

Reform Agenda Can Still Be a Success



The latest report of the Democratization Policy Council argues that very limited time remains in 2017 to implement multiple structural reforms from the Reform Agenda, while many of them are objectively impossible to complete before 2018, an election year

The EU's new initiative for BiH, launched in December 2014 and based on a joint German-British initiative, has indeed met its core aim of unblocking the country's EU integration process that had been stalled for a decade. In less than two years, BiH completed the three steps on the path to EU integration – from the entering into force of the SAA, to the September 2016 General Affairs Council's referral of the membership application to the European Commission for an Opinion – seen as a reward for the fulfillment of a number of important conditions, including the development and initiation of a broad agenda for structural economic reforms.

However, completion of these stages has been based almost entirely on the EU retreating from its stated conditions, according to "Substantial Change on the Horizon? A Monitoring Report on the EU's New Bosnia and Herzegovina Initiative" report, authored by Bodo Weber, with contribution from Valery Perry.

An Ambitious Agenda

The EU diluted conditionality (and on one occasion fully dropped it) and it was only due to the resistance of a few, pro-active member states – primarily the UK, Germany and the Netherlands – that the EU did not drop conditionality entirely from its implementation toolkit.

Declarative progress has been facilitated by the EU's acceptance of the formal fulfillment of conditions with no interest at all in the substance of the solutions agreed among political leaders in BiH. Those agreements, enabled by some of BiH's political elites bowing tactically to EU pressure, have in some cases damaged BiH's economic interests, undermined the constitutional order of the country, and even violated the EU's Stabilization and Association Agreement with the Western Balkan country. What's more, two of the formally fulfilled conditions (a functioning coordination mechanism and validation of census results) may very well never be applied in practice, and thus not serve the purpose for which the EU made them a condition in the first place, ending up instead as mere boxes to tick by Brussels.

Regarding the centerpiece of the EU initiative, the Reform Agenda 2015-2018, the EU cajoled BiH political leaders to compile an ambitious, broad agenda for structural economic reform and set in motion a certain reform momentum. If fully implemented and taken to its logical conclusion, the Reform Agenda could do much to uproot the system of political patronage that has prevented the democratic and market economic transformation of the country since the end of the war and caused a permanent, structural, political, and socio-economic crisis.

However, in September 2016, when the EU made its decision to complete the last step in its initiative, most of the really substantial, politically and socially painful reforms were still only at a preparatory stage, and remain in the same stage today. At the same time, implemented reforms, such as the adoption of new labor laws in both entities, have been much less substantial than proclaimed by these governments, the EU, and the international financial institutions. Due to political resistance, there were already serious delays in the implementation of the Reform Agenda during 2015 and 2016. As 2018 will be an election year, very limited time remains in 2017 to implement those multiple structural reforms, while many of them (such as public administration reform and restructuring of public enterprises) are objectively impossible to complete within that time-frame.

Entrenched Ethnonationalist Interests

The EU's focus on socio-economic reforms was supposed to insulate the reform process from the political elites' ethnonationalist politics-as-usual. But the Reform Agenda implementation process has nevertheless hit on entrenched ethnonationalist interests and divisive constitutional issues. This is

most pronounced in the Federation, where conflicts between the main Croat and Bosniak coalition partners had drastically slowed down the work of the entity government and parliament. In addition, various ethnopolitical conflicts among the ruling political elites, not linked to the Reform Agenda, have regularly slowed down government operations, precisely because they served as a useful distraction from socio-economic reforms. Finally, prospects for success of the structural economic reforms, even if fully implemented, are seriously threatened due to the lack of rule of law in BiH. It is both worrying and indicative that the rule of law is the only element of the Reform Agenda on which targets are exceedingly low. Consequently, the impact of measures implemented to date on the structural problems of the judiciary and the police agencies in the country has been negligible; political elites have continued their attacks on the judiciary and their attempts to roll back reforms, yet the EU continues to eschew serious pushback.

