.*
- *Merger of entity-based agencies, reduce number and rate of taxes, broaden tax base and accelerate privatisation.*
- *Condition aid and assistance to the Federal Republic of Yugoslavia (FRY) on, inter alia, Belgrade severing funding to the RS military, intelligence service and police; removing all Yugoslav Army (VJ) officers and non-commissioned officers from the RS army (VRS); and ceasing to support extremist political organisations in the RS, such as the Serb Democratic Party (SDS).*
- *Improve international mechanisms for policy-making and coordination.*

Kosovo

The past year saw two milestones passed on Kosovo's road to stability and self-government. In May 2001, the international authorities promulgated a Constitutional Framework for Kosovo. Six months later, people voted in the province's first multiparty elections for an assembly. While the assembly was formed in December, a government was not established until 28 February 2002 due to contention among Albanian parties over key posts. Agreement was reached after energetic mediation by Michael Steiner, the new Special Representative of the United Nations Secretary-General.

Due to organisational problems and a high staff turnover, ICG's Kosovo Project was less productive than desired during 2001. However, since November, it has made up for lost time. Two important reports were published late in the year. *Kosovo: Landmark Elections* (November 2001)

analysed the context and implications of the November elections and recommended that UN Mission in Kosovo allow the new self-governing institutions as free a rein as possible within the parameters of the Constitutional Framework.

Kosovo: A Strategy for Economic Development (December 2001) considered how to promote sustainable growth. The report argued that the international community should move forward with privatisation by guaranteeing to potential investors that the eventual final status settlement for Kosovo will not affect privatisation decisions and rights. The Project also prepared a report on *Religion in Kosovo* (January 2001), and contributed to *After Milosevic* and the Serbia Project's report on Presevo.

Measures advocated during 2001 and adopted – in whole or part – included:

- *UNMIK should greatly intensify its efforts to develop self-governing Kosovo-wide provisional institutions with minority participation.*
- *KFOR should continue to take more effective steps to protect Serb and Roma civilians*
- *The newly elected Serb representatives should represent their community through constructive participation in Kosovo's new self-governing institutions, and cooperation with UNMIK.*

Macedonia

The outbreak of conflict in the former Yugoslav Republic of Macedonia took the country and the international community by surprise. With the government unable to answer the Albanian insurgency by acceptable means, urgent diplomacy sought to prevent a fourth Balkan war. U.S. and EU envoys secured ground-breaking concessions in a Framework Agreement aimed at raising the status of Macedonia's Albanian minority. NATO then deployed its third Balkans peacekeeping mission to consolidate the ceasefire.

As the international community grappled with the crisis, ICG produced in April, June and July 2001 a trio of reports and briefings that analysed the issues and the stakes and made the case for strong, hands-on international mediation, including more active U.S. diplomatic commitment in partnership with the EU (*The Macedonia Question: Reform or Rebellion*; *Macedonia: The Last Chance for Peace*; and *Macedonia: Still Sliding*). The ambitious reforms and implementation timetable in the peace agreement were analysed in *Macedonia: War on Hold* (August 2001). ICG then made the case for continued international engagement and a vigorous NATO and OSCE presence in *Macedonia: Filling the Security Vacuum* (September 2001).

In a major December 2001 report, *Macedonia's Name: Why the Dispute Matters and How to Resolve It*, ICG called attention to a long-overlooked problem. The report argued that the reform process would falter unless the



identity concerns of the state's majority group were addressed – most critically, by finding a way to recognise the country's constitutional name. The report generated great interest, returning the issue to the international agenda and presenting a comprehensive new framework within which to resolve it.

Measures advocated during 2001 and adopted – in whole or part – included:

- *A serious effort must be made by Macedonian-speakers to address the reasonable political, cultural and economic concerns of the Albanian-speaking community.*
- *The Macedonian government should consider the formation of a national unity coalition government.*
- *EU and U.S. should proceed quickly to appoint high level envoys to assist the negotiations among the leaders of the national unity government.*
- *A viable settlement must include an amnesty for NLA fighters and rehabilitation for those who surrender their weapons.*
- *The international community should urge the four principal parties in the unity government to amend Macedonia's constitution by de-ethnicising it.*

Montenegro

The removal of Slobodan Milosevic as President of the Federal Republic of Yugoslavia has not resolved the problems between Montenegro and Serbia. President Milo Djukanovic's government wanted to move towards independence but was hampered by three factors. First, the population remains split almost equally into pro- and anti-independence camps. Secondly, the authorities in Belgrade oppose a break-up of the federation. Thirdly, the international community has opposed independence.

In a series of reports and briefings in March, April and August 2001 (*Montenegro: Settling for Independence?*, *Montenegro: Time to Decide* and *Montenegro: Resolving the Independence Deadlock*), ICG argued that the international community should be neutral, encourage meaningful bilateral negotiations, and be prepared to accept whatever arrangement Serbia and Montenegro decide upon. At the same time, Montenegro and Serbia should pursue an open dialogue and build support for a consensual solution. Meanwhile, internal reforms should continue with international support. While the international community persisted in pressuring Montenegro, the European Union adopted as its own several ICG ideas for encouraging negotiations.

Measures advocated during 2001 and adopted – in whole or part – included:

- *International assistance should be shifted from unconditional budget support toward conditional support for sustainable reform.*
- *Assistance to Montenegro should not be linked to the status issue.*
- *The international community should encourage Belgrade and Podgorica to hold meaningful negotiations about their relationship.*

Serbia

2001 was Serbia's first year since 1987 without Slobodan Milosevic in power. Given Milosevic's appalling legacy, the unstable nature of the governing coalition and the fragility of federal structures, it is not surprising that progress in reform has been frustratingly slow. The historic exception was the Serbian government's transfer of Milosevic himself to the International Criminal Tribunal in The Hague at the end of June.

