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## ACRONYMS

BiH	Bosnia and Herzegovina
CARDS	Community Assistance for Reconstruction, Development and Stabilisation
CSD	Center for the Study of Democracy
DEI	Directorate for European Integration
EBRD	<i>European Bank for Reconstruction and Development</i>
EC	European Communities
ECAA	European Common Aviation Area
ECT	Energy Charter Treaty
EIB	European Investment Bank
ESDP	European Security and Defense Policy
EU	European Union
EUPM	European Union Police Mission
FBiH	Federation of Bosnia and Herzegovina
IC	International community
INTERBUS	International Occasional Carriage of Passengers by Coach and Bus
IPA	Instrument for Pre-Accession Assistance
ISPA	Instrument for Structural Policies for Pre-Accession
MS	Member states
NGO	Non-governmental organization
OHR	Office of the High Representative
PEEREA	Protocol on Energy Efficiency and Related Environmental Aspects
PHARE	Poland and Hungary: Assistance for Restructuring their Economies
RS	Serb Republic - Republika Srpska
SAA	Stabilisation and Association Agreement
SAPARD	Special Accession Programme for Agriculture and Rural Development
SELDI	Southeast Europe Leadership for Development and Integrity
SNSD	Alliance of Independent Social Democrats
TI	Transparency International
US	United States
WGI	World Bank Worldwide Governance Indicators
WTO	World Trade Organization

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## **I. INTRODUCTION: BOSNIA AND HERZEGOVINA AND THE EU**

Relations between Bosnia and Herzegovina (BiH) and the EU have been partly shaped by the legacy of conflict. The Dayton Peace Agreements (DPA) established a complex institutional structure for the governance of the country, involving many different national and sub-national institutions as well as international actors. The DPA provided for an Office of the High Representative (OHR) in BiH to oversee the civilian implementation of the Agreement. The OHR was given powers to adopt binding decisions when local parties seemed unable or unwilling to act, and to remove from public office public officials who violated legal commitments or the Agreement. All of the individuals who have headed the OHR have been from EU member states and, between 2002 and 2011, the High Representative also served as the EU Special Representative (EUSR). Since 2011, in preparation for the closure of the OHR, the EUSR has reported to the Head of the EU Delegation. The OHR is to be closed as soon as BiH meets a set of objectives relating to political and fiscal stability, constitutional reform, and the resolution of state and defence property. This is in turn a precondition for EU membership.

Owing to BiH's post-conflict status, the EU has also engaged with the country through its European Security and Defense Policy (ESDP). In particular, this has involved the provision of a European Union Police Mission (EUPM) in BiH. This succeeded the UN International Police Task Force which operated in BiH until 2002, as part of the UN Mission in BiH. The EUPM's role was to aid and support local police organisations, and it remained present in BiH until 30 June 2012.

The relationship with the EU began to transition to one more similar to that of other potential candidate countries in June 2003 when, along with other Western Balkan countries, BiH was identified as a potential candidate for EU membership during the Thessaloniki EU-Western Balkans Summit. The summit resulted in the Thessaloniki Declaration, which has guided the reform efforts of the Western Balkan countries in seeking to join the Union, as well as offering enhanced EU support for their endeavours.<sup>1</sup> BiH also became eligible for a different set of financial assistance from the EU.

The pathway to accession for Western Balkan countries is managed under the Stabilisation and Association Process (SAP). BiH has made progress on the SAP and signed its Stabilisation and Association Agreement (SAA) in 2008. However, although the SAA was ratified in 2011, it did not enter into force until 1 June 2015.<sup>2</sup>

Progress in meeting OHR objectives and EU conditions has been held up in particular by BiH's failure to implement the 2009 European Court of Human Rights ruling on the Sejdić-Finci case. This case saw two BiH citizens, of Roma and Jewish origin, contest the provisions of the 1995 Constitution which require candidates for the tripartite presidency of BiH and the Upper House of the national parliament to be ethnic Serbs, Croats or Bosniaks. The Court found that the relevant provisions violated the European Convention on Human

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<sup>1</sup> COUNCIL OF THE EUROPEAN UNION (2003) Thessaloniki European Council 19 and 20 June 2003. Available from: [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/ec/76279.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/76279.pdf).

<sup>2</sup> [http://europa.eu/rapid/press-release\\_IP-15-5086\\_en.htm](http://europa.eu/rapid/press-release_IP-15-5086_en.htm)

Rights (ECHR) on three counts. However, efforts to undertake the constitutional reform necessary to rectify this situation have stalled owing to a stalemate in domestic politics.

## II. STATE OF GOVERNANCE AND THE CHALLENGE OF ACCOUNTABILITY

The governance structure of BiH is highly complex and has been described as a “monster or chaotic democracy” (Gavrić et al, 2009). The constitutional, political and institutional framework is derived from the DPA, which set out arrangements for sharing power among geographical entities and ethnic groups. According to Tzifakis and Nikolaos (2008), Dayton has provided BiH with a rather incoherent institutional framework, creating an asymmetrical confederation of highly autonomous, ethnically based entities coupled with weak central institutions.

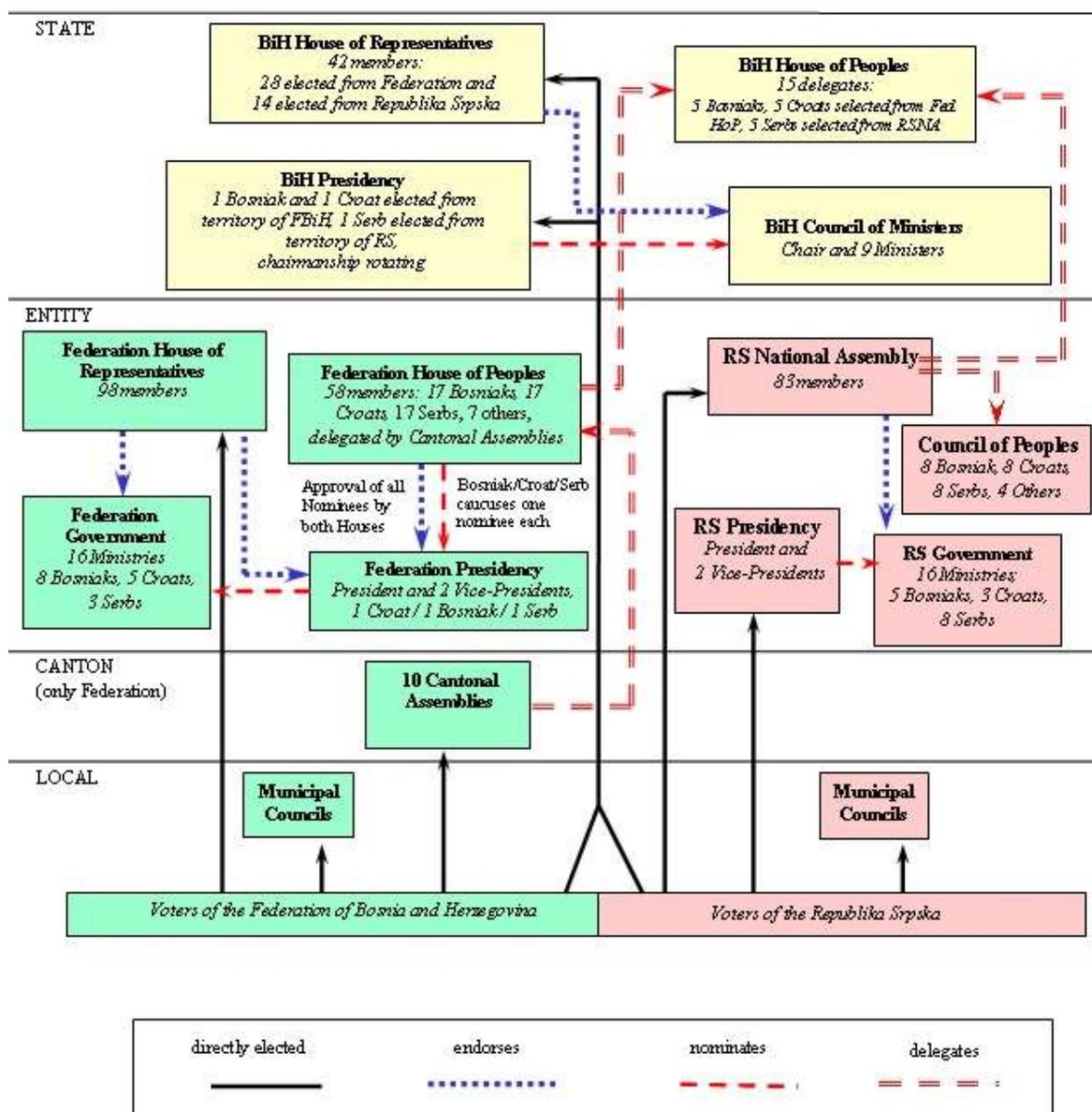
In sum, the BiH public administration, its jurisprudence and jurisdiction, is divided among:

- **The central state authorities.** Members of the Presidency, the House of Peoples, and the Council of Ministers are selected to fill positions that are designated as representatives of one of the three constituent peoples of Bosnia and Herzegovina (Bosniak, Croat, or Serb). The central state-level authorities are often regarded as fairly weak.
- **Two state-like ‘entities’: Republika Srpska (RS) and the Federation of Bosnia and Herzegovina (FBiH).** While RS is a highly centralised entity (covering more than 51% of BiH territory), FBiH is decentralized, consisting of **ten cantons** each with significant autonomy in terms of policy, regulation and institutional powers.
- **One self-governing district, Brčko.** This is a small territory that is not formally part of neither RS nor FBiH and not covered by their regulation.