A Multitude of Uncertainties

When it comes to the performance and role of the various actors involved in the Reform Agenda process, there is a widening gap between the EU, which has moved back towards compromising over conditionality, and the IFIs, which have moved towards exceptionally tough and strict conditionality. This mismatch threatens to lead to developments where the IFIs' persistence in enforcing substantial, structural reforms results in serious clashes with BiH's political elites and/or in renewed social unrest, while the EU remains politically unprepared to face any such scenarios which might pose a threat to the stability of the country. At the same time, by turning the Reform Agenda process into a closed-shop operation, the EU has

again excluded civil society and the citizens of BiH from engagement in the process, and missed the opportunity to turn them into allies for pressuring the political elites to undertake substantial reforms. This is more serious than it may first appear, as it was the conclusion that political elites are unwilling to undertake real reforms and are thus genuinely disinterested in EU integration that marked the starting point of the EU initiative.

Given these developments, prospects for the successful further implementation of the Reform Agenda appear grim, even more so because there are a multitude of uncertainties regarding the way forward. The EU weakened conditionality for the last step of its initiative in BiH from "full implementation" to "meaningful progress" in implementing the Reform Agenda, and there is no plan in place on the further conduct towards full implementation, including on how to condition progress with the next steps in EU integration. Also, on December 9, 2016, the European Commission handed the Questionnaire over to BiH authorities, the answers to which will enable the preparation of its opinion on the membership application. State institutions at all governance levels in the coming months will be busy answering several thousands of questions. There is a risk that they will lose focus on implementing the Reform Agenda, or even worse, that political elites will use the Questionnaire as a cover-up to block further reforms. Finally, due to the UK's preparations to exit the European Union, Germany is losing its strategic partner in pushing the Reform Agenda in BiH and within the EU, while no new strategic partners among member states are in sight. And the overall geopolitical instability marked by the continuous crisis of the EU, and the unclear global role of the US under a Trump administration, does

not make a European focus on BiH easier.

However, the Reform Agenda process has also proven that the leading international actors in BiH can successfully push for the country to adopt reforms, despite worsening international political conditions – as demonstrated first and foremost by the IMF's performance of tough conditionality. While many EU officials continue to argue that conditionality doesn't work in BiH, this is neither true nor the reason for the meager results of the Reform Agenda to date. Rather, the EU's apparent allergy to sustained and consistently strict conditionality squanders its leverage, which could be employed to drive forward movement. It was limited political will within the German government in 2014 to seriously deal with BiH that shaped the German-British initiative. On the Berlin side, it originated in the foreign ministry, not the Chancellor's office, and it was developed at the middle layer of the ministry's hierarchy, as top officials had been occupied with the Ukraine crisis. As a German government official in 2016 concluded regarding Berlin's role in the Reform Agenda process, enforcing tough conditionality "would require strong political interest; but Chancellor Merkel has too many other things to do."

EU Will Need Serious Political Will

This approach is counterproductive, and undercuts Germany's credibility. Better not to champion an initiative if there is not the requisite will to make it succeed. If the Reform Agenda fails, Germany and Britain will have "ownership" in the eyes of most – and correctly so.

The EU still stands a chance of leading the Reform Agenda towards successful completion and not ending up with the Agenda dead or perhaps having made things worse for BiH. It's not rocket science. To get there, the Union won't need to mobilize serious additional resources, but will need serious political will that so far has been lacking. Without that, the Reform Agenda will fail. That outcome would only ensure the continuing stranglehold of the political elite on the political, economic and social situation in BiH to the further and lasting detriment of its citizens and destabilization of the country.

Which reforms set out in the Reform Agenda will bring about real changes? Read the full report at http://www.democratizationpolicy.org/pdf/DPC_EU_BiH_Initiative_Monitoring_Report.pdf



It was limited political will within the German government in 2014 to seriously deal with BiH that shaped the German-British initiative