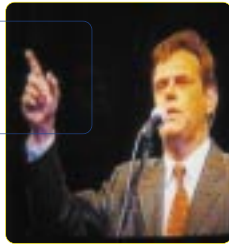
ICG analysed this break-through in a briefing paper (*Milosevic in The Hague: What it Means for Yugoslavia and the Region*, July 2001) that correctly predicted international pressure on Croatia to transfer its indictees to The Hague would sharply increase.

In a pair of reports in June and September 2001 (*A Fair Exchange: Aid to Yugoslavia for Regional Stability* and *Serbia's Transition: Reforms Under Siege*), ICG argued that the international community should end its honeymoon with Milosevic's successor, Yugoslav president Vojislav Kostunica, who emerged in 2001 as a key obstacle to speedier reform. Specifically, aid and financial assistance should be conditioned on improved cooperation with The Hague tribunal and with international objectives in Bosnia and Kosovo. The September report analysed in detail the disintegration of the nineteen-member governing coalition.

In August, ICG published *Peace in Presevo: Quick Fix or Long Term Solution?* This report examined the insurgency in Albanian-majority areas of southern Serbia, and the unique partnership between Serbia and the international community that produced a settlement in May 2001.

Measures advocated during 2001 and adopted – in whole or part – included:

- *The international community should closely condition financial assistance on Serbia's ability to meet clear benchmarks with regard to economic and democratic reforms and cooperation with the ICTY, including trying Milosevic and others for war crimes.*
- *The international community should maintain pressure on both the FRY and the UCPMB guerrillas to conduct face-to-face talks in relation to situation in South Serbia.*
- *Concrete measures to be put forward in the South Serbia peace negotiation should include mutual demobilisation and the creation of a police force which represents the local populations proportionately, and incorporates former rebels to ensure their compliance.*



Into 2002 in the Balkans

While the scope for violent conflict in the Balkans has narrowed, self-sustaining peace and stability remains elusive despite major international deployments in Bosnia, Kosovo and Macedonia. The constitutional relationship between Serbia and Montenegro has not been finally resolved. Special attention will be paid to the flaws in Bosnia's governance structures, to the sovereignty issues that dog Federal Yugoslavia's efforts at reform, and to the sources of Macedonia's instability. Reporting priorities will include:

Albania

- Pan-Albanian nationalism as myth, ideology and political force
- State of the nation in 2002

Bosnia

- Overhauling Dayton by further implementing the Constitutional Court decision on 'constituent peoples'
- Setting the agenda for a new High Representative
- Replacing the UN police training mission
- Reforming the judiciary, the media, and education
- The future of refugee return
- NATO's role

Kosovo

- Starting a process to address 'final status'
- The criminal justice system
- Mitrovica, the Serb enclaves and freedom of movement
- The return of minorities and property rights
- Organised crime: the security and political implications
- Institution-building: what's been achieved; what remains to be done

Macedonia

- How to prevent a 'Spring offensive'
- What international donors should know about Macedonia's capacity to implement reforms
- Macedonia's media – defining problems and solutions
- Who owns Macedonia? Corruption and the future of the state
- Preparing for elections and a census

Serbia

- Monitoring economic reforms
- Tracking Serbia's centrifugal forces in Vojvodina, Sandzak and the Presevo Valley
- Security issues and Euro-Atlantic integration
- Two years after the revolution

Montenegro

- Internal reforms – what has been achieved, and why more hasn't
- The status question in the context of an independence referendum
- Why the international community should be impartial on Montenegro's future

"These ICG reports serve as a very important early warning tool. [They] put forward creative ideas for possible solutions that we factor into our own planning. From among the countless papers and documents that pass through my desk, I make sure never to miss ICG reports."

Søren Jessen-Petersen, UN Assistant High Commissioner for Refugees, 30 August 2001

"If this proposal is accepted as a whole, the way it was given, there would not be bad consequences for us, and the last open issue between Macedonia and Greece would be solved."

President of Former Yugoslav Republic of Macedonia, Boris Trajkovski on *Macedonia's Name: Why the Dispute Matters and How to Resolve It*, 26 December 2001



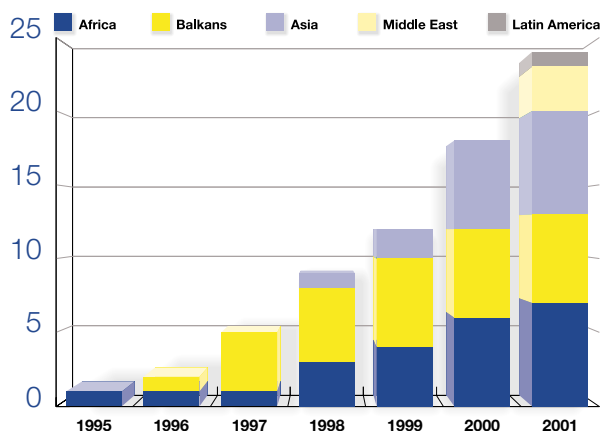
Measuring Progress

Measuring progress of an organisation such as ICG – whose mission is to help prevent and contain deadly conflict – is inevitably an inexact science. Quantitative measures provide some sense of the level of activity of the organisation, and of others' response, but have their limitations. Qualitative judgements are necessarily subjective: it is difficult for anyone to establish a close causal relationship between any given argument and outcome, particularly if the desired outcome is for something (here, conflict) – not to happen. Nevertheless, judgements do have to be made. What indicators are available, and what do they tell us about ICG's progress in 2001?

Operations

2001 was a year of further major expansion. ICG established new field-based programs in the Middle East and Latin America, and expanded operations in Asia and Africa. One project, Cambodia, was discontinued, on the basis that although human rights problems continued, major conflict was unlikely. This increased capacity was largely made possible by strong donor support after 11 September 2001 for global terrorism related activity. New advocacy offices opened in New York and Paris and a media liaison office opened in London in 2002. By the end of 2001, ICG was operating five regional programs (two more than in 2000), with field-based projects in 24 countries (18 in 2000). Core full-time staff increased to 75 (from 55 in 2000), having between them 31 nationalities and 38 languages.