At both state level and entity level, governance is divided among a full set of political institutions, i.e., a presidency, bicameral legislature, and an executive body or government (see Figure 1). In addition, each canton has its own assembly, while municipal councils run local affairs below the cantonal level.

Figure 1 The multi-level governance structure of Bosnia and Herzegovina

### BiH's Legislative and Executive Bodies



Data source: OHR in Belloni, 2007:45

As a result, the country has 13 governments, 14 parliaments and 260 appointed ministers, for a population of fewer than 3.8 million people (Agency for Statistics of BiH, 2013). Hulsey (2004: 11-12) suggests that

*“this system conforms to a consociational democracy system. Its chief characteristics are that each group is guaranteed representation in all bodies of government, each group exercises veto power over issues that affect its most important issues.”*

This formal power structure creates challenges in terms of determining responsibility and holding actors to account. Given a wide body of research which emphasizes the role of accountability in curbing corruption (Klitgaard 1991; Mungiu-Pippidi et al 2011) and the

importance of clarity of responsibility in particular (Schwindt-Bayer and Tavits 2016), it is likely that this complexity in itself increases the opportunities for corruption to occur undetected.

In addition to this complex 'internal' legal and institutional setting, there is also an international dimension to governance in BiH. The Dayton Agreement provided for an Office of the High Representative (OHR) in BiH to oversee the civilian implementation of the Agreement. The OHR's powers, also referred to as the "Bonn powers", are quite extensive: the Representative can enact laws when local parties seem unable or unwilling to act, or as a last resort remove public officials (even elected officials) who violate legal commitments or the Agreement (Szewczyk, 2010). The OHR was set up to provide assurance to the International Community (IC) that Dayton would be implemented and that peace in Bosnia would be sustainable.

International scholarship on the state of governance in BiH tends to focus on the post-conflict nature of the state or its status as an international protectorate in the middle of Europe. The governance regime and its deficiencies have been described as a "new feudalist social formation" (Deacon & Stubbs, 1997), and a "full-fledged colonial administration" (Chossudovsky, 1996). Although it is difficult to identify a colonial power that is 'exploiting' Bosnian resources, in many terms the impression of the state of governance in BiH is one of a 'self-governing colony'.

However, a detailed political economy analysis of how power is exercised in practice is lacking. Given the difficulty of mapping out even the formal institutions governing BiH, few scholars attempt to understand or evaluate the role of informal institutions. In particular, in order to understand whether governance is 'good' and to assess the risks of corruption, it would be necessary to evaluate the effectiveness in practice of horizontal and vertical accountability structures. BiH has many powerful but unaccountable institutions at all levels, with corrupt politicians potentially able to evade scrutiny by hiding behind the web of overlapping powers and responsibilities.

### **III. STATE OF EU CONDITIONALITY AND DEVELOPMENT ASSISTANCE**

#### **1 Institutional setting of EU assistance**

The main institutional framework for EU-BiH relations is the SAP, which provides a pathway for countries of the Western Balkans to make reforms and harmonise legislation with a view to eventual EU membership. BiH signed its SAA on 16th June 2008, thereby confirming its status as a potential candidate country, according to the "evolution clause". Article I of the SAA sets out a number of aims relating to strengthening democracy and the rule of law, contributing to political, economic and institutional stability in BiH and the surrounding region, providing an appropriate framework for political dialogue, and supporting the country's efforts to develop its economic and international cooperation and complete the transition to a functioning market economy. As such, it provides a set of political conditions which a country must meet before accession, in line with what Schimmelfennig and Sedelmeier (2004) term, 'democratic conditionality' (contrasted with 'acquis conditionality' which is the more technical process of legal harmonisation).

The chapter of the SAA concerning financial assistance states that BiH may receive financial assistance from the Community in the form of grants and loans, including loans from the European Investment Bank (EIB). This aid is also conditional on BiH satisfying the political aspects of the Copenhagen criteria (stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities) and meeting the specific priorities of the European Partnership (SAA, Article 112). However, there are no formal mechanisms for implementing this aspect of conditionality.

Financial assistance can be provided in any sector but special attention is to be paid to Justice and Home Affairs, as well as the harmonisation of legislation with the EU and economic development. As such, the SAA lays the foundation for the EU to provide financial assistance to BiH aimed at improving governance and controlling corruption. In addition to the SAA, BiH has a number of other formal agreements with the EU, of which the most important for political conditionality, governance and anti-corruption are:

- The **Interim Agreement on trade and trade related matters between the EC and BiH** entered into force in 2008. It aims to implement, as quickly as possible, the provisions of the trade and trade related matters of the SAA on the basis of reciprocity and mutual interest.
- The **Agreement between the EC and BiH on the facilitation of the issuance of visas** became effective 1<sup>st</sup> January 2008, launching the visa liberalisation process. This agreement provides for simplified procedures for issuing visas, including a visa fee waiver for a broad range of categories of citizens including students, sportsmen and sportswomen, cultural workers, journalists, people visiting family members living in the EU, people in need of medical treatment, businesspeople (European Commission, 2008).
- The **Agreement between the EC and BiH on the readmission of persons residing without authorisation** entered into force on 1<sup>st</sup> January 2008. This Agreement is focused on combating illegal immigration.
- The **Framework Agreement between the EC and BiH on the general principles for the participation of BiH in Community programmes** entered into force on 8<sup>th</sup> January 2007. The objective of the Agreement is to set specific terms and conditions, including financial contributions, regarding the participation of BiH in each of 24 Community programmes (Treaties Office Database, 2008).
- The **Agreement between the EU and BiH on the activities of the European Union Police Mission (EUPM)** in BiH was the first mission conducted within the ESDP. It was launched on 1 January 2003 for an initial period of three years (European Commission, External Action, 2012). The BiH authorities, based on the estimation of the situation, requested a continuation of EUPM, which accordingly continued its activities, in a modified way, until 30 June 2012. The EUPM focused on the fight against organized crime and corruption, which included achieving coordination, communication and cooperation between BiH's 15 police agencies, as well as between law enforcement and judiciary (External Action, 2012).

Other agreements focus on creating a unified energy market, an aviation area and air services, transport links, and other trade-oriented rules.

## 2 Scope of EU development assistance for strengthening democracy and the rule of law

Since 2007, the EU has provided financial assistance to BiH through the Instrument for Pre-Accession Assistance (IPA). IPA replaced the five previous EU instruments for pre-accession: Phare, ISPA, SAPARD, the Turkey programme, and CARDS. As a potential candidate country, BiH had access to two of the five IPA components under the IPA programming period 2007-13, namely Component I (Transition Assistance and Institution Building) and Component II (Cross-Border Cooperation). According to data provided by the Delegation of the EU to BiH, the total value of the EU's financial assistance to BiH through IPA for 2007-13 amounted to approximately EUR594 million implemented through around 300 projects. The government was the recipient of 98% of the total amount, with the 48 civil society projects receiving only EUR 8.4 million. According to the database of EU funded projects in BiH, the goals of strengthening democratic institutions and the rule of law received around EUR220 million, or 37% of the total (Table 1).

*Table 1 EU funded projects in BiH by sector, 2007-13*

<b>Sector</b>	<b># of projects</b>	<b>Value (EUR)</b>
Democracy and governance	34	110.107.033
Rule of Law and fundamental rights	75	110.345.985
Environment	35	126.891.088
Transport	6	21.356.897
Energy	3	16.538.121
Competitiveness and innovation	27	44.747.559
Education, employment and social policies	24	42.948.300
Agriculture and rural development	10	21.559.033
Regional and territorial cooperation	114	16.928.889

*Data source: Delegation of the European Union to Bosnia and Herzegovina*

The management of EU assistance to BiH is complicated by the fragmented organizational structure of the BiH governance institutions, but also by the decision-making process on the EU side, as illustrated in the organigram of the organizational structure of BiH–EU relations (Figure 2). This diagram portrays the existing legal and institutional framework, as well as jurisdiction and jurisprudence of the bodies established to maintain BiH–EU relations. The complex decision-making and implementation structure would arguably make it difficult to enforce a stricter conditionality that related the use of assistance to particular activities or progress.

As seen in Figure 2, decision-making on the EU side starts with the decisions of the European Council, where each MS is represented and all national interests in relation to BiH

can be expressed. Each MS has veto power, which may allow it to significantly affect the entire process. This puts some states in the position of having a potential 'conflict of interest' - for example, Croatia, as a MS whose ethno-political groups have a high degree of representation in BiH, may affect the process from both sides: in its role as a MS of the EU and through relations with local politicians in BiH. The decisions of the Council are further delegated to the European Commission for implementation. Within BiH, EU power is organized through two bodies with significant powers: the Delegation of the EU Commission in BiH (hereafter, the Delegation) and the EU Special Representative (EUSR). However, these two bodies are accountable to the same person, the Head of the Delegation<sup>3</sup>.

