

Brussels is Letting Bosnia's Reform Agenda Slip Away



It will be a disaster for both Bosnia and the EU if Brussels continues its policy of abandoning conditionality in the country

On Wednesday, April 5, Bosnia's parliament rejected the request of the Council of Ministers - the government - to approve in urgent procedure a draft law on raising the excise tax on fuel - despite pressure from the EU Delegation, individual member states' ambassadors and the IMF. The measure is part of the Reform Agenda 2015-18 that forms the centerpiece of the EU's current initiative for BiH. It is also part of the conditionality in the IMF's current credit arrangement that it agreed with Bosnia in September 2016 as a support for reforms to be undertaken within the Reform Agenda framework.

New Approach, Old Problems

With their decision, that seems in part to be connected to the slowly [unofficially] starting campaign for the 2018 general elections, MPs have not only prevented the payment of the second tranche of the IMF credit so direly needed by the entities to keep their budgets stable. They have also thrown the EU's initiative for Bosnia into crisis only half a year after the EU congratulated itself for having allegedly unlocked the country's EU integration process and restored reform momentum.

The current EU initiative was launched in November 2014 by Germany and Britain and was subsequently adopted as the EU's new initiative for BiH.

Earlier, in February 2014, violent social protests had broken out in Bosnia and

Bodo Weber
BIRN

they marked the failure of the EU's previous policy approach in catalyzing real change in the country.

They enabled Berlin and London, whose dispute over the correct course of action to take in BiH had blocked the Union from having any meaningful policy, to get together behind a joint initiative.

The focus of the new initiative was on structural socio-economic reform. Sensitive political issues like constitutional reform were pushed aside, for consideration at a later stage, in order to unblock BiH's long-stalled EU integration process.

From a distance, the initiative may appear successful; in September 2016, less than two years after the start of the initiative, the EU's General Affairs Council, GAC, referred BiH's membership application to the European Commission to prepare an Opinion.

This marked the last of three steps in the EU integration process, originally foreseen as a reward for the fulfillment of certain reforms.

However, close examination of the state of reform within the scope of the EU initiative, undertaken by the author in a recent report ("Substantial Change on the Horizon?" - DPC policy paper in cooperation with Heinrich Boell Foundation in BiH), challenges this impression.

Bosnia's authorities were able to agree

with the EU and the International Financial Institutions, IFIs, on a broad agenda for socio-economic reform, the Reform Agenda 2015-18.

If fully implemented, the Agenda could profoundly undermine the country's patronage system - the system that forms the *raison d'être* of the political elites and is the main cause of the state's dysfunctionality and resistance to reform.

Retreating from Conditionality

The Agenda has indeed brought some momentum to reforms not seen in a decade. Most of the reform momentum is due to the actions of the IFIs, especially the IMF, which put in place new credit arrangements to support the Agenda and imposed strict financial conditionality. However, the reforms achieved so far are limited and fragile, the sustainability of the reforms is highly questionable and the long-term socio-political outlook remains tenuous.

In almost all reform areas covered by the Agenda, structural reforms are still at an early stage. Numerous delays have occurred since 2015 in the implementation of Reform Agenda measures, resulting from disputes among the ruling elites over their entrenched interests, which are endangered by the reforms. The year 2018 is an election year, which means that only a limited time slot remains to implement those multiple structural reforms. It is simply impossible



Loss of the EU initiative risks leading to renewed violent social unrest

for many of them to be completed within that timeframe.

With respect to other conditions the EU made on BiH's progress toward EU integration, the EU has continued its practice of retreating from conditionality in the face of resistance to reform.

EU institutions have compromised on their own conditions, lowered conditionality, ignored self-set deadlines and in some cases, have dropped conditionality entirely.

When the conditions were fulfilled, it was mainly due to the EU's inattention to the substance [or lack thereof] of the "solutions" agreed among BiH political leaders, thus turning conditionality into an exercise in mere box-ticking. The result is that some of the solutions may never function in practice, like the coordination mechanisms or the published results of the 2015 census.

Finally, the relationship between the EU and BiH in implementing the EU initiative has turned into a closed-shop operation.

Parliaments, civil society and the public at large have largely been bypassed in terms of policy development and policy-making.

The EU's unwillingness to develop – and its unfamiliarity with developing – a popular constituency has weakened its leverage and increased that of Bosnia's recalcitrant politicians.

Outlook for EU initiative is grim

Given this background, the prospects for the further implementation of the Reform Agenda appear grim, even more so because there are a multitude of uncertainties regarding the way forward. At the time it adopted the UK-German initiative in 2014, the EU weakened conditionality for the last step of its BiH initiative – referral of BiH's membership application to the European Commission – from "full implementation" to "meaningful progress" in implementing the Reform Agenda.

Currently, no plan is in place to press for full implementation as an absolute condition for further progress in EU accession.

The impact of this loss of leverage is visible in the EU's failure to convince the members of BiH's parliament to adopt the law on excise tax.

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.

Already there are signs that they will lose focus on implementing the Reform Agenda, or worse, that political elites could use the Questionnaire as an excuse to dodge further reforms.

However, the Reform Agenda process has proven that the leading international actors in BiH can successfully push for the country to get on a sustainable reform track – as demonstrated by the IMF's application of tough conditionality. It is not because conditionality doesn't or cannot work in BiH – as many EU officials argue – that the EU initiative has yielded only limited results. It is rather because the EU has lacked the political will to consistently signal and apply tough, strict conditionality.

A collapse of the Reform Agenda may not be just another failure of the EU in BiH. Loss of the EU initiative risks leading to renewed violent social unrest, with the likelihood that politicians will succeed this time in deflecting it in an ethnic direction, unlike 2014.

Such intentional diversion into ethnic violence would pose a direct security risk to the EU. To prevent such a scenario requires political will and leadership by the EU, primarily by Germany, to genuinely lead the Reform Agenda towards successful completion.

No substantial additional resources are needed, but a strategic re-thinking and adjustment of the initiative is required.

This process must include the EU's acceptance and inclusion of BiH's citizens as its allies in pushing for structural socio-economic reforms.

UK Foreign Secretary Visits State Police

The Foreign Secretary, Boris Johnson, visited the State Investigation and Protection Agency, SIPA, to see UK support for BiH's prevention of terrorism and organized crime. The UK is providing £1.8m of assistance to police bodies over 4 years to develop an intelligence-led approach to policing. This will allow the collection and sharing of data to identify



threats in advance and improve operations.

The Foreign Secretary met the Directors of security agencies at state and entity level and was briefed on the readiness of BiH agencies to deal with a variety of security threats. Those he met, which also included the Acting Chief Prosecutor, spoke to the Foreign Secretary about their commitment to improve work on counter terrorism and organized crime. The Foreign Secretary met and commended the SIPA team, which won a silver medal in a recent UK competitive exercise.

This was also an opportunity for the Foreign Secretary to meet BiH Armed Forces trained in both UK and BiH, the latter under a British Embassy program. This program uses UK best practice, including a merit-based approach to recruitment and high quality bespoke training. BiH officers have trained at the prestigious military academies of Sandhurst, RAFC Cranwell and RCDS.

The UK is committed to security and stability in the Western Balkans, said the British Embassy. British engagement in this area, through our project work and policy approach, helps support our partners to ensure the safety and security of BiH and the region, the Embassy said.