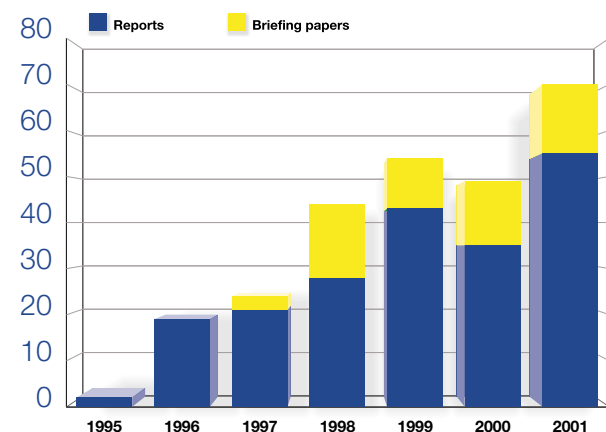
Number of countries/entities covered by ICG field projects



Output

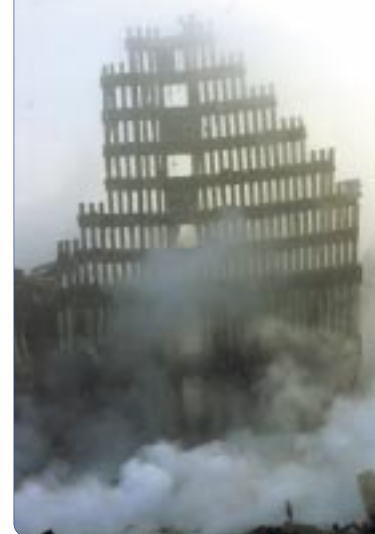
Growth in staff, programs and field projects was matched by a significant increase in published reports and briefing papers, from 49 in 2000 to 70 in 2001. Briefing papers are generally 10-15 pages in length and reports 25-50 pages, with some at book length. ICG sends out reports and briefing papers in printed form to more than 2,000 recipients; it also sends them by email attachment or notification to 2,000 policy makers or influencers, and to another 7,500 general and website subscribers. All ICG publications are also posted immediately on the ICG website: 526,000 copies of reports and briefing papers were downloaded from that site in 2001, including 30,500 copies of the 350-page book-length report, *After Milosevic: A Practical Agenda for Lasting Balkans Peace*.

Number of Reports & Briefing papers issued, 1995-2001



Exposure

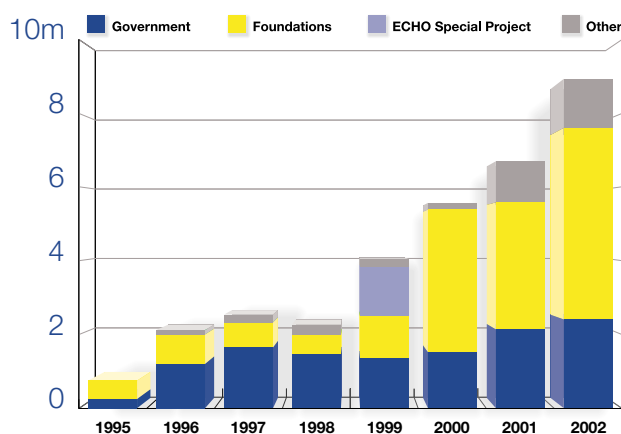
ICG's media profile continues to rise with major media mentions increasing to 734 in 2001 (from 353 in 2000) – although improved tracking accounts partly for the increase. A very high (but unquantified) level of exposure was maintained in local language media. International and local newspapers, radio and television regularly seek ICG experts for interviews and background, while reports and briefing papers are proving to be influential resources for journalists and editorial writers. The editorial pages of international newspapers and local press are another vital outlet for ICG's policy views, with staff and board members publishing 50 op-ed articles in 2001 – almost one per week.



Support

Increased funding support from donors has been crucial to ICG's expansion in 2001, with available funds increasing from U.S. \$5.7 million in 2000 to \$6.7 million in 2001 – and expected to further dramatically increase to \$8.9 million in 2002. Fifteen governments supported ICG in 2001, with government contributions increasing from \$1.5 million in 2000 to \$2.1 million. Major foundation support increased even more substantially, with the overall breakup of available funds by source now being 55 per cent from foundations, 30 per cent from governments and 15 per cent from individuals and others. The balance between unrestricted or 'core' support and restricted specific program support is now 60:40, reflecting significant recent earmarking of funds for terrorism-related activities.

Available Funds, 1995-2002 by source*



US\$ millions

*These figures only include for each respective year income available to be spent during that period.

Outcomes

ICG tabulates and tracks as best it can the fate of its policy recommendations. The pattern has been for some 30-40 per cent of our recommendations to be achieved within a year, and the geographical sections of this report give examples of important recommendations that have been followed by full or partial implementation. But causality is obviously a matter of judgement in each case, and we acknowledge that ICG's voice is often only one of many. Moreover, there may be many reasons why policy prescriptions are not implemented: they may be overtaken by events, not yet timely, be accepted but meet a resource constraint or, while not being accepted, play a major role in stimulating rethinking of an important issue. To judge how well we do our job, ICG relies heavily on feedback from the policy makers at whom our publications are targeted.