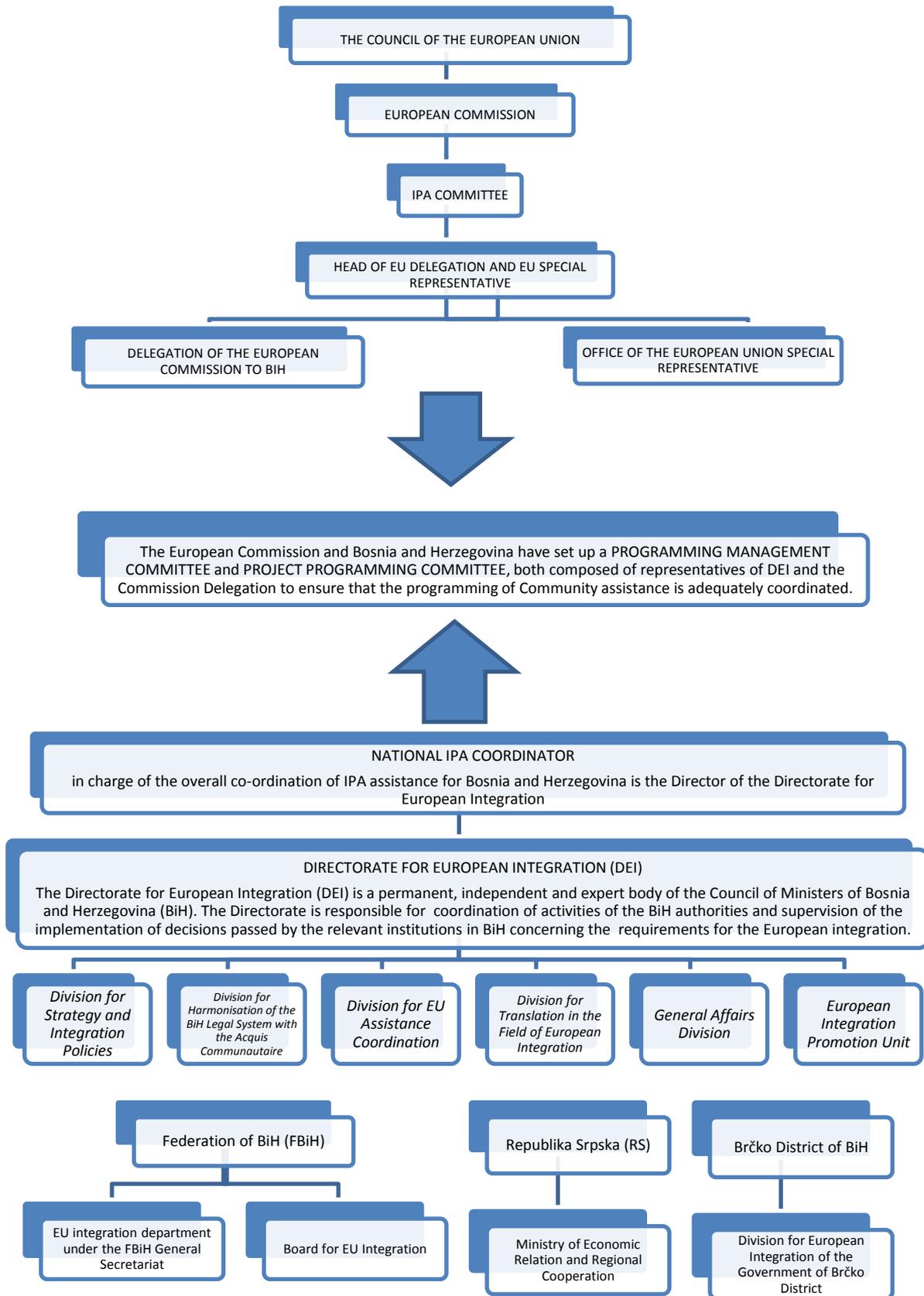
On the side of the BiH authorities, the process is even more complex. The activities of the three entities that comprise BiH - the Federation of BiH, Republika Srpska and Brčko district of BiH – are formally coordinated by the Directorate for European Integration (DEI) on the state level. However, the power dynamic is such that the DEI, as the state-level institution, is subordinated to the political demands of the entity actors.

The responsibility for coordination and communication among the two parties rests in the Programming Management Committee and Project Programming Committee. These are composed of representatives of the DEI and the EU Commission, and seek to ensure sure that the programming of Community assistance is adequately coordinated.

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<sup>3</sup> <http://www.eubih.eu/eu-delegation-eu-special-representative-in-bih>

Figure 2 An organigram of institutional relations for the management of EU financial assistance to BiH



Data source: authors' own compilation

On the BiH side, the National IPA coordinator is subordinate to the entity-level political and administrative actors. The decisions of entity representatives, and indeed the entire organizational structure on the BiH side, are exposed to the risk of veto by ethno-political power groups. This means that BiH policy and actions *vis a vis* the EU depend on the good will of the ethno-political parties and can be blocked at any time. In addition, the complicated structure of the Federation, consisting of ten cantons with considerable autonomy and differing ethno-political majorities, further complicates efforts to arrive at common or consistent positions in dealings with the EU.

### 3 EU conditionality in BiH

The provision of financial assistance to BiH is formally conditional on progress in satisfying the Copenhagen criteria and in meeting the specific priorities of the European Partnership (Council Decision 2008/211/EC), as well as the Copenhagen criteria. The political criteria are of most relevance to issues of governance, and aim at stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities, regional cooperation, good neighborly relations with enlargement countries and Member States, and compliance with international obligations, such as cooperation with the International Criminal Tribunal for the former Yugoslavia. The economic criteria relate to the existence of a functioning market economy and the capacity to cope with competitive pressure, while the third set of criteria relate to compliance with the *acquis*, as well as administrative capacity. Specific conditions are also included in individual annual programmes (Council Decision 2008/211/EC).

Progress is monitored through mechanisms established under the SAP, notably through annual reports produced by the Commission which judge BiH's progress against the Copenhagen criteria. However, although these reports monitor progress against defined tasks, they are not directly linked to decisions about whether to continue or withhold funding.

Both the EU part of the relationship and the BiH part may thus face difficulty in arriving at consensual positions among a multitude of players. Putnam characterises international negotiations as a two-level game, in which each of the main parties – i.e., in this case, the EU and BiH – must first negotiate with multiple actors in their domestic political arena (the domestic game), to agree a negotiating position. In the international negotiations, they then play a different game with one another, to arrive at a position which both sides can accept.

Putnam writes,

*“The unusual complexity of this two-level game is that moves that are rational for a player at one board (such as raising energy prices, conceding territory, or limiting auto imports) may be impolitic for that same player at the other board”.*

If one actor disrupts one game board by vetoing a previously accepted position, for example, this can prompt difficulties not just at the EU or BiH level, but also on the other party's 'home' game board. In the case of EU-BiH relations, the complexity is exacerbated by the multiple actors on each side. The situation should arguably be analysed as a three-level game, while veto powers and a tendency towards nationalist rhetoric hinder the achievement of

consensus at any level. In such circumstances, it is difficult to make progress in negotiations, or to hold particular institutions to account for their actions or inactions.

EU conditionality is often explained as a process of 'rule transfer' or externally provided governance. Schimmelfennig and Sedelmeier (2004) suggest that this works through an external incentives model of governance emphasizing that the effectiveness of such a governance model varies with the determinability of incentives, credibility of EU conditionality and the domestic political costs. The dominant logic underpinning EU conditionality is a bargaining strategy of reinforcement by reward, under which the EU provides external incentives for a target government to comply with its conditions. The extent to which this motivated reforms in the Central and East European countries that have joined the EU to date is debated, with some critics disputing the depth or sustainability of reforms. In the case of BiH, there are a variety of unique challenges to the effectiveness of such EU conditionality.

### **3.1 Democratic conditionality**

Incentivising democratic conditionality, or the political reforms that are necessary for progress, is particularly problematic in BiH. Compliance with EU conditions in politically sensitive areas - such as minority rights - always imposes a political cost for leaders in accession countries. Even in the CEE countries that have already joined, this sometimes meant that domestic politicians were unwilling to pursue reforms, or stalled progress, for fear of being punished by their domestic electorates – or sub-sections of voters - for introducing policies that were required by the EU but unpopular with local populations. Sometimes, the promise of EU accession acted as a powerful incentive in such cases, even against nationalist leaders as in, for example, Slovakia.

However, in BiH, the EU is required to simultaneously negotiate with several different nationalist authoritarian regimes within one country. The dynamic of motivating reform through the promise of improved EU relations has never gained traction. This may partly reflect the very long-term and distant nature of the 'prize' of EU accession. In addition, the local power structure means that it rarely makes sense for local politicians to make any sacrifices – in terms of undertaking reforms that are unpopular with their electorates – in return for achieving higher goals. In BiH, each ethno-political group exercises *veto power* over the most important issues facing the country (Hulseley, 2004). Schimmelfennig and Sedelmeier (2004) suggest that the likelihood of rule adoption – i.e., of implementing the changes required by the EU - decreases with the number of *veto players*. Thus, we might expect EU conditionality to have an insignificant impact in the areas where EU conditions require BiH's veto players to incur the highest political costs.

The power of each of the ethno-political groups in BiH depends only on the support they have from their ethnic constituencies, with little need for coalition-building to sustain themselves in power. The main political strategy of these groups is to maintain a perceived need for the political representation and protection of their constituencies (ethnic groups). Moreover, the provision of external incentives, the dominant approach of EU conditionality, tends to have differential impacts on different local actors, meaning that it can be difficult to achieve the necessary consensual support. In addition, other external actors - Serbia and Croatia based on ethnic links, Russia and the US based on their geopolitical interests - also have influence and bargaining power over different veto power actors. Thus renders EU efforts to communicate the incentives for reform less clear and comprehensible to the general public, undermining the pulling power of prospective EU membership.

