The federation remains economically underdeveloped. The collapse of its armaments industry has led to unemployment levels often as high as 50 per cent in some regions.

Politicians still stand for ethnic interests as last year's elections showed: the nationalist Bosniak, Croat and Serb parties were returned to power.

The protectorate, headed since 2002 by Lord Ashdown, the former leader of Britain's Liberal Democrat party, has yet to complete any handover of power to the locals.

But as Office of the High Representative (OHR), charged with implementing the Dayton accords of 1995 that ended one of Europe's worst wars of the post-1945 period, Lord Ashdown's leadership style has come under scrutiny in two studies published this month.

One is from the Berlin-based European Stability Initiative (ESI), the other from the International Crisis Group (ICG) in Brussels.

The ESI report claims Lord Ashdown is acting like a leader from the British colonial period, accustomed to ruling by decree and having the right to sack judges and ministers. The ICG claims Lord Ashdown is caught in his own paradox.

If he is true to his word and wants to be the last OHR, "he will have to be become even more involved in order to get things done so that he can get out and hand power over"; it says.

Lord Ashdown says the criticisms do not take into account what has been achieved since 1995. One million refugees have returned. People are no longer afraid. The rule of law is taking root. Billions of dollars of aid have poured in.

Yet he has no qualms in exercising the so-called "Bonn powers" that allow him to rule by decree to push through reforms.

Balkan experts argue the problem is not Lord Ashdown's style of governing but rather a combination of other factors that stunts Bosnia's progress from protectorate to self-rule.

Several EU officials working in Bosnia say the Dayton accords, imposed on Bosnia to end the war and provide security, is becoming a strait-jacket. For example, if Bosnia wants eventually to join Nato, which its politicians say is their goal, it will need one defence ministry with one army.

Dayton created three armies in one entity precisely to stop one ethnic group dominating it.

"Dayton has to be amended on a case-by-case basis. We have to move on," says a European diplomat.

The US and Europeans have also been unable to build non-nationalist political parties largely because they have neglected the chronic underdevelopment of the country.

"Normal political parties represent interests of industry, or the middle class or the rural population," says Misha Glenny, Balkan historian. "The political parties in Bosnia cannot develop because Bosnia has been completely de-industrialised since its socialist-dominated armaments industry collapsed. As a result, parties resort to indecent money, rely on other ways to raise funds and play the nationalist card."
Gerald Knaus, ESI director, goes further. He says outsiders do not understand how underdeveloped the region is, especially the collapse of the socialist industry.

"This, along with the consequences of the war, makes it very different from central Europe," he says.

It is, however, the nature of a protectorate that has created a culture of dependence abetted by the lack of economic development.

"Protectorates do not tackle economic development. Regardless of who runs them, Europeans or Americans, their approach is dominated by security concerns," says Mr Knaus.

Once the security threat is passed, he argues protectorates start interpreting economic problems through the prism of organised crime and corruption.

"This is true for Bosnia, which is why there are so many problems there. For it to work, outsiders will have to do a fundamental rethink," says Mr Knaus.