Judgements

Anecdotal evidence abounds – some of it reflected in the quotations throughout this report – that ICG's reporting is highly regarded by policy makers, the media and other analysts. We continue to explore ways in which feedback – both solicited and unsolicited, and from both donors and our main target audiences – can be more systematically evaluated. More specifically, ICG is developing an internal assessment process, in which field personnel, program directors and ICG leadership work together to produce analytical memoranda addressing the following criteria:

- the fit between ICG activities and conflict prevention goals;
- relevance and utility of reports in the policy cycle for different actors;
- impact of advocacy of specific ICG recommendations on policy;
- impact of those policy changes on conflict prevention/containment;

These memoranda will form a basis for systematic annual management and Board assessment of what is being done right, what needs to be improved, and what should have greater or lesser emphasis.

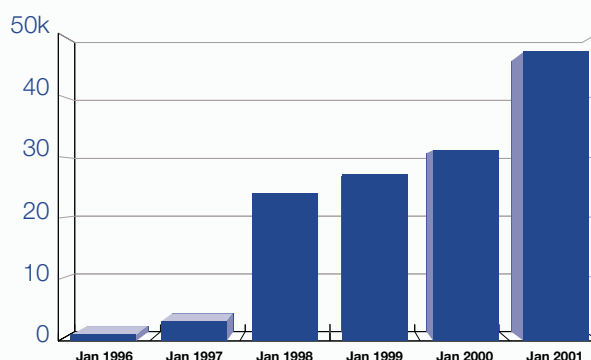
ICG's website www.crisisweb.org – a successful communications and advocacy tool.

- 10 million hits¹ and 480,000 visits² during the year (up from 7 million hits and 440,000 visits in 2000)
- 526,000 reports and briefing papers downloaded in 2001
- 50,000 visitors on average per month (up from 40,000 in 2000)
- 3,800 website-initiated email subscribers to ICG reports and briefing papers
- 1,600 active users each day (up from 1,300 in 2000)
- 10 minutes average length of visit (up from 8 minutes in 2000, and much higher than the average internet rate of 2-3 minutes).
- 1 new visitor, on average, logs on to crisisweb every minute

¹Hit: A technical term used to describe the retrieval of a single element – text, graphic, or link – by a user browsing the site.

²Visit: An individual user session, made up of a varying number of hits depending on how many elements of text, graphs or links to other sites the user requests.

Number of visitors per month to ICG's website ('000s)



Fundraising

Maintaining a strong and diverse financial base is crucial to preserving ICG's independence and credibility. Approximately 55 per cent of ICG's funds are now received from private foundations, 30 per cent from governments and 15 per cent from individual and corporate donors. Of those funds, just on 60 per cent are available for spending on an unrestricted basis – giving us substantial and welcome flexibility – while 40 per cent have been earmarked for particular programs or projects.

While ICG's accounts are maintained for formal reporting and auditing purposes on a July-June financial year basis, for practical purposes budgeting, program administration and fundraising are conducted primarily on a calendar year basis. ICG's available funds in 2001 were \$U.S. 6.7 million (€7.7m) and are estimated to increase to \$U.S. 8.9 million (€10.2m) in 2002.

The Global Terrorism project established in 2001 – with new research teams covering Afghanistan, Pakistan and the Middle East, and increased activity in established projects elsewhere – represents a significant proportion of the 2002 increase in funding and expenditure. Much of the new funding raised in 2001 for this purpose was on a one-off basis, and the fundraising challenge for 2003 will be to maintain support at a level enabling activity to continue at the same level.

ICG gratefully acknowledges and thanks the following supporters for their financial contributions in 2001 and in most cases, their ongoing assistance in 2002:

Governments

Australia	Luxembourg
Canada	The Netherlands
Denmark	Norway
Finland	Sweden
France	Switzerland
Germany	Republic of China (Taiwan)
Ireland	United Kingdom
Japan	

Foundations

Ansary Foundation	Open Society Institute
Carnegie Corporation of New York	MacArthur Foundation
Ford Foundation	Charles Stewart Mott Foundation
Bill and Melinda Gates Foundation	Ploughshares Fund
William and Flora Hewlett Foundation	Rausing Trust
	Sasakawa Peace Foundation

Others*

Marc Abramowitz, Morton Abramowitz, William Allen (*Kingdon Capital Management*), Tony Anagnostakis (*Agnos Group*), Ersin Arioglu, Elizabeth Frawley Bagley, Barry Bausano (*Red Wolf Capital Management*), Darryl and Janine Behrman, Todd R Berman, Alan Blinken, Andrew H Brimmer, Craig L Burr, Maria Livanos Cattau, J Chapman Chester, Carole Corcoran, Peter Corcoran, Edgar M Cullman, Jr., James D Dunning, Jr., Douglas Durst, John & Jodie Eastman, Harold S H Edgar, Leonard & Shirley Ely, Vincent Esposito, Gareth Evans, I M Fares, Friedman, Kaplan, Seiler & Adelman, Peter & Kristen Gerhard, David Gerstenhaber, Melvin and Linda Heineman, Drue Heinz, Philip J Hempleman, Geoffrey R Hoguet, Eleanor & Alexander Holtzman, Swanee Hunt, George Kellner, Caroline B Kennedy, Nils Kindwall, Elliott Kulick, Howard & Nancy Kurz, George Loening, Paul & Marjorie Martin, William F Martin, Matthew McHugh, Mack McLarty, Richard Medley, Medley Global Advisors, Natalie Merchant, Mutual of America, Edward Orenstein, Susan Patricof, David L Phillips, Thomas Pickering (*Boeing*), Anna Luisa Ponti, David W Puth, Ann M Ramsay, Susan Robertson, Allan W Rogers, Daniel & Joanna S Rose, Jonathan & Diana Rose, Nancy Rubin, Douglas Schoen (*The Baughman Company*), Select Equity Group, Inc., Heinz Shimmelbush (*Safeguard International Management*), Jean K Smith, Jay T Snyder, Stephen Solarz, Robert Soros (*Nexus Capital Limited*), Walter P Stern, Melville & Leila Straus, William O Taylor, John Thorndike, Michael B Treichl, Phil & Kate Villers, Alberto & Gioietta Vitale, David Waddill, John C Whitehead, Ward W Woods, Jr., James Zirin & Marlene Hess.