In order to examine the political dynamics related to democratic conditionality more closely, we consider two case studies – one successful, one not – where the EU has sought to promote specific reforms.

### **3.1.1 Successful conditionality: Border controls and visa liberalisation**

One of the clearest cases where EU conditionality appears to have incentivised BiH political leaders to implement reform relates to policy concerning visas, border controls, asylum and migration. The EU offered an incentive which had strong appeal to the BiH population: the abolition of the visa regime for BiH citizens travelling to EU member states. To obtain this prize, it asked for cooperation and reform in the areas of border controls, asylum and migration. The BiH authorities cooperated with the EU requirements and fulfilled the necessary conditions unusually smoothly. The entire process lasted only two-and-a-half years, with most of the benchmarks met within just a few months.

The success of this policy appears to reflect four factors, two relating to each party.

*On the EU side:*

- The EU Commission set a clear – and rather short - roadmap of reforms for BiH to undertake in order to attain the abolition of the visa regime (interviews Martinović, Pudar 2016). These included reforms relating to border controls, across four areas: (i) document security; (ii) border/boundary and migration management; (iii) public order and security; and (iv) fundamental rights related to the freedom of movement.
- The political will within the EU was significant and consistent, largely because the roadmap included a variety of security-related issues (e.g., anti-terrorist provisions) that were seen as important for the security of the EU economic space and were widely supported by member states.

*On the BiH side:*

- These reforms came at little or no political cost to domestic politicians, but offered the potential for significant political gain. BiH citizens exerted considerable public pressure on domestic political actors to comply with the requirements of the EU, motivated by the promise of visa-free travel. This wide support among the population meant that there were few opportunities for politicians to engage in ethno-political point-scoring.
- An additional incentive for domestic politicians may have been that the reform process included some desirable goals, such as infrastructure projects at border crossings and the building of an asylum centre; this also contributed to the political will to act.<sup>4</sup>

The example of visa liberalisation suggests that change can be achieved relatively quickly when the EU is united and makes its requirements clear and achievable, and when the political will to comply exists on the BiH side, either as a result of public consensus or coinciding interests in the indirect benefits of pursuing reforms. However, in BiH, few issues meet these criteria and hence such successes are rare.

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<sup>4</sup> Interview with Pudar, January 2016.

### 3.1.2 Political stalemate: Police reform

In another case, concerning the reform of the BiH police, the European Commission exerted heavy pressure but failed to overcome a deadlock among local political leaders. Despite negotiations at all levels and the setting of strict conditions, all efforts to introduce a governance structure for the efficient country-wide coordination and control of police work have failed. According to our interview research, this largely reflects the fact that control of the police lay in the hands of politicians that were reluctant to give up power to the central level, including the RS and Brčko leaders and the leaders of cantons in the FBiH.<sup>5</sup> Public resistance to the reform of the police was largely led by Milorad Dodik, currently president of the RS (since 2010) and previously prime minister (1998-2001 and 2006-10). Dodik argued that the proposed reform would undermine the interests of Serbs in BiH and represented an attempt to dissolve the RS<sup>6</sup>.

Dodik and other RS politicians have frequently made the argument that any proposed 'transfer of competence' from RS to the BiH state level administration threatens the existence of the entity. While the conspiracy theory that the EU had a secret agenda of trying to dissolve the RS is outlandish, it is the case that any change or restructuring of the BiH constitutional or institutional framework implies that some political actors will lose some of their powers. As such, there are always vested interests opposing such reforms.

#### **1.2 Conditionality relating to EU development assistance during the 2007-13 programming period**

Given the rather distant prospect of EU membership and hence its weak 'pulling power' as a motivator of reform, we might expect the EU to rely more on conditionality relating to the provision of technical and financial assistance. We analysed several aspects of EU technical and financial assistance to BiH in order to determine whether there is a connection between the country's advancement as measured in progress reports and the assistance provided. Such analysis is hindered somewhat by the fact that the structure of financial and technical assistance does not fully follow the logic of the progress reports. There is no clear division between democratic and acquis-related conditionality, and no clear link between the conditions and the technical assistance provided.

In developing hypotheses, we assumed that progress towards meeting conditions typically imposes political costs on local actors, and that their willingness to receive technical and financial assistance in an area might therefore be related to their political commitment. We suggest that the relationship between absorption capacity – specifically, the difference between the amount of funds allocated (financial resources reserved for the country by the Commission) and the amount of funds disbursed (capacity of the country to absorb allocated funds on financial assistance programs) – and progress in meeting conditions might reflect political will to comply with conditions. On this reasoning, absorption capacity would be greater in cases where there was more political will to implement reform, as would progress. However, where there is high absorption capacity but weak progress, this might indicate a lack of political will.

Overall, we do not find a straightforward relationship between advancement in the progress reports (Appendix 2) and the size of financial assistance, in terms of either allocated or

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<sup>5</sup> Interviews with Martinović and Pudar, January 2016.

<sup>6</sup> <http://www.atvbl.com/dodik-nece-bit-reforme-policije/>

disbursed funds (Appendix 3). This in itself suggests that the EU does not emphasise conditionality in the allocation of technical and financial assistance, despite it being a formal requirement for eligibility. However, in certain areas, the relationship between funds and progress might be indicative of political will (or its absence). For example, in the area of public procurement and financial controls, the absorption rate in the observed period was 100%, and this correlates with satisfactory advancement in this category in the progress reports. The same applies for transport, especially in infrastructure projects, where the absorption rate was high. In the Justice and Home Affairs sector, however, there is a high rate of absorption of funds but poor progress; this might be indicative of a lack of political will in this area. In the area of climate change and environmental protection, there is moderate absorption of the EU funds (79%), but the progress report suggests that there is no progress in this area. In areas including statistics, social development, and business policies, the absorption ratio is relatively high (over 90%), and yet no advancement or limited advancement is indicated in the progress reports. In all of these areas, the Commission identifies the fragmentation of state powers as problematic, meaning that even where certain policies exist, they are not synchronised among the many levels of government or their implementation is not assured at all levels. On the other hand, on some issues, such as the WTO, progress has been satisfactory despite their being no specific financial assistance tied to it. Overall, we conclude that there is no clear relationship between financial and technical assistance, absorption capacity and progress in meeting EU conditions.

#### **IV. GOOD GOVERNANCE AND ANTICORRUPTION REALITIES**

Local civil society organizations have long referred to BiH as “one of the most corrupt countries in Europe” (Divjak, 2005). Academic literature suggests that corruption exists in many forms – including bribery, nepotism, embezzlement, diversion of public funds, tax fraud, illegal rent seeking, and kickback schemes (Devine & Mathisen, 2005). However, in assessing international corruption indicators, the situation is far from simple. One problem is that the fragmentation of power in the BiH institutional framework raises questions as to whether country-level indicators are likely to be informative. It might be more appropriate to conduct individual assessments of different administrative territories.

In addition, indicators of different aspects of governance suggest highly varied performance.<sup>7</sup> According to the WGI Control of Corruption indicators, BiH is one of the worst performers in Europe, although its performance did improve somewhat over the period 2006 to 2012 (see table 2). In terms of judicial independence, BiH outperforms many of the EU Member States, including Lithuania, Greece, Bulgaria, Croatia, Romania and Slovak Republic, and has seen considerable improvement over the period (see table 3). In terms of the Index of Favouritism in Decisions of Governmental Officials, published by the World Economic Forum in its Global Competitiveness Report, BiH is a mid-ranking country once again, and has seen significant improvements (see table 4).

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<sup>7</sup> Data sources: Freedom House, Freedom of the Press; World Economic Forum (2012) The Global Competitiveness Report 2012–2013 p.394; World Bank Worldwide Governance Indicators. To calculate total scores for selected indicators we used the methodology described in *The Good, the Bad and the Ugly* (Mungiu-Pippidi, 2013): the scores were assigned to each country depending on their ranking: 0 points were assigned to the best performers (above/below the average depending on the indicator), 1 point to the middle group and 2 points to the worst 5 countries.

*Table 2 The performance of BiH relative to other countries on the World Bank WGI Control of Corruption indicator, and comparing 2006 with 2012*

WGI Control of Corruption			
	2012	2006	Progress / regress 2006-2012
Denmark	100	99.5	0.50%
Sweden	99.04	98.00	1.05%
Finland	98.09	100.00	-1.95%
Netherlands	96.65	96.10	0.57%
Luxembourg	96.17	94.10	2.15%
Germany	93.78	92.70	1.15%
United Kingdom	92.34	93.20	-0.93%
Belgium	90.9	84.9	6.61%
Ireland	90.43	92.20	-1.96%
France	89.95	91.70	-1.94%
Austria	88.5	95.6	-8.00%
Cyprus	85.2	83.4	2.08%
Spain	81.82	83.90	-2.54%
Estonia	80.4	80.0	0.48%
Malta	79.90	82.40	-3.12%
Portugal	78.47	80.50	-2.59%
Slovenia	74.64	82.00	-9.86%
Poland	71.77	61.50	14.31%
Lithuania	66.03	59.50	9.89%
Hungary	64.59	73.20	-13.32%
Czech Republic	63.6	66.8	-4.97%
Latvia	63.5	66.3	-4.41%
Slovak Republic	60.29	70.20	-16.44%
FYR Macedonia	59.3	43.9	26.01%
Italy	57.89	67.30	-16.25%
Croatia	57.4	60.0	-4.50%
Montenegro	55.0	42.9	22.03%
Bulgaria	52.2	55.6	-6.61%
Greece	51.20	68.80	-34.39%
Romania	50.72	53.70	-5.88%
BIH	49.3	47.3	4.02%
Serbia	48.3	48.3	0.05%
<i>Average</i>	<i>74.61</i>	<i>75.48</i>	<i>-1.18%</i>

Table 3 Performance of BiH on indicator of judicial independence, compared to other countries and over time (2006-12)

Judicial Independence			
	2012	2006	Progress / regress 2006-2012
Finland	6.50	6.04	7.62%
Netherlands	6.40	6.25	2.40%
Ireland	6.30	6.10	3.28%
Germany	6.20	6.39	-2.97%
Sweden	6.20	5.41	14.60%
United Kingdom	6.20	6.11	1.47%
Denmark	6.00	6.25	-4.00%
Luxembourg	5.80	5.65	2.65%
Estonia	5.50	5.04	9.13%
Austria	5.20	5.85	-11.11%
Belgium	5.20	5.17	0.58%
Malta	5.00	5.20	-3.85%
France	4.90	5.09	-3.73%
Cyprus	4.80	5.30	-9.43%
Poland	4.20	3.45	21.74%
Latvia	4.00	3.67	8.99%
Spain	4.00	3.74	6.95%
Montenegro	3.90	N/A	
Portugal	3.90	5.63	-30.73%
Italy	3.80	3.54	7.34%
Slovenia	3.80	4.27	-11.01%
Czech Republic	3.70	4.07	-9.09%
Hungary	3.70	4.28	-13.55%
BIH	3.50	2.95	18.64%
Lithuania	3.50	3.14	11.46%
Greece	3.10	4.27	-27.40%
Bulgaria	2.90	2.52	15.08%
Croatia	2.80	3.06	-8.50%
FYR Macedonia	2.80	2.35	19.15%
Romania	2.70	2.74	-1.46%
Slovak Republic	2.70	3.47	-22.19%
Serbia	2.40	N/A	
Average	4.43	4.48	-1.26%

*Table 4 Performance of BiH on WEF Government Favouritism variable, in comparison with other EU member states and over 2006-12*

Favoritism in Decisions of Government Officials			
	2012	2006	Progress / regress 2006-2012
Sweden	5.30	4.73	10.75%
Netherlands	5.20	5.03	3.27%
Finland	5.10	5.23	-2.55%
Denmark	4.60	5.48	-19.13%
Germany	4.50	4.76	-5.78%
Luxembourg	4.30	4.57	-6.28%
United Kingdom	4.20	4.45	-5.95%
Belgium	4.10	3.82	6.83%
Estonia	4.10	3.61	11.95%
Ireland	4.10	4.16	-1.46%
Montenegro	4.00	N/A	
Austria	3.80	4.05	-6.58%
France	3.70	4.09	-10.54%
Cyprus	3.30	3.21	2.73%
Poland	3.30	2.98	9.70%
Spain	3.30	2.99	9.39%
Latvia	3.10	2.99	3.55%
Lithuania	3.10	2.79	10.00%
BIH	3.00	2.64	12.00%
FYR Macedonia	3.00	2.79	7.00%
Malta	3.00	3.00	0.00%
Portugal	3.00	4.09	-36.33%
Croatia	2.70	2.93	-8.52%
Bulgaria	2.60	2.27	12.69%
Hungary	2.60	2.79	-7.31%
Slovenia	2.60	3.28	-26.15%
Greece	2.50	3.08	-23.20%
Italy	2.50	2.73	-9.20%
Czech Republic	2.40	3.06	-27.50%
Romania	2.40	2.34	2.50%
Serbia	2.30	N/A	
Slovak Republic	2.10	2.69	-28.10%
Average	3.43	3.48	-1.43%

According to the Southeast Europe Leadership for Development and Integrity (SELDI)/ Center for the Study of Democracy (CSD) Corruption Monitoring System 2014, citizens of BiH are less pressured and less involved in corrupt activities than the citizens of six other countries of the region (Albania, Montenegro, Bulgaria, Serbia, Macedonia and Kosovo) (see Figure 3), as well as being more resilient to corruption pressure (see Figure 4).

Figure 3 Corruption pressure and involvement in corruption

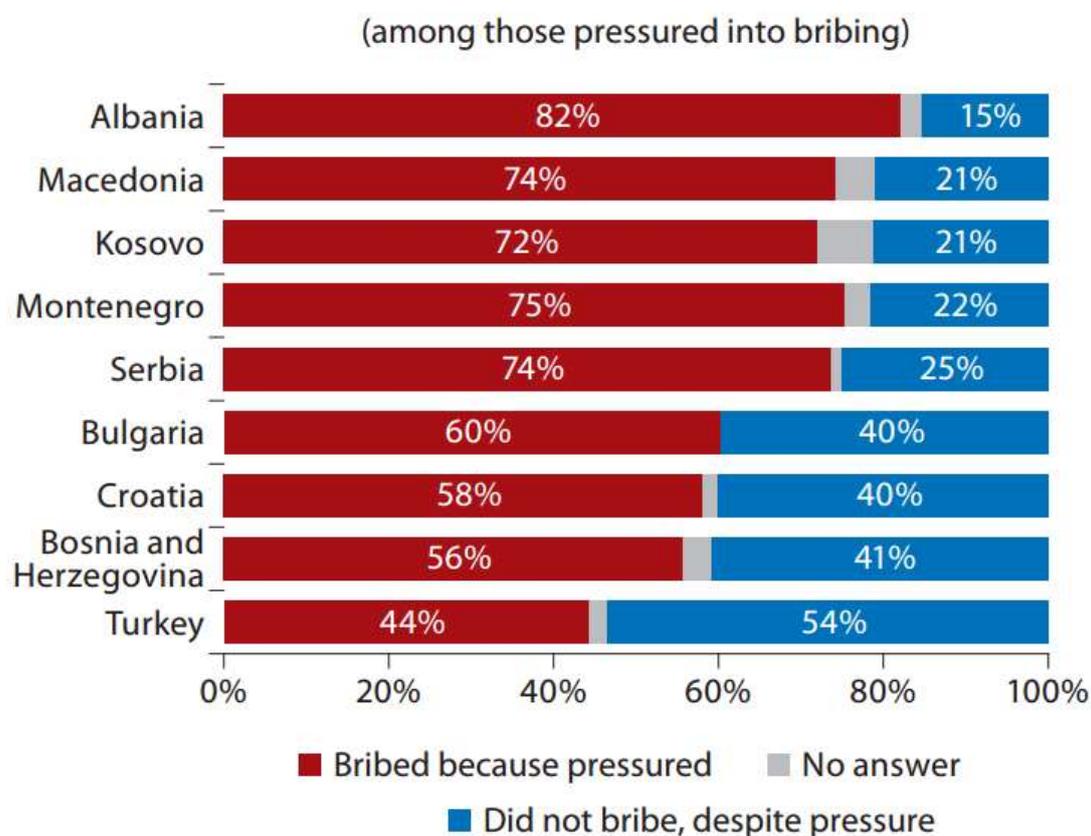
### Corruption pressure and involvement in corruption



Source: SELDI/CSD Corruption Monitoring System, 2014.

Figure 4 Resilience to corruption pressure

## Resilience to corruption pressure

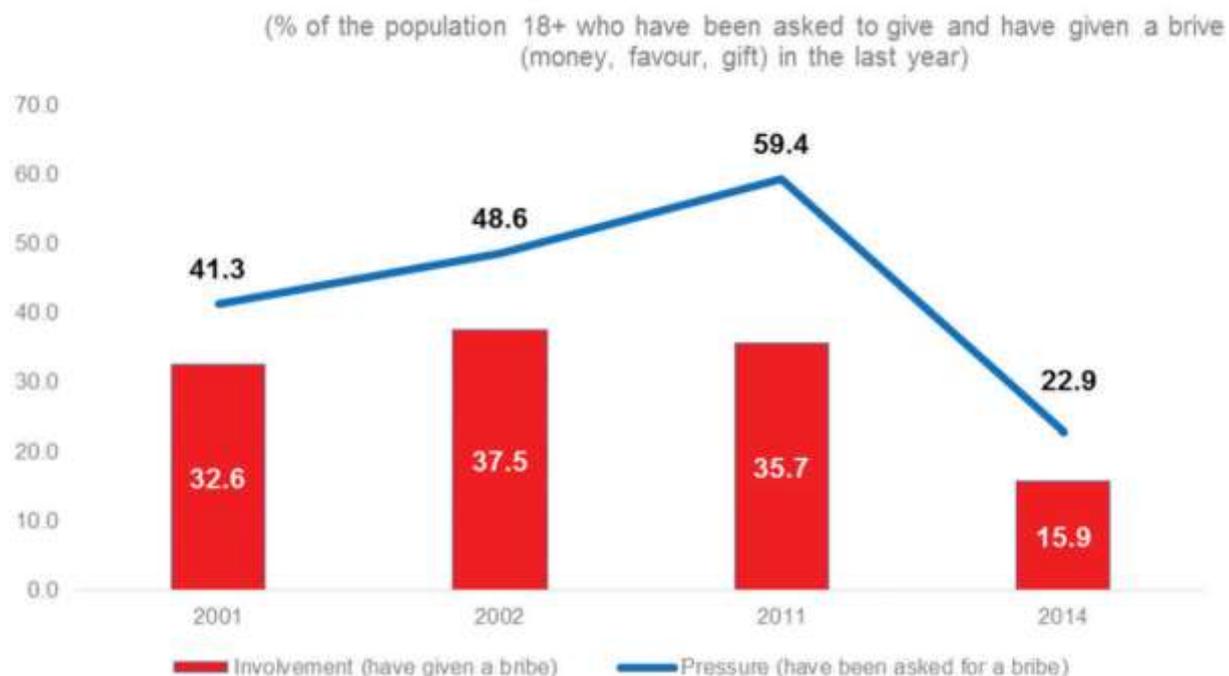


**Source:** SELDI/CSD Corruption Monitoring System, 2014.

The SELDI (2014) report uses the same methodology over time, providing a good indication of progress in controlling corruption (see Figure 5). BiH showed significant improvements in 2001, 2002, 2011 and 2014, with around 60% of respondents in 2014 reporting that they neither paid a bribe nor were asked to.<sup>8</sup>