*ICG also receives gifts from individuals wishing to remain anonymous. For space reasons, only donations of \$US 1,000 or more are listed here; all donations are listed on our website.

Supporting ICG: If you would like to discuss making a donation to ICG, please contact President Gareth Evans in Brussels, Vice President Charles Radcliffe in Paris, or Director of Development (Corporate and Individual) Amy Hunter in New York. The contact details for each of their offices are on the back cover of this report.

If you would like to make a donation directly please send a cheque or money order to either our Brussels or New York offices. Please note that in the United States all donations to ICG are tax deductible to the extent allowed by law.

Membership of Friends of ICG is available to contributors of over \$U.S. 5,000 (€5,500) per annum. Friends of ICG gain unique access to ICG's work, receiving all ICG publications as well as invitations to policy briefings, press conferences and seminars by ICG project staff, fundraising and promotional events and to an annual dinner. ICG has also established an Advisory Board, to which those contributing \$U.S. 25,000 (€27,700) or more are invited to join.

International Crisis Group

Financial Statements for the Year Ended 30 June 2001 and Independent Auditors' Report

To the Board of Directors of the International Crisis Group

We have audited the accompanying consolidated statement of financial position of the International Crisis Group as at June 30, 2001 and 2000 and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the International Crisis Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with international standards on auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements' presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the International Crisis Group as of June 30, 2001 and 2000 and the changes in its net assets and cash flows for the years then ended in conformity with generally accepted accounting standards.

DELOITTE & TOUCHE
Independent auditors


Benjamin Lam
Partner

September 15, 2001

Statement of Financial Position

As of 30 June 2001 (in US dollars)

ASSETS

	2001	2000
Current assets	6,352,509	5,572,812
Cash and cash equivalents (Note 4)	4,156,785	3,095,410
Accounts receivable and other assets	95,462	45,917
Contributions receivable (Note 5)	2,100,262	2,431,485
Non current assets	425,381	138,333
Vehicles and office equipment at cost less depreciation (Note 6)	286,092	123,058
Cash guarantees	139,289	15,275
Total Assets	6,777,890	5,711,145

LIABILITIES AND NET ASSETS

	2001	2000
Current liabilities	381,694	331,225
Accounts payable	80,986	141,417
Accrued liabilities	300,708	189,808
Net assets (Note 8)	6,396,196	5,379,920
Unrestricted	5,660,697	5,031,806
Temporarily restricted	735,499	348,114
Total Liabilities and Net Assets	6,777,890	5,711,145

Statement of Cash Flows

For the year ended 30 June 2001 (in US dollars)

CASH FLOWS FROM OPERATING ACTIVITIES

	2001	2000
Changes in net assets	1,016,409	4,158,289
Foreign exchange translation adjustment	(133)	(103,683)
Depreciation	94,180	164,566
(Gain) on disposal of fixed assets	—	(43,357)
Changes in assets and liabilities:		
Decrease / (Increase) in accounts receivable and other assets	201,603	(23,897)
Decrease / (Increase) in contributions receivable	331,224	(1,987,957)
(Decrease) / Increase in accounts payable and accrued liabilities	(200,680)	140,892
Net cash provided by operating activities	1,442,603	2,304,853

CASH FLOWS FROM INVESTING ACTIVITIES

	2001	2000
Purchase of fixed assets	(257,214)	(118,027)
Proceeds on disposal of fixed assets	—	47,801
(Increase) in cash guarantees	(124,014)	(9,130)
Net cash used in investing activities	(381,228)	(79,356)
Increase in cash and cash equivalents	1,061,375	2,225,497
Cash and cash equivalents at beginning of the year	3,095,410	869,913
Cash and cash equivalent at end of the year	4,156,785	3,095,410

The accompanying notes form an integral part of this statement.

Statement of Activities

For the year ended 30 June 2001 (in US dollars)

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>TOTAL</i>
REVENUES AND OTHER SUPPORT				
Contributions	4,772,794	1,581,375	–	6,354,169
Investment income	172,657	–	–	172,657
Miscellaneous income	3,218	–	–	3,218
Net assets released from restrictions:				
Satisfaction of program restrictions (Note 8)	1,193,990	(1,193,990)	–	–
Total revenues and other support	6,142,659	387,385	–	6,530,044
EXPENSES				
Bosnia	425,522	–	–	425,522
Southern Balkans	584,338	–	–	584,338
Kosovo	610,522	–	–	610,522
Central Africa	989,941	–	–	989,941
Algeria	165,931	–	–	165,931
Indonesia	654,706	–	–	654,706
Central Asia	493,715	–	–	493,715
Other projects	157,169	–	–	157,169
Nicholas Hinton Fellowship	42,037	–	–	42,037
Humanitarian Law Documentation Project	4,083	–	–	4,083
	4,127,964	–	–	4,127,964
Fundraising costs	584,044	–	–	584,044
Management and general costs	235,679	–	–	235,679
Administration	444,458	–	–	444,458
Other (Note 7)	121,490	–	–	121,490
	1,385,671	–	–	1,385,671
Total expenses	5,513,635	–	–	5,513,635
Changes in net assets	629,024	387,385	–	1,016,409
Net assets at beginning of the year	5,031,806	348,114	–	5,379,920
Foreign exchange translation adjustment	(133)	–	–	(133)
Net assets at end of the year	5,660,697	735,499	–	6,396,196

For the year ended 30 June 2000 (in US dollars)