<sup>8</sup> Corruption pressure and involvement in corruption measures the incidence of attempts by public officials to exert direct or indirect pressure on citizens in order to obtain money, gifts or favors. Citizens were asked how often, in contact with public sector officials, they have been asked or have been expected to give cash, gift or favor.

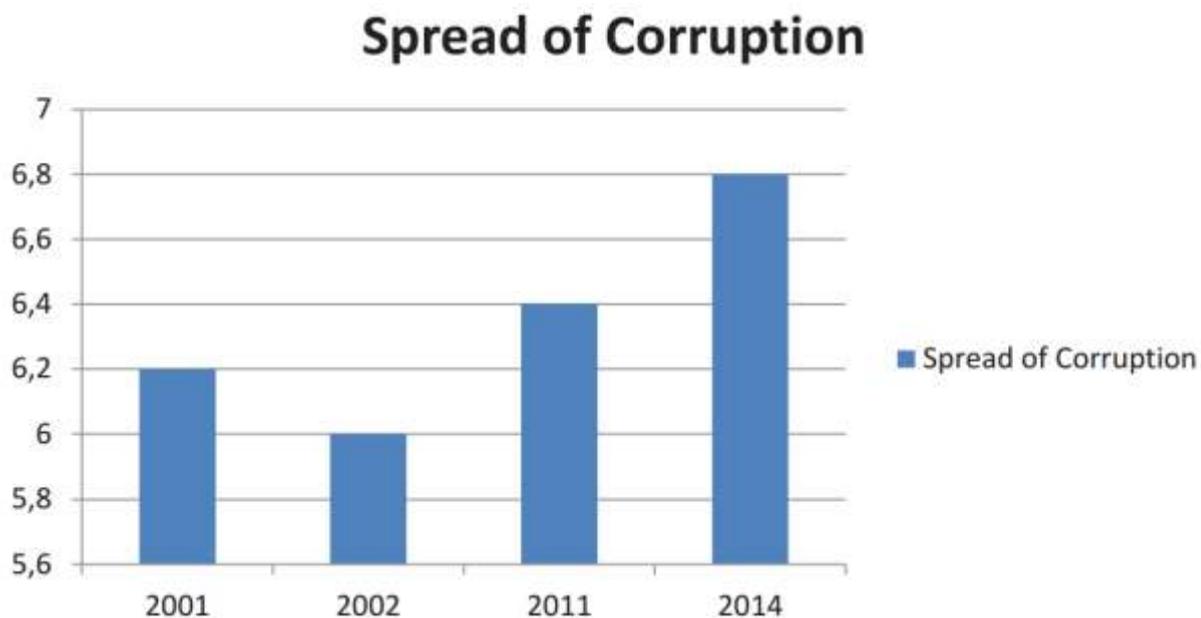
Figure 5 Corruption pressure and involvement in corruption, BiH (2014)



Source: SELDI Corruption Monitoring System, 2014

Given the complex sharing of power both between the International Community and local players, and among different parts of the BiH political and administrative system, it is difficult to attribute any causality to particular institutions or indeed to the various forms of EU conditionality. Moreover, while citizens' direct experience with corruption is improving, the spread of corruption in BiH is worsening, according to the same study. As shown in Figure 6, the spread of corruption worsened in 2011–14. Taken together, these differing results might suggest that corruption is not so much being better controlled, but is rather changing its form, so that citizens have less direct contact with corruption.

Figure 6 Spread of Corruption<sup>9</sup>, BiH (2014)



Source: SELDI Corruption Monitoring System, 2014

## V. DETAILED DIAGNOSTIC - IMPROVING GOVERNANCE THROUGH EU FINANCIAL ASSISTANCE

In countries that have not begun negotiations with the EU on accession and where the prospect of EU membership remains distant, technical and material assistance seems to be the EU's main source of bargaining power. In order to assess the impact of such assistance, we analysed progress reports (Appendix 2). We observed a period of twelve years (2006-14), classifying the progress made into three major categories (based on the language used in the Commission reports): 1. Good/Satisfactory/Advanced; 2. Limited/moderate; 3. No progress/setbacks. We analysed all of the progress reports in all chapters and designed a table that provides insight into different areas of external governance and the effect that conditionality and incentives have had over the local political, administrative and social issues. In addition, we added two variables: one to differentiate between democratic and acquis-related conditionality and another where the Commission cites fragmentation of the state as a key issue affecting progress.

The results are provided in Appendix 2, and summarized here:

- BiH made good/satisfactory/advanced progress in six of the 32 categories (approx. 19%) assessed by the Commission. Of these, only one category applies to democratic conditionality, while five are acquis-related.
- In 15 categories (47%), limited/moderate progress has been measured.
- No progress - or setbacks - is observed in 11 categories or 34%.

<sup>9</sup> Spread of Corruption registers citizens' assessments of spread of corrupt practices among public sector employees. In measuring, citizens were asked for their opinion on how far is corruption proliferated among the officials in the public sector.

This ratio shows that the overall progress of the country towards meeting EU criteria was relatively limited/moderate, over the course of twelve years. Moreover, in 21 categories out of 32 (66%), the fragmentation of the state administrative and political decision-making was cited as a roadblock to advancement.

Governance issues, including the fight against corruption, mostly relate to democratic conditionality. Yet only in one area of democratic conditionality – regional issues and international obligations – has satisfactory progress been recorded. Progress in this category is tied either to strong international instruments (such as cooperation with the ICTY) or incentives for economic cooperation (maintaining good economic and political relations with neighboring countries). In such areas, compliance tends to have little political cost for current actors. This finding supports our hypothesis that democratic conditionality works best where the local political costs of compliance are not high. However, in the areas where democratic conditionality threatens to disrupt the power equilibrium of ethno-political veto players (i.e. minority rights), no progress has been recorded in the last twelve years. This suggests that the EU's usual approach to conditionality in providing external incentives for internal reform is thwarted in BiH by the veto power of ethno-political groups.

This dominant model of rejecting universal rules that produce high political costs is visible in acquis-related conditionality as well. BiH has made progress, by contrast, in conditions relating to the participation of BiH economic actors in EU and global markets – once again, an area where compliance incurs low political costs for local ethno-political actors. Indeed, the relatively strong progress on WTO issues (necessary for global market participation) stands in stark contrast to the absence of progress on the issue of free movement of capital within the country (between entities).

With acquis-related conditionality, the issues relevant for tackling corruption include *Money laundering, Drugs, Police, Fighting organised crime and terrorism, and Protection of personal data*. These are areas that did not exhibit satisfactory progress. This is not surprising, given that fighting corruption inevitably challenges the interests of power holders, and here as well ethno-political groups may seek to use scaremongering about threats to ethnic group interests to block progress.

### **Formal and informal processes that influence conditionality**

To further explore the impact of EU assistance on the governance regime in BiH, we assessed the positions of local actors with regard to EU conditionality and the accession process. From interview research, it appears that BiH–EU relations could be characterized in three phases:

In the first phase, in the early 2000s, EU-BiH relations were highly institutionalised with good progress in meeting the requirements and preconditions for the EU assistance in BiH. This success might be attributed to three factors. First, the BiH institutions were relatively experienced in absorbing international aid after the Balkan wars. Second, the conditions attached to EU funds tended to be rather technical and non-political. Third, there was broad political will to follow the EU roadmap.

In a second phase, since around 2006, however, progress has been blocked on many levels. Locally, the rise of nationalist politicians, Dodik perhaps most vocal among them but by no means alone, has prevented coalition-building and consensus among local political actors.

In the EU realm, the Sejdić- Finci case at the European Court of Human Rights and the final verdict from 22 December 2009<sup>10</sup> has fundamentally challenged the Constitution (and therefore the DPA) on which the country's political settlement rests. Since implementation of the verdict would require changing the Constitution, this development has prompted political actors to begin discussions on the nature of possible structural changes to BiH's political and administrative framework. This in itself has introduced great uncertainty and insecurity to the political arena, making democratic conditionality even more sensitive and difficult.