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>TOTAL</i>
REVENUES AND OTHER SUPPORT				
Contributions	5,898,577	2,166,640	–	8,065,217
Investment income	55,582	–	–	55,582
Net assets released from restrictions:				
Satisfaction of program restrictions (Note 8)	2,412,638	(2,412,638)	–	–
Total revenues and other support	8,366,797	(245,998)	–	8,120,799
EXPENSES				
Bosnia	704,641	–	–	704,641
Southern Balkans	448,579	–	–	448,579
Kosovo	414,257	–	–	414,257
Central Africa	361,747	–	–	361,747
Algeria	9,353	–	–	9,353
Indonesia	157,076	–	–	157,076
Central Asia	75,252	–	–	75,252
Other projects	9,360	–	–	9,360
Nicholas Hinton Fellowship	21,776	–	–	21,776
Humanitarian Law Documentation Project	1,159,448	–	–	1,159,448
	3,361,489	–	–	3,361,489
Fundraising costs	342,174	–	–	342,174
Project development, support and communication	64,834	–	–	64,834
Management and general costs	259,339	–	–	259,339
Other (Note 7)	(47,326)	–	–	(47,326)
	601,021	–	–	601,021
Total expenses	3,962,510	–	–	3,962,510
Changes in net assets	4,404,287	(245,998)	–	4,158,289
Net assets at beginning of the year	680,778	644,536	–	1,325,314
Foreign exchange translation adjustment	(53,259)	(50,424)	–	(103,683)
Net assets at end of the year	5,031,806	348,114	–	5,379,920

Notes to Financial Statements

Note 1. Organisation

The International Crisis Group ('ICG') is a not-for-profit organisation committed to reinforcing the capacity of the international community to understand, anticipate and prevent crises arising from human causes. ICG (US) was incorporated in the District of Columbia in 1995. ICG (Belgium) was established under Belgian law at the end of 1997. ICG's goals are to:

- engender support among officials and the general public for concerted international, national and private response efforts at times of impending or erupted crisis.
- promote strategies aimed at assisting governments and international organisations to translate early warning signs of impending disaster into early action in order to avert crisis.
- foster a heightened sense of awareness and obligation among governments to deal with the problems posed by large-scale emergencies.

ICG's headquarters are located in Brussels; it also maintains advocacy offices in Washington DC, New York and Paris, and operates field projects in Africa, Asia, the Balkans and Latin America.

Note 2. Significant Accounting Policies

a) The Financial Statements above present the combination of the two separate entities, with the elimination of shared balances. The combination is intended to reflect fairly the results of the organisation as a whole; it does not represent the consolidated results of a single legal entity, since no such entity exists.

b) Basis of preparation
ICG maintains its accounts on the accrual basis of accounting.

c) Net Assets
ICG classifies assets in three categories: unrestricted, temporarily restricted and permanently restricted. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Temporarily restricted net assets are contributions with temporary, donor-imposed time and/or program restrictions. These temporary restrictions require that resources be used for specific purposes or in a later period. Temporarily restricted net assets become unrestricted when time restrictions expire or the funds are used for their restricted purpose. At that time they are reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets are contributions to be held in perpetuity as directed by the donor.

d) Taxes: ICG is exempt from U.S. Federal Income Taxes under Section 501 (c) (3) of the Internal Revenue Code, and is properly classified as an Association Internationale Sans But Lucratif (A.I.S.B.L.) under Belgian law.

e) Use of estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Note 3. Functional Allocation of Expenses

Certain indirect program costs incurred at ICG's Brussels, Washington, New York and Paris offices have been allocated to programs on a functional basis in the statement of activities. Such costs include advocacy, communications, research and program development and support.

Note 4. Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash and temporary investments with original maturities of three months or less. Cash and cash equivalents were composed of the following at 30 June:

	2001	2000
Money market	1,256,082	705,416
Cash at bank	2,820,010	2,355,585
Other cash	80,693	34,409
	4,156,785	3,095,410

Note 5. Contributions Receivable

ICG recognises contribution revenue in the year the money is received or the unconditional pledge is made. ICG receives donations from foundations, governments and individuals. Contributions receivable represent contributions made as of June 30, 2001 and 2000 for which the funds have yet to be received. Funds are receivable within one year and are as follows:

Contributors	Designated program	2001	2000
Taiwan	Core	700,000	850,000
United Kingdom	Core	456,158	912,315
Charles Stewart Mott Foundation	Core	250,000	—
Sweden	Core	184,216	—
Canada	Balkans	132,057	—
Hewlett Foundation	Core	100,000	250,000
Ireland	Kosovo	80,855	—
Australia	Indonesia	59,524	120,584
The Netherlands	Core	50,000	—
Germany	Balkans	42,452	—

The Netherlands	Kosovo	20,000	20,000
Individuals	Core	15,000	—
Sasakawa Peace Foundation	Indonesia	10,000	—
EEC	Humanitarian Law Doc. Project	—	228,865
EEC	Justice in Bosnia	—	39,343
Austria	Balkans	—	10,378
Total		2,100,262	2,431,485

Note 6. Fixed Assets

Depreciation is calculated utilizing the straight line method over three years based on the estimated useful life of the assets. Depreciation expense for the years ended 30 June 2001 and 2000 was \$ 94,180 and \$ 164,566 respectively.

Fixed assets as of 30 June 2001 consist of:

	Fixed assets	Accumulated Depreciation	Net value
Office furniture and equipment	452,288	(192,058)	260,230
Vehicles	123,256	(98,134)	25,122
Office equipment (Humanitarian Law Documentation Project)	2,520	(1,780)	740
Total	578,064	(291,972)	286,092

Fixed assets as of 30 June 2000 consist of:

	Fixed assets	Accumulated Depreciation	Net value
Office equipment (Head Office)	208,549	(110,482)	98,067
Vehicles	109,781	(86,460)	23,321
Office equipment (Humanitarian Law Documentation Project)	2,520	(850)	1,670
Total	320,850	(197,792)	123,058

Note 7. Exchange Fluctuations

As a result of operating in various countries, realised exchange effects have been recorded based on monthly current rates. Net realised exchange effects are as follows for the years ended 30 June:

	2001	2000
Net realised loss on exchange	178,144	179,446
Net realised gain on exchange	(56,654)	(226,772)
	121,490	(47,326)

At 30 June 2001 and 2000, all items of the statement of financial position denominated in foreign currencies have been translated at their respective year-end rates and have generated unrealised exchange effects in the amounts of \$ 133 and \$ 103,683, respectively.

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of June 30:

	2001	2000
Southern Balkans Project	355,329	14,161
Indonesia Project	179,359	148,932
Algeria Project	99,956	83,314
Kosovo Project	80,855	—
Thematic Research	20,000	—
Central Africa Project	—	64,046
Nicolas Hinton Research Fellowship	—	37,661
	735,499	348,114

Temporarily restricted net assets have been released from restrictions due to the satisfaction of the following programs or services for the year ended June 30:

	2001	2000
Southern Balkans Projects	474,491	281,608
Algeria Project	133,358	4,223
Africa Program	125,000	—
Asia Program	125,000	—
Central Africa Project	123,180	237,823
Indonesia Project	119,573	32,733
Nicolas Hinton Research Fellowship	38,388	20,723
Thematic Research	35,000	3,000
Kosovo Project	20,000	200,000
Humanitarian Law Documentation Project	—	1,349,145
Bosnia Project	—	283,383
	1,193,990	2,412,638



ICG Reports and Briefing Papers Published in 2001

All reports and papers are available at ICG's website:

www.crisisweb.org

AFRICA

Algeria

The Civil Concord: A Peace Initiative Wasted
Africa Report N°31, 9 July 2001 (also available in French)

Algeria's Economy: A Vicious Circle of Oil and Violence

Africa Report N° 36, 26 October 2001
(also available in French)

Burundi

Burundi: Breaking the Deadlock, The Urgent Need for a New Negotiating Framework

Africa Report N°29, 14 May 2001 (also available in French)

Burundi: 100 Days to put the Peace Process back on Track

Africa Report N°33, 14 August 2001 (also available in French)

Democratic Republic Of Congo

From Kabila to Kabila: Prospects for Peace in the Congo
Africa Report N°27, 16 March 2001

Disarmament in the Congo: Investing in Conflict Prevention
Africa Briefing, 12 June 2001

The Inter-Congolese Dialogue: Political Negotiation or Game of Bluff?
Africa Report N° 37, 16 November 2001
(also available in French)

Disarmament in the Congo: Jump-Starting DDRRR to Prevent Further War
Africa Report N° 38, 14 December 2001

Rwanda

International Criminal Tribunal for Rwanda: Justice Delayed
Africa Report N°30, 7 June 2001 (also available in French)

'Consensual Democracy' in Post Genocide Rwanda: Evaluating the March 2001 District Elections
Africa Report N°34, 9 October 2001

Rwanda/Uganda: a Dangerous War of Nerves
Africa Briefing, 21 December 2001

Sierra Leone

Sierra Leone: Time for a New Military and Political Strategy

Africa Report N°28, 11 April 2001

Sierra Leone: Managing Uncertainty

Africa Report N°35, 24 October 2001

Sierra Leone: Ripe For Elections?

Africa Briefing, 19 December 2001

Zimbabwe

Zimbabwe in Crisis: Finding a Way Forward

Africa Report N°32, 13 July 2001

Zimbabwe: Time for International Action

Africa Briefing, 12 October 2001

ASIA

Central Asia

Islamist Mobilisation and Regional Security
Asia Report N°14, 1 March 2001 (also available in Russian)

Incubators of Conflict: Central Asia's Localised Poverty and Social Unrest
Asia Report N°16, 8 June 2001

Central Asia: Fault Lines in the New Security Map
Asia Report N°20, 4 July 2001

Uzbekistan at Ten: Repression and Instability
Asia Report N°21, 21 August 2001

Kyrgyzstan at Ten: Trouble in the 'Island of Democracy'
Asia Report N°22, 28 August 2001

Central Asian Perspectives on the 11 September and the Afghan Crisis
Central Asia Briefing, 28 September 2001
(also available in French)

Central Asia: Drugs and Conflict
Asia Report N° 25, 26 November 2001

Afghanistan and Central Asia: Priorities for Reconstruction and Development
Asia Report N° 26, 27 November 2001

Tajikistan: An Uncertain Peace
Asia Report N° 30, 24 December 2001

Indonesia

Indonesia: Impunity Versus Accountability for Gross Human Rights Violations

Asia Report N°12, 2 February 2001

Indonesia: National Police Reform

Asia Report N°13, 20 February 2001
(also available in Indonesian)

Indonesia's Presidential Crisis

Indonesia Briefing, 21 February 2001

Bad Debt: The Politics of Financial Reform in Indonesia

Asia Report N°15, 13 March 2001

Indonesia's Presidential Crisis: The Second Round

Indonesia Briefing, 21 May 2001

Aceh: Why Military Force Won't Bring Lasting Peace

Asia Report N°17, 12 June 2001 (also available in Indonesian)

Aceh: Can Autonomy Stem the Conflict?

Asia Report N°18, 27 June 2001

Communal Violence in Indonesia: Lessons from Kalimantan
Asia Report N°19, 27 June 2001

Indonesian-U.S. Military Ties
Indonesia Briefing, 18 July 2001

The Megawati Presidency
Indonesia Briefing, 10 September 2001

Indonesia: Ending Repression in Irian Jaya
Asia Report N°23, 20 September 2001

Indonesia: Violence and Radical Muslims
Indonesia Briefing, 10 October 2001

Indonesia: Next Steps in Military Reform
Asia Report N°24, 11 October 2001

Indonesia: Natural Resources and Law Enforcement
Asia Report N° 29, 20 December 2001

Myanmar

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Asia Report N°28, 7 December 2001

"The report on Burundi was quite remarkable. Thanks again for your work which is very useful for us and which helps to focus the attention of authorities of our country on these grave international problems."