Moreover, in the face of political torment and with the reform process blocked, representatives of the international community and the EU have increasingly resorted to using informal dialogue to engage with BiH political actors.<sup>11</sup> During the 2009-12 period, meetings between EU officials and representatives, including Commissioner Stefan Fule, and local political actors, were sometimes held in restaurants or similar informal settings, while political tradeoffs were made that undermined official and institutional decisions on both sides (EC and BiH) in terms of the programming of technical and financial.<sup>12</sup> Whilst aimed at facilitating progress on BiH–EU relations and reforms, this approach has proven rather counterproductive because it has further undermined the formal institutions of governance in the BiH. The EU has also become somewhat inconsistent in its communications regarding the conditions that accompany EU technical and financial assistance in the period 2009-12, also contributing to stagnation in progress. Pudar commented,

*“During that period it often appeared that one condition was set in official programing, and that we would receive messages from political actors or executive branch government representatives that such issue is not a condition anymore. That made our work in official programing more or less preposterous as decisions were obviously made in informal settings.”<sup>13</sup>*

Arguably, this approach particularly hindered progress on governance-related issues, since BiH's administrative asymmetry already made it difficult to translate political conditions into concrete changes on the ground. The inconsistency in EU communications therefore exacerbated insecurity among EU-BiH actors by making official institutions seem irrelevant and undermining the rule of law.

A third phase in BiH–EU relations began around 2012, when the process of programming and related conditionalities was re-institutionalized. The EU conditionalities that accompanied technical and financial assistance once more became stricter and clear to domestic actors.

The phenomenon of domestic political actors blocking political reforms that they perceived as a threat to their power or access to resources appears in our other findings. As stated earlier, for example, BiH has made progress in the area of *customs and taxation*, but failed to do so in the area of *the free movement of capital* between the entities. Our expert interviews suggested that this can be explained by the fact that the free movement of capital brings increased power and resources for political actors. The EU condition in this case was the establishment of an indirect taxation system (Value Added Tax). Therefore, as soon as the entity and national leaders had agreed on how to share out this tax income, they quickly

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<sup>10</sup> [http://www.mhrr.gov.ba/ured\\_zastupnika/novosti/default.aspx?id=1008&langTag=bs-BA](http://www.mhrr.gov.ba/ured_zastupnika/novosti/default.aspx?id=1008&langTag=bs-BA)

<sup>11</sup> Interview, Martinović 2016.

<sup>12</sup> Interviews with Martinović and Pudar.

<sup>13</sup> Interview, Pudar, 2016.

agreed on the establishment of the new system, without objecting to this transfer of competence as they had done on so many other issues aimed at unifying state systems. Making progress on the free movement of capital between the entities, on the other hand, would have challenged the established rent-seeking scheme. That attempt at reform was therefore undermined by domestic political actors.

Another example of how the interests of local politicians can block reform occurred during 2012-13, when the Social Democratic Party of BiH (at the time one of the leading political parties in the Federation and at the state level) signed an agreement with Dodik's political party, the Alliance of Independent Social Democrats (SNSD), regarding key national issues. This agreement was framed as an attempt to unblock some of the political processes in BiH<sup>14</sup>. However, our research suggests that it was in fact used primarily to block BiH's progress in the fight against corruption.<sup>15</sup> During that time, these two parties made several attempts to change the way state prosecutorial council worked were implemented, with the aim of ensuring that prosecutors were appointed by parliament, and therefore that they were subject to political influence (Martinović 2016). Most of these attempts were blocked by the EU and the international community. However, the alliance did succeed in amending the law on conflict of interest, and increasing political control over the commission responsible for deciding on conflicts of interest became highly politicized.<sup>16</sup> Although Dodik was the most vocal in publicly blocking the reforms, informal alliances of political actors are sometimes formed in order to avoid reforms that undermine their power or challenge the way that resources are distributed.

### **Resistance to political change**

Dodik's SNSD party has won nine elections in a row since 2006 – at national, entity and local levels. During this period, Dodik has resisted political challenges owing to several factors. First, he presents himself as the ultimate and supreme representative of the interests of Serbs in BiH, to the point where he equates his holding onto power with the survival of the entity of Republika Srpska. From this position, he can explain his resistance to governance-related reforms as an effort to protect the national interest of Serbs in the RS. Second, he has strengthened his clientelistic networks, including party members, their families, his own family and friends, and created a new politico-business elite interested in maintaining him in power. He has used clientelistic practices to capture key public institutions - including the judiciary, police and public companies – so as to remove checks on his power and facilitate rent-seeking. Third, he makes aggressive attacks on his opponents and on NGOs and independent media outlets that challenge his governance.

In an interview, Ms Martinović, an expert from Transparency International-BiH (TI-BiH), recounted the following example of the latter approach. In 2006, TI-BiH started investigating the privatisation of the Bosanski Brod oil refinery in the RS. TI-BiH was made to wait for more than a year before being provided with the content of the first version of the privatisation contract. Upon analysis, they found 43 irregularities in the contract. After these findings were published, and just before the local elections in 2008, Dodik launched a public campaign against TI BiH through the media that he controlled. These media claimed that TI BiH was a racketeering NGO, with a 'black book' of companies that it sought to destroy, and that it was

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<sup>14</sup> <http://www.oslobodjenje.ba/vijesti/bih/sporazum-sdp--snsd-obicna-igra-rijecima>

<sup>15</sup> Interview with Martinović, January 2016.

<sup>16</sup> Interview with Martinović, January 2016.

“representing foreign interests against Republic Srpska”. Although TI-BiH sued the media that published these claims, the RS courts have yet to reach a verdict, eight years later. At that time, TI-BiH was blocked in most of the RS media, and even when they managed to give an interview to *Oslobođenje*, a newspaper based in the Federation of BiH, the van transporting newspapers to Banja Luka (the RS administrative center) was intercepted and the entire edition confiscated. The result was that no news-stand carried *Oslobođenje* for the two days when it ran these interviews.

However, state capture and government favouritism is not unique to the RS or SNSD. All key BiH political parties have been in power at one point in all types of government body (national, entity, cantonal and municipal level). All of them exhibited some degree of favouritism, distributing resources in exchange for political loyalty. For example, at some elections, political parties ‘bought’ votes, and required photographic evidence (from a smart phone) that individuals complied.<sup>17</sup> Political competition in both entities is by now largely a matter of which party can best convince elites and voters that their patronage will bring greater benefits. As resources are limited, and political actors exercise control over potential institutional checks on corruption (including anti-corruption instruments, the judiciary and police), the key resistance to reforms originates from politicians’ need to protect themselves and their accumulated power. Claiming to defend ethnic interests is a useful tool in this power struggle.

In such an environment, the logic of EU assistance needs to be seriously reconsidered and creative solutions designed in order to move the country from the status quo. Strategic and significant investment in civil society and external control mechanisms (i.e. independent media) may be a possible solution. However, such assistance needs to be on a much larger scale and supported by clear EU conditions and incentives for general public. Otherwise, BiH will remain a ‘frozen state’.

## VI. CONCLUSIONS

In Central and Eastern Europe, Schimmelfennig and Sedelmeier (2004) distinguished between high-level democratic conditionality associated with the fundamental political principles of the EU, the norms of human rights and liberal democracy; and a more technical conditionality associated with harmonising legislation with the *acquis communautaire*. In CEE countries, democratic conditionality was prioritised, and *acquis* conditionality became operational only once accession negotiations start. In the case of BiH, however, meeting the demands of democratic conditionality has proved a long and slow process. It has often involved meeting conditions that do not apply to other states, such as cooperation with the International Criminal Tribunal on former Yugoslavia (ICTY) and has been complicated by the peculiarities of the Dayton settlement. Progress has sometimes been easier on *acquis*-related conditionality, despite that fact that this is not urgent. In these circumstances, conditionality on the provision of financial assistance to BiH might have been the most effective tool for the EU, but this opportunity has not been used much. This may reflect the difficulty of achieving clear divisions of responsibility among different actors and hence being able to reward success or punish obstructive behaviour.

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<sup>17</sup>Interview Martinović 2016.

Overall, EU conditionality in Bosnia and Herzegovina has suffered from a lack of clarity about intermediate objectives and difficulty in establishing the necessary political consensus to effect change. Small successes have been achieved only in narrow areas where these two problems can be overcome.

The lack of clarity about objectives has partly been a function of the administrative complexity on both the EU and BiH sides. This turned an ostensibly bilateral relationship into a much more fragmented and chaotic multi-level negotiation. In addition, in a situation where the goal of EU accession was a rather distant prospect, the EU would have needed to offer some more achievable interim goals. However, while European Commission progress reports often detail the lack of progress in specific areas, the EU has not been good at translating these into intermediate, achievable goals or in offering short-term rewards to motivate local efforts.

BiH's internal administrative complexity has also hindered the achievement of political consensus, because too many players have vetoes. Moreover, local actors are motivated to use their veto powers because reforms threaten their power, and because the institutional set-up allows them to exploit the formal division of power to build local patronage networks. In terms of the political discourse, local actors claim to defend ethnic interests, but are often more motivated by the need to maintain their own rent-seeking opportunities and cultivate the clientelist networks that help to keep them in power. In such circumstances, the EU's ability to communicate directly with the electorate is limited, and this damages public confidence in the EU's role in BiH.

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## APPENDIX I: Chronology of EU-BiH relations

1997: Regional Approach. The EU establishes political and economic conditionality for the development of bilateral relations.

June 1998: the EU-BiH Consultative Task Force (CTF) is established

May 1999: The EU proposes the new Stabilisation and Association Process for five countries of South-Eastern Europe, including BiH

June 2000: The European Council states that all the Stabilisation and Association countries are “potential candidates” for EU membership

November 2000: Zagreb Summit; the SAP is officially endorsed by the EU and the Western Balkan countries (including BiH)

2001: First year of the new CARDS programme, specifically designed for the Stabilisation and Association countries.

June 2003: Thessaloniki Summit; the SAP is confirmed as the EU policy for the Western Balkans. The EU perspective for these countries is confirmed

November 2003: The EC produces a Feasibility Study assessing BiH’s capacity to implement a future SAA. The study concludes that negotiations should start once BiH has made progress on 16 key priorities

June 2004: the EU adopts the first European Partnership for BiH (amended in 2006).

October 2005: The EC judges that BiH has made sufficient progress in the implementation of the Feasibility Study reforms and recommends starting SAA negotiations.

November 2005: SAA negotiations between the EU and BiH are officially launched.

December 2006: SAA Technical negotiations between the EU and BiH are successfully completed. However, the Agreement cannot be initialled and formally concluded due to lack of progress on key reforms.

December 2007: Following Commissioner for Enlargement Olli Rehn’s assessment that there is sufficient agreement on reforms among BiH political leaders, the Stabilisation and Association Agreement with Bosnia and Herzegovina is initialled in Sarajevo.

1 January 2008: Visa facilitation and readmission agreements enters into force

18 February 2008: A new European Partnership is adopted by the Council

20 February 2008: Bosnia and Herzegovina signed the IPA Framework Agreement

26 May 2008: Visa liberalisation dialogue launched

5 June 2008: European Commission presented the Roadmap setting out benchmarks for visa liberalisation

16 June 2008: European Commission and BiH signed the Stabilisation and Association Agreement and the Interim Agreement on trade and trade-related issues

1 July 2008: Interim Agreement on trade and trade-related issues enters into force

31 July 2008: BiH and the EC signed the Financing Agreement for the Instrument for Pre-accession Assistance (IPA) 2007 National Programme

15 December 2010: Visa free regime introduced for all BiH citizens having biometric passport

1 June 2015: Stabilisation and Association Agreement (SAA) between the EU and BiH enters fully into force

## Appendix 2 Overview of the Progress Reports on Bosnia and Herzegovina, 2006-2014

		PROGRESS			Context of conditionality			FRAGMENTATION
		Good/ Satisfactory/ Advanced	Limited/ Moderate	Little/ No Progress/ Setbacks	Democratic	Acquis related	Other	
<b>1. POLITICAL CRITERIA</b>								
<b>1.1 Democracy and the rule of law</b>								
1	1.1.1 Constitution /governance			X	X			X
2	1.1.2 Parliament/ elections		X		X			X
3	1.1.3 Public administration		X		X			X
4	1.1.4 Judicial system		X		X			X
5	1.1.5 Anticorruption policy		X		X			X
6	<b>1.2 Human rights and protection of minorities</b>		X		X			
7	<b>1.3 Regional issues and international obligations</b>	X			X			
8	<b>2. ECONOMIC CRITERIA</b>			X	X			X
<b>3. EUROPEAN STANDARDS</b>								
<b>3.1 Internal market</b>								

9	3.1.1 Free movement of goods		X		X	X
10	3.1.2 Movement of persons, services and right of establishment			X	X	X
11	3.1.3 Free movement of capital			X	X	X
12	3.1.4 Customs and taxation	X			X	
13	3.1.5 Competition		X		X	X
14	3.1.6 Public procurement	X			X	
15	3.1.7 Intellectual property law		X		X	X
16	3.1.8 Employment and social policies			X	X	X
17	3.1.9 Education and research		X		X	X
18	3.1.10 WTO issues	X			X	
<b>3.2 Sectoral policies</b>						
19	3.2.1 Industry and SMEs			X	X	X
20	3.2.2 Agriculture and fisheries			X	X	X
21	3.2.3 Environment			X	X	X
22	3.2.4 Energy			X	X	X
23	3.2.5 Transport policy	X			X	X

<b>24</b>	<i>3.2.6 Information society and media</i>			X		X		<b>X</b>
<b>25</b>	<i>3.2.7 Financial control</i>			X		X		<b>X</b>
<b>26</b>	<i>3.2.8 Statistics</i>			X		X		<b>X</b>
<b>3.3 Justice, freedom and security</b>								
<b>27</b>	<i>3.3.1 Visa, border control, asylum and migration</i>	X				X		<b>X</b>
<b>28</b>	<i>3.3.2 Money laundering</i>				X	X		<b>X</b>
<b>29</b>	<i>3.3.3 Drugs</i>			X		X		<b>X</b>
<b>30</b>	<i>3.3.4 Police</i>				X	X		<b>X</b>
<b>31</b>	<i>3.3.5 Fighting organised crime and terrorism</i>			X		X		<b>X</b>
<b>32</b>	<i>3.3.6 Protection of personal data</i>			X		X		

*Data source: authors' own computations*

Appendix 3 EU assistance in Bosnia and Herzegovina, completed projects, 2007-2014

<b>MIPD Sector</b>	<b>MIPD Subsector</b>	<b>Total Project Value (EUR)</b>	<b>Total Allocated Funds (EUR)</b>	<b>Total Disbursed Funds (EUR)</b>	<b>% share of Total disbursed Funds in Total Allocated Funds</b>	<b>Own Allocated Funds (EUR)</b>	<b>Own Disbursed Funds (EUR)</b>	<b>% share of Own Disbursed Funds in Own Allocated Funds</b>
<i>Justice and Home Affairs</i>	Judiciary	27.032.259	25.353.070	20.565.775	81%	6.545.329	5.545.329	85%
	Law Enforcement	1.111.729	1.111.729	642.469	58%	1.111.729	642.469	58%
	Civil Society	17.877.175	17.850.974	17.141.802	96%	17.850.974	17.141.802	96%
	<b>Total Subsector</b>	<b>46.021.163</b>	<b>44.315.773</b>	<b>38.350.046</b>	<b>87%</b>	<b>25.508.032</b>	<b>23.329.600</b>	91%
<i>Public administration reform</i>	Capacity to align with acquis and Civil Service including DIS	31.572.845	30.773.472	27.809.893	90%	30.773.472	27.809.893	90%
	Public Procurement and Financial Control	2.467.129	2.467.129	2.455.159	100%	2.467.129	2.455.159	100%
	Statistics	724.200	724.200	679.200	94%	724.200	679.200	94%
	Civil Society	9.534.122	8.998.600	7.421.796	82%	8.998.600	7.421.796	82%
	<b>Total Subsector</b>	<b>44.298.296</b>	<b>42.963.401</b>	<b>38.366.048</b>	<b>89%</b>	<b>42.963.401</b>	<b>38.366.048</b>	89%
<i>Private Sector Development</i>	Institutional and Legal Framework, European Charter for Small Enterprises, Small Business Act, Competitiveness	18.783.322	17.818.744	16.188.184	91%	17.818.744	16.188.184	91%
	Business Environment, Land Management	1.631.901	1.604.887	1.455.496	91%	1.604.887	1.455.496	91%

	<b>Total Subsector</b>	<b>20.415.223</b>	<b>19.423.631</b>	<b>17.643.680</b>	<b>91%</b>	<b>19.423.631</b>	<b>17.643.680</b>	91%
<i>Transport</i>	Strategic, Institutional and Regulatory Framework	3.466.122	2.739.674	2.727.992	100%	2.739.674	2.727.992	100%
	Transport Infrastructure	3.250.253	3.257.723	3.256.229	100%	3.257.723	3.256.229	100%
	<b>Total Subsector</b>	<b>6.716.375</b>	<b>5.997.397</b>	<b>5.984.221</b>	<b>100%</b>	<b>5.997.397</b>	<b>5.984.221</b>	100%
<i>Environment and Climate Change</i>	Transposition and implementation of Environmental Acquis and other International Obligations	3.477.402	2.780.426	2.208.935	79%	2.780.426	2.208.935	79%
	Improve the Environmental Infrastructure	9.884.943	9.884.493	8.777.815	89%	9.884.493	8.777.815	89%
	<b>Total Subsector</b>	<b>13.362.345</b>	<b>12.664.919</b>	<b>10.986.750</b>	<b>87%</b>	<b>12.664.919</b>	<b>10.986.750</b>	87%
<i>Social Development</i>	Employment	1.977.782	1.977.782	1.947.827	98%	1.977.782	1.947.827	98%
	Social inclusion	19.671.334	19.155.350	17.376.970	91%	19.155.350	17.376.970	91%
	Education	12.043.359	11.963.841	10.796.251	90%	11.963.841	10.796.251	90%
	Social Development	245.554	245.554	212.261	86%	245.554	212.261	86%
	<b>Total Subsector</b>	<b>33.938.029</b>	<b>33.342.527</b>	<b>30.333.309</b>	<b>91%</b>	<b>33.342.527</b>	<b>30.333.309</b>	91%
<i>Cross-cutting Sector</i>		<b>15.552.012</b>	<b>15.394.879</b>	<b>12.351.162</b>	<b>80%</b>	<b>15.394.879</b>	<b>12.351.162</b>	80%
<b>TOTAL Sectors</b>		<b>180.303.443</b>	<b>174.102.527</b>	<b>154.015.216</b>	<b>88%</b>	<b>155.294.78</b>	<b>138.994.770</b>	90%

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*Data source: authors' own computations based on data from Ministry of Finance and Treasury BiH, PIMIS –Donor Mapping Database (DMD)*