Xavier de Villepin, Sénateur, Président de la Commission des Affaires Etrangères de la Défense et des Forces Armées, France, 22 August, 2001



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A pre-election Briefing, 18 April 2001

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Serbia's Transition: Reforms Under Siege
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After Milosevic: A Practical Agenda for Lasting Balkans Peace
Balkans Report N°108, 26 April 2001

Milosevic in The Hague: What it Means for Yugoslavia and the Region
Balkans Briefing, 6 July 2001

Bin Laden and the Balkans: The Politics of Anti-Terrorism
Balkans Report N°119, 9 November 2001

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EU Crisis Response Capability: Institutions and Processes for Conflict Prevention and Management
Issues Report N°2, 26 June 2001

The European Humanitarian Aid Office (ECHO): Crisis Response in the Grey Lane
Issues Briefing Paper, 26 June 2001

"The ICG report makes important recommendations. Frankly, they are what we should have been doing years ago."

Senator Patrick Leahy, Chairman,
U.S. Senate Foreign Operations Subcommittee, 20 June 2001, on *HIV/AIDS as a Security Issue*.



ICG Priorities for 2002

Our primary task in 2002 is to continue to increase the effectiveness of ICG's policy and advocacy, while consolidating our organisational and financial base after a period of rapid and massive expansion.

Operations

The emphasis in 2002 will be on bringing to maturity and maximum productivity projects commenced in the last year – particularly the Latin America program, commenced in late 2001, and the new Middle East Program and expanded Asia Program launched as part of a new focus on global terrorism. ICG will also begin a Somalia project, and continue to explore options for some new projects, but the focus for the coming year needs to be on consolidation rather than further expansion.

In Latin America, with our Colombia project office now well established in Bogota, the overwhelming focus will be on mapping new paths to peace following the collapse of the peace process in February 2002.

In the Middle East, and with our expanded Asia program, we aim to have by mid 2002 coverage of the entire region from Pakistan to Algeria through analysts based in our Amman and Islamabad project offices, and elsewhere on the ground. The emphasis will be on identifying measures to build internal and regional stability, and – in particular – the capacity and will of states in the region to fight extremist violence internally and in cooperation with the international community.

Policy

Further effort will be devoted to ensuring that ICG's policy prescriptions are as sharp, relevant, well-timed and practical as possible, with reinforced emphasis on subjecting draft recommendations to broader review. More input will be solicited from officials in Washington, New York and European capitals, and further efforts made to draw systematically upon the experience and expertise of Board Members.

Advocacy

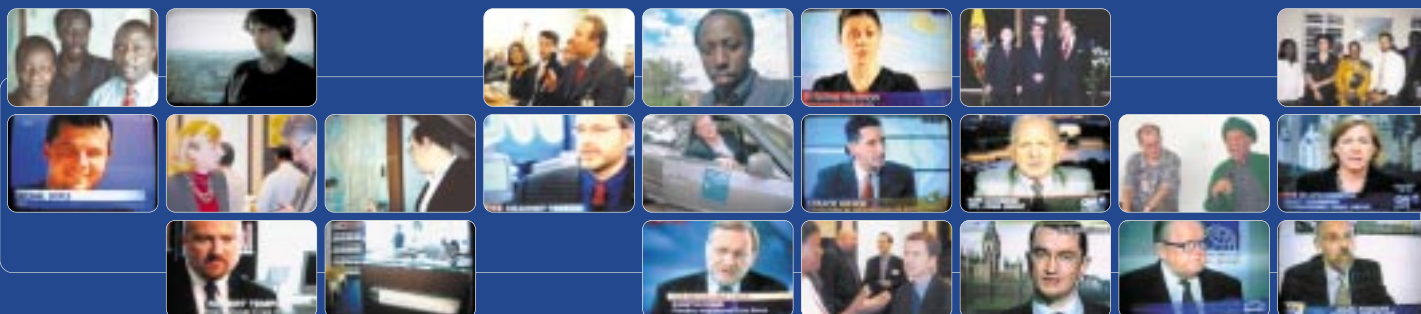
The challenge for 2002 is to better utilise the very strong resource base we now have for effective high-level and media advocacy – with our high-quality Board, senior management and field staff, and through our advocacy centres in Brussels, Washington, New York and Paris. A new ICG Media Liaison Office in London will aim to raise the organisation's profile in one of the world's most important media centres. More emphasis needs to be put on following through on reports produced – by direct access to decision-makers and more pro-active media exposure – particularly in Europe. Recommendations, however good, don't always sell themselves.

Fundraising

To be optimally effective in the role ICG has now carved out for itself, while retaining its present character, the organisation needs a stable resource base of \$U.S.8 –10 million per annum. The greatest single organisational challenge for ICG in the coming year is to sustain an annual funding base which has now grown, in the last two years, to nearly \$9 million – from an average of around \$2.5 million during the organisation's first five years. Support from major foundations and governments needs to be maintained at least at present levels – likely to be difficult given the one-off character of some post-September 11 funding – and there needs to be a concerted new effort to raise funds from private individuals and others. A particular target in 2002 will be corporations in the finance, natural resources, travel and communications sectors, whose support so far has been very limited.

"I commend the ICG for the consistently useful reports it produces on conflict situations. One particular advantage of the ICG's work is that the insights and analysis in your reports reflect the fact that so many of you at the ICG bring long and varied experience at senior levels within and outside national governments to the new calling you have undertaken."

Kieran Prendergast, UN Under-Secretary General for Political Affairs, 10 July 2001



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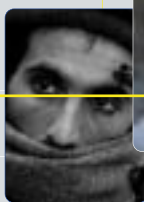
¹as of 1 March 2002